

25  
1 9 9 3  
2 0 1 8



**Raiffeisen  
BANK**

*Client inspired banking*

# ANNUAL REPORT 2017

# Annual Report 2017



*Client inspired banking*

# Contents

Survey of Key Data .....	3
Introducing Raiffeisenbank a.s. ....	4
Important Events in 2017 .....	5
Statement of the Chairman of the Board of Directors .....	8
Report of the Board of Directors on the Business Activities of the Company and the State of its Assets .....	9
Raiffeisenbank's Position on the Market.....	11
Business Activity.....	12
Non-commercial Activities.....	14
Basic Information about the Issuer.....	15
Information for Shareholders Pursuant to Section 118 (4) of Act No. 256/2004 Coll., On Capital Market Activities .....	16
Data on Securities Issued.....	26
Non-financial Information.....	28
2018: Expansion of Internet Banking and Further Growth.....	30
Statement of the Deputy Chairman of the Supervisory Board.....	31
Report of the Supervisory Board of Raiffeisenbank a.s.....	32
Executive and Supervisory Bodies.....	33
Organisational Chart.....	36
Economic Development .....	38
Comments on the IFRS Consolidated Financial Results .....	40
Financial Section .....	41
Independent Auditor's Report to the Shareholders of Raiffeisenbank a.s.	
Separate Financial Statements	
Consolidated Financial Statements	
Information on internal control policies and procedures and the issuer's approach to the risks to which it is or may be exposed in relation to the financial reporting process	
Significant Legal Disputes	
Data on Capital and Capital Requirements	
Definition of Alternative Performance Measures Employed	
Report on Relations between Related Parties	
Persons Responsible for the Annual Report	
Raiffeisen Bank International at a Glance.....	254
Addresses .....	255
The Raiffeisen Financial Group in the Czech Republic.....	261
Raiffeisenbank's Branches and Mortgage Centres.....	264

# Survey of Key Data

Unconsolidated data according to IFRS

In CZK thousand	2017	2016	2015	2014	2013
<b>Income Statement</b>					
Net interest income after provisioning	5,750,853	5,402,868	5,039,436	4,778,502	4,439,908
Net commission income	1,919,411	1,694,634	1,834,722	1,966,630	2,197,031
Net profit on financial operations	2,259,351	2,060,374	1,258,742	1,028,409	1,280,922
General administrative expenses	(6,041,384)	(6,112,611)	(5,074,645)	(5,227,389)	(6,918,848)
Profit before tax	3,924,552	3,286,780	3,154,783	2,533,237	1,056,988
Profit after tax	2,824,658	2,604,336	2,538,362	2,049,030	914,368
Earnings per share	2.55	2.35	2.29	1.91	0.93
<b>Balance Sheet</b>					
Loans and advances to banks	105,156,884	5,664,472	4,047,655	29,453,508	19,104,685
Loans and advances to customers	219,913,310	213,795,158	188,942,730	170,408,374	155,059,207
Deposits from banks	27,379,967	29,489,006	10,385,876	10,582,889	9,959,098
Deposits from customers	252,076,227	227,462,765	183,704,256	164,655,562	146,589,575
Equity	27,186,990	25,082,887	24,395,816	22,871,660	18,888,180
Balance-sheet total	337,874,148	318,278,079	246,325,030	226,028,508	196,686,775
<b>Regulatory information</b>					
Risk-weighted assets (credit risk)	111,567,499	108,429,398	102,694,443	112,446,348	118,719,558
Total own funds requirement	10,434,868	10,111,265	9,538,983	10,369,999	11,076,829
Total regulatory capital	23,074,380	22,145,560	21,171,347	20,869,679	18,305,020
Tier 1 ratio - Basel III	16.1%	15.4%	15.4%	13.3%	10.9%
Capital adequacy ratio	17.7%	17.5%	17.8%	16.1%	13.2%
<b>Performance</b>					
Return on average equity (ROAE) before tax	15.9%	14.2%	14.4%	13.4%	5.9%
Return on average equity (ROAE) after tax	11.4%	11.2%	11.6%	10.9%	5.1%
Cost/income ratio	58.1%	59.4%	54.6%	58.9%	74.5%
Return on average assets (ROAA) before tax	1.1%	1.1%	1.3%	1.2%	0.5%
Return on average assets (ROAA) after tax	0.8%	0.9%	1.1%	1.0%	0.5%
Net provisioning ratio	0.2%	0.4%	0.6%	0.7%	0.8%
Non-performing loans ratio	2.5%	3.6%	4.7%	6.0%	6.7%
Risk/earnings ratio	4.2%	8.6%	11.5%	12.5%	13.7%
<b>Resources as of reporting date</b>					
Recalculated number of staff	2,900	3,030	2,656	2,618	2,686
Business outlets	124	136	122	119	123

In August 2017, the Bank was awarded the following rating:

Rating agency	Long-term rating	Short-term rating	Outlook
Moody's Investor Service	Baa2	Prime-2	Stable

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

# Introducing Raiffeisenbank a.s.

## We've been with you for 25 years

The history of Raiffeisenbank reaches back to the 19th century. The traditional emblem and trademark of the Raiffeisen Group is the Giebelkreuz – 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. This is how Raiffeisenbank sees things even today. It is in excellent condition, and it is a healthy and strong bank providing a guarantee of security and stability in combination with modern banking products and services.

Raiffeisenbank has been operating on the Czech market since 1993. According to total assets, we are the fifth largest Czech bank firmly established on the domestic market.



Raiffeisenbank offers products and services to private individuals, entrepreneurs, and companies. 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! Client satisfaction is for us a key mantra in all that we do and offer as a bank.

The range of our products and services includes personal and business accounts, credit, savings and investment products, specialised financial services, and consultation for business clientele and large corporations. A detailed overview of all services is available at [www.rb.cz](http://www.rb.cz).

Raiffeisenbank's wide range of awards confirms the outstanding quality of the services it offers. One distinction that stands out among the others is our repeated success in the Hospodářské noviny awards where we managed as the first and still only bank in history to win in both main categories in the same year. As a part of these prestigious awards in 2017, we were awarded for the third time in a row as Most Client-Friendly Bank of the Year, which has never been accomplished by any other bank.

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. A prime example is the bank's partnership with Dobrý anděl (Good Angel). In 2017, the bank contributed over CZK 1.6 million to this foundation, of which CZK 650,000 was donated by the bank's employees.

Important events are always a reason for contemplation and evaluation. This is also the case on the occasion of Raiffeisenbank's 25th anniversary on the Czech market, which happens to be this year, 2018.

We are delighted to celebrate this anniversary with you!

25  
1993  
2018

# Important Events in 2017

## Raiffeisenbank opens a new branch office in Vyškov

During the gala opening of the branch office, the mayor of the town, Karel Goldemund, and the director of the Puškin Nursery School, Ivona Hendrichová, were presented with a cheque for CZK 30,000 for the purchase of playground equipment for the schoolyard. A second cheque for CZK 20,000 was presented to Ludvík Hess for operating the Vyškov babybox.



## Raiffeisenbank gets involved in film and television

As the first bank on the Czech market, Raiffeisenbank decided to get involved in film and television production. In association with the Audiovisual Producers' Association, the bank has prepared an offer for financing projects that fulfil the conditions for the system of film incentives of the State Cinematography Fund.

## Raiffeisen Investment Company introduces to the market a new fund for more experienced investors

Raiffeisen Investment Company has created a new fund intended for experienced investors. The Raiffeisen dividend fund is a dynamic mixed crown fund investing in large stable companies throughout the world, primarily equity instruments in a ratio of 70% shares, funds of funds, and ETFs and 30% bonds. A large part of the fund is directed to the USA and Europe.

## Raiffeisenbank is the first bank in the Czech Republic to become a member of Nasdaq Commodities

Raiffeisenbank has acquired the status of General Clearing Member (GCM) in Nasdaq Clearing, and starting on 1 March 2017, provides settlement services on the markets European Energy (EUR), Nordic Power (EUR), and Seafood (NOK). Thus, the Bank has expanded its portfolio of supported commodity exchanges with three new products.



## Raiffeisenbank offers clients new artistic designs

With the coming of spring, Raiffeisenbank prepared debit cards with an entirely new design. Starting in April 2017, clients' wallets were adorned with the drawings of the successful illustrator Maria Makeeva. The precision style of her drawings in combination with gold and black fit in perfectly with the bank's communication style.



## Raiffeisenbank offers new business accounts

According to the results of the research carried out for Raiffeisenbank by the agency IPSOS, entrepreneurs mostly lack with business accounts the efficient division of personal and business finances. In their opinion, the most important consideration when choosing the correct account is the amount of fees. Raiffeisenbank took these criteria into account when creating its new business accounts – eKonto SMART, eKonto KOMPLET PLUS, and eKonto EXCLUSIVE.

All of the new Raiffeisenbank business accounts include a business account for corporate finances as well as a private account eKonto KOMPLET for personal use. This full-service private account is equipped, for example, with an unlimited number of domestic electronic payments and withdrawals from all ATMs in the Czech Republic and abroad.

## Raiffeisen Investment Company presents a new realty fund

Starting in June 2017, Raiffeisen Investment Company offers a new realty fund investing in quality and verified real estate and realty companies. The fund is geared primarily to real estate in the Czech Republic. The maximum investment can be up to CZK 10 million. The first real estate in the realty fund is H-Park Heršpická Brno, which the fund acquired at the end of the year.

## Raiffeisenbank launches services for half a million hearing-impaired people

There are half a million people living in the Czech Republic with hearing disorders who are faced with difficulties handling everyday activities. For people communicating in sign language, Czech is a secondary language. They are, therefore, in need of assistance to interpret into their

native sign language. During October, Raiffeisenbank launched an online service Tiché spojení (Silent Connection) which allows deaf, hard-of-hearing, and hearing-impaired clients to communicate with the employees of the branch offices in real time by transcribing or interpreting spoken language into sign language. Transcribing speech is a significant benefit, especially for clients who do not use sign language and have lost their hearing during the course of their life.



TICHÉ SPOJENÍ

## Raiffeisenbank successfully integrates the clients of yet another bank – after Citibank, Zuno Bank as well

On Friday, 2 June 2017, Raiffeisenbank acquired all of the assets and liabilities of the Czech branch of ZUNO BANK AG. During the first June weekend, the technical transfer of ZUNO clients into Raiffeisenbank's system was executed. Hence, during one year, Raiffeisenbank has managed to integrate two Czech banks, Citibank and ZUNO, into its retail client portfolio.

## Clients have access to all features of the new Internet banking system

During 2017, Raiffeisenbank launched its new Internet banking for private clients, which has introduced many improvements. Raiffeisenbank's new Internet banking is more transparent, more user-friendly, and fully responsive. Thus, with the same comfort as before, clients may connect with their PC, tablet, or mobile phone. Thanks to the new Internet banking, clients have an overview of finances anywhere and at any time.



BĚŽNÝ OSOBNÍ ÚČET		Aktuální zůstatek: 125 456,00 CZK	
Multiměsíčný zůstatek	10 000,00 CZK	Účtené zůstatek	125 000,00 CZK
		Blokovaná částka	0,00 CZK
		Povolený debet & Orgánů	0,00 CZK

Historie pohybů		200013246/5500		Především 31 dnů	
Datum	Kategorie	Popis pohybu	Čísloka	Čísloka	Popis pohybu
08.03.2018		987654337 250013246/5500	+93 000,00 CZK		
08.03.2018		987654337 250013246/5500	-46,00 CZK		
08.03.2018		987654337 250013246/5500	+93 000,00 CZK		

## New Raiffeisen American Equities Fund opens for investors

Raiffeisen investiční společnost introduced to the market the American equities fund, which invests mainly in shares in North America. Investors interested in the long-term growth of the stock markets in the USA will appreciate the opportunity to invest in securities that are ordinarily inaccessible to small investors in Czech crowns. The fund is beneficial for investors who are prepared to invest funds for at least 10 years.

## Straight to the “National” – Raiffeisenbank becomes a new general partner of the National Theatre

Starting on 1 September 2017, Raiffeisenbank became a new general partner of the National Theatre. After establishing itself as a bank of Czech golf, as a long-time partner of the Czech Golf Federation with top-notch amateur and professional players and prestigious golf tournaments, Raiffeisenbank now invests in art and culture. The objective is to promote quality and diverse art and culture, which the National Theatre brings to all of its stages, and also continued cultural development in the Czech Republic.



## Raiffeisenbank supports women entrepreneurs

In cooperation with the Association of Small and Medium-Size Enterprises and Crafts of the Czech Republic (AMSP CR) and ŽENY s.r.o., Raiffeisenbank has been promoting the project Enterprising Woman. The main objective of the grant programme entitled “Enterprising Woman of the Year” is to motivate women in business. Raiffeisenbank, as the titular partner of this programme, has also prepared in 2017 interesting benefits for beginning women entrepreneurs. These benefits include a business account with no maintenance fees or a business loan with no processing fees.

## Raiffeisenbank is awarded the Most Client-Friendly Bank of the Year for the third time in a row

The same as in 2015 and 2016, Raiffeisenbank was once again among the top three in both main banking categories.



For the third time in a row, Raiffeisenbank was awarded as the Most Client-Friendly Bank of the Year. The bank was also successful in the main categories of the Hospodářské noviny Best Bank of the Year awards, in which it received second place. In the Most Client-Friendly Bank competition, the banks are assessed based on client-oriented criteria, such as the costs for maintaining accounts, sanctions and extraordinary fees, rates, the range of products and services, the bank's accessibility, and last but not least, the quality of communication with clients. The economic indicators that demonstrate the excellent condition, stability, health, and strength of the bank were also decisive in the success of Raiffeisenbank in the main categories for the Best Bank of the Year.

## Raiffeisenbank continues to offer exclusive airport lounge services

Raiffeisenbank was the winner of a public tender relating to a five-year contract for the lease of a lounge at the Václav Havel Airport in Prague. The Raiffeisenbank Lounge is located in terminal 2 and is free of charge for the owners of selected Raiffeisenbank premium payment cards. The above-standard care, not only for travellers, is a part of the bank's strategy geared to demanding clients who require an individual approach and exclusive services.



# Statement of the Chairman of the Board of Directors



Dear Ladies and Gentlemen,

The twelve months of 2017 have been another successful period for Raiffeisenbank. For the third time in a row, we were awarded as the Most Client-Friendly Bank of the Year in the Hospodářské noviny awards. Furthermore, we successfully transferred half a million of our clients to the new internet banking system and also welcomed tens of thousands

of new clients. In addition, we managed to fulfil our growth strategy and to strengthen the position of Raiffeisenbank on the Czech market.

Besides the excellent commercial results, client satisfaction also increased last year, which we greatly appreciate. The net promoter score (NPS), measured by an independent agency, increased by seven points, i.e. by almost 20 per cent year-on-year. Increasing client satisfaction and trust at Raiffeisenbank were also reflected in the growing volume of retail assets under its management, which exceeded CZK 200 billion for the first time in December 2017. Hence, during the past four years, we have doubled our size in this regard.

Our successes were also reflected in an increase in the number of clients, the volume of deposits and granted loans, and also our net profit, which reached CZK 2.82 billion last year, thus exceeding the record of 2016.

We will make every effort this year to continue to provide our clients with the highest quality of products and services. 2018 is also a very important year for us considering that we are celebrating the 25th anniversary of Raiffeisenbank's entry into the Czech market.

Allow me to at least briefly recall the development that this bank has gone through from the beginning of the 1990s to the present. We started in 1993 with two branch offices, and thanks to successful growth, we gradually became the fifth largest bank and firmly established on the Czech market with 3,000 employees. Today, we provide tailored banking services, transparent products, and reliable service to both private and business clients. We have 124 branch offices and client centres at our disposal and also operate specialised mortgage centres and offer personal, business, and corporate advising services.

During the past 25 years, we have received many domestic and international awards which represent for us a seal of quality. One distinction that stands out among the others is our repeated success in the Hospodářské noviny awards where we managed to win in both main categories in the same year, which makes us the first bank to ever achieve this. As a part of these prestigious awards last year, we were awarded as Most Client-Friendly Bank of the Year for the third time in a row, which has also never been accomplished by any other bank. We are very pleased with this, since, as a client-inspired bank, client satisfaction is undoubtedly one of the main measures of our success and the alpha and omega of all of our efforts.

I would like at this time to sincerely thank all of my colleagues for their everyday care of our clients. Without their commitment and excellent work, we would never have been able to become such a successful and prosperous bank. I would also like to thank our shareholders for their support, and of course, first and foremost, our clients and business partners for their trust and loyalty.

Raiffeisenbank remains a healthy and stable banking institution with sustainable growth potential. We are in great condition and have a strong and reputable brand as well as a top-notch team. Therefore, last year's record results and successes fill me with optimism for 2018.

Faithfully yours,

Igor Vida  
Chairman of the Board  
of Directors and CEO

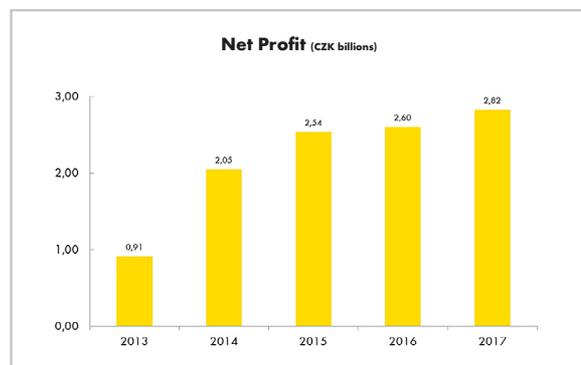
# Board of Directors' Report on the Business Activities of the Company and the State of its Assets

Raiffeisenbank (the "Bank", the "issuer", or the "company") managed last year to follow up on the successes from the previous year. Hence, the twelve months of 2017 were recorded as a very successful period in the rich, quarter-of-a-century long history of Raiffeisenbank on the Czech market. The Bank managed to attract tens of thousands of new clients, to maintain its current clients with a high-quality line of products and services, and to receive many awards by independent authorities. One that stands out among the others is the repeated success in the Hospodářské noviny awards where Raiffeisenbank won for the third time in a row the award for the Most Client-Friendly Bank of the Year, which has never been accomplished by any other bank in history. In addition, the Bank finished a close second in the main category of Best Bank and once again demonstrated that a financial institution may be client friendly and profitable as the same time.

## The Bank's economic results for 2017

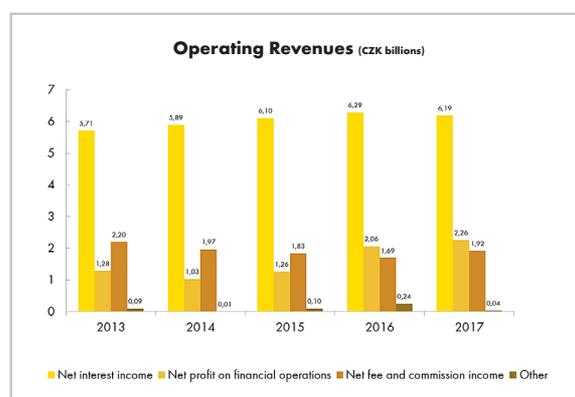
The Bank's **net profit** for 2017 reached **CZK 2.82 billion**, which is a year-on-year increase of 8.5%. The Bank's **overall operating revenues** rose by 1.2%. This is clearly a positive trend considering that, in 2016, income from the sale of activities associated with the acceptance of payment cards (acquiring) as well as the yield from the sale of the shares of Visa Europe clearly increased revenues.

Return on equity (ROE) slightly improved year-on-year to 11.4%. ROE was 11.2% for 2016. Return on assets (ROA) declined year-on-year to 0.8%. ROA was 0.9% for 2016.



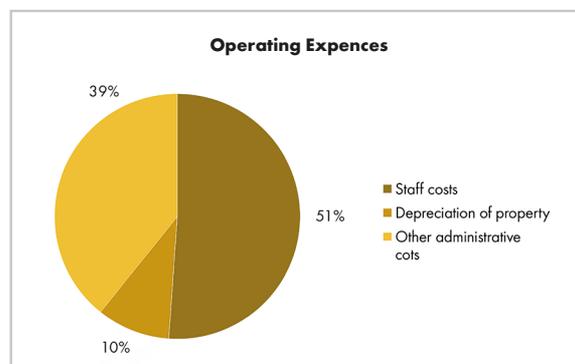
The Bank's **net interest income** reached CZK 6.19 billion, which in comparison with 2016 is a decline of 1.6%. Net fees rose year-on-year by 13.3% to CZK 1.92 billion, which was also due to the one-off revenues in the corporate segment.

**Net profit from financial market transactions** rose year-on-year by 9.7% to CZK 2.26 billion, primarily thanks to the improved results of the Bank's proprietary trading supported by one-off revenue from the sale of government bonds.



## Expenses

One of Raiffeisenbank's priorities is strict adherence to cost discipline. Thus, the Bank managed to reduce **operating expenses** year-on-year by 1.2% to CZK 6.04 billion despite the higher required contribution of the Bank to the Crisis Resolution Fund.

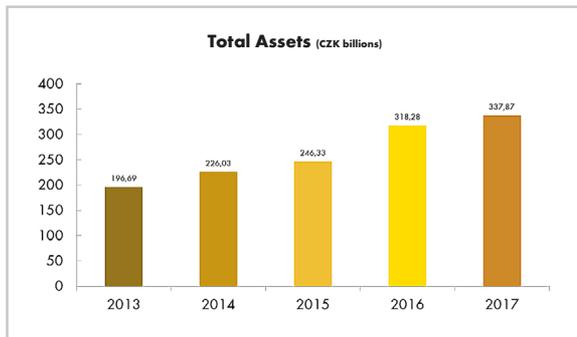


## Expenses relating to research and development

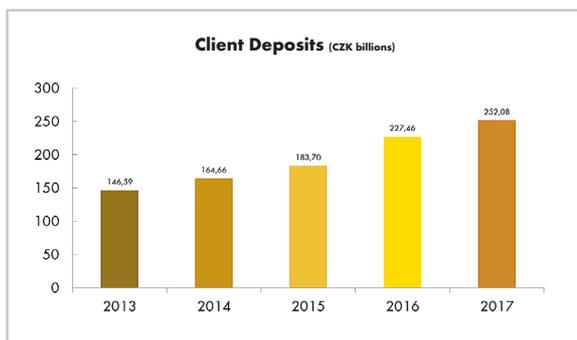
In 2017, the Bank had outlays of CZK 34 million for research and development. Most of these outlays were related to development studies and implementation of individual projects, particularly in the area of information technologies and systems.

## Balance sheet, deposits, and loans

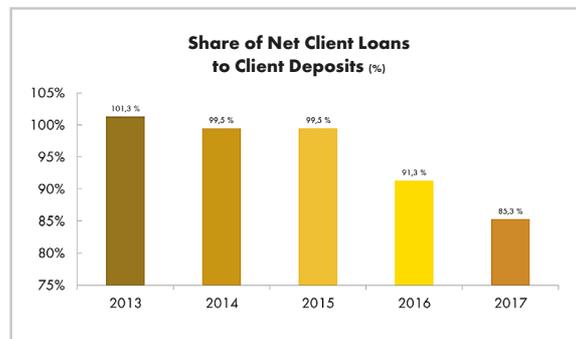
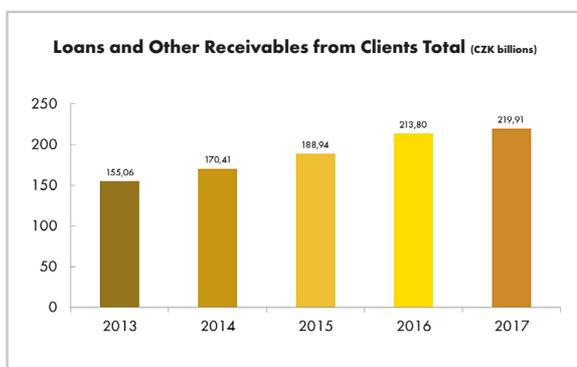
The Bank's **total assets** reached nearly CZK 338 billion and thus rose year-on-year by 6.2%.



The volume of deposits from clients increased year-on-year by 10.8% to CZK 252 billion.



The volume of lending increased year-on-year by 2.9% to CZK 220 billion. The main source of growth was primarily from the financing of households in the form of mortgages and consumer loans.



## Risk management

Raiffeisenbank continues to maintain a very high-quality credit portfolio. **Losses from loan impairment and other claims** for 2017 are lower by 50.5% in comparison to the previous year and reached CZK 437.6 million. This year-on-year decline is partially affected by a one-off provision relating to one of the Bank's corporate clients created in 2016.

## Capital

The Bank's **capital adequacy** as at 31 December 2017 was 17.69% as opposed to 17.52% at the end of 2016. In April 2017, the Bank's general meeting decided on the distribution of profit for 2016 in the amount of CZK 2.6 billion, where CZK 1.41 billion was used to pay shareholders and CZK 1.19 billion was transferred to retained earnings. The increase in retained earnings had a positive impact on the Bank's capital adequacy.

## Raiffeisenbank's market shares

*(Due to relevant comparison with the competition, the data is based on the statistical reports prepared according to the methodology of the CNB – RISIFE 31 and RISIFE 61.)*

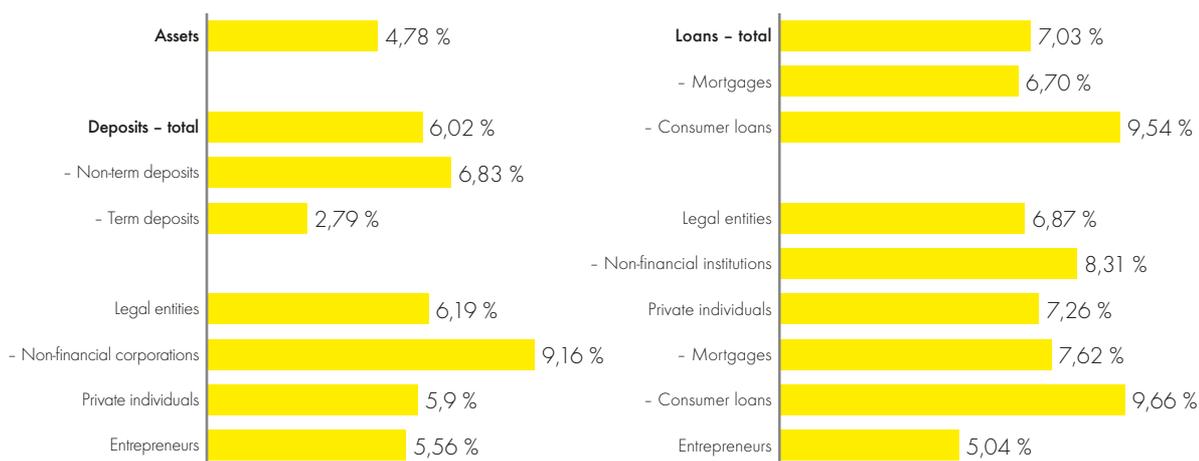
In 2017, the results of the Czech banking sector were significantly affected by the CNB's foreign-exchange interventions that occurred immediately prior to abandoning the exchange-rate obligation. These interventions were strongly reflected in the abrupt and extraordinarily high increase in total assets and deposits in the banking sector. For Raiffeisenbank, 2017 was another successful year, and it achieved an overall increase in assets of 6.2%. Despite this development, the Bank's share on the market slightly decreased to 4.78% due to the above-mentioned intervention of the CNB. The total volume of deposits managed by the Bank increased by 10.9%, and this slightly increased its share on the market to 6.02%. The Bank's total volume of lending did not reach the rate of growth of the market. It increased by 2.0%, and this meant a slight drop in the Bank's market share to 7.03%.

Nothing substantial had changed in the structure of Raiffeisenbank's total deposits in 2017. The volume of time deposits during the year decreased by about 16%, and the dominance of demand deposits remains strong. The deposits of citizens now make up 51.3% of the total deposits managed by the bank, and during 2017, these increased by 12.6%. Also thanks to this, the Bank's market share increased to 5.90%. Deposits from legal entities rose by 8.7%. However, the rate of growth on the market was faster, so the Bank's market share in this sector declined to 6.19%. Nearly 80% of deposits from legal entities belonged to non-financial institutions. These entrusted to the Bank 13.6% more of their financial resources than in the previous year, and hence the Bank reinforced its strong position with a market share of 9.16%. The volume of deposits from entrepreneurs rose year-on-year by an extraordinary 18%, and this meant a market share at year end of 5.56%.

Similar to the market, long-term loans dominated in Raiffeisenbank's lending structure, i.e. loans with maturities over five years. At the end of the year, these made up over 70% of the Bank's credit portfolio. In addition, their volume during the year increased by 5.5%. Loans to households play a big role in this, especially mortgages. In 2017, the Bank increased the overall volume of mortgages by 8.9%, and hence, in its portfolio at the end of the year, Raiffeisenbank managed 7.62% of all mortgages in the banking sector. In addition to mortgages, consumer loans also contributed to the overall 6.3% growth of household lending. In comparison to the previous year, their volume rose by 7.2%, and the Bank's market share currently stands at 9.66%.

The positive macroeconomic situation in 2017 allowed corporate clients to finance their ordinary operational needs from own resources and facilitated the repayment of existing obligations. Demand for new loans was not strong. The volume of loans that Raiffeisenbank granted to corporate clients last year dropped by 1.7%, and in turn, reduced the market share to 6.87%. Loans granted to non-financial institutions, in particular, have a share in this, and their volume in comparison to the previous year fell by 2.2%. Thus, the Bank attained a market share of 8.31% at the end of the year. On the other hand, lending to small businesses managed to strengthen. The volume of loans granted to this group of Raiffeisenbank clients rose during the year by 4.9%, which was reflected in a market share of 5.04%.

### Raiffeisenbank's market shares



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

## Business activities

### Retail banking

The Czech economy developed in a very positive manner during last year and in a healthy environment, and hence even demand for banking products increased. Raiffeisenbank picked up on this positive trend and also experienced a very successful year. Through quality products and services, we continued to strengthen our position as an important domestic bank primarily oriented to more wealthy and demanding clientele who are interested in actively managing their finances and professional advice.

### New Internet banking

One of the main successes of last year can be clearly viewed as deployment of the new Internet banking, which we presented to the public for the first time in June of 2017. It was one of the most complicated projects of recent years that brought high added value to Raiffeisenbank's clients. The positive comments of clients speak mainly of the intuitive menu, the ease of submitting payments between own accounts, and generally the overall simplicity, transparency, and graphic presentation of the new version.

Raiffeisenbank's new Internet banking offers a wide range of improvements, including a new home page with the most important information on client products, more transparent transaction history with the possibility of a full-text search or the improved service "Inform Me" which sends notices about account or payment-card transactions. Even money transfers between own accounts with a few clicks help to make the management of finances faster.

The innovation also includes a new version of the mobile application. The same as with Internet banking, mobile banking has a new main page with an overview of all client products and new functions, such as conversion between the monetary component of a current account or the possibility of managing limits for debit cards.

### Raiffeisenbank is the only Czech bank to successfully integrate two different institutions in only two years

On Friday, 2 June 2017, Raiffeisenbank acquired all of the assets and liabilities of the Czech branch of ZUNO BANK AG. During the first June weekend, the technical transfer of ZUNO clients into Raiffeisenbank's system occurred. A significant part of the active ZUNO clients accepted Raiffeisenbank's offer for opening an account and began using other services as well. This involved wealthier clients in particular – on average, a former Zuno client brought CZK 400,000 to Raiffeisenbank. In addition, client wages are deposited to approximately 75% of these transferred accounts. Hence, Raiffeisenbank became the principal bank for these clients.

During a mere two years, Raiffeisenbank has managed to integrate two Czech banks (Citibank and ZUNO) into its portfolio of retail clients. In addition, the Bank is growing even organically. It is successful in acquisition and so also has recorded a large natural inflow of new clients. Thanks to all of these factors, Raiffeisenbank is one of fastest growing banks on the Czech market.

### Excellent commercial results

The Bank achieved excellent commercial results in 2017, for example, in the area of consumer loans, where it managed in October and November of last year to sell the highest volumes in history, or in the segment of business accounts, where there was a 30% year-on-year increase in sales. According to Raiffeisenbank research, entrepreneurs with business accounts accessible on the Czech market mostly lacked an effective system to separate their personal and business finances. However, when selecting a proper account, the most important thing in their opinion is fees. Raiffeisenbank took all of these criteria into consideration when creating its new business accounts, which are available to clients from the beginning of June 2017.

In addition to excellent commercial results, client satisfaction with the Bank had also increased last year. The Net Promoter Score (NPS) for customer satisfaction measured by an independent agency increased year-on-year by seven points, i.e. by almost 20 per cent. Client satisfaction and trust at Raiffeisenbank are also reflected in the growing volume of retail assets under its management, which exceeded CZK 200 billion for the first time in December 2017. Hence, Raiffeisenbank has doubled its size from the standpoint of this index during the past four years.

### Investment products

The main goal in creating investment products for Raiffeisenbank clients is covering the basic investment opportunities with an adequate risk approach. We would like to have meaningful and transparent products for conservative and more progressive crown investors and also to offer special investment opportunities to embellish a client's portfolio. The funds created by Raiffeisen investiční společnosti cover all of the basic segments of the bond market for crown investors and all of the stock market territory. In addition to these two key areas, we offer several mixed or alternative funds geared, for example, to sustainable development, balanced investment strategies, alternative investment, real estate, and others.

With respect to market development and the not too favourable development of conservative investment instruments, investors had begun last year to look for more dynamic opportunities. We registered an outflow of money from our most conservative funds. However, a part of this money was quickly funnelled back into funds with higher levels of risk and also a more interesting yield potential. We have even recorded a strong inflow of new financial resources to these segments.

An important event of the year was launching the Raiffeisen realty fund in the summer of 2017, which already has a portfolio of initial real estate worth a quarter of a billion crowns, and additional property purchases are being preparing. The favourite funds of 2017 became the mixed Raiffeisen flexible growth fund and Raiffeisen high-yield bonds fund. Investors put more than CZK 1.7 billion into each these funds. Our clients invested almost a billion crowns in the Raiffeisen sustainable development fund. Interesting growth occurred even for assets

in the equity funds that we manage via a master-feeder structure in cooperation with colleagues from the Austrian Raiffeisen Kapitalanlage GmbH.

## FWR private banking

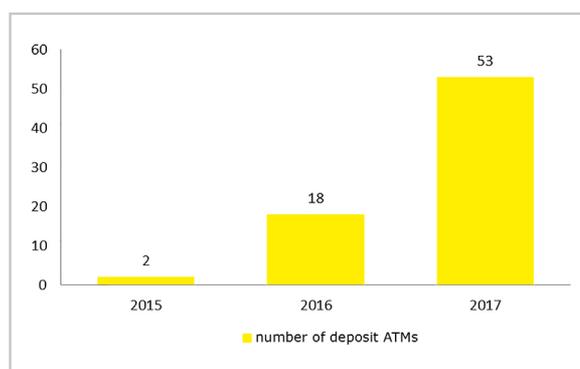
2017 was also a very successful year for Friedrich Wilhelm Raiffeisen private banking, despite declining deposit margins. A part of the clients acquired in the acquisition of Citibank's retail banking had begun to use the services of private banking, thanks to which Raiffeisenbank recorded a sharp increase in managed assets and the number of clients, which exceeded 3,000 clients. In order to satisfy our existing clients and so they are attractive also for our new clients, we invested in the development of private banking products and services and intensified external communications relating to the Friedrich Wilhelm Raiffeisen brand.

## Closer to clients

We are now available to clients at 124 branch office and client centres. We also offer the services of specialised mortgage centres and personal, business, and corporate advisors. In 2017, we reconstructed six branch offices and moved two branches to a better location so that clients had better access to them. At the existing branch offices, we have prepared 54 premier locations for serving the most demanding clients.

Mostly during the past two years, Raiffeisenbank has installed a total of 53 new deposit ATMs, of which 36 during 2017. In 2018, we plan to expand on our services in this area with another 35 deposit ATMs. In addition, we will continue to open new branch offices, especially in the former district towns of the Czech Republic.

### Number of deposit ATMs



## Bank for companies and large corporations

Raiffeisenbank is a firmly established bank operating in the Czech corporate banking sector in all segments. Our bank has been founded in particular on the principle of long-term relationships, and we want to be a trustworthy and reliable partner for our clients. Among other things, the 13% year-on-year increase in client deposits demonstrates the high level of confidence of the corporate segment. We are very pleased with the steadily high satisfaction of clients with our services, which even last year remained well above the market average.

One of the important projects last year was collaboration with our sister company Tatra banka during the purchase of VALMONT CR, operating a retail network of tobacco and newspaper shops, by the Slovak Grafobal Group. Other projects relating to real estate financing included the financing of a luxury residence project OAKS Prague, with architectural designs contributed by the renowned global architects Richard Meier, Eva Jiřičná, and John Pawson, or the financing of the River Park Modřany project, which will include more than 700 flats.

## NASDAQ Clearing

On Wednesday, 1 March 2017, Raiffeisenbank was the first and only bank in the Czech Republic to become a member of NASDAQ Clearing and thus confirmed the long-term orientation of the entire banking group in this area. So from this moment on, the clients of the RBI group also have access to the commodity exchanges in the Scandinavian region in addition to the existing seven exchanges in Central and Eastern Europe. Besides traditional commodities, such as electricity, natural gas, or emission allowances, trading in contracts specific for the region are also available - in this case, contracts for securing the price of sea products interesting for clients in the food industry.

## Online financing in the corporate banking segment

We presented corporate clients with a new app, Financing Online, which offers full electronic communications with clients relating to loans, bank guarantees, and documentary letters of credit. The app allows the filing of applications for bank guarantees and documentary letters of credit in cooperation with an expert employee from the Bank. In the future, we would like to use the app for gradually digitalising servicing activities and bringing clients a high level of added value through personal contact.

## New accounts for small and medium-size firms

We based the creation of new business accounts on the real needs of clients who have at their disposal three new products starting from July 2017 - the business accounts BASIC, PROFI, and PREMIUM. This change has significantly simplified our product line in this area. The BASIC account will be used mostly by small and medium-size firms doing business in the Czech Republic. The PROFI account is designed for medium-size firms operating in the Czech Republic and using foreign payments. Growing medium-size firms geared to the foreign markets will appreciate the PREMIUM account, which provides comprehensive banking services for these clients.

## Additional news in 2017

We have prepared for small and medium-size firms a standardised method of financing own changes, i.e. purchasing shares in companies. We are reacting to the significant demand of companies for this type of financing, during which the client (in the role of a strategic investor) acquires the shares, ownership interest, or participation certificates of other companies, and

at the same time, the resources for financing or security fully or mostly come from the target company. With the help of pre-defined parameters of financing and an optimised scope of materials needed, we have set up an effective process of financing even for smaller transactions.

In the second half of 2017, we simplified the processing of applications for loans secured by a mortgage. We now arrange for the appraisal of mortgages at the expense of the Bank. Thus, we save not only the financial resources of clients connected with the price of an appraisal, but also their time and the bureaucracy needed for ordering an appraisal externally.

## Non-commercial activities

### People

The growth and extraordinary satisfaction of its clients are Raiffeisenbank's strategic priorities, which the Bank has demonstrated over the long-term with its numerous awards. The basis of fulfilling these strategies is people, and therefore, we believe that the motivation, approach, performance, potential, and value of our employees as a whole is pivotal. Raiffeisenbank would like to be the best employer in quality leadership, opportunities for personal and career growth, and extraordinary interpersonal relations between employees. We not only ask our employees about the quality of work with people, but also job applicants at Raiffeisenbank during their first contact with a representative of the Bank. We approach employees with these questions on a regular basis in a general survey of satisfaction as well as during their daily lives at work.

Raiffeisenbank's **diversity policy** focuses primarily on the fundamental pillars of its long-term employer brand, i.e. support for the personal and career growth of its employees, high quality of leadership, and extraordinary interpersonal relations. Although the bank does not apply any quotas as a part of its diversity policy, it strongly concentrates on assuring transparency, equal treatment, equal access to career opportunities, and conditions supporting the personal of its employees. In the long term, Raiffeisenbank has been focusing on a balanced management structure with the objective of ensuring the exceptional management of its employees, while stressing its shared values and corporate culture. The bank implements its diversity policy in terms of educational background, professional experience, age, or gender, both when hiring new people and through the structured development of its managers. Raiffeisenbank also stresses the importance of the diversity of its individual teams so that much of their previous experience, education, and views can result not only in high performance but also in efforts to cooperate, openness to change and support for the outstanding in the company.

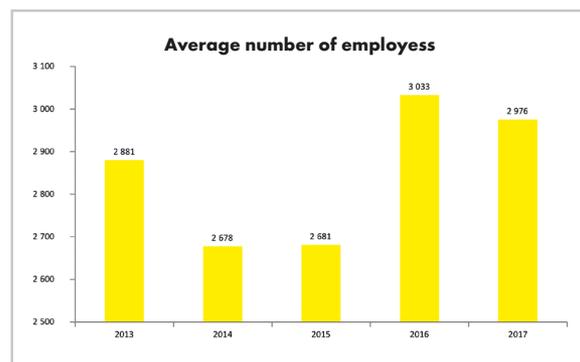
**Education and development** are the basis of quality employees, and Raiffeisenbank invests many resources and capacities in these areas. In 2017, Raiffeisenbank employees devoted 14% more time year-on-year to their development, and the Bank closely monitors the situation to ensure that the resources invested in the development of employees are higher than at other companies on the market.

In January 2017, we launched a unique academy Leadership 2020 intended for existing and future managers of the Bank, and during the first year, more than 300 employees started the programme. The aim of the programme is not only to support the growth of talented employees, but also to strengthen the quality of leadership, the responsibilities of key employees for fulfilling the Bank's strategies, and increasing the satisfaction of the Bank's clients. In addition to training and workshops, the academy includes sharing the experiences of key employees of the Bank, weekly shadowing of managers at branch offices or rotations in other positions in the Bank and in the Raiffeisen Bank International group. We devote a lot of attention to preparing and educating our employees in key positions – we fill four out of five manager positions at Raiffeisenbank with internal candidates, and we promote 400 people every year to a more senior position with a higher level of responsibility. In addition to the development of professional traits, we also support development outside of working hours. Hence, we provide study time-off or contributions for development outside the office. Raiffeisenbank is a long-term partner of programmes geared to the development of women and each year increases the intensity of cooperation with high school and university students. We offer students not only work apprenticeships and cooperation in preparing for their thesis work, but also an annual, intensive, and carefully structured programme which 48 new students entered in 2017.

An important aspect of the satisfaction of our employees is the extraordinary interpersonal relations and collaboration. Hence, we invest in meeting with employees even outside the working environment and working hours, often together with our clients. Raiffeisenbank supports global company events as well as meeting in smaller teams in an informal environment.

Raiffeisenbank devotes a lot of attention to supporting parents and facilitating their return to work after maternity and parental leave, and hence, common practices include shortened working hours, used by more than 12% of employees, or flexible working hours. Since 2009, we have been operating the Žirafka nursery school, which was the first company nursery school in the Czech Republic.

The average number of employees at Raiffeisenbank in 2017 was 2,976, the average age is 36.8, and 57% of employees are women. Half of the employees have been working at Raiffeisenbank for longer than five years, and 17% of employees for less than one year.



## 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 2017, 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

Raiffeisen CEE Region Holding GmbH is the owner of 75% of the shares of the bank. Raiffeisen CEE Region Holding GmbH is a subsidiary of Raiffeisen Bank International AG (indirectly). Raiffeisen Bank International AG was a subsidiary of Raiffeisen Zentralbank Österreich AG until March 18, 2017. On 18 March 2017, both Raiffeisen Zentralbank Österreich AG merged. Representatives of the majority shareholder are in the Bank's Supervisory Board, the Executive Committee and the Audit Committee. The Supervisory Board also includes a representative of the second shareholder, RB Prag Beteiligungs GmbH, which holds 25% of the Bank's shares. RB Prag Beteiligungs GmbH is an indirect 100% subsidiary of Raiffeisenlandesbank Oberösterreich AG.

## Section 118(4) letter b:

Internal control is defined as a process carried out/influenced by the bank's Board of Directors, the executive body, and other employees, devised in such a way as to provide adequate assurance in reaching objectives in three areas:

- Effectiveness, efficiency, and economy
- Reliability of internal management and controls, including the protection of assets
- Harmonisation with the rules and regulations

Key concepts of internal control:

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

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

Control activities include, in particular:

- Inspecting the management structure,
- Adequate control of mechanisms for the individual processes at the bank,
- Physical control.

The control system consists of, in particular:

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

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

## Section 118(4) letter c:

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

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

Additional executive and supervisory bodies of the issuer include the Executive Committee and the Audit Committee. The Executive Committee has four 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 2017 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 2017 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	Member
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member
JEŽEK FRANTIŠEK	Member of the Board for Risk	Vice-Chairman
RABIŇÁK RUDOLF	Member of the Board for Corporate	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	
JEŽEK FRANTIŠEK	Member of the Board for Risk	Chairman
RABIŇÁK RUDOLF	Member of the Board for Corporate	Vice-Chairman
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
RÝDL JAN	Head of Real Estate & Project Finance	Member

### Problem Loans Committee

Quorum	Decision-making	
At least three members of the committee and at least one must be from Workout	Not specified	
JEŽEK FRANTIŠEK	Member of the Board for Risk	Chairman
KLUMPAR JIŘÍ	Head of Workout	Vice-Chairman
VIDA IGOR	Chief Executive Officer	Member
PŘÍHODA HYNEK	Head of Corporate & SE Risk	Member
HORA MATĚJ	Corporate Risk Manager	Member
POŘÍZ JAROSLAV	Head of Special Assets	Member
NOVOTNÝ MAREK	Senior Lawyer	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
LANGMAYER JOSEF	Head of Controlling	Member
KOVÁŘOVÁ HANA	Head of Brand Strategy & Communication	Member
ŠTĚTKA PETR	Head of PI Segment & Product Management	Member
KAPUŠANSKÁ VIKTORIA	Head of Corporate Development	Member
DŽAVAN MATÚŠ	Head of Retail Risk & Collections	Member
HANUŠ MARTIN	Head of Risk Controlling	Member

### 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
HORSKÁ HELENA	Head of Economic Research	Member
REMR JAN	Head of Private Banking	Member
HOUFEK JAN	Head of Market Risk	Member
ZEZULA MARTIN	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	
JEŽEK FRANTIŠEK	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
RICHTER MAREK	Head of Strategic Sales & Mortgage Business	Member

### Operational Risk Management Committee

Quorum	Decision-making	
More than 50% of members present and at least one represents Risk	Consent of more than 50% of all members needed to adopt a specific proposal	
JEŽEK FRANTIŠEK	Member of the Board for Risk	Chairman
HANUŠ MARTIN	Head of Risk Controlling	Vice-Chairman
KREIDL VLADIMÍR	Member of the Board for Retail	Member
RABIŇÁK RUDOLF	Member of the Board for Corporate	Member
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member
HRUŠKA PAVEL	Head of Operational Risk	Member
ONDRŮŠEK ČESTMÍR	Head of Compliance & Financial Crime Mangement	Member
MATULA MILOŠ	Member of the Board for Operations	Member
JABŮREK TOMÁŠ	Head of IT Operations	Member
LÁTAL MAREK	Head of Legal & Management Support	Member
ONDROUŠKOVÁ TEREZA	Head of Accounting & Taxes	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
HAIN MILAN	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
JEŽEK FRANTIŠEK	Member of the Board for Risk	Member
RABIŇÁK RUDOLF	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
JEŽEK FRANTIŠEK	Member of the Board for Risk	Member
RABIŇÁK RUDOLF	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	
HAIN MILAN	Member of the Board for IT	Chairman
JELÍNEK TOMÁŠ	Executive Director for Finance	Vice-Chairman
KREIDL VLADIMÍR	Member of the Board for Retail	Member
RABIŇÁK RUDOLF	Member of the Board for Corporate	Member
JEŽEK FRANTIŠEK	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

### 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
JEŽEK FRANTIŠEK	Member of the Board for Risk	Member
REMR JAN	Head of Private Banking	Member
KAPUŠANSKÁ VIKTORIA	Head of Corporate Development	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	
RABIŇÁK RUDOLF	Member of the Board for Corporate	Chairman
JEŽEK FRANTIŠEK	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 VLADIMÍŘ	Member of the Board for Retail	Chairman
ŠTĚTKA PETR	Head of PI Segment & Product Management	Member
KOVÁŘOVÁ HANA	Head of Brand Strategy & Communication	Member
PROCHÁZKA MARTIN	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
REMR JAN	Head of Private Banking	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 2017

## 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:

- 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,
- Decisions to increase or reduce the registered capital or to authorise the Board of Directors to increase the registered capital,
- Decisions to issue bonds in accordance with Section 286 of the Companies Act,
- Election and recall of members of the Supervisory Board and other bodies specified in the Articles of Association,
- 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,
- Decisions on registration of the company's participating securities in accordance with special legal regulations, and for cancelling their registration,
- Decisions on liquidating the company,
- Decisions on mergers, transfer of equity to a single shareholder, or demergers, or change of legal form,
- 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,
- Approval of controlling contracts, contracts for transfer of profit, and contracts for silent partnerships and their modification,
- 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,
- Decisions on other matters which the law or the Articles of Association place under the competence of the General Meeting.

## Section 118(4) letter f:

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

CZK Thousand			Monetary income	Natural income
Board of directors	Total	Remuneration board member	65,502	78%
		Other	18,182	22%
			83,684	5,159
	From entities controlled by the issuer		-	
Supervisory board	Total	Remuneration sup. board member	4,170	100%
		Other	-	
			4,170	
	From entities controlled by the issuer		-	
Other management	Total	via employment	-	
		Other	-	
			-	
	From entities controlled by the issuer		-	

## Section 118(4) letter g:

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

- 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 the salaries for performance of the office of member of the Board of Directors is 50% paid in the form of a monetary instrument and 50% in the form of a non-monetary instrument – a phantom stock plan, i.e. RBCZ virtual equity plan which is based on RBCZ's indicator Adjusted Book Value. The basis for calculating the Adjusted Book value is the net book value of the registered capital of RBCZ reduced by the values held by the minority shareholders (if they exist) as at the date of declaring the bonus. This value is then used to determine the value of one virtual share by dividing the value of the capital with the number of shares without the shares of the minority owners. For revising the value of the virtual shares in the following period, the accounting value of the capital must be adjusted for all movements of capital that are not a result of a management decision. The inventory of capital movements must be precisely analysed and must not contain movements caused by a change in regulations and capital requirements. After closing the business year for which the variable remuneration is acknowledged, the Adjusted Book value is calculated based on the financial results approved by RBCZ's Supervisory Board and General Meeting. A substantial part of the remuneration, 40%, is distributed over a period of three years. The flexible component of the monetary form of remuneration is acknowledged in the following scheme: 60% non-deferred part,

## Section 118(4) letter h:

Principles of remuneration for the top managers of the issuer.

### Remuneration for the members of the Board of Directors

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

- Fixed wage for performance as a board member (paid by the issuer and approved by the majority shareholder) – monetary remuneration,
- Flexible wage for performance as a board member upon fulfilment of the financial and non-financial criteria (paid by the issuer, approved by the Supervisory Board),
- Financial criteria: reaching the set amount of profit after tax, the ratio of costs to operating revenue, return on risk-weighted capital, complying with the operating costs and meeting the limit for weighted assets, and

1/3 40% first year deferment, 1/3 40% second year deferment, and 1/3 40% third year deferment. The flexible component of the non-monetary form of remuneration is acknowledged in the following scheme: 60% deferred part by 18 months from the end of the business year for which the bonus is acknowledged, 1/3 40% first year deferment, 1/3 40% second year deferment, and 1/3 40% third year deferment.

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

The board members have company cars at their disposal for a total purchase price of CZK 5,700,959.

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

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

## Remuneration of the supervisory board members

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

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

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

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

### Board of Directors:

**Igor Vída**, 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

**Rudolf Rabiňák**, Vice-Chairman of the Board of Directors, responsible for Corporate Banking (note: Mr Rudolf Rabiňák resigned as Deputy Chairman and Member of the Board of Directors as of 31 December 2017)

**František Ježek**, Member of the Board of Directors, responsible for Risk Management

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

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

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

**Milan Hain**, Member of the Board of Directors, responsible for IT

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

**Karl Sevelda**, Chairman of the Supervisory Board (until 24 March 2017), Member of the Supervisory Board (until 27 April 2017)

**Peter Lennkh**, Vice-Chairman of the Supervisory Board

**Reinhard Schwendtbauer**, Member of the Supervisory Board

**Klemens Breuer**, Chairman and Member of the Supervisory Board (until 31 October 2017)

**Johann Strobl**, Member of the Supervisory Board

**Martin Grill**, Member of the Supervisory Board

**Andreas Gschwenter**, Member of the Supervisory Board

**Hannes Mösenbacher**, Member of the Supervisory Board (since 27 April 2017)

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.

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 was one of the first to fully comply with the Code of Conduct of the Czech Banking Association – Standard no. 19/2005, which institutes uniform guidelines governing the conduct of banks towards their clients, especially with regard to the clients' right to access information.

The bank must also comply with the RZB Code of Conduct – an ethics code valid for all employees belonging to the Raiffeisen Group. The RZB Code of Conduct sets out the basic values of the bank and presents the framework for the firm's culture, which is in accordance with law and focuses on ethical principles. The Code of Conduct is available in Czech at [www.rb.cz/Obance](http://www.rb.cz/Obance).

As a full member of the Czech Capital Market Association (AKAT), the bank is bound by the Code of Ethics of the Capital Market Association. The AKAT Code of Ethics is a collection of rules, principles, guidelines and standards governing the provision of investment and related services in the field of investment management by AKAT members. The Code is based on the business activities of AKAT and creates rules formulating and developing the ethical behaviour and commercial culture on the market, while also attempting to ensure equal conditions for individual market players within the scope of competition. The Code in its entirety is available at [www.akatcr.cz/dokumenty](http://www.akatcr.cz/dokumenty).

The bank is a member of the Coalition for Transparent Business, which is an association geared to cultivating the business environment in the Czech Republic and which brings together Czech and international companies operating in the Czech Republic across all branches of business.

### 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:

	2017
<b>Consolidated</b>	<b>CZK thousand</b>
Statutory audit of the financial statements	5 822
Other verification services	1 630
Tax consulting	769
Other non-audit services	33
<b>Individually for RB</b>	<b>CZK thousand</b>
Statutory audit of the financial statements	4 391
Other verification services	1 630
Tax consulting	250
Other non-audit services	28

Tax consulting and other non-audit services include services regarding value added tax, income tax, real estate tax, the Common Reporting Standard (CRS), the Foreign Account Tax Compliance Act (FATCA), United States tax form W8-BEN, and training and report preparation in the area of the Qualified Intermediary and Insurance Distribution Directive (IDD).

### 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 328,421 thousand and the contribution itself was CZK 6,568 thousand in 2017. The base for the 2016 contribution was CZK 241,371 thousand and the contribution itself amounted to CZK 4,827 thousand.

## Information about securities

### Raiffeisenbank a.s. bond programme

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

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

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

### Raiffeisenbank a.s. subordinated bond VAR/18

ISIN:	CZ0003702961
Issue date:	21 September 2011
Class:	subordinated bond;
Form:	bearer;
Type:	dematerialised;
Total issue volume:	CZK 125,000,000
Par value per security:	CZK 10,000
Quantity:	12,500

Interest on bonds and maturity dates for interest or other yield: interest is paid biannually, always on 21 September and 21 March. The interest rate for the first yield period, i.e. from 21 September to 21 March 2012, is 4% p.a. For the remainder of the yield periods, the interest rate is calculated based on the 6M PRIBOR plus 2.5% p.a.

Method of transferring the bonds: transferability is not restricted; the subordinated bonds are transferred on registration of the transfers at Centralni depozitař cennych papirů, a.s. in accordance with the valid regulations of Centralni depozitař cennych papirů, a.s.

Issue administrator: Raiffeisenbank a.s.

Designated premises of the administrator: Raiffeisenbank a.s., Hvězdova 1716/2b, 140 78 Prague 4

Names of the public markets on which the securities are accepted for trading: the subordinated bonds are not tradable on the regulated market or in the multilateral trading system;

Bond currency: CZK

Maturity of bonds: the subordinated bonds are payable in their par value on 21 September 2018.

### International bond programme for Raiffeisenbank mortgage bonds

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

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

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

### RBCZ 0.75% 5/11/2019

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

Interest on bonds and maturity dates for interest or other yield: the yield on the Bonds is fixed interest rate 0.75 % p.a., paid annually always by 5 November retrospectively each year.

Method of transferring the securities: transferability is not restricted; mortgage bonds are transferred on registration of the transfers at Clearstream Banking société anonyme Luxembourg and/or Euroclear Bank SA/NV in accordance with the valid regulations.

Issue administrator: Citibank N.A.

Designated premises of the administrator: Citibank N.A., Citi Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom

Names of the public markets on which the securities are accepted for trading: Luxembourg Stock Exchange;

Bond currency: EUR

Maturity of bonds: the mortgage bonds are payable in their par value on 5 November 2019.

Rights associated with the bonds:

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

## HZL RBCZ 4Y

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

Interest on bonds and maturity dates for interest or other yield: the yield on the Bonds is composed of the fix interest rate of 0.50 % p.a., paid annually always by 8 March retrospectively each year.

Method of transferring the securities: transferability is not restricted; mortgage bonds are transferred on registration of the transfers at Clearstream Banking société anonyme Luxembourg and/or Euroclear Bank SA/NV in accordance with the valid regulations.

Issue administrator: Citibank N.A.

Designated premises of the administrator: Citibank N.A., Citi Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom

Names of the public markets on which the securities are accepted for trading: Luxembourg Stock Exchange;

Bond currency: EUR

Maturity of bonds: the mortgage bonds are payable in their par value on 8 March 2021.

## HZL RBCZ 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 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 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

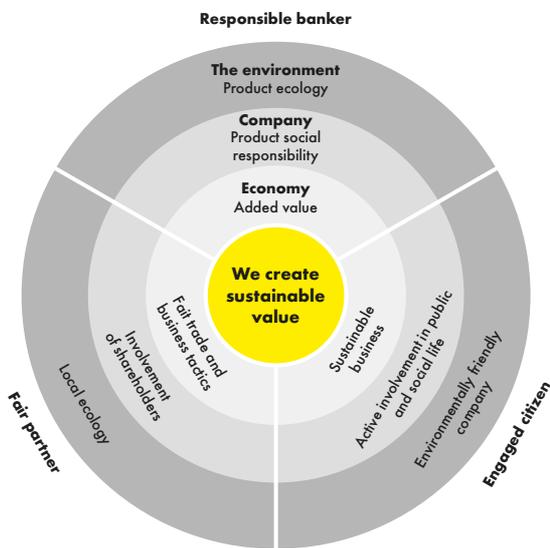
Maturity of bonds: the mortgage bonds are payable in their par value on 8 March 2024.

# Non-financial report

## Corporate Social Responsibility at Raiffeisenbank a.s.

As a member of the Raiffeisen Bank International AG group, Raiffeisenbank a.s. also shares the corporate social responsibility strategy within the group, the principles of which were established by its founder and one of the first responsible bankers – Friedrich Wilhelm Raiffeisen.

This strategy is based on the creation of sustainable value with respect to the impact of our business on the economic and social side of society and the environment. We will continue to promote a strategy where the firm's profit and financial results are closely connected to social responsibility, which is an integral part of each transaction and the management's leadership. It is for this reason that we have established three core values: **"responsible banker"**, **"fair partner"**, and **"engaged citizen"**. Each of these values is supported by specific principles (see figure below) that are used as guidelines for each transaction, activity, or service that we provide as a group.



Thus, we place even higher demands on ourselves so that we can improve the impact of our business on society and also create ways to measure and verify this impact.

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 2017**, 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 each interaction with clients, suppliers, or partners. This also promotes the firm's culture and strengthens fair relations throughout the market. Raiffeisenbank fully supports the Coalition for Transparent Business with the goal of cultivating the business environment in the Czech Republic.

### Social area/society

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

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

In the area of product social responsibility, we focus on the economy of products for our clients. In 2014, we introduced eKonto SMART, an account that is free of charge if clients actively use it. We introduced a similar product in 2017 for entrepreneurs and small businesses. Even the business eKonto SMART is free of charge when actively used. In addition to products connected with ordinary banking, we are also involved in social responsibility in the area of lending. Our processes and the risk assessment of clients strongly support healthy lending and has 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

**As at 31 December 2017, Raiffeisenbank had an average of 2,976 employees of which half of them have worked at the bank for more than five years.**

**The average number of training hours per employee was 48.2 hours in 2017, which is 14% more than in 2016.**

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 try out this acquired knowledge in practice. Students get specific practical experience by getting involved in the Firm of the Year awards where they try out business for themselves in a real student “business” environment.

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

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

### **Raiffeisenbank supports Good Angel**

*In 2017, Raiffeisenbank donated more than CZK 1.6 million to the Good Angel endowment fund. This happened once again thanks to our project “A Good Morning Helps” where participants influence the amount of the bank’s financial donation to charity with their athletic performance. In 2017, the contribution was CZK 480,200. The bank donated another CZK 500,000 from unclaimed anonymous savings books, and the largest contribution was generated by personal donations from employees amounting to almost CZK 650,000.*

## The environment

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

### **A whole month of cycling to work**

*In 2017, 71 of our employees participated in this national initiative in several cities (České Budějovice, Ostrava, Ústí nad Labem, and Prague). In this way, they encouraged people to think more about what impact driving a car everyday has on the environment.*

## 2018: Expansion of Internet banking and additional growth

Even this year, we will continue to consistently fulfil our strategies defined up to the year 2020. The key priorities of 2018 include additional expansion of the new Internet banking relating to entrepreneurs and companies. The design of this part of Internet banking will reflect the needs of business clients, such as covering a larger quantity of deposit and credit products or easy searches in the list of products and transactions. A new feature will be notifications for executing or signing pending payments, simple and intuitive recording of collective payments, or downloading statements in batches using formats compatible with most accounting systems. In Mobile Banking, clients will have at their disposal a unique signature function for collective payments submitted via Internet banking.

An equally important priority for 2018 is additional growth, and thus, success in acquiring new clients. A key topic will also be the need to further simplify the Bank's processes and systems. In addition, we will invest time and financial resources into digitalisation and increasing the comfort of employees and clients.

Raiffeisenbank will also remain an attractive employer in 2018, and not only by being a client-inspired bank, but also a bank that creates for its employees opportunities for personal and professional growth and offers a climate of cooperation with superior interpersonal relations.

On behalf of the Board of Directors of Raiffeisenbank

Igor Vida  
Chairman of the Board of Directors  
and CEO

# Statement of the Deputy Chairman of the Supervisory Board



Ladies and Gentlemen,

The 2017 financial year saw a positive overall macroeconomic trend and favourable market environment. This contributed to the strong year-on-year improvement in RBI's consolidated profit, which more than doubled compared to last year. The better operating result was mainly positively impacted by lower risk costs. Alongside

the successful sale of non-performing loans, this was also due to a notable decrease in net provisioning for impairment losses. The result achieved by RBI in 2017 also confirmed that the strategic decisions taken over the past years have played a key role in helping the group to successfully emerge from a challenging transformation period with increased strength. This is further demonstrated by a steadily strengthening capital base, balanced risk profile and considerably reduced NPL ratio - from 8.7 per cent (2016 pro forma) to 5.7 per cent. This improvement in asset quality was based not least on the determined reduction of non-performing loans in recent years.

The merger of Raiffeisen Zentralbank Österreich AG and RBI AG was put into effect on schedule upon entry in the commercial register on 18 March 2017. Following the merger, RBI will continue to pursue its strategy as a leading universal banking group in CEE and Austria with the primary objective of creating long-term value. Selective growth is planned for the coming years in specific markets which demonstrate stability and good economic prospects. Effective capital and risk management as well as the further reduction in non-performing loans will also remain crucial in future. In 2018, there will be an increased focus on the challenges in the form of ongoing regulatory requirements, political risks, progressing digitalisation and related changes to the competitive environment.

In 2017, Raiffeisenbank a.s. managed to further improve on the record results of the previous year, and it was the most successful period to date in the bank's history. We have further strengthened our position as one of the largest banks in the Czech Republic, focusing primarily on providing clients with high quality services, active management of their finances and professional advice. In addition to excellent business results, our clients' satisfaction with us grew last year, which we are deeply grateful for. The customer satisfaction index of the net promoter score (NPS), measured by an independent external agency, increased by seven points, i.e. nearly 20 per cent year on year. Increasing client satisfaction and confidence in Raiffeisenbank were also reflected in the growing volume of retail assets under management, which exceeded CZK 200 billion for the first time in December 2017. Over the last four years, we have doubled in size in this regard. Our successes were also reflected in growth in the number of clients, the volume of deposits and loans, as well as net profit, which last year reached CZK 2.82 billion.

I would like to take this opportunity to thank all employees of Raiffeisenbank a.s. for their hard work and unwavering efforts in 2017, as well as to ask for their ongoing commitment to ensure the continuation of the successful development in the future.

On behalf of the Supervisory Board

Peter Lennkh  
Deputy Chairman of the Supervisory Board

# 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 "Deloitte 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 2017, 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 2017, including the proposed distribution of earnings, accepted the results of the audit of the financial statements for 2017, and recommended that the General Meeting approve them without comments.

# Executive and Supervisory Bodies

## Board of Directors

### Chairman of the Board of Directors

#### Igor Vida

Born: 1 April 1967

Residing at: Gorazdova 1, 811 04 Bratislava, Slovakia

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

**Member of the Assets and Liabilities Committee**

**Member of the Credit Committee**

**Member of the Problem Loan Committee**

**Chairman of the Projects Committee**

### Members of the Board of Directors

#### František Ježek

Born: 5 April 1972

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

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

**Vice-Chairman of the Assets and Liabilities Committee**

**Chairman of the Credit Committee**

**Chairman of the Operational Risk Management Committee**

**Chairman of the Problem Loan Committee**

**Chairman of the Retail Risk Management Committee**

**Member of the Projects Committee**

**Member of the Real Estate Investment Committee**

**Member of the IT Change Control Committee**

**Member of the Investment Products Committee**

**Vice-Chairman of the Corporate Products Committee**

### Vice-Chairman of the Board of Directors

#### Rudolf Rabiňák

Born: 21 February 1958

Residing at: K Tuchoměřicům 146, 164 00 Prague 6

Since April 2001, he is a member of the Board of Directors of Raiffeisenbank a.s. responsible for corporate banking. Prior to his appointment, he worked nine years at Citibank a.s. As at 1 January 2015, he was appointed Vice-Chairman of the Board of Directors of Raiffeisenbank a.s.

**Member of the Assets and Liabilities Committee**

**Vice-Chairman of the Credit Committee**

**Member of the Projects Committee**

**Vice-Chairman of the Real Estate Investment Committee**

**Member of the IT Change Control Committee**

**Chairman of the Corporate Products Committee**

**Member of the Operational Risk Management Committee**

Note: Rudolf Rabiňák resigned as Deputy Chairman and Member of the Board of Directors of Raiffeisenbank a.s. as of 31 December 2017.

#### Milan Hain

Born: 27 November 1962

Residing at: Suchá 10, Bratislava, Slovakia

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

**Member of the Projects Committee**

**Chairman of the IT Change Control Committee**

## Jan Pudil

Born: 20 December 1969

Residing at: Lucemburská 1599/27, Žižkov, 130 00 Prague 3

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

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

## Miloš Matula

Born: 1 October 1976

Residing at: Samoty 18, Líšeň, 628 00 Brno

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

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

# Supervisory Board

## Chairman of the Supervisory Board

### Karl Sevelda

Born: 31 January 1950

Residing at: Sigmundsgasse 5/15, 1070 Vienna, Austria

Member of the Supervisory Board since April 2014. In June 2014, he was appointed Chairman of the Supervisory Board. Karl studied at Vienna University of Economics (Wirtschaftsuniversität Wien). From 1998 to 2010, he worked at Raiffeisen Zentralbank AG as a member of the Board of Directors responsible for Corporate Banking. Since 2010, he is a member of the Board of Directors of Raiffeisen Bank International AG and deputy CEO. From June 2013 to March 2015, he was the Chairman of the Board of Directors and CEO of Raiffeisen Bank International AG.

Note: Karl Sevelda resigned as Chairman of the Supervisory Board on 24 March 2017 and from the position of a member of the Supervisory Board of Raiffeisenbank a.s. on April 27, 2017.

## Vladimír Kreidl

Born: 23 April 1974

Residing at: U Starého židovského hřbitova 17, 150 00 Prague 5

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

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

## Vice-Chairman of the Supervisory Board

### Peter Lennkh

Born: 10 June 1963

Residing at: Pierronngasse 5, 1140 Vienna, Austria

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

## Members of the Supervisory Board

### Reinhard Schwendtbauer

Born: 11 September 1972

Residing at: Lukasweg 23, 4060 Leonding, Austria

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

### Johann Strobl

Born: 18 September 1959

Residing at: Walbersdorf, Hauptstrasse 37, Austria

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

### Klemens Breuer

Born: 16 December 1967

Residing at: Willemslägerweg 25, 52159 Roetgen, Germany

Member of the Supervisory Board from April 2014. Starting in 1995, he worked at Deutsche Bank AG in the area of treasury and money markets. Since April 2012, he is a member of the Board of Directors of Raiffeisen Bank International AG responsible for global markets, and from 2015 also for retail banking. In October 2017, he resigned from the Board of Directors of Raiffeisen Bank International AG.

Note: Klemens Breuer resigned as Chairman and Member of the Supervisory Board Council on 31 October 2017.

### Martin Grüll

Born: 25 October 1959

Residing at: Mödling, Dr. Hanns Schürff Gasse 21, 2340, Austria

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

### Andreas Gschwenter

Born: 16 January 1969

Residing at: Wolkersbergenstrasse 14, 1130 Vienna, Austria

Member of the Supervisory Board of Raiffeisenbank a.s. since 19 August 2015. From 2010, he was a member of the Board of Directors of the Ukrainian Raiffeisen Bank Aval responsible for IT and Operations. In July 2015, he became a member of the Board of Directors of Raiffeisen Bank International AG responsible for IT and Operations.

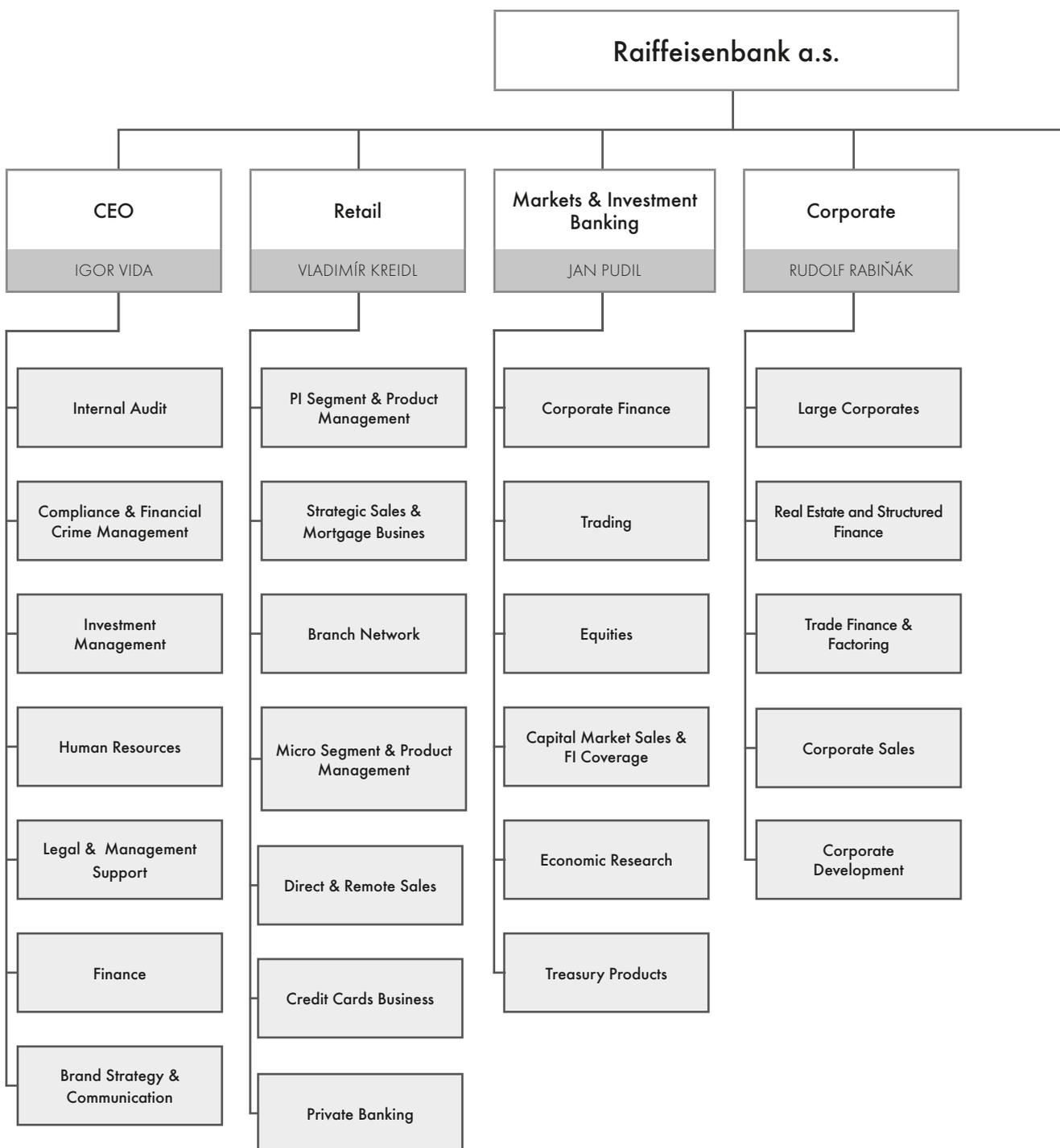
### Dr. Hannes Mösenbacher

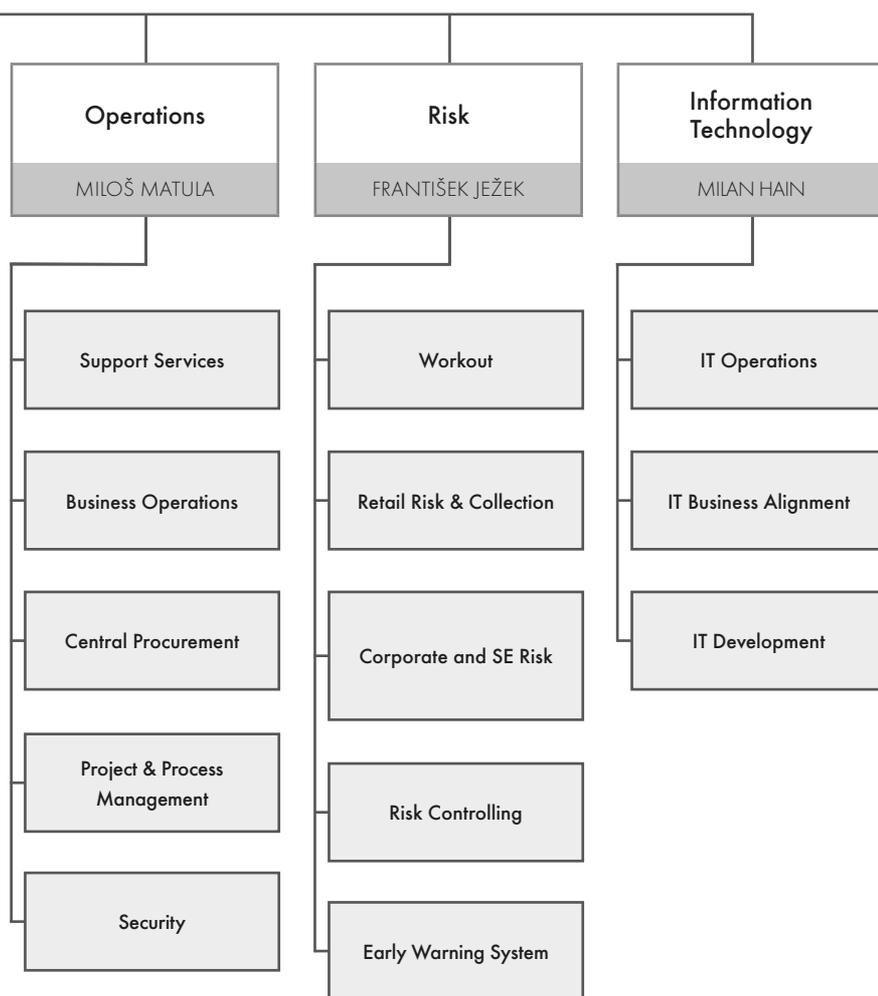
Born: March 11, 1972

Residing: Wisentgasse 39, 3400 Klosterneuburg, Austria

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

# Organisational Chart





# Economic Development

## Favourable external environment



Developments in 2017 were in many respects smoother than expected. The concerns relating to political development in Europe did not pan out. The growth of the global economy was surprising, and the markets reached new maximums. The Eurozone economy grew on average by 2.3% (source: Eurostat, April 2018) year-

on-year during the past four quarters. Such growth had been achieved only during the pre-crisis years and at the turn of the millennium. Many leading indicators throughout Europe exceeded their historical maximums by the end of the year. The Eurozone economies came close to their cyclical peak. On the contrary, the American economy is a step further in its economic cycle. The tax reform which was actually passed at the end of the year spurred business and investor optimism. In all probability, the reform will provide a certain fiscal stimulus to the economy that will prolong the current economic expansion. This has the potential to become the longest in US history.

However, this performance has still not been reflected in inflation. In this respect, there is talk about the impact of unfavourable structural factors, specifically slow wage growth which has yet to come, even though the situation on the labour market is improving in both economies. Thus, low inflation growth in the key economies continues, and has taken its toll even on the monetary policies of central banks.

Although the European Central Bank (ECB) still maintained an ultra-loose monetary policy in 2017, the US Federal Reserve Bank (the Fed) had already begun "normalising". Nevertheless, the balances of both central banks continued to swell. While the US Fed announced a plan to slowly reduce the balance, the ECB was just first considering a reduction in the volume of purchases. As opposed to the ECB, the Fed had already cautiously increased interest rates: in 2017, the base interest rate was changed three times in a range of 1.25% to 1.50% p.a.

Although the US Fed increased interest rates, the yields from government bonds with longer maturities remained low. Rates on the money market slightly increased, and to a lesser extent, even yields for longer-maturity bonds. However, German bonds with shorter maturities carried a negative yield in 2017 as well. The risk premium for many Eurozone countries during the year decreased, thanks, among other reasons, to improving economic conditions. The euro as well reacted to the improving conditions and the economic optimism present among entrepreneurs and consumers: it strengthened against the US dollar above the level of EUR 1.20/USD.

Risky assets continued to be attractive under the influence of low interest rates. Cryptocurrencies were an investment hit in 2017.

## The Czech economy at its cyclical peak

The Czech economy has been recovering now for more than four years (since Q2 2013), similar to before the outbreak of the global financial crisis. The Czech Republic overtook most of Europe, and similar to Germany, is at the peak of its business cycle. The level of the Czech economy has also risen from 88% to around 90% of the EU average, according to the estimates of Raiffeisenbank a.s. Czech economic growth has already reached the limits of its capacity, especially on the labour market. Employment continued to rise to a new historical maximum, and the number of unemployed, according to the Labour Force Sample Survey created by the Czech Statistical Office (CSO), fell below the number of official vacancies at the labour offices. The lack of employees on the labour market, in combination with an increase in minimum and guaranteed wages, led to extraordinary wage growth and, in turn, wage costs in the economy. The growth rate of average wages increased to the pre-crisis level, and thanks to minimum wage growth, the median wage grew faster than average wage. Nevertheless, the level of Czech household savings fell below 11%, according to the CSO. At a time of continued low interest rates and rising prices for goods, households give preference to consumption over savings.

Since the beginning of 2017, consumer inflation has been hovering in the upper half of the CNB's tolerance band. At the moment of terminating the CNB's intervention programme in April 2017, inflation was precisely at its 2% target. However, since that time, it has gradually increased. In October, consumer inflation reached 2.9%, which was the highest level since 2011. It slowed at the end of the year to 2.4%.

In 2017, the state budget deficit reached CZK 6.2 billion, even though it was originally approved with a deficit of CZK 60 billion. The better results were aided by the surprisingly high economic growth, especially in comparison with the Ministry of Finance's forecast. The standard driving force of the economy – household consumption – has the largest impact on tax revenue growth. For almost all types of tax, a year-on-year increase in collection could be observed, and mainly with revenue from social security premiums. Current government spending rose year-on-year on the expenditure side, mainly thanks to the rise in pensions and higher non-investment transfers of local authorities (especially the impact of higher salaries in the school system). In addition, expenditures for government payments for the state insurer substantially rose due to an increase in these payments with effect from the beginning of 2017. On the contrary, capital expenditures were lower year-on-year. This was caused by an above-average comparison base from the previous year due to paying out a large volume of funds from the EU that related to expenses pre-funded from the state budget in previous years.

Economic Development					
	2013	2014	2015	2016	2017
GDP per capita, PPS	22,395	23,749	25,254	25,544	***27,382
Real GDP, % y-o-y change	-0.5	2.7	5.3	2.6	*4.6
Industrial output, % change	-0.1	5.0	4.6	3.4	5.7
ILO general rate of unemployment, % avg.	7.7	7.7	6.5	5.5	****2.9
CPI, % change, avg.	1.4	0.3	0.3	0.7	2.5
Trade balance, % of GDP	2.6	3.4	2.8	3.4	*3
Current account balance, % of GDP	-0.5	0.2	0.2	1.1	*1.1
Net foreign direct investment, % of GDP	-0.2	1.9	-1.1	3.0	*2.7
Budget balance, % of GDP	-2.0	-1.8	-1.4	1.3	**0.0
Public debt, % of GDP	44.9	42.2	40.0	36.8	**34.7
Official FX reserves, EUR bn eop	40.8	45.0	59.4	81.2	119.7
Import cover, months	4.7	5.0	6.2	8.4	11.7

\*flash estimate of Czech Statistical Office, \*\*flash estimate of Czech National Bank, \*\*\*estimate of RB, \*\*\*\*according to ILO methodology (acc to MPSV meth. until 2016)

[https://www.czso.cz/csu/czso/hmu\\_cr](https://www.czso.cz/csu/czso/hmu_cr)

[https://www.cnb.cz/cs/menova\\_politika/zpravy\\_o\\_inflaci/2018/2018\\_1/index.html](https://www.cnb.cz/cs/menova_politika/zpravy_o_inflaci/2018/2018_1/index.html)

## Smooth end to the exchange rate commitment

In April 2017, the Czech National Bank (CNB) abandoned its exchange rate commitment after almost four years. Fortunately, terminating the commitment did not cause any substantial deviations in the CZK exchange rate. Foreign investors who bought large volumes of Czech crowns prior to the termination generally fell short with respect to their investments. The smooth termination of a non-standard instrument of monetary policy started up the “normalisation” of monetary policy in the Czech Republic. In August, after almost five years, the CNB was the first central bank in Europe to increase interest rates. Although this was referred to as an isolated event at that time, it increased rates for a second time in November in accordance with our forecast.

Even the Czech currency reacted to the development of interest rates. After terminating the exchange rate commitment, the Czech crown relatively quickly stabilised, and during the summer, aimed towards 26 crowns to the euro. In the second half of the year, the crown increased its rate of strengthening in expectation of more rapid tightening of CNB monetary policy and thus gradually began to close the gap between its market and long-term equilibrium value. Thanks to this, the crown became the monetary investment of the year not only in the region of Central and Eastern Europe, but also among world currencies. The crown closed 2017 victoriously, and with strengthening of 5.7% vis-à-vis the euro, it left all other currencies behind, including the Polish zloty with 5.5% according to data from Bloomberg. However, a few days before the end of the year, the crown recorded a sharp weakening due to a combination of several events. The closing adjustments to the final accounts and profit taking from crown positions, the disappointment of a part of the market from the December decision of the CNB not to increase interest rates again, and the

annual contributions of banks to the “resolution fund” created a huge discrepancy in supply and demand on the foreign exchange market and sent the crown to weaker values from the end of September 2017. Nevertheless, the situation returned to normal before the end of the year, and the crown ended the year according to our expectations at CZK 25.5/EUR. The crown strengthened even more against the USD by 21% and was the third best performing currency against the dollar.

## Government bond yields rose

A change in the CNB’s opinion on the speed of increasing interest rates affected not only the value of the crown but also interest rates over the entire yield curve. Government bond yields for all maturities increased during the year. Their growth halted during Q3 2017 due to a decline in government bond issues and a statement of the CNB’s bank board which caused a change in attitudes on the market and weakened expectations regarding another increase in the key rate. As a result, the money and bond market recorded a short-term decline in rates. However, by the end of the year, interest rates and bond yields rose again to a three-year maximum. The already mentioned “end-of-the-year” effect was also reflected in those markets in the form of a sharp increase in yields for two-year government bonds on the secondary market. However, the market still perceives the Czech debt as a safe investment, which is also demonstrated by the decline in spreads for credit default swaps (CDS) to an historical minimum since they were first measured in 2009 (according to Bloomberg). Due to speculation in the development of the crown after ending the exchange rate commitment, the share of foreign holders of government bonds rose during the year to above 40%, but then fell below this level by the end of the year.

Helena Horská, Chief Economist,  
Head of Economic Research, Raiffeisenbank a.s.

Note: The sources of macroeconomic data are the Czech Statistical Office, the Ministry of Finance of the Czech Republic, and Bloomberg. The dates are valid as at 16 April 2018.

# Comments on the IFRS consolidated financial results

The Raiffeisenbank Group recorded a consolidated attributable net profit for the parent company's shareholders of CZK 3,084 billion according to International Financial Reporting Standards (IFRS). This is a 10.3% increase.

## Consolidated Statement of Comprehensive Income

### Net income and revenues

Total operating income of the Group increased by 1.3% to CZK 11.34 billion. This is a positive trend taking into consideration that operating income in 2016 was increased by a one-off sale of activities related to payment card acceptance (acquiring) and sale of the shares of Visa Europe. Total operating income was also positively influenced by a gain on the sale and demerger of the subsidiaries RLRE Dorado Property, s.r.o. and RLRE Carina Property, s.r.o. amounting to CZK 63 million.

Net interest income of the Group decreased by 0.6% to CZK 6.57 billion. Net income from fees and commissions increased by 12.5% to CZK 2.00 billion. Other income, which comprises mainly net profit on financial operations, increased by 4.9% to CZK 2.45 billion, mainly due to better trading result of the Group supported by a one-off gain from the sale of government bonds.

### Expenses

One of the priorities of the Group is strict adherence to cost discipline. Therefore, the Group managed to maintain operating expenses at unchanged level of CZK 6.48 billion despite a higher mandatory contribution to the Resolution Fund.

### Risk management

The Group's client credit portfolio is of very good quality. Impairment of loans dropped by 57.0% to CZK 399 million. This year-on-year decline was partially influenced by the creation of a one-off impairment provision in 2016 related to one of the corporate clients of the Group.

## Consolidated Statement of the Financial Position

### Assets

Total Group assets reached CZK 342.70 billion and had grown by 5.8% year-on-year.

Cash and current balances with central banks declined to CZK 8.6 billion, which is a decrease of 90.6% mainly affected by a decrease in accounts with central banks to CZK 355 million due to the transfer of liquidity to the reverse repo operations with the CNB.

Securities at fair value through profit or loss dropped by 78.7% to CZK 156 million.

Securities available for sale increased by 1.6% to CZK 604 million.

Loans and advances to financial institutions increased by 1,721.6% to CZK 105.33 billion. This rise was caused by the increase in reverse repos with the CNB. Loans and advances to customers rose by 2.9% year-on-year to CZK 224.04 billion. The main increase is attributable to household financing in the form of mortgages and consumer loans.

In January 2017, the Group's management decided to sell the portfolio of securities held to maturity. As a result, the Group generated a one-off gain of CZK 175 million.

Other assets dropped by 2.8% to CZK 1.47 billion. Equity investments in associates increased by 24.7% to CZK 38 million.

Intangible fixed assets increased by 8.1% to 2.37 billion and property and equipment rose by 13.5% to almost CZK 1.60 billion

### Liabilities

Total Group liabilities reached CZK 314.79 billion, which is an increase of 5.9%.

Amounts owed to financial institutions showed a decrease of 6.6% to CZK 31.37 billion, of which the highest decrease was caused by term deposits.

Amounts owed to customers increased by 10.8% year-on-year to CZK 251.73 billion.

Issued debt securities decreased by 21.2% to CZK 19.47 billion due to the repayment of mortgage bond issues from 2007.

Other liabilities increased by 24.5% to CZK 5.20 billion mainly due to an increase in the balance for local settlement and suspense clearing account.

### Equity

Capital adequacy of the Group reached 16.77% in 2017, against 16.63% last year. In April 2017, the Group General Meeting of the Bank agreed on a 2016 profit distribution of CZK 2.60 billion as follows: CZK 1.41 billion was used for payment of dividends to shareholders and CZK 1.19 billion was transferred to retained earnings.

During 2017, the Group paid out from retained earnings a coupon amounting to CZK 147.45 million to the holders of AT1 capital investment certificates, which are part of the Group equity amounting to CZK 2.62 billion.

The increase in retained earnings had a positive effect on the Group's capital adequacy.

## **INDEPENDENT AUDITOR'S REPORT** To the Shareholders of Raiffeisenbank a.s.

Having its registered office at: Hvězdova 1716/2b, 140 78, Prague 4

### **Report on the Audit of the Consolidated and Separate Financial Statements**

#### Opinion

We have audited the accompanying consolidated financial statements of Raiffeisenbank a.s. and its subsidiaries (hereinafter also the "Group") and separate financial statements of Raiffeisenbank a.s. (hereinafter also the "Company") prepared on the basis of International Financial Reporting Standards ("IFRS") as adopted by the EU.

The consolidated financial statements comprise the consolidated statement of financial position as of 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (the "Consolidated Financial Statements").

The separate financial statements comprise the separate statement of financial position as of 31 December 2017, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information (the "Separate Financial Statements").

In our opinion:

- The accompanying Consolidated Financial Statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying Separate Financial Statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

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

#### Key Audit Matters

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

Key audit matter	Related audit procedures
<b>Allowances for the loans and advances to customers</b>	
<p>(See Notes 19, 20 and 40 to the Consolidated Financial Statements and Notes 17, 18 and 37 to the Separate Financial Statements for the details) At 31 December 2017, gross loans and advances to customers (hereinafter "loans") comprised CZK 224,039 million and CZK 219,913 million for the Group and the Company, respectively, against which allowances for loans to customers (hereinafter "allowances") of CZK 5,056 million and CZK 4,974 million were recorded, respectively. The directors exercise significant judgment when determining both when and how much to record as allowances.</p> <p>Allowances for losses on loans and receivables are recognised when there are reasonable doubts over the recoverability of the loan balance. Allowances for losses on loans and receivables represent management's assessment of potential losses in relation to the Group's on and off balance sheet activities.</p> <p>The Group determines impairment of individual receivables or the portfolio of receivables with similar characteristics in terms of credit risk.</p> <ul style="list-style-type: none"> <li>The Group applies the portfolio approach in respect of individually assessed receivables where no impairment was noted individually. In this case, the Group also determines impairment of the portfolio of similar individually unimpaired loans.</li> <li>Portfolio allowances are calculated using the statistical model pursuant to the anticipated development in the loan portfolio (probability of default, default loss, etc).</li> <li>The amount of the individual allowance is determined based on the anticipated cash flows. Future cash flows are estimated pursuant to the assessment of all available information, including the estimated collateral value, possibility of the sale of a receivable, proceeds from the bankruptcy and anticipated length of the recovery process.</li> <li>The value of the future cash flows of retail receivables is estimated on the basis of the historical behaviour of similar receivables and historical success of the recovery process (statistical model).</li> </ul> <p>Because of the significance of these judgements and the size of loans and advances to customers, the audit of allowances is a key audit matter.</p>	<p>We evaluated whether the internal impairment policies comply with the requirement of the relevant accounting standard (IAS 39).</p> <p><u>Testing of internal controls</u></p> <p>We tested the design and operating effectiveness of the key internal controls to determine which loans and advances to customers are impaired and allowances for those assets. Our procedures included testing:</p> <ul style="list-style-type: none"> <li>System-based and manual controls over the timely recognition of impaired loans and advances;</li> <li>Controls over the allowance calculation and allowance recording;</li> <li>Controls over collateral valuation estimate;</li> <li>The governance process of management validation of allowance calculations; and</li> <li>IT controls relating to access rights and change management of relevant IT applications.</li> </ul> <p><u>Identification of impaired loans</u></p> <p>We tested a sample of loans and advances (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner.</p> <p><u>Individual allowances for loans</u></p> <p>For individually assessed loans we selected a sample of loans and, where we deemed them to be impaired, tested the estimation of the future expected cash flows from customers including from realisation of collateral held. This work involved assessing the work performed by external experts used by the Group to value the collateral or to assess the estimates of future cash flows. In some cases, particularly in respect of commercial real estate, we assessed the appropriateness of valuations and estimates used by the Group. Where we determined that a more appropriate assumption or input in allowance measurement could be made, we recalculated the allowance on that basis and compared the results in order to evaluate management estimate.</p>

Key audit matter	Related audit procedures
	<p><u>Allowances for loans determined using statistical models</u></p> <p>For the allowances determined by models used by the Group, we were assessing the model methodology, the internal validation reports and we back-tested selected internal models. We assessed whether the modelling assumptions used considered all relevant risks, and whether the additional adjustments to reflect un-modelled risks were reasonable in light of historical experience, economic climate, current operational processes and the circumstances of the customers as well as our own knowledge of practices used by other similar banks. On a sample basis, we evaluated the appropriateness of risk parameters used in the calculation of allowances.</p>
Interest and fee income recognition	
<p>(See Notes 7 and 9 to the Consolidated Financial Statements and Notes 5 and 7 to the Separate Financial Statements for the details)</p> <p>For the year ended 31 December 2017 the interest income and similar income comprised CZK 7,802 million and CZK 7,383 million for the Group and the Company, respectively. Total fee and commission income for the same period comprised CZK 2,898 million and CZK 2,791 million for the Group and the Company, respectively. With the main source being customer loans and deposits these are the main contributors to the revenues of the Company and the Group affecting the profitability.</p> <p>The Group 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 to the present value at the maturity date. Interest income also includes interest expense arising from negative interest rates carried by the relevant assets of the Group.</p> <p>Fees and commissions are recognised in the consolidated statement of comprehensive income on an accrual basis, with the exception of fees that are deemed to be an integral part 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.</p>	<p>We tested the design and operating effectiveness of the key internal controls and focused on:</p> <ul style="list-style-type: none"> <li>• Assessment of interest/fees recognition during new product validation;</li> <li>• Interest/fee inputs on customer loans and deposits, including authorisation of the changes in the interest and fee price list and authorisation of non-standard interest/fees;</li> <li>• Recording of fee and interest income and management oversight; and</li> <li>• IT controls relating to access rights and change management of relevant IT applications.</li> </ul> <p>We performed the following procedures with regard to interest and fees revenue recognition:</p> <ul style="list-style-type: none"> <li>• We evaluated the accounting treatment performed by the Company in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard (IAS 39).</li> </ul> <p>We focused our testing on challenging the correct classification of:</p> <ul style="list-style-type: none"> <li>• Fees that are identified as directly attributable to the financial instrument;</li> <li>• Fees that are not identified as directly attributable to the financial instrument;</li> <li>• We assessed the completeness and accuracy of data used for the calculation of interest using data analytics; and</li> <li>• We evaluated the mathematical formula used for accruing the relevant income over the expected life of the loan.</li> </ul>

Key audit matter	Related audit procedures
Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording resulted in this matter being identified as a key audit matter.	

#### Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the Consolidated and Separate Financial Statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the Consolidated and Separate Financial Statements does not cover the other information. In connection with our audit of the Consolidated and Separate 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts 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 is prepared in compliance with applicable law or regulation.

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

As stated on page 28 of the annual report, the Company does not prepare a complete set of non-financial information since the relevant information is to be presented in the separate report of the consolidating entity Raiffeisen Bank International AG. As a result, we do not report on the preparation of non-financial information.

#### Responsibilities of the Company's Board of Directors, Supervisory Board and Audit Committee for the Consolidated and Separate Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated and Separate Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of Consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated and Separate Financial Statements, the Board of Directors is responsible for assessing the Group's and 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 Board of Directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated and Separate Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 and Separate Financial Statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated and Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 and 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 Consolidated and Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated and Separate Financial Statements, including the disclosures, and whether the Consolidated and Separate 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 and the Company to express an opinion on the Consolidated and Separate 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 the Board of Directors, the Supervisory Board and the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated and Separate Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and 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 the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 17 August 2015 and our uninterrupted engagement has lasted for 10 years.

#### Consistence with the Additional Report to the 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 the Company, which we issued on 20 April 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

#### Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the annual report.

#### **Report on Report on Relations among Related Entities (the "Report on Relations")**

We have reviewed the factual accuracy of the information included in the accompanying Report on Relations of the Company for the year ended 31 December 2017 which is included in this annual report on pages 215 to 252. This Report on Relations is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the Report on Relations based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Report on Relations is free of material factual misstatements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the Report on Relations and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the Report on Relations of the Company for the year ended 31 December 2017 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

In Prague on 20 April 2018

Audit firm:

Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

Daniela Hynštová  
registration no. 2235



# 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 2017.

## 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 27 February 2018.

## Chief Financial Officer of the reporting entity

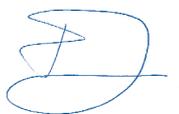


Tomáš Jelínek  
Chief Financial Officer

## Statutory body of the reporting entity



Igor Vida  
Chairman of the Board of Directors



František Ježek  
Member of the Board of Directors

## Statement of Comprehensive Income For the Year Ended 31 December 2017

(CZK thousand)	Note	2017	2016
Interest income and similar income	5	7,383,466	7,516,150
Interest expense and similar expense	5	(1,194,973)	(1,229,928)
<b>Net interest income</b>		<b>6,188,493</b>	<b>6,286,222</b>
Change in provisions for credit risks	6	(437,640)	(883,354)
<b>Net interest income after provisions for credit risks</b>		<b>5,750,853</b>	<b>5,402,868</b>
Fee and commission income	7	2,790,901	2,520,245
Fee and commission expense	7	(871,490)	(825,611)
<b>Net fee and commission income</b>		<b>1,919,411</b>	<b>1,694,634</b>
Net profit on financial operations	8	2,259,351	2,060,374
Dividend income	9	75,233	64,000
Losses from the impairment of equity investments	21	-	-
General administrative expenses	10	(6,041,384)	(6,112,611)
Other operating (expenses)/income, net	12	(38,912)	177,515
<b>Profit before tax</b>		<b>3,924,552</b>	<b>3,286,780</b>
Income tax expense	13	(1,099,894)	(682,444)
<b>Net profit for the year attributable to the Bank's shareholders</b>		<b>2,824,658</b>	<b>2,604,336</b>
<b>Other comprehensive income</b>			
<b>Items that can be reclassified to income (or expenses) in the future:</b>			
Gains/(losses) from re-measurement of securities available for sale reported in other comprehensive income	30	9,352	(28,029)
Re-measurement of securities available for sale transferred to profit or loss	30	-	(356,409)
Gains/(losses) from revaluation of cash flow hedges	30	181,197	(93,828)
Tax on profit associated with components of other comprehensive income	19	(32,499)	83,820
<b>Total other comprehensive income</b>		<b>158,050</b>	<b>(394,446)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,982,708</b>	<b>2,209,890</b>

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

## Statement of Financial Position As of 31 December 2017

tis. Kč	Note	31. 12. 2017	31. 12. 2016
<b>Assets</b>			
Cash and balances with central banks	14	8,621,174	92,079,929
Securities at fair value through profit or loss	15	156,446	733,639
Positive fair value of financial derivative transactions	33	3,855,236	3,931,883
Securities available for sale	15	603,654	594,302
Loans and advances to financial institutions	16	105,156,884	5,664,472
Loans and advances to customers	17	219,913,310	213,795,158
Provisions for loans and advances	18	(4,973,912)	(6,108,799)
Fair value remeasurement of portfolio-remeasured items (amounts due from customers)	17	(1,259,634)	389,354
Deferred tax asset	19	-	101,106
Securities held to maturity	15	-	2,545,956
Other assets	20	1,091,896	1,098,429
Equity investments	21	1,712,951	647,487
Intangible fixed assets	22	2,346,742	2,172,717
Property and equipment	23	649,401	632,446
<b>TOTAL ASSETS</b>		<b>337,874,148</b>	<b>318,278,079</b>
<b>LIABILITIES AND EQUITY</b>			
Amounts owed to financial institutions	24	27,379,967	29,489,006
Amounts owed to customers	25	252,076,227	227,462,765
<i>of which: change in the fair value of hedged items</i>	25	129,500	187,333
Fair value re-measurement of portfolio-re-measured items (amounts owed to customers)	25	(1,848 943)	753,384
Negative fair value of financial derivative transactions	33	4,701,933	2,916,079
Deferred tax liability	19	13,565	-
Debt securities issued	26	19,473,226	24,722,224
<i>of which: change in the fair value of hedged items</i>		52,993	85,637
Provisions	27	1,299,993	1,064,162
Other liabilities	28	4,878,493	3,923,590
Subordinated liabilities and bonds	29	2,712,697	2,863,982
<b>TOTAL LIABILITIES</b>		<b>310,687,158</b>	<b>293,195,192</b>
<b>EQUITY</b>			
Share capital	30	11,060,800	11,060,800
Reserve fund		693,561	693,561
Gains and losses from revaluation	30	96,897	(61 153)
Retained earnings		9,895,720	8,850,893
Other capital instruments	30	2,615,354	1,934,450
Profit for the period		2,824,658	2,604,336
<b>TOTAL EQUITY</b>		<b>27,186,990</b>	<b>25,082,887</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>337,874,148</b>	<b>318,278,079</b>

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

## Statement of Changes in Equity For the Year Ended 31 December 2017

(CZK thousand)	Share capital	Reserve fund	Gains and losses from revaluation	Retained earnings	Other capital instruments	Profit for the period	Total equity
<b>At 1 January 2016</b>	11,060,800	693,561	333,293	7,835,350	1,934,450	2,538,362	24,395,816
Share capital increase	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(1,388,359)	(1,388,359)
Payment of coupon on other capital instruments	-	-	-	(134,460)	-	-	(134,460)
Allocation to retained earnings	-	-	-	1,150,003	-	(1,150,003)	-
Net profit for the period	-	-	-	-	-	2,604,336	2,604,336
Other comprehensive income, net	-	-	(394,446)	-	-	-	(394,446)
<b>Comprehensive income for the period</b>	-	-	(394,446)	-	-	2,604,336	2,209,890
<b>At 31 December 2016</b>	11,060,800	693,561	(61,153)	8,850,893	1,934,450	2,604,336	25,082,887
Share capital increase	-	-	-	-	680,904	-	680,904
Dividends	-	-	-	-	-	(1,412,058)	(1,412,058)
Payment of coupon on other capital instruments	-	-	-	(147,451)	-	-	(147,451)
Allocation to retained earnings	-	-	-	1,192,278	-	(1,192,278)	-
Net profit for the period	-	-	-	-	-	2,824,658	2,824,658
Other comprehensive income, net	-	-	158,050	-	-	-	158,050
<b>Comprehensive income for the period</b>	-	-	158,050	-	-	2,824,658	2,982,708
<b>At 31 December 2017</b>	11,060,800	693,561	96,897	9,895,720	2,615,354	2,824,658	27,186,990

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

## Cash Flow Statement For the Year Ended 31 December 2017

(CZK thousand)	2017	2016 (restated)*
<b>Profit before tax</b>	<b>3,924,552</b>	<b>3,286,780</b>
<b>Adjustments for non-cash transactions</b>		
Creation of provisions for credit risks	437,640	883,354
Depreciation and amortisation	582,519	610,673
Loss from the impairment of intangible assets	-	65,726
Creation of other provisions	278,758	181,909
Change in fair values of financial derivatives	2,043,698	(315,510)
Unrealised loss/(gain) on revaluation of securities	1,393	(15,943)
Loss/(gain) on the sale of tangible and intangible assets	(722)	(5)
Change in the revaluation of hedged items upon a fair value hedge	(1,043,816)	97,997
Revaluation of foreign currency positions	(4,657,648)	689,255
Other non-cash changes	348,692	(1,009,844)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>1,915,066</b>	<b>4,474,392</b>
<b>Cash flows from operating activities</b>		
<i>(Increase)/decrease in operating assets</i>		
Minimum reserve deposits with the CNB	(1,258,291)	(603,680)
Loans and advances to financial institutions	(99,711,153)	(1,470,380)
Loans and advances to customers	(6,553,176)	(25,673,086)
Securities at fair value through profit or loss and securities available for sale	573,155	436,052
Other assets	6,533	(224,564)
<i>Increase/(decrease) in operating liabilities</i>		
Amounts owed to financial institutions	(1,522,559)	18,830,224
Amounts owed to customers	26,468,707	43,680,100
Other liabilities	954,903	1,856,833
<b>Net cash flow from operating activities before income tax</b>	<b>(79,126,815)</b>	<b>41,305,891</b>
Income taxes paid	(1,006,808)	(828,456)
<b>Net cash flow from operating activities</b>	<b>(80,133,623)</b>	<b>40,477,435</b>
<b>Cash flows from investing activities</b>		
Sale of/(increase in) equity investments	(1,065,464)	(131,167)
Sale of securities available for sale	-	380,480
Purchase of property and equipment and intangible assets	(710,298)	(978,073)
Income from the sale of fixed assets	2,992	2,291
Net decrease in securities held to maturity	2,491,448	8,713,249
Dividends received	75,233	64,000
<b>Net cash flow from investing activities</b>	<b>793,911</b>	<b>8,050,780</b>
<b>Cash flows from financing activities</b>		
Share capital increase	-	-
Dividends paid and paid coupons on other capital instruments	(1,559,509)	(1,522,844)
Increase in other capital instruments	680,904	-
Bonds in issue	(4,623,095)	6,235,595
Subordinated liabilities and bonds	-	(125,386)
<b>Net cash flow from financing activities</b>	<b>(5,501,700)</b>	<b>4,587,365</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(84,841,412)</b>	<b>53,115,580</b>
Cash and cash equivalents at the beginning of the year (Note 31)	89,073,611	35,948,037
Foreign exchange rate differences on cash and cash equivalents at the beginning of the year*	(144,617)	9,994
<b>Cash and cash equivalents at the end of the year (Note 31)</b>	<b>4,087,582</b>	<b>89,073,611</b>

\* Refer to Note 31

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 between the Balances as of 1 January 2017 and 31 December 2017

	As of 1 January 2017	Cash flows	Non-cash changes		As of 31 December 2017
			Revaluation of foreign currency positions	Change in fair value	
Debt securities issued	24,722,224	(4,623 095)	(625,903)	-	19,473,226
Subordinated liabilities and bonds	2,863,982	-	(151,285)	-	2,712,697

# Table of contents

<b>1. CORPORATE DETAILS</b> .....	<b>55</b>
<b>2. BASIS OF PREPARATION</b> .....	<b>56</b>
<b>3. SIGNIFICANT ACCOUNTING POLICIES</b> .....	<b>57</b>
(a) Interest Income and Interest Expense.....	57
(b) Fees and Commissions.....	57
(c) Dividends.....	57
(d) Other Income and Expenses Reported in the Statement of Comprehensive Income.....	57
(e) Taxation.....	57
(f) Financial Assets and Liabilities.....	57
(g) Offsetting.....	63
(h) Equity Investments.....	63
(i) Property and Equipment and Intangible Fixed Assets.....	63
(j) Assets and Disposal Groups Held for Sale.....	64
(k) Provisions.....	64
(l) Transactions with Securities Undertaken on behalf of Clients.....	64
(m) Contingent Assets, Contingent Liabilities and Off-Balance Sheet Items.....	65
(n) Segment Reporting.....	65
(o) Foreign Currency Translation.....	65
(p) Cash and Cash Equivalents.....	65
(q) Employee Benefits.....	65
<b>4. CHANGES IN ACCOUNTING POLICIES IN 2017</b> .....	<b>66</b>
(a) Newly Applied Standards and Interpretations the Application of which Had a Significant Impact on the Financial Statements.....	66
(b) Newly Applied Standards and Interpretations the Application of which Had No Significant Impact on the Financial Statements.....	66
(c) Standards and Interpretations in Issue but Not Yet Effective.....	66
(d) Standards and Interpretations issued by the IASB, but not yet adopted by the European Union.....	69
<b>5. NET INTEREST INCOME</b> .....	<b>70</b>
<b>6. CHANGES IN PROVISIONS FOR CREDIT RISKS</b> .....	<b>71</b>
<b>7. NET FEE AND COMMISSION INCOME</b> .....	<b>71</b>
<b>8. NET PROFIT ON FINANCIAL OPERATIONS</b> .....	<b>72</b>
<b>9. DIVIDEND INCOME</b> .....	<b>72</b>
<b>10. GENERAL ADMINISTRATIVE EXPENSES</b> .....	<b>73</b>
<b>11. PAYROLL COSTS</b> .....	<b>73</b>
<b>12. OTHER OPERATING (EXPENSES)/INCOME, NET</b> .....	<b>74</b>
<b>13. INCOME TAX</b> .....	<b>74</b>
(a) Income Tax Expense.....	74
(b) Income Tax Provision/Receivable.....	74
<b>14. CASH AND BALANCES WITH CENTRAL BANKS</b> .....	<b>75</b>
<b>15. SECURITIES</b> .....	<b>75</b>
(a) Portfolio Classification of Securities.....	75
(b) Securities Pledged as Collateral.....	75
<b>16. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS</b> .....	<b>76</b>
<b>17. LOANS AND ADVANCES TO CUSTOMERS</b> .....	<b>76</b>
(a) Classification of Loans and Advances to Customers.....	76
(b) Reverse Repurchase Transactions.....	76
(c) Analysis of Loans Provided to Customers by Sector.....	76
(d) Analysis of Loans Provided to Customers by Geographical Area.....	77
(e) Aging Analysis of Loans Provided to Customers.....	77
(f) Analysis of Loans Provided to Customers by Default Categories.....	77
(g) Securitisation.....	78
(h) Syndicated Loans.....	78
(i) Purchase of the client portfolio of the Czech branch of ZUNO BANK AG.....	78
(j) Analysis of Loans and Advances to Customers by Sector and Type of Collateral.....	79
<b>18. PROVISIONS FOR LOANS AND ADVANCES</b> .....	<b>81</b>
<b>19. DEFERRED TAX ASSET/LIABILITY</b> .....	<b>81</b>
<b>20. OTHER ASSETS</b> .....	<b>82</b>
<b>21. EQUITY INVESTMENTS</b> .....	<b>83</b>
(a) Equity Investments.....	83
(b) Subsidiaries (Equity Investments with Controlling Influence).....	83

<b>22. INTANGIBLE FIXED ASSETS .....</b>	<b>85</b>
<b>23. PROPERTY AND EQUIPMENT .....</b>	<b>86</b>
(a) Movements in Property and Equipment .....	86
(b) Property and Equipment Acquired under Finance Leases.....	86
<b>24. AMOUNTS OWED TO FINANCIAL INSTITUTIONS .....</b>	<b>86</b>
<b>25. AMOUNTS OWED TO CUSTOMERS .....</b>	<b>87</b>
(a) Analysis of Amounts Owed to Customers by Type.....	87
(b) Analysis of Amounts Owed to Customers by Sector.....	87
(c) Repurchase Transactions.....	87
<b>26. DEBT SECURITIES ISSUED .....</b>	<b>87</b>
(a) Analysis of Issued Debt Securities by Type.....	87
(b) Analysis of Mortgage Bonds.....	88
<b>27. PROVISIONS.....</b>	<b>88</b>
<b>28. OTHER LIABILITIES .....</b>	<b>89</b>
<b>29. SUBORDINATED LIABILITIES AND BONDS.....</b>	<b>89</b>
(a) Subordinated Loan.....	89
(b) Issue of Subordinated Bonds.....	89
<b>30. EQUITY.....</b>	<b>90</b>
(a) Share Capital.....	90
(b) Other Capital Instruments.....	90
(c) Gains and Losses from Revaluation.....	91
<b>31. CASH AND CASH EQUIVALENTS.....</b>	<b>92</b>
<b>32. CONTINGENT LIABILITIES .....</b>	<b>92</b>
(a) Legal Disputes.....	92
(b) Irrevocable Commitments, Guarantees and Issued Letters of Credit .....	92
<b>33. FINANCIAL DERIVATIVES.....</b>	<b>93</b>
(a) Analysis of Derivative Financial Instruments - Contractual Amounts (nominal value) .....	93
(b) Analysis of Derivative Financial Instruments - Fair Value.....	94
(c) Remaining Maturity of Financial Derivative Instruments - Contractual Amounts (nominal value).....	94
(d) Summary of Future Cash Flows of Net Settled Derivatives.....	95
(e) Summary of Future Cash Flows of Gross Settled Derivatives .....	96
<b>34. OTHER OFF BALANCE SHEET ASSETS.....</b>	<b>97</b>
(a) Assets Provided for Management, Administration and Custody.....	97
(b) Assets Accepted for Management, Administration and Custody.....	97
<b>35. SEGMENT ANALYSIS.....</b>	<b>97</b>
<b>36. FINANCIAL INSTRUMENTS – MARKET RISK .....</b>	<b>99</b>
(a) Trading.....	99
(b) Risk Management.....	99
(c) Fair values of financial assets and liabilities.....	101
(d) Risk Management Methods .....	104
<b>37. FINANCIAL INSTRUMENTS – CREDIT RISK .....</b>	<b>107</b>
(a) Assessment and Classification of Receivables.....	108
(b) Provisioning for Receivables.....	108
(c) Evaluation of Collateral.....	108
(d) Credit Risk Measurement Methods.....	109
(e) Concentration of Credit Risk .....	109
(f) Recovery of Receivables.....	109
(g) Forbearance and Non-Performing Exposures.....	109
(h) Securitisation.....	111
(i) Portfolio Quality.....	111
(j) Credit Quality of Not Due and Individually Unimpaired Loans to Customers .....	113
(k) Maximum Exposure to Credit Risk .....	114
(l) Offset of Financial Assets and Financial Liabilities .....	115
<b>38. RELATED PARTY TRANSACTIONS.....</b>	<b>116</b>
<b>39. POST BALANCE SHEET EVENTS.....</b>	<b>119</b>

# 1. CORPORATE DETAILS

Raiffeisenbank a.s. (the "Bank"), with its registered office at Hvězdova 1716/2b, Prague 4, 140 78, Corporate ID no. 49240901, was founded as a joint stock company in the Czech Republic. The Bank was entered in the Commercial Register at the Municipal Court in Prague on 25 June 1993, Section B, Insert 2051.

## Principal activities of the Bank according to the banking licence 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 licence; and
- Mediation of an additional pension savings programme

## In addition to the banking licence 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 2017, the performance or provision of the Bank's activities and services were not restricted or suspended by the Czech National Bank.

## 2. BASIS OF PREPARATION

These statutory financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the 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 shareholders' equity, a cash flow statement and notes to the financial statements containing accounting policies and explanatory disclosures.

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 are reported in the financial statements of the periods to which they relate, and on the going concern assumption.

These financial statements have been prepared under the historical cost convention (including any impairment) as modified by the remeasurement to fair value of financial assets and liabilities at fair value through profit or loss (including all non-hedging derivatives and hedging derivatives in a fair value hedge), available-for-sale securities and hedging derivatives upon a cash flow hedge through other comprehensive income.

These financial statements and notes thereto are unconsolidated and do not include the accounts and results of those companies over which the Bank has control or significant influence and joint ventures. The policies of accounting for equity investments are disclosed in Note 3 h.

The Bank prepares the separate financial statements in accordance with Accounting Act No. 563/1991 Coll., as amended.

The Bank also prepares consolidated financial statements in accordance with IFRS and the interpretations approved by the IASB as adopted by the European Union which present the results of the Bank's financial group.

All figures are in thousands of Czech crowns (CZK thousand), unless stated otherwise. Figures in brackets represent negative amounts.

### Use of Estimates

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

As disclosed in Note 37, the Bank creates provisions for the impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are negatively impacted. These provisions are based on the Bank's historical and current experience as well as judgments of the Bank's management regarding the estimated future cash flows and represent the best estimate of loan impairment as of the balance sheet date.

The amounts recognised as provisions for liabilities are based on the management's judgments and represent the best estimate of expenditure required to settle a liability of uncertain timing or amount. Refer to Note 27 for more detailed disclosures of provisions for liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Interest Income and Interest Expense

Interest income and expense are recognised in the income statement and statement of comprehensive income lines “*Interest income and similar 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 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 Bank.

### (b) Fees and Commissions

Fees and commissions are recognised in the statement of comprehensive income lines “*Fee and commission income*” and “*Fee and commission expense*” on an accrual basis, with the exception of fees that are deemed to be an integral part of the 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.

### (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 reduce retained earnings in the period in which they are declared 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 in the period to which they relate (and not as cash or its equivalent is received or paid).

Other operating expenses that do not directly relate to banking activities are reported in “*Other operating (expenses)/income, net*”.

### (e) Taxation

Tax on the profit or loss for the year comprises the current year tax charge, adjusted for changes in prior years' tax liabilities, if any, and deferred taxation. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rate enacted and the tax legislation applicable as of the balance sheet date.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from certain non-tax deductible reserves and provisions, tax and accounting depreciation on tangible and intangible fixed assets and revaluation of securities available for sale.

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 recovered.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

### (f) Financial Assets and Liabilities

#### Dates of Recognition and Derecognition of Financial Instruments in/from the Statement of Financial Position

Financial assets with normal delivery terms, except for financial assets at fair value through profit or loss and securities available for sale, are recognised using settlement date accounting.

The settlement (collection) date is the day on which the financial instrument is delivered (cash payment). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (sending 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 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 of the trade date; and
- Derecognition of a sold asset and recognition of the profit or loss upon disposal and recognition of a receivable from the buyer as of 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 at the date on which all related risks and costs attributable to the specific liability are transferred.

### Day 1 Profit / 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 (profit 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 quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using appropriate pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is based on the market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market rates at the balance sheet date.

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

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

If there are sufficient current market prices of contributions available in respect of a given debt security, the valuation is calculated as an 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 valuation or the number of actual contributions is not sufficient, the Bank will carry out the valuation on the basis of 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 receives other information about a change of the spread applied;
- The issuer's credit rating changes (change of internal and/or external rating, evidence from the market that creditworthiness is worsening); and
- The liquidity of the specific security has deteriorated significantly.

Subsequently, the Bank will carry out the revaluation 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.

Of the categories of financial assets and liabilities defined in IAS 39, the Bank maintains the following types of financial assets and liabilities:

- Loans and receivables;
- Financial assets and liabilities at fair value through profit or loss;
- Financial assets available for sale;
- Financial assets held to maturity;
- Financial liabilities at amortised cost; and
- Hedging derivatives.

### Loans and Receivables

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

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

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

The change in provisions, after write-offs, is charged to the statement of comprehensive income line "Change in provisions for credit risks". Additional details can be found in Note 37 b.

Loans and receivables when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Bank in respect of these loans are transferred to an external entity or individually written off with the concurrent use of a recorded provision. These write-offs are included in "Change in provisions for credit risks" in the statement of comprehensive income. Subsequent recoveries are also included in this line.

### Restructuring of Loans and Receivables from Customers

Loan restructuring involves providing the customer with relief because the Bank determined that it would likely incur a loss if it did not do so. For economic or legal reasons associated with the debtor's financial position the Bank therefore provided the debtor with 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 does not include a loan which originated as a result of the renewal of a short-term loan for current assets if the debtor fulfilled all of his payment and non-payment obligations arising from the loan contract.

Restructuring additionally does not extend to the change in the repayment schedule or the form of loan if these changes are made for commercial reasons or on the grounds of changed financial needs of the debtor, and the anticipated development in the debtor's financial and economic situation does not give rise to doubt as to the full repayment of the receivable even without the change.

## Securities

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

### Securities at Fair Value through Profit or Loss

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

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

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

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

### Securities Available for Sale

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

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

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

### Securities Held to Maturity

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

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

The fair value of this portfolio is disclosed in Note 36c "Fair values of financial assets and liabilities".

## Repurchase Agreements

Where debt or equity securities are sold under a concurrent commitment to repurchase them at a pre-determined price, they remain at fair value or amortised cost within the relevant portfolio on the statement of financial position and the consideration received is recorded in "Amounts owed to financial institutions" or "Amounts owed to customers". Conversely, debt or equity securities purchased under a concurrent commitment to resell are retained off balance sheet where they are remeasured at fair value. The corresponding receivable from the provided loan is recorded in "Loans and advances to financial institutions" or "Loans and advances to customers" in the statement of financial position.

Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case ("short sales") the purchase and sale are recorded as a liability with the gain or loss included in "Net profit 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 repurchase transactions is accrued while interest on debt securities received under reverse repurchase transactions is not accrued.

Income and expenses arising under repurchase or reverse repurchase transactions as the difference between the sale and repurchase price are accrued evenly over the term of the transaction and presented in the statement of comprehensive income as "Interest income and similar income" or "Interest expense or similar expense" as appropriate.

## Debt Securities Issued

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 included 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 cost which includes transaction costs. The difference between the cost of repurchased own debt securities and the accrued amount of issued securities is included in the statement of comprehensive income line "Net profit on financial operations" in the period of acquisition. Interest expenses of issued debt securities are decreased to reflect the gradual increase in the value of the Bank's own debt securities.

## 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. Fair values are reported in the statement of financial position as "Positive fair value of financial derivative transactions" and "Negative fair value of financial derivative transactions".

The interest income and expenses relating to financial derivatives in the banking portfolio (economic hedging), or financial derivatives used as hedging instruments in fair value or cash flow hedges, are reported in the statement of comprehensive income as "Interest income and similar income" or "Interest expense and similar expense" on a net basis. In respect of financial derivatives in the trading portfolio, the relating interest income and interest expenses are reported in "Net profit on financial operations".

Realised and unrealised gains and losses are recognised in the statement of comprehensive income line "Net profit on financial operations", the only exception being unrealised gains and losses on cash flow hedges which are recognised in equity. Fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve or volatility factors underlying the positions. The fair value of derivative instruments also includes credit and debit adjustments resulting from a derivative transaction counterparty's credit risk.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with gains and losses reported in the statement of comprehensive income and the embedded instrument meets general criteria for recognition as a derivative.

## Hedge Accounting

The Bank applies hedge accounting in accordance with the IFRS requirements. 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 in the line "*Net profit on financial operations*", 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*" or "*Interest expense and similar expense*", respectively, in the net value. 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 the line "*Net profit on financial operations*" 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*" and "*Net profit on financial operations*" 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 "*Gains/(losses) from revaluation of cash flow hedges*" in the statement of comprehensive income and cumulatively in "*Gains and losses from revaluation*" 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 profit on financial operations*" in the statement of comprehensive income. The values that were reported in other comprehensive income are reallocated in profit or loss in the period in which the hedged item affects profits or losses in "*Net profit on financial operations*" in the statement of comprehensive income.

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

## 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 debtor, the loan will be repaid only after the full satisfaction of all other payables to other creditors, the only exception being payables that carry the same or similar subordination condition.

The principal balance of the subordinated loan and relevant interest is 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 interest is reported as "*Subordinated liabilities and bonds*" in the statement of financial position. The amount of interest expense arising from subordinated deposits is recognised in the profit and loss account line "*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 payables if the issuer is placed into liquidation or a resolution on the bankruptcy of the issuer is passed, except for payables that carry the same or similar subordination condition.

Subordinated debt securities issued are reported by the Bank at amortised cost using the effective interest rate and are included in "Subordinated liabilities and bonds" in the statement of financial position. The interest expense from the issue of own bonds is reported in "Interest expense and similar expense" in the statement of comprehensive income.

## Other Capital Instruments

Other capital 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 nominal value in the statement of financial position line "Other capital 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.

## (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) Equity Investments

Equity investments in subsidiary and associated undertakings and joint ventures are recorded at acquisition cost including transaction costs less provisions for any temporary impairment losses or write-downs due to other-than-temporary impairment.

At the financial statement date or interim financial statement date, the Bank assesses equity investments in subsidiary or associated undertakings and joint ventures for impairment. An equity investment is impaired if its carrying amount is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value and its value in use determined as a sum of discounted expected cash flows. Impairment of equity investments in subsidiary or associated undertakings is reported in the statement of comprehensive income in the separate line "Impairment losses from equity investments".

Investments, in which the Bank has an equity interest less than 20 percent, are reported as "Securities available for sale" and are carried at fair value, with the exception of equity investments where the fair value cannot be reliably determined and in accordance with IAS 39, these equity investments are stated at cost and regularly tested for impairment.

## (i) Property and Equipment and Intangible Fixed Assets

Property and equipment includes assets with physical substance and with an estimated useful life exceeding one year and a cost greater than CZK 40,000.

Intangible fixed assets include assets without physical substance with an estimated useful life exceeding one year and a cost greater than CZK 60,000.

Property and equipment and intangible fixed assets are stated at historical cost less accumulated depreciation, amortisation and provisions and are depreciated or amortised when ready for use through the statement of comprehensive income line "General administrative expenses" on a straight line basis over their estimated useful lives.

Depreciation periods and depreciation rates for individual categories of 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%

Technical improvements on leasehold assets are depreciated on a straight line basis over the lease term or the depreciation period is extended by the term arising from an option arrangement. Technical improvements on leasehold assets under lease arrangements for an indefinite period of time are depreciated over 15 years.

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

The costs of internally generated intangible assets include 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.

Intangible assets with a cost greater than CZK 40,000 and lower than CZK 60,000 (category of low value intangible fixed assets) are amortised over 36 months and tangible assets with a cost greater than CZK 20,000 and lower than CZK 40,000 are depreciated over 36 or 48 months according to the type of low value tangible fixed assets.

Low value tangible assets with a cost lower than CZK 20,000 and low value intangible assets with a cost lower than CZK 40,000 are expensed in the period of acquisition.

The Bank periodically reviews the utilisation of its assets and adjusts guidance on their depreciation treatment, as and when needed, in the internal guideline on asset depreciation. A change in the depreciation period is not considered a change of accounting policies but a change of accounting estimates.

The Bank's assets are regularly tested for impairment. Impairment of assets, if any, is reported in the statement of comprehensive income as "General administrative 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 "General administrative expenses".

Repairs and maintenance are charged directly to the statement of comprehensive income line "General administrative expenses" when the expenditure is incurred.

## (j) Assets and Disposal Groups Held for Sale

Assets held for sale and assets that are part of the 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 carrying amount and fair value less costs to sell.

## (k) Provisions

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
- A reliable estimate can be made of the amount of the obligation.

### Provisions for Guarantees and Other Off Balance Sheet Items

The Bank records 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 are made for estimated losses on these commitments pursuant to the estimated amount of performance from individual off-balance sheet commitments. Changes in these provisions are recognised in "Change in provisions for credit risks".

### Provision for Payroll Bonuses

The Bank accounts for long-term employee bonuses (quarterly and annual bonuses). The recognition, use and release of the provision for payroll bonuses is reported in the statement of comprehensive income as "General administrative expenses".

### Provision for Income Tax Payable

The provision for income tax payable represents current tax payables less current tax advance payments made, adjusted for changes in prior year's tax liabilities, if any. Tax payables are stated at the amount that is expected to be paid to the tax authority. In calculating tax payables for the current year, the tax rates and tax legislation applicable as of the balance sheet date will apply.

### Other Provisions

The recognition, use and release of other provisions relating to banking activities (for unused holidays, legal disputes, etc.) is recorded in "General administrative expenses". If the provision does not relate to banking activities, the recognition, use and release of other reserves is recorded in "Other operating income/(expenses), net". Other provisions also include the provision for fines and penalties.

## (l) Transactions with Securities Undertaken on behalf of Clients

Securities received by the Bank into custody, administration or safe-keeping are typically recorded at market or nominal values if the market value is not available and maintained off balance sheet. "Other liabilities" in the statement of financial position include the Bank's payables to clients arising from cash received to purchase securities or cash to be refunded to the client.

## (m) 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 wholly within the control of the entity. 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 revenue.

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 of the management, administration and custody of assets and securities are also recorded off balance sheet, including related liabilities to return the relevant assets to clients.

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

## (n) Segment Reporting

The Bank reports information in accordance with IFRS 8 Operating Segments. IFRS 8 requires that operating segments be identified on the basis of 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/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 35.

## (o) Foreign Currency Translation

Transactions denominated in foreign currencies are initially measured at the official exchange rate as announced by the CNB on the date of transaction. Assets and liabilities denominated in foreign currencies are translated into the local currency at the CNB's exchange rate prevailing at the financial statements date. Realised and unrealised gains and losses on foreign exchange are recognised in the statement of comprehensive income in "Net profit 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 available-for-sale portfolio which are reported as a component of a change in the fair value and foreign exchange rate differences on derivatives entered into with a view to hedging currency risk associated with assets or liabilities whose foreign exchange rate differences are part of the change in the fair value.

## (p) Cash and Cash Equivalents

The Bank considers cash on hand, deposits with central banks, deposits with other banks and treasury bills with a contractual maturity of three months or less to be cash equivalents. For the purposes of determining cash and cash equivalents, the minimum reserve deposit with the CNB is not included as a cash equivalent due to restrictions on its availability.

## (q) Employee Benefits

Each Bank employee has access to the 'benefit purse', in which they receive an annual one-off contribution depending on the number of years worked and their position. In drawing it, employees have several options to choose from, including leisure, supplementary pension insurance and life insurance contributions, and meal contributions. The costs of benefit purse contributions made are reported on an accruals basis under "General administrative expenses" in the statement of comprehensive income. Employees receive bonuses on significant personal and work anniversaries. The costs of the benefits are reported under "General administrative expenses" in the statement of comprehensive income.

The amount of bonuses is based on the fulfilment of performance criteria. Bankers within the branch network receive monthly bonuses with a month's delay. Branch managers receive quarterly bonuses with a month's delay. Other employees receive annual bonuses. Bonuses are reported on an accruals basis. At the year-end, the liability is reported under "Provisions for salary bonuses". Recognition, use and release of provisions for salary bonuses is reported under "General administrative expenses" in the statement of comprehensive income.

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

## 4. CHANGES IN ACCOUNTING POLICIES IN 2017

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

In the year ended 31 December 2017, the Bank did not apply any new standards and interpretations, the use of which would have a significant impact on the financial statements.

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

During the year ended 31 December 2017, the following amended standards issued by the IASB and adopted by the EU took effect:

- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017); and
- **Amendments to IFRS 12 "Disclosure of Interests in Other Entities"** (effective for annual periods beginning on or after 1 January 2017). The amendments result from the annual improvement project of IFRS "Improvements to IFRSs (cycle 2014-2016)" and do not apply to the Bank's separate financial statements.

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

### (c) Standards and Interpretations in Issue but Not Yet Effective

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

- **Amendments to IFRS 4 "Insurance Contracts"** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time); and
- **IFRS 9 "Financial Instruments"** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 9 "Financial Instruments"** is effective for annual periods beginning on or after 1 January 2018 and replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes requirements for initial recognition, measurement and derecognition of financial assets and liabilities and hedge accounting.

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

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

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

Substantially all loans are held by the Bank under a business model designed to hold financial assets to collect contractual cash flows (“held to collect”). Based on the result of the SPPI test, loans may be classified as either “AC” or “FVTPL”. According to the portfolio analysis as of 1 January 2018, it is expected that the loan portfolio has met the SPPI test and will therefore be classified as “AC”, i.e. will continue to be presented on a practically identical basis.

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

As part of the business model designed to collect contractual cash flows (“held to collect”), financial assets classified under this model may be sold. According to the Bank’s methodology, sale of more than 10% of the portfolio (carrying value) during three consecutive years will be potentially considered to be “more than infrequent” unless the sale was, on the whole, immaterial.

Impairment – IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses (“ECL”) relating to an increase in the debtor’s credit risk. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

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

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

Level 2 includes financial assets the credit risk of which has increased significantly since initial recognition but for which there is no objective evidence of impairment. Expected credit losses are recognised for these assets over their lifetime. Interest income is calculated on the basis of the gross carrying amount of assets. In line with the standard, the Bank takes into account available information in developing models while also closely cooperating with the Group in developing a consistent interpretation of the methodology.

According to the 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 of financial institutions, public sector institutions, corporate clients and project funding include changes in external market indicators, changes in contractual terms and changes in expert assessments. In respect of the retail portfolio, the qualitative criteria include forbearance and expert assessment.

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

#### Purchased or Originated Credit-Impaired Assets (“POCI”)

These assets include expected cash flows used in calculating the effective interest rate upon the initial recognition of the expected credit loss over the entire lifetime of the asset. Changes in expected credit losses are recognised as provisions along with the related profit or loss through the Bank’s profit or loss.

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

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

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

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

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

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

1. Phasing in the full impact on a straight-line basis over a five-year transitional period; or
2. Recognising the full impact on the date on which the standard is introduced.

The Bank has decided to adopt the second approach. The full impact of the implementation of IFRS 9 on the Bank's CET 1 capital is considered to be immaterial.

Owing to changes in the methodology of calculating provisions for credit risk, the aggregate impact of the initial application of IFRS 9 on the Bank's equity as of 1 January 2018 is expected to amount to approximately CZK (206,000) thousand net of the tax effect.

- **IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15** – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018); and
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – Clarifications to IFRS 15 "Revenue from Contracts with Customers" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

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

1. Contracts for supplies of financial services combined with supplies of goods ;
2. Contracts the conclusion of which is supported by paying internal or external commissions; and
3. Contracts supported by the loyalty programme.

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

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019); and

**IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. At present, the Bank assesses the impacts of the standard on the Bank's financial statements from 2018 onwards.

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 - refer to letter (b); amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

The Bank decided not to apply these standards and amendments adopted by the EU but not yet effective before their effective dates. The Bank anticipates that the application of these standards and amendments (with the exception of IFRS 9) in the period of their first-time adoption will have no significant impact on the Bank's financial statements.

## (d) Standards and Interpretations issued by 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 financial statements approval date (the effective dates listed below are for IFRS issued by the IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018); and
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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

## 5. NET INTEREST INCOME

CZK thousand	2017	2016
<b>Interest income arising from</b>		
Loans and advances to banks and cash	222,679	68,613
Loans and advances, including loan commitments to customers	6,673,333	6,800,636
Fixed income securities	4,147	157,345
Financial derivatives, fair value hedge (net)	263,712	307,332
Financial derivatives, cash flow hedge (net)	-	-
Financial derivatives in the banking portfolio, net	219,595	182,224
<b>Total</b>	<b>7,383,466</b>	<b>7,516,150</b>
<b>Interest expense arising from</b>		
Deposits from financial institutions	(145,664)	(58,647)
Deposits from customers	(385,533)	(497,255)
Securities issued	(293,367)	(308,391)
Subordinated liabilities	(83,994)	(93,931)
Securitisation	(259,650)	(245,902)
Financial derivatives, cash flow hedge, net	(26,765)	(25,802)
<b>Total interest expense and similar expense</b>	<b>(1,194,973)</b>	<b>(1,229,928)</b>
<b>Net interest income</b>	<b>6,188,493</b>	<b>6,286,222</b>

In "Interest income arising from financial derivatives, fair value hedge, net", the Bank reports net interest expense from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK (223,128) thousand (2016: CZK (248,494) thousand), net interest income from hedging financial derivatives upon a fair value hedge of term deposits and the portfolio of current and savings accounts of CZK 446,769 thousand (2016: CZK 522,262 thousand) and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 40,071 thousand (2016: CZK 33,564 thousand).

Interest income additionally includes interest on impaired assets (primarily loans and advances to customers) of CZK 138,118 thousand (2016: CZK 209,240 thousand).

Interest income includes interest paid on assets carrying negative interest rates (primarily loans and advances to financial institutions) of CZK 4,324 thousand (2016: CZK 3,880 thousand) and interest received on liabilities carrying negative interest rates (primarily deposits from banks) of CZK 15,936 thousand (2016: CZK 15,481 thousand).

## 6. CHANGES IN PROVISIONS FOR CREDIT RISKS

CZK thousand	2017	2016
<b>Changes in loan loss provisions</b>		
Charge for provisions	(2,651,743)	(2,866,194)
Release of provisions	1,912,006	1,802,843
Use of provisions	1,833,111	1,108,577
Release of discount	-	105,155
Nominal value of assigned and written off receivables	(1,833,111)	(1,108,577)
of which: direct write-off of receivables	(10,106)	(3,254)
Income from written off/sold receivables	260,787	132,149
<b>Total changes in loan loss provisions</b>	<b>(478,950)</b>	<b>(826,047)</b>
<b>Provisions for off balance sheet credit risk exposures</b>		
Charge for provisions	(198,105)	(143,193)
Release of provisions	239,415	85,886
<b>Total change in provisions for off-balance sheet risks</b>	<b>41,310</b>	<b>(57,307)</b>
<b>Change in provisions for credit risks</b>	<b>(437,640)</b>	<b>(883,354)</b>

## 7. NET FEE AND COMMISSION INCOME

CZK thousand	2017	2016
<b>Fee and commission income arising from</b>		
Payment transactions	1,749,283	1,681,839
Provided loans and guarantees	538,999	477,274
Securities transactions	271,164	219,625
Financial operations	7,001	6,564
Mediation of the Bank's products sale	170,014	85,938
Other banking services	54,440	49,005
<b>Total fee and commission income</b>	<b>2,790,901</b>	<b>2,520,245</b>
<b>Fee and commission expense arising from</b>		
Payment transactions	(743,429)	(627,337)
Receiving of loans and guarantees	(38,043)	(115,185)
Securities transactions	(28,524)	(20,504)
Financial operations	(9,112)	(7,629)
Mediation of the sale of the Bank's products	(3,467)	(10,093)
Other banking services	(48,915)	(44,863)
<b>Total fee and commission expense</b>	<b>(871,490)</b>	<b>(825,611)</b>
<b>Net fee and commission income</b>	<b>1,919,411</b>	<b>1,694,634</b>

## 8. NET PROFIT ON FINANCIAL OPERATIONS

CZK thousand	2017	2016
<b>Interest rate derivatives</b>	<b>39,441</b>	<b>(19,869)</b>
Commodity derivatives	-	-
<b>Profit/loss from foreign currency transactions</b>	<b>1,991,572</b>	<b>1,554,014</b>
<i>of which: Customer foreign currency result</i>	1,370,147	1,293,156
<i>FX proprietary P/L</i>	621,425	260,858
<b>Profit/loss from transactions with securities</b>	<b>39,701</b>	<b>8,407</b>
<i>of which: Portfolio of securities available for sale</i>	-	-
<i>Portfolio of securities held for trading</i>	39,677	7,707
<i>Portfolio of securities at fair value through profit or loss</i>	-	-
<i>Own issue</i>	24	700
<b>Profit/(loss) from hedge accounting upon a cash flow hedge - the ineffective part</b>	<b>-</b>	<b>5,704</b>
<b>Profit/(loss) from the sale of securities available for sale (refer to Note 36 (c))</b>	<b>-</b>	<b>518,638</b>
<b>Profit/(loss) from the sale of securities held to maturity (refer to Note 15)</b>	<b>175,385</b>	<b>-</b>
<b>Change in the fair value of the hedged items in the fair value hedging</b>	<b>1,043,816</b>	<b>152,453</b>
<b>Change in the fair value of hedging derivatives in the fair value hedging</b>	<b>(1,030,564)</b>	<b>(158,973)</b>
<b>Total</b>	<b>2,259,351</b>	<b>2,060,374</b>

The "Customer foreign currency result" line item reflects margins from foreign currency transactions with customers.

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

The "Profit/(loss) from the sale of securities held to maturity" line item includes profit from the sale of the securities held to maturity portfolio in the amount of CZK 175,385 thousand (refer to Note 15).

## 9. DIVIDEND INCOME

In 2017, "Income from other shares and participation interest" amounted to CZK 75,233 thousand (2016: CZK 64,000 thousand). The amount includes a dividend from Raiffeisen stavební spořitelna a.s. of CZK 30,000 thousand (2016: CZK 25,000 thousand), a dividend from Raiffeisen - Leasing, s.r.o. of CZK 44,117 thousand (2016: CZK 39,000 thousand) and a dividend from Visa Inc. of CZK 1,116 thousand (2016: CZK 0 thousand).

## 10. GENERAL ADMINISTRATIVE EXPENSES

CZK thousand	2017	2016
<b>Payroll costs (Note 11)</b>	<b>(3,088,617)</b>	<b>(3,166,034)</b>
<b>Administrative expenses:</b>	<b>(2,370,248)</b>	<b>(2,270,178)</b>
Rental, repairs and other office management expenses	(562,614)	(561,219)
Advertising costs	(416,819)	(372,864)
Costs of legal and advisory services	(257,954)	(296,417)
<i>Of which: Statutory audit of the financial statements</i>	(4,391)	(6,725)
<i>Tax advisory</i>	(1,907)	(3,381)
IT support costs	(363,475)	(499,643)
Deposit and transaction insurance	(44,429)	(39,700)
Telecommunication, postal and other services	(123,783)	(121,932)
Security costs	(56,615)	(47,834)
Training costs	(31,360)	(31,209)
Office equipment	(22,758)	(21,408)
Travel costs	(21,757)	(19,995)
Fuel	(35,794)	(39,388)
Contribution to the crisis resolution fund	(220,783)	(193,739)
Other administrative expenses	(212,107)	(24,830)
<b>Depreciation and amortisation of fixed assets (Notes 22 and 23)</b>	<b>(582,519)</b>	<b>(610,673)</b>
<b>Impairment loss related to intangible assets (Note 22)</b>	<b>-</b>	<b>(65,726)</b>
<b>Total</b>	<b>(6,041,384)</b>	<b>(6,112,611)</b>

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

## 11. PAYROLL COSTS

CZK thousand	2017	2016
Wages and salaries	(2,256,002)	(2,359,427)
Social security and health insurance	(717,278)	(713,569)
Other staff costs	(115,337)	(93,038)
<b>Total</b>	<b>(3,088,617)</b>	<b>(3 166,034)</b>
Of which wages and salaries paid to:		
Members of the Board of Directors	(88,843)	(81,444)
Members of the Supervisory Board	(4,170)	(4,743)
<b>Total</b>	<b>(93,013)</b>	<b>(86,187)</b>

The recalculated average number of the Bank's employees as of 31 December 2017 and 31 December 2016 was as follows:

	2017	2016
Employees	2,921	2,946
Members of the Board of Directors	7	7
Members of the Supervisory Board	6	7

The financial arrangements between the Bank and members of the Board of Directors and Supervisory Board are disclosed in Note 38.

## 12. OTHER OPERATING (EXPENSES)/INCOME, NET

CZK thousand	2017	2016
Change in operating provisions	(96,736)	5,691
Gain/(loss) from disposal of in-/tangible fixed assets	722	5
Other	57,102	171,819
<b>Total</b>	<b>(38,912)</b>	<b>177,515</b>

## 13. INCOME TAX

### (a) Income Tax Expense

CZK thousand	2017	2016
Current income tax payable	(747,872)	(772,000)
Tax overpayment/(additional payments) from the previous period	(11,643)	(11,088)
Provision for additional income tax	(258,207)	-
Deferred income tax credit/(charge)	(82,172)	100,644
<b>Total income tax</b>	<b>(1,099,894)</b>	<b>(682,444)</b>

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	2017	2016
<b>Pre-tax profit (general tax base)</b>	<b>3,924,552</b>	<b>3,286,780</b>
Total pre-tax profit	3,924,552	3,286,780
<b>Tax calculated at the tax rate for the general tax base - 19% (2016: 19%)</b>	<b>(745,665)</b>	<b>(624,488)</b>
Non-taxable income (tax effect)	594,776	314,112
Non-tax deductible expenses (tax effect)	(607,351)	(464,693)
Tax relief and credit	10,368	3,069
<b>Tax liability for the period</b>	<b>(747,872)</b>	<b>(772,000)</b>
Tax overpayment/(underpayment) from the previous period, use of tax relief and credit, including tax refunds and additional assessments from previous years	(11,643)	(11,088)
Provision for additional income tax	(258,207)	-
Deferred tax	(82,172)	100,644
<b>Total income tax</b>	<b>(1,099,894)</b>	<b>(682,444)</b>
<b>Effective tax rate</b>	<b>28.03%</b>	<b>20.76%</b>

### (b) Income Tax Provision/Receivable

CZK thousand	2017	2016
Tax calculated at the tax rate for the general tax base - 19% (2016: 19%)	(747,872)	(772,000)
<b>Tax liability for the period</b>	<b>(747,872)</b>	<b>(772,000)</b>
Provision for additional income tax	(258,207)	-
Advances paid for current income tax	752,957	528,733
<b>Total income tax provision</b>	<b>(253,122)</b>	<b>(243,267)</b>

For additional details on the deferred tax, refer to Note 19.

## 14. CASH AND BALANCES WITH CENTRAL BANKS

CZK thousand	2017	2016
Cash on hand and other cash equivalents	3,299,758	2,976,230
Balances with central banks (including one-day deposits)	355,254	85,395,828
Statutory minimum reserves maintained with the CNB	4,966,162	3,707,871
<b>Total</b>	<b>8,621,174</b>	<b>92,079,929</b>

Statutory 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 obligatory minimum reserves which exceeds the actual average amount of the statutory minimum reserves for the particular period calculated according to the Czech National Bank's regulation.

For the information on cash and cash equivalents reported in the cash flow statement, refer to Note 31.

## 15. SECURITIES

### (a) Portfolio Classification of Securities

CZK thousand	2017	2016
<b>Securities held to maturity (debt securities)</b>	<b>-</b>	<b>2,545,956</b>
<b>Securities at fair value through profit or loss</b>	<b>156,446</b>	<b>733,639</b>
<b>of which: Securities held for trading</b>	<b>156,446</b>	<b>733,639</b>
- Debt securities	156,446	733,639
<b>of which: Securities designated as FVTPL on initial recognition</b>	<b>-</b>	<b>-</b>
- Debt securities	-	-
<b>Securities available for sale (shares and participation certificates)</b>	<b>603,654</b>	<b>594,302</b>
<b>Total</b>	<b>760,100</b>	<b>3,873,897</b>
<i>of which: repayable within one year</i>	<i>-</i>	<i>13,693</i>
<i>repayable in more than one year</i>	<i>760,100</i>	<i>3,860,204</i>

In 2016, "Securities held to maturity" exclusively include Czech government bonds that can be used for the refinancing with the Czech National Bank. In January 2017, the Bank's management decided to sell the portfolio of securities held to maturity. As a result, the Bank generated a one-off gain of CZK 175,385 thousand.

"Securities at fair value through profit or loss" includes government bonds and treasury bills of CZK 70,549 thousand (2016: CZK 125,592 thousand) which may be used for refinancing with the Czech National Bank.

"Securities available for sale" includes the Bank's investment in Raiffeisen stavební spořitelna a.s. in the aggregate amount of CZK 464,700 thousand in 2017 (2016: CZK 479,000 thousand) and its membership in Visa Inc. of CZK 138,111 thousand (2016: CZK 114,411 thousand).

According to its investment strategy, the Bank holds most of newly acquired securities in the "Securities held for trading" portfolio.

### (b) Securities Pledged as Collateral

As of 31 December 2017 and 31 December 2016, the Bank provided no pledge of securities as collateral as part of repurchase and similar transactions with other banks and clients.

## 16. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

CZK thousand	2017	2016
Placements with financial institutions	432,570	701,553
Term deposits with banks	1,133,468	1,564,096
Loans and other advances to financial institutions	103,071,486	946,136
Received loans	519,360	341,764
Debt securities	-	2,110,923
<b>Total</b>	<b>105,156,884</b>	<b>5,664,472</b>
of which: repayable within one year	105,156,884	5,614,232
repayable in more than one year	-	50,240

## 17. LOANS AND ADVANCES TO CUSTOMERS

### (a) Classification of Loans and Advances to Customers

CZK thousand	2017	2016
Current account overdrafts	2,336,260	3,172,960
Term loans	127,477,834	128,008,463
Mortgage loans	86,788,967	80,048,172
Debt securities	2,065,229	1,500,232
Other	1,245,020	1,065,331
<b>Total</b>	<b>219,913,310</b>	<b>213,795,158</b>
of which: repayable at request	2,336,260	3,172,960
repayable within one year	58,577,484	58,042,036
repayable in more than one year	158,999,566	152,580,162

The Bank applies hedge accounting upon a fair value hedge of the portfolio of receivables from mortgage loans. The amount of the remeasurement of hedged items as of 31. December 2017 was CZK (1,259,634) thousand (2016: CZK 389,354 thousand).

### (b) Reverse Repurchase Transactions

Within reverse repurchase transactions, the Bank advanced loans in the aggregate amount of CZK 46,771 thousand (2016: CZK 191,953 thousand) under reverse repurchase transactions. Reverse repurchase transactions are collateralised by securities with the fair value of CZK 62,186 thousand (2016: CZK 299,874 thousand).

### (c) Analysis of Loans Provided to Customers by Sector

CZK thousand	2017	2016
Government sector	891,580	1,091,959
Loans to corporate entities	107,526,233	108,831,454
Loans to private individuals	105,151,546	98,006,142
Small and medium size enterprises (SME)	6,343,951	5,865,603
<b>Total</b>	<b>219,913,310</b>	<b>213,795,158</b>

**(d) Analysis of Loans Provided to Customers by Geographical Area**

CZK thousand	2017	2016
Czech Republic	208,891,112	202,391,788
Slovakia	3,799,580	3,557,677
Other EU member countries	3,284,675	3,924,315
Other	3,937,943	3,921,378
<b>Total</b>	<b>219,913,310</b>	<b>213,795,158</b>

**(e) Aging Analysis of Loans Provided to Customers**

Set out below is an aging analysis of loans provided to customers which are overdue, but individually not provided for, including their collateral:

CZK thousand	Overdue loans and receivables		Nominal value of collateral	
	2017	2016	2017	2016
Overdue in days				
1 - 30	492,089	3,191,704	348,226	2,326,236
31 - 90	46,014	318,284	6,308	195,755

**(f) Analysis of Loans Provided to Customers by Default Categories**

CZK thousand	Before due date	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	Over 1 year	Total
2017							
<b>Amounts due from customers</b>							
- without default	213,865,303	492,089	46,014	-	-	-	214,403,406
- with default	1,850,503	31,589	90,256	526,482	451,863	2,559,211	5,509,904
<b>Gross</b>	<b>215,715,806</b>	<b>523,678</b>	<b>136,270</b>	<b>526,482</b>	<b>451,863</b>	<b>2,559,211</b>	<b>219,913,310</b>
Allowances	(1,714,568)	(20,263)	(64,528)	(471,096)	(315,791)	(2,387,666)	(4,973,912)
<b>Net</b>	<b>214,001,238</b>	<b>503,415</b>	<b>71,742</b>	<b>55,386</b>	<b>136,072</b>	<b>171,545</b>	<b>214,939,398</b>

CZK thousand	Before due date	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	Over 1 year	Total
2016							
<b>Amounts due from customers</b>							
- without default	202,591,364	3,191,704	318,284	-	-	-	206,101,352
- with default	1,714,254	302,269	345,012	591,538	801,307	3,939,426	7,693,806
<b>Gross</b>	<b>204,305,618</b>	<b>3,493,973</b>	<b>663,296</b>	<b>591,538</b>	<b>801,307</b>	<b>3,939,426</b>	<b>213,795,158</b>
Allowances	(1,314 985)	(257 837)	(277 868)	(370 551)	(453 195)	(3,434 363)	(6,108 799)
<b>Net</b>	<b>202,990,633</b>	<b>3,236,136</b>	<b>385,428</b>	<b>220,987</b>	<b>348,112</b>	<b>505,063</b>	<b>207,686,359</b>

The definition of amounts due with default and without default is provided in Note 37(a).

The proportion of amounts due with default decreased year-on-year from 3.6% to 2.5% of the total loan portfolio. The coverage by individual provisions for loans with default grew from 62.9% in 2016 to 69.4% at the end of 2017.

## (g) Securitisation

### ROOF RBCZ 2015

Since December 2015, the Bank has carried out a synthetic securitisation of the Corporate Banking loans and guarantees portfolio. The total nominal value of the transaction is EUR 1 billion. The selected portfolio was divided into three tranches by the credit risk exposure attributable to individual tranches. The junior (the first loss piece) tranche amounts to 1.4% of the nominal value. The credit risk relating to the mezzanine tranche has been transferred to external institutional investors. For the purposes of this transaction, a special-purpose vehicle ROOF RBCZ 2015 S.à r.l. with its registered office in Luxembourg was established, which issued debt securities relating to the credit risk of the mezzanine tranche. These debt securities were sold to external institutional investors and at the same time, ROOF RBCZ 2015 S.à r.l. provided a portfolio guarantee to the Bank as collateral for the credit risk arising from the mezzanine tranche in the amount of CZK 1,966,580 thousand (2016: CZK 2,080,540 thousand). The guarantee is secured by the assets of ROOF RBCZ 2015 S.à r.l., which comprise cash received by the entity through the sale of the debt securities issued. The transaction will mature in April 2024; in the following three years, the Bank may replace settled credit exposures with new ones in its securitised portfolio under the predefined criteria. The costs of the guarantee received is of an interest nature and is recognised in "Interest expense and similar expense", refer to Note 5.

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

## (h) 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 7,195,683 thousand as of 31 December 2017 (2016: CZK 7,638,072 thousand), of which the proportion of the Bank amounted to CZK 3,041,367 thousand (2016: CZK 3,231,271 thousand) and the proportion of other syndicate members amounted to CZK 4,154,316 thousand (2016: CZK 4,406,801 thousand).

As of 31 December 2017, the aggregate amount of outstanding receivables under the syndicated loan facilities was CZK 5,330,717 thousand (2016: CZK 5,910,977 thousand), of which the proportion of the Bank was CZK 2,127,675 thousand (2016: CZK 2,369,195 thousand) and the proportion of other syndicate members was CZK 3,203,042 thousand (2016: CZK 3,541,782 thousand).

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

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

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

**(j) Analysis of Loans and Advances to Customers by Sector and Type of Collateral**

2017	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Bill guarantee	Personal guarantee	Movable assets	Uncollateralised	Total
Agriculture, Hunting, Forestry and Fishing	200	-	104,608	364,787	148,279	1,298,348	30,000	13,128	130,217	2,089,567
Mining and Quarrying	-	-	293	9348	30846	19,915	-	3645	68,300	132,347
Manufacturing	166,948	-	224,147	4,359,441	2,295,114	7,777,530	452,706	1,133,859	3,923,922	20,333,667
Electricity, Gas and Water Supply	68,263	-	2,953	235,154	811,444	498,737	12,342	3,503,977	546,112	5,678,982
Construction	13,929	-	225,542	1,712,125	54,073	1,656,370	58,811	6,709	675,498	4,403,057
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	24,527	-	545,984	3,421,992	1,135,751	7,213,265	197,389	588,675	2,495,614	15,623,197
Hotels and Restaurants	41,172	-	54,171	2,225,729	61,287	224,240	200	-	220,654	2,827,453
Transport, Storage and Communication	558	-	565,843	569,234	-	1,469,591	5,859	179,280	3,131,817	5,922,182
Financial Intermediation	11,100	-	550,505	927,093	2,950,149	629,363	259	-	12,546,879	17,615,348
Real Estate	290,264	1,297,898	305,631	24,000,643	2,341,160	5,281,183	381,199	178,688	1,382,966	35,459,632
Public Administration and Defence; Compulsory Social Security	-	729,406	251	7,012	29,480	92,444	-	-	106,367	964,960
Education	-	-	2948	16,491	-	24,584	-	-	46,363	90,386
Health and Social Work	1,000	921,742	30,122	300,117	-	162,326	2500	-	246,145	1,663,952
Other Community, Social and Personal Service Activities	1,673	-	69,199	488,826	57,131	1,003,508	900	77,668	258,129	1,957,034
Private Households with Employed Persons	-	-	-	85,149,600	-	1,916	117,365	-	19,882,665	105,151,546
<b>Total</b>	<b>619,634</b>	<b>2,949,046</b>	<b>2,682,197</b>	<b>123,787,592</b>	<b>9,914,714</b>	<b>27,353,320</b>	<b>1,259,530</b>	<b>5,685,629</b>	<b>45,661,648</b>	<b>219,913,310</b>

For the purposes of reporting receivables from customers by sector and type of collateral, the Bank uses the collateral in nominal value.

The collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 1,966,580 thousand (refer to Note 17 (g)) since it cannot be allocated to individual loans.

2016	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Bill guarantee	Personal guarantee	Movable assets	Uncollateralised	Total
Agriculture, Hunting, Forestry and Fishing	450	-	107,537	367,587	174,623	649,091	8,782	17,252	99,683	1,425,005
Mining and Quarrying	-	-	715	-	-	16,699	-	4,335	84,697	106,446
Manufacturing	189,373	-	345,409	4,685,102	2,700,884	8,050,437	384,796	1,374,377	3,492,483	21,222,861
Electricity, Gas and Water Supply	111,847	-	16,627	166,592	835,449	271,873	9,222	4,851,034	19,162	6,281,806
Construction	6,609	-	164,882	1,142,414	120,194	1,398,631	13,572	-	572,061	3,418,363
Wholesale and Retail Trade; Repair Of Motor Vehicles, Motorcycles and Personal and Household Goods	19,588	-	570,102	5,050,541	1,387,269	6,933,326	417,947	630,098	650,712	15,659,583
Hotels and Restaurants	28,724	-	38,842	2,341,371	44,900	262,377	300	-	69,399	2,785,913
Transport, Storage and Communication	408	-	423,219	458,552	16,246	1,613,981	2,825	25,047	2,534,865	5,075,143
Financial Intermediation	11,100	-	791,001	686,449	4,820,489	490,919	-	-	10,112,513	16,912,471
Real Estate	411,771	1,223,697	285,760	26,066,219	3,515,782	4,730,806	723,076	113,708	2,034,973	39,105,792
Public Administration and Defence; Compulsory Social Security	1,000	932,106	321	40,020	52,548	104,672	-	-	13,374	1,144,041
Education	-	-	1,486	17,351	-	36,137	-	-	39,002	93,976
Health and Social Work	1,060	580,209	19,668	236,704	-	190,005	2,500	-	23,073	1,053,219
Other Community, Social and Personal Service Activities	1,027	-	313,992	403,308	96,726	442,584	931	40,947	215,061	1,514,576
Private Households with Employed Persons	-	-	-	78,938,187	-	7,156	31,629	-	19,018,991	97,995,963
<b>Total</b>	<b>782,957</b>	<b>2,736,012</b>	<b>3,079,561</b>	<b>120,600,397</b>	<b>13,765,110</b>	<b>25,198,694</b>	<b>1,595,580</b>	<b>7,056,798</b>	<b>38,980,049</b>	<b>213,795,158</b>

For the purposes of reporting receivables from customers by sector and type of collateral, the Bank uses the collateral in nominal value.

The collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 2,080,540 thousand (refer to Note 17 (g)) since it cannot be allocated to individual loans.

## 18. PROVISIONS FOR LOANS AND ADVANCES

CZK thousand	2017	2016
<b>Clients</b>		
<b>Balance at 1 January</b>	<b>(6,108,799)</b>	<b>(6,152,402)</b>
Charge for provisions	(2,646,840)	(2,866,194)
Release of provisions	1,912,006	1,802,843
Use of provisions for the write-off and assignment of receivables	1,833,111	1,108,577
FX gains from provisions denominated in foreign currencies	41,513	(1,623)
<b>Balance at 31 December</b>	<b>(4,969,009)</b>	<b>(6,108,799)</b>
<b>Banks</b>		
<b>Balance at 1 January</b>	<b>-</b>	<b>-</b>
Charge for provisions	(4,903)	-
<b>Balance at 31 December</b>	<b>(4,903)</b>	<b>-</b>
<b>Total</b>	<b>(4,973,912)</b>	<b>(6,108,799)</b>

## 19. DEFERRED TAX ASSET/LIABILITY

Deferred tax is calculated from all temporary differences under the liability method using the principal income tax rate of 19 per cent (the tax rate of 2017).

Deferred income tax assets are as follows:

CZK thousand	2017	2016
Provisions for loans	20,603	83,599
Provision for salary bonuses	83,037	66,874
Valuation gains or losses - cash flow hedge	31,164	59,170
Outstanding vacation days	3,457	5,122
Other provisions	55,794	80,218
<b>Total deferred tax asset</b>	<b>194,055</b>	<b>294,983</b>

Deferred income tax liabilities are as follows:

CZK thousand	2017	2016
Differences between accounting and tax carrying amounts of tangible and intangible assets	(201,402)	(192,153)
Amount on the valuation difference in equity from revaluation of securities available for sale	(6,218)	(1,724)
<b>Total deferred tax liability</b>	<b>(207,620)</b>	<b>(193,877)</b>

Set out below is the calculation of a net deferred tax (liability)/asset:

CZK thousand	2017	2016
Balance at 1 January	294,983	198,679
Movement for the year - (expense)/income	(72,922)	78,477
Movement for the year against equity	(28,006)	17,827
<b>Total deferred tax asset</b>	<b>194,055</b>	<b>294,983</b>
Balance at 1 January	(193,877)	(282,037)
Movement for the year - (expense)/income	(9,249)	22,167
Movement for the year against equity	(4,494)	65,993
<b>Total deferred tax liability</b>	<b>(207,620)</b>	<b>(193,877)</b>
<b>Net deferred tax asset/(liability)</b>	<b>(13,565)</b>	<b>101,106</b>

The deferred tax assets and liabilities in the profit or loss and equity:

CZK thousand	2017	2016
Basis for deferred tax (liability)/asset	(71,393)	532,137
Deferred tax (liability)/asset	(13,565)	101,106
Recognition of a year-on-year difference due to temporary differences in profit or loss (Note 13)	(82,172)	100,644
Recognition of a year-on-year difference due to temporary differences in equity	(32,499)	83,820
<b>Total year-on-year difference for recognition</b>	<b>(114,671)</b>	<b>184,464</b>

## 20. OTHER ASSETS

CZK thousand	2017	2016
Indirect tax receivables	11,203	11,983
Receivables arising from non-banking activities	347,966	443,606
Deferred expenses and accrued income	18,697	31,167
Receivables from securities trading	73,932	27,377
Settlement of cash transactions with other banks	386,740	349,852
Other	253,358	234,444
<b>Total</b>	<b>1,091,896</b>	<b>1,098,429</b>

## 21. EQUITY INVESTMENTS

### (a) Equity Investments

CZK thousand	2017	2016
<b>Balance at 1 January</b>	<b>647,487</b>	<b>516,320</b>
Acquisition/addition to equity investments	1,065,464	217,000
Sale/liquidation of equity investments	-	(85,833)
Recognition of the provision for equity investments	-	-
<b>Balance at 31 December</b>	<b>1,712,951</b>	<b>647,487</b>

The Bank regularly tests equity investments for impairment. No impairment of equity investments was identified in 2017 (the value of impaired equity investments (2016: CZK 0)).

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

In 2016, the other owner holding an equity investment and voting rights in Raiffeisen – Leasing, s.r.o. was Raiffeisen-Leasing International GmbH.

### (b) Subsidiaries (Equity Investments with Controlling Influence)

CZK thousand		Equity	Of which Share capital	Share of share capital	Share of voting power	Carrying amount
Name	Registered office					
Czech Real Estate Fund B.V.	Amsterdam, Naritaweg 165	46,006	499	20%	20%	101
Raiffeisen – Leasing, s.r.o.	Praha 4, Hvězdova 1716/2b	1,931,766	450,000	100%	100%	1,455,640
Raiffeisen investiční společnost a.s.	Praha 4, Hvězdova 1716/2b	143,678	40,000	100%	100%	40,000
Raiffeisen Direct Investments CZ s.r.o.	Praha 4, Hvězdova 1716/2b	216,588	200	100%	100%	217,210
<b>Total at 31 December 2017</b>						<b>1,712,951</b>
Czech Real Estate Fund B.V.	Amsterdam, Naritaweg 165	48,985	499	20%	20%	101
Raiffeisen – Leasing, s.r.o.	Praha 4, Hvězdova 1716/2b	1,694,887	450,000	50%	50%	390,176
Raiffeisen investiční společnost a.s.	Praha 4, Hvězdova 1716/2b	109,383	40,000	100%	100%	40,000
Transaction System Servis s.r.o.	Praha 4, Hvězdova 1716/2b	216,606	200	100%	100%	217,210
<b>Total at 31 December 2016</b>						<b>647,487</b>

**Czech Real Estate Fund B.V. – principal activities:**

- Real estate activities; and
- Business, financial, organisational and economic advisory

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

The Bank presents its investments in the real estate fund Czech Real Estate Fund B.V. as an equity investment in a subsidiary undertaking. While the Bank holds only 20 percent of the issued share capital of the fund and does not have a majority of voting rights or Board representations, the Bank receives the major part of returns. The other shareholder of Czech Real Estate Fund B.V. bears a minor part of the risks and receives a smaller part of the returns.

**Raiffeisen – Leasing, s.r.o. – principal activities:**

- Lease of movable and immovable assets;
- Valuation of immovable assets;
- Agency activities related to trade and services;
- Accounting advisory, bookkeeping, tax records; and
- Provision of loans and credits from own resources.

**Raiffeisen investiční společnost a.s. – principal activities:**

- Offer of investment products; and
- Administration of investment and participation funds.

**Raiffeisen Direct Investments CZ, s.r.o. – principal activities:**

- Real estate activity; and
- Business, financial, organisational and economic advisory activity.

## 22. INTANGIBLE FIXED ASSETS

CZK thousand	Software	Goodwill	Intangible assets under construction	Total
Cost				
1 January 2016	4,390,908	-	265,478	<b>4,656,386</b>
Additions	487,189	65,726	285,152	<b>838,067</b>
Disposals	(180,087)	-	-	<b>(180,087)</b>
Other changes (transfers)	123,622	-	(123,906)	<b>(284)</b>
<b>31 December 2016</b>	<b>4,821,632</b>	<b>65,726</b>	<b>426,724</b>	<b>5,314,082</b>
Additions	231,917	-	342,613	<b>574,530</b>
Disposals	(77,755)	-	-	<b>(77,755)</b>
Other changes (transfers)	324,966	-	(325,721)	<b>(755)</b>
<b>31 December 2017</b>	<b>5,300,760</b>	<b>65,726</b>	<b>443,616</b>	<b>5,810,102</b>
Accumulated amortisation				
1 January 2016	(2,860,235)	-	-	<b>(2,860,235)</b>
Additions - annual amortisation charges	(394,032)	(65,726)	-	<b>(459,758)</b>
Disposals	178,628	-	-	<b>178,628</b>
<b>31 December 2016</b>	<b>(3,075,639)</b>	<b>(65,726)</b>	<b>-</b>	<b>(3,141,365)</b>
Additions - annual amortisation charges	(399,485)	-	-	<b>(399,485)</b>
Disposals	77,490	-	-	<b>77,490</b>
<b>31 December 2017</b>	<b>(3,397,634)</b>	<b>(65,726)</b>	<b>-</b>	<b>(3,463,360)</b>
Net book value				
<b>31 December 2016</b>	<b>1,745,993</b>	<b>-</b>	<b>426,724</b>	<b>2,172,717</b>
<b>31 December 2017</b>	<b>1,903,126</b>	<b>-</b>	<b>443,616</b>	<b>2,346,742</b>

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 staff costs and rental costs) which are required to generate these assets are capitalised. In 2017, internal costs of CZK 65,917 thousand (2016: CZK 57,536 thousand) were capitalised.

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

In relation to taking over the retail portfolio of clients from the Czech branch of Citibank Europe plc, the Bank recognised goodwill in the aggregate amount of CZK 65,726 thousand in 2016. On the grounds of prudence, the Bank decided not to recognise the goodwill as of 31 December 2016 and charge it off through the statement of comprehensive income in full.

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

## 23. PROPERTY AND EQUIPMENT

### (a) Movements in Property and Equipment

CZK thousand	Land, buildings, technical improvements on buildings	Furniture and fixtures	Machinery and equipment	Tangible assets under construction	Total
<b>Cost</b>					
1 January 2016	1,017,717	196,779	944,457	67,652	2,226,605
Additions	57,404	8,033	98,241	33,864	197,542
Disposals	(16,108)	(5,383)	(134,057)	-	(155,548)
Other changes (transfers)	12,237	11,261	43,297	(66,511)	284
<b>31 December 2016</b>	<b>1,071,250</b>	<b>210,690</b>	<b>951,938</b>	<b>35,005</b>	<b>2,268,883</b>
Additions	49,696	11,235	109,289	31,466	201,686
Disposals	(25,747)	(11,696)	(73,172)	-	(110,615)
Other changes (transfers)	9,892	2,736	21,984	(33,857)	755
<b>31 December 2017</b>	<b>1,105,091</b>	<b>212,965</b>	<b>1,010,039</b>	<b>32,614</b>	<b>2,360,709</b>
<b>Accumulated depreciation</b>					
1 January 2016	(667,786)	(150,457)	(742,884)	-	(1,561,127)
Additions	(88,193)	(17,054)	(111,394)	-	(216,641)
Disposals	14,750	5,156	121,425	-	141,331
<b>31 December 2016</b>	<b>(741,229)</b>	<b>(162,355)</b>	<b>(732,853)</b>	<b>-</b>	<b>(1,636,437)</b>
Additions	(81,222)	(11,784)	(90,028)	-	(183,034)
Disposals	25,747	10,910	71,506	-	108,163
<b>31 December 2017</b>	<b>(796,704)</b>	<b>(163,229)</b>	<b>(751,375)</b>	<b>-</b>	<b>(1,711,308)</b>
<b>Net book value</b>					
<b>31 December 2016</b>	<b>330,021</b>	<b>48,335</b>	<b>219,085</b>	<b>35,005</b>	<b>632,446</b>
<b>31 December 2017</b>	<b>308,387</b>	<b>49,736</b>	<b>258,664</b>	<b>32,614</b>	<b>649,401</b>

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

### (b) Property and Equipment Acquired under Finance Leases

The Bank recorded no property and equipment under finance leases in the years ended 31 December 2017 and 31 December 2016.

## 24. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

CZK thousand	2017	2016
Repayable on demand	3,894,563	1,270,443
Term deposits of banks	23,485,404	28,218,563
Within 3 months	14,651,578	14,287,686
From 3 months to 1 year	4,488,267	9,333,110
From 1 to 5 years	4,345,559	4,597,767
Over 5 years	-	-
<b>Total</b>	<b>27,379,967</b>	<b>29,489,006</b>

## 25. AMOUNTS OWED TO CUSTOMERS

### (a) Analysis of Amounts Owed to Customers by Type

CZK thousand	2017	2016
Repayable on demand	229,221,324	200,332,853
Term deposits with maturity at amortised cost	22,418,256	26,887,216
Change in the fair values of hedged items in the fair value hedging	129,500	187,333
Other	307,147	55,363
<b>Total</b>	<b>252,076,227</b>	<b>227,462,765</b>
<i>of which: repayable within one year</i>	248,830,556	223,651,150
<i>repayable in more than one year</i>	3,245,671	3,811,615

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

The Bank has applied hedge accounting upon the fair value hedge of the current and savings accounts portfolio. The remeasurement of the hedged items amounts to CZK 1,848,943 thousand and CZK 753,384 thousand as of 31 December 2017 and 31 December 2016, respectively.

In relation to the takeover of the client portfolio of the Czech branch of ZUNO BANK AG, amounts owed by the Bank to customers increased by CZK 4,708,219 thousand.

### (b) Analysis of Amounts Owed to Customers by Sector

CZK thousand	2017	2016
Public sector	5,352,445	2,158,154
Deposits from corporate clients	84,311,589	78,978,063
Deposits to individuals	129,168,241	114,697,119
Small and medium sized enterprises (SME)	33,243,952	31,629,429
<b>Total</b>	<b>252,076,227</b>	<b>227,462,765</b>

### (c) Repurchase Transactions

As of 31 December 2017 and 31 December 2016, the Bank received no loans as part of repurchase transactions.

## 26. DEBT SECURITIES ISSUED

### (a) Analysis of Issued Debt Securities by Type

CZK thousand	2017	2016
Mortgage bonds	19,413,463	24,538,873
Change in the fair value of hedged items upon fair value hedging	52,993	85,637
Non-hedged bonds issued	3,320	87,357
Deposit certificates and depository bills of exchange	3,450	10,357
<b>Total</b>	<b>19,473,226</b>	<b>24,722,224</b>
<i>of which: repayable within one year</i>	3,450	12,725,925
<i>repayable in more than one year</i>	19,469,776	11,996,299

The subordinated debt securities issued are disclosed in Note 29.

## (b) Analysis of Mortgage Bonds

CZK thousand							
Date of issue	Maturity	ISIN	Currency	Nominal value		Net carrying value	
				2017	2016	2017	2016
12/12/2007	12/12/2017	CZ0002001670	CZK	-	5,500,000	-	5,682,935
12/12/2007	12/12/2017	CZ0002001696	CZK	-	500,000	-	507,734
20/12/2007	20/12/2017	CZ0002001928	CZK	-	2,000,000	-	2,061,801
11/01/2012	11/01/2017	CZ0002002439	CZK	-	282,460	-	289,877
05/12/2012	05/12/2017	XS0861195369	EUR	-	2,702,000	-	2,728,097
05/11/2014	05/11/2019	XS1132335248	EUR	12,513,733	13,212,780	12,528,361	13,268,429
08/03/2017	08/03/2021	XS1574150261	EUR	5,087,737	-	5,108,659	-
08/03/2017	08/03/2023	XS1574150857	EUR	507,843	-	511,504	-
08/03/2017	08/03/2024	XS1574151236	EUR	1,253,171	-	1,264,939	-
08/03/2017	08/04/2022	XS1574149842	EUR	-	-	-	-
<b>TOTAL</b>				<b>19,362,484</b>	<b>24,197,240</b>	<b>19,413,463</b>	<b>24,538,873</b>

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

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

As of 31 December 2017, the Bank held issued EUR-denominated mortgage bonds totalling EUR 943,256 thousand (as of 31 December 2016: EUR 611,000 thousand), of which EUR 197,744 thousand (as of 31 December 2016: EUR 197,744 thousand) is used as collateral for a loan received from a customer and approximately EUR 630,000 thousand (as of 31 December 2016: EUR 413,256 thousand) may be used as collateral as part of repurchase transactions with the European Central Bank.

## 27. PROVISIONS

CZK thousand	Provisions for legal disputes	Provisions for off balance sheet credit risk exposures	Provision for outstanding vacation days	Provision for payroll bonuses	Provision for restructuring	Provision for income tax payable	Other provisions	Total
<b>1 January 2016</b>	<b>20,173</b>	<b>183,478</b>	<b>20,836</b>	<b>254,733</b>	-	<b>286,808</b>	<b>58,940</b>	<b>824,968</b>
Charge for provisions	1,400	143,193	27,405	507,001	80,358	561,659	87,211	<b>1,408,227</b>
Use of provisions	(3,000)	-	(20,836)	(254,733)	-	(286,808)	(3,618)	<b>(568,995)</b>
Release of redundant provisions	(13,773)	(85,886)	(445)	(155,032)	-	(318,392)	(26,480)	<b>(600,008)</b>
Foreign exchange rate differences	-	(22)	-	-	-	-	(8)	<b>(30)</b>
<b>31 December 2016</b>	<b>4,800</b>	<b>240,763</b>	<b>26,960</b>	<b>351,969</b>	<b>80,358</b>	<b>243,267</b>	<b>116,045</b>	<b>1,064,162</b>
Charge for provisions	81,903	198,105	18,136	615,660	-	781,855	196,208	<b>1,891,867</b>
Use of provisions	(1,000)	-	(26,960)	(351,969)	(31,609)	(243,267)	(10,682)	<b>(665,487)</b>
Release of redundant provisions	(3,000)	(239,415)	58	(171,336)	(32,290)	(528,733)	(13,866)	<b>(988,582)</b>
Foreign exchange rate differences	207	(1,617)	-	-	-	-	(557)	<b>(1,967)</b>
<b>31 December 2017</b>	<b>82,910</b>	<b>197,836</b>	<b>18,194</b>	<b>444,324</b>	<b>16,459</b>	<b>253,122</b>	<b>287,148</b>	<b>1,299,993</b>

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 a 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.

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 clients who are in delay in the 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 clients.

"Other provisions" includes provisions for future potential payments arising from compensation for armed robberies, bonuses for clients, 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 the future performance. In most types of risk, the Bank recognises a provision equal to 100% of the anticipated repayments and payments.

## 28. OTHER LIABILITIES

CZK thousand	2017	2016 (restated)
Liabilities arising from non-banking activities	130,945	180,474
Estimated payables for payroll costs	219,966	247,147
Accrued expenses and deferred income	54,367	46,194
Liabilities from securities trading	68,951	10,567
Settlement and suspense clearing accounts	3,979,374	3,017,498
Other	424,890	421,710
<b>Total</b>	<b>4,878,493</b>	<b>3,923,590</b>

In the year ended 31 December 2017, the Bank decided to report all settlement and suspense clearing accounts under "Settlement and suspense clearing accounts", for which reason the 2016 comparative period was also restated.

## 29. SUBORDINATED LIABILITIES AND BONDS

### (a) Subordinated Loan

CZK thousand	2017	2016
Raiffeisen Bank International AG (parent company)	2,586,645	2,737,981
<b>Total</b>	<b>2,586,645</b>	<b>2,737,981</b>
<i>of which: repayable within one year</i>	32,645	35,981
<i>repayable in more than one year</i>	2,554,000	2,702,000

### (b) Issue of Subordinated Bonds

CZK thousand							
Date of issue	Date of maturity	ISIN	Currency 2017	Nominal value		Net book value	
				2017	2016	2017	2016
21/09/2011	21/09/2018	CZ0003702961	CZK	125,000	125,000	126,052	126,001
<b>TOTAL</b>				<b>125,000</b>	<b>125,000</b>	<b>126,052</b>	<b>126,001</b>

## 30. EQUITY

### (a) Share Capital

The Bank's shareholder structure as of 31 December 2017:

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
RB Prag Beteiligungs GmbH	Austria	276,520	2,765,200	25
		<b>1,106,080</b>	<b>11,060,800</b>	<b>100</b>

\*Direct investment in the share capital

On 27 April 2017, the General Meeting of the Bank approved the following allocation of the profit generated in 2016:

<b>Net profit for 2016</b>	<b>2 604 336</b>
Approved allocation:	
Allocation to statutory reserve funds	-
Allocation to retained earnings	1,192,278
Dividends paid to shareholders*	1,412,058
<i>of which: Raiffeisen CEE Region Holding GmbH</i>	<i>1,059,043</i>
<i>RB Prag Beteiligungs GmbH</i>	<i>353,015</i>

\* Dividends were paid out on 4 May 2017 according to the shareholder structure effective as of 31 December 2016.

During 2017, the share capital of the Bank was not increased. The shareholder structure and the nominal value of their investments as of 31 December 2017 and 31 December 2016 are the same, please refer to above. The ultimate parent company of the Bank is Raiffeisen Bank International AG, Austria.

In 2017, the dividend per share amounted to CZK 1,277 (2016: CZK 1,255).

### (b) Other Capital Instruments

Other capital instruments include subordinated unsecured AT1 capital investment certificates issued by the Bank that combine the elements of equity and debt securities and meet the criteria for inclusion in the Bank's Tier 1 capital. In January 2017, the Bank placed another issue of AT1 capital investment certificates in the amount of CZK 680,904 thousand. As of 31 December 2017, the issue totalled CZK 2,615,354 thousand (2016: CZK 1,934,450 thousand). The Czech National Bank approved the inclusion of AT1 certificates in the Bank's auxiliary Tier 1 capital. In 2017, the Bank paid out a coupon of CZK 147,451 thousand (2016: CZK 134,460 thousand) from retained earnings to the holders of these certificates.

## (c) Gains and Losses from Revaluation

### Arising from Cash Flow Hedges

CZK thousand	2017	2016
The fair value of the effective part of cash flow hedges at 1 January	(311,422)	(217,593)
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	59,170	41,342
<b>Total balance at 1 January</b>	<b>(252,252)</b>	<b>(176,251)</b>
Net profit/(loss) from the change in the fair value of a hedge instrument for the period		
Cross currency swaps	(671,653)	157,293
Interest rate swaps	(667)	-
Accumulated net profit/loss arising from cash flow hedges		
Cross currency swaps	853,517	(251,122)
Tax effect of cash flow hedges for the period	(28,006)	17,828
The fair value of the effective part of cash flow hedges as of 31 December	(130,224)	(311,422)
Deferred tax asset/(liability) arising from revaluation gains and losses at 31 December	31,164	59,170
<b>Total balance at 31 December</b>	<b>(99,060)</b>	<b>(252,252)</b>

### Arising from Securities Available for Sale

CZK thousand	2017	2016
Gains and losses from revaluation of securities available for sale at 1 January	192,823	577,261
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(1,724)	(67,717)
<b>Total balance as of 1 January</b>	<b>191,099</b>	<b>509,544</b>
Net profit/(loss) from revaluation of securities available for sale	9,352	(28,029)
Accumulated net profit/loss	-	(356,409)
Tax effect of revaluation of securities available for sale	(4,494)	65,993
Gains and losses from revaluation of securities available for sale at 31 December	202,175	192,823
Deferred tax asset/(liability) arising from valuation differences at 31 December	(6,218)	(1,724)
<b>Total balance at 31 December</b>	<b>195,957</b>	<b>191,099</b>

## 31. CASH AND CASH EQUIVALENTS

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

CZK thousand	2017	2016
Cash and balances with central banks (Note 14)	8,621,174	92,079,929
Statutory minimum reserves (Note 14)	(4,966,162)	(3,707,871)
Placements in other financial institutions (Note 16)	432,570	701,553
<b>Total cash and cash equivalents</b>	<b>4,087,582</b>	<b>89,073,611</b>

The Bank adjusted the reporting of foreign exchange rate gains and losses in the individual cash flow statement relating to cash and cash equivalents at the beginning of the period.

## 32. CONTINGENT LIABILITIES

### (a) Legal Disputes

The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2017. Pursuant to the review of significant litigation matters in terms of the risk of potential losses and the probability of payment, the Bank recognised provisions (Note 27) for significant litigations in the aggregate amount CZK 82,910 thousand in 2017 (2016: CZK 4,800 thousand).

### (b) Irrevocable Commitments, Guarantees and Issued Letters of Credit

CZK thousand	2017	2016
<b>Banks</b>		
Provided commitments (irrevocable)	54,016	57,722
Guarantee issued	34,591	58,913
Letters of credit issued	304,548	274,344
<b>Total</b>	<b>393,155</b>	<b>390,979</b>
<b>Customers</b>		
Provided commitments (irrevocable)	26,013,163	24,469,946
Guarantee issued	16,734,619	16,169,225
Letters of credit issued	446,771	241,331
<b>Total</b>	<b>43,194,553</b>	<b>40,880,502</b>
<b>Total</b>	<b>43,587,708</b>	<b>41,271,481</b>

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

## 33. FINANCIAL DERIVATIVES

During the year ended 31 December 2017, 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 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) Analysis of Derivative Financial Instruments – Contractual Amounts (nominal value)

CZK thousand	Contractual amounts (nominal value)	
	2017	2016
<b>Financial derivatives (non-hedging)</b>		
Cross currency swaps	510,700	1,854,457
Currency forwards and swaps	62,727,084	45,526,081
Interest rate swaps (IRS)	116,150,465	117,535,631
Forward rate agreements (FRA)	7,500,000	-
Option contracts (purchase)	6,115,443	7,135,630
Option contracts (sale)	6,167,646	7,451,649
<b>Total trading instruments</b>	<b>199,171,338</b>	<b>179,503,448</b>
<b>Hedging derivatives</b>		
Interest rate swaps (IRS)	226,308,397	188,574,689
Cross currency swaps	14,449,792	17,401,137
<b>Total hedging derivatives</b>	<b>240,758,189</b>	<b>205,975,826</b>
<b>Financial derivatives – total contractual amount</b>	<b>439,929,527</b>	<b>385,479,274</b>

**(b) Analysis of Derivative Financial Instruments – Fair Value**

CZK thousand	Fair value in 2017		Fair value in 2016	
	Positive	Negative	Positive	Negative
<b>Financial derivatives (non-hedging)</b>				
Cross currency swaps	481	(448)	135,895	(86,240)
Currency forwards and swaps	475,123	(645,362)	726,677	(122,233)
Interest rate swaps (IRS)	1,045,741	(1,036,849)	1,028,253	(1,060,757)
Forward rate agreements (FRA)	1,754	(1,700)	-	-
Option contracts (purchase)	64,191	-	67,948	-
Option contracts (sale)	-	(64,168)	-	(64,039)
<b>Total trading instruments</b>	<b>1,587,290</b>	<b>(1,748,527)</b>	<b>1,958,773</b>	<b>(1,333,269)</b>
<b>Hedging derivatives</b>				
Interest rate swaps (IRS)	2,267,946	(2,513,540)	1,973,110	(1,170,539)
Cross currency swaps	-	(439,866)	-	(412,271)
<b>Total hedging derivatives</b>	<b>2,267,946</b>	<b>(2,953,406)</b>	<b>1,973,110</b>	<b>(1,582,810)</b>
<b>Financial derivatives – total fair value</b>	<b>3,855,236</b>	<b>(4,701,933)</b>	<b>3,931,883</b>	<b>(2,916,079)</b>

**(c) Remaining Maturity of Financial Derivative Instruments – Contractual Amounts (nominal value)**

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
<b>At 31 December 2017</b>				
<b>Financial derivatives (non-hedging)</b>				
Cross currency swaps	-	510,700	-	510,700
Currency forwards and swaps	58,994,050	3,733,034	-	62,727,084
Interest rate swaps (IRS)*	18,627,940	69,711,965	27,810,560	116,150,465
Forward rate agreements (FRA)	6,000,000	1,500,000	-	7,500,000
Option contracts (purchase)	5,643,773	471,670	-	6,115,443
Option contracts (sale)	5,695,975	471,670	-	6,167,645
<b>Total trading instruments</b>	<b>94,961,738</b>	<b>76,399,039</b>	<b>27,810,560</b>	<b>199,171,337</b>
<b>Hedging derivatives</b>				
Interest rate swaps (IRS)*	36,417,020	139,310,530	50,580,847	226,308,397
Cross currency swaps	1,347,957	13,101,836	-	14,449,793
<b>Total hedging derivatives</b>	<b>37,764,977</b>	<b>152,412,366</b>	<b>50,580,847</b>	<b>240,758,190</b>
<b>Total financial derivatives</b>	<b>132,726,715</b>	<b>228,811,405</b>	<b>78,391,407</b>	<b>439,929,527</b>

\*The nominal value reported by the final transaction maturity.

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
<b>At 31 December 2016</b>				
<b>Financial derivatives (non-hedging)</b>				
Cross currency swaps	1,854,457	-	-	<b>1,854,457</b>
Currency forwards and swaps	43,175,834	2,350,247	-	<b>45,526,081</b>
Interest rate swaps (IRS)*	26,037,654	57,436,080	34,061,897	<b>117,535,631</b>
Forward rate agreements (FRA)	-	-	-	-
Option contracts (purchase)	4,160,913	2,974,717	-	<b>7,135,630</b>
Option contracts (sale)	4,476,932	2,974,717	-	<b>7,451,649</b>
<b>Total trading instruments</b>	<b>79,705,790</b>	<b>65,735,761</b>	<b>34,061,897</b>	<b>179,503,448</b>
Hedging derivatives				
Interest rate swaps (IRS) *	48,422,372	92,574,621	47,577,696	<b>188,574,689</b>
Cross currency swaps	2,745,999	14,655,138	-	<b>17,401,137</b>
<b>Total hedging derivatives</b>	<b>51,168,371</b>	<b>107,229,759</b>	<b>47,577,696</b>	<b>205,975,826</b>
<b>Total financial derivatives</b>	<b>130,874,161</b>	<b>172,965,520</b>	<b>81,639,593</b>	<b>385,479,274</b>

\*The nominal value reported by the final transaction maturity.

#### (d) Summary of Future Cash Flows of Net Settled Derivatives

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2017</b>						
<b>Financial derivatives (non-hedging)</b>						
Interest rate swaps (IRS)	69,242	617,106	359,393	(58,081)	(674,148)	(304,620)
Forward rate agreements (FRA)	-	1,754	-	(1,089)	(611)	-
Option contracts (purchase)	-	8,149	-	-	-	-
Option contracts (sale)	-	-	-	-	(8,002)	-
<b>Total trading instruments</b>	<b>69,242</b>	<b>627,009</b>	<b>359,393</b>	<b>(59,170)</b>	<b>(682,761)</b>	<b>(304,620)</b>
Hedging derivatives						
Interest rate swaps (IRS)	48,703	1,606,748	612,495	(104,467)	(747,341)	(1,661,733)
<b>Total hedging derivatives</b>	<b>48,703</b>	<b>1,606,748</b>	<b>612,495</b>	<b>(104,467)</b>	<b>(747,341)</b>	<b>(1,661,733)</b>
<b>Financial derivatives - total contractual payments</b>	<b>117,945</b>	<b>2,233,757</b>	<b>971,888</b>	<b>(163,637)</b>	<b>(1,430,102)</b>	<b>(1,966,353)</b>

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2016</b>						
<b>Financial derivatives (non-hedging)</b>						
Interest rate swaps (IRS)	77,987	395,005	560,976	(63,984)	(510,473)	(486,300)
Forward rate agreements (FRA)	-	-	-	-	-	-
Option contracts (purchase)	-	20,322	-	-	-	-
Option contracts (sale)	-	-	-	-	(20,322)	-
<b>Total trading instruments</b>	<b>77,987</b>	<b>415,327</b>	<b>560,976</b>	<b>(63,984)</b>	<b>(530,795)</b>	<b>(486,300)</b>
Hedging derivatives						
Interest rate swaps (IRS)	127,977	957,870	887,263	(69,391)	(604,183)	(496,965)
<b>Total hedging derivatives</b>	<b>127,977</b>	<b>957,870</b>	<b>887,263</b>	<b>(69,391)</b>	<b>(604,183)</b>	<b>(496,965)</b>
<b>Financial derivatives - total contractual payments</b>	<b>205,964</b>	<b>1,373,197</b>	<b>1,448,239</b>	<b>(133,375)</b>	<b>(1,134,978)</b>	<b>(983,265)</b>

## (e) Summary of Future Cash Flows of Gross Settled Derivatives

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2017</b>						
<b>Trading instruments</b>						
Cross currency swaps	-	510,700	-	-	(510,700)	-
Currency forwards and swaps	58,994,050	3,733,034	-	(58,725,303)	(4,068,703)	-
Option contracts (purchase)	3,616,561	424,818	-	(3,610,469)	(424,566)	-
Option contracts (sale)	3,547,228	424,566	-	(3,553,796)	(424,818)	-
<b>Total trading instruments</b>	<b>66,157,839</b>	<b>5,093,118</b>	<b>-</b>	<b>(65,889,568)</b>	<b>(5,428,787)</b>	<b>-</b>
<b>Hedging derivatives</b>						
Cross currency swaps	1,347,956	13,101,836	-	(1,351 650)	(13,369 125)	-
<b>Total hedging derivatives</b>	<b>1,347,956</b>	<b>13,101,836</b>	<b>-</b>	<b>(1,351 650)</b>	<b>(13,369 125)</b>	<b>-</b>
<b>Financial derivatives</b>						
- total contractual payments	67,505,795	18,194,954	-	(67,241,218)	(18,797,912)	-

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2016</b>						
<b>Trading instruments</b>						
Cross currency swaps	1,854,457	-	-	(1,807,199)	-	-
Currency forwards and swaps	43,175,834	2,350,247	-	(42,491,662)	(2,308,482)	-
Option contracts (purchase)	4,799,084	525,778	-	(4,797,861)	(520,182)	-
Option contracts (sale)	4,483,836	520,182	-	(4,486,808)	(525,778)	-
<b>Total trading instruments</b>	<b>54,313,211</b>	<b>3,396,207</b>	<b>-</b>	<b>(53,583,530)</b>	<b>(3,354,442)</b>	<b>-</b>
<b>Hedging derivatives</b>						
Cross currency swaps	2,745,999	14,655,138	-	(2,746,100)	(14,720,775)	-
<b>Total hedging derivatives</b>	<b>2,745,999</b>	<b>14,655,138</b>	<b>-</b>	<b>(2,746,100)</b>	<b>(14,720,775)</b>	<b>-</b>
<b>Financial derivatives</b>						
- total contractual payments	57 059,210	18 051,345	-	(56,329,630)	(18 075,217)	-

## 34. OTHER OFF BALANCE SHEET ASSETS

### (a) Assets Provided for Management, Administration and Custody

In the years ended 31 December 2017 and 31 December 2016, the Bank provided no assets for management, administration and custody.

### (b) Assets Accepted for Management, Administration and Custody

CZK thousand	2017	2016
Assets accepted for management	9,229,582	6,769,827
Assets accepted for administration	38,373,914	30,254,379
Assets accepted for custody	5,795	155
<b>Total</b>	<b>47,609,291</b>	<b>37,024,361</b>

## 35. 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 expenses and fee and commission expense of individual operating segments are not reported separately, but on a net basis.

Operating segments are represented as follows:

- Corporate banking;
- Retail banking;
- Treasury and ALM; and
- Other.

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

The Retail banking segment generally includes all private individuals including VIP clients, individuals - entrepreneurs and the 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 profit/(loss) from financial operations, movements in provisions, general operating expenses, income tax, and volume of client and non-client assets and liabilities by segment. Other profit and loss items are not monitored by segment.

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

The Bank has no client or a group of related parties where the income from transactions with it would account for more than 10 percent of the Bank's total income.

## Selected items by segment (2017)

At 31 December 2017						
CZK thousand	Corporate entities	Retail clients	Treasury and ALM	Other	Reconciliation to the statement of comprehensive income	Total
<b>Profit and loss account:</b>						
Net interest income	2,200,601	4,341,976	(315,082)	36,231	(75,233)	<b>6,188,493</b>
Net fee and commission income	1,353,480	1,935,701	9	368	(1,370,147)	<b>1,919,411</b>
Net profit/(loss) from financial operations	22,607	12,747	854,655	(805)	1,370,147	<b>2,259,351</b>
Movements in allowances	(641,573)	203,933	-	-	-	<b>(437,640)</b>
Other operating expenses	(1,524,826)	(4,098,277)	(202,250)	(254,943)	-	<b>(6,080,296)</b>
Dividend income	-	-	-	-	75,233	<b>75,233</b>
Losses from impairment of equity investments	-	-	-	-	-	-
<b>Profit before tax</b>	<b>1,410,289</b>	<b>2,396,080</b>	<b>337,332</b>	<b>(219,149)</b>	-	<b>3,924,552</b>
Income tax	(395,211)	(670,392)	(94,541)	60,250	-	<b>(1,099,894)</b>
<b>Profit after tax</b>	<b>1,015,078</b>	<b>1,725,688</b>	<b>242,791</b>	<b>(158,899)</b>	-	<b>2,824,658</b>
Assets and liabilities:						
<b>Total assets</b>	<b>107,570,323</b>	<b>108,120,733</b>	<b>113,725,184</b>	<b>8,457,908</b>	-	<b>337,874,148</b>
<b>Total liabilities</b>	<b>98,589,051</b>	<b>159,405,803</b>	<b>45,178,699</b>	<b>10,338,263</b>	<b>(2,824,658)</b>	<b>310,687,158</b>

## Selected items by segment (2016)

At 31 December 2016						
CZK thousand	Corporate entities	Retail clients	Treasury and ALM	Other	Reconciliation to the statement of comprehensive income	Total
<b>Profit and loss account:</b>						
Net interest income	2,102,066	4,261,499	(161,893)	148,550	(64,000)	<b>6,286,222</b>
Net fee and commission income	1,436,827	1,727,048	(9,625)	(166,460)	(1,293,156)	<b>1,694,634</b>
Net profit/(loss) from financial operations	27,738	334,447	249,339	155,694	1,293,156	<b>2,060,374</b>
Movements in allowances	(575,636)	(307,717)	-	(1)	-	<b>(883,354)</b>
Other operating expenses	(1,509,437)	(4,430,277)	(187,137)	191,755	-	<b>(5,935,096)</b>
Dividend income	-	-	-	-	64,000	<b>64,000</b>
Losses from impairment of equity investments	-	-	-	-	-	-
<b>Profit before tax</b>	<b>1,481,558</b>	<b>1,585,000</b>	<b>(109,316)</b>	<b>329,538</b>	-	<b>3,286,780</b>
Income tax	(307,619)	(329,098)	22,696	(68,423)	-	<b>(682,444)</b>
<b>Profit after tax</b>	<b>1,173,939</b>	<b>1,255,902</b>	<b>(86,620)</b>	<b>261,115</b>	-	<b>2,604,336</b>
Assets and liabilities:						
<b>Total assets</b>	<b>109,356,881</b>	<b>100,383,132</b>	<b>99,925,994</b>	<b>8,612,072</b>	-	<b>318,278,079</b>
<b>Total liabilities</b>	<b>96,847,727</b>	<b>143,456,531</b>	<b>43,873,546</b>	<b>11,621,724</b>	<b>(2,604,336)</b>	<b>293,195,192</b>

## 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" arises primarily from the different presentation of the dividend income.

In "Net interest income" in the "Other" segment the Bank reports a positive compensation of capital costs that are allocated to the 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 profit/(loss) from financial operations" arises from the different presentation of the income and expenses from foreign currency transactions.

"Other operating expenses" includes "Other operating income/(expenses), net" and "General administrative expenses" presented in the statement of comprehensive income in separate lines.

The difference in liabilities arises from the different presentation of profit for the reporting period.

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.

## 36. FINANCIAL INSTRUMENTS – MARKET RISK

The Bank is exposed to market risks arising from open positions of transactions with interest rate, equity and currency instruments which are sensitive to the changes of conditions on financial markets.

### (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 on the basis of the requirements of the Bank's clients. The Bank maintains the admission to the 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 36 (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 36 (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 is 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 (repurchase transactions/deposit facilities). The Bank uses internal statistical models for diversification of the maturity of client 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 33 (d) and 33 (e).

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

2017 (CZK thousand)	Total contractual liability	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years
Amounts owed to financial institutions	27,468,297	18,634,471	4,488,267	4,345,559	-
Amounts owed to customers	252,302,908	246,776,498	2,166,460	3,321,372	38,578
Debt securities issued	19,880,511	141,106	101,906	17,842,822	1,794,677
Subordinated liabilities and bonds	2,716,335	2,889	126,801	2,586,645	-
Other liabilities	4,878,493	4,878,493	-	-	-
Off-balance sheet items	42,569,309	2,237,261	3,804,551	13,375,395	23,152,102

2016 (CZK thousand)	Total contractual liability	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years
Amounts owed to financial institutions	29,578,409	15,571,084	9,363,303	4,644,022	-
Amounts owed to customers	228,713,414	220,226,001	4,974,504	3,503,894	9,015
Debt securities issued	25,014,346	374,946	11,228,704	13,410,696	-
Subordinated liabilities and bonds	2,868,512	41,512	-	2,827,000	-
Other liabilities	3,923,588	3,923,588	-	-	-
Off-balance sheet items	38,088,577	36,995,266	42,398	118,105	932,808

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

### Foreign Currency Risk

The foreign currency risk is the risk arising from currency markets. The source of this risk is the Bank's foreign currency position which arises from the mismatch of the Bank's assets and liabilities, including the currency-sensitive off balance sheet items. The majority of foreign currency gains or losses is due to changes in foreign currency rates in currency positions of the Bank denominated in EUR and USD. The foreign currency risk is managed by setting trading limits. More detailed policies applied in managing this risk are included in "Risk Management Methods" in Note 36 (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 Board of Directors of the Bank.

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

## 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 36 (d).

## (c) Fair values of financial assets and liabilities

In disclosing the estimates of fair values of financial assets and liabilities, the Bank used the following methods and estimates.

### i) Cash and balances with central banks

Carrying amounts of cash and short-term instruments in principle approximate their fair values.

### ii) Loans and advances to financial institutions

Carrying amounts of loans and advances to financial institutions due within one year in principle approximate their fair values. Fair values of other loans and advances to financial institutions are estimated using discounted cash flows based on common rates in similar types of investments (market rates adjusted by the credit risk). Fair values of default loans of financial institutions are estimated on the basis of discounted cash flows, fair values of loss loans are equal to their collateral values.

### iii) Loans and advances to customers

Fair values of loans with variable interest rates which are frequently remeasured or loans with the final maturity within one year, and the change of the credit risk is insignificant, in principle approximate their carrying amounts. Fair values of loans with fixed interest rates are estimated based on the discounted cash flows using the interest rate common for loans with similar conditions and due dates and provided to debtors with similar risk rating, including the impact of collateral (the discounted rate technique according to IFRS 13). Fair values of default loans are estimated based on the discounted cash flows including potential collateral realisation.

### iv) Securities held to maturity

Fair values of securities carried in the held-to-maturity portfolio are estimated based on discounted cash flows using the interest rate common as of the balance sheet date unless they are traded on an active market.

### v) Amounts owed to financial institutions and customers

Fair values reported in respect of loans on request match amounts payable on demand (i.e. their carrying amounts) at the balance sheet date. Carrying amounts of term deposits with variable rate are principally equal to their fair values as of the balance sheet date. Fair values of deposits with a fixed interest rate are estimated based on the discounting of cash flows using market interest rates and reflecting the Bank's liquidity costs.

### vi) Debt securities issued

Fair values of debt securities issued by the Bank are determined on the basis of updated market prices. If market prices are not available, fair values are estimates of the Bank where the fair value is estimated based on the discounting of cash flows using market interest rates and reflecting the Bank's liquidity costs.

### vii) Subordinated liabilities and bonds

Fair values of the subordinated loan are estimated based on discounting cash flows using market interest rates and reflecting liquid costs of the Bank. Fair values of subordinated bonds issued by the Bank are determined by reference to current market prices.

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

2017	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
<b>Assets</b>						
Cash and balances with central banks	-	-	8,621,174	8,621,174	8,621,174	-
Loans and advances to financial institutions	-	-	105,156,884	105,156,884	105,156,884	-
Loans and advances to customers*	-	-	220,885,144	220,885,144	214,939,398	5,945,746
Securities held to maturity	-	-	-	-	-	-
<b>Liabilities</b>						
Amounts owed to financial institutions	-	-	27,425,713	27,425,713	27,379,967	45,746
Amounts owed to customers	-	-	252,234,306	252,234,306	252,076,227	158,079
Debt securities issued	-	-	19,870,076	19,870,076	19,473,226	396,850
Subordinated liabilities	-	-	2,827,631	2,827,631	2,712,697	114,934

\* including allowances

2016	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
<b>Assets</b>						
Cash and balances with central banks	-	-	92,079,929	92,079,929	92,079,929	-
Loans and advances to financial institutions	-	-	5,664,472	5,664,472	5,664,472	-
Loans and advances to customers*	-	-	219,140,807	219,140,807	207,686,359	11,454,448
Securities held to maturity	2 681,154	-	-	2,681,154	2,545,956	135,198
<b>Liabilities</b>						
Amounts owed to financial institutions	-	-	29,550,553	29,550,553	29,489,006	61,547
Amounts owed to customers	-	-	227,757,821	227,757,821	227,462,765	295,056
Debt securities issued	-	-	24,722,224	24,722,224	24,722,224	-
Subordinated liabilities	-	-	3,036,892	3,036,892	2,863,982	172,910

\* including allowances

## Financial instruments at fair value

CZK thousand	Fair value at 31 Dec 2017			Fair value at 31 Dec 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair values of financial derivative instruments	-	3,855,236	-	-	3,931,883	-
Securities at fair value through profit or loss	70,793	-	85,653	125,592	406,982	201,065
Securities available for sale	-	-	603,654	-	891	593,411
<b>Total</b>	<b>70,793</b>	<b>3,855,236</b>	<b>689,307</b>	<b>125,592</b>	<b>4,339,756</b>	<b>794,476</b>

CZK thousand	Fair value at 31 Dec 2017			Fair value at 31 Dec 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair values of financial derivative instruments	-	4,701,933	-	-	2,916,079	-
<b>Total</b>	<b>-</b>	<b>4,701,933</b>	<b>-</b>	<b>-</b>	<b>2,916,079</b>	<b>-</b>

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

Level 2 category is the category of financial instruments measured at fair value determined based in prices derived from market data. For financial derivatives, the fair values are determined based on discounted future cash flows that are estimated according to market interest rate and currency forward curves and contractual interest rate and currency rates by individual contracts. The discount factor is derived from market rates. For securities at fair value through profit or loss, 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 based on the data observable on the market (Level 3 instruments).

## 2017

CZK thousand	Securities at fair value through profit or loss	Securities available for sale	Total
<b>Balance at the beginning of the period</b>	<b>201,065</b>	<b>593,411</b>	<b>794,476</b>
Transfer to Level 3	-	891	<b>891</b>
Purchases	-	-	-
Comprehensive income/(loss)	5,068	9,352	<b>14,420</b>
- in the income statement	5,068	-	<b>5,068</b>
- in equity (Note 30)	-	9,352	<b>9,352</b>
Sales/settlement	(120,480)	-	<b>(120,480)</b>
Transfer from Level 3	-	-	-
<b>Balance at the end of the period</b>	<b>85,653</b>	<b>603,654</b>	<b>689,307</b>

## 2016

CZK thousand	Securities at fair value through profit or loss	Securities available for sale	Total
<b>Balance at the beginning of the period</b>	<b>2,759</b>	<b>872,515</b>	<b>875,274</b>
Transfer to Level 3	-	-	-
Purchases	201,991	106,759	<b>308,750</b>
Comprehensive income/(loss)	(3,685)	(29,454)	<b>(33 139)</b>
- in the income statement	(3,685)	-	<b>(3,685)</b>
- in equity (Note 30)	-	(29,454)	<b>(29,454)</b>
Sales/settlement	-	(356,409)	<b>(356,409)</b>
Transfer from Level 3	-	-	-
<b>Balance at the end of the period</b>	<b>201,065</b>	<b>593,411</b>	<b>794,476</b>

The Bank measures securities at fair value through profit or loss using the technique of discounted future cash flows. In respect of securities that fall into the Level 3 category, the Bank uses the discount factor for the calculation that is derived from the internal price for liquidity that is 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 financing of the Bank 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 on the basis of 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 "Securities available for sale" primarily comprises an investment in Raiffeisen stavební spořitelna, a.s. of CZK 464,701 thousand (2016: CZK 479,000) and the Bank's membership in Visa Inc. in the amount of CZK 138,111 thousand (2016: CZK 114,411 thousand). Until June 2016, the Bank reported an equity investment in Visa Europe of CZK 356,409 thousand in the amount of the Bank's expected share in the cash settlement of the sale of Visa Europe Ltd. to Visa Inc. In accordance with the final form of the merger, the sale price is settled in three tranches: cash payment, transfer of priority shares of Visa Inc. and an additional cash payment in 2019. After the merger realised in June 2016 the Bank received a cash settlement in the amount of EUR 14 million and a proportionate part of priority shares in Visa Inc. in the amount of USD 4.4 million. The Bank incorporated these shares in the portfolio of Securities available for sale and subsequently the Bank derecognised the original investment in Visa Europe. In 2016, the Bank reported the result of the transaction as a profit of CZK 518,638 thousand (see Note 8) in "Net profit from financial operations".

**(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 consist of limits determined by the regulator which are complemented by the limits set by the parent bank in a standardised way for the whole CEE region. In some cases, the set of limits is complemented by other internal limits that reflect the specifications of local markets to which the Bank is exposed.

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 on the market 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 percent 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 2017	Average in 2017	At 31 December 2016	Average in 2016
<b>Total market risk VaR</b>	<b>112,445</b>	<b>24,546</b>	<b>22,165</b>	<b>19,795</b>

## Interest Rate Risk

The Bank monitors interest rate risk of the banking book and the trading book separately, at the level of individual currencies. The interest rate position is monitored based the sensitivity of the position to the shift in the interest rate curve (BPV). The BPV technique (basis point value) involves determining the change of the present value (both in total and in individual time periods) of the portfolio when interest rates shift by one basis point (0.01 per cent). This technique is complemented by monitoring interest rate risks using Value at Risk.

CZK thousand	At 31 December	Average in	At 31 December	Average in
	2017	2017	2016	2016
<b>Total interest rate risk VaR</b>	<b>3,447</b>	<b>9,025</b>	<b>18,984</b>	<b>5,296</b>
Interest rate risk VaR - banking book	7,683	8,850	16,774	5,161
Interest rate risk VaR - trading book	5,420	5,001	2,515	2,079

## Currency Risk

The Bank uses a set of limits established by reference to the standards of the Raiffeisen 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 regulatory body. These techniques are complemented by monitoring currency risks using Value at Risk.

CZK thousand	At 31 December	Average in	At 31 December	Average in
	2017	2017	2016	2016
<b>Currency risk VaR</b>	<b>625</b>	<b>2,194</b>	<b>1,207</b>	<b>1,399</b>

## Market Spread Risk

To determine the risk of change in market spreads for currency forward transactions (in the trading portfolio) and for its own positions in debt instruments (state and corporate), the Bank also uses the Value at Risk technique. The significant increase in the amount of market spread VaR arising from currency positions was attributable to the extraordinary increase in the volatility of FX forward rates at the end of 2017.

CZK thousand	At 31 December	Average in	At 31 December	Average in
	2017	2017	2016	2016
<b>Total market spread VaR</b>	<b>114,229</b>	<b>20,992</b>	<b>16,378</b>	<b>18,398</b>
Market spread VaR - debt instruments	8,009	9,621	10,488	18,049
Market spread VaR - currency positions	113,884	17,859	14,208	4,202

## Equity Risk

Market risks arising from the Bank's equity trading activities are managed using the Value at Risk method. At the end of 2013, the Bank suspended trading with equity instruments in the banking portfolio.

## Stress Testing

The Bank performs regular stress testing of interest rate risk inherent in the banking and trading portfolios, the 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.

## 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 these risks. The Bank applies the standardised approach to calculating capital adequacy, it intends to implement the advanced (AMA) approach in the future. At present, changes are being implemented so that the advanced approach could be applied.

The basic principal 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; and
- Mitigation Plans.

The objective of collecting data on the loss arising from operational risk events is not just to accumulate information but predominantly to analyse the causes of such events. 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 educate 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 Risk Assessment is used to raise awareness of operational risks, clarify individual processes and mitigate the operational risk identified.

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.

## Capital 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 the 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 2017, the systemic risk buffer was only applied to five institutions, including Raiffeisenbank. As for the countercyclical capital buffer, in 2014, the CNB decided to set the initial buffer amount to zero, which banks were to apply 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 and to 1.25% from 1 January 2019.

The Bank manages its capital adequacy with a view to ensuring its sufficient level after the natural growth in the volume of sales has been accounted for, taking into account the potential macroeconomic development and the environment of changing regulatory requirements. The Bank monitors changes in regulatory requirements on an ongoing basis, assessing their impact as part of the capital planning process.

As a local supervisory authority, the CNB monitors whether the Bank complies with capital adequacy on a separate as well as consolidated basis. In 2017, the Bank met all regulatory requirements.

### Internal Capital System

In line with Pillar 2 of Basel II, the Bank creates its own Internal Capital System (the "ICS"). The process ensures that the Bank is able to:

- Identify, quantify, manage and monitor all risks to a sufficient degree;
- Secure and maintain the necessary amount of capital to cover all material risks; and
- Set up reliable management of the risks, and develop and perfect it on an ongoing basis.

As part of the ICS, the Bank proceeds in line with the applicable methodology, which is updated on an annual basis following developments in the ICS. The methodology is based on key parameters defined in line with the Bank's general nature, size and risk profile. The key parameters are based on the Bank's target rating, according to which the applied reliability level (99.9%), the timeframe for calculating economic capital (1 year) and the planning timeframe (3 years) are determined.

The Bank determines 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, 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 internal capital. The unallocated portion of internal capital serves as a buffer. If limits defined under the risk appetite are exceeded, the Board of Directors is immediately notified and corrective measures are taken.

As part of the ICS process, all relevant risks to which the Bank is or may be exposed in the future are assessed and mapped. Based on the resulting assessment, it determines the risks for which it defines the management system, calculates economic capital and performs stress testing as part of Pillar 2 with the aim of verifying the Bank's ability to overcome even highly adverse future developments.

The ICS forms part of financial planning (in the form of risk appetite). The creation of the financial plan is reflected in regular monthly stress tests in the form of capital prediction and development planning. Throughout the year, ICS reports are individually submitted to the Board of Directors as part of the quarterly report. In addition, ICS reports are submitted, on a monthly basis, to the Assets and Liabilities Management Committee. The Bank applies the ICS both on a local (monthly) and a consolidated basis (quarterly).

## 37. 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) Assessment and Classification of Receivables

The Bank assesses its receivables in accordance with the principles determined by CNB's Decree No. 163/2014 dated 30 July 2014, on the Activities of Banks, Savings Banks and Credit Cooperatives and Securities Traders (Decree of the Czech National Bank), as amended, and also in accordance with IFRS IAS 39 and internal regulations.

The Bank assesses receivables based on the fulfilment of the criteria. Individual receivables are classified into five categories according to Regulation of the Czech National Bank No. 123. For each client, each criterion is evaluated individually and the receivable is subsequently classified on the basis of the worst rating of the criteria to one of the following categories: standard, watch, substandard, doubtful, and loss. Substandard, doubtful and loss receivables are aggregately designated as receivables with debtor's default. If the Bank records more receivables from one client, they are all classified in the same category, based on the receivable with the least favourable rating. This rule does not apply to retail receivables where the default and sub-categories are allocated on the level of receivables rather than the client.

The classification is performed on a monthly basis, with the key criteria being:

- Number of days past maturity;
- Financial position of the debtor – client/transaction rating;
- Implementation of enforced restructuring;
- Resolution on insolvency; and
- Other individually assessed events relating to the anticipated customer's compliance with contractual obligations

## (b) Provisioning for Receivables

The Bank determines impairment of individual receivables or the portfolio of receivables with similar characteristics in terms of credit risk.

The Bank applies the portfolio approach in respect of individually assessed receivables where no impairment was noted individually. In this case, the Bank also determines impairment of the portfolio of similar individually unimpaired loans.

Portfolio allowances are calculated pursuant to the anticipated development in the loan portfolio (probability of default, default loss, etc).

The amount of the individual allowance is determined based on the anticipated cash flows. Future cash flows are estimated pursuant to the assessment of all available information, including the estimated collateral value, possibility of the sale of a receivable, proceeds from the bankruptcy and anticipated length of the recovery process.

Problematic receivables from the SME and Corporate segments are dealt with by the Workout division. Significant (in terms of volume) loans are assessed by the Problem Loan Committee.

The value of the future cash flows of retail receivables is estimated on the basis of the historical behaviour of similar receivables and historical success of the recovery process.

The Bank determines provisions for receivables at least on a monthly basis.

## (c) Evaluation of Collateral

Generally, the Bank requires collateral for loans granted to certain debtors prior to the issuance of the loan. For the purpose of calculating provisioning levels, the Bank considers the following types of collateral as eligible collateral which reduces gross credit exposure:

- Cash;
- Real estate;
- First-class receivables;
- Bank guarantees;
- Guarantee provided by a reputable third party;
- Machinery and equipment – movable assets;
- First-class securities; and
- Inventory 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.

## (d) Credit Risk Measurement Methods

The principal credit risk management methods in retail include 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.

## (e) 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 of the balance sheet date, the Bank recorded no significant credit risk concentration exposure to an individual client or an economically connected entity that would exceed the limits set by the Czech National Bank.

The credit risk concentration analysis by sectors/industry and concentration by geographical areas is provided in Notes 17 (c), 17 (d) and 17 (j).

## (f) 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.

## (g) 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 that do not necessarily represent default under the CNB's Regulation.

The key criterion in treating an exposure as forbore is a customer's financial health as of the date on which contractual conditions are adjusted. Receivables are defined as forbore 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 forbore 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 forbore.

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 the five sub-categories of loan quality as specified in the CNB's Regulation (standard, monitored, non-standard, doubtful, and loss-making) and, consequently, on the assessment of the amount of individual and portfolio allowances.

### The credit risk analysis of loans and advances to forborne customers under IFRS 7

CZK thousand	Loans and advances to forborne customers					
	Before due date without default	After due date with default	With default	Total forbearance	Allowances	Collateral
<b>31 December 2017</b>						
Public sector	-	-	-	-	-	-
Loans to corporate entities	1,003,832	1,246	453,575	1,458,653	(167,244)	1,139,251
Loans to private individuals	1,097,348	11,154	820,520	1,929,022	(643,488)	1,116,238
Small and medium-sized enterprises (SME)	182,476	976	235,375	418,827	(216,150)	231,036
<b>Total</b>	<b>2,283,656</b>	<b>13,376</b>	<b>1,509,470</b>	<b>3,806,502</b>	<b>(1,026,882)</b>	<b>2,486,525</b>

CZK thousand	Loans and advances to forborne customers					
	Before due date without default	After due date with default	With default	Total forbearance	Allowances	Collateral
<b>31 December 2016</b>						
Public sector	-	-	-	-	-	-
Loans to corporate entities	973,702	52,637	1,662,659	2,688,998	(745,460)	1,726,396
Loans to private individuals	1,012,459	231,549	1,092,081	2,336,089	(740,481)	1,351,891
Small and medium-sized enterprises (SME)	82,060	2,071	167,457	251,588	(223,714)	169,259
<b>Total</b>	<b>2,068,221</b>	<b>286,257</b>	<b>2,922,197</b>	<b>5,276,675</b>	<b>(1,709,655)</b>	<b>3,247,546</b>

The Bank recognises no forborne loans and advances to banks.

The Bank's interest income includes interest on loans and advances to forborne customers in the amount of CZK 155,685 thousand (2016: CZK 195,251 thousand).

### Development of loans and advances to forborne customers

CZK thousand	Loans to corporate entities	Loans to private individuals	Small and medium-sized entities (SME)	Total
<b>2017</b>				
Balance as of 1 January	2,688,998	2,336,089	251,588	5,276,675
Additions (+)	305,827	236,300	-	542,127
Disposals (-)	(55,387)	(259,050)	(17,695)	(332,132)
Movements in exposures (+/-)	(1,480,785)	(384,317)	184,934	(1,680,168)
<b>Balance at 31 December</b>	<b>1,458,653</b>	<b>1,929,022</b>	<b>418,827</b>	<b>3,806,502</b>

CZK thousand	Loans to corporate entities	Loans to private individuals	Small and medium-sized entities (SME)	Total
<b>2016</b>				
Balance as of 1 January	3,358,338	3,962,152	471,550	7,792,040
Additions (+)	183,367	230,219	-	413,586
Disposals (-)	(277,711)	(1,345,920)	(55,990)	(1,679,621)
Movements in exposures (+/-)	(574,996)	(510,362)	(163,972)	(1,249,330)
<b>Balance at 31 December</b>	<b>2,688,998</b>	<b>2,336,089</b>	<b>251,588</b>	<b>5,276,675</b>

**The carrying amount of loans to forborne customers compared to the total loans and advances to customers**

CZK thousand	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
<b>2017</b>			
Public sector	891,580	-	-
Loans to corporate entities	107,526,233	1,458,653	1.4%
Loans to private individuals	105,151,546	1,929,022	1.8%
Small and medium-sized enterprises (SME)	6,343,951	418,827	6.6%
<b>Total at 31 December 2017</b>	<b>219,913,310</b>	<b>3,806,502</b>	<b>1.7%</b>

CZK thousand	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
<b>2016</b>			
Public sector	1,091,959	-	-
Loans to corporate entities	108,831,454	2,688,998	2.5%
Loans to private individuals	98,006,142	2,336,089	2.4%
Small and medium-sized enterprises (SME)	5,865,603	251,588	4.3%
<b>Total at 31 December 2016</b>	<b>213,795,158</b>	<b>5,276,675</b>	<b>2.5%</b>

**(h) Securitisation**

The Bank eliminates the credit risk of its exposures through synthetic securitisation. Securitisation involves merging loan exposure portfolios (loans and advances, guarantees and commitments) with the appropriate level of loan quality where the Bank offers to transfer the credit risk arising from the loan exposures in securitisation to investors. The transactions are principally aimed at the improvement of the capital adequacy of the Bank and the parent group. The loan exposures included in the synthetic securitisation performed by the Bank do not meet the conditions for de-recognition of assets from the statement of financial position.

For an updated analysis of the Bank's securitisation transactions, refer to Note 17 (g).

**(i) Portfolio Quality**

The rating which represents the portfolio quality is an internal rating used by the Raiffeisen Group.

For retail clients, the rating is in the interval from 0.5 to 5.0, where 5.0 represents default. The rating in the interval from 6.1 to 6.5 is used for project financing where 6.5 represents default. For corporate clients, the Bank uses rating in the interval between 1A, 1B, 1C, 2A, 2B, etc. to 9A, 9B, 9C and 10, where 10 represents default. The corporate rating is additionally used for retail clients that have corporate products and are treated as corporate clients in terms of risks. The Bank uses rating in the interval from A1 to D, where D is default, for financial institutions and public sector institutions.

CZK thousand	Rating	2017	2016
<b>Retail clients:</b>			
Highly excellent credit rating	0.5	50,420,833	33,451,934
Excellent credit rating	1.0	21,988,671	24,576,246
Very good credit rating	1.5	12,711,373	14,620,960
Good credit rating	2.0	8,764,580	10,218,873
Healthy credit rating	2.5	6,416,691	7,072,264
Acceptable credit rating	3.0	3,163,401	4,220,277
Limit credit rating	3.5	1,777,458	2,120,310
Weak credit rating	4.0	768,695	1,082,587
Very weak credit rating /monitored	4.5	993,694	1,177,355
Default	5.0	3,346,312	4,144,969
<b>Project financing:</b>			
Excellent project profile - very low risk	6.1	27,923,112	27,922,643
Good project profile - low risk	6.2	1,190,095	4,473,599
Acceptable project profile - average risk	6.3	492,785	1,255,701
Bad project profile - high risk	6.4	5,370	11,274
Default	6.5	289,379	401,551
<b>Corporate clients:</b>			
Highly excellent credit rating	1A-1C	-	-
Excellent credit rating	2A-2C	68,808	1,263,644
Very good credit rating	3A-3C	3,612,622	3,469,306
Good credit rating	4A-4C	6,055,951	6,646,814
Healthy credit rating	5A-5C	15,140,500	15,388,932
Acceptable credit rating	6A-6C	25,493,311	21,821,943
Limit credit rating	7A-7C	8,949,208	6,462,868
Weak credit rating	8A-8C	1,793,599	1,927,565
Very weak credit rating /monitored	9A-9C	641,724	666,602
Default	10	1,823,159	3,133,952
<b>Financial institutions and public sector institutions:</b>			
Highly excellent credit rating	A1	19,964	7,585
Excellent credit rating	A2	34,978	19,663
Very good credit rating	A3	7,663	49,504
Good credit rating	B1	15,048,773	14,656,552
Healthy credit rating	B2	36,928	22,689
Acceptable credit rating	B3	10,572	5,099
Limit credit rating	B4	770,120	984,103
Weak credit rating	B5	1,059	-
Very weak credit rating /monitored	C	-	-
No rating: before due date		149,179	512,295
No rating: past due date		2,743	5,499
<b>Total</b>		<b>219,913,310</b>	<b>213 795,158</b>

## (j) Credit Quality of Not Due and Individually Unimpaired Loans to Customers

According to individual rating categories, the Bank has the following undue and unimpaired financial assets according to its rating:

CZK thousand	Rating	2017	2016
<b>Retail clients:</b>			
Highly excellent credit rating	0.5	50,420,781	33,404,568
Excellent credit rating	1.0	21,988,420	24,505,983
Very good credit rating	1.5	12,711,081	14,538,183
Good credit rating	2.0	8,763,272	10,098,897
Healthy credit rating	2.5	6,414,336	6,880,525
Acceptable credit rating	3.0	3,158,145	3,965,411
Limit credit rating	3.5	1,763,599	1,818,413
Weak credit rating	4.0	759,602	733,618
Very weak credit rating /monitored	4.5	932,488	291,660
Default	5.0	7,507	352,487
<b>Project financing:</b>			
Excellent project profile - very low risk	6.1	27,913,021	26,415,298
Good project profile - low risk	6.2	1,190,053	4,261,079
Acceptable project profile - average risk	6.3	492,785	1,101,993
Bad project profile - high risk	6.4	5,370	6,277
Default	6.5	0	310,125
<b>Corporate clients:</b>			
Highly excellent credit rating	1A-1C	0	-
Excellent credit rating	2A-2C	68,808	1,263,643
Very good credit rating	3A-3C	3,611,721	3,396,765
Good credit rating	4A-4C	5,976,104	6,623,955
Healthy credit rating	5A-5C	15,120,910	14,880,158
Acceptable credit rating	6A-6C	25,350,050	22,542,136
Limit credit rating	7A-7C	8,812,786	6,627,157
Weak credit rating	8A-8C	1,718,364	1,854,359
Very weak credit rating /monitored	9A-9C	606,923	630,304
Default	10	0	1,040,476
<b>Financial institutions and public sector institutions:</b>			
Highly excellent credit rating	A1	19,964	7,585
Excellent credit rating	A2	34,978	19,663
Very good credit rating	A3	7,663	49,504
Good credit rating	B1	15,048,773	13,724,819
Healthy credit rating	B2	36,928	22,689
Acceptable credit rating	B3	10,557	5,099
Limit credit rating	B4	770,120	981,410
Weak credit rating	B5	1,059	-
Very weak credit rating /monitored	C	0	-
No rating		149,135	236,618
<b>Total</b>		<b>213,865,303</b>	<b>202,590,857</b>

**(k) Maximum Exposure to Credit Risk**

2017	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
CZK thousand						
Cash and balances with central banks	8,621,174	-	8,621,174	-	-	-
Loans and advances to financial institutions*	105,151,981	393,155	105,545,136	528,569	-	528,569
Loans and advances to customers*	214,944,301	42,996,718	257,941,019	172,838,526	16,426,879	189,265,405
Positive fair value of financial derivative transactions	3,855,236	-	3,855,236	282,591	-	282,591
Securities held to maturity	-	-	-	-	-	-
Securities at fair value through profit or loss	156,446	-	156,446	-	-	-
Securities available for sale	603,654	-	603,654	-	-	-
Other assets	1,091,896	-	1,091,896	-	-	-

\* including allowances and provisions

The values of allocated collateral presented in the above table do not include the portfolio guarantee under the securitisation transactions of CZK 1,966,580 thousand (refer to Note 17 (g)).

2016	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
CZK thousand						
Cash and balances with central banks	92,079,929	-	92,079,929	-	-	-
Loans and advances to financial institutions*	5,664,472	390,979	6,055,451	1,176,106	-	1,176,106
Loans and advances to customers*	207,686,359	40,639,739	248,326,098	165,070,073	17,707,451	182,777,524
Positive fair value of financial derivative transactions	3,931,883	-	3,931,883	743,177	-	743,177
Securities held to maturity	2,545,956	-	2,545,956	-	-	-
Securities at fair value through profit or loss	733,639	-	733,639	-	-	-
Securities available for sale	594,302	-	594,302	-	-	-
Other assets	1,098,429	-	1,098,429	-	-	-

\* including allowances and provisions

The values of allocated collateral presented in the above table do not include the portfolio guarantee under the securitisation transactions of CZK 2,080,540 thousand (refer to Note 17 (g)).

## (I) Offset of 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.

2017	Amount of an asset/liability reported in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Relevant amount not offset in the statement of financial position			
			Net amount reported in the statement of financial position	Financial instrument	Received cash collateral	Total
CZK thousand						
<b>Assets</b>						
Positive values of financial derivatives	3,504,226	-	3,504,226	3,211,784	282,591	9,851
Loans and advances to customers	103,057,882	-	103,057,882	101,649,771	-	1,408,111
<b>Total assets</b>	<b>106,562,108</b>	<b>-</b>	<b>106,562,108</b>	<b>104,861,555</b>	<b>282,591</b>	<b>1,417,962</b>
<b>Liabilities</b>						
Negative values of financial derivatives	3,865,866	-	3,865,866	3,211,784	457,165	196,917
Amounts due to customers	5,000,250	-	5,000,250	4,931,000	-	69,250
<b>Total liabilities</b>	<b>8,866,116</b>	<b>-</b>	<b>8,866,116</b>	<b>8,142,784</b>	<b>457,165</b>	<b>266,167</b>
<b>2016</b>						
2016	Amount of an asset/liability reported in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Relevant amount not offset in the statement of financial position			
			Net amount reported in the statement of financial position	Financial instrument	Received cash collateral	Total
CZK thousand						
<b>Assets</b>						
Positive values of financial derivatives	3,066,824	-	3,066,824	2,294,825	743,177	28,822
Loans and advances to customers	191,953	-	191,953	191,953	-	-
<b>Total assets</b>	<b>3,258,777</b>	<b>-</b>	<b>3,258,777</b>	<b>2,486,778</b>	<b>743,177</b>	<b>28,822</b>
<b>Liabilities</b>						
Negative values of financial derivatives	2,750,401	-	2,750,401	2,294,825	324,271	131,305
<b>Total liabilities</b>	<b>2,750,401</b>	<b>-</b>	<b>2,750,401</b>	<b>2,294,825</b>	<b>324,271</b>	<b>131,305</b>

## 38. RELATED PARTY TRANSACTIONS

At 31 December 2017

For related party transaction reporting purposes, the Bank considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Bank International AG (entity with controlling influence on the Bank exercised indirectly) to be its parent companies. Related party transactions are concluded under standard business terms and arm's length prices.

CZK thousand	Parent companies	Entities with significant influence over the Bank	Subsidiaries	Board of Directors, Supervisory Board and other managers	Other related parties	Total
Receivables	881,989	-	12,642,712	147,996	422,371	14,095,068
Positive fair value of financial derivatives	2,700,542	-	7,557	-	9,297	2,717,396
Payables	17,362,330	34,302	634,770	109,696	18,697,643	36,838,741
Negative fair value of financial derivatives	3,194,964	-	76,574	-	944	3,272,482
Other capital instruments	2,615,354	-	-	-	-	2,615,354
Subordinated loans and bonds	2,586,645	-	-	-	-	2,586,645
Guarantees issued	15,222	-	6,768,100	-	304,250	7,087,572
Guarantees received	-	-	-	-	325,000	325,000
Nominal values of financial derivatives (off-balance sheet receivables)	309,153,449	-	9,618,923	-	628,524	319,400,896
Nominal values of financial derivatives (off-balance sheet payables)	309,011,099	-	9,618,923	-	620,250	319,250,272
Provided irrevocable loan commitments	-	-	-	(26,777)	-	(26,777)
Interest income	1,108,272	(310)	70,763	2,400	9,259	1,190,384
Interest expense	(882,537)	303	(120)	(337)	(207,099)	(1,089,790)
Fee and commission income	29,770	303	12,153	-	19,865	62,091
Fee and commission expense	(13,389)	-	(189)	-	(66,300)	(79,878)
Net profit or loss on financial operations	(3,719,641)	-	(97,693)	-	69,582	(3,747,752)
General administrative expenses	(158,041)	-	(22,827)	(93,013)	(5,486)	(279,367)
Other operating income, net	1,148	-	19,337	-	2,911	23,396

### The receivables are principally composed of the following deposits with:

Credit balances on the current account maintained at:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 881,988 thousand.

Provided loans:

- Raiffeisen Leasing, s.r.o. (subsidiary) in the amount of CZK 10,432,055 thousand;
- Raiffeisen FinCorp, s.r.o. (subsidiary of Raiffeisen leasing, s.r.o.) in the amount of CZK 2,121,879 thousand;
- Flex-Space Plzeň I., spol. s r.o. (under joint control of Czech Real Estate Fund B. V.) in the amount of CZK 111,168 thousand;
- RDI Czech 4, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) in the amount of CZK 51,420 thousand; and
- RDI Czech 6, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) in the amount of CZK 37,359 thousand.

Nominal values of financial derivatives - off-balance sheet receivables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 309,153,449 thousand;
- Raiffeisen Leasing, s.r.o. (subsidiary) in the amount of CZK 9,618,923 thousand; and
- Raiffeisen Polbank (fellow subsidiary) in the amount of CZK 582,048 thousand.

### The payables are principally composed of:

Credit balances on the current account of the Bank from:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,749,903 thousand;
- Raiffeisen Leasing, s.r.o. (subsidiary) in the amount of CZK 284,369 thousand; and
- Raiffeisen investiční společnost a.s. (subsidiary) in the amount of CZK 137,051 thousand.

Term deposits:

- UNIQA Österreich Versicherung AG (associated entity to the parent company Raiffeisen Bank International AG) in the amount of CZK 2,185,110 thousand;
- UNIQA pojišťovna, a.s. (associated entity to the parent company Raiffeisen Bank International AG) in the amount of CZK 301,380 thousand;
- Raiffeisenbank (Bulgaria) EAD (fellow subsidiary) in the amount of CZK 907,156 thousand; and
- Raiffeisen Bank Zrt. (fellow subsidiary) in the amount of CZK 7,300,711 thousand.

Repurchase transactions:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 5,000,250 thousand.

Issued debt securities of the Bank:

- Raiffeisenbank Hungary (fellow subsidiary) in the amount of CZK 3,913,106 thousand;
- Raiffeisenbank Bulgaria (fellow subsidiary) in the amount of CZK 1,759,168 thousand;
- Raiffeisen Bank International AG (parent company) in the amount of CZK 9,612,176 thousand; and
- Raiffeisen Bank Albania (fellow subsidiary) in the amount of CZK 2,305,794 thousand.

Nominal values of financial derivatives - off-balance sheet payables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 309,011,099 thousand; and
- Raiffeisen Leasing (subsidiary) in the amount of CZK 9,618,923 thousand.

Subordinate loans:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,586,645 thousand.

Other capital instruments - subordinated unsecured AT1 capital investment certificates purchased:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,615,354 thousand.

For related party transaction reporting purposes, the Bank considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and Raiffeisen-Landesbanken-Holding GmbH (entities with controlling influence on the Bank exercised indirectly) to be its parent companies. Related party transactions are concluded under standard business terms and arm's length prices.

CZK thousand	Entities with significant influence over the Bank			Board of Directors, Supervisory Board and other managers	Other related parties	Total
	Parent companies	Subsidiaries	Board of Directors, Supervisory Board and other managers			
Receivables	495,330	11,100,149	112,473	106,768		11,814,720
Positive fair value of financial derivatives	2,475,373	47,059	-	848		2,523,280
Payables	14,885,058	222,216	94,549	22,676,987		38,717,046
Negative fair value of financial derivatives	1,799,212	28	-	35		1,799,275
Other capital instruments	1,934,450	-	-	-		1,934,450
Subordinated loans and bonds	2,737,981	-	-	-		2,737,981
Guarantees issued	35,222	3,234,398	-	14,984		3,284,604
Guarantees received	281,782	-	-	39,139		320,921
Nominal values of financial derivatives (off-balance sheet receivables)	248,150,842	-	8,033,972	691,552		256,876,366
Nominal values of financial derivatives (off-balance sheet payables)	247,679,999	-	8,033,972	690,710		256,404,681
Provided irrevocable loan commitments	(275,185)	(12,984)	(2,428,685)	(10,653)	(153,103)	(2,880,610)
Interest income	6,890	260	64,470	2,012	23,037	96,669
Interest expense	(90,962)	(7)	(92)	(303)	(181,279)	(272,643)
Fee and commission income	15,979	48	6,763	-	18,696	41,486
Fee and commission expense	(8,843)	-	(114)	-	(41,745)	(50,702)
Net profit or loss on financial operations	619,864	-	29,808	-	(11,344)	638,328
General administrative expenses	(149,942)	-	(23,809)	(86,187)	-	(259,938)
Other operating income, net	-	-	18,755	-	4,135	22,890

### The receivables are principally composed of the following deposits with:

Credit balances on the current account maintained at:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 495,330 thousand.

Provided loans:

- Raiffeisen Leasing, s.r.o. (subsidiary) in the amount of CZK 7,906,018 thousand;
- Raiffeisen FinCorp, s.r.o. (subsidiary of Raiffeisen leasing, s.r.o.) in the amount of CZK 2,954,548 thousand;
- Flex-Space Plzeň I., spol. s r.o. (under joint control of Czech Real Estate Fund B. V.) in the amount of CZK 120,960 thousand;
- RDI Czech 4, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) in the amount of CZK 59,864 thousand; and
- RDI Czech 6, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) in the amount of CZK 58,759 thousand.

Nominal values of financial derivatives - off-balance sheet receivables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 248,150,842 thousand; and
- Raiffeisen Leasing, s.r.o. (subsidiary) in the amount of CZK 8,033,972 thousand.

### The payables are principally composed of:

Credit balances on the current account of the Bank from:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 328,473 thousand; and
- Raiffeisen Leasing, s.r.o. (subsidiary) in the amount of CZK 252,099 thousand.

Term deposits:

- UNIQA Österreich Versicherung AG (associated entity to the parent company Raiffeisen Zentralbank Österreich AG) in the amount of CZK 1,176,455 thousand;
- Raiffeisen Versicherung AG (associated entity to the parent company Raiffeisen Zentralbank Österreich AG) in the amount of CZK 1,185,590 thousand;
- UNIQA pojišťovna, a.s. (associated entity to the parent company Raiffeisen Zentralbank Österreich AG) in the amount of CZK 301,458 thousand;
- Raiffeisenbank AO (fellow subsidiary) in the amount of CZK 5,149,018 thousand;
- Raiffeisenbank (Bulgaria) EAD (fellow subsidiary) in the amount of CZK 1,490,835 thousand; and
- Raiffeisen Bank Zrt. (fellow subsidiary) in the amount of CZK 9,333,110 thousand.

Received collateralising deposit:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 783,445 thousand.

Issued debt securities of the Bank:

- Raiffeisenbank Hungary (fellow subsidiary) in the amount of CZK 2,854,884 thousand;
- Raiffeisenbank Bulgaria (fellow subsidiary) in the amount of CZK 1,490,835 thousand; and
- Raiffeisen Bank International AG (parent company) in the amount of CZK 6,977,106 thousand.

Nominal values of financial derivatives - off-balance sheet payables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 247,679,999 thousand; and
- Raiffeisen Leasing (subsidiary) in the amount of CZK 8,033,972 thousand.

Subordinate loans:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,737,981 thousand.

Other capital instruments - subordinated unsecured AT1 capital investment certificates purchased:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 1,934,450 thousand.

## 39. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date that would have a material impact on the separate financial statements as of 31 December 2017.

# 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 2017.

## Components of the Consolidated Financial Statements:

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

These consolidated financial statements were prepared and approved by the Board of Directors of the Bank on 3 April 2018.

## Chief Financial Officer of the Reporting Entity



Tomáš Jelinek  
Chief Financial Officer

## Statutory Body of the Reporting Entity



Igor Vida  
Chairman of the Board of Directors



Jan Pudil  
Member of the Board of Directors

## Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2017

CZK thousand	Note	2017	2016
Interest income and similar income	7	7,801,587	7,875,914
Interest expense and similar expense	7	(1,233,093)	(1,264,797)
<b>Net interest income</b>		<b>6,568,494</b>	<b>6,611,117</b>
Change in provisions for credit risks	8	(399,054)	(927,384)
<b>Net interest income after provisions for credit risks</b>		<b>6,169,440</b>	<b>5,683,733</b>
Fee and commission income	9	2,897,954	2,710,873
Fee and commission expense	9	(894,134)	(929,925)
<b>Net fee and commission income</b>		<b>2,003,820</b>	<b>1,780,948</b>
Net profit on financial operations	10	2,415,190	2,307,890
Dividend income	11	31,116	25,000
General administrative expenses	12	(6,477,586)	(6,480,110)
Other operating income/(expenses), net	14	319,349	463,105
<b>Operating profit</b>		<b>4,461,329</b>	<b>3,780,566</b>
Share in income of associated undertakings	23	7,560	(1,480)
<b>Profit/(loss) before income tax</b>		<b>4,468,889</b>	<b>3,779,086</b>
Income tax	15	(1,210,938)	(737,565)
<b>Net profit for the year attributable to:</b>		<b>3,257,951</b>	<b>3,041,521</b>
- The parent company's shareholders		3,083,570	2,794,412
- Non-controlling interests		174,381	247,109
<b>Other comprehensive income</b>			
<b>Items that can be reclassified to income (or expenses) in the future:</b>			
Foreign exchange rate gains or losses from the translation of the financial statements denominated in foreign currencies		-	-
Gains/(losses) from re-measurement of securities available for sale reported in other comprehensive income		9,352	(28,029)
Re-measurement of securities available for sale transferred to profit or loss		35,548	(356,409)
Gains/(losses) from revaluation of cash flow hedges		192,184	(93,828)
Tax on profit attributable to components of other comprehensive income		(34,587)	83,820
<b>Total other comprehensive income attributable to:</b>		<b>202,497</b>	<b>(394,446)</b>
- The parent company's shareholders		202,497	(394,446)
- Non-controlling interests		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3,460,448</b>	<b>2,647,075</b>

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

# Consolidated Statement of Financial Position

## As of 31 December 2017

CZK thousand	Note	31.12.2017	31.12.2016
<b>ASSETS</b>			
Cash and balances with central banks	16	8,621,302	92,080,041
Securities at fair value through profit or loss	17	156,446	733,639
Positive fair value of financial derivative transactions	36	3,859,416	3,885,435
Securities available for sale	17	603,654	594,302
Loans and advances to financial institutions	18	105,330,023	5,782,128
Loans and advances to customers	19	224,038,925	217,675,692
<i>of which: change in the fair value of hedged items</i>		(1,470)	(175)
Provisions for loans and advances	20	(5,056,480)	(6,264,042)
Fair value remeasurement of portfolio-remeasured items	19	(1,259,634)	389,354
Income tax receivable	15	7,886	5,041
Deferred tax asset	21	10,075	106,389
Securities held to maturity	17	-	2,545,956
Other assets	22	1,468,095	1,510,566
Equity investments in associates	23	38,108	30,548
Intangible fixed assets	24	2,369,212	2,192,593
Property and equipment	25	1,595,258	1 406,021
Investice do nemovitostí	26	916,682	1 122,239
<b>TOTAL ASSETS</b>		<b>342,698,968</b>	<b>323,795,902</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Amounts owed to financial institutions	27	31,372,154	33,593,018
Amounts owed to customers	28	251,731,818	227,140,057
<i>of which: change in the fair value of hedged items</i>		129,500	187,333
Fair value re-measurement of portfolio-re-measured items (amounts owed to customers)	28	(1,848,943)	753,384
Negative fair value of financial derivative transactions	36	4,624,766	2,917,196
Deferred tax liability	21	101,118	87,781
Issued debt securities	29	19,473,226	24,722,224
<i>of which: change in the fair value of hedged items</i>		52,993	85,637
Provisions	30	1,422,192	1,122,654
Other liabilities	31	5,204,910	4,180,455
Subordinated liabilities and bonds	32	2,712,697	2,863,982
<b>TOTAL LIABILITIES</b>		<b>314,793,938</b>	<b>297,380,751</b>
<b>SHAREHOLDERS' EQUITY</b>			
Attributable to shareholders of the Group		27,905,030	25,670,783
Share capital	33	11,060,800	11,060,800
Reserve fund		693,918	693,918
Valuation gains or losses	33	105,796	(96 701)
Retained earnings		10,345,592	9,283,904
Other capital instruments	33	2,615,354	1,934,450
Profit for the year		3,083,570	2,794,412
Non-controlling interests	33	-	744,368
<b>Total shareholders' equity</b>		<b>27,905,030</b>	<b>26,415,151</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>342,698,968</b>	<b>323,795,902</b>

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

# Consolidated Statement of Changes in Equity

## For the Year Ended 31 December 2017

CZK thousand	Equity attributable to shareholders of the Group						Non-controlling interests	Total equity
	Share capital	Reserve fund	Gains and losses from revaluation	Retained earnings	Other capital instruments	Profit for the period		
<b>Balance at 1 Jan 2016</b>	11,060,800	693,908	297,745	8,172,209	1,934,450	2,689,595	524,389	25,373,096
Capital increase	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(1,388,359)	(27,130)	(1,415,489)
Payment of coupon on other capital instruments	-	-	-	(134,460)	-	-	-	(134,460)
Net allocation to reserve funds	-	10	-	-	-	(10)	-	-
Allocation to retained earnings	-	-	-	1,301,226	-	(1,301,226)	-	-
Sale of an associate	-	-	-	(55,071)	-	-	-	(55 071)
Non-controlling interests in entities excluded from the consolidation group	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	2,794,412	247,109	3,041,521
Other comprehensive income, net	-	-	(394,446)	-	-	-	-	(394,446)
<b>Comprehensive income for the period</b>	-	-	(394,446)	-	-	2,794,412	247,109	2,647,075
<b>Balance at 31 Dec 2016</b>	11,060,800	693,918	(96,701)	9,283,904	1,934,450	2,794,412	744,368	26,415,151
Capital increase	-	-	-	-	680,904	-	-	680,904
Dividends	-	-	-	-	-	(1,412,058)	(26,500)	(1,438,558)
Payment of coupon on other capital instruments	-	-	-	(147,451)	-	-	-	(147,451)
Net allocation to reserve funds	-	-	-	-	-	-	-	-
Allocation to retained earnings	-	-	-	1,382,354	-	(1,382,354)	-	-
Non-controlling interests in entities excluded from the consolidation group	-	-	-	-	-	-	-	-
Purchase of the remaining interest in a subsidiary	-	-	-	(1,065 464)	-	-	-	(1,065,464)
Reversal of non-controlling-interests arising from the purchase of the remaining interest in a subsidiary	-	-	-	892,249	-	-	(892,249)	-
Net profit for the period	-	-	-	-	-	3,083,570	174,381	3,257,951
Other comprehensive income, net	-	-	202,497	-	-	-	-	202,497
<b>Comprehensive income for the period</b>	-	-	202,497	-	-	3,083,570	174,381	3,460,448
<b>Balance at 31 Dec 2017</b>	11,060,800	693,918	105,796	10,345,592	2,615,354	3,083,570	-	27,905,030

Příloha tvoří nedílnou součást této konsolidované účetní závěrky.

## Consolidated Cash Flow Statement For the Year Ended 31 December 2017

CZK thousand	2017	2016 restated *
<b>Profit before tax</b>	<b>4,468,889</b>	<b>3,779,086</b>
Adjustments for non-cash transactions		
Change in provisions for credit risks	399,054	927,384
Depreciation and amortisation of property, plant and equipment, intangible assets and investment property	760,334	725,386
Impairment loss on intangible assets and investment property	1,079	90,963
Creation of other provisions	200,048	144,606
Change in fair values of financial derivatives	1,925,773	(304,474)
Unrealised loss/(gain) on revaluation of securities	1,393	(15,943)
Gain on the sale of tangible and intangible assets	(538)	(1,167)
Gain on the sale of subsidiary and joint ventures	(62,578)	(278,379)
Change in the revaluation of hedged items upon a fair value hedge	(1,043,816)	97,997
Share in loss/(gain) of associated undertakings	(7,560)	1,480
Remeasurement of foreign currency positions	(4,657,648)	689,255
Other non-cash changes	920,233	(830,539)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>2,904,663</b>	<b>5,025,655</b>
<b>Cash flows from operating activities</b>		
<i>(Increase)/decrease in operating assets</i>		
Mandatory minimum reserve deposits with the Czech National Bank	(1,258,291)	(603,680)
Loans and advances to financial institutions	(99,766,636)	(1,443,157)
Loans and advances to customers	(6,798,257)	(27,316,306)
Securities at fair value through profit or loss and securities available for sale	573,155	436,052
Other assets	42,471	(344,457)
<i>Increase/(decrease) in operating liabilities</i>		
Amounts owed to financial institutions	(1,634,384)	20,712,683
Amounts owed to customers	26,447,006	43,267,423
Other liabilities	1,024,455	1,893,398
<b>Net cash flow from operating activities before income tax and change in non-controlling interests</b>	<b>(78,465,818)</b>	<b>41,627,611</b>
Income taxes paid	(1,050,638)	(889,456)
<b>Net cash flow from operating activities</b>	<b>(79,516,456)</b>	<b>40,738,155</b>
<b>Cash flows from investing activities</b>		
Net cash flow from the acquisitions and sales of subsidiaries, associates and jointly-controlled entities	(1,054,724)	251,807
Sale of securities available for sale	-	380,480
Purchase of property and equipment and intangible assets	(1,209,332)	(1,523,344)
Income from the sale of fixed assets	2,992	2,291
Net decrease of securities held to maturity	2,491,448	8,713,249
Dividends received	31,116	25,000
<b>Net cash flow from investing activities</b>	<b>261,500</b>	<b>7,849,483</b>

CZK thousand	2017	2016 restated *
<b>Cash flows from financing activities</b>		
Share capital increase	-	-
Dividends and paid coupons on other capital instruments paid to the Bank's shareholders	(1,559,509)	(1,522,844)
Dividends paid to minority shareholders	(26,500)	(27,130)
Increase in other capital instruments	680,904	-
Bonds in issue	(4,623,095)	6,235,595
Subordinated liabilities and bonds	-	(125,386)
<b>Net cash flow from financing activities</b>	<b>(5,528,200)</b>	<b>4,560,235</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(84,783,156)</b>	<b>53,147,873</b>
Cash and cash equivalents at the beginning of the year (Note 34)	89,191,379	36,033,465
Foreign exchange rate differences on cash and cash equivalents at the beginning of the year *	(147,374)	10,041
<b>Cash and cash equivalents at the end of the year (Note 34)</b>	<b>4,260,849</b>	<b>89,191,379</b>

\* Refer to Note 34

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 between the Balances as of 1 January 2017 and 31 December 2017

	As of 1 January 2017	Cash flows	Non-cash changes		As of 31 December 2017
			Revaluation of foreign currency positions	Change in fair value	
Debt securities issued	24,722,224	(4,623,095)	(625,903)	-	19,473,226
Subordinated liabilities and bonds	2,863,982	-	(151,285)	-	2,712,697

# Table of contents

<b>1. PARENT COMPANY INFORMATION</b>	<b>129</b>
<b>2. SHAREHOLDERS OF THE PARENT COMPANY</b>	<b>130</b>
<b>3. DEFINITION OF THE CONSOLIDATED GROUP</b>	<b>131</b>
(a) Group Chart as of 31 December 2017	131
(b) Group Companies Included in the Consolidation	133
(c) Inclusion of Czech Real Estate Fund B.V. in Consolidation	134
(d) Full Consolidation of Raiffeisen - Leasing, s.r.o. including its Subsidiaries and Jointly Controlled Entities	134
(e) Companies Newly Included in Consolidation in 2017	135
(f) Companies Excluded from Consolidation in 2017	135
(g) Sale of equity investments of Czech Real Estate Fund (CREF) B.V. to Raiffeisen Direct Investments CZ s.r.o.	135
(h) Unconsolidated Entities	135
<b>4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>136</b>
(a) Accounting Policies	136
(b) Principles of Consolidation	137
<b>5. SIGNIFICANT ACCOUNTING POLICIES</b>	<b>138</b>
(a) Interest Expense and Interest Income	138
(b) Fees and Commissions	138
(c) Dividends	138
(d) Other Income and Expenses Reported in the Consolidated Statement of Comprehensive Income	138
(e) Taxation	138
(f) Financial Assets and Liabilities	139
(g) Offsetting	144
(h) Property and Equipment and Intangible Fixed Assets	144
(i) Goodwill	145
(j) Leases	145
(k) Investment Property	146
(l) Provisions	146
(m) Non-Controlling Interests	146
(n) Transactions with Securities Undertaken on behalf of Clients	146
(o) Contingent Assets, Contingent Liabilities and Off-Balance Sheet Items	147
(p) Segment Reporting	147
(q) Foreign Currency Translation	147
(r) Cash and Cash Equivalents	147
(s) Employee Benefits	148
<b>6. CHANGES IN ACCOUNTING POLICIES IN 2017</b>	<b>148</b>
(a) Newly Applied Standards and Interpretations the Application of which Had a Significant Impact on the Consolidated Financial Statements	148
(b) Newly Applied Standards and Interpretations the Application of which Had No Significant Impact on the Consolidated Financial Statements	148
(c) Standards and Interpretations in Issue but Not Yet Effective	148
(d) Standards and Interpretations issued by the IASB, but not yet adopted by the European Union	151
<b>7. NET INTEREST INCOME</b>	<b>152</b>
<b>8. CHANGE IN PROVISIONS FOR CREDIT RISKS</b>	<b>153</b>
<b>9. NET FEE AND COMMISSION INCOME</b>	<b>153</b>
<b>10. NET PROFIT ON FINANCIAL OPERATIONS</b>	<b>154</b>
<b>11. DIVIDEND INCOME</b>	<b>154</b>
<b>12. GENERAL ADMINISTRATIVE EXPENSES</b>	<b>155</b>
<b>13. PAYROLL COSTS</b>	<b>155</b>
<b>14. OTHER OPERATING INCOME/(EXPENSES), NET</b>	<b>156</b>
<b>15. INCOME TAX</b>	<b>156</b>
(a) Income tax expense	156
(b) (Income Tax Provision)/Receivable	157
<b>16. CASH AND BALANCES WITH CENTRAL BANKS</b>	<b>157</b>
<b>17. SECURITIES</b>	<b>158</b>
(a) Portfolio Classification of Securities according to the Group's Intent	158
(b) Securities Pledged as Collateral	158
<b>18. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS</b>	<b>159</b>
<b>19. LOANS AND ADVANCES TO CUSTOMERS</b>	<b>159</b>
(a) Classification of Loans and Advances to Customers	159
(b) Repurchase and Reverse Repurchase Transactions	159
(c) Analysis of Loans Provided to Customers by Sector	160
(d) Analysis of Loans Provided to Customers by Geographical Areas	160
(e) Ageing of Loans to Customers	160
(f) Analysis of Loans Provided to Customers by Delays	161

(g) Securitisation.....	161
(h) Syndicated Loans.....	162
(i) Purchase of the client portfolio of the Czech branch of ZUNO BANK AG.....	162
(j) Analysis of Loans and Advances to Customers by Sector and Type of Collateral.....	163
(k) Receivables from Finance Leases.....	165
<b>20. PROVISIONS FOR LOANS AND ADVANCES.....</b>	<b>165</b>
<b>21. DEFERRED TAX ASSET/LIABILITY.....</b>	<b>166</b>
<b>22. OTHER ASSETS.....</b>	<b>167</b>
<b>23. EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES.....</b>	<b>168</b>
<b>24. INTANGIBLE FIXED ASSETS.....</b>	<b>169</b>
<b>25. PROPERTY AND EQUIPMENT.....</b>	<b>170</b>
(a) Movements in Property and Equipment.....	170
(b) Property and Equipment Acquired under Finance Leases.....	170
<b>26. INVESTMENT PROPERTY.....</b>	<b>171</b>
<b>27. AMOUNTS OWED TO FINANCIAL INSTITUTIONS.....</b>	<b>171</b>
<b>28. AMOUNTS OWED TO CUSTOMERS.....</b>	<b>172</b>
(a) Analysis of Amounts Owed to Customers by Type.....	172
(b) Analysis of Amounts Owed to Customers by Sector.....	172
(c) Repurchase Transactions.....	172
<b>29. DEBT SECURITIES ISSUED.....</b>	<b>173</b>
(a) Analysis of Issued Debt Securities by Type.....	173
(b) Analysis of Mortgage Bonds.....	173
<b>30. PROVISIONS.....</b>	<b>174</b>
<b>31. OTHER LIABILITIES.....</b>	<b>175</b>
<b>32. SUBORDINATED LIABILITIES.....</b>	<b>175</b>
(a) Subordinated Loan.....	175
(b) Issue of Subordinated Bonds.....	175
<b>33. EQUITY.....</b>	<b>175</b>
(a) Share Capital.....	175
(b) Other Capital Instruments.....	176
(c) Gains and Losses from Revaluation.....	176
(d) Non-Controlling Interests.....	177
<b>34. CASH AND CASH EQUIVALENTS.....</b>	<b>179</b>
<b>35. CONTINGENT LIABILITIES.....</b>	<b>179</b>
(a) Legal Disputes.....	179
(b) Irrevocable Commitments, Guarantees and Issued Letters of Credit.....	179
<b>36. FINANCIAL DERIVATIVES.....</b>	<b>180</b>
(a) Analysis of Derivative Financial Instruments - Contractual Amounts (nominal value).....	180
(b) Analysis of Derivative Financial Instruments - Fair Value.....	181
(c) Remaining Maturity of Financial Derivative Instruments - Contractual Amounts (Nominal Value).....	181
(d) Summary of Future Cash Flows of Net Settled Derivatives.....	182
(e) Summary of Future Cash Flows of Gross Settled Derivatives.....	183
<b>37. OTHER OFF BALANCE SHEET ASSETS - OTHER.....</b>	<b>184</b>
(a) Assets Provided for Management, Administration and Custody.....	184
(b) Assets Accepted for Management, Administration and Custody.....	184
<b>38. SEGMENT ANALYSIS.....</b>	<b>184</b>
<b>39. FINANCIAL INSTRUMENTS - MARKET RISK.....</b>	<b>187</b>
(a) Trading.....	187
(b) Risk Management.....	187
(c) Fair values of financial assets and liabilities.....	189
(d) Risk Management Methods.....	192
(e) Operational Risk.....	193
(f) Capital Risk Management.....	194
<b>40. FINANCIAL INSTRUMENTS - CREDIT RISK.....</b>	<b>195</b>
(a) Assessment and Classification of Receivables.....	195
(b) Provisioning for Receivables.....	196
(c) Evaluation of Collateral.....	196
(d) Credit Risk Measurement Methods.....	196
(e) Concentration of Credit Risk.....	197
(f) Recovery of Receivables.....	197
(g) Forbearance and Non-Performing Exposures.....	197
(h) Securitisation.....	199
(i) Portfolio quality.....	199
(j) Credit Quality of Not Due and Individually Unimpaired Loans to Customers.....	201

(k) Maximum Exposure to Credit Risk .....	202
(l) Offset of Financial Assets and Financial Liabilities .....	203
<b>41. CHANGES IN THE CONSOLIDATION GROUP .....</b>	<b>204</b>
(a) Newly Consolidated Entities in the Year Ended 31 December 2017 .....	204
(b) Newly Consolidated Entities in the Year Ended 31 December 2016 .....	204
(c) Disposals for the Year Ended 31 December 2017 .....	204
(d) Disposals for the Year Ended 31 December 2016 .....	205
<b>42. RELATED PARTY TRANSACTIONS .....</b>	<b>205</b>
<b>43. POST BALANCE SHEET EVENTS .....</b>	<b>208</b>

# 1. PARENT COMPANY INFORMATION

Raiffeisenbank a.s. (the "Bank"), having its registered office address at Hvězdova 1716/2b, Prague 4, 140 78, corporate ID (IČ): 49240901, was established as a joint stock company in the Czech Republic. The Bank was entered in the Commercial Register at the Municipal Court in Prague on 25 June 1993, Section B, Insert 2051.

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

## Principal activities of the Bank according to the bank licence 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 and administration of payment facilities;
- Issuance of guarantees;
- Opening of letters of credit;
- Collection services;
- Provision of investment services:
  - Main investment services under Section 4 (2) (a, b, c, d, e, g, 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 licence; and
- Mediation of an additional pension savings programme.

## 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 2017, 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 of 31 December 2017 and 31 December 2016:

Name, address	Voting power in %	
	2017	2016
Raiffeisen CEE Region Holding GmbH		
Am Stadtpark 9, Vienna, Austria	75%	75%
RB Prag Beteiligungs GmbH, Europaplatz 1a, 4020 Linz, Austria	25%	25%

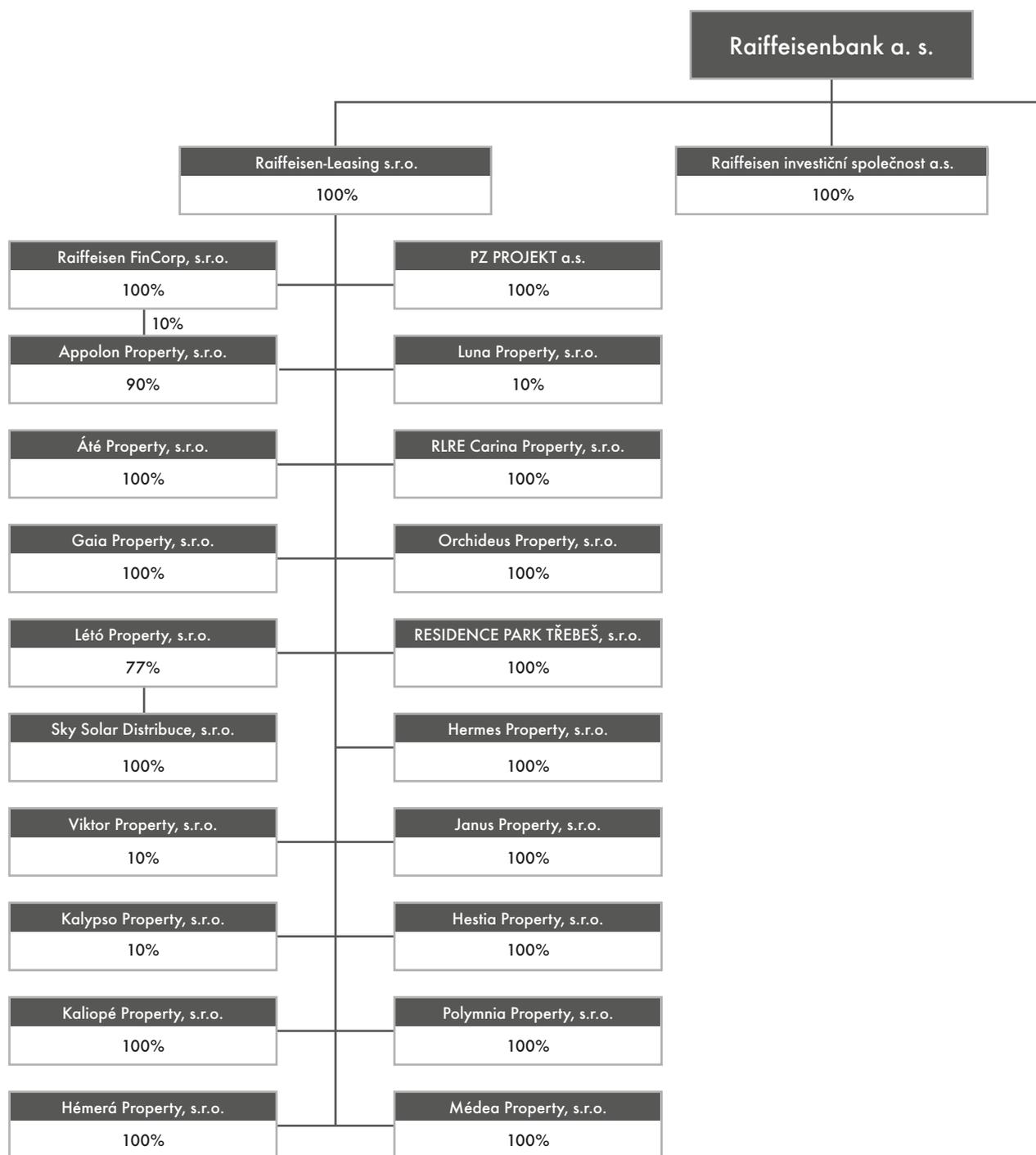
The equity interests of the shareholders equal their share in the voting power. All shareholders have a special relation to the Bank in terms of Section 19 of Banking Act No. 21/1992 Coll., as amended.

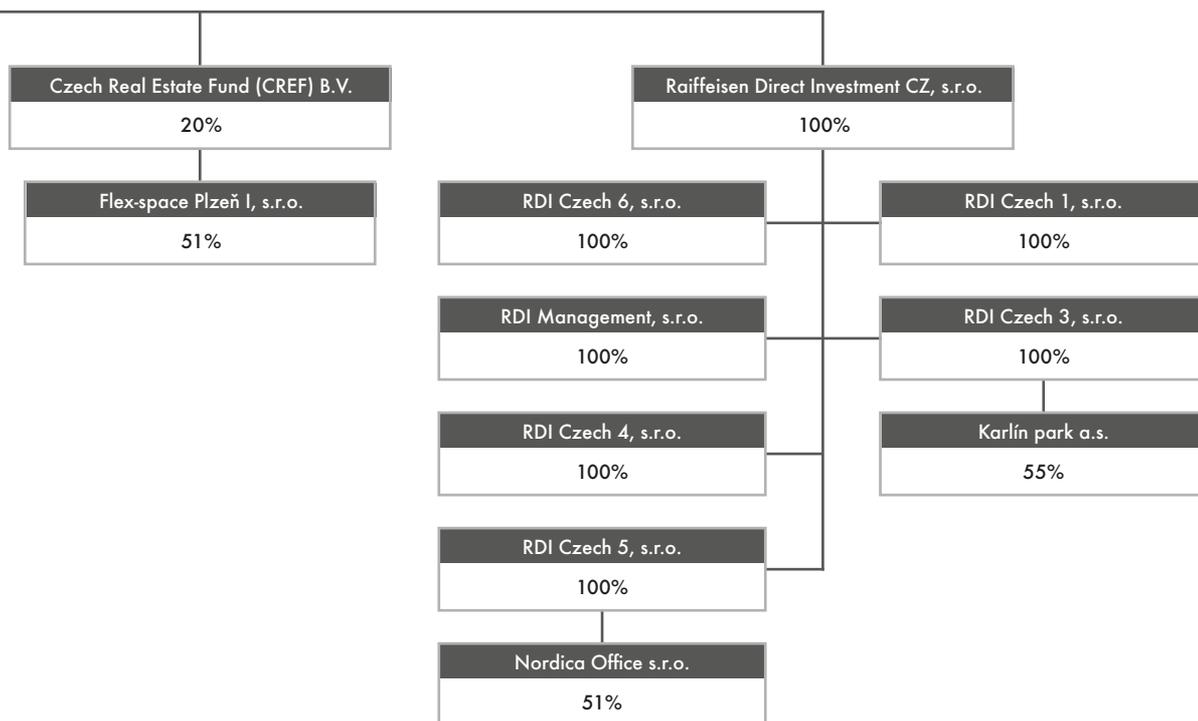
For information on the share capital of the parent company refer to Note 33.

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

### 3. DEFINITION OF THE CONSOLIDATED GROUP

#### (a) Group Chart as of 31 December 2017





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

## (b) Group Companies Included in the Consolidation

As of 31 December 2017, the Group comprised the following entities:

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

As of 31 December 2016, the Group comprised the following entities:

Company	The Bank's effective holding		Consolidation method in 2016	Registered office
	in %, in 2016	Indirect holding through		
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.	50%	-	Full method	Prague
Raiffeisen FinCorp, s.r.o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Appolon Property, s.r.o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
PZ PROJEKT a.s.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Luna Property, s.r.o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Gaia Property, s.r.o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
RLRE Carina Property, s.r.o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
RLRE Dorado Property, s.r.o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Orchideus Property, s. r. o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Viktor Property, s.r.o.	50%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Czech Real Estate Fund (CREF) B.V.	100%	-	Full method	Amsterdam
RDI Management s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 1 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 3 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 4 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 5 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 6 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
Flex-space Plzeň I, s.r.o.	50%	Czech Real Estate Fund (CREF) B.V.	Equity method	Prague
Nordica Office, s.r.o.	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Prague
Karlín park a.s.	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Prague

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

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

The other shareholder holding investment in the share capital and share of voting rights in Czech Real Estate Fund (CREF) B.V. is NOTIC Finance B.V.

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

In 2016, the Group recognised the equity interest in Raiffeisen – Leasing, s.r.o. including its subsidiaries and jointly controlled entities in the portfolio of equity interests in subsidiaries, although it held 50% of the share capital. The Group was considered the controlling entity under IFRS, with Raiffeisen – Leasing, s.r.o. (including its subsidiaries and jointly controlled entities) considered as a subsidiary and fully consolidated by the Group.

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

## (e) Companies Newly Included in Consolidation in 2017

In 2017, the Group purchased no new entities which it would have included in the consolidation using the full consolidation or equity accounting methods.

## (f) Companies Excluded from Consolidation in 2017

In 2017, the Group sold the subsidiary RLRE Dorado Property, s.r.o and demerged RLRE Carina Property, s.r.o. to RLRE Carina Property, s.r.o and REF HP1 s.r.o. REF HP1 s.r.o. was sold outside the Group.

## (g) Sale of equity investments of Czech Real Estate Fund (CREF) B.V. to Raiffeisen Direct Investments CZ s.r.o.

During 2016, Czech Real Estate Fund (CREF) B.V. sold the equity investments in PRK Sigma 06, s.r.o., CREF CZ1, s.r.o., CREF CZ2, s.r.o., CREF CZ3, s.r.o., CREF CZ4, s.r.o. and CREF CZ5, s.r.o. to Transaction System Servis s.r.o.

Transaction System Servis s.r.o. was subsequently renamed to Raiffeisen Direct Investments CZ s.r.o., PRK Sigma 06, s.r.o. to RDI Czech 6 s.r.o., CREF CZ1, s.r.o. to RDI Czech 1 s.r.o., CREF CZ2, s.r.o. to RDI Management s.r.o., CREF CZ3, s.r.o. to RDI Czech 3 s.r.o., CREF CZ4, s.r.o. to RDI Czech 4 s.r.o. and CREF CZ5, s.r.o. to RDI Czech 5 s.r.o.

In the context of the transaction, a capital injection was made in respect of Raiffeisen Direct Investments CZ s.r.o. (in the form of a contribution outside the share capital) of CZK 217,000 thousand, and the equity investment in Czech Real Estate Fund (CREF) B.V. was decreased by CZK 85,833 thousand.

Czech Real Estate Fund (CREF) B.V. is planned to be liquidated during 2018.

## (h) Unconsolidated Entities

In the years ended 31 December 2017 and 31 December 2016, 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., GHERKIN, s.r.o., NC Ivancice s.r.o., Ofion Property, s.r.o., CRISTAL PALACE Property s.r.o., Don Giovanni Properties, s.r.o., RLRE Hotel Ellen, s.r.o., Iris Property, s.r.o., FORZA SOLE s.r.o., Melpomene Property, s.r.o., UPC Real, s.r.o., Na Stárce, s.r.o., Rezidence Pod Skalou s.r.o., Zátíší Rokytka s.r.o., Amfion Property, s.r.o., Neptun Property, s.r.o., GS55 Sazovice s.r.o., FVE Cihelna s.r.o., Palace Holding, s.r.o., Peito Property, s.r.o., Maloja investment SICAV a.s., Kleió Property, s.r.o., RLRE Beta Property s.r.o., RLRE Jota Property, s.r.o., Selene Property, s.r.o., Sirius Property, s.r.o., Zefyros Property, s.r.o., Éós Property, s.r.o., Kappa Estates, s.r.o., Hyperion Property, s.r.o., Photon Energie s.r.o., Boreas Property, s.r.o., Dafné Property, s.r.o., Hypnos Property, s.r.o., Morfeus Property, s.r.o., Holečkova Property, s.r.o., Chronos Property, s.r.o., Credibilis a.s., Strasnicka realitni a.s., Harmonia Property, s.r.o., Exit 90 SPV s.r.o., Onyx Energy projekt II. s.r.o., Onyx Energy s.r.o., Photon SPV 10 s.r.o., Photon SPV 11 s.r.o., Photon SPV 3 s.r.o., Photon SPV 4 s.r.o., Photon SPV 6 s.r.o., Photon SPV 8 s.r.o., Inó Property, s.r.o., Niobé Property, s.r.o., PILSENINVEST SICAV, a.s., Pontos Property, s.r.o., Astra Property, s.r.o., Theia Property, s.r.o., Dike Property, s.r.o., KAPMC s.r.o., Urania Property, s.r.o., Erató Property, s.r.o., Rheia Property, s.r.o., Hébé Property, s.r.o., Grainulos s.r.o., RLRE Ypsilon Property, s.r.o., RLRE Eta Property, s.r.o., Euros Property, s.r.o., Michalka – Sun s.r.o., Melete Property, s.r.o., SeEnergy PT, s.r.o., Tmólos Property, s.r.o., FERDINAND Palace s.r.o., Nemesis Property, s.r.o., Steffany's Court s.r.o. and RIOBAU 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 consolidation 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 included in the consolidation group in 2017 due to their immateriality: Janus Property, s.r.o., Kalypso Property, s.r.o., Kaliopé Property, s.r.o., Polymnia Property, s.r.o., Áté Property, s.r.o., Hémerá Property, s.r.o., Hermes Property, s.r.o., Létó Property, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., Sky Solar Distribuce s.r.o., Hestia Property, s.r.o., Médea Property, s.r.o.

## 4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### (a) Accounting Policies

These statutory consolidated financial statements were prepared in full 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 disclosures.

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 are reported in the financial statements of the periods to which they relate, and on the going concern assumption.

These consolidated financial statements have been prepared under the historical cost convention (including any impairment) as modified by the remeasurement to fair value of financial assets and liabilities at fair value through profit or loss (including all non-hedging derivatives and hedging derivatives in a fair value hedge) and available-for-sale securities and hedging derivatives upon a cash flow hedge 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.

All figures are presented in thousands of Czech crowns (CZK thousand), unless stated otherwise. Figures presented in brackets represent negative amounts.

### Use of Estimates

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

As disclosed in Note 40, the Group creates a provision for impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are negatively impacted. These provisions are based on the Group's historical and current experience as well as judgments of the Group's management regarding the estimated future cash flows and represent the best estimate of loan impairment as of the balance sheet date.

The amounts recognised as provisions for liabilities are based on the management's judgments and represent the best estimate of expenditures required to settle a liability of uncertain timing or amount. Refer to Note 30 for more detailed disclosures of provisions for liabilities.

## (b) Principles of Consolidation

Subsidiary undertakings (that is, entities in the which the Bank holds, directly or indirectly, more than 50 per cent 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 of which the control over the companies is transferred to the Bank until the date when the Bank ceases to exercise this control. All significant intercompany 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.

Associate and joint venture undertakings are accounted for under the equity method of accounting. An investment in an associate is one in which the Bank holds, directly or indirectly, 20 per cent to 50 per cent of its share capital and over which the Bank exercises significant influence or joint control, but which it does not 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 net investment is regularly tested for impairment. The recognised net investment is regularly tested for impairment. If impairment is identified, the Group recognises an impairment loss on equity investments in associates or joint ventures.

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:

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 carrying value of the investment as of the date on which the joint control is lost.

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

Equity investments where the Bank's shareholding interest is lower than 20 per cent are presented as "Securities available for sale" (refer to Note 17) and are reported at fair value except for equity investments where the fair value cannot be reliably determined. In compliance with IAS 39, these equity investments are carried at cost and regularly tested for impairment.

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

## 5. SIGNIFICANT ACCOUNTING POLICIES

### (a) Interest Expense and Interest Income

Interest income and expense are recognised in the consolidated statement of comprehensive income lines "*Interest income and similar 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 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 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 are recognised in the consolidated statement of comprehensive income lines "*Fee and commission income*" and "*Fee and commission expense*" on an accrual basis, with the exception of fees that are deemed to be an integral part 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.

### (c) Dividends

Income from dividends on securities 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 they are declared 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 under the accruals basis of accounting in the period to which they relate (and not as cash or its equivalent is received or paid).

Other operating expenses that do not directly relate to banking activities are reported in the consolidated statement of comprehensive income line "*Other operating (expenses)/income, net*".

### (e) Taxation

Tax in the consolidated statement of comprehensive income comprises the current year tax charge, adjusted for adjustments to the tax payable for previous years, if any, and for deferred taxation. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rate and tax legislation applicable as of the balance sheet date.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from certain non-tax deductible reserves and provisions, tax and accounting depreciation on tangible and intangible fixed assets and revaluation of securities available for sale.

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 recovered.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the consolidated statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

## (f) Financial Assets and Liabilities

### Dates of Recognition and Derecognition of Financial Instruments in/from the Group's Consolidated Statement of Financial Position

Financial assets with normal delivery terms, except for financial assets at fair value through profit or loss and securities available for sale, are recognised using settlement date accounting.

The settlement (collection) date is the day on which the financial instrument is delivered (cash payment). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (sending 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 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 transaction date accounting is as follows:

- Recognition of an asset that the entity shall receive as of the transaction date; and
- Derecognition of a sold asset and recognition of the profit or loss upon disposal and recognition of a receivable from the buyer as of the transaction 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 at the date on which all related risks and costs attributable to the specific liability are transferred.

### Day 1 Profit/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 (profit or loss) is reported in the 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 quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using appropriate pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is based on the market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market rates at the balance sheet date.

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

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

If there are sufficient current market prices of contributions available in respect of a given debt security, the valuation is calculated as an 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 valuation or the number of actual contributions is not sufficient, the Group will carry out the valuation on the basis of 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 receives other information about a change of the spread applied;
- The issuer's credit rating changes (change of internal and/or external rating, evidence from the market that creditworthiness is worsening); and
- The liquidity of the specific security has deteriorated significantly.

Subsequently, the Group will carry out the revaluation 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 financial statements can be measured reliably.

Of the categories of financial assets and liabilities defined in IAS 39, the Group maintains the following types of financial assets and liabilities:

- Loans and receivables;
- Financial assets and liabilities at fair value through profit or loss;
- Financial assets available for sale;
- Financial assets held to maturity;
- Financial liabilities at amortised cost; and
- Hedging derivatives.

## Loans and Receivables

Loans originated by the Group by providing money directly to a borrower are categorised as loans originated by the Group and are stated at amortised cost. The portfolio of loans and receivables additionally includes debt securities measured at amortised cost and fulfilling the criteria of IAS 39 for being included in the "Loans and receivables" portfolio. The amortised cost is the cost minus principal repayments, plus accrued interest, plus or minus amortisation, if any, of discount or premium. In determining the amortised cost the Group uses 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 cash is advanced to borrowers (or banks).

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

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

The change in provisions, after write-offs, is charged to the consolidated statement of comprehensive income line "Change in provisions for credit risks". Additional details can be found in Note 40(b).

Loans and receivables when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Group in respect of these loans are transferred to an external entity or individually written off with the concurrent use of a recorded provision. These write-offs are included in "Change in provisions for credit risks" in the consolidated statement of comprehensive income. Subsequent recoveries are also included in this line.

## Restructuring of Loans and Receivables from Customers

Loan restructuring involves providing the customer with relief because the Group determined that it would likely incur a loss if it did not do so. For economic or legal reasons associated with the debtor's financial position the Group therefore provided the debtor with 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 does not include a loan which originated as a result of the renewal of a short-term loan for current assets if the debtor fulfilled all of his payment and non-payment obligations arising from the loan contract.

Restructuring additionally does not extend to the change in the repayment schedule or the form of loan if these changes are made for commercial reasons or on the grounds of changed financial needs of the debtor, and the anticipated development in the debtor's financial and economic situation does not give rise to doubt as to the full repayment of the receivable even without the change.

## Securities

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

### Securities at Fair Value through Profit or Loss

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

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

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

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

### Securities Available for Sale

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

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

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

### Securities Held to Maturity

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

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

The fair value of this portfolio is disclosed in Note 40I "Fair values of financial assets and liabilities" of the consolidated financial statements.

## Repurchase Agreements

Where debt or equity securities are sold under a concurrent commitment to repurchase them at a pre-determined 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 "Amounts owed to financial institutions" or "Amounts owed to customers". Conversely, debt or equity securities purchased under a concurrent commitment to resell are not recognised in the consolidated statement of financial position and the consideration paid is recorded in "Loans and advances to financial institutions" or "Loans and advances to customers".

Securities borrowed are not recognised in the consolidated financial statements, unless they are sold to third parties, in which case ("short sales") the purchase and sale are recorded as a liability with the gain or loss included in "Net profit 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 repurchase transactions is accrued while interest on debt securities received under reverse repurchase transactions is not accrued. Income and expenses arising under repurchase or reverse repurchase transactions as the difference between the sale and repurchase price are accrued evenly over the term of the transaction and presented in the consolidated statement of comprehensive income as "Interest income and similar income" or "Interest expense and similar expense" as appropriate.

## Debt Securities Issued

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 included in the consolidated statement of comprehensive income line "Interest expense and similar expense".

The Group's 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 cost which includes transaction costs. The difference between the cost of repurchased own debt securities and the accrued amount of issued securities is included in the consolidated statement of comprehensive income line "Net profit or loss on financial operations" in the period of acquisition. Interest expenses of issued debt securities are decreased to reflect the gradual increase in the value of the Group's own debt securities.

## Financial Derivative Instruments

In the normal course of business, the Group 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 Group uses various types of derivative instruments in respect of both its trading and hedging activities of currency and interest rate positions. The Group 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 hedging.

All financial derivative instruments are initially recognised at fair value in the consolidated statement of financial position and are subsequently remeasured and stated at fair value. Fair values are reported in the consolidated statement of financial position as "Positive fair value of financial derivative transactions" and "Negative fair value of financial derivative transactions".

The interest income and expenses relating to financial derivatives in the banking portfolio (economic hedging), or financial derivatives used as hedging instruments in fair value or cash flow hedges, are reported in the consolidated statement of comprehensive income as "Interest income and similar income" or "Interest expense and similar expense" on a net basis. In respect of financial derivatives in the trading portfolio, the relating interest income and interest expenses are reported in "Net profit on financial operations".

Realised and unrealised gains and losses are recognised in the consolidated statement of comprehensive income line "Net profit on financial operations", the only exception being unrealised gains and losses on cash flow hedges which are recognised in equity. Fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve or volatility factors underlying the positions. The fair value of derivative instruments also includes credit and debit adjustments resulting from a derivative transaction counterparty's credit risk.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with gains and losses reported in the consolidated statement of comprehensive income and the embedded instrument meets general criteria for recognition as a derivative.

## Hedge Accounting

The Group applies hedge accounting in accordance with the IFRS requirements. 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 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, ie 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 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 the line "*Net profit on financial operations*", interest income and expense on these derivatives (i.e. both realised and accrued) are reported in the consolidated statement of comprehensive income line "*Interest income and similar income*" or "*Interest expense and similar expense*", respectively, in the net value. 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 the line "*Net profit on financial operations*" 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 consolidated statement of financial position as "*Fair value remeasurement of portfolio-remeasured items*" and "*Net profit on financial operations*" in the consolidated 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 "*Gains/(losses) from revaluation of cash flow hedges*" in the consolidated statement of comprehensive income and cumulatively in "*Gains and losses from revaluation*" in the consolidated 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 profit on financial operations*" in the consolidated statement of comprehensive income. The values that were reported in other comprehensive income are reallocated in profit or loss in the period in which the hedged item affects profits or losses in "*Net profit on financial operations*" 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 profit or loss from the hedging instrument, originally presented in other comprehensive income, remain in the consolidated statement of financial position in "*Gains and losses from revaluation*" until the transaction is realised in respect of cash flow hedges.

## Subordinated Debt

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 debtor, the loan will be repaid only after the full satisfaction of all other payables to other creditors, the only exception being payables that carry the same or similar subordination condition.

The principal balance of the subordinated loan and relevant interest is 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 interest is reported as "*Subordinated liabilities*" in the consolidated statement of financial position. The amount of interest expense arising from subordinated deposits is recognised in the consolidated statement of comprehensive income line "*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 payables if the issuer is placed into liquidation or a resolution on the bankruptcy of the issuer is passed, except for payables 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 "Subordinated liabilities" in the statement of financial position. The interest expense from the issue of own bonds is reported in "Interest expense and similar expense" in the statement of comprehensive income.

## Other Capital Instruments

Other capital 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 nominal value in "Other capital 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.

## (g) Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the 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 statement of financial position on a net basis. The Group does not offset any financial assets and financial liabilities.

## (h) Property and Equipment and Intangible Fixed Assets

Property and equipment includes identifiable tangible assets with physical substance and with an estimated useful life exceeding one year and a cost greater than CZK 40 thousand.

Intangible fixed assets include identifiable assets without physical substance with an estimated useful life exceeding one year and a cost greater than CZK 60 thousand.

Property and equipment and intangible fixed assets are stated at historical cost less accumulated depreciation and provisions and are depreciated when ready for use through the consolidated statement of comprehensive income line "General administrative expenses" on a straight line basis over their estimated useful lives.

Depreciation periods and depreciation rates for individual categories of 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)	3 - 10 years	10 - 33.3%

Technical improvements on leasehold assets are depreciated on a straight line basis over the lease term or the depreciation period is extended by the term arising from an option arrangement. Technical improvements on leasehold assets under lease arrangements for an indefinite period of time are depreciated over 15 years.

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

The costs of internally generated intangible assets include 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.

Intangible assets with a cost greater than CZK 40,000 and lower than CZK 60,000 (category of low value intangible fixed assets) are amortised over 36 months and tangible assets with a cost greater than CZK 20 thousand and lower than CZK 40,000 are depreciated over 36 or 48 months according to the type of low value tangible fixed assets.

Low value tangible assets with a cost lower than CZK 20,000 and low value intangible assets with a cost lower than CZK 40,000 are expensed in the period of acquisition.

The Group periodically reviews the utilisation of its assets and adjusts guidance on their depreciation treatment, as and when needed, in the internal guideline on asset depreciation. A change in the depreciation period is not considered a change of accounting policies but a change of 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 as "General administrative 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 consolidated statement of financial position. The loss resulting from the derecognition is included in the consolidated statement of comprehensive income line "General administrative expenses".

Repairs and maintenance are charged directly to the statement of comprehensive income line "General administrative expenses" when the expenditure is incurred.

## (i) 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 fixed 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 an impairment of assets is identified, the Group recognises the impairment through the consolidated statement of comprehensive income line "General administrative 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.

## (j) Leases

### Operating leases

#### The Group as lessor

The Group presents assets that are the subject of an operating lease in the appropriate lines within the Statement of Financial Position according to the nature of those assets and uses for them accounting policies applied to the relevant asset class. Leasing 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 is presented in the line 'Other operating income/(expenses), net'.

#### The Group as lessee

Lease payments under an operating lease are recognised on a straight-line basis over the lease term and are presented in the line 'General administrative 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 leases

#### 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 line 'Loans and receivables from 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 the line 'Interest income and similar income' during the lease term so as to produce a constant periodic rate of interest.

#### The Group as lessee

Assets held under a finance lease contract, 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 contract 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 so as to produce a constant periodic rate of interest.

## (k) 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 on the expenses of the Group. Depreciation is presented in the line "General administrative expenses".

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

## (l) Provisions

The provision is a probable supply with an uncertain time schedule and 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
- A reliable estimate can be made of the amount of the obligation.

### Provisions for Guarantees and Other Off Balance Sheet Items

The Group records 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 are made for estimated losses on these commitments pursuant to the estimated amount of performance from individual off-balance sheet commitments. Changes in these provisions are recognised in "Change in provisions for credit risks".

### Provision for Payroll Bonuses

The Bank accounts for long-term employee 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 "General administrative expenses".

### Provision for Income Tax Payable

The provision for income tax payable represents current tax payables less current tax advance payments made, adjusted for changes in prior year's tax liabilities, if any. Tax payables are stated at the amount that is expected to be paid to the tax authority. In calculating tax payables for the current year, the tax rates and tax legislation applicable as of the balance sheet date will apply.

### Other Provisions

The recognition, use and release of other provisions relating to banking activities (for unused holidays, legal disputes, etc.) is recorded in "General administrative expenses". If the provision does not relate to banking activities, the recognition, use and release of other reserves is recorded in "Other operating income/(expenses), net". Other provisions include the provision for fines and penalties.

## (m) Non-Controlling Interests

Non-controlling interests include the share in profits and losses and net assets that are not attributable to 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.

## (n) Transactions with Securities Undertaken on behalf of Clients

Securities received by the Group into custody, administration or safe-keeping are typically recorded at market or nominal values if the market value is not available and maintained off balance sheet. In the consolidated statement of financial position, "Other liabilities" include the Group's payables to clients arising from cash received to purchase securities or cash to be refunded to the client.

## (o) Contingent Assets, Contingent Liabilities and Off-Balance Sheet Items

A contingent asset/liability is a potential asset/liability that arises from past events and whose existence will be only confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. 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 revenue.

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 of the management, administration and custody of assets and securities are also recorded off balance sheet, including related liabilities to return the relevant assets to clients.

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

## (p) Segment Reporting

The Group reports information in accordance with IFRS 8 Operating Segments. IFRS 8 requires that operating segments be identified on the basis of internal reports regularly reviewed by the Group's chief operating decision maker. Pursuant to these internal reports including the overview of the performance of the particular operating segment, it is possible to assess the performance of the segment/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 allocate(s) resources and assess(es) the performance of individual operating segments of the Group.

Information on reportable operating segments of the Group is disclosed in Note 38.

## (q) Foreign Currency Translation

Transactions denominated in foreign currencies are initially measured at the official exchange rate as announced by the CNB on the date of transaction. Assets and liabilities denominated in foreign currencies are translated into the local currency at the CNB's exchange rate prevailing at the consolidated financial statements date. Realised and unrealised gains and losses on foreign exchange are recognised in the consolidated statement of comprehensive income in "Net profit 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 available-for-sale portfolio which are reported as a component of a change in the fair value and foreign exchange rate differences on derivatives entered into with a view to hedging currency risk associated with assets or liabilities whose foreign exchange rate differences are part of the change in the fair value.

For the presentation of consolidated financial statements, assets, liabilities and transactions of consolidated entities that use other functional currency than CZK are translated into the functional currency of the Group (CZK). Resulting foreign exchange rate gains or losses are reported in other comprehensive income under "Foreign exchange rate gains or losses from the translation of the financial statements denominated in foreign currencies" and "Valuation gains or losses from the translation of the financial statements denominated in foreign currencies" in the consolidated statements of financial position.

## (r) Cash and Cash Equivalents

The Group considers cash on hand, deposits with central banks, deposits with other banks and treasury bills with a contractual maturity of three months or less to be cash equivalents. For the purposes of determining cash and cash equivalents, the minimum reserve deposit with the CNB is not included as a cash equivalent due to restrictions on its availability.

## (s) Employee Benefits

The Group's employees have access to the 'benefit purse', in which they receive an annual one-off contribution depending on the number of years worked and their position. In drawing it, employees have several options to choose from, including leisure, supplementary pension insurance and life insurance contributions, and meal contributions. The costs of benefit purse contributions made are reported on an accruals basis under "General administrative expenses" in the statement of comprehensive income. Employees receive bonuses on significant personal and work anniversaries. The costs of the benefits are reported under "General administrative expenses" in the statement of comprehensive income.

The amount of bonuses is based on the fulfilment of performance criteria. Bankers within the branch network receive monthly bonuses with a month's delay. Branch managers receive quarterly bonuses with a month's delay. Other employees receive annual bonuses. Bonuses are reported on an accruals basis. At the year-end, the liability is reported under "Provisions for salary bonuses". Recognition, use and release of provisions for salary bonuses is reported under "General administrative expenses" in the statement of comprehensive income.

Members of the Board of Directors receive bonuses tied to their performance based on the fulfilment of financial and non-financial criteria approved by the Supervisory Board. A substantial portion of the bonus of at least 40% is spread over 3 years. A portion of the floating bonus of 50% is paid in the form of a non-monetary instrument, which is the Bank's virtual stock plan. The plan is based on the RBCZ Adjusted Book Value indicator. The basis for determining the Adjusted Book Value is the net book value of the Bank's share capital less the values held by minority shareholders (if any) as of the date on which the bonus is awarded. The value is subsequently used to determine the value of a single virtual share by dividing the value of the capital by the number of shares without minority owners. Following the conclusion of the financial year for which the variable bonus is awarded, the Adjusted Book Value will be calculated based on the financial results approved by the Bank's Supervisory Board and General Meeting. Deferred bonuses paid in cash, ie 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 under "Provision for salary bonuses" in the statement of financial position. Recognition, use and release of provisions for payroll costs is reported under "General administrative expenses" in the statement of comprehensive income.

## 6. CHANGES IN ACCOUNTING POLICIES IN 2017

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

In the year ended 31 December 2017, the Group did not apply any new standards and interpretations, the use of which would have a significant impact on the consolidated financial statements.

### (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 2017, the following standards, interpretations and amended standards issued by the IASB and adopted by the EU took effect:

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017); and
- **Amendments to IFRS 12 "Disclosure of Interests in Other Entities"** (effective for annual periods beginning on or after 1 January 2017). The amendments result from the annual improvement project of IFRS "Improvements to IFRSs (cycle 2014-2016)".

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

### (c) Standards and Interpretations in Issue but Not Yet Effective

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

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions - adopted by the EU on 27 February 2018 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time);

- **IFRS 9 “Financial Instruments”** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).

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

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

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

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

Substantially all loans are held by the Group under a business model designed to hold financial assets to collect contractual cash flows (“held to collect”). Based on the result of the SPPI test, loans may be classified as either “AC” or “FVTPL”. According to the portfolio analysis as of 1 January 2018, it is expected that the loan portfolio has met the SPPI test and will therefore be classified as “AC”, ie will continue to be presented on a practically identical basis.

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

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

Impairment – IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses (“ECL”) relating to an increase in the debtor’s credit risk. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

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

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

Level 2 includes financial assets the credit risk of which has increased significantly since initial recognition but for which there is no objective evidence of impairment. Expected credit losses are recognised for these assets over their lifetime. Interest income is calculated on the basis of the gross carrying amount of assets. In line with the standard, the Group takes into account available information in developing models while also closely cooperating with the Group in developing a consistent interpretation of the methodology.

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

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

Purchased or Originated Credit-Impaired Assets (“POCI”)

These assets include expected cash flows used in calculating the effective interest rate upon the initial recognition of the expected credit loss over the entire lifetime of the asset. Changes in expected credit losses are recognised as provisions along with the related profit or loss through the Group’s profit or loss.

According to the Group's methodology, receivables are impaired if they meet one or more of the following criteria:

The debtor has been in default for over 90 days, the debtor has died, the debtor has become insolvent, the active market for the financial asset has disappeared due to financial difficulties, the debtor has been granted relief in relation to its financial difficulties, or the debtor is likely to go bankrupt. In calculating the existing amount of expected credit losses, the Bank refers to the values of the probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD") and the discount factor ("D").

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

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

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

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

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

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

The Group has decided to adopt the second approach. The full impact of the implementation of IFRS 9 on the Group's CET 1 capital is considered to be immaterial.

Owing to changes in the methodology of calculating provisions for credit risk, the aggregate impact of the initial application of IFRS 9 on the Group's equity as of 1 January 2018 is expected to amount to approximately CZK (250,000) thousand net of the tax effect.

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation - adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- **IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15** - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018); and
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 "Revenue from Contracts with Customers" - adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

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

1. Contracts for supplies of financial services combined with supplies of goods;
2. Contracts the conclusion of which is supported by paying internal or external commissions; and
3. Contracts supported by the loyalty programme.

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

- **IFRS 16 "Leases"** - adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019); and

**IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. At present, the Group assesses the impacts of the standard on the Bank's financial statements from 2018 onwards.

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property - adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 - refer to letter (b); amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** - adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The Group decided not to apply these standards, amendments to existing standards and new interpretation adopted by the EU but not yet effective before their effective dates. The Group anticipates that the application of these standards and amendments (with the exception of IFRS 9) in the period of their first-time adoption will have no significant impact on the Group's consolidated financial statements.

## (d) Standards and Interpretations issued by the IASB, but not yet adopted by the European Union

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019); and
- **Amendments to References to the Conceptual Framework in IFRS Standards** (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	2017	2016
<b>Interest income arising from</b>		
Loans and advances to financial institutions	222,680	68,632
Loans and advances to customers	7,092,038	7,164,011
Fixed income securities	4,147	157,345
Financial derivatives, fair value hedge, net	263,712	307,332
Financial derivatives in the banking portfolio, net	219,010	178,594
<b>Total interest income and similar income</b>	<b>7,801,587</b>	<b>7,875,914</b>
<b>Interest expense arising from</b>		
Deposits from financial institutions	(175,157)	(79,676)
Deposits from customers	(392,304)	(511,095)
Securities issued	(293,367)	(308,391)
Subordinated liabilities	(83,994)	(93,931)
Securitisation	(259,650)	(245,902)
Financial derivatives, cash flow hedge, net	(28,621)	(25,802)
<b>Total interest expense and similar expense</b>	<b>(1,233,093)</b>	<b>(1,264,797)</b>
<b>Net interest income</b>	<b>6,568,494</b>	<b>6,611,117</b>

In "Interest income arising from financial derivatives, fair value hedge (net)", the Group reports net interest expense from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK (223,128) thousand (2016: CZK (248,494) thousand), net interest income from hedging financial derivatives upon a fair value hedge of term deposits and the portfolio of current and savings accounts of CZK 446,769 thousand (2016: CZK 522,262 thousand) and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 40,071 thousand (2016: CZK 33,564 thousand). The Group started applying hedge accounting upon a fair value hedge of securities issued in 2015.

Interest income additionally includes interest on impaired assets (primarily loans and advances to customers) of CZK 143,204 thousand (2016: CZK 230,134 thousand).

Interest income includes interest paid on assets carrying negative interest rates (primarily loans and advances to financial institutions) of CZK 4,324 thousand (2016: CZK 3,880 thousand) and interest received on liabilities carrying negative interest rates (primarily deposits from financial institutions) of CZK 15,936 thousand (2016: CZK 15,481 thousand).

## 8. CHANGE IN PROVISIONS FOR CREDIT RISKS

CZK thousand	2017	2016
<b>Changes in loan loss provisions</b>		
Charge for provisions	(2,719,336)	(2,933,634)
Release of provisions	2,052,140	1,819,098
Use of provisions	1,833,111	1,108,577
Release of discount	-	105,155
Nominal value of assigned and written off receivables	(1,871,605)	(1,109,856)
of which: Direct write-off of receivables	(48,600)	(4,533)
Recoveries	265,326	140,583
<b>Total changes in loan loss provisions</b>	<b>(440,364)</b>	<b>(870,077)</b>
<b>Provisions for off balance sheet credit risk exposures</b>		
Charge for provisions	(198,105)	(143,193)
Release of provisions	239,415	85,886
<b>Total change in provisions for off-balance sheet risks</b>	<b>41,310</b>	<b>(57,307)</b>
<b>Change in provisions for credit risk</b>	<b>(399,054)</b>	<b>(927,384)</b>

## 9. NET FEE AND COMMISSION INCOME

CZK thousand	2017	2016
<b>Fee and commission income arising from</b>		
Payment transactions	1,734,813	1,681,839
Provided loans and guarantees	543,675	489,279
Securities transactions	271,164	219,625
Financial operations	7,001	6,564
Mediation of the Group's products sale	82,508	85,938
Administration of funds and distribution of participation certificates	181,853	162,499
Other banking services	76,940	65,129
<b>Total fee and commission income</b>	<b>2,897,954</b>	<b>2,710,873</b>
<b>Fee and commission expense arising from</b>		
Payment transactions	(709,923)	(630,307)
Receiving of loans and guarantees	(45,955)	(118,204)
Securities transactions	(28,524)	(20,504)
Financial operations	(9,112)	(7,629)
Mediation of the sale of the Group's products	(3,467)	(10,093)
Other services	(97,153)	(143,188)
<b>Total fee and commission expense</b>	<b>(894,134)</b>	<b>(929,925)</b>
<b>Net fee and commission income</b>	<b>2,003,820</b>	<b>1,780,948</b>

## 10. NET PROFIT ON FINANCIAL OPERATIONS

CZK thousand	2017	2016
<b>Interest rate derivatives</b>	<b>135,434</b>	<b>(51,874)</b>
<b>Commodity derivatives</b>	<b>-</b>	<b>-</b>
<b>Profit/loss from foreign currency transactions</b>	<b>1,988,634</b>	<b>1,554,976</b>
<i>of which: Customer foreign currency result</i>	1,370,147	1,293,156
<i>FX proprietary P/L</i>	618,487	261,820
<b>Profit/loss from transactions with securities</b>	<b>39,701</b>	<b>8,407</b>
<i>of which: Portfolio of securities available for sale</i>	-	-
<i>Portfolio of securities held for trading</i>	39,677	7,707
<i>Own issue</i>	24	700
<b>Profit/(loss) from hedge accounting upon a cash flow hedge - the ineffective part</b>	<b>-</b>	<b>5,704</b>
<b>Profit/(loss) from the sale of securities available for sale (refer to Note 39 c)</b>	<b>-</b>	<b>518,638</b>
<b>Profit/(loss) from the sale of securities held to maturity (refer to Note 17)</b>	<b>175,385</b>	<b>-</b>
<b>Profit/(loss) from the sale of equity interests (refer to Note 41 c)</b>	<b>62,578</b>	<b>278,379</b>
<b>Change in the fair value of the hedged item in the fair value hedging</b>	<b>1,042,345</b>	<b>152,567</b>
<b>Change in the fair value of hedging derivatives in the fair value hedging</b>	<b>(1,028,887)</b>	<b>(158,907)</b>
<b>Total</b>	<b>2,415,190</b>	<b>2,307,890</b>

The "Customer foreign currency result" line item reflects margins from foreign currency transactions with customers.

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

The "Profit/(loss) from the sale of securities held to maturity" line item includes profit from the sale of the securities held to maturity portfolio in the amount of CZK 175,385 thousand (refer to Note 17).

## 11. DIVIDEND INCOME

In the year ended 31 December 2017, "Income from other shares and participation interest" amounted to CZK 31,116 thousand (2016: CZK 25,000 thousand). The income includes dividends from Raiffeisen stavební spořitelna a.s. of CZK 30,000 thousand (2016: CZK 25,000 thousand) and dividends from Visa Inc. of CZK 1,116 thousand (2016: CZK 0 thousand).

## 12. GENERAL ADMINISTRATIVE EXPENSES

CZK thousand	2017	2016
<b>Payroll costs (Note 13)</b>	<b>(3,298,827)</b>	<b>(3,351,566)</b>
<b>Administrative expenses</b>	<b>(2,417,346)</b>	<b>(2,312,195)</b>
Rental, repairs and other office management service expenses	(557,718)	(558,750)
Advertising costs	(423,801)	(383,269)
Costs of legal and advisory services	(280,948)	(318,557)
Of which: Statutory audit of the financial statements	(5,822)	(8,064)
Tax advisory	(2,221)	(3,692)
IT support costs	(379,292)	(511,921)
Deposit and transaction insurance	(44,429)	(39,700)
Telecommunication, postal and other services	(128,239)	(125,455)
Security costs	(56,615)	(47,834)
Training costs	(32,653)	(32,325)
Office equipment	(24,069)	(23,104)
Travel costs	(22,191)	(24,017)
Contribution to the crisis resolution fund	(220,783)	(193,739)
Fuel	(17,388)	(40,487)
Other administrative expenses	(229,220)	(13,037)
<b>Depreciation and amortisation of fixed assets (Notes 24, 25 and 26)</b>	<b>(760,334)</b>	<b>(725,386)</b>
<b>Loss from impaired investment property (Note 26)</b>	<b>(1,079)</b>	<b>(25,237)</b>
<b>Loss from impaired intangible assets (Note 24)</b>	<b>-</b>	<b>(65,726)</b>
<b>Total</b>	<b>(6,477,586)</b>	<b>(6,480,110)</b>

"Deposit and transaction insurance" includes the costs of the payment to the Deposit Insurance Fund.

## 13. PAYROLL COSTS

CZK thousand	2017	2016
Wages and salaries	(2,413,070)	(2,499,136)
Social security and health insurance	(765,773)	(755,911)
Other staff costs	(119,984)	(96,519)
<b>Total</b>	<b>(3,298,827)</b>	<b>(3,351,566)</b>
<b>Of which wages and salaries paid to:</b>		
Members of the Board of Directors	(88,843)	(81,444)
Members of the Supervisory Board	(4,170)	(4,743)
<b>Total</b>	<b>(93,013)</b>	<b>(86,187)</b>

The recalculated average number of the Group's employees as of 31 December 2017 and 31 December 2016 was as follows:

	2017	2016
Employees	3,094	3,091
Members of the Board of Directors	7	7
Members of the Supervisory Board	6	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 42.

## 14. OTHER OPERATING INCOME/(EXPENSES), NET

CZK thousand	2017	2016
Change in operating provisions and allowances	(55,732)	6,792
Gain/(loss) from the disposal of in-/tangible fixed assets	538	1,167
Income from leases	75,754	72,779
Other	298,789	382,367
<b>Total</b>	<b>319,349</b>	<b>463,105</b>

## 15. INCOME TAX

### (a) Income tax expense

CZK thousand	2017	2016
Income tax payable	(855,280)	(796,137)
Tax overpayment/(additional payments) from the previous period	(22,387)	(10,964)
Provision for additional income tax	(258,207)	-
Deferred income tax credit /(charge)	(75,064)	69,536
<b>Total income tax</b>	<b>(1,210,938)</b>	<b>(737,565)</b>

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	2017	2016
<b>Pre-tax profit (general tax base)</b>	<b>4,468,889</b>	<b>3,779,086</b>
<b>Total pre-tax profit</b>	<b>4,468,889</b>	<b>3,779,086</b>
<b>Tax calculated at the tax rate for the general tax base - 19% (2016: 19%)</b>	<b>(849,089)</b>	<b>(718,026)</b>
<b>Non-taxable income (tax effect)</b>	<b>606,684</b>	<b>377,633</b>
Non-tax deductible expenses (tax effect)	(623,243)	(458,813)
Tax relief and credit	10,368	3,069
<b>Tax liability for the period</b>	<b>(855,280)</b>	<b>(796,137)</b>
Tax overpayment/(underpayment) from the previous period, use of tax relief and credit, including tax refunds and additional assessments from previous years	(22,387)	(10,964)
Provision for additional income tax	(258,207)	-
Deferred tax	(75,064)	69,536
<b>Total income tax</b>	<b>(1,210,938)</b>	<b>(737,565)</b>
<b>Effective tax rate</b>	<b>27.10%</b>	<b>19.52%</b>

**(b) (Income Tax Provision)/Receivable**

CZK thousand	2017	2016
Tax calculated at the tax rate for the general tax base - 19% (2016: 19%)	(855,280)	(796,137)
<b>Tax liability for the period</b>	<b>(855,280)</b>	<b>(796,137)</b>
Advances paid for current income tax	526,484	552,855
<b>Total income tax provision</b>	<b>(328,796)</b>	<b>(243,282)</b>
<b>CZK thousand</b>	<b>2017</b>	<b>2016</b>
Income tax receivable reported in the balance sheet	7,886	5,041
Income tax provision reported in the balance sheet	(328,796)	(243,282)
<b>Total income tax (provision)/asset</b>	<b>(320,910)</b>	<b>(238,241)</b>

For additional details on the deferred tax, refer to Note 21.

**16. CASH AND BALANCES WITH CENTRAL BANKS**

CZK thousand	2017	2016
Cash on hand and other cash equivalents	3,299,886	2,976,342
Balances with central banks	355,254	85,395,828
Minimum reserve deposits with the CNB	4,966,162	3,707,871
<b>Total</b>	<b>8,621,302</b>	<b>92,080,041</b>

Statutory 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 Group may draw an amount from obligatory minimum reserves which exceeds the actual average amount of statutory minimum reserves for the particular period calculated according to the regulation of the Czech National Bank.

For the information on cash and other highly liquid balances reported in the consolidated cash flow statement, refer to Note 34.

## 17. SECURITIES

### (a) Portfolio Classification of Securities according to the Group's Intent

CZK thousand	2017	2016
Securities held to maturity (debt securities)	-	2,545,956
Securities at fair value through profit or loss	156,446	733,639
of which: Securities held for trading	156,446	733,639
- Debt securities	156,446	733,639
of which: Securities designated as FVTPL on initial recognition	-	-
- Debt securities	-	-
Securities available for sale (shares and participation certificates)	603,654	594,302
<b>Total</b>	<b>760,100</b>	<b>3,873,897</b>
of which: repayable within one year	-	13,693
repayable in more than one year	760,100	3,860,204

In 2016, "Securities held to maturity" exclusively include Czech government bonds that can be used for the refinancing with the Czech National Bank. In January 2017, the Group's management decided to sell the portfolio of securities held to maturity. As a result, the Group generated a one-off gain of CZK 175,385 thousand.

"Securities at fair value through profit or loss" include government bonds and treasury bills of CZK 70,549 thousand (2016: CZK 125,592 thousand) which may be used for refinancing with the Czech National Bank.

"Securities available for sale" includes the Group's investment in Raiffeisen stavební spořitelna a.s. in the aggregate amount of CZK 464,700 thousand (2016: CZK 479,000 thousand) and its membership in the Visa Inc. association of CZK 138,111 thousand (2016: CZK 114,411).

According to its investment strategy, the Group holds most of newly acquired securities in the "Securities held for trading" portfolio.

### (b) Securities Pledged as Collateral

As of 31 December 2017 and 31 December 2016, the Group provided no pledge of securities as collateral as part of repurchase and similar transactions with other banks and clients.

## 18. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

CZK thousand	2017	2016
Placements with financial institutions	605,709	819,209
Term deposits with banks	1,133,468	1,564,096
Loans and other advances to financial institutions	103,071,486	946,136
Received loans	519,360	341,764
Debt securities	-	2,110,923
<b>Total</b>	<b>105,330,023</b>	<b>5,782,128</b>
<i>of which: repayable within one year</i>	105,330,023	5,731,888
<i>repayable in more than one year</i>	-	50,240

## 19. LOANS AND ADVANCES TO CUSTOMERS

### (a) Classification of Loans and Advances to Customers

CZK thousand	2017	2016
Overdrafts	2,478,996	3,226,914
Term loans	124,387,987	125,214,537
Mortgage loans	86,788,967	80,048,172
Finance lease	7,072,726	6,620,506
Debt securities	2,065,229	1,500,232
Other	1,245,020	1,065,331
<b>Total</b>	<b>224,038,925</b>	<b>217,675,692</b>
<i>of which: repayable at request</i>	2,478,996	3,226,914
<i>repayable within one year</i>	60,325,238	59,562,659
<i>repayable in more than one year</i>	161,234,691	154,886,119

The Group applies hedge accounting upon a fair value hedge of the portfolio of receivables from mortgage loans. The amount of the remeasurement of hedged items as of 31 December 2017 was CZK (1,259,634) thousand (2016: CZK 389,354 thousand).

### (b) Repurchase and Reverse Repurchase Transactions

The Group advanced loans in the aggregate amount of CZK 46,771 thousand (2016: CZK 191,953 thousand) under reverse repurchase transactions. Reverse repurchase transactions are collateralised by securities with the fair value of CZK 62,186 thousand (2016: CZK 299,874 thousand).

### (c) Analysis of Loans Provided to Customers by Sector

CZK thousand	2017	2016
Public sector	891,580	1,091,958
Loans to corporate entities (Large corporate)	98,564,307	101,992,863
Loans to private individuals	105,287,267	98,156,653
Small and medium-sized enterprises (SME)	19,295,771	16,434,218
<b>Total</b>	<b>224,038,925</b>	<b>217,675,692</b>

### (d) Analysis of Loans Provided to Customers by Geographical Areas

CZK thousand	2017	2016
Czech Republic	213,016,727	206,272,322
Slovakia	3,799,580	3,557,677
Other - EU countries	3,284,675	3,924,315
Other	3,937,943	3,921,378
<b>Total</b>	<b>224,038,925</b>	<b>217,675,692</b>

### (e) Ageing of Loans to Customers

The following table shows the ageing analysis of loans to customers which are past their due dates but not impaired, including their collateral:

CZK thousand	Past due date		Nominal collateral value	
	2017	2016	2017	2016
Past due				
1 - 30	492,089	3,191,704	348,226	2,326,236
31 - 90	47,628	318,284	6,308	195,755

Even though the nominal value of the collateral does not cover the volume of loans in the '1-30 days past due' category in full, the Group did not recognise individual provisions as the majority of loans in the category are only one day past their due date.

**(f) Analysis of Loans Provided to Customers by Delays**

CZK thousand 2017	Before due date	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	Over 1 year	Total
Amounts due from customers							
- without default	217,785,776	492,089	47,628	-	-	-	<b>218,325,493</b>
- with default	1,944,935	116,221	98,218	533,060	458,729	2,562,269	<b>5,713,432</b>
<b>Gross</b>	<b>219,730,711</b>	<b>608,310</b>	<b>145,846</b>	<b>533,060</b>	<b>458,729</b>	<b>2,562,269</b>	<b>224,038,925</b>
Provisions	(1,780,181)	(20,672)	(70,285)	(472,224)	(322,394)	(2,390,724)	<b>(5,056,480)</b>
<b>Net</b>	<b>217,950,530</b>	<b>587,638</b>	<b>75,561</b>	<b>60,836</b>	<b>136,335</b>	<b>171,545</b>	<b>218,982,445</b>

CZK thousand 2016	Before due date	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	Over 1 year	Total
Amounts due from customers							
- without default	206,289,126	3,191,704	318,284	-	-	-	<b>209,799,114</b>
- with default	1,853,999	302,269	345,885	593,679	809,759	3,970,987	<b>7,876,578</b>
<b>Gross</b>	<b>208,143,125</b>	<b>3,493,973</b>	<b>664,169</b>	<b>593,679</b>	<b>809,759</b>	<b>3,970,987</b>	<b>217,675,692</b>
Provisions	(1,428,349)	(257,837)	(278,741)	(372,001)	(461,647)	(3,465,467)	<b>(6,264,042)</b>
<b>Net</b>	<b>206,714,776</b>	<b>3,236,136</b>	<b>385,428</b>	<b>221,678</b>	<b>348,112</b>	<b>505,520</b>	<b>211,411,650</b>

The definition of amounts due with default and without default is disclosed in Note 40(a).

The proportion of amounts due with default decreased year-on-year from 3.6% to 2.6% of the total loan portfolio. The coverage by individual provisions for loans with default grew from 63.1% in 2016 to 68.0% at the end of 2017.

**(g) Securitisation****ROOF RBCZ 2015**

Since December 2015, the Group has carried out a synthetic securitisation of the Corporate Banking loans and guarantees portfolio. The total nominal value of the transaction is EUR 1 billion. The selected portfolio was divided into three tranches by the credit risk exposure attributable to individual tranches. The junior (the first loss piece) tranche amounts to 1.4% of the nominal value. The credit risk relating to the mezzanine tranche has been transferred to external institutional investors. For the purposes of this transaction, a special-purpose vehicle ROOF RBCZ 2015 S.à r.l. with its registered office in Luxembourg was established, which issued debt securities relating to the credit risk of the mezzanine tranche. These debt securities were sold to external institutional investors and at the same time, ROOF RBCZ 2015 S.à r.l. provided a portfolio guarantee to the Group as collateral for the credit risk arising from the mezzanine tranche in the amount of CZK 1,966,580 thousand (2016: CZK 2,080,540 thousand). The guarantee is secured by the assets of ROOF RBCZ 2015 S.à r.l., which comprise cash received by the entity through the sale of the debt securities issued. The transaction will mature in April 2024; in the following three years, the Group may replace settled credit exposures with new ones in its securitised portfolio under the predefined criteria. The costs of the guarantee received is of an interest nature and is recognised in "Interest expense and similar expense", refer to Note 7.

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

## (h) 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 7,195,683 thousand as of 31 December 2017 (2016: CZK 7,638,072 thousand), of which the proportion of the Group amounted to CZK 3,041,367 thousand (2016: CZK 3,231,271 thousand) and the proportion of other syndicate members amounted to CZK 4,154,316 thousand (2016: CZK 4,406,801 thousand).

As of 31 December 2017, the aggregate amount of outstanding receivables under the syndicated loan facilities was CZK 5,330,717 thousand (2016: CZK 5,910,977 thousand), of which the proportion of the Group was CZK 2,127,675 thousand (2016: CZK 2,369,195 thousand) and the proportion of other syndicate members was CZK 3,203,042 thousand (2016: CZK 3,541,782 thousand).

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

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

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

### (j) Analysis of Loans and Advances to Customers by Sector and Type of Collateral

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Group uses the collateral in nominal value.

The collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 1,966,580 thousand (refer to Note 19 (g)) since it cannot be allocated to individual loans.

2017	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Personal and bill guarantee	Other collateral	Movable assets	Uncollateralised	Total
Agriculture, Hunting, Forestry and Fishing	200	-	104,608	364,787	148,279	1,298,348	30,000	245,078	277,308	2,468,608
Mining and Quarrying	-	-	293	9,348	30,846	19,915	-	57,811	95,981	214,194
Manufacturing	166,948	-	224,147	4,511,832	2,295,114	7,777,530	452,706	2,060,038	4,920,152	22,408,467
Electricity, Gas And Water Supply	68,263	-	2,953	251,416	811,444	498,737	12,342	4,332,305	1,791,117	7,768,577
Construction	13,929	-	225,542	1,764,978	54,073	1,656,370	58,811	452,858	900,619	5,127,180
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	24,527	-	545,984	3,421,992	1,135,751	7,213,265	197,389	1,701,743	3,516,842	17,757,493
Hotels and Restaurants	41,172	-	54,171	2,225,729	61,287	224,240	200	70,227	360,245	3,037,271
Transport, Storage and Communication	558	-	565,843	569,234	-	1,469,591	5,859	2,609,033	4,393,059	9,613,177
Financial Intermediation	11,100	-	550,505	946,497	828,270	629,363	259	920	3,425,663	6,392,577
Real Estate, Lease, Other Business Activities	290,264	1,297,898	305,631	24,097,097	2,341,160	5,281,183	381,199	853,692	3,331,220	38,179,344
Public Administration; Compulsory Social Security	-	729,406	251	7,012	29,480	92,444	-	5,698	109,540	973,831
Education	-	-	2,948	63,366	265,554	24,584	-	227,343	190,269	774,064
Health and Social Work	1,000	921,742	30,122	300,117	-	162,326	2,500	142,571	447,520	2,007,898
Other Community, Social and Personal Service Activities	1,673	-	69,199	488,826	57,131	1,003,508	900	104,579	303,161	2,028,977
Private Households	-	-	-	85,149,600	-	1,916	117,365	100,682	19,917,704	105,287,267
<b>Total</b>	<b>619,634</b>	<b>2,949,046</b>	<b>2,682,197</b>	<b>124,171,831</b>	<b>8,058,389</b>	<b>27,353,320</b>	<b>1,259,530</b>	<b>12,964,578</b>	<b>43,980,400</b>	<b>224,038,925</b>

2016	Cash collateral	State guarantees	Bank guarantee	Real estate	Company guarantee	Personal and bill guarantee	Other collateral	Movable assets	Uncollateralised	Total
Agriculture, Hunting, Forestry and Fishing	450	-	107,537	367,587	174,623	649,091	8,782	209,517	201,117	1,718,704
Mining and Quarrying	0	-	715	-	-	16,699	-	28,373	100,951	146,738
Manufacturing	189,373	-	345,409	4,816,002	2,700,884	8,050,437	384,796	2,135,552	4,503,708	23,126,161
Electricity, Gas And Water Supply	111,847	-	16,627	166,592	835,449	271,873	9,222	5,840,007	1,302,694	8,554,311
Construction	6,609	-	164,882	1,194,474	120,194	1,398,631	13,572	285,780	724,955	3,909,097
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	19,588	-	570,102	5,077,311	1,387,269	6,933,326	417,947	1,343,939	1,490,434	17,239,916
Hotels and Restaurants	28,724	-	38,842	2,341,371	44,900	262,377	300	43,658	203,572	2,963,744
Transport, Storage and Communication	408	-	423,219	458,552	16,246	1,613,981	2,825	1,970,852	3,584,959	8,071,042
Financial Intermediation	11,100	-	791,001	686,449	2,820,489	490,919	-	1,502	3,148,902	7,950,362
Real Estate, Lease, Other Business Activities	411,771	1,223,697	285,760	26,255,689	3,515,782	4,730,806	723,076	739,489	3,224,834	41,110,904
Public Administration; Compulsory Social Security	1,000	932,106	321	40,020	52,548	104,672	-	673	13,489	1,144,829
Education	-	-	1,486	17,351	298,563	36,137	-	130,505	162,527	646,569
Health and Social Work	1,060	580,209	19,668	236,704	-	190,005	2,500	94,976	131,947	1,257,069
Other Community, Social and Personal Service Activities	1,027	-	313,992	403,308	96,726	442,584	931	63,242	269,090	1,590,900
Private Households	-	-	-	78,938,187	-	7,156	31,629	148,178	19,120,196	98,245,346
<b>Total</b>	<b>782,957</b>	<b>2,736,012</b>	<b>3,079,561</b>	<b>120,999,597</b>	<b>12,063,673</b>	<b>25,198,694</b>	<b>1,595,580</b>	<b>13,036,243</b>	<b>38,183,375</b>	<b>217,675,692</b>

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Group uses the collateral in nominal value.

The collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 2,080,540 thousand (refer to Note 19 (g)) since it cannot be allocated to individual loans.

**(k) Receivables from Finance Leases**

Time structure of receivables from finance leases is as follows:

CZK thousand	2017	2016
<b>Gross investments in finance leases</b>	<b>7,622,437</b>	<b>7,240,439</b>
- within 3 months	599,583	462,618
- from 3 months to 1 year	1,639,139	1,377,299
- from 1 year to 5 years	5,010,632	4,888,226
- more than 5 years	373,083	512,296
<b>Unrealised financial income</b>	<b>(549,711)</b>	<b>(619,933)</b>
- within 3 months	(59,833)	(60,790)
- from 3 months to 1 year	(151,362)	(158,638)
- from 1 year to 5 years	(316,783)	(366,857)
- more than 5 years	(21,733)	(33,648)
<b>Net investments in finance leases</b>	<b>7,072,726</b>	<b>6,620,506</b>

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

CZK thousand	2017	2016
Lease of motor vehicles	4,425,133	3,543,474
Lease of real estate	238,281	314,777
Lease of equipment	2,409,312	2,762,255
<b>Total</b>	<b>7,072,726</b>	<b>6,620,506</b>

**20. PROVISIONS FOR LOANS AND ADVANCES**

CZK thousand	2017	2016
<b>Clients</b>		
<b>Balance at 1 January</b>	<b>(6,264,042)</b>	<b>(6,256,462)</b>
Charge for provisions	(2,714,433)	(2,933,634)
Release of provisions	2,052,140	1,819,098
Usage of provisions for the write-off and assignment of receivables	1,833,111	1,108,577
Effect from the change in the scope of consolidation	-	-
FX gains from provisions denominated in a foreign currency	41,647	(1,621)
<b>Balance at 31 December</b>	<b>(5,051,577)</b>	<b>(6,264,042)</b>
<b>Banks</b>		
<b>Balance at 1 January</b>	<b>-</b>	<b>-</b>
Release of provisions	(4,903)	-
<b>Balance at 31 December</b>	<b>(4,903)</b>	<b>-</b>
<b>Total</b>	<b>(5,056,480)</b>	<b>(6,264,042)</b>

## 21. DEFERRED TAX ASSET/LIABILITY

Deferred tax is calculated from all temporary differences under the liability method using the principal income tax rate of 19 percent (the tax rate of 2017).

Deferred income tax assets are as follows:

CZK thousand	2017	2016
Provisions for loans	20,603	83,599
Provision for salary bonuses	89,121	66,874
Valuation gains or losses - cash flow hedge	31,164	59,170
Outstanding vacation days	4,726	5,122
Other provisions	62,384	86,538
Tax loss of prior years	-	-
<b>Total deferred tax asset</b>	<b>207,998</b>	<b>301,303</b>

Deferred income tax liabilities are as follows:

CZK thousand	2017	2016
Differences between accounting and tax carrying amounts of tangible and intangible assets	(188,971)	(175,480)
Modification in lease reporting from CAS to IFRS	(66,442)	(76,938)
Difference between tax non-deductible and tax deductible provisions	(35,323)	(28,553)
Amount on the valuation difference in equity from revaluation of securities available for sales	(6,218)	(1,724)
Valuation differences - cash flow hedge	(2,087)	-
<b>Total deferred tax liability</b>	<b>(299,041)</b>	<b>(282,695)</b>

Set out below is the calculation of a net deferred tax asset:

CZK thousand	2017	2016
Balance at 1 January	301,303	202,314
Effect from the change in the consolidation scope	-	-
Movement for the year - income/(expense)	(65,299)	81,162
Movement for the year - equity	(28,006)	17,827
<b>Total deferred tax asset</b>	<b>207,998</b>	<b>301,303</b>
Balance at 1 January	(282,695)	(337,062)
Effect from the change in the consolidation scope	-	-
Movement for the year - income/(expense)	(9,765)	(11,626)
Movement for the year - equity	(6,581)	65,993
<b>Total deferred tax liability</b>	<b>(299,041)</b>	<b>(282,695)</b>
<b>Net deferred tax asset/(liability)</b>	<b>(91,043)</b>	<b>18,608</b>

CZK thousand	2017	2016
Deferred tax asset reported in the balance sheet	10,075	106,389
Deferred tax liability reported in the balance sheet	(101,118)	(87,781)
<b>Net deferred tax asset/(liability)</b>	<b>(91,043)</b>	<b>18,608</b>

The deferred tax (charge)/credit in the profit or loss and equity:

CZK thousand	2017	2016
Basis for net deferred tax asset/(liability)	(479,174)	97,937
Deferred tax asset/(liability)	(91,043)	18,608
Recognition of a year-on-year difference due to temporary differences in profit or loss	(75,064)	69,536
Recognition of a year-on-year difference due to temporary differences in equity	(34,587)	83,820
<b>Total year-on-year difference for recognition</b>	<b>(109,651)</b>	<b>153,356</b>

## 22. OTHER ASSETS

CZK thousand	2017	2016
Indirect tax receivables	11,203	44,540
Receivables arising from non-banking activities	420,421	493,865
Deferred expenses and accrued income	31,112	53,460
Receivables from securities trading	73,932	27,377
Settlement of cash transactions with other banks	386,740	349,852
Other	544,687	541,472
<b>Total</b>	<b>1,468,095</b>	<b>1,510,566</b>

"Other" includes investments in the share capital of unconsolidated uncontrolled entities of Raiffeisen - Leasing, s.r.o., refer to Note 3(h) of CZK 55,727 thousand (2016: CZK 56,037 thousand).

## 23. EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

CZK thousand	2017	2016
<b>Opening balance</b>	<b>30,548</b>	<b>59,406</b>
Additions	-	-
Increase/(decrease) in net assets of associates	7,560	26,213
Disposals	-	-
Sale of an associate	-	(55,071)
<b>Closing balance</b>	<b>38,108</b>	<b>30,548</b>

CZK thousand	Country	Assets	Liabilities	Revenue	Profit/loss	Share of share capital	Associates*
Flex-space Plzeň I, s.r.o.	CR	143,464	133,181	16,913	371	50,00%	5,141
Nordica Office, s.r.o.	CR	427,881	301,213	52,043	3,764	50,00%	35,115
Karlín Park a.s.	CR	444,445	448,742	1,393	(4,626)	50,00%	(2,148)
<b>At 31 Dec 2017</b>							<b>38,108</b>
Flex-space Plzeň I, s.r.o.	CR	152,227	141,230	18,275	2,071	50,00%	4,955
Nordica Office, s.r.o.	CR	446,689	332,826	50,327	1,872	50,00%	25,562
Karlín Park a.s.	CR	225,000	215,466	1,030	(29)	50,00%	31
<b>At 31 Dec 2016</b>							<b>30,548</b>

\* Valuation using the equity method of accounting

The amount in "Sale of an associate" represents the sale of Bondy Centrum s.r.o.

In 2016, RDI Czech 5, s.r.o. purchased Nordica Office s.r.o., which was included in the consolidated financial statements using the equity method of accounting.

Related party transactions of the Group with the above associates are disclosed in Note 42.

## 24. INTANGIBLE FIXED ASSETS

CZK thousand	Goodwill	Software	Intangible assets under construction	Total
<b>Cost</b>				
1 January 2016	1,155	4,462,751	265,478	<b>4,729,384</b>
Additions	65,726	493,208	285,440	<b>844,374</b>
Disposals	-	(180,087)	-	<b>(180,087)</b>
Other changes (transfers)	-	123,622	(123,906)	<b>(283)</b>
<b>31 December 2016</b>	<b>66,881</b>	<b>4,899,495</b>	<b>427,012</b>	<b>5,393,388</b>
Additions	-	239,494	342,525	<b>582,019</b>
Disposals	-	(77,755)	-	<b>(77,755)</b>
Other changes (transfers)	-	324,966	(325,721)	<b>(755)</b>
<b>31 December 2017</b>	<b>66,881</b>	<b>5,386,200</b>	<b>443,816</b>	<b>5,896,897</b>
<b>Accumulated amortisation and provisions</b>				
1 January 2016	(1,155)	(2,913,541)	-	<b>(2,914,696)</b>
Additions - annual amortisation charges	(65,726)	(399,001)	-	<b>(464,727)</b>
Disposals	-	178,628	-	<b>178,628</b>
<b>31 December 2016</b>	<b>(66,881)</b>	<b>(3,133,914)</b>	<b>-</b>	<b>(3,200,795)</b>
Additions - annual amortisation charges	-	(404,380)	-	<b>(404,380)</b>
Disposals	-	77,490	-	<b>77,490</b>
<b>31 December 2017</b>	<b>(66,881)</b>	<b>(3,460,804)</b>	<b>-</b>	<b>(3,527,685)</b>
<b>Net book value</b>				
<b>31 December 2016</b>	<b>-</b>	<b>1,765,581</b>	<b>427,012</b>	<b>2,192,593</b>
<b>31 December 2017</b>	<b>-</b>	<b>1,925,396</b>	<b>443,816</b>	<b>2,369,212</b>

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 staff costs and rental costs) which are required to generate these assets are capitalised. In 2017, internal costs of CZK 65,917 thousand (2016: CZK 57,536 thousand) were capitalised. Other additions to intangible assets under construction include purchases from external entities. In this category, the Group does not report and record additions acquired through business combinations.

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

In relation to taking over the retail portfolio of clients from the Czech branch of Citibank Europe plc, the Group recognised goodwill in the aggregate amount of CZK 65,726 thousand in 2016. On the grounds of prudence, the Group decided not to recognise the goodwill as of 31 December 2016 and charged it off through the statement of comprehensive income in full.

## 25. PROPERTY AND EQUIPMENT

### (a) Movements in Property and Equipment

CZK thousand	Land, buildings, technical improvements on buildings	Furniture and fixtures	Machinery and equipment	Tangible assets under construction	Total
<b>Cost</b>					
1 January 2016	1,088,220	196,877	1,157,437	388,960	<b>2,831,494</b>
Additions	58,550	8,033	518,155	58,410	<b>643,148</b>
Disposals	(17,183)	(5,383)	(156,850)	(52,682)	<b>(232,098)</b>
Other changes (transfers)	12,237	11,260	43,297	(66,511)	<b>283</b>
<b>31 December 2016</b>	<b>1,141,824</b>	<b>210,787</b>	<b>1,562,039</b>	<b>328,177</b>	<b>3,242,827</b>
Additions	49,731	11,235	588,444	38,644	<b>688,054</b>
Disposals	(30,847)	(11,696)	(231,816)	(52,204)	<b>(326,563)</b>
Other changes (transfers)	9,892	2,736	21,984	(33,857)	<b>755</b>
<b>31 December 2017</b>	<b>1,170,600</b>	<b>213,062</b>	<b>1,940,651</b>	<b>280,760</b>	<b>3,605,073</b>
<b>Accumulated depreciation</b>					
1 January 2016	(678,948)	(150,893)	(775,467)	(96,764)	<b>(1,702,072)</b>
Additions	(90,006)	(17,053)	(177,524)	(102)	<b>(284,685)</b>
Disposals	14,750	5,156	130,045	-	<b>149,951</b>
<b>31 December 2016</b>	<b>(754,204)</b>	<b>(162,790)</b>	<b>(822,946)</b>	<b>(96,866)</b>	<b>(1,836,806)</b>
Additions	(80,797)	(11,784)	(224,497)	(90)	<b>(317,168)</b>
Disposals	26,339	10,910	106,910	-	<b>144,159</b>
<b>31 December 2017</b>	<b>(808,662)</b>	<b>(163,664)</b>	<b>(940,533)</b>	<b>(96,956)</b>	<b>(2,009,815)</b>
<b>Net book value</b>					
<b>31 December 2016</b>	<b>387,620</b>	<b>47,997</b>	<b>739,093</b>	<b>231,311</b>	<b>1,406,021</b>
<b>31 December 2017</b>	<b>361,938</b>	<b>49,398</b>	<b>1,000,118</b>	<b>183,804</b>	<b>1,595,258</b>

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

### (b) Property and Equipment Acquired under Finance Leases

The Group recorded no property and equipment under finance leases in the years ended 31 December 2017 and 31 December 2016.

## 26. INVESTMENT PROPERTY

CZK thousand	2017	2016
<b>Cost</b>		
At 1 January	1,529,654	1,436,295
Additions	5,177	93,359
Disposals	(192,231)	-
Effect from the change in the consolidation scope	-	-
<b>Cost at 31 December</b>	<b>1,342,600</b>	<b>1,529,654</b>
<b>Accumulated depreciation</b>		
At 1 January	(407,415)	(340,478)
Annual charges	(38,786)	(41,700)
Disposals	21,362	-
Provision	(1,079)	(25,237)
Effect from the change in the consolidation scope	-	-
<b>Accumulated depreciation and provisions at 31 December</b>	<b>(425,918)</b>	<b>(407,415)</b>
<b>Net book value at 31 December</b>	<b>916,682</b>	<b>1,122,239</b>

The fair value of investment property as of 31 December 2017 amounts to CZK 1,148,296 thousand (2016: CZK 1,385,487 thousand).

## 27. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

CZK thousand	2017	2016
<b>Repayable on demand</b>	<b>3,894,563</b>	<b>1,270,443</b>
<b>Term deposits of banks</b>	<b>27,477,591</b>	<b>32,322,575</b>
Within 3 months	14,942,853	14,491,032
From 3 months to 1 year	5,193,824	10,078,049
From 1 year to 5 years	7,112,522	7,521,657
Over 5 years	228,392	231,837
<b>Total</b>	<b>31,372,154</b>	<b>33,593,018</b>

## 28. AMOUNTS OWED TO CUSTOMERS

### (a) Analysis of Amounts Owed to Customers by Type

CZK thousand	2017	2016
Repayable on demand	227,863,222	199,828,689
Term deposits with maturity at accrued amount	23,431,949	27,068,672
Change in the fair values of hedged items in the fair value hedging	129,500	187,333
Other	307,147	55,363
<b>Total</b>	<b>251,731,818</b>	<b>227,140,057</b>
<i>of which: repayable within one year</i>	248,329,323	223,201,039
<i>repayable in more than one year</i>	3,402,495	3,939,018

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

The Group applies hedge accounting upon the fair value hedge of the current and savings accounts portfolio. The remeasurement of the hedged items amounts to CZK (1,848,943) thousand as of 31 December 2017 (2016: CZK 753,384 thousand).

In relation to the takeover of the client portfolio of the Czech branch of ZUNO BANK AG, amounts owed by the Group to customers increased by CZK 4,708,219 thousand.

### (b) Analysis of Amounts Owed to Customers by Sector

CZK thousand	2017	2016
Public sector	5,352,445	2,158,154
Corporate clients (Large corporate)	84,491,468	78,734,010
Private individuals	129,168,241	114,697,119
Small and medium-sized enterprises (SME)	32,719,664	31,550,774
Other	-	-
<b>Total</b>	<b>251,731,818</b>	<b>227,140,057</b>

### (c) Repurchase Transactions

As of 31 December 2017 and 31 December 2016, the Group received no loans from clients as part of repurchase transactions.

## 29. DEBT SECURITIES ISSUED

### (a) Analysis of Issued Debt Securities by Type

CZK thousand	2017	2016
Mortgage bonds	19,413,463	24,538,873
Change in the fair value of hedged items upon fair value hedging	52,993	85,637
Non-hedged bonds issued	3,320	87,357
Deposit certificates and depository bills of exchange	3,450	10,357
<b>Total</b>	<b>19,473,226</b>	<b>24,722,224</b>
<i>of which: repayable within one year</i>	3,450	12,725,925
<i>repayable in more than one year</i>	19,469,776	11,996,299

The subordinated liabilities issued are disclosed in Note 32.

### (b) Analysis of Mortgage Bonds

CZK thousand							
Date of issue	Maturity	ISIN	Currency	Nominal value		Net carrying value	
				2017	2016	2017	2016
12/12/2007	12/12/2017	CZ0002001670	CZK	-	5,500,000	-	5,682,935
12/12/2007	12/12/2017	CZ0002001696	CZK	-	500,000	-	507,734
20/12/2007	20/12/2017	CZ0002001928	CZK	-	2,000,000	-	2,061,801
11/01/2012	11/01/2017	CZ0002002439	CZK	-	282,460	-	289,877
05/12/2012	05/12/2017	XS0861195369	EUR	-	2,702,000	-	2,728,097
05/11/2014	05/11/2019	XS1132335248	EUR	12,513,733	13,212,780	12,528,361	13,268,429
08/03/2017	08/03/2021	XS1574150261	EUR	5,087,737	-	5,108,659	-
08/03/2017	08/03/2023	XS1574150857	EUR	507,843	-	511,504	-
08/03/2017	08/03/2024	XS1574151236	EUR	1,253,171	-	1,264,939	-
08/03/2017	08/04/2022	XS1574149842	EUR	-	-	-	-
<b>Total</b>				<b>19,362,484</b>	<b>24,197,240</b>	<b>19,413,463</b>	<b>24,538,873</b>

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

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

As of 31 December 2017, the Group held issued EUR-denominated mortgage bonds totalling EUR 943,256 thousand (as of 31 December 2016: EUR 611,000 thousand), of which EUR 197,744 thousand (as of 31 December 2016: EUR 197,744 thousand) is used as collateral for a loan received from a customer and approximately EUR 630,000 thousand (as of 31 December 2016: EUR 413,256 thousand) may be used as collateral as part of repurchase transactions with the European Central Bank.

## 30. PROVISIONS

CZK thousand	Provisions for legal disputes	Provisions for off-balance sheet credit risk exposures	Provision for unused holiday	Provision for payroll bonuses	Provision for restructuring	Provision for income tax payable	Other provisions	Total
<b>1 January 2016</b>	<b>20,252</b>	<b>184,572</b>	<b>24,940</b>	<b>272,721</b>	<b>-</b>	<b>321,068</b>	<b>97,210</b>	<b>920,763</b>
Charge for provisions	1,400	143,193	32,476	529,134	80,358	243,282	87,211	<b>1,117,054</b>
Use of provisions	(3,000)	-	(20,836)	(272,545)	-	(321,068)	(10,240)	<b>(627,689)</b>
Release of redundant provisions	(13,853)	(85,886)	(4,318)	(155,032)	-	-	(28,355)	<b>(287,444)</b>
Foreign exchange rate differences	-	(22)	-	-	-	-	(8)	<b>(30)</b>
<b>31 December 2016</b>	<b>4,799</b>	<b>241,857</b>	<b>32,262</b>	<b>374,278</b>	<b>80,358</b>	<b>243,282</b>	<b>145,818</b>	<b>1,122,654</b>
Charge for provisions	82,040	198,105	19,513	642,970	-	328,796	200,048	<b>1,471,472</b>
Use of provisions	(1,000)	-	(26,960)	(374,278)	(31,609)	(243,282)	(29,321)	<b>(706,450)</b>
Release of redundant provisions	(3,000)	(240,509)	59	(173,911)	(32,290)	-	(13,866)	<b>(463,517)</b>
Foreign exchange rate differences	207	(1,617)	-	-	-	-	(557)	<b>(1,967)</b>
<b>31 December 2017</b>	<b>83,046</b>	<b>197,836</b>	<b>24,874</b>	<b>469,059</b>	<b>16,459</b>	<b>328,796</b>	<b>302,122</b>	<b>1,422,192</b>

The Group recognises provisions for legal disputes on the basis of an internal expert assessment of the current legal disputes conducted against the Group. If there is a risk of a 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.

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 clients who are in delay in the repayment of their principal balances and accrued interest and there is an increased risk that the Group will not collect the provided amount in the event of the performance under the irrevocable commitments to clients.

"Other provisions" includes provisions for future potential payments arising from compensation for armed robberies, bonuses for clients, 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 the future performance. In most types of risk, the Group recognises a provision equal to 100% of the anticipated repayments and payments.

## 31. OTHER LIABILITIES

CZK thousand	2017	2016 restated
Liabilities arising from non-banking activities	139,155	186,381
Estimated payables for payroll costs	219,966	247,147
Accrued expenses and deferred income	67,185	56,105
Liabilities from securities trading	68,951	10,567
Local settlement and suspense clearing account	3,979,375	3,017,498
Other	730,278	662,757
<b>Total</b>	<b>5,204,910</b>	<b>4,180,455</b>

In the year ended 31 December 2017, the Group decided to report all settlement and suspense clearing accounts under "Settlement and suspense clearing accounts", for which reason the 2016 comparative period was also restated.

## 32. SUBORDINATED LIABILITIES

### (a) Subordinated Loan

CZK thousand	2017	2016
Raiffeisen Bank International AG (parent company)	2,586,645	2,737,981
<b>Total</b>	<b>2,586,645</b>	<b>2,737,981</b>
<i>of which: repayable within one year</i>	32,645	35,981
<i>repayable in more than one year</i>	2,554,000	2,702,000

### (b) Issue of Subordinated Bonds

CZK thousand				Nominal value		Net book value	
Date of issue	Date of maturity	ISIN	Currency	2017	2016	2017	2016
21 Sept 2011	21 Sept 2018	CZ0003702961	CZK	125,000	125,000	126,052	126,001
<b>Total</b>				<b>125,000</b>	<b>125,000</b>	<b>126,052</b>	<b>126,001</b>

## 33. EQUITY

### (a) Share Capital

The shareholder structure of the Bank as of 31 December 2017:

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
RB Prag Beteiligungs GmbH	Austria	276,520	2,765,200	25
<b>Total</b>		<b>1,106,080</b>	<b>11,060,800</b>	<b>100</b>

\* Direct investment in the share capital

On 27 April 2017, the General Meeting of the Bank approved the following allocation of the profit generated in 2016:

<b>Net profit for 2016</b>	<b>2 604 336</b>
Approved allocation:	
Allocation to statutory reserve funds	-
Allocation to retained earnings	1,192,278
Dividends paid to shareholders*	1,412,058
<i>of which: Raiffeisen CEE Region Holding GmbH</i>	<i>1,059,043</i>
<i>RB Prag Beteiligungs GmbH</i>	<i>353,015</i>

\* Dividends were paid on 4 May 2017 according to the shareholder structure effective as of 31 December 2016.

In 2017, the share capital of the Group was not increased. The shareholder structure and the nominal value of their investments as of 31 December 2017 and 31 December 2016 are the same, please refer to above. The ultimate parent company of the Group is Raiffeisen Bank International AG, Austria.

In 2017, the dividend per share amounted to CZK 1,277 (2016: CZK 1,255).

## (b) Other Capital Instruments

Other capital instruments include subordinated unsecured AT1 capital investment certificates issued by the Group that combine the elements of equity and debt securities and meet the criteria for inclusion in the Group's Tier 1 capital. In January 2017, the Group placed another issue of AT1 capital investment certificates in the amount of CZK 680,904 thousand. As of 31 December 2017, the issue totalled CZK 2,615,354 thousand (2016: CZK 1,934,450 thousand). The Czech National Bank approved the inclusion of AT1 certificates in the Group's auxiliary Tier 1 capital. In 2017, the Group paid out a coupon of CZK 147,451 thousand (2016: CZK 134,460 thousand) from retained earnings to the holders of these certificates.

## (c) Gains and Losses from Revaluation

### Arising from Cash Flow Hedges

<b>CZK thousand</b>	<b>2017</b>	<b>2016</b>
The fair value of the effective part of cash flow hedges at 1 January	(311,422)	(217,593)
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	59,170	41,342
<b>Total balance at 1 January</b>	<b>(252,252)</b>	<b>(176,251)</b>
Net profit/(loss) from the change in the fair value of a hedge instrument for the period		
Cross currency swaps	(671,653)	157,293
Interest rate swaps	10,320	
Accumulated net profit/loss arising from cash flow hedges		
Cross currency swaps	853,517	(251,122)
Tax effect of cash flow hedges for the period	(30,093)	17,828
The fair value of the effective part of cash flow hedges as of 31 December	(119,237)	(311,422)
Deferred tax asset/(liability) arising from revaluation gains and losses at 31 December	29,076	59,170
<b>Total balance at 31 December</b>	<b>(90,161)</b>	<b>(252,252)</b>

**Arising from Securities Available for Sale**

CZK thousand	2017	2016
Gains and losses from revaluation of securities available for sale at 1 January	157,275	541,713
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(1,724)	(67,717)
<b>Total balance as of 1 January</b>	<b>155,551</b>	<b>473,996</b>
Net profit/(loss) from revaluation of securities available for sale	9,352	(28,029)
Accumulated net profit/loss	35,548	(356,409)
Tax effect of revaluation of securities available for sale	(4,494)	65,993
Gains and losses from revaluation of securities available for sale at 31 December	202,175	157,275
Deferred tax asset/(liability) arising from valuation differences at 31 December	(6,218)	(1,724)
<b>Total balance at 31 December</b>	<b>195,957</b>	<b>155,551</b>

**(d) Non-Controlling Interests**

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

The tables below contain financial information on non-controlling interests in the Group's subsidiaries as of 3 October 2017 and 31 December 2016. Intragroup transactions are not excluded from the tables below.

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

2016 CZK thousand	Ownership percentage	Net assets	Net profit/ (loss)	Other comprehensive income	Total comprehensive income
Raiffeisen - Leasing, s.r.o.	50%	847,443	178,401	-	178,401
Other	n/a	(103,075)	68,708	-	68,708
<b>Total</b>		<b>744,368</b>	<b>247,109</b>	<b>-</b>	<b>247,109</b>

Contrary to the above stated financial information which presents a non-controlling interest in net assets and net profit/loss, the table below contains aggregate financial information on the subsidiary Raiffeisen - Leasing, s.r.o. as of 31 December 2017 and 31 December 2016.

<b>2017</b>	
<b>CZK thousand</b>	<b>Raiffeisen – Leasing, s.r.o.</b>
Operating income	845,216
Net profit/(loss)	298,597
Other comprehensive income	-
<b>Total comprehensive income</b>	<b>298,597</b>
Current assets	4,712,468
Non-current assets	11,654,259
Current liabilities	3,731,622
<b>Non-current liabilities</b>	<b>10,703,339</b>
<b>Net assets</b>	<b>1,931,766</b>
Net cash flow from operating activities	(2,291,091)
Net cash flow from investment activities	(344,919)
Net cash flow from financial activities	2,728,080
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>92,070</b>
Dividends paid to minority shareholders for the period	(26,500)
<b>2016</b>	
<b>CZK thousand</b>	<b>Raiffeisen – Leasing, s.r.o.</b>
Operating income	582,934
Net profit/(loss)	356,802
Other comprehensive income	-
<b>Total comprehensive income</b>	<b>356,802</b>
Current assets	3,445,567
Non-current assets	9,789,117
Current liabilities	2,519,575
<b>Non-current liabilities</b>	<b>9,020,222</b>
<b>Net assets</b>	<b>1,694,887</b>
Net cash flow from operating activities	(3,251,003)
Net cash flow from investment activities	(117,172)
Net cash flow from financial activities	3,266,308
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(101,867)</b>
Dividends paid to minority shareholders for the period	(27,130)

## 34. CASH AND CASH EQUIVALENTS

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

CZK thousand	2017	2016
Cash and accounts with central banks (Note 16)	8,621,302	92,080,041
Required minimum reserves (Note 16)	(4,966,162)	(3,707,871)
Placements with other financial institutions (Note 18)	605,709	819,209
<b>Total cash and cash equivalents</b>	<b>4,260,849</b>	<b>89,191,379</b>

The Group adjusted the reporting of foreign exchange rate gains and losses in the consolidated cash flow statement relating to cash and cash equivalents at the beginning of the period.

## 35. CONTINGENT LIABILITIES

### (a) Legal Disputes

The Group conducted a review of legal proceedings outstanding against it as of 31 December 2017. Pursuant to the review of significant litigation matters in terms of the risk of potential losses and the probability of payment, the Group recognised provisions (Note 30) for significant litigations in the year ended 31 December 2017 in the aggregate amount CZK 83,046 thousand (2016: CZK 4,799 thousand).

### (b) Irrevocable Commitments, Guarantees and Issued Letters of Credit

CZK thousand	2017	2016
<b>Banks</b>		
Provided commitments (irrevocable)	54,016	57,722
Guarantee commitments	34,591	58,913
Letters of credit issued	304,548	274,344
<b>Total</b>	<b>393,155</b>	<b>390,979</b>
<b>Customers</b>		
Provided commitments (irrevocable)	27,380,700	25,565,701
Guarantee commitments	15,342,105	14,990,395
Letters of credit issued	446,771	241,331
<b>Total</b>	<b>43,169,576</b>	<b>40,797,427</b>
<b>Total</b>	<b>43,562,731</b>	<b>41,188,406</b>

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

## 36. FINANCIAL DERIVATIVES

During the year ended 31 December 2017, 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 a term loan;
- Fair value hedge of term deposits; and
- Fair value hedge of securities issued.

Interest rate swaps 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 are the hedging instruments used in cash flow hedging.

### (a) Analysis of Derivative Financial Instruments - Contractual Amounts (nominal value)

CZK thousand	Contractual amounts (nominal value)	
	2017	2016
<b>Financial derivatives (non-hedging)</b>		
Cross currency swaps	514,115	1,857,872
Currency forwards and swaps	62,727,084	45,526,081
Interest rate swaps (IRS)	106,531,542	109,501,659
Forward rate agreements (FRA)	7,500,000	-
Option contracts (purchase)	6,115,443	7,135,630
Option contracts (sale)	6,167,646	7,451,649
<b>Total trading instruments</b>	<b>189,555,830</b>	<b>171,472,891</b>
<b>Hedging derivatives</b>		
Interest rate swaps (IRS)	227,215,285	188,662,826
Cross currency swaps	14,449,792	17,401,137
<b>Total hedging derivatives</b>	<b>241,665,077</b>	<b>206,063,963</b>
<b>Financial derivatives - total contractual amount</b>	<b>431,220,907</b>	<b>377,536,854</b>

**(b) Analysis of Derivative Financial Instruments – Fair Value**

CZK thousand	Fair value in 2017		Fair value in 2016	
	Positive	Negative	Positive	Negative
<b>Financial derivatives (non-hedging)</b>				
Cross currency swaps	658	(448)	135,895	(86,240)
Currency forwards and swaps	475,123	(645,362)	727,109	(122,232)
Interest rate swaps (IRS)	1,038,401	(959,682)	981,373	(1,060,729)
Forward rate agreements (FRA)	1,754	(1,700)	-	-
Option contracts (purchase)	64,191	-	67,948	-
Option contracts (sale)	-	(64,168)	-	(64,039)
<b>Total trading instruments</b>	<b>1,580,127</b>	<b>(1,671,360)</b>	<b>1,912,325</b>	<b>(1,333,240)</b>
<b>Hedging derivatives</b>				
Interest rate swaps (IRS)	2,279,289	(2,513,540)	1,973,110	(1,171,685)
Cross currency swaps	-	(439,866)	-	(412,271)
<b>Total hedging derivatives</b>	<b>2,279,289</b>	<b>(2,953,406)</b>	<b>1,973,110</b>	<b>(1,583,956)</b>
<b>Financial derivatives – total fair value</b>	<b>3,859,416</b>	<b>(4,624,766)</b>	<b>3,885,435</b>	<b>(2,917,196)</b>

**(c) Remaining Maturity of Financial Derivative Instruments – Contractual Amounts (Nominal Value)**

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
<b>At 31 December 2017</b>				
<b>Financial derivatives (non-hedging)</b>				
Cross currency swaps	-	514,115	-	<b>514,115</b>
Currency forwards and swaps	58,994,050	3,733,034	-	<b>62,727,084</b>
Interest rate swaps (IRS)*	18,601,613	63,887,714	24,042,215	<b>106,531,542</b>
Forward rate agreements (FRA)	6,000,000	1,500,000	-	<b>7,500,000</b>
Option contracts (purchase)	5,643,773	471,670	-	<b>6,115,443</b>
Option contracts (sale)	5,695,976	471,670	-	<b>6,167,646</b>
<b>Total trading instruments</b>	<b>94,935,412</b>	<b>70,578,203</b>	<b>24,042,215</b>	<b>189,555,830</b>
<b>Hedging derivatives</b>				
Interest rate swaps (IRS)	36,417,020	140,217,418	50,580,847	<b>227,215,285</b>
Cross currency swaps	1,347,957	13,101,835	-	<b>14,449,792</b>
<b>Total hedging derivatives</b>	<b>37,764,977</b>	<b>153,319,253</b>	<b>50,580,847</b>	<b>241,665,077</b>
<b>Total financial derivatives</b>	<b>132,700,389</b>	<b>223,897,456</b>	<b>74,623,062</b>	<b>431,220,907</b>

\*The nominal value reported by the final transaction maturity.

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
<b>At 31 December 2016</b>				
<b>Financial derivatives (non-hedging)</b>				
Cross currency swaps	1,854,457	3,415	-	<b>1,857,872</b>
Currency forwards and swaps	43,175,834	2,350,247	-	<b>45,526,081</b>
Interest rate swaps (IRS)*	25,959,876	52,068,573	31,473,210	<b>109,501,659</b>
Forward rate agreements (FRA)	-	-	-	-
Option contracts (purchase)	4,160,913	2,974,717	-	<b>7,135,630</b>
Option contracts (sale)	4,476,932	2,974,717	-	<b>7,451,649</b>
<b>Total trading instruments</b>	<b>79,628,012</b>	<b>60,371,669</b>	<b>31,473,210</b>	<b>171,472,891</b>
<b>Hedging derivatives</b>				
Interest rate swaps (IRS)	48,422,372	92,662,758	47,577,696	<b>188,662,826</b>
Cross currency swaps	2,745,999	14,655,138	-	<b>17,401,137</b>
<b>Total hedging derivatives</b>	<b>51,168,371</b>	<b>107,317,896</b>	<b>47,577,696</b>	<b>206,063,963</b>
<b>Total financial derivatives</b>	<b>130,796,383</b>	<b>167,689,565</b>	<b>79,050,906</b>	<b>377,536,854</b>

\*The nominal value reported by the final transaction maturity.

#### (d) Summary of Future Cash Flows of Net Settled Derivatives

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2017</b>						
<b>Financial derivatives (non-hedging)</b>						
Interest rate swaps (IRS)	69,206	614,945	354,250	(58,074)	(625,127)	(276,480)
Forward rate agreements (FRA)	-	1,754	-	(1,089)	(611)	-
Option contracts (purchase)	-	8,149	-	-	-	-
Option contracts (sale)	-	-	-	-	(8,002)	-
<b>Total trading instruments</b>	<b>69,206</b>	<b>624,848</b>	<b>354,250</b>	<b>(59,163)</b>	<b>(633,740)</b>	<b>(276,480)</b>
<b>Hedging derivatives</b>						
Interest rate swaps (IRS)	48,703	1,618,091	612,495	(104,467)	(747,341)	(1,661,733)
<b>Total hedging derivatives</b>	<b>48,703</b>	<b>1,618,091</b>	<b>612,495</b>	<b>(104,467)</b>	<b>(747,341)</b>	<b>(1,661,733)</b>
<b>Financial derivatives - total contractual payments</b>	<b>117,909</b>	<b>2,242,939</b>	<b>966,745</b>	<b>(163,630)</b>	<b>(1,381,081)</b>	<b>(1,938,213)</b>

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2016</b>						
<b>Financial derivatives (non-hedging)</b>						
Interest rate swaps (IRS)	77,700	375,300	534,088	(63,985)	(510,444)	(486,300)
Forward rate agreements (FRA)	-	-	-	-	-	-
Option contracts (purchase)	-	20,322	-	-	-	-
Option contracts (sale)	-	-	-	-	(20,322)	-
<b>Total trading instruments</b>	<b>77,700</b>	<b>395,622</b>	<b>534,088</b>	<b>(63,985)</b>	<b>(530,766)</b>	<b>(486,300)</b>
<b>Hedging derivatives</b>						
Interest rate swaps (IRS)	127,977	957,870	887,263	(69,391)	(605,328)	(496,965)
<b>Total hedging derivatives</b>	<b>127,977</b>	<b>957,870</b>	<b>887,263</b>	<b>(69,391)</b>	<b>(605,328)</b>	<b>(496,965)</b>
<b>Financial derivatives - total contractual payments</b>	<b>205,677</b>	<b>1,353,492</b>	<b>1,421,351</b>	<b>(133,376)</b>	<b>(1,136,094)</b>	<b>(983,265)</b>

### (e) Summary of Future Cash Flows of Gross Settled Derivatives

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2017</b>						
<b>Trading instruments</b>						
Cross currency swaps	-	510,700	-	-	(510,700)	-
Currency forwards and swaps	58,994,050	3,733,034	-	(58,725,303)	(4,068,703)	-
Option contracts (purchase)	3,616,561	424,818	-	(3,610,469)	(424,566)	-
Option contracts (sale)	3,547,228	424,566	-	(3,553,796)	(424,818)	-
<b>Total trading instruments</b>	<b>66,157,839</b>	<b>5,093,118</b>	<b>-</b>	<b>(65,889,568)</b>	<b>(5,428,787)</b>	<b>-</b>
<b>Hedging derivatives</b>						
Cross currency swaps	1,347,956	13,101,836	-	(1,351 650)	(13,369 125)	-
<b>Total hedging derivatives</b>	<b>1,347,956</b>	<b>13,101,836</b>	<b>-</b>	<b>(1,351 650)</b>	<b>(13,369 125)</b>	<b>-</b>
<b>Financial derivatives - total contractual payments</b>	<b>67,505,795</b>	<b>18,194,954</b>	<b>-</b>	<b>(67,241,218)</b>	<b>(18,797,912)</b>	<b>-</b>

CZK thousand	Future Cash Inflows			Future Cash Outflows		
	Up to 1 year	From 1 to 5 years	Over 5 years	Up to 1 year	From 1 to 5 years	Over 5 years
<b>31 December 2016</b>						
<b>Trading instruments</b>						
Cross currency swaps	1,854,457	-	-	(1,807,199)	-	-
Currency forwards and swaps	43,175,834	2,350,247	-	(42,491,662)	(2,308,482)	-
Option contracts (purchase)	4,799,084	525,778	-	(4,797,861)	(520,182)	-
Option contracts (sale)	4,483,836	520,182	-	(4,486,808)	(525,778)	-
<b>Total trading instruments</b>	<b>54,313,211</b>	<b>3,396,207</b>	<b>-</b>	<b>(53,583,530)</b>	<b>(3,354,442)</b>	<b>-</b>
<b>Hedging derivatives</b>						
Cross currency swaps	2,745,999	14,655,138	-	(2,746,100)	(14,720,775)	-
<b>Total hedging derivatives</b>	<b>2,745,999</b>	<b>14,655,138</b>	<b>-</b>	<b>(2,746,100)</b>	<b>(14,720,775)</b>	<b>-</b>
<b>Financial derivatives – total contractual payments</b>	<b>57,059,210</b>	<b>18,051,345</b>	<b>-</b>	<b>(56,329,630)</b>	<b>(18,075,217)</b>	<b>-</b>

## 37. OTHER OFF BALANCE SHEET ASSETS – OTHER

### (a) Assets Provided for Management, Administration and Custody

In the years ended 31 December 2017 and 31 December 2016, the Group provided no assets for management, administration and custody.

### (b) Assets Accepted for Management, Administration and Custody

CZK thousand	2017	2016
Assets accepted for management	24,345,302	21,436,673
Assets accepted for administration	36,841,618	29,064,684
Assets accepted for custody	5,795	155
<b>Total</b>	<b>61,192,715</b>	<b>50,501,512</b>

## 38. 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 expenses and fee and commission expense of individual operating segments are not reported separately, but on a net basis.

Operating segments are represented as follows:

- Corporate banking;
- Retail banking;
- Treasury and ALM; and
- Other.

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

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

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

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

The Group has no client or a group of related parties where the income from transactions with it would account for more than 10 percent of the Group's total income.

### Selected items by segment (2017)

At 31 December 2017					Reconciliation to the statement of comprehensive income	
CZK thousand	Corporate entities	Retail clients	Treasury	Other		Total
<b>Profit and loss account:</b>						
Net interest income	2,365,164	4,504,089	(371,688)	102,045	(31,116)	<b>6,568,494</b>
Net fee and commission income	1,371,016	2,018,394	(15,811)	368	(1,370,147)	<b>2,003,820</b>
Net profit/(loss) from financial operations	231,528	135,369	663,832	14,314	1,370,147	<b>2,415,190</b>
Movements in provisions	(618,691)	219,637	-	-	-	<b>(399,054)</b>
Other operating expenses	(1,508,530)	(4,269,869)	(205,251)	(174,587)	-	<b>(6,158,237)</b>
Dividend income	-	-	-	-	31,116	<b>31,116</b>
Share of income of associates	-	-	-	-	7,560	<b>7,560</b>
<b>Profit before tax</b>	<b>1,840,487</b>	<b>2,607,620</b>	<b>71,082</b>	<b>(57,860)</b>	<b>7,560</b>	<b>4,468,889</b>
Income tax	(395,211)	(678,907)	(94,541)	(42,279)	-	<b>(1,210,938)</b>
<b>Profit after tax</b>	<b>1,445,276</b>	<b>1,928,713</b>	<b>(23,459)</b>	<b>(100,139)</b>	<b>7,560</b>	<b>3,257,951</b>
<b>Assets and liabilities:</b>						
<b>Total assets</b>	<b>102,587,288</b>	<b>116,781,408</b>	<b>114,224,799</b>	<b>9,105,473</b>	<b>-</b>	<b>342,698,968</b>
<b>Total liabilities</b>	<b>86,036,464</b>	<b>159,515,554</b>	<b>61,333,353</b>	<b>11,166,518</b>	<b>(3,257,951)</b>	<b>314,793,938</b>

## Selected items by segment (2016)

At 31 December 2016					Reconcilia- tion to the statement of comprehen- sive income	
CZK thousand	Corporate entities	Retail clients	Treasury	Other		Total
<b>Profit and loss account:</b>						
Net interest income	2,268,919	4,362,608	(161,893)	148,550	(25,000)	<b>6,593,184</b>
Net fee and commission income	1,434,207	1,815,982	(9,625)	(166,460)	(1,293,156)	<b>1,780,948</b>
Net profit/(loss) from financial operations	293,187	334,447	249,339	155,694	1,293,156	<b>2,325,823</b>
Movements in provisions	(622,835)	(304,548)	-	(1)	-	<b>(927,384)</b>
Other operating expenses	(1,595,528)	(4,426,095)	(187,137)	191,755	-	<b>(6,017,005)</b>
Dividend income	-	-	-	-	25,000	<b>25,000</b>
Share of income of associates	-	-	-	-	(1,480)	<b>(1,480)</b>
<b>Profit before tax</b>	<b>1,777,950</b>	<b>1,782,394</b>	<b>(109,316)</b>	<b>329,538</b>	<b>(1,480)</b>	<b>3,779,086</b>
Income tax	(354,913)	(336,925)	22,696	(68,423)	-	<b>(737,565)</b>
<b>Profit after tax</b>	<b>1,423,037</b>	<b>1,445,469</b>	<b>(86,620)</b>	<b>261,115</b>	<b>(1,480)</b>	<b>3,041,521</b>
Assets and liabilities:						
<b>Total assets</b>	<b>108,252,084</b>	<b>107,005,752</b>	<b>99,925,994</b>	<b>8,612,072</b>	<b>-</b>	<b>323,795,902</b>
<b>Total liabilities</b>	<b>101,410,365</b>	<b>143,516,637</b>	<b>43,873,546</b>	<b>11,621,724</b>	<b>(3,041,521)</b>	<b>297,380,751</b>

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

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

"Net interest income" - "Other" shows positive compensation of the costs of capital 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 profit/(loss) from financial operations" arises from the different presentation of the income and expenses from foreign currency transactions.

"Other operating expenses" includes "Other operating income/(expenses), net" and "General administrative expenses" presented in the statement of comprehensive income in separate lines.

The difference in liabilities arises from the different presentation of the profit for the reporting period.

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.

## 39. FINANCIAL INSTRUMENTS – MARKET RISK

The Group takes on exposure to market risks arising from open positions of transactions with interest rate, equity and currency instruments which are sensitive to the changes of conditions on financial markets.

### (a) Trading

The Group 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 Group's trading activities are conducted on the basis of the requirements of the Group's clients. The Group maintains the admission to the 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 types of 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 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 40 (d).

#### Liquidity Risk

Liquidity risk arises from the timing mismatch between cash inflows and outflows. It includes both the risk of the 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 is 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 (repurchase transactions/deposit facilities). The Group uses internal statistical models for diversification of the maturity of client 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 36 (d) and 36 (e).

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

2017 (CZK thousand)	Total contractual liability	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years
Amounts owed to financial institutions	31,531,229	18,935,281	5,375,676	7,220,272	-
Amounts owed to customers	251,983,686	246,260,910	2,185,406	3,433,109	104,261
Debt securities issued	19,880,511	141,106	101,906	17,842,822	1,794,677
Subordinated liabilities	2,716,335	2,889	126,801	2,586,645	-
Other liabilities	5,204,910	5,204,910	-	-	-
Off-balance sheet items	43,672,204	2,465,177	4,031,806	14,013,119	23,162,102

2016 (CZK thousand)	Total contractual liability	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years
Amounts owed to financial institutions	33,682,421	15,774,430	10,108,242	7,567,912	231,837
Amounts owed to customers	228,427,764	219,697,629	4,989,708	3,594,292	146,135
Debt securities issued	25,014,346	374,946	11,228,704	13,410,696	-
Subordinated liabilities	2,868,512	41,512	-	2,827,000	-
Other liabilities	4,180,455	4,180,455	-	-	-
Off-balance sheet items	39,245,733	37,085,201	79,268	1,148,456	932,808

Off-balance sheet items include all irrevocable credit commitments provided to the Group's clients and guarantees and letters of credit provided to clients classified as default.

### 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 in various currencies, 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 39 (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. In the case of 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 Bank's 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 (for example on current accounts).

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

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

## Equity Risk

Equity risk is the risk of fluctuations of 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 39 (d).

## (c) Fair values of financial assets and liabilities

In disclosing the estimates of fair values of financial assets and liabilities, the Group used the following methods and estimates.

### i) Cash and balances with central banks

Carrying amounts of cash and short-term instruments in principle approximate their fair values.

### ii) Loans and advances to financial institutions

Carrying amounts of loans and advances to financial institutions due within one year in principle approximate their fair values. Fair values of other loans and advances to financial institutions are estimated using discounted cash flows based on common rates in similar types of investments (market rates adjusted by the credit risk). Fair values of default loans of financial institutions are estimated on the basis of discounted cash flows, fair values of loss loans are equal to their collateral values.

### iii) Loans and advances to customers

Fair values of loans with variable interest rates which are frequently remeasured or loans with the final maturity within one year, and the change of the credit risk is insignificant, in principle approximate their carrying amounts. Fair values of loans with fixed interest rates are estimated based on the discounted cash flows using the interest rate common for loans with similar conditions and due dates and provided to debtors with similar risk rating, including the impact of collateral (the discounted rate technique according to IFRS 13). Fair values of default loans are estimated based on the discounted cash flows including potential collateral realisation.

### iv) Securities held to maturity

Fair values of securities carried in the held-to-maturity portfolio are estimated based on discounted cash flows using the interest rate common as of the consolidated financial statements date unless they are traded on an active market.

### v) Amounts owed to financial institutions and customers

Fair values reported in respect of loans on request match amounts payable on demand (i.e. their carrying amounts) at the balance sheet date. Carrying amounts of term deposits with variable rate are principally equal to their fair values as of the balance sheet date. Fair values of deposits with fixed interest rate are estimated based on discounting of cash flows using market interest rates and taking into account the liquidity costs of the Group.

### vi) Debt securities issued

Fair values of debt securities issued by the Group are determined on the basis of updated market prices. If market prices are not available, fair values are estimates of the Group where the fair value is estimated based on the discounting of cash flows using market interest rates and reflecting the Group's liquidity costs.

### vii) Subordinated liabilities

Fair values of the subordinated loan are estimated based on discounting cash flows using market interest rates and reflecting liquid costs of the Group. Fair values of subordinated bonds issued by the Group are determined by reference to current market prices.

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

2017	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
<b>Assets</b>						
Cash and balances with central banks	-	-	8,621,302	8,621,302	8,621,302	-
Loans and advances to financial institutions	-	-	105,330,023	105,330,023	105,330,023	-
Loans and advances to customers *	-	-	224,928,191	224,928,191	218,982,445	5,945,746
Securities held to maturity	-	-	-	-	-	-
<b>Liabilities</b>						
Amounts owed to financial institutions	-	-	31,417,900	31,417,900	31,372,154	45,746
Amounts owed to customers	-	-	251,889,897	251,889,897	251,731,818	158,079
Debt securities issued	-	-	19,870,076	19,870,076	19,473,226	396,850
Subordinated liabilities and bonds	-	-	2,827,631	2,827,631	2,712,697	114,934

\* including allowances

2016	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
<b>Assets</b>						
Cash and balances with central banks	-	-	92,080,041	92,080,041	92,080,041	-
Loans and advances to financial institutions	-	-	5,782,128	5,782,128	5,782,128	-
Loans and advances to customers *	-	-	222,878,754	222,878,754	211,411,650	11,467,104
Securities held to maturity	2,681,154	-	-	2,681,154	2,545,956	135,198
<b>Liabilities</b>						
Amounts owed to financial institutions	-	-	33,654,565	33,654,565	33,593,018	61,547
Amounts owed to customers	-	-	227,435,113	227,435,113	227,140,057	295,056
Debt securities issued	-	-	24,722,224	24,722,224	24,722,224	-
Subordinated liabilities and bonds	-	-	3,036,892	3,036,892	2,863,982	172,910

\* including allowances

## Financial instruments at fair value

CZK thousand	Fair value at 31 Dec 2017			Fair value at 31 Dec 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair values of financial derivative instruments	-	3,859,416	-	-	3,885,435	-
Securities at fair value through profit or loss	70,793	-	85,653	125,592	406,982	201,065
Securities available for sale	-	-	603,654	-	892	593,411
<b>Total</b>	<b>70,793</b>	<b>3,859,416</b>	<b>689,307</b>	<b>125,592</b>	<b>4,293,309</b>	<b>794,476</b>

CZK thousand	Fair value at 31 Dec 2017			Fair value at 31 Dec 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair values of financial derivative instruments	-	4,624,766	-	-	2,917,196	-
<b>Total</b>	<b>-</b>	<b>4,624,766</b>	<b>-</b>	<b>-</b>	<b>2,917,196</b>	<b>-</b>

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

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

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

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

## 2017

CZK thousand	Securities at fair value through profit or loss	Securities available for sale	Total
<b>Balance at the beginning of the period</b>	<b>201,065</b>	<b>593,411</b>	<b>794,476</b>
Transfer to Level 3	-	891	<b>891</b>
Purchases	-	-	-
Comprehensive income/(loss)	5,068	9,352	<b>14,420</b>
- in the income statement	5,068	-	<b>5,068</b>
- in equity (Note 33)	-	9,352	<b>9,352</b>
Sales/settlement	(120,480)	-	<b>(120,480)</b>
Transfer from Level 3	-	-	-
<b>Balance at the end of the period</b>	<b>85,653</b>	<b>603,654</b>	<b>689,307</b>

## 2016

CZK thousand	Securities at fair value through profit or loss	Securities available for sale	Total
<b>Balance at the beginning of the period</b>	<b>2,759</b>	<b>872,515</b>	<b>875,274</b>
Transfer to Level 3	-	-	-
Purchases	201,991	106,759	<b>308,750</b>
Comprehensive income/(loss)	(3,685)	(29,454)	<b>(33 139)</b>
- in the income statement	(3,685)	-	<b>(3,685)</b>
- in equity (Note 33)	-	(29,454)	<b>(29,454)</b>
Sales/settlement	-	(356,409)	<b>(356,409)</b>
Transfer from Level 3	-	-	-
<b>Balance at the end of the period</b>	<b>201,065</b>	<b>593,411</b>	<b>794,476</b>

The Group measures securities at fair value through profit or loss using the technique of discounted future cash flows. In respect of securities that fall into the Level 3 category, the Group uses the discount factor for the calculation that is derived from the internal price for liquidity that is determined by the Group and concurrently reflects the credit risk of the security issuer. The price of the Group for liquidity and credit risk of the security issuer are inputs that are not observable from the data available on the market. The price of the Group for liquidity determined in the calculation is based on the resolution of the Group's ALCO Committee and reflects the level of available sources of financing of the Group and their price. In the event of a negative development of the Group's liquidity position or changes in the interbank market, the price for liquidity may increase and consequently the price of the financial instrument may decline. The credit risk of the issuer is determined on the basis of the rating of the securities issuer in the Group's rating scale. If the issuer was attributed a worse rating, the price of the financial instrument could decline by 0-10%.

The amount in Level 3, item "Securities available for sale" primarily comprises an investment in Raiffeisen stavební spořitelna, a.s. of CZK 464,701 thousand (2016: CZK 479,000 thousand) and the Group's membership in Visa Inc. in the amount of CZK 138,111 thousand (2016: CZK 114,411 thousand). Until June 2016, the Group reported an equity investment in Visa Europe of CZK 356,409 thousand in the amount of the Group's expected share in the cash settlement of the sale of Visa Europe Ltd. to Visa Inc. In accordance with the final form of the merger, the sale price is settled in three tranches: cash payment, transfer of priority shares of Visa Inc. and an additional cash payment in 2019. After the merger realised in June 2016 the Group received a cash settlement in the amount of EUR 14 million and a proportionate part of priority shares in Visa Inc. in the amount of USD 4.4 million. The Group incorporated these shares in the portfolio of "Securities available for sale" and subsequently the Group derecognised the original investment in Visa Europe. In 2016, the Group reported the result of the transaction as a profit of CZK 518,638 thousand (refer to Note 8) in "Net profit from financial operations".

#### (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 consist of limits determined by the regulator which are complemented by the limits set by the parent bank in a standardised way for the whole CEE region. In some cases, the set of limits is complemented by other internal limits that reflect the specifications of local markets to which the Group is exposed.

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 on the market 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 percent 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	Average in	At 31 December	Average in
	2017	2017	2016	2016
<b>Total market risk VaR</b>	<b>112,445</b>	<b>24,546</b>	<b>22,165</b>	<b>19,795</b>

## Interest Rate Risk

The Group monitors interest rate risk of the banking book and the trading book separately, at the level of individual currencies. The interest rate position is monitored based the sensitivity of the position to the shift in the interest rate curve (BPV). The BPV technique (basis point value) involves determining the change of the present value (both in total and in individual time periods) of the portfolio when interest rates shift by one basis point (0.01 percent). This technique is complemented by monitoring interest rate risks using Value at Risk.

CZK thousand	At 31 December		Average in	
	2017	2017	2016	2016
<b>Total interest rate risk VaR</b>	<b>3,447</b>	<b>9,025</b>	<b>18,984</b>	<b>5,296</b>
Interest rate risk VaR - banking book	7,683	8,850	,16,774	5,161
Interest rate risk VaR - trading book	5,420	5,001	2,515	2,079

## Currency Risk

The Group uses a set of limits established by reference to 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 regulatory body. These techniques are complemented by monitoring currency risks using Value at Risk.

CZK thousand	At 31 December		Average in	
	2017	2017	2016	2016
<b>Currency risk VaR</b>	<b>625</b>	<b>2,194</b>	<b>1,207</b>	<b>1,399</b>

## Market Spread Risk

To determine the risk of change in market spreads for currency forward transactions (in the trading portfolio) and for its own positions in debt instruments (state and corporate), the Group now also uses the Value at Risk technique. The significant increase in the amount of market spread VaR arising from currency positions was attributable to the extraordinary increase in the volatility of FX forward rates at the end of 2017.

CZK thousand	At 31 December		Average in	
	2017	2017	2016	2016
<b>Total market spread VaR</b>	<b>114,229</b>	<b>20,992</b>	<b>16,378</b>	<b>18,398</b>
Market spread VaR - debt instruments	8,009	9,621	,10,488	18,049
Market spread VaR - currency positions	113,884	17,859	14,208	4,202

## Equity Risk

Market risks arising from the Group's equity trading activities are managed using the Value at Risk method. At the end of 2013, the Group suspended trading with equity instruments in the banking portfolio.

## Stress Testing

The Group performs regular stress testing of interest rate risk inherent in the banking and trading portfolios, the 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 the Group's 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 these risks. The Group applies the standardised approach to calculating capital adequacy, it intends to implement the advanced (AMA) approach in the future. At present, changes are being implemented so that the advanced approach could be applied.

The basic principal 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; and*
- *Mitigation Plans.*

The objective of collecting data on the loss arising from operational risk events is not just to accumulate information but predominantly to analyse the causes of such events. More serious cases are presented to and discussed by the Operational Risk Management Committee. Through the Operational Risk Management Committee, the Group 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 educate 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 Risk Assessment is used to raise awareness of operational risks, clarify individual processes and mitigate the operational risk identified.

The Group defines and reviews the Risk Appetite on a regular basis. In using the above-specified instruments, the Group compares the identified risks with the appetite and prepares Mitigation Plans for the risks that exceed the appetite.

All instruments are used in a regular annual cycle.

## (f) Capital Risk 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 the 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 2017, the systemic risk buffer was only applied to five institutions, including Raiffeisenbank. As for the countercyclical capital buffer, in 2014, the CNB decided to set the initial buffer amount to zero, which banks were to apply 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 and to 1.25% from 1 January 2019.

The Group manages its capital adequacy with a view to ensuring its sufficient level after the natural growth in the volume of sales has been accounted for, taking into account the potential macroeconomic development and the environment of changing regulatory requirements. The Group monitors changes in regulatory requirements on an ongoing basis, assessing their impact as part of the capital planning process.

As a local supervisory authority, the CNB monitors whether the Group complies with capital adequacy on a separate as well as consolidated basis. In 2017, the Group met all regulatory requirements.

## Internal Capital System

In line with Pillar 2 of Basel II, the Group creates its own Internal Capital System (hereinafter the "ICS"). The process ensures that the Group is able to:

- Identify, quantify, manage and monitor all risks to a sufficient degree;
- Secure and maintain the necessary amount of capital to cover all material risks; and
- Set up reliable management of the risks, and develop and perfect it on an ongoing basis.

As part of the ICS, the Group proceeds in line with the applicable methodology, which is updated on an annual basis following developments in the ICS. The methodology is based on key parameters defined in line with the Group's general nature, size and risk profile. The key parameters are based on the Group's target rating, according to which the applied reliability level (99.9%), the timeframe for calculating economic capital (1 year) and the planning timeframe (3 years) are determined.

The Group determines 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 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, 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 (ie the amount of economic capital) is determined as 75% of internal capital. The unallocated portion of internal capital serves as a buffer. If limits defined under the risk appetite are exceeded, the Board of Directors is immediately notified and corrective measures are taken.

As part of the ICS process, all relevant risks to which the 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 future developments.

The ICS forms part of financial planning (in the form of risk appetite). The creation of the financial plan is reflected in regular monthly stress tests in the form of capital prediction and development planning. Throughout the year, ICS reports are individually submitted to the Board of Directors as part of the quarterly report. In addition, ICS reports are submitted, on a monthly basis, to the Assets and Liabilities Management Committee. The Group applies the ICS both on a local (monthly) and a consolidated basis (quarterly).

## 40. 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 of the Group are managed using the methods and instruments applied by the Group in managing its market risk exposures.

### (a) Assessment and Classification of Receivables

The Group assesses its receivables in accordance with the principles determined by CNB's Regulation No. 163/2014 dated 30 July 2014, on the Activities of Banks, Savings Banks and Credit Cooperatives and Securities Traders ("Regulation of the Czech National Bank"), as amended, and also in accordance with IAS 39 and internal regulations.

The Group assesses receivables based on the fulfilment of the criteria. Individual receivables are classified into five categories according to the Regulation of the Czech National Bank. For each client, each criterion is evaluated individually and the receivable is subsequently classified on the basis of the worst rating of the criteria to one of the following categories: standard, watch, substandard, doubtful, and loss. Substandard, doubtful and loss receivables are aggregately designated as receivables with debtor's default. If the Group records more receivables from one client, they are all classified in the same category, based on the receivable with the least favourable rating. This rule does not apply to retail receivables where the default and sub-categories are allocated on the level of receivables rather than the client.

The classification is performed on a monthly basis, with the key criteria being:

- Number of days past maturity;
- Financial position of the debtor – client/transaction rating;
- Implementation of enforced restructuring;
- Resolution on insolvency; and
- Other individually assessed events relating to the anticipated customer's compliance with contractual obligations.

## (b) Provisioning for Receivables

The Group determines impairment of individual receivables or the portfolio of receivables with similar characteristics in terms of credit risk.

The Group applies the portfolio approach in respect of individually assessed receivables where no impairment was noted individually. In this case, the Group also determines impairment of the portfolio of similar individually unimpaired loans.

Portfolio provisions are calculated pursuant to the anticipated development in the loan portfolio (probability of default, default loss, etc).

The amount of the individual provision is determined based on the anticipated cash flows. Future cash flows are estimated pursuant to the assessment of all available information, including the estimated collateral value, possibility of the sale of a receivable, proceeds from the bankruptcy and anticipated length of the recovery process.

Problematic receivables from the SME and Corporate segments are dealt with by the Workout division. Significant (in terms of volume) loans are assessed by the Problem Loan Committee.

The value of the future cash flows of retail receivables is estimated on the basis of the historical behaviour of similar receivables and historical success of the recovery process.

The Group determines provisions for receivables at least on a monthly basis.

## (c) Evaluation of Collateral

Generally, the Group requires collateral for loans granted to certain debtors prior to the issuance of the loan. For the purpose of calculating provisioning levels, the Group considers the following types of collateral as eligible collateral which reduces gross credit exposure:

- Cash;
- Real estate;
- First-class receivables;
- Bank guarantees;
- Guarantee provided by a reputable third party;
- Machinery and equipment – movable assets;
- First-class securities; and
- Inventory and commodities.

In arriving at the realisable value of collateral of immovable and movable assets, the Group refers to estimates of usual prices supervised by a specialised department of the Group or internal assessments prepared by this department. 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 and correction coefficients depending on the type and quality of the collateral, usually on an annual basis.

## (d) Credit Risk Measurement Methods

The principal credit risk management methods in retail include 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 (default probability 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.

## (e) 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 of the balance sheet date, the Group recorded no significant credit risk concentration exposure to an individual client or an economically connected entity that would exceed limits set by the Czech National Bank.

The credit risk concentration analysis by sectors/industry and concentration by geographical areas is provided in Notes 19(c), 19(d) and 19(i).

## (f) 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.

## (g) 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 that do not represent default under the CNB's Regulation in 2014.

The key criterion in treating an exposure as forborne is a customer's financial health as of 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'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 Group. The above-specified processes have an impact on the classification of receivables under the five sub-categories of loan quality as specified in the CNB's Regulation (standard, monitored, non-standard, doubtful, and loss-making) and, consequently, on the assessment of the amount of individual and portfolio allowances.

### The credit risk analysis of loans and advances to forbore customers under IFRS 7

Loans and advances to forbore customers						
CZK thousand	Before due date without default	After due date with default	With default	Total forbearance	Allowances	Collateral
31 December 2017						
Public sector	-	-	-	-	-	-
Loans to corporate entities	1,100,191	1,246	510,763	1,612,200	(192,736)	1,139,251
Loans to private individuals	1,097,348	11,154	820,520	1,929,022	(643,488)	1,116,238
Small and medium-sized enterprises (SME)	182,476	976	235,375	418,827	(216,150)	231,036
<b>Total</b>	<b>2,380,015</b>	<b>13,376</b>	<b>1,566,658</b>	<b>3,960,049</b>	<b>(1,052,374)</b>	<b>2,486,525</b>

Loans and advances to forbore customers						
CZK thousand	Before due date without default	After due date with default	With default	Total forbearance	Allowances	Collateral
31 December 2016						
Public sector	-	-	-	-	-	-
Loans to corporate entities	1,068,591	52,637	1,739,923	2,861,151	(783,902)	1,726,396
Loans to private individuals	1,012,459	231,549	1,092,081	2,336,089	(740,481)	1,351,891
Small and medium-sized enterprises (SME)	82,060	2,071	167,457	251,588	(223,714)	169,259
<b>Total</b>	<b>2,163,110</b>	<b>286,257</b>	<b>2,999,461</b>	<b>5,448,828</b>	<b>(1,748,097)</b>	<b>3,247,546</b>

The Group recognises no forbore loans and advances to banks.

The Group's interest income includes interest on loans and advances to forbore customers in the amount of CZK 157,727 thousand (2016: CZK 202,551 thousand).

### Development of loans and advances to forbore customers

CZK thousand	Loans to corporate entities	Loans to private individuals	Small and medium-sized entities (SME)	Total
2017				
Balance as of 1 January	2,861,151	2,336,089	251,588	5,448,828
Additions (+)	287,221	236,300	-	523,521
Disposals (-)	(55 387)	(259 050)	(17 695)	(332 132)
Movements in exposures (+/-)	(1,480 785)	(384 317)	184,934	(1,680 168)
<b>Balance at 31 December</b>	<b>1,612,200</b>	<b>1,929,022</b>	<b>418,827</b>	<b>3,960,049</b>

CZK thousand	Loans to corporate entities	Loans to private individuals	Small and medium-sized entities (SME)	Total
<b>2016</b>				
<b>Balance as of 1 January</b>	<b>3,452,958</b>	<b>3,962,152</b>	<b>471,550</b>	<b>7,886,660</b>
Additions (+)	260,900	230,219	-	491,119
Disposals (-)	(277 711)	(1,345 920)	(55 990)	(1,679 621)
Movements in exposures (+/-)	(574 996)	(510 362)	(163 972)	(1,249 330)
<b>Balance at 31 December</b>	<b>2,861,151</b>	<b>2,336,089</b>	<b>251,588</b>	<b>5,448,828</b>

#### The carrying amount of loans to forborne customers compared to the total loans and advances to customers

CZK thousand	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
<b>2017</b>			
Public sector	891,580	-	-
Loans to corporate entities	98,564,307	1,612,200	1.6%
Loans to private individuals	105,287,267	1,929,022	1.8%
Small and medium-sized enterprises (SME)	19,295,771	418,827	2.2%
<b>Total at 31 December 2017</b>	<b>224,038,925</b>	<b>3,960,049</b>	<b>1.8%</b>

CZK thousand	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
<b>2016</b>			
Public sector	1,091,958	-	-
Loans to corporate entities	101,992,863	2,861,151	2.8%
Loans to private individuals	98,156,653	2,336,089	2.4%
Small and medium-sized enterprises (SME)	16,434,218	251,588	1.5%
<b>Total at 31 December 2016</b>	<b>217,675,692</b>	<b>5,448,828</b>	<b>2.5%</b>

## (h) Securitisation

The Group eliminates the credit risk of its exposures through synthetic securitisation. Securitisation involves merging loan exposure portfolios (loans and advances, guarantees and commitments) with the appropriate level of loan quality where the Group offers to transfer the credit risk arising from the loan exposures in securitisation to investors. The transactions are principally aimed at the improvement of the capital adequacy of the Group and the parent group. The loan exposures included in the synthetic securitisation performed by the Group do not meet the conditions for de-recognition of assets from the statement of financial position.

For an updated analysis of the Group's securitisation transactions, refer to Note 19(g).

## (i) Portfolio quality

The rating which represents the portfolio quality is an internal rating used by the Raiffeisen Group.

For retail clients, the rating is in the interval from 0.5 to 5, where 5 represents default. The rating in the interval from 6.1 to 6.5 is used for project financing where 6.5 represents default. For corporate clients, the Group uses rating in the interval from 1A, 1B, 1C, 2A, 2B etc. to 9A, 9B, 9C and 10 where 10 represents default. The corporate rating is additionally used for retail clients that have corporate products and are treated as corporate clients in terms of risks. The Group uses rating in the interval from A1 to D, where D is default, for financial institutions and public sector institutions.

CZK thousand	Rating	2017	2016
<b>Retail clients:</b>			
Highly excellent credit rating	0.5	50,420,833	33,451,934
Excellent credit rating	1.0	21,988,671	24,576,246
Very good credit rating	1.5	12,711,373	14,620,960
Good credit rating	2.0	8,764,580	10,218,873
Healthy credit rating	2.5	6,416,691	7,072,264
Acceptable credit rating	3.0	3,163,401	4,220,277
Limit credit rating	3.5	1,777,458	2,120,310
Weak credit rating	4.0	768,695	1,082,587
Very weak credit rating /monitored	4.5	993,694	1,177,355
Default	5.0	3,346,312	4,144,969
<b>Project financing:</b>			
Excellent project profile - very low risk	6.1	31,050,035	30,784,362
Good project profile - low risk	6.2	2,817,118	6,630,489
Acceptable project profile - average risk	6.3	500,701	1,265,182
Bad project profile - high risk	6.4	85,307	129,254
Default	6.5	321,133	471,621
<b>Corporate clients:</b>			
Highly excellent credit rating	1A-1C	-	-
Excellent credit rating	2A-2C	83,681	1,263,644
Very good credit rating	3A-3C	3,957,719	3,787,238
Good credit rating	4A-4C	6,808,643	7,263,092
Healthy credit rating	5A-5C	16,508,957	16,620,030
Acceptable credit rating	6A-6C	27,408,611	23,651,041
Limit credit rating	7A-7C	10,356,881	7,595,020
Weak credit rating	8A-8C	2,202,220	2,251,587
Very weak credit rating /monitored	9A-9C	711,850	737,375
Default	10	1,974,345	3,296,123
<b>Financial institutions and public sector institutions:</b>			
Highly excellent credit rating	A1	19,964	7,585
Excellent credit rating	A2	34,978	19,663
Very good credit rating	A3	7,663	49,504
Good credit rating	B1	2,495,283	3,795,985
Healthy credit rating	B2	36,928	22,689
Acceptable credit rating	B3	10,572	5,099
Limit credit rating	B4	770,120	984,103
Weak credit rating	B5	1,059	-
Very weak credit rating /monitored	C	-	-
No rating: before due date		5,520,706	4,345,078
No rating: past due date		2,743	14,153
<b>Total</b>		<b>224,038,925</b>	<b>217,675,692</b>

## (j) Credit Quality of Not Due and Individually Unimpaired Loans to Customers

According to individual rating categories, the Group has the following undue and unimpaired financial assets according to its rating:

CZK thousand	Rating	2017	2016
<b>Retail clients:</b>			
Highly excellent credit rating	0.5	50,420,781	33,404,568
Excellent credit rating	1.0	21,988,420	24,505,983
Very good credit rating	1.5	12,711,081	14,538,183
Good credit rating	2.0	8,763,272	10,098,897
Healthy credit rating	2.5	6,414,336	6,880,525
Acceptable credit rating	3.0	3,158,145	3,965,411
Limit credit rating	3.5	1,763,599	1,818,413
Weak credit rating	4.0	759,602	733,618
Very weak credit rating /monitored	4.5	932,488	291,660
Default	5.0	7,507	352,487
<b>Project financing:</b>			
Excellent project profile - very low risk	6.1	31,039,944	29,277,017
Good project profile - low risk	6.2	2,817,074	6,404,353
Acceptable project profile - average risk	6.3	500,701	1,111,474
Bad project profile - high risk	6.4	85,307	124,257
Default	6.5	17903	332716
<b>Corporate clients:</b>			
Highly excellent credit rating	1A-1C	-	-
Excellent credit rating	2A-2C	83,681	1,275,461
Very good credit rating	3A-3C	3,956,818	3,714,697
Good credit rating	4A-4C	6,728,797	7,240,233
Healthy credit rating	5A-5C	16,489,367	16,111,256
Acceptable credit rating	6A-6C	27,265,350	24,371,234
Limit credit rating	7A-7C	10,220,459	7,758,805
Weak credit rating	8A-8C	2,126,985	2,177,924
Very weak credit rating /monitored	9A-9C	677,049	701,077
Default	10	71,430	1,099,266
<b>Financial institutions and public sector institutions:</b>			
Highly excellent credit rating	A1	19,964	7,585
Excellent credit rating	A2	34,978	19,663
Very good credit rating	A3	7,663	49,504
Good credit rating	B1	2,495,284	2,864,253
Healthy credit rating	B2	36,928	22,689
Acceptable credit rating	B3	10,557	5,099
Limit credit rating	B4	770,120	981,410
Weak credit rating	B5	1,059	-
Very weak credit rating /monitored	C	-	-
No rating		5,409,127	4,048,901
<b>Total</b>		<b>217,785,776</b>	<b>206,288,619</b>

**(k) Maximum Exposure to Credit Risk**

2017	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
CZK thousand						
Cash and balances with central banks	8,621,302	-	8,621,302	-	-	-
Loans and advances to financial institutions*	105,330,023	393,155	105,723,178	528,569	-	528,569
Loans and advances to customers*	218,982,445	42,707,097	261,689,542	180,058,525	18,301,526	198,360,051
Positive fair value of financial derivative transactions	3,859,416	-	3,859,416	282,591	-	282,591
Securities held to maturity	-	-	-	-	-	-
Securities at fair value through profit or loss	156,446	-	156,446	-	-	-
Securities available for sale	603,654	-	603,654	-	-	-
Income tax receivable	7,886	-	7,886	-	-	-
Other assets	1,468,095	-	1,468,095	-	-	-

\* including allowances

The values of the allocated collateral presented in the table above do not include the portfolio guarantee received as part of securitisation in the amount of CZK 1,966,580 thousand (refer to Note 19 (g)).

2016	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
CZK thousand						
Cash and balances with central banks	92,080,041	-	92,080,041	-	-	-
Loans and advances to financial institutions*	5,782,128	390,979	6,173,107	1,176,106	-	1,176,106
Loans and advances to customers*	211,411,650	40,555,570	251,967,220	179,492,317	18,985,516	198,477,833
Positive fair value of financial derivative transactions	3,885,435	-	3,885,435	743,177	-	743,177
Securities held to maturity	2,545,956	-	2,545,956	-	-	-
Securities at fair value through profit or loss	733,639	-	733,639	-	-	-
Securities available for sale	594,302	-	594,302	-	-	-
Income tax receivable	5,041	-	5,041	-	-	-
Other assets	1,510,566	-	1,510,566	-	-	-

\* including allowances

The values of the allocated collateral presented in the table above do not include the portfolio guarantee received as part of securitisation in the amount of CZK 2,080,540 thousand (refer to Note 19 (g)).

## (I) Offset of 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.

2017			Relevant amount not offset in the consolidated statement of financial position			
CZK thousand	Amount of an asset/liability reported in the consolidated statement of financial position	Amount of an asset/liability offset in the consolidated statement of financial position	Net amount reported in the consolidated statement of financial position	Financial instrument	Received cash collateral	Total
<b>Assets</b>						
Positive values of financial derivatives	3,504,226	-	3,504,226	3,211,784	282,591	9,851
Loans and advances to financial institutions	103,057,882	-	103,057,882	101,649,771	-	1,408,111
<b>Total assets</b>	<b>106,562,108</b>	<b>-</b>	<b>106,562,108</b>	<b>104,861,555</b>	<b>282,591</b>	<b>1,417,962</b>
<b>Liabilities</b>						
Negative values of financial derivatives	3,865,866	-	3,865,866	3,211,784	457,165	196,917
Amounts due to customers	5,000,250	-	5,000,250	4,931,000	-	69,250
<b>Total liabilities</b>	<b>8,866,116</b>	<b>-</b>	<b>8,866,116</b>	<b>8,142,784</b>	<b>457,165</b>	<b>266,167</b>
2016			Relevant amount not offset in the consolidated statement of financial position			
CZK thousand	Amount of an asset/liability reported in the consolidated statement of financial position	Amount of an asset/liability offset in the consolidated statement of financial position	Net amount reported in the consolidated statement of financial position	Financial instrument	Received cash collateral	Total
<b>Assets</b>						
Positive values of financial derivatives	3,066,824	-	3,066,824	2,294,825	743,177	28,822
Loans and advances to financial institutions	191,953	-	191,953	191,953	-	-
<b>Total assets</b>	<b>3,258,777</b>	<b>-</b>	<b>3,258,777</b>	<b>2,486,778</b>	<b>743,177</b>	<b>28,822</b>
<b>Liabilities</b>						
Negative values of financial derivatives	2,750,401	-	2,750,401	2,294,825	324,271	131,305
<b>Total liabilities</b>	<b>2,750,401</b>	<b>-</b>	<b>2,750,401</b>	<b>2,294,825</b>	<b>324,271</b>	<b>131,305</b>

## 41. CHANGES IN THE CONSOLIDATION GROUP

### (a) Newly Consolidated Entities in the Year Ended 31 December 2017

In 2017, the Group did not acquire any entities that would be included in the consolidation using the full consolidation or equity accounting methods.

### (b) Newly Consolidated Entities in the Year Ended 31 December 2016

In 2016, the Group purchased Nordica Office s.r.o. and included it in the consolidation using the equity method of accounting. Detailed information on the assets and liabilities of the entity as of the acquisition date is presented in the summary table below.

CZK thousand	Fair value as of the date of inclusion in the consolidation group
	Nordica Office, s.r.o.
<b>Assets</b>	
Cash and balances with central banks	21,073
Loans and advances to customers	4,762
Tangible and intangible fixed assets	387,300
Deferred tax asset	17,267
Other assets	16,687
Amounts owed to financial institutions	270,001
Amounts owed to customers	59,942
Other liabilities	5,324
Fair value of the identifiable net assets	111,822
<b>Fair value of the Group's share in the identifiable net assets</b>	<b>55,911</b>
Cost of investment	27,692
<b>Cash inflow/(outflow) arising from the acquisition</b>	<b>(27 692)</b>

### (c) Disposals for the Year Ended 31 December 2017

In 2017, the Group sold the subsidiary RLRE Dorado Property, s.r.o. and demerged RLRE Carina Property, s.r.o. to RLRE Carina Property, s.r.o. and REF HP1 s.r.o. REF HP1 s.r.o. was sold outside the Group.

Sale of RLRE Dorado Property, s.r.o.

CZK thousand	Fair value as of the sale date
Value of investment as of the sale date	181
Selling price of the equity investment	-
Profit/(loss) arising from the sale	(181)
<b>Cash inflow/(outflow) arising from the sale</b>	<b>-</b>

Sale of REF HP1 s.r.o.

CZK thousand	Fair value as of the sale date
Value of investment as of the sale date	2
Selling price of the equity investment	62,761
Profit/(loss) arising from the sale	62,759
<b>Cash inflow/(outflow) arising from the sale</b>	<b>10,740</b>

## (d) Disposals for the Year Ended 31 December 2016

In 2016, the Group sold the associate Bondy Centrum s.r.o.

CZK thousand	Fair value as of the sale date
Value of investment as of the sale date	1,120
Selling price of the equity investment	279,499
Profit/(loss) arising from the sale	278,379
<b>Cash inflow/(outflow) arising from the sale</b>	<b>279,499</b>

## 42. RELATED PARTY TRANSACTIONS

### At 31 December 2017

For related party transaction reporting purposes, the Group considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Bank International AG (entity with controlling influence on the Bank exercised indirectly) to be its parent companies. Related party transactions are concluded under standard business terms and arm's length prices.

CZK thousand	Parent companies	Entities with significant influence over the Group	Associates and jointly controlled entities	Board of Directors, Supervisory Board and other managers	Other related parties	Total
Receivables	890,583	-	611,323	147,996	422,371	<b>2,072,273</b>
Positive fair value of financial derivatives	2,700,542	-	-	-	9,297	<b>2,709,839</b>
Payables	17,456,858	34,302	52,077	109,696	18,697,643	<b>36,350,576</b>
Negative fair value of financial derivatives	3,194,964	-	-	-	944	<b>3,195,908</b>
Other capital instruments	2,615,354	-	-	-	-	<b>2,615,354</b>
Subordinated loan	2,586,645	-	-	-	-	<b>2,586,645</b>
Guarantees issued	15,222	-	-	-	304,250	<b>319,472</b>
Guarantees received	885,032	-	-	-	325,000	<b>1,210,032</b>
Nominal values of financial derivatives (off-balance sheet receivables)	309,153,449	-	-	-	628,524	<b>309,781,973</b>
Nominal values of financial derivatives (off-balance sheet payables)	309,011,099	-	-	-	620,250	<b>309,631,349</b>
Provided irrevocable loan commitments	-	-	-	(26,777)	-	<b>(26,777)</b>
Interest income	1,108,272	(310)	20,041	2,400	9,259	<b>1,139,662</b>
Interest expense	(883,740)	303	-	(337)	(207,099)	<b>(1,090,873)</b>
Fee and commission income	29,770	303	-	-	19,865	<b>49,938</b>
Fee and commission expense	(16,689)	-	-	-	(66,300)	<b>(82,989)</b>
Net profit or loss on financial operations	(3,719,641)	-	-	-	69,582	<b>(3,650,059)</b>
General administrative expenses	(160,637)	-	-	(93,013)	(5,486)	<b>(259,136)</b>
Other operating income, net	1,148	-	-	-	2,911	<b>4,059</b>

### The receivables are principally composed of the following deposits with:

Credit balances on the current account maintained at:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 890,583 thousand.

Provided loans:

- Flex-Space Plzeň I, spol. s r.o. (under joint control of Czech Real Estate Fund B. V.) in the amount of CZK 111,168 thousand;
- Nordica Office, s.r.o. (under joint control of Raiffeisen Direct Investments CZ) in the amount of CZK 232,874 thousand; and
- Karlín Park, s.r.o. (under joint control of Raiffeisen Direct Investments CZ) in the amount of CZK 267,282 thousand.

Nominal values of financial derivatives – off-balance sheet receivables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 309,153,449 thousand; and
- Raiffeisen Polbank (fellow subsidiary) in the amount of CZK 582 048 thousand.

The payables are principally composed of:

- Credit balances on the current account of the Group from:
- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,749,903 thousand.

Term deposits:

- UNIQA Österreich Versicherung AG (associate of the parent company Raiffeisen Bank International AG) in the amount of CZK 2,185,110 thousand;
- UNIQA pojišťovna, a.s. (associate of the parent company Raiffeisen Bank International AG) in the amount of CZK 301,380 thousand;
- Raiffeisenbank (Bulgaria) EAD (fellow subsidiary) in the amount of CZK 907,156 thousand; and
- Raiffeisen Bank Zrt. (fellow subsidiary) in the amount of CZK 7,300,711 thousand.

Repurchase transactions:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 5,000,250 thousand.

Issued debt securities of the Group:

- Raiffeisenbank Hungary (fellow subsidiary) in the amount of CZK 3,913,106 thousand;
- Raiffeisenbank Bulgaria (fellow subsidiary) in the amount of CZK 1,759,168 thousand;
- Raiffeisen Bank International AG (parent company) in the amount of CZK 9,612,176 thousand; and
- Raiffeisen Bank Albania (fellow subsidiary) in the amount of CZK 2,305,794 thousand.

Nominal values of financial derivatives – off-balance sheet payables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 309,011,099 thousand.

Subordinate loans:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,586,645 thousand.

Other capital instruments – subordinated unsecured AT1 capital investment certificates purchased:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,615,354 thousand.

**At 31 December 2016**

For related party transaction reporting purposes, the Group considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and Raiffeisen-Landesbanken-Holding GmbH (entities with controlling influence on the Group exercised indirectly) to be its parent companies. Related party transactions are concluded under standard business terms and arm's length prices.

<b>CZK thousand</b>	<b>Parent companies</b>	<b>Entities with significant influence over the Group</b>	<b>Associates and jointly controlled entities</b>	<b>Board of Directors, Supervisory Board and other managers</b>	<b>Other related parties</b>	<b>Total</b>
Receivables	507,288	-	474,670	112,473	106,768	<b>1,201,199</b>
Positive fair value of financial derivatives	2,475,373	-	-	-	848	<b>2,476,221</b>
Payables	15,029,493	222,216	8,117	94,549	22,676,987	<b>38,031,362</b>
Negative fair value of financial derivatives	1,799,212	-	-	-	35	<b>1,799,247</b>
Other capital instruments	1,934,450	-	-	-	-	<b>1,934,450</b>
Subordinated loan	2,737,981	-	-	-	-	<b>2,737,981</b>
Guarantees issued	35,222	-	-	-	14,984	<b>50,206</b>
Guarantees received	1,732,657	-	-	-	39,139	<b>1,771,796</b>
Nominal values of financial derivatives (off-balance sheet receivables)	248,150,842	-	-	-	691,552	<b>248,842,394</b>
Nominal values of financial derivatives (off-balance sheet payables)	247,679,999	-	-	-	690,710	<b>248,370,709</b>
Provided irrevocable loan commitments	(275,185)	(12,984)	-	(10,653)	(153,103)	<b>(451,925)</b>
Interest income	6,890	260	6,038	2,012	23,037	<b>38,237</b>
Interest expense	(92,756)	(7)	-	(303)	(181,279)	<b>(274,345)</b>
Fee and commission income	15,979	48	-	-	18,696	<b>34,723</b>
Fee and commission expense	(16,521)	-	-	-	(41,745)	<b>(58,266)</b>
Net profit or loss on financial operations	619,864	-	-	-	(11,344)	<b>608,520</b>
General administrative expenses	(149,942)	-	-	(86,187)	(1,353)	<b>(237,482)</b>
Other operating income, net	-	-	-	-	4,474	<b>4,474</b>

### The receivables are principally composed of the following deposits with:

Credit balances on the current account maintained at:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 507,288 thousand.

Provided loans:

- Flex-Space Plzeň I., spol. s r.o. (under joint control of Czech Real Estate Fund B. V.) in the amount of CZK 120,960 thousand;
- Nordica Office, s.r.o. (under joint control of Raiffeisen Direct Investments CZ) in the amount of CZK 247,071 thousand; and
- Karlín Park, s.r.o. (under joint control of Raiffeisen Direct Investments CZ) in the amount of CZK 106,599 thousand.

Nominal values of financial derivatives – off-balance sheet receivables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 248,150,842 thousand.

The payables are principally composed of:

- Credit balances on the current account of the Group from:
- Raiffeisen Bank International AG (parent company) in the amount of CZK 328,473 thousand.

Term deposits:

- UNIQA Österreich Versicherung AG (associate of the parent company Raiffeisen Zentralbank Österreich AG) in the amount of CZK 1,176,455 thousand;
- Raiffeisen Versicherung AG (associate of the parent company Raiffeisen Zentralbank Österreich AG) in the amount of CZK 1,185,590 thousand;
- UNIQA pojišťovna, a.s. (associate of the parent company Raiffeisen Zentralbank Österreich AG) in the amount of CZK 301,458 thousand;
- Raiffeisenbank AO (fellow subsidiary) in the amount of CZK 5,149,018 thousand;
- Raiffeisenbank (Bulgaria) EAD (fellow subsidiary) in the amount of CZK 1,490,835 thousand; and
- Raiffeisen Bank Zrt. (fellow subsidiary) in the amount of CZK 9,333,110 thousand.

Received collateralising deposit:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 783,445 thousand.

Issued debt securities of the Group:

- Raiffeisenbank Hungary (fellow subsidiary) in the amount of CZK 2,854,884 thousand;
- Raiffeisenbank Bulgaria (fellow subsidiary) in the amount of CZK 1,490,835 thousand; and
- Raiffeisen Bank International AG (parent company) in the amount of CZK 6,977,106 thousand.

Nominal values of financial derivatives – off-balance sheet payables:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 247,679,999 thousand; and
- Raiffeisen Leasing (subsidiary) in the amount of CZK 8,033,972 thousand.

Subordinate loans:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 2,737,981 thousand.

Other capital instruments – subordinated unsecured AT1 capital investment certificates purchased:

- Raiffeisen Bank International AG (parent company) in the amount of CZK 1,934,450 thousand.

## 43. POST BALANCE SHEET EVENTS

No other events occurred subsequent to the balance sheet date that would have a material impact on the consolidated financial statements as of 31 December 2017.

## 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 impairment, 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 2017, the Bank was a party to 27 legal proceedings as a defendant with a total claimed amount of CZK 1,717 million and to 2 legal proceedings as a plaintiff with a total claimed amount of CZK 7 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 32 - "Contingent liabilities".

As of 31 December 2017, the Group was a party to 31 legal proceedings as a defendant with a total claimed amount of CZK 1,717 million and to 2 legal proceedings as a plaintiff with a total claimed amount of CZK 7 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 35 - "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 2017, including Raiffeisenbank. In December 2015, the Czech National Bank set a countercyclical capital buffer to the amount of 0.5% beginning in January 2017 and subsequently to 1.0% from 1 July 2018 and to 1.25% from 1 January 2019.

### Consolidated Capital and Risk Weighted Assets

Consolidated regulatory capital for the capital adequacy calculation as at 31 December 2017 amounted to almost CZK 23.4 billion. Regulatory capital as at year-end does not reflect the current year's profit until shareholders approve the Bank's audited financial statements.

The consolidated capital adequacy of the Group amounted to 16.8%, and consolidated Core Tier 1 ratio amounted to 13.4%. Risk weighted assets of the Group reached as at the end of 2017 CZK 139.8 billion (2016: CZK 135.1 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. 2017	at 31. 12. 2016
Share capital	11,060,800	11,060,800
Retained earnings	9,895,720	8,850,893
Reserve fund	693,561	693,561
Valuation gains or losses	96,897	(61,153)
Other capital instruments	2,615,354	1,934,450
Profit for the year	2,824,658	2,604,336
Non-controlling interests	-	-
<b>Total shareholders' equity</b>	<b>27,186,990</b>	<b>25,082,887</b>
<b>Total Adjustments to Common equity tier 1</b>		
Profit for the year	(2,824,658)	(2,604,336)
Intangible fixed assets	(2,346,742)	(2,172,717)
Deferred tax assets	(24,890)	(57,390)
Provision shortage for IRB positions	(566,843)	(490,473)
Additional valuation adjustment (AVA) according to CRR	(31,778)	(27,923)
Securitisation - junior tranche (with 1 250% risk weight)	(357,560)	(378,280)
Valuation gains or losses	(96,897)	61,153
Retained earnings adjustment	-	-
Reserve fund adjustment	-	-
Non-controlling interests	-	-
Other capital instruments	(2,615,354)	(1,934,450)
<b>Common equity tier 1 (after deductions)</b>	<b>18,322,269</b>	<b>17,478,471</b>
Other capital instruments	2,615,354	1,934,450
<b>Tier 1 (after deductions)</b>	<b>20,937,623</b>	<b>19,412,921</b>
Subordinated loans	1,648,724	2,299,578
IRB Excess of provisions over expected losses eligible	488,032	433,061
<b>Aggregate amount of Tier 2 capital</b>	<b>2,136,756</b>	<b>2,732,639</b>
<b>Total capital</b>	<b>23,074,379</b>	<b>22,145,560</b>

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

	unconsolidated	unconsolidated
CZK thousand	at 31. 12. 2017	at 31. 12. 2016
Total capital requirement for credit risk	8,925,400	8,674,352
- Internal rating approach (IRB)	8,907,316	8,663,757
- Standardised approach (STA)	4,693	1,779
- credit value adjustment (CVA risk)	13,391	8,816
Total capital requirement related to position, foreign exchange and commodity risks	241,007	160,415
Total capital requirement for operational risk	1,268,462	1,276,498
<b>Total capital requirement</b>	<b>10,434,869</b>	<b>10,111,265</b>

<b>Risk weighted assets:</b>	<b>unconsolidated</b>	<b>unconsolidated</b>
<b>CZK thousand</b>	<b>at 31. 12. 2017</b>	<b>at 31. 12. 2016</b>
<b>Internal rating approach (IRB)</b>	<b>111,341,449</b>	<b>108,296,961</b>
Central governments and central banks exposures	18,500	44,422
Bank exposures	2,132,906	2,825,846
Corporate customer exposures	67,252,458	65,872,232
Retail customer exposures	35,372,067	33,196,477
Equity exposures	3,234,879	2,445,709
Exposures related to securitisation	1,640,699	1,735,775
Other exposures	1,689,941	2,176,501
<b>Standardised approach (STA)</b>	<b>58,664</b>	<b>22,236</b>
Regional governments and municipalities exposures	1,696	-
Bank exposures	-	-
Corporate customer exposures	46,685	15,090
Retail customer exposures	-	-
Exposures secured by immovable property	10,282	7,146
Exposures at default	-	-
Equity exposures	-	-
Other exposures	-	-
<b>Credit value adjustment (CVA risk)</b>	<b>167,386</b>	<b>110,201</b>
<b>Total Risk weighted assets for credit risk</b>	<b>111,567,499</b>	<b>108,429,398</b>
Risk weighted assets for position, foreign exchange and commodity risks	3,012,584	2,005,190
Risk weighted assets for the operating risk	15,855,773	15,956,227
<b>Total risk weighted assets:</b>	<b>130,435,856</b>	<b>126,390,815</b>

<b>Capital ratios</b>	<b>unconsolidated</b>	<b>unconsolidated</b>
	<b>at 31. 12. 2017</b>	<b>at 31. 12. 2016</b>
Core Tier 1 capital adequacy ratio	14,05,%	13,83,%
Tier 1 capital adequacy ratio	16,05,%	15,36,%
Total capital adequacy ratio	17,69,%	17,52,%

<b>Ratio indicators</b>	<b>unconsolidated</b>	<b>unconsolidated</b>
	<b>at 31. 12. 2017</b>	<b>at 31. 12. 2016</b>
Return on average assets (ROAA) before tax	1,12 %	1,14 %
Return on average Tier 1 capital (ROAE) after tax	13,70 %	14,05 %
Assets per one employee (CZK thousand)	116,508	105,042
General administrative expenses per one employee (CZK thousand)	2,063	2,070
Net profit or loss per one employee (CZK thousand)	965	882

	<b>consolidated</b>	<b>consolidated</b>
<b>CZK thousand</b>	<b>at 31. 12. 2017</b>	<b>at 31. 12. 2016</b>
Share capital	11,060,800	11,060,800
Retained earnings	10,345,592	9,283,904
Reserve fund	693,918	693,918
Valuation gains or losses	105,796	(96,701)
Other capital instruments	2,615,354	1,934,450
Profit for the year	3,083,570	2,794,412
Non-controlling interests	-	744,368
<b>Total shareholders' equity</b>	<b>27,905,030</b>	<b>26,415,151</b>
<b>Total Adjustments to Common equity tier 1</b>		
Profit for the year	(3,083,570)	(2,794,412)
Intangible fixed assets	(2,369,011)	(2,192,305)
Deferred tax assets	(24,890)	(57,390)
Provision shortage for IRB positions	(559,750)	(483,515)
Additional valuation adjustment (AVA) according to CRR	(31,778)	(27,923)
Securitisation - junior tranche (with 1 250% risk weight)	(357,560)	(378,280)
Valuation gains or losses	(105,796)	96,701
Retained earnings adjustment	(70,998)	(93,884)
Reserve fund adjustment	(357)	(357)
Non-controlling interests	-	(744,368)
Other capital instruments	(2,615,354)	(1,934,450)
<b>Common equity tier 1 (after deductions)</b>	<b>18,685,966</b>	<b>17,804,968</b>
Other capital instruments	2,615,354	1,934,450
<b>Tier 1 (after deductions)</b>	<b>21,301,320</b>	<b>19,739,418</b>
Subordinated loans	1,648,724	2,299,578
IRB Excess of provisions over expected losses eligible	488,032	433,061
<b>Aggregate amount of Tier 2 capital</b>	<b>2,136,756</b>	<b>2,732,639</b>
<b>Total capital</b>	<b>23,438,076</b>	<b>22,472,057</b>

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

	<b>consolidated</b>	<b>consolidated</b>
<b>CZK thousand</b>	<b>at 31. 12. 2017</b>	<b>at 31. 12. 2016</b>
Total capital requirement for credit risk	9,578,444	9,333,808
- Internal rating approach (IRB)	8,282,349	8,090,434
- Standardised approach (STA)	1,282,704	1,234,558
- credit value adjustment (CVA risk)	13,391	8,816
Total capital requirement related to position, foreign exchange and commodity risks	241,007	160,415
Total capital requirement for operational risk	1,363,002	1,317,690
<b>Total capital requirement</b>	<b>11,182,453</b>	<b>10,811,913</b>

<b>Risk weighted assets:</b>	<b>consolidated</b>	<b>consolidated</b>
<b>CZK thousand</b>	<b>at 31. 12. 2017</b>	<b>at 31. 12. 2016</b>
<b>Internal rating approach (IRB)</b>	<b>103,529,368</b>	<b>101,130,422</b>
Central governments and central banks exposures	18,500	44,422
Bank exposures	2,132,906	2,825,846
Corporate customer exposures	61,391,698	59,781,132
Retail customer exposures	35,372,067	33,196,477
Equity exposures	1,283,558	1,370,270
Exposures related to securitisation	1,640,699	1,735,775
Other exposures	1,689,941	2,176,501
<b>Standardised approach (STA)</b>	<b>16,033,806</b>	<b>15,431,977</b>
Regional governments and municipalities exposures	1,696	-
Bank exposures	30,998	17,519
Corporate customer exposures	11,241,354	11,388,995
Retail customer exposures	3,034,350	2,199,125
Exposures secured by immovable property	98,959	189,982
Exposures at default	285,635	333,998
Equity exposures	56,367	59,988
Other exposures	1,284,446	1,242,370
<b>Credit value adjustment (CVA risk)</b>	<b>167,386</b>	<b>110,201</b>
<b>Total Risk weighted assets for credit risk</b>	<b>119,730,559</b>	<b>116,672,600</b>
Risk weighted assets for position, foreign exchange and commodity risks	3,012,584	2,005,190
Risk weighted assets for the operating risk	17,037,523	16,471,121
<b>Total risk weighted assets:</b>	<b>139,780,666</b>	<b>135,148,911</b>

<b>Capital ratios</b>	<b>consolidated</b>	<b>consolidated</b>
	<b>at 31. 12. 2017</b>	<b>at 31. 12. 2016</b>
Core Tier 1 capital adequacy ratio	13,37 %	13,17 %
Tier 1 capital adequacy ratio	15,24 %	14,61 %
Total capital adequacy ratio	16,77 %	16,63 %

Further details can be found in the regulatory disclosure report in accordance with regulation no. 163/2014, available on the Bank's internet webpage: <https://www.rb.cz/o-nas/povinne-uverejnovane-informace>

## Capital management

The Group manages its capital adequacy to ensure its sufficient level while allowing for organic business growth and for potentially adverse macroeconomic developments. The Group continuously monitors changes in regulatory requirements and evaluates their impact on the capital planning process. The Czech National Bank as a local regulatory body

supervises the local supervisory body ensures that the Bank maintains unconsolidated and consolidated capital adequacy. During 2017, the Bank complied with all the regulatory requirements.

The Bank also regularly reports Information on the internal control system (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 profit on financial operations', 'Dividend income' and 'Other operating (expense)/ income, net'.

# Report on Related Parties

prepared in accordance with Section 82 et seq. of Act No. 90/2012 Coll., on companies and cooperatives (the Companies Act), for the reporting period from 1 January 2017 to 31 December 2017

Raiffeisenbank a.s., having its registered office at: Hvězdova 1716/2b, Prague 4, 140 78, corporate ID: 49240901, entered in the Commercial Register maintained by the Municipal Court of Prague on 25 June 1993, Section B, Insert 2051 (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 (the "related parties") exist.

This report on relations among the below entities was prepared in accordance with the provisions of Section 82 of the Companies Act and with regard to the legal definition of business secret in accordance with Section 504 of Act No. 89/2012 Coll., the Civil Code, as amended.

## Contents:

- 1. CONTROLLING ENTITIES**
- 2. OTHER RELATED PARTIES**
- 3. STRUCTURE OF RELATIONS AMONG RELATED PARTIES**
  - 3.1. Description of Relations Between the Controlled Entity and Controlling Parties
  - 3.2. Role of the Controlled Entity within the Relationship Structure
  - 3.3. Method and Means of Control
- 4. LIST OF CONTRACTS**
  - 4.1. List of Contracts with Controlling Entities
  - 4.2. List of Contracts with Other Related Parties
- 5. LIST OF OTHER LEGAL ACTS**
  - 5.1. List of Other Legal Acts with Controlling Entities
  - 5.2. List of Other Legal Acts with Other Related Parties
  - 5.3. Overview of actions made at the initiative or in the interest of the controlling party or entities controlled by it, if such actions applied to assets exceeding 10% of the controlled entity's equity
- 6. LIST OF OTHER FACTUAL MEASURES**
  - 6.1. List of Measures Adopted at the Initiative of Controlling Parties
  - 6.2. List of Measures Adopted in the Interest of Other Related Parties
- 7. CLOSING STATEMENT OF THE BOARD OF DIRECTORS OF RAIFFEISENBANK A.S.**

# 1. CONTROLLING ENTITIES

The indirectly controlling entity is:

**RLB NÖ-Wien Sektorbeteiligungs GmbH\***, having its registered office at Vienna, Friedrich - Wilhelm - Raiffeisen - Platz 1, 1020, Republic of Austria

**RLB NÖ-Wien Holding GmbH\***, having its registered office at Vienna, Friedrich - Wilhelm - Raiffeisen - Platz 1, 1020, Republic of Austria

**Raiffeisenlandesbank Niederösterreich Wien AG\***, having its registered office at Vienna, Friedrich - Wilhelm - Raiffeisen - Platz 1, 1020, Republic of Austria

**Raiffeisenlandesbank Oberösterreich Aktiengesellschaft\***, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria

**RLB OÖ Sektorholding GmbH\***, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria

**RLB OÖ Unternehmensholding GmbH\***, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria

**RLB OÖ Unternehmensbeteiligungs GmbH\***, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria

**RB Prag Beteiligungs 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

**KONKRETA Beteiligungsverwaltungs GmbH\***, having its registered office at Graz, Kaiserfeldgasse 5, 8010, Republic of Austria

**HST Beteiligungs GmbH\***, having its registered office at Graz, Radetzkystrasse 15-17, 8010, Republic of Austria

**HSE Beteiligungs GmbH\***, having its registered office at Graz, Radetzkystrasse 15-17, 8010, Republic of Austria

**Raiffeisen-Landesbank Tirol AG\***, having its registered office at Innsbruck, Adamgasse 1-7, 6020, Republic of Austria

**RLB Tirol Holding Verwaltungs GmbH\***, having its registered office at Innsbruck, Adamgasse 1-7, 6020, Republic of Austria

**Raiffeisenlandesbank Burgenland und Revisionsverband eGen\***, having its registered office at Eisenstadt, Friedrich Wilhelm Raiffeisen-Strasse 1, 7000, Republic of Austria

**RLB Burgenland Sektorbeteiligungs GmbH\***, having its registered office at Eisenstadt, Raiffeisenstrasse 1, 7000, Republic of Austria

**Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband registrierte Genossenschaft mit beschränkter Haftung\***, having its registered office at Bregenz, Rheinstrasse 11, 6900, Republic of Austria

**Raiffeisenverband Salzburg eGen\***, having its registered office at Salzburg, Schwarzstrasse 13-15, 5020, Republic of Austria

**Agroconsult Austria Gesellschaft m.b.H.\***, having its registered office at Salzburg, Schwarzstrasse 13-15, 5020, Republic of Austria

**Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung\***, having its registered office at Klagenfurt, Raiffeisenplatz 1, 9020, Republic of Austria

**RLB Verwaltungs GmbH\***, having its registered office at Klagenfurt, Raiffeisenplatz 1, 9020, Republic of Austria

**RLB Unternehmensbeteiligungs GmbH\***, having its registered office at Klagenfurt, Raiffeisenplatz 1, 9020, Republic of Austria

**Raiffeisen Zentralbank Österreich AG\*\*** (hereinafter also "RZB"), having its registered office at Am Stadtpark 9, 1030 Vienna, Republic of Austria.

**Raiffeisen International Beteiligungs GmbH\*\*** (hereinafter also "RIB"), having its registered office at Am Stadtpark 9, 1030 Vienna, 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" - they became indirectly controlling entities based on a declaration of compliance with RBI

\*\* Note: These entities were dissolved through a merger by amalgamation with RBI in March 2017.

# 2. OTHER RELATED PARTIES

Czech Republic:

<b>Raiffeisen - Leasing, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Raiffeisen investiční společnost a.s.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Raiffeisen Property Management, s.r.o.</b>	Prague 1, Václavské náměstí 837/11, 110 00
<b>Raiffeisen stavební spořitelna a.s.</b>	Prague 3, Koněvova 2747/99, 130 45
<b>Raiffeisen Direct Investments CZ s.r.o.</b> (formerly Transaction System Servis s.r.o.)	Prague 4, Hvězdova 1716/2b, 140 78
<b>ZUNO BANK AG, organizační složka*</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>KHD a.s.</b>	Prague 5, Karla Engliše 3219/4, 150 00
<b>KONEVOVA s.r.o.</b>	Prague 3, Koněvova 2747/99, 130 45
<b>Raiffeisen FinCorp, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78

\* ZUNO BANK AG, organizační složka was removed from the Register of Companies on 3 November 2017.

**Related parties controlled indirectly through Raiffeisen – Leasing, s.r.o.  
and Raiffeisen - Leasing Gesellschaft m.b. H.:**

<b>ACB Ponava, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Afrodité Property, s.r.o.</b> (Note: sold on 7 November 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Appolon Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Areál Kbely a.s.</b> (Note: merger with Gala Property, s.r.o. on 1 April 2017, the successor company being Majola Investment SICAV s.r.o.)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Até Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Athena Property, s.r.o.</b> (Note: in liquidation since 2 August 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Easy Develop s.r.o.</b> (Note: sold on 23 August 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Eris Property, s.r.o.</b> (Note: sold on 10 May 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Forinopa, s.r.o.</b> (Note: renamed to Ferdinand Palace, s.r.o.)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Gaia Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Gala Property, s.r.o.</b> (Note: merger with Areál Kbely s.r.o. on 1 April 2017, the successor company being Majola Investment SICAV s.r.o.)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Heméra Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Hermes Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Hestia Property s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Janus Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Kaliópé Property s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Kalypso Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Létó Property s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Lucius Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Luna Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Lysithea a.s.</b> (Note: sold on 31 October 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Médea Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Nike Property, s.r.o.</b> (Note: sold on 29 May 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Orchideus Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Polymnia Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>PZ PROJEKT a.s.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Raiffeisen FinCorp s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Raiffeisen - Leasing BOT, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>REF HP1 s.r.o.</b> (Note: established following a spin-off from RLRE Carina Property s.r.o. and subsequently sold to Raiffeisen investiční společnosti on 5 December 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>RESIDENCE PARK TŘEBEŠ, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>RLRE Carina Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>RLRE Dorado Property, s.r.o.</b> (Note: sold on 15 November 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Sky Solar Distribuce s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>Tritón Property, s.r.o.</b> (Note: merger with SeEnergy PT, s.r.o. on 1 January 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Viktor Property, s.r.o.</b>	Prague 4, Hvězdova 1716/2b, 140 78
<b>VILLA ATRIUM BUBENEČ s.r.o.</b> (Note: sold on 9 August 2017)	Prague 4, Hvězdova 1716/2b, 140 78
<b>Zelený Zlonín s.r.o.</b> (Note: sold on 23 November 2017)	Prague 4, Hvězdova 1716/2b, 140 78

### Entities with a share in voting rights of at least 40% that are not considered to be entities controlled by Raiffeisen – Leasing, s.r.o. under International Financial Reporting Standards (IFRS):

ALT POHLEDY s.r.o., GHERKIN, s.r.o., NC Ivancice s.r.o., Ofion Property, s.r.o., CRISTAL PALACE Property s.r.o., Don Giovanni Properties, s.r.o., RLRE Hotel Ellen, s.r.o., Iris Property, s.r.o., FORZA SOLE s.r.o., Melpomene Property, s.r.o., UPC Real, s.r.o., Na Stárce, s.r.o., Rezidence Pod Skalou s.r.o., Zátíší Rokytka s.r.o., Amfion Property, s.r.o., Neptun Property, s.r.o., GS55 Sazovice s.r.o., FVE Cihelna s.r.o., Palace Holding, s.r.o., Peito Property, s.r.o., Maloja investment SICAV a.s., Kleió Property, s.r.o., RLRE Beta Property s.r.o., RLRE Jota Property, s.r.o., Selene Property, s.r.o., Sirius Property, s.r.o., Zefyros Property, s.r.o., Éós Property, s.r.o., Kappa Estates, s.r.o., Hyperion Property, s.r.o., Photon Energie s.r.o., Boreas Property, s.r.o., Dafné Property, s.r.o., Hypnos Property, s.r.o., Morfeus Property, s.r.o., Holečkova Property, s.r.o., Chronos Property, s.r.o., Credibilis a.s., Strasnicka realitni a.s., Harmonia Property, s.r.o., Exit 90 SPV s.r.o., Onyx Energy projekt II. s.r.o., Onyx Energy s.r.o., Photon SPV 10 s.r.o., Photon SPV 11 s.r.o., Photon SPV 3 s.r.o., Photon SPV 4 s.r.o., Photon SPV 6 s.r.o., Photon SPV 8 s.r.o., Inó Property, s.r.o., Niobé Property, s.r.o., PILSENINVEST SICAV, a.s., Pontos Property, s.r.o., Astra Property, s.r.o., Theia Property, s.r.o., Dike Property, s.r.o., KAPMC s.r.o., Urania Property, s.r.o., Erató Property, s.r.o., Rheia Property, s.r.o., Hébé Property, s.r.o., Grainulos s.r.o., RLRE Ypsilon Property, s.r.o., RLRE Eta Property, s.r.o., Euros Property, s.r.o., Michalka - Sun s.r.o., Melete Property, s.r.o., SeEnergy PT, s.r.o., Tmólos Property, s.r.o., FERDINAND Palace s.r.o., Nemesis Property, s.r.o., Steffany's Court s.r.o., RIOBAU s.r.o.

Note: Based on the concluded contracts, Raiffeisen - Leasing, s.r.o. does not have the power to control or manage relevant activities of the entities, with Raiffeisen - Leasing, s.r.o. not exposed to risks related to the entities, for which reason they do not represent controlled entities, jointly controlled entities or associates. These entities have been provided with loans.

#### Other countries:

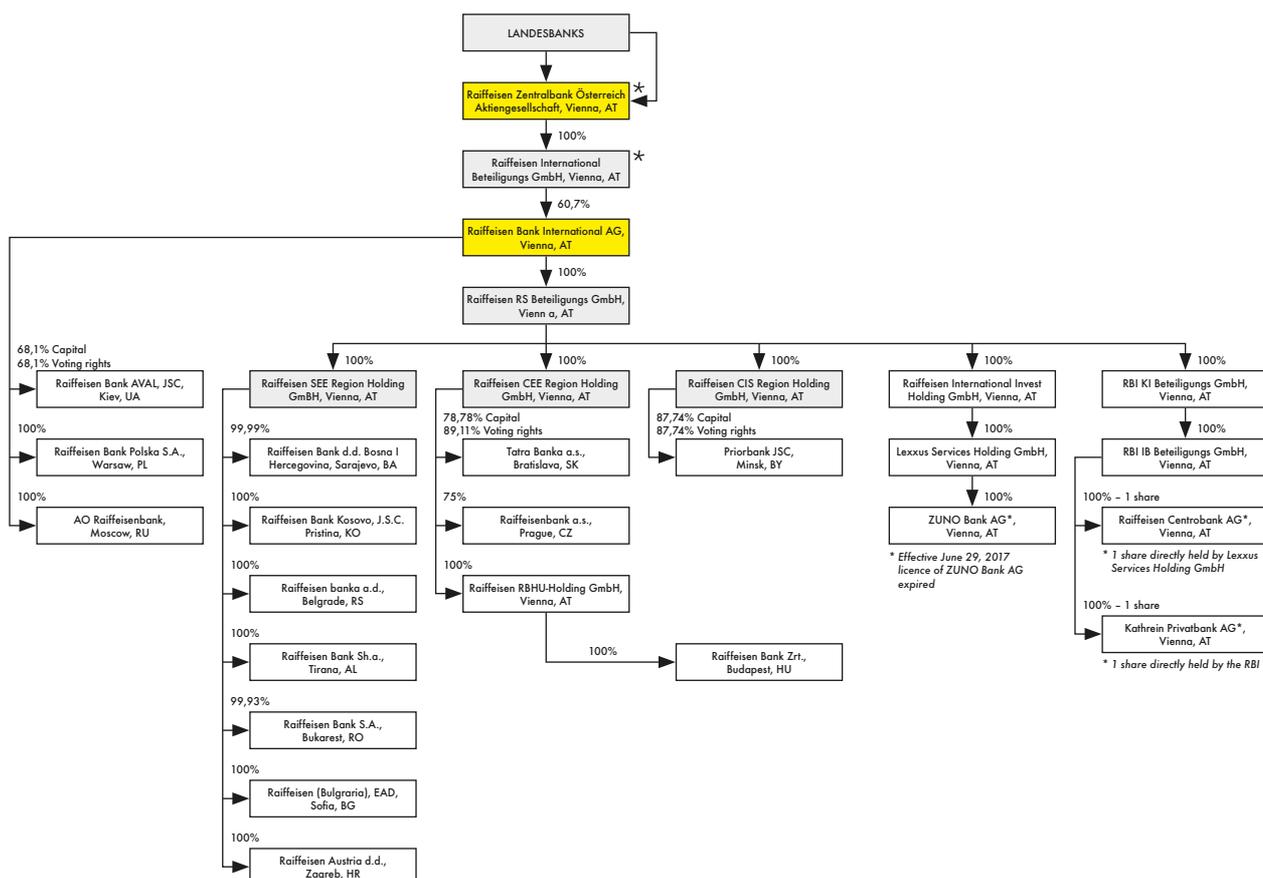
<b>Raiffeisen Bank Zrt.</b>	Akadémia utca 6, Budapest, Hungary
<b>Raiffeisen Bank Polska S.A.</b>	Piekna ulica 20, Warsaw, Poland
<b>Raiffeisen banka a.d.</b>	Dorda Stanojevicica 16, Novi Beograd, Serbia
<b>Raiffeisenbank Austria d.d.</b>	Petrinjska 59, Zagreb, Croatia
<b>Tatra Banka, a.s.</b>	Hodžovo námestie 3, 811 06, Bratislava, Slovak Republic
<b>Centralised Raiffeisen International Services and Payments S.R.L.</b>	Dimitre Pompei Bld. No. 9-9A, 020335, Bucharest, Romania
<b>ZUNO BANK AG (formerly Raiffeisen International Direct Bank AG)</b>	Muthgasse 26, 1190, Vienna, Republic of Austria
<b>Regional Card Processing Centre, s.r.o.</b>	Hodžovo námestie 3, 811 06, Bratislava, Slovak Republic
<b>RB International Finance (USA) LLC (note: former RZB Finance LLC, liquidated as of December 31, 2017)</b>	1133 Avenue of the Americas, 16th Floor, New York, NY 10036, USA
<b>Raiffeisen Bank S.A.</b>	Sky Tower Building, 246C Calea Floreasca, Bucharest, Romania
<b>Tatra Asset Management, správ. spol., a.s.</b>	Hodžovo námestie 3, 850 05, Bratislava, Slovak Republic
<b>Raiffeisen Centrobank AG</b>	Tegetthoffstrasse I, 1020, Vienna, Republic of Austria
<b>Raiffeisen–Leasing International GmbH</b>	Am Stadtpark 9, 1030, Vienna, Republic of Austria
<b>Raiffeisen-Leasing Bank AG</b>	Mooslackengasse 12, 1190, Vienna, Republic of Austria
<b>AO Raiffeisenbank (former ZAO Raiffeisenbank)</b>	Smolenskaya-Sennaya 28, Moscow, Russian Federation
<b>Raiffeisen Informatik Consulting GmbH</b>	Lillienbrunnngasse 7-9, A-1020, Vienna, Republic of Austria
<b>Raiffeisen Kapitalanlage-Gesellschaft m.b.H (Raiffeisen Kag)</b>	Mooslackengasse 12, 1190, Vienna, Republic of Austria
<b>Ukrainian Processing Center</b>	Moskovsky av., 9, Kyiv, 04073, Ukraine
<b>Raiffeisenbank Sh. A</b>	“Rruga e Kavajës”, Tiranë, Albania
<b>STRABAG SE</b>	Triglavstrasse 9, 9500 Villach, Republic of Austria
<b>Czech Real Estate Fund (CREF) B.V. *</b>	Naritaweg 165, Amsterdam, Kingdom of the Netherlands

\* A 20% share in voting rights is held by Raiffeisenbank a.s. The Bank controls the company in compliance with IFRS.

Note: The above list only discloses the entities with which the Bank maintains active economic relations. It is not a full list of the entities controlled by the same controlling entity.

## 3. STRUCTURE OF RELATIONS AMONG RELATED PARTIES

### 3.1 Description of Relations Between the Controlled Entity and Controlling Parties



Note: This graph shows the so-called NetworkBank in the Central and Eastern Europe and other selected companies from Raiffeisen Bank International AG. So it does not show a complete list of all people controlled by the same controlling person.

\* Note: Merger merged with the RBI in March 2017

### 3.2. Role of the Controlled Entity within the Relationship Structure

The banking group of the parent company Raiffeisen Bank International AG (RBI Group) is a leading banking group operating in the region of Central and Eastern Europe. In the individual states of the region, Raiffeisen Bank International AG renders banking services through a total of 14 individual majority owned legal entities holding a banking licence, so called Networkbank. Raiffeisenbank a.s. is one of these Networkbanks and its role is to provide banking services to both domestic and foreign clients in the Czech Republic in line with the group's strategy.

### 3.3. Method and Means of Control

The controlling parties exercise their influence by owning a 75% share in the controlled entity's registered capital and voting rights. In addition, members of the Board of Directors of Raiffeisen Bank International AG are also members of the Supervisory Board of Raiffeisenbank a.s.

## 4. LIST OF CONTRACTS

### 4.1. List of Contracts with Controlling Entities

In the 2017 reporting period, Raiffeisenbank a.s. had relations with the following controlling entities:

#### Raiffeisen Zentralbank Österreich AG

(Note: dissolved through a merger with Raiffeisen Bank International on 18 March 2017)

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Confidentiality Agreement	Raiffeisen Zentralbank Österreich AG	2 April 2010	Confidentiality agreement as part of potential mutual cooperation

Raiffeisenbank a.s. also had subordinated debt agreements concluded with Raiffeisen Zentralbank Österreich AG, which have been transferred to Raiffeisen Bank International AG in October 2010 as a result of a merger of Raiffeisen Zentralbank Österreich AG and Raiffeisen Bank International AG. In 2017, Raiffeisenbank a.s. paid contractual interest under these agreements. As of 18 March 2017, Raiffeisen Zentralbank Österreich AG and Raiffeisen Bank International AG merged by amalgamation, the successor company being Raiffeisen Bank International AG and Raiffeisen Zentralbank Österreich AG ceasing to exist as of that date.

#### Raiffeisen Bank International AG

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Subordinated Loan Contract	Raiffeisen Bank International AG	15 September 2008	Provision of a subordinated loan / payment of contractual interest
Amendment no. 1 to the Insurance Refund Agreement	Raiffeisen Bank International AG	20 December 2010	Change of contractual terms
Master Agreement on Cooperation in Risk Management and Reporting	Raiffeisen Bank International AG	1 January 2011	Definition of terms of cooperation in Risk Management and Reporting / payment of contractual fees
4 Service Agreements related to the Master Agreement on Cooperation in Risk Management and Reporting	Raiffeisen Bank International AG	1 January 2011	Detailed description of cooperation in the areas
Service Agreement	Raiffeisen Bank International AG	3 January 2011	Agreement on the provision of defined services in selected areas / payment of contractual remuneration
Agreement to Open a Correspondent Loro Account	Raiffeisen Bank International AG	28 March 2011	Opening of a correspondent account / payment of contractual fees
Master IT Cooperation Agreement (note: in 2016, a new agreement relating to the same area was concluded)	Raiffeisen Bank International AG	31 October 2011	Definition of terms of cooperation in IT services / payment of contractual fees
11 Service Descriptions related to the Master IT Cooperation Agreement (in 2016, replaced by new versions)	Raiffeisen Bank International AG	31 October 2011	Detailed description of cooperation in respect of specific IT application
STEP2 Indirect Participation Contract	Raiffeisen Bank International AG	7 November 2011	Definition of the terms of use of STEP2 services
Project Contract	Raiffeisen Bank International AG	11 November 2011	Analysis of the supply of software application / payment of contractual fees
Agreement to Open a Correspondent Loro Account	Raiffeisen Bank International AG	18 November 2011	Opening of a correspondent account / payment of contractual fees

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Amendment no. 2 to the Insurance Refund Agreement	Raiffeisen Bank International AG	20 December 2011	Change of contractual terms
Project Contract	Raiffeisen Bank International AG	29 December 2011	Analysis of the supply of software application / payment of contractual remuneration
Service Agreement	Raiffeisen Bank International AG	1 January 2012	Agreement on services provided by the majority shareholder
Master Project and Consultancy Agreement	Raiffeisen Bank International AG	23 March 2012	Consulting in project management / payment of contractual price
Amendment to partial Service Agreement related to the Master Agreement on Cooperation in Risk Management and Reporting of 1 January 2011	Raiffeisen Bank International AG	12 June 2012	Stipulation of detailed terms for Rating Model Validation and Methods
Service Level Agreement	Raiffeisen Bank International AG	25 June 2012	Definition of cooperation within the competence centre in Fixed Income / payment of contractual fees
Amendment to the Master Project and Consultancy Agreement and Service Agreement	Raiffeisen Bank International AG	30 June 2012	Change of contractual terms
Amendment to the Project Contract of 11 November 2011	Raiffeisen Bank International AG	1 July 2012	Change of contractual terms
Implementing Agreement to the Master Project Consultancy Agreement of 23 March 2012	Raiffeisen Bank International AG	27 August 2012	Detailed definition of terms of a payment system project
Master Service Agreement	Raiffeisen Bank International AG	30 September 2012	Agreement to provide defined transaction services / payment of contractual remuneration
Partial Service Agreement related to the Master Agreement on Cooperation in Risk Management and Reporting of 1 January 2011	Raiffeisen Bank International AG	16 October 2012	Definition of detailed contractual terms for Workout
Partial Service Agreement related to the Master Agreement on Cooperation in Risk Management and Reporting of 1 January 2011	Raiffeisen Bank International AG	7 November 2012	Definition of detailed contractual terms for Credit Management Corporate
Amendment to Service Description Corporate Network International (documentation replaced in 2016)	Raiffeisen Bank International AG	1 January 2013	CNI system operation / payment of contractual remuneration + fees
Amendment of Service Description T.I.G.E.R. OPERATING (documentation replaced in 2016)	Raiffeisen Bank International AG	1 January 2013	TIGER system operation / payment of contractual fees
Amendment to Service Description RBI Midas Support Service (documentation replaced in 2016)	Raiffeisen Bank International AG	1 January 2013	MIDAS system support / payment of contractual fees
Service Description RIAH	Raiffeisen Bank International AG	1 January 2013	Provision of RIAH services
Amendment of the Service Agreement of 2012	Raiffeisen Bank International AG	1 January 2013	Change of contractual terms
Service Description Group Customer Product Profitability Solution (documentation replaced in 2016)	Raiffeisen Bank International AG	1 January 2013	Agreement on common use of the Group Customer Product Profitability Solution / payment of contractual fees

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Service Description RIAH Raiffeisen International Access Hub (documentation replaced in 2016)	Raiffeisen Bank International AG	1 January 2013	New group remote access / payment of contractual fees
Risk Participation Confirmation	Raiffeisen Bank International AG	25 January 2013	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Raiffeisen Bank International AG	31 July 2013	Participation in credit risk / payment of contractual fees
Services to Support International Operations in RBI Group	Raiffeisen Bank International AG	1 March 2013	Agreement on mutual support in Operations / payment of contractual remuneration
Agreement for rendering the Project FATCA between RBI and RBCZ"	Raiffeisen Bank International AG	10 April 2013	Agreement on mutual cooperation in the FATCA Project / payment of contractual fees a remuneration
Service Agreement - Building a best fit Operations Target Operating Model	Raiffeisen Bank International AG	29 May 2013	Providing a service supporting international transactions in the RBI Group/ payment of contractual fees
FATCA Support Services	Raiffeisen Bank International AG	20 November 2013	Norkom infrastructure use for FATCA process identification / payment of contractual fees
Transfer Agreement - Subordinate Loan Transfer	Raiffeisen Bank International AG	26 November 2013	Subordinate loan transfer from Raiffeisenbank Malta /payment of contractual interest
ISLA Global Master Securities Lending Agreement - Schedule	Raiffeisen Bank International AG	19 December 2013	Master agreement on lending investment instruments / payment of contractual remuneration
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	1 January 2014	Extension of provided services
Multichannel customer acquisition and Digital CC capability building	Raiffeisen Bank International AG	27 January 2014	Agreement on multichannel customer acquisition and Digital CC capability building / payment of agreed fees
RBCZ Lean Study Stay 2014 Cooperation Agreement	Raiffeisen Bank International AG	24 February 2014	Cooperation between the contractor and client in the Lean Study Stay 2014 training event
Amendment to International Group Marketing Agreement	Raiffeisen Bank International AG	14 March 2014	Amendment to the International Group Marketing Agreement / payment of contractual remuneration
Agreement for Integrated Risk Management Services and Risk Management Balance	Raiffeisen Bank International AG	26 March 2014	Fees to RBI / payment of contractual fees
Share Incentive Program	Raiffeisen Bank International AG	1 April 2014	Board member option scheme
Master Agreement for dealings in fund shares	Raiffeisen Bank International AG	2 April 2014	Dealings in funds managed by RCM / payment of contractual fees
Amendment No. 1 to FATCA Project Agreement	Raiffeisen Bank International AG	7 April 2014	Specification of FACTA implementation support / payment of contractual remuneration
Service Agreement for HO Services	Raiffeisen Bank International AG	15 April 2014	Service agreement for HO services / payment of contractual fees

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Agreement (2014-2015) to Compensate for Marketing Research Costs	Raiffeisen Bank International AG	27 May 2014	Agreement to compensate for costs associated with marketing research to be carried out by RBI in the CR in 2014 and 2015 / payment of contractual remuneration
Amendment No. 1 to Master Agreement on Payment Card Processing	Raiffeisen Bank International AG	9 June 2014	Personal data protection update
One amendment to Service Description RIAH following the Master IT Cooperation Agreement concluded on 31 October 2011 (or 19 April 2016)	Raiffeisen Bank International AG	14 July 2014	Amendment regulates the price for the RIAH service from 2014 on
Provision of GCPP IT Service and Support (documentation replaced in 2016)	Raiffeisen Bank International AG	14 July 2014	Provision of GCPP IT service and support / payment of agreed fees
Provision of Service for Corporate Network International CNI (documentation replaced in 2016)	Raiffeisen Bank International AG	14 July 2014	Provision of service for CNI / payment of agreed fees
RBI Midas Support Service (documentation replaced in 2016)	Raiffeisen Bank International AG	24 July 2014	Amendment to the Service Description RBI Midas Support Service - price update / payment of contractual remuneration
Amendment to Service Description RIAH (documentation replaced in 2016)	Raiffeisen Bank International AG	24 July 2014	Amendment to the Service Description RIAH - price increase / payment of contractual remuneration
Amendment to Lotus Notes International Domino Hub Service Agreement (documentation replaced in 2016)	Raiffeisen Bank International AG	24 July 2014	Amendment to the Lotus Notes International Domino Hub Service Agreement - price increase / payment of contractual remuneration
Agreement (ASLA) - Operations Center Model	Raiffeisen Bank International AG	27 August 2014	Operations Center Model agreement / payment of contractual fees
Amendment to TIGER Operating Agreement (documentation replaced in 2016)	Raiffeisen Bank International AG	29 September 2014	Amendment to the TIGER Operating Agreement / payment of contractual fees
Fraud Propensity Tool Agreement (documentation replaced in 2016)	Raiffeisen Bank International AG	22 October 2014	Fraud Propensity Tool agreement / payment of contractual fees
Service Level Agreement (Running Target Operating Model)	Raiffeisen Bank International AG	14 November 2014	Rules and conditions for some kinds of transactions in the name of RBI
RDL032 Project Agreement	Raiffeisen Bank International AG	2 December 2014	Audit findings - Treasury Limits - BN-497 / payment of agreed fees
Investment Certificates 2014	Raiffeisen Bank International AG	15 December 2014	Investment certificates 2014 / payment of agreed commissions
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	1 January 2015	Adjustment for 2015, partial changes in the field of provided services
Service Agreement for Risk Methods & Analytics	Raiffeisen Bank International AG	1 January 2015	Cooperation with RBI in the field of Risk Methods & Analytics
Service Agreement for Credit Risk Control	Raiffeisen Bank International AG	1 January 2015	Cooperation with RBI in the field of Credit Risk Control
New Limit Approval - overdraft limit	Raiffeisen Bank International AG	12 January 2015	New limit approval - overdraft limit / payment of contractual fees
Non-Disclosure Agreement	Raiffeisen Bank International AG	30 January 2015	Non-Disclosure Agreement

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Market Data Distribution Agreement	Raiffeisen Bank International AG	2 March 2015	Agreement on the provision of services within Market Data // payment of contractual fees
McKinsey European Banking IT Benchmarking 2014	Raiffeisen Bank International AG	2 March 2015	Study European Banking IT Benchmarking (BIB / payment of contractual remuneration
Reimbursement Agreement	Raiffeisen Bank International AG	7 April 2015	"Rotation" programme within RBI
Agreement for rendering the Project Brain 2 (Kamakura)	Raiffeisen Bank International AG	21 April 2015	Services offered by RBI to our bank as part of the implementation of the Kamakura system / payment of contractual remuneration
Raiffeisen Bank International AG limit approval - extending the maturity of the bank guarantee	Raiffeisen Bank International AG	6 May 2015	Raiffeisen Bank International AG limit approval - extending the maturity of the bank guarantee
Amendment of Service Description Fraud Propensity Tool (documentation replaced in 2016)	Raiffeisen Bank International AG	16 June 2015	Amendment of Service Description Fraud Propensity Tool Agreement/ payment of contractual fees
Amendment of Service Description Corporate Network International CNI (documentation replaced in 2016)	Raiffeisen Bank International AG	16 June 2015	Amendment of Service Description Corporate Network International CNI / payment of contractual fees
Amendment of Service Description Lotus Notes International Domino Hub service (documentation replaced in 2016)	Raiffeisen Bank International AG	16 June 2015	Amendment to Service Description Lotus Notes / payment of contractual fees
Amendment to Market Data Distribution Agreement	Raiffeisen Bank International AG	16 June 2015	Change of yearly fees / payment of contractual fees
Project Collateral Fields Changes	Raiffeisen Bank International AG	28 July 2015	Addition of attributes for reconciliations of Notes / payment of contractual fees
Participation Certificate	Raiffeisen Bank International AG	28 August 2015	Risk participation / payment of contractual fees
Agreement for rendering the Project CPA rollout on Nearshored OFSAA Hub	Raiffeisen Bank International AG	9 September 2015	New Pricing Engine for Corp Division on RBI/ payment of contractual fees
limit approval - non-funded participation	Raiffeisen Bank International AG	16 September 2015	limit approval - non-funded participation / payment of contractual fees
Participation Certificate	Raiffeisen Bank International AG	28 September 2015	Risk participation / payment of contractual fees
Midas Core Banking System Agreement	Raiffeisen Bank International AG	30 September 2015	Sublicensing agreement on the provision of Midas Core Banking/ payment of contractual fees
Online Banking Security Service Agreement (documentation replaced in 2016)	Raiffeisen Bank International AG	8 October 2015	Agreement on banking security services / payment of contractual fees
Midas Maintenance & Upgrade Contract (documentation replaced in 2016)	Raiffeisen Bank International AG	13 October 2015	Midas licences and support / payment of contractual fees
Agreement on the termination of the contract about automatic balance transfers	Raiffeisen Bank International AG	16 October 2015	Agreement on the termination of the contract about automatic balance transfers from 20 May 2011

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Limit approval - settlement limit increase	Raiffeisen Bank International AG	19 October 2015	Limit approval - settlement limit increase / payment of contractual fees
Micro Contract	Raiffeisen Bank International AG	12 November 2015	Agreement about the reimbursement of expenses related to marketing research data analysis / payment of contractual fees
FWR Contract	Raiffeisen Bank International AG	12 November 2015	Agreement about the reimbursement of expenses related to marketing research data analysis / payment of contractual fees
Limit approval - settlement limit increase	Raiffeisen Bank International AG	26 November 2015	Limit approval - settlement limit increase / payment of contractual fees
Agreement on automatic balance transfers	Raiffeisen Bank International AG	10 December 2015	Changes to mutual rights and obligations when making automatic balance between accounts administered by Raiffeisenbank a.s.
Agreement for rendering the CRS Group Program	Raiffeisen Bank International AG	16 December 2015	Mutual provision of services in the project Common Reporting Standard/ payment of contractual fees
Cross Border Merchant Services Visa and Master Card Consolidated Settlement Agreement	Raiffeisen Bank International AG	1 January 2016	Service provided by the card accounting department in Olomouc for RBI
Amendment to the 2014 McKinsey European Banking IT Benchmarking	Raiffeisen Bank International AG	1 January 2016	Validation extension of the original contract even for 2016
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
Extension of the maturity limit	Raiffeisen Bank International AG	9 February 2016	Non-funded participation (guarantee)
Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	21 March 2016	Risk participation
Limit approval	Raiffeisen Bank International AG	29 March 2016	New limit on the guarantee issued
Master IT Cooperation Agreement	Raiffeisen Bank International AG	19 April 2016	Setting IT cooperation conditions/ payment of contractual fees
Limit approval	Raiffeisen Bank International AG	10 May 2016	Increase of the settlement limit
Amendment No. 1 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	25 May 2016	Amendment of terms and conditions
Participation Certificate (Globus)	Raiffeisen Bank International AG	18 July 2016	Risk participation
Agreement for rendering the Project MAD II STOR	Raiffeisen Bank International AG	8 August 2016	Implementation of a group solution for the MADII/MAR project
Service Agreement - Provision of Program Management Services (Compliance)	Raiffeisen Bank International AG	18 August 2016	Compliance advisory and information support
Service Agreement (HR Services, S/2016/00437)	Raiffeisen Bank International AG	5 September 2016	Provision of Talent Management and Succession Planning services

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
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
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 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
Participation Certificate (Steinhoff Möbel Holding Alpha GmbH)	Raiffeisen Bank International AG	16 December 2016	Risk participation
Service Level Agreement (AMA Service Level Agreement)	Raiffeisen Bank International AG	22 December 2016	Provision of services described in the agreement/payment of contractual fees
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	16 February 2017	Adjustment of contractual fees
Service Description MIS Support and Maintenance	Raiffeisen Bank International AG	20 February 2017	Definition of more detailed terms of cooperation as part of the administration of and support for the MIS system
Amendment of RBCZ-2014-IT Benchmarking Study-01	Raiffeisen Bank International AG	28 February 2017	Change of contractual terms
Amendment No. 5 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	13 March 2017	Change of risk participation terms
Service agreement for Integrated Risk Management	Raiffeisen Bank International AG	8 May 2017	Amendment of the existing SLA with RBI/payment of contractual fees
Amendment to the International Group Marketing Agreement	Raiffeisen Bank International AG	9 May 2017	Amendment to the International Group Marketing Agreement/ payment of the contractual fee
Amendment No. 6 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	26 June 2017	Change of risk participation terms
Appendix to the Amendment of the 2012 Service Agreement	Raiffeisen Bank International AG	17 August 2017	Amendment to the Service Agreement, inclusion of a service from Tatra Asset Management
Amendment of Service Description CNI Maintenance	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid CNI IT service agreement adjusting the annual service fee

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Amendment of Service Description GCPP Solution	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid GCPP IT service agreement adjusting the annual service fee from 1 January 2017 onwards
Gartner for Technical Professional Usage Agreement	Raiffeisen Bank International AG	22 August 2017	The agreement extends the use of the service from RBI for another two years until 28 February 2019
Service Description Cyber Threat Intelligence Service	Raiffeisen Bank International AG	22 August 2017	A new version of the agreement, in which the allocation key for price calculation was amended (refer to Section 9.1 of the new version).
Service Description External Vulnerability Scan	Raiffeisen Bank International AG	22 August 2017	A new IT service sub-agreement falling under the valid Master Agreement S/2011/02204. The subject of the agreement includes regular vulnerability scans of systems available on-line and annual web application vulnerability scans.
Amendment of Service Description Midas Maintenance	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid MIDAS Maintenance IT service agreement governing the annual service fee.
Service Description MIS Support and Maintenance	Raiffeisen Bank International AG	22 August 2017	A new version of the agreement, in which the service was extended and the annual service fee for MIS support adjusted.
Service Description Online Banking Security Service	Raiffeisen Bank International AG	22 August 2017	A new version of the agreement, in which the allocation key for price calculation was amended.
Service Description RIAH Raiffeisen International Access Hub	Raiffeisen Bank International AG	22 August 2017	Definition of the more detailed terms of cooperation as part of the administration of and support for the RIAH system
Amendment of Service Description TIGER Operating	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid TIGER IT service agreement governing the annual service fee from 1 January 2017 onwards.
Agreement for rendering the Project "4AML" - Implementation of the 4th EU Anti-Money Laundering Directive	Raiffeisen Bank International AG	25 August 2017	Supplies from RBI as part of the group project Implementation of the 4th EU AML Directive/payment of contractual fees.
Amendment No. 2 to Project CRS (amendment to Agreement No. 5/2015/00444)	Raiffeisen Bank International AG	29 August 2017	Implementation of the group CRS solution
Amendment No. 1 to the Service Agreement (S/2016/00437)	Raiffeisen Bank International AG	31 August 2017	Change of contractual terms
Amendment of Service Description Fraud Propensity Tool	Raiffeisen Bank International AG	13 September 2017	Amendment to the FPT IT service agreement, adjusting the annual fee
Cost Sharing Agreement	Raiffeisen Bank International AG	16 October 2017	Processing of the satisfaction survey in the FWR segment
FX Raiffeisen	Raiffeisen Bank International AG	13 October 2017	Agreement on the provision of an electronic trading platform/cost sharing
Amendment of Service Description Lotus Notes International Domino HUB service	Raiffeisen Bank International AG	19 October 2017	Amendment to the valid LN IT service agreement, adjusting the annual fee

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Amendment of the 2012 Service Agreement	Raiffeisen Bank International AG	5 December 2017	Amendment of the services supplied in Raiffeisen Research/payment of contractual fees
Amendment No. 7 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	12 December 2017	Change of contractual terms

### Raiffeisenlandesbank Oberösterreich Aktiengesellschaft

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Agreement on the terms of the temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	3 January 1994	Secondment of experts for the temporary performance of work in order to strengthen cooperation
Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	4 January 2002	Contract for the provision of consulting services /payment of contractual fees
Amendment No. 1 to the Agreement on the terms of the temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	5 January 2004	Change of contractual terms
Amendment No.1 to the Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	3 January 2005	Change of contractual terms (fee)
Amendment No.2 to the Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	4 January 2006	Change of contractual terms (fee)
Amendment No.3 to the Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	3 January 2007	Change of contractual terms (fee)
Intercreditor Agreement	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	18 May 2010	Intercreditor Agreement - Biocel Paskov, a.s.
Shareholders' undertaking	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	18 May 2010	Shareholders' undertaking - Biocel Paskov, a.s.
MultiCash Transfer Service Level Agreement	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	16 October 2010	Communication between RBCZ and RLBOOE through the MultiCash system - receipt of client payment orders
Bank guarantee - VOG, s.r.o.	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	10 August 2012	Bank guarantee
Participation Certificate No. NDP/0004/ NCRAM/01/24313246	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	29 July 2016	Agrovation Kněžmost k.s. - risk participation
Agreement on the agreement on the terms of the temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	7 November 2016	Agreement on the temporary secondment of a specific employees - Large Corp, extension for a year
Amendment No. 16 to Bank Guarantee No. 501.569 (efko cz s. r.o.)	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	1 December 2017	100% bank guarantee for an operating loan

Legal act	Counterparty	Date concluded	Performance/Counter-performance
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 regarding Agrovation Kněžmost k.s. - risk participation

### RB Prag Beteiligungs GmbH

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Agreement on the opening and maintenance of a current investment account in CZK	RB Prag Beteiligungs GmbH	25 January 2017	Maintenance of a current investment account in CZK/payment of contractual fees
Agreement on the opening and maintenance of a current investment account in EUR	RB Prag Beteiligungs GmbH	25 January 2017	Maintenance of a current investment account in EUR/payment of contractual fees

### Raiffeisenlandesbank Vorarlberg Waren - und Revisionsverband GmbH

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Beteiligungsrahmenvertrag	Raiffeisenlandesbank Vorarlberg Waren - und Revisionsverband GmbH	5 October 2007	50% participation with RLV (Market Invest CZ s.r.o.)

In addition to the contracts referred to above, the Bank and the controlling entities entered into other bank transactions in the course of 2017, predominantly loans and borrowings in the money market, guarantees and counter-guarantees, and fixed-term transactions, under which the Bank received or paid interest and fees.

In the reporting period, the controlled entity received or provided no other performance or counter-performance in the interest or at the instigation of the controlling entity or entities controlled by the controlling entity outside the scope of performance or counter-performance, which is customary within the controlled entity's relations with the controlling entity as the shareholder of the controlled entity.

## 4.2. List of Contracts with Other Related Parties

In the 2017 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
Cooperation Contract	Raiffeisen stavební spořitelna a.s.	31 May 2002	Mediation of the sale of building saving schemes / payment of contractual commissions
Contract for the Provision of Call Centre Services	Raiffeisen stavební spořitelna a.s.	23 June 2005	Provision of call centre services to Raiffeisen stavební spořitelna / contractual fee
Amendment No. 5 to the Cooperation Contract of 31 May 2002	Raiffeisen stavební spořitelna a.s.	27 March 2009	Change of conditions of cooperation in mutual offering of products
Amendment No. 6 to the Cooperation Contract of 31 May 2002	Raiffeisen stavební spořitelna a.s.	23 December 2009	Change of conditions of cooperation in mutual offering of products
Cooperation Contract (note: contract terminated as of 28 November 2016)	Raiffeisen stavební spořitelna a.s.	7 June 2010	Change of mutual cooperation in providing payment cards / payment of contractual commission
Amendment to the Cooperation Contract of 7 June 2010 (note: contract terminated as of 28 November 2016)	Raiffeisen stavební spořitelna a.s.	15 November 2011	Change of contractual terms for the purpose of addressing clients with a new offer
Treasury Master Agreement	Raiffeisen stavební spořitelna a.s.	29 February 2012	Agreement on rights and obligations related to transactions in the financial market
Personal Data Processing and Confidentiality Agreement	Raiffeisen stavební spořitelna a.s.	5 April 2012	Agreement on the processing of personal data and confidentiality as part of mutual business cooperation
Agreement on Further Terms of Cooperation	Raiffeisen stavební spořitelna a.s.	16 April 2012	Agreement on further cooperation in mutual offering of products to clients (according to the Cooperation Agreement of 31 May 2002)
FTP Access Agreement	Raiffeisen stavební spořitelna a.s.	15 February 2013	Agreement on mutual data exchange using an FTP server (see Agreement on Further Terms of Cooperation of 16 April 2012)
Amendment No. 7 to the Cooperation Contract of 31 May 2002	Raiffeisen stavební spořitelna a.s.	24 July 2013	Definition of activities of RBCZ for Raiffeisen stavební spořitelna a.s. concerning online client service
Amendment No. 1 to the Agreement to Buy or Sell Securities	Raiffeisen stavební spořitelna a.s.	25 September 2013	Change of contractual terms
Direct Banking Service Agreement	Raiffeisen stavební spořitelna a.s.	15 November 2013	Agreement on direct banking services / payment of contractual fees
Sales Representation Agreement	Raiffeisen stavební spořitelna a.s.	15 December 2014	Agreement on sales representation / payment of commissions within Product Appendices
Product Appendix 1	Raiffeisen stavební spořitelna a.s.	15 December 2014	Addressing prospects interested in services related to mutual funds managed by RIS / payment of commission

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Product Appendix. 3	Raiffeisen stavební spořitelna a.s.	15 December 2014	Identifying prospects interested in concluding an "Account agreement" / payment of commission
Agreement to Provide X-business Internet Banking Services	Raiffeisen stavební spořitelna a.s.	3 February 2015	X-business internet banking / payment of contractual fees
Amendment 1 dated 27 April 2015 to the Business Representation Contract	Raiffeisen stavební spořitelna a.s.	27 April 2015	Change of Appendix 1
Agreement to issue a debit card	Raiffeisen stavební spořitelna a.s.	10 June 2015	Debit card issue
Prolongation of existing limits	Raiffeisen stavební spořitelna a.s.	10 December 2015	Prolongation of existing limits / payment of contractual fees
Insurance Participation Agreement	Raiffeisen stavební spořitelna a.s.	29 December 2015	Insurance participation/ payment of a share in an insurance premium
Agreement on terminating Appendices No. 2, 4 and 5 to the Sales Representation Agreement dated 15 December 2014	Raiffeisen stavební spořitelna a.s.	29 November 2016	Termination of RB offering loan products at the part of RSTS
Agreement on terminating the Sales Representation Contract as of 31 December 2017	Raiffeisen stavební spořitelna a.s.	7 November 2017	Agreement on terminating a contract

### KONEVOVA s.r.o.

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

In 2015, Raiffeisenbank a.s. connected accounts to the X-business installation for the following companies: KONEVOVA s.r.o. and Raiffeisen stavební spořitelna a.s. In 2016 and 2017, no changes were made.

### Raiffeisen – Leasing, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Contract for the Sublease of Non-Residential Premises	Raiffeisen – Leasing, s.r.o.	28 August 2008	Sublease of non-residential premises / payment of the rent
Amendment no. 1 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen – Leasing, s.r.o.	15 June 2009	Change of contractual terms
Amendment no. 2 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen – Leasing, s.r.o.	1 December 2009	Change of contractual terms
Cooperation Agreement	Raiffeisen – Leasing, s.r.o.	13 December 2010	Definition of mutual cooperation in the provision of payment cards / payment of contractual commission
Amendment no. 3 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen – Leasing, s.r.o.	28 March 2011	Change of contractual terms
Loan Contract	Raiffeisen – Leasing, s.r.o.	28 March 2011	Provision of a loan facility / payment of contractual interest
Cash Pooling Agreement	Raiffeisen – Leasing, s.r.o.	28 April 2011	Automatic transfers of account balances

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Risk Management Cooperation Contract	Raiffeisen - Leasing, s.r.o.	11 July 2011	Provision of credit risk analyses / payment of fees and costs according to the contract
Agreement on Accounts	Raiffeisen - Leasing, s.r.o.	21 July 2011	Agreement to open special accounts for clients of Raiffeisen - Leasing, s.r.o.
Agreement on Accounts	Raiffeisen - Leasing, s.r.o.	8 August 2011	Agreement to open special accounts for clients of Raiffeisen - Leasing, s.r.o.
Agreement on Accounts	Raiffeisen - Leasing, s.r.o.	11 July 2011	Agreement to open special accounts for clients of Raiffeisen - Leasing, s.r.o.
Treasury Master Agreement	Raiffeisen - Leasing, s.r.o.	20 February 2012	Agreement on rights and obligations related to transactions in the financial market
Personal Data Processing and Confidentiality Agreement	Raiffeisen - Leasing, s.r.o.	1 March 2012	Agreement on the processing of personal data and confidentiality as part of mutual business cooperation
Amendment No. 1 to the Risk Management Cooperation Contract of 11 July 2011	Raiffeisen - Leasing, s.r.o.	13 April 2012	Change of contractual terms
Amendment no. 4 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen - Leasing, s.r.o.	29 June 2012	Change of contractual terms
Agreement on Cooperation in Client Data Exchange	Raiffeisen - Leasing, s.r.o.	6 August 2012	Stipulation of rights and obligations in exchanging data for the purpose of business cooperation
FTP Access Agreement	Raiffeisen - Leasing, s.r.o.	6 August 2012	Agreement on the use of a server for mutual exchange of data
Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	27 September 2012	Provision of a credit limit / payment of contractual interest
Amendment No. 1 to Loan Contract No. 110157/2012/01 of 27 September 2012	Raiffeisen - Leasing, s.r.o.	16 November 2012	Change of contractual terms
Amendment No. 1 to the Agreement on Cooperation in Client Data Exchange S/2012/02973	Raiffeisen - Leasing, s.r.o.	27 March 2013	Stipulation of rights and obligations of contracting parties in exchanging information
Agreement on Non-Exclusive Sales Representation	Raiffeisen - Leasing, s.r.o.	18 April 2013	Stipulation of rights and obligations under non-exclusive sales representation / payment of contractual commissions
Amendment no. 5 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen - Leasing, s.r.o.	28 June 2013	Change of contractual terms / payment of rent
Agreement on Cooperation and Provision of Information Systems and Technology Services	Raiffeisen - Leasing, s.r.o.	14 February 2014	Provision of information systems and technology services / payment of agreed remuneration
Amendment no. 6 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen - Leasing, s.r.o.	11 February 2014	Amendment no. 6 to the Contract on the Sublease of Non-Residential Premises
Amendment no. 7 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen - Leasing, s.r.o.	24 November 2014	Amendment no. 7 to the Contract on the Sublease of Non-Residential Premises
Master Service Agreement	Raiffeisen - Leasing, s.r.o.	14 January 2015	Provision of payroll accounting and registry services / payment of contractual fees

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment no. 12 to the Loan Contract no.110157/2012/01 of 27 September 2012	Raiffeisen - Leasing, s.r.o.	21 April 2015	Provision of credit limit / payment of contractual interest
Agreement on risk participation and the provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	15 May 2015	Agreement on risk participation and the provision of a special-purpose loan / payment / payment of instalments and the participation share
Amendment no. 13 to the Loan Contract no.110157/2012/01	Raiffeisen - Leasing, s.r.o.	22 June 2015	Provision of credit limit / payment of contractual interest
Escrow Account Contract	Raiffeisen - Leasing, s.r.o.	24 June 2015	Opening and administration of an escrow account
Amendment no. 1 to Escrow Account Contract	Raiffeisen - Leasing, s.r.o.	14 July 2015	Opening and administration of an escrow account
limit approval - review of the loan and treasury line including its extension and increase	Raiffeisen - Leasing, s.r.o.	27 July 2015	limit approval - review of the loan and treasury line including its extension and increase
Amendment no. 15 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	29 July 2015	Provision of credit limit / payment of contractual interest
Amendment no. 14 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	31 July 2015	Provision of credit limit / payment of contractual interest
Amendment no. 16 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	17 August 2015	Provision of credit limit / payment of contractual interest
Contract on the opening and administration of account no. 5170012066 (EUR)	Raiffeisen - Leasing, s.r.o.	24 August 2015	Account opening and administration
Master Agreement - RB car fleet management	Raiffeisen - Leasing, s.r.o.	30 September 2015	RB car fleet management / payment of contractual fees
Amendment no. 17 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	30 September 2015	Provision of credit limit / payment of contractual interest
Amendment no. 1 to the Non-Exclusive Sales Representation Contract	Raiffeisen - Leasing, s.r.o.	29 October 2015	Sales representation / payment of contractual provisions
Contract on the opening and administration of account no. 5170012293 (EUR)	Raiffeisen - Leasing, s.r.o.	26 November 2015	Account opening and administration
Master agreement on risk participation and the provision of special-purpose loans	Raiffeisen - Leasing, s.r.o.	30 November 2015	Risk participation
Agreement on Cooperation in Compliance, Fraud Risk Management, Information Security and Physical Security	Raiffeisen - Leasing, s.r.o.	28 December 2015	Cooperation in the area of Compliance & Security / Payment of contractual remuneration
Liability participation agreement S/2016/00211	Raiffeisen - Leasing, s.r.o.	4 January 2016	Participation in the liability of CEEC Research, s.r.o. / payment of the contractual amount
Agreement on Communication via the JIRA Application	Raiffeisen - Leasing, s.r.o.	21 March 2016	Inserting comments on audit tasks in the Follow Up Internal Audit Application in JIRA
Agreement on Confidentiality and Protection of Personal Information	Raiffeisen - Leasing, s.r.o.	25 November 2016	Agreement on personal data processing, confidentiality and some other provisions

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement on risk participation and the provision of a special-purpose loan (VAL – Linter EKO s.r.o.)	Raiffeisen - Leasing, s.r.o.	20 April 2016	Risk participation/payment of contractual interest
Amendment No. 18 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	29 April 2016	Provision of a credit facility/payment of contractual interest
Amendment No. 19 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	6 June 2016	Provision of a credit facility/payment of contractual interest
Amendment No. 20 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	17 June 2016	Provision of a credit facility/payment of contractual interest
Amendment No. 21 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	29 July 2016	Provision of a credit facility/payment of contractual interest
Risk Participation Agreement Ref. No. PD/61467863/01/2016	Raiffeisen - Leasing, s.r.o.	23 June 2016	Risk participation/payment of contractual interest
Lease Contract No. 5019000614 - 5019000626	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000631 - 5019000646	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000533	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000500	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000613	Raiffeisen - Leasing, s.r.o.	13 April 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000612	Raiffeisen - Leasing, s.r.o.	14 April 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000627 - 5019000630	Raiffeisen - Leasing, s.r.o.	15 April 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001268 - 5019001269	Raiffeisen - Leasing, s.r.o.	30 August 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001265 - 5019001267	Raiffeisen - Leasing, s.r.o.	17 October 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001272 - 5019001273	Raiffeisen - Leasing, s.r.o.	17 October 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001256 - 5019001264	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001270 - 5019001271	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001274	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of a lease/payment of contractual interest
Sub-licence agreement	Raiffeisen - Leasing, s.r.o.	9 September 2016	Definition of the right to registered trademarks / payment of a contractual fee
Amendment No.1 to the Liability Participation Agreement	Raiffeisen - Leasing, s.r.o.	7 November 2016	Extension of the contractual relation to 2017
Amendment No. 8 to the Contract for the Sublease of Non-Residential Premises	Raiffeisen - Leasing, s.r.o.	16 December 2016	Change of the subject of the sublease/change of rental
Amendment No. 2 to the Risk Management Cooperation Contract of 11 July 2011	Raiffeisen - Leasing, s.r.o.	22 December 2016	Amendment to Appendix No. 1 to the Contract

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Confidentiality Agreement in Czech/English	Raiffeisen - Leasing, s.r.o.	31 January 2017	Rules governing the disclosure, use and protection of confidential information
Amendment no. 2 to the Non-Exclusive Sales Representation Contract	Raiffeisen - Leasing, s.r.o.	15 February 2017	Sales representation/payment of a contractual commission
Contract for the provision of internal audit outsourcing services	Raiffeisen - Leasing, s.r.o.	23 February 2017	Provision of the internal audit function for a subsidiary/payment of a contractual fee
Agreement on risk participation and the provision of a special-purpose loan (SEVEROTISK, s.r.o.)	Raiffeisen - Leasing, s.r.o.	11 August 2017	Risk participation/payment of contractual interest
Agreement on risk participation and the provision of a special-purpose loan no. NDP/0001//01/29058481	Raiffeisen - Leasing, s.r.o.	17 August 2017	Lease participation of the client - FRAIKIN ČESKÁ REPUBLIKA, S.R.O./ payment of contractual interest
Electronic Banking Agreement	Raiffeisen - Leasing, s.r.o.	25 August 2017	Installation of the international e-Banking system (MultiCash 3.2) / payment of contractual fees
Amendment No. 2 to the Liability Participation Agreement		1 December 2017	Extension of the contractual relation to 2018
Amendment No. 1 to the Master agreement on risk participation and the provision of special-purpose loans	Raiffeisen - Leasing, s.r.o.	12 December 2017	Change of contractual terms
Agreement on risk participation and the provision of a special-purpose loan (BENTELEK Automotive Klášťerec, s.r.o.)	Raiffeisen - Leasing, s.r.o.	28 December 2017	Risk participation/payment of contractual interest

In 2017, Raiffeisenbank a.s. was related to a total of 110 companies (see the list in Chapter 2) indirectly through Raiffeisen - Leasing, s.r.o. and Raiffeisen - Leasing Gesellschaft m.b. H., with which it concluded contracts for the opening and maintenance of a current account, based on which it received standard contractual fees from and paid standard contractual interest to the above companies. Also, Raiffeisenbank a.s. concluded contracts for the use of electronic banking, or authorisation to use electronic banking, with these companies, based on which it received standard contractual fees from the above companies. The Bank has also concluded loan/lease contracts with some of the above companies, based on which it received current interest. Furthermore, Raiffeisenbank a.s. has several Treasury Master Agreements with the above companies, the subject-matter of which is the provision of trades concluded on the money and capital markets / payment of contractual fees.

In 2016, Raiffeisenbank a.s. connected accounts to the Multicash installation for the following companies: Onyx Energy s.r.o., Appolon Property, s.r.o., lysishea a.s., Palace Holding s.r.o., Michalka - Sun s.r.o., Urania Property, s.r.o., Euterpe 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 Property, 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 2017, the Bank did not connect any new accounts.

### Raiffeisen FinCorp, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Master Treasury Agreement	Raiffeisen FinCorp, s.r.o.	26 February 2015	Agreement on rights and obligations related to transaction on the financial market
Amendment to the Master Treasury Agreement	Raiffeisen FinCorp, s.r.o.	26 February 2015	Agreement on rights and obligations related to transaction on the financial market

Amendment no. 2 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	31 March 2015	Provision of credit limit / payment of contractual interest
Guarantor's Statement	Raiffeisen FinCorp, s.r.o.	11 May 2015	Security to a liability
Amendment no. 3 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	22 June 2015	Provision of credit limit / payment of contractual interest
Amendment no. 1 to the Guarantor's Statement	Raiffeisen FinCorp, s.r.o.	22 June 2015	Security to a liability
Amendment no. 4 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	31 July 2015	Provision of credit limit / payment of contractual interest
Amendment no. 5 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	17 August 2015	Change in the wording of Appendix 2 to the Agreement
Amendment no. 6 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	29 April 2016	Change in Article VIII, Paragraph 5 of the Agreement
Amendment no. 7 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	31 May 2016	Change in Article I, Paragraph 6 of the Agreement
Amendment no. 8 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	29 July 2016	Provision of a credit limit of up to CZK 4,000,000,000
Amendment no. 2 to the Guarantor's Statement	Raiffeisen FinCorp, s.r.o.	29 July 2016	Change of terms and conditions of the contract
Limit approval	Raiffeisen FinCorp, s.r.o.	16 February 2016	Credit and treasury line revision incl. prolongation and increase
Limit approval for Raiffeisen FinCorp and Raiffeisen-Leasing	Raiffeisen FinCorp, s.r.o.	26 July 2016	Credit and treasury line revision incl. prolongation and increase

As of 31 December 2017, Raiffeisenbank a.s. concluded Agreements to Open and Administer Current Accounts with Raiffeisen FinCorp, s.r.o. Based on these agreements it accepted regular contractual fees from the above company and paid regular contractual interest.

#### KHD, a.s.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement to Open and Maintain a Current Account	KHD, a.s.	13 February 2009	Opening and maintenance of a current account / payment of contractual fees

#### Raiffeisen Direct Investments CZ s.r.o. (formerly Transaction System Servis s.r.o.)

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement to Open and Maintain a Current Account	Transaction System Servis s.r.o.	17 December 2008	Opening and maintenance of a current account / payment of contractual fees
Agreement on Direct Banking	Transaction System Servis s.r.o.	1 December 2010	Setting up direct banking services
Agreement on Cooperation in Preparation of VAT-Tax Returns for the Group	Raiffeisen Direct Investments CZ s.r.o.	29 August 2016	Obligations of Group members regarding the preparation of tax returns and supplementary VAT-tax returns

In 2016, Raiffeisen Direct Investments CZ s.r.o. acquired a 100% investment in the following companies:

RDI Czech 1 s.r.o. (former CREF CZ 1 s.r.o.);  
RDI Management s.r.o. (former CREF CZ 2 s.r.o.);  
RDI Czech 3 s.r.o. (former CREF CZ 3 s.r.o.);  
RDI Czech 4 s.r.o. (former CREF CZ 4 s.r.o.);  
RDI Czech 5 s.r.o. (former CREF CZ 5 s.r.o.); and  
RDI Czech 6 s.r.o. (former PRK Sigma 06 s.r.o.).

During 2017, the Bank had the following contracts and agreements in place with the aforementioned companies: contracts for the maintenance of a current account (based on which it received standard contractual fees), and lease and loan agreements (including hedging documentation) for the purpose of financing the acquisition of fixed assets.

**Raiffeisen investiční společnost a.s.**

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Master Agreement on RIS Services	Raiffeisen investiční společnost a.s.	1 January 2013	Provision of RIS services / payment of contractual remunerations and fees
Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	14 February 2013	Stipulation of mutual rights and obligations of VAT group members
Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	29 March 2013	Agreement on the Sublease of Non-Residential Premises / payment of rent
Confidentiality Agreement	Raiffeisen investiční společnost a.s.	17 June 2013	Confidentiality agreement
Cooperation Agreement	Raiffeisen investiční společnost a.s.	17 June 2013	Agreement on cooperation (distribution of RIS funds) / payment of contractual remuneration
Service Agreement	Raiffeisen investiční společnost a.s.	17 June 2013	Provision of services - settlement of trades / payment of contractual remuneration
Treasury Master Agreement	Raiffeisen investiční společnost a.s.	17 July 2013	Agreement on rights and obligations related to transactions in the financial market
Agreement on Information System and Technology Services	Raiffeisen investiční společnost a.s.	19 September 2013	Agreement on the provision of IT services to RIS / payment of contractual remuneration
Agreement to Open and Maintain a Current Account	Raiffeisen investiční společnost a.s.	27 September 2013	Current Account maintenance / payment of contractual fees
Amendment No. 1 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	1 October 2013	Deletion of current Appendices No. 1 and 2 and replacement by updates
Amendment No. 1 to Agreement on Information System and Technology Services	Raiffeisen investiční společnost a.s.	1 January 2014	Change of terms and conditions
Amendment No. 1 to Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	1 January 2014	Amendment to the Agreement on the sublease of non-residential premises / payment of rent
Amendment No. 1 to Treasury Master Agreement	Raiffeisen investiční společnost a.s.	31 January 2014	Modification according to EMIR
Agreement to Open and Maintain a Current Account	Raiffeisen investiční společnost a.s.	27 February 2014	Agreement to Open and Maintain a Current Account 5170010677-5500
Amendment No. 1 to Service Agreement S/2014/00265	Raiffeisen investiční společnost a.s.	14 March 2014	Change of remuneration/ payment of contractual remuneration
Amendment No. 2 to Cooperation Agreement	Raiffeisen investiční společnost a.s.	10 April 2014	Appendix update, modification of rights and obligations
Amendment No. 3 to Cooperation Agreement	Raiffeisen investiční společnost a.s.	14 April 2014	Appendix update
Amendment No. 1 to Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	13 May 2014	Contact information update
Amendment No. 2 to Agreement on Information System and Technology Services	Raiffeisen investiční společnost a.s.	1 July 2014	Remuneration amount update / payment of contractual remuneration
Agreement on Certain Issues Related to Management of Qualifying Investors' Fund	Raiffeisen investiční společnost a.s.	18 July 2014	Cooperation, compulsory disclosure in management of Leonardo, open-end mutual fund

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement on Discharge of Obligation	Raiffeisen investiční společnost a.s.	8 October 2014	Agreement on Discharge of Obligation regarding account maintenance (EUR, USD) RCHFAP
Cooperation Agreement	Raiffeisen investiční společnost a.s.	1 December 2014	Agreement on cooperation (RCM funds) / payment of agreed commission
Investment Instrument Brokerage Agreement	Raiffeisen investiční společnost a.s.	5 December 2014	Brokerage of purchases/sales of investment instruments / payment of contractual remuneration
Agreement on the Use of Electronic Banking	Raiffeisen investiční společnost a.s.	17 December 2014	Agreement to provide international electronic banking
Amendment no.1 to Master Service Agreement S/2013/00482	Raiffeisen investiční společnost a.s.	16 March 2015	Amendment supplements the existing Appendix no. 2, part 1/ payment of contractual remuneration
Amendment no.1 to Agreement on the Use of Electronic Banking	Raiffeisen investiční společnost a.s.	21 April 2015	Amendment changes point 6.8. of the contract
Amendment no. 4 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	12 June 2015	Amendment terminates appendix no. 1 and 2 of the contract and provides updated versions /change of authorised person
Amendment no. 2 to Service Agreement S/2013/00265	Raiffeisen investiční společnost a.s.	15 June 2015	Amendment terminates appendix no. 1 of the contract and provides an updated version
Amendment no. 5 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	13 July 2015	Amendment terminates appendix no. 1 and 2 of the contract and provides updated versions
Agreement to Provide Outsourcing Services in RIS Risk Management	Raiffeisen investiční společnost a.s.	30 July 2015	Agreement to Provide Outsourcing Services in RIS Risk Management / payment of contractual remuneration
Amendment no. 1 to Cooperation Agreement S/2014/00508	Raiffeisen investiční společnost a.s.	1 September 2015	Update of appendix no.1 and 2 par. 5 of the agreement /new wording of par. 5 in the Client section
Cooperation Agreement in the Area of Compliance	Raiffeisen investiční společnost a.s.	3 December 2015	Stipulation of the conditions of the cooperation of RB in the area of compliance and FRM / payment of contractual remuneration
Amendment no. 6 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	7 December 2015	Amendment terminates appendix no. 1 and 2 of the contract and provides updated versions / payment of contractual remuneration
Amendment no. 7 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	7 December 2015	Change to the construction of the remuneration for the provider/ Appendices 1 and 3 replaced by the update/ changes to practical procedures
Amendment no. 2 to Master Service Agreement S/2013/00482	Raiffeisen investiční společnost a.s.	1 January 2016	Amendment updates Appendices 1 to 8 to the contract
Amendment no. 8 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	1 March 2016	Additional client information on findings in relation to PF solved by the provider
Amendment no. 1 to Service Agreement S/2013/00265	Raiffeisen investiční společnost a.s.	14 March 2014	Change of rights and obligations of the contractual parties

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment no. 9 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	30 March 2016	Amendment annuls point 1 of the Appendix and point 1 of the Agreement and replaces these with updates
Amendment no. 2 to Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	11 May 2016	Added obligation to file in data for Local Purchases and Sales List
Confidentiality Agreement	Raiffeisen investiční společnost a.s.	19 May 2016	Subject of the Agreement are rights and obligations of RB and RIS
Amendment no. 10 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	1 September 2016	Amendment annuls Appendix no. 1 to the Agreement and replaces this by new wording
Sub-Licence Agreement S/2016/00440	Raiffeisen investiční společnost a.s.	1 September 2016	Sub-License agreement on registered trademarks
Agreement on the Provision of Outsourcing Services in the Field of Internal Audit of Raiffeisen investiční společnost a.s.	Raiffeisen investiční společnost a.s.	22 September 2016	Outsourcing internal audit services
Amendment no. 2 to the Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	11 November 2016	Change in the lease subject/ change in the lease
Amendment no. 3 to Agreement on Information System and Technology Services	Raiffeisen investiční společnost a.s.	31 December 2016	Remuneration amount update / payment of contractual remuneration
Amendment no. 3 to Master Service Agreement S/2013/00482	Raiffeisen investiční společnost a.s.	1 January 017	The amendment updates Amendment No. 2
Amendment no. 3 to the Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	1 January 017	Amendment to the Agreement on the Sublease of Non-Residential Premises /payment of rental
Sub-licence Agreement S/2016/00665	Raiffeisen investiční společnost a.s.	9 January 017	licence for using the rights to the ASPI system service / payment of the contractual fee
Master agreement on trading on the financial market	Raiffeisen investiční společnost a.s.	28 February 2017	Agreement on the rights and obligations regarding transactions on the financial market / payment of the contractual fee
Agreement on Information System and Technology Services	Raiffeisen investiční společnost a.s.	10 May 2017	Agreement on the provision of IT services to RIS / payment of the contractual fee
Amendment No. 11 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	11 April 2017	The amendment repeals Appendix No. 1 to the Agreement, replacing it with a new wording
Amendment No. 1 to Cooperation Agreement in the Area of Compliance S/2015/3649	Raiffeisen investiční společnost a.s.	20 June 2017	The amendments adds other services provided by RB to RIS and amends the authorised parties
Amendment No. 12 to Cooperation Agreement S/2013/00263	Raiffeisen investiční společnost a.s.	1 September 2017	The amendment repeals Appendix No. 1 to the Agreement, replacing it with a new wording

### Raiffeisen Property Management, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement to Open and Maintain a Current Account	Raiffeisen Property Management, s.r.o. (previously Raiffeisen Property Invest, s.r.o.)	12 May 1997	Current Account maintenance / payment of contractual fees
Agreement to Open and Maintain a Current Account	Raiffeisen Property Management, s.r.o. (previously Raiffeisen Property Invest, s.r.o.)	16 December 2008	Current Account maintenance / payment of contractual fees

### Raiffeisen Bank Zrt.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement to Open a Nostro Account	Raiffeisen Bank Zrt.	2 August 2001	Maintenance of a nostro account / payment of contractual fees
Agreement to Open and Maintain a Securities Account	Raiffeisen Bank Zrt.	11 July 2005	Definition of conditions of maintenance of RBCZ's securities account in Hungary / payment of contractual fees
ISDA Master Agreement	Raiffeisen Bank Zrt.	29 April 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement	Raiffeisen Bank Zrt.	29 April 2011	Definition of detailed terms and conditions of money market trading
Approval of a new Money Market limit	Raiffeisen Bank Zrt.	22 March 2016	Approval of a new limit

### Raiffeisen banka a.d.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Loan Contract	Raiffeisen banka a.d.	21 December 2004	Provision of credit a loan facility / payment of contractual interest
Amendment no. 1 to the Loan Contract from 21 December 2004	Raiffeisen banka a.d.	30 March 2005	Change of contractual relationships until 30 April 2005
Loan Contract	Raiffeisen banka a.d.	14 June 2005	Provision of credit a loan facility / payment of contractual interest

### Raiffeisenbank Austria d.d.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement to Open a Nostro Account	Raiffeisenbank Austria d.d.	21 May 2001	Maintenance of a nostro account / payment of contractual fees
ISDA Master Agreement	Raiffeisenbank Austria d.d.	8 June 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement"	Raiffeisenbank Austria d.d.	8 June 2011	Definition of detailed terms and conditions of money market trading
Agreement to open a correspondent account	Raiffeisenbank Austria d.d.	18 May 2011	Maintenance of a correspondent account / payment of contractual fees
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	Credit risk participation / payment of contractual fees
Risk Participation Agreement	Tatra Banka, a.s.	18 August 2005	Credit risk participation / payment of contractual fees
Risk Participation Agreement	Tatra Banka, a.s.	16 November 2005	Credit risk participation / payment of contractual fees
Contract for Pledge on Government Bonds	Tatra Banka, a.s.	19 May 2005	Establishment of pledge on bonds
Amendment No. 1 to the Contract for Pledge on Bonds of 19 May 2005	Tatra Banka, a.s.	16 November 2005	Adjustment of rights and obligations
Syndicated Investment Facility Agreement	Tatra Banka, a.s.	12 December 2005	Provision of credit a loan facility / payment of contractual interest
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	7 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	18 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	21 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	21 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2007	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	22 November 2007	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	27 February 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	8 December 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	19 December 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	19 December 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	26 August 2008	Credit risk participation / payment of contractual fees
Amendment No. 5 to the Agreement on Shared Use of Banker's Almanac On-line of 15 June 2004	Tatra Banka, a.s.	8 June 2009	Prolongation of the agreement
Amendment No. 6 to the Agreement on Shared Use of Banker's Almanac On-line of 15 June 2004	Tatra Banka, a.s.	16 December 2009	Agreement on joint order

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Confidentiality Agreement	Tatra Banka, a.s.	4 May 2010	Agreement on confidentiality as part of potential mutual cooperation
Cooperation Agreement	Tatra Banka, a.s.	1 August 2010	Agreement on conditions for transfer of information and access to premises
JIRA Application Communication Agreement	Tatra Banka, a.s.	6 October 2010	Agreement to allow for mutual communication through a shared application.
ISDA Master Agreement	Tatra Banka, a.s.	5 October 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement	Tatra Banka, a.s.	5 October 2011	Definition of detailed terms and conditions of money market trading
Risk Participation Confirmation	Tatra Banka, a.s.	5 February 2013	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	26 September 2013	Credit risk participation / payment of contractual fees
Amendment No.7 to the Agreement on Shared Use of Banker's Almanac On-line of 15 June 2004	Tatra Banka, a.s.	19 December 2013	Amendment No.7 to the Agreement on Shared Use of Banker's Almanac / payment of contractual remuneration
Risk Participation Confirmation	Tatra Banka, a.s.	20 December 2013	Credit risk participation / payment of contractual fees
Amendment No.8 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s.	29 April 2014	Amendment No.8 to the Agreement on Shared Use of Banker's Almanac On-line / payment of contractual remuneration
Amendment No.9 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s.	25 July 2014	Amendment No.8 to the Agreement on Shared Use of Banker's Almanac On-line
Agreement to Provide Information Technology Services	Tatra Banka, a.s.	1 May 2015	Provision of IT Services / payment of contractual remuneration
Agreement to Provide Confidential Information	Tatra Banka, a.s.	21 May 2015	Provision of confidential information
Agreement on Communication through the Citrix Application	Tatra Banka, a.s.	3 June 2015	Communication agreement
Agreement on Communication through the Sharepoint Application	Tatra Banka, a.s.	3 June 2015	Communication agreement
Sublicensing Agreement on the Use of Finance Planning for Premium Banking Programs	Tatra Banka, a.s.	30 September 2015	Use of premium banking programs / Payment of contractual remuneration
Limit increase - funded participation	Tatra Banka, a.s.	19 October 2015	Limit increase - funded participation / payment of contractual fees
Limit increase - non-funded participation	Tatra Banka, a.s.	9 December 2015	Limit increase - non-funded participation / payment of contractual fees
Framework agreement (employee rotation between RBCZ and TBSK)	Tatra Banka, a.s.	20 July 2016	Conditions of the so called Rotation Programme between RBCZ and TBSK
Agreement on Cooperation in Mergers & Acquisitions	Tatra Banka, a.s.	29 September 2016	Mergers & Acquisitions services / payment of contractual fees

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
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 the contract validity
Contract for the provision of the AS400 platform administration services	Tatra Banka, a.s.	23 October 2017	AS400 platform administration and provision of services/payment of contractual fees

#### Tatra Asset Management, správ. spol., a.s.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement on Communication via Sharepoint Portal	Tatra Asset Management, správ. spol., a.s.	15 July 2012	Agreement on enabling mutual communication via a shared application

#### Regional Card Processing Centre, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Framework Agreement on Payment Card Processing	Regional Card Processing Centre, s.r.o.	1 January 2011	Provision of payment card processing / payment of contractual fee
Amendment No. 1 to Framework Agreement on Payment Card Processing of 2011	Regional Card Processing Centre, s.r.o.	9 June 2014	Amendment to the Agreement, modification of the data processing and storing method
Statement of Work	Regional Card Processing Centre, s.r.o.	12 November 2015	Contract defining the extent of work, schedule, price and acceptance criteria of RPC deliveries for a project
Agreement on Communication via the JIRA Application	Regional Card Processing Centre, s.r.o.	9 May 2016	JIRA contract on application access
Statement of Work	Regional Card Processing Centre, s.r.o.	30 November 2016	New interface between Wincor Nixdorf and RPC for the authorisation of ONUS transactions

**Raiffeisen Bank Polska S.A.**

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Contract for the Establishment of Pledge on Receivables from Deposits	Raiffeisen Bank Polska S.A./ OFO Polska Sp. Z o.o.	25 August 2005	Establishment of pledge on receivables from deposits
Risk Participation Confirmation	Raiffeisen Bank Polska S.A.	22 December 2006	Credit risk participation / payment of contractual fees
ISDA Master Agreement	Raiffeisen Bank Polska S.A.	27 May 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement	Raiffeisen Bank Polska S.A.	27 May 2011	Definition of detailed terms and conditions of money market trading
Mutual Confidentiality Agreement - EVO (2 June 2017)	Raiffeisen Bank Polska S.A.	2 June 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Evo Payments International for a project
Mutual Confidentiality Agreement - Equens SE (2 June 2017)	Raiffeisen Bank Polska S.A.	2 June 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Equens SE for a project
Mutual Confidentiality Agreement - ATOS Worldline (26 June 2017)	Raiffeisen Bank Polska S.A.	26 June 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and ATOS Worldline for a project
Mutual Confidentiality Agreement - Six Payment Services	Raiffeisen Bank Polska S.A.	3 July 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Six Payment Services for a project
Mutual Confidentiality Agreement - Elavon Financial Service	Raiffeisen Bank Polska S.A.	3 July 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Elavon Financial Service for a project
Mutual Confidentiality Agreement - First Data	Raiffeisen Bank Polska S.A.	15 July 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and First Data for a project
Mutual Confidentiality Agreement - Global Payments Inc	Raiffeisen Bank Polska S.A.	1 October 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Global Payments Inc. for
Mutual Confidentiality Agreement - Provus	Raiffeisen Bank Polska S.A.	1 October 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Provus for a project
Limit approval - bank guarantee maturity extension	Raiffeisen Bank Polska S.A.	16 September 2015	Limit approval - bank guarantee maturity extension
Limit approval - bank guarantee	Raiffeisen Bank Polska S.A.	9 December 2015	Limit prolongation / payment of contractual fees
Limit approval	Raiffeisen Bank Polska S.A.	10 May 2016	Bank guarantees, maturity extensions

## Raiffeisen Bank S.A.

Legal Act	Counterparty	Date concluded	Counter-Performance
Agreement to Open a Nostro Account	Raiffeisen Bank S.A.	19 August 2005	Maintenance of a nostro account / payment of contractual fees

## Raiffeisen Centrobank AG

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement to Open and Maintain a Current / Correspondent Account	Raiffeisen Centrobank AG	23 October 2007	Opening and maintenance of a current/correspondent account / payment of contractual fees
Distribution Agreement	Raiffeisen Centrobank AG	27 June 2012	Agreement on joint distribution of structured products / payment of contractual commission
Amendment No. 1 to the Distribution Agreement of 27 June 2012	Raiffeisen Centrobank AG	9 October 2012	Change of contractual terms
Amendment No. 1 to the Distribution Agreement	Raiffeisen Centrobank AG	9 October 2012	Change of contractual terms
Cost Sharing Agreement	Raiffeisen Centrobank AG	9 October 2012	Agreement on sharing costs of joint distribution
ISDA 2002 Master Agreement	Raiffeisen Centrobank AG	23 April 2014	ISDA Master Agreement (International Swaps and Derivatives Association)
ISDA Schedule to the 2002 Master Agreement	Raiffeisen Centrobank AG	23 April 2014	ISDA Master Agreement plan
ISDA Credit Support Annex to the Schedule to the 2002 Master Agreement	Raiffeisen Centrobank AG	23 April 2014	Amendment to the ISDA Master Agreement
New limit approval	Raiffeisen Centrobank AG	29 March 2016	Money Market limit for treasury operations

## Raiffeisen – Leasing International GmbH

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Creditor Agreement	Raiffeisen – Leasing International GmbH	10 March 2005	Agreement on joint steps towards debtors
Syndicate Agreement	Raiffeisen – Leasing International GmbH	3 May 2004	Agreement on cooperation in corporate governance
Amendment to the Creditor Agreement of 10 March 2005	Raiffeisen-Leasing International GmbH/ RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	24 June 2005	Amendment to the contractual relationships
Agreement on Joint Refinancing	Raiffeisen-Leasing International GmbH/ RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	21 October 2005	Agreement on participation in loan refinancing
Escrow Account Agreement	Raiffeisen-Leasing International GmbH/ RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	24 October 2005	Opening of an account with specific conditions of disposal of funds

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Creditor Agreement	Raiffeisen-Leasing International GmbH/ RLRE Kappa Property, s.r.o./ RLRE Lambda Property, s.r.o.	29 December 2004	Agreement on joint future steps
Escrow Account Agreement	Raiffeisen-Leasing International GmbH/ RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	29 December 2004	Opening of an account with specific conditions of disposal of funds
Agreement on the Transfer of an Equity Investment	Raiffeisen - Leasing International GmbH	3 October 2017	Transfer of a 50% equity investment in Raiffeisen - Leasing, s.r.o./payment of the purchase price

### Raiffeisen – Leasing Bank AG

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Contract for the Establishment of Pledge on Receivables from Deposits	Raiffeisen-Leasing Bank AG	27 January 2005	Establishment of pledge on receivables from deposits

### Centralised Raiffeisen International Services and Payments S.R.L.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	18 June 2007	SWIFT access settings / payment of contractual fees
Agreement on Data Processing and Protection	Centralised Raiffeisen International Services and Payments S.R.L.	18 June 2007	Agreement on the handling and protection of data
Annex No. 3 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	8 February 2008	Cooperation in the FiSa group programme determining fees for scanning of transactions to sanctioned parties
Annex No. 4a to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	12 August 2009	Specification of services for the use of a common platform for international payments
Confidentiality Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	20 January 2010	Agreement on confidentiality as part of potential mutual cooperation
Annex No. 5 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	27 August 2010	Specification of services for the use of a common platform for international payments
Annex No. 4 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	12 November 2010	Specification of services for the use of a common platform for international payments
Annex No. 1 to Amendment No. 4 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	6 December 2012	Specification of services for the use of a common platform for international payments
Amendment No. 2 to Annex No. 4 to Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	18 August 2014	Amendment to the Framework Agreement, stipulating times guaranteed by CRISP for cases of SWIFT service downtime

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment No. 2 to Annex No. 2 to Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	18 August 2014	Amendment to the Framework Agreement, stipulating times guaranteed by CRISP for cases of SWIFT service downtime
Appendix no. 6 to the Cooperation Agreement	Centralised Raiffeisen International Services and Payments S.R.L	8 January 2015	iReg hosting and support - Fatca Reporting Support Services
Section 11 Appendix no. 6 to the Cooperation Agreement	Centralised Raiffeisen International Services and Payments S.R.L	8 January 2015	iReg hosting and support - Fatca Reporting Support Services
Appendix no. 7 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	2 December 2016	Provision of services in the field of MAD II/MAR
Service Description, Enclosure No. 8 CRS Reporting Support Services	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	Service agreement on a group solution for creating a file for the multilateral exchange of CRS information - iReg
Appendix No. 8 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	More detailed description of CRS Reporting and Security measures.
Section 10 of Appendix No. 8 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	More detailed description of CRS Reporting and Security measures.

### RZB Finance LLC

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Master Risk Participation Agreement	RZB Finance LLC	12 September 2007	Agreement on participation in credit risk, based on which the below risk participation confirmations were issued / payment of contractual fees
Risk Participation Confirmation	RZB Finance LLC	12 September 2007	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	RZB Finance LLC	6 December 2007	Credit risk participation / payment of contractual fees

### ZUNO BANK AG (formerly Raiffeisen International Direct Bank AG)

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement on the Sublease of Non-Residential Premises	ZUNO BANK AG	2 September 2013	Agreement on the Sublease of Non-Residential Premises / payment of rent
Amendment no. 1 and 2 to the Contract on the Sublease of Non-Residential Premises of 2 September 2013	ZUNO BANK AG	31 December 2013	Change of contractual terms
Digital Space Competence Centre Service Agreement	ZUNO BANK AG	1 April 2014	Provision of services for the Digital Space Competence Centre / payment of fees
Provision of Services for Digital Space Competence Centre	ZUNO BANK AG	1 April 2014	Provision of services for the Digital Space Competence Centre / payment of fees
Amendment no. 3 to the Contract on the Sublease of Non-Residential Premises	ZUNO BANK AG	12 May 2014	Amendment no. 3 to the Contract on the Sublease of Non-Residential Premises / payment of rent

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment no. 4 to the Contract on the Sublease of Non-Residential Premises	ZUNO BANK AG	7 August 2014	Amendment no. 4 to the Contract on the Sublease of Non-Residential Premises / payment of rent
Agreement on the Key Terms of Re-Contracting	ZUNO BANK AG	25 November 2016	Specification of rights and obligations regarding migration
Confidentiality Agreement	ZUNO BANK AG	22 September 2016	Confidentiality Agreement
Amendment no. 5 to the Contract on the Sublease of Non-Residential Premises	ZUNO BANK AG	10 April 2017	Amendment of terms and conditions/ payments of contractual fees
Framework Business Transfer Agreement	ZUNO BANK AG	2 May 2017	Agreement on the transfer of a part of the business/purchase price
Re-Contracting Agreement	ZUNO BANK AG	2 May 2017	Agreement on the transfer of contractual relations / payment of the contractual fee
Business Transfer Agreement	ZUNO BANK AG	1 June 2017	Agreement on the transfer of a part of the business/purchase price
Service Agreement (S/2016/00437)	ZUNO BANK AG	1 August 2017	Provision of services/payment of contractual fees
Amendment no. 1 to the Re-Contracting Agreement	ZUNO BANK AG	22 August 2017	Amendment no. 1 to the Re-Contracting Agreement

### ZUNO BANK AG, organizační složka

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement on Maintenance of a Current/Correspondent Account	ZUNO BANK AG, organizační složka	22 September 2010	Maintenance of a current/ correspondent account / payment of contractual fees
Cooperation Agreement	ZUNO BANK AG, organizační složka	31 October 2012	Agreement on mutual cooperation in ATM use
Agreement on Communication through the JIRA Application	ZUNO BANK AG, organizační složka	10 April 2017	Resolution of errors in data extracts provided by ZUNO for the Trinity project

Note: As of 20 July 2017, ZUNO BANK AG (the founder) adopted the decision to dissolve the organisational branch, which was subsequently removed from the Register of Companies on 3 November 2017.

### 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
Amendment - Schedule to the ISDA Master Agreement	AO Raiffeisenbank	8 September 2011	Definition of detailed terms and conditions of money market trading

## Raiffeisen Informatik Consulting GmbH

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Purchase Agreement for Oracle Cap-Limit Licence and Maintenance Services	Raiffeisen Informatik Consulting GmbH	8 September 2010	Provision of licenses / payment of contractual fees
Amendment No. 1 to the Purchase Agreement for Oracle Cap-Limit Licence and Maintenance Services	Raiffeisen Informatik Consulting GmbH	1 June 2011	Change of contractual obligations
Agreement on the Implementation, Operation and Support of ITSM Box	Raiffeisen Informatik Consulting GmbH	10 April 2015	Agreement on the Implementation, Operation and Support of ITSM Box / payment of contractual fees
Offer ITSM changes pricing	Raiffeisen Informatik Consulting GmbH	10 October 2016	change requirements for the ITSM box application
Letter of Intent Contract and SLA Signing Confirmation Service Title: Nearshored OFSAA Hub (NOAH) infrastructure service	Raiffeisen Informatik Consulting GmbH	5 January 2017	Billing of the NOAH Platform CZ service
Offer R1553703-2016 V1.0 RBCZ, CR17 - Manage SLA in CMDB	Raiffeisen Informatik Consulting GmbH	11 May 2017	Change requests for the ITSM Box application
Offer R1551313CZ-2016 V3.2 - NOAH - OFSA Platform CZ	Raiffeisen Informatik Consulting GmbH	31 October 2017	Provision of the NOAH Platform CZ service/ payment of contractual fees

## RB International Finance (USA) LLC

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Risk Participation Confirmation	RB International Finance (USA) LLC	26 February 2013	Credit risk participation / payment of contractual fees
Limit approval - maturity extension	RB International Finance (USA) LLC	30 September 2015	Limit approval - maturity extension / payment of contractual fees

## Raiffeisen Kapitalanlage-Gesellschaft m.b.H (Raiffeisen Kag)

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment to the Distribution Agreement	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	20 April 2011	Changes in Appendix 3
Management Agreement (Raiffeisen Czech Click Fund II)	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	24 November 2011	Agreement to appoint an investment manager and to stipulate rights and obligations in management of the fund in question
Memorandum of Understanding	Raiffeisen Kapitalanlage-Gesellschaft m.b.H / Raiffeisen investiční společnost a.s.	6 January 2013	Memorandum of understanding in transferring fund management to Raiffeisen investiční společnost a.s.
Termination Agreement	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	30 June 2013	Agreement to terminate the investment management agreements for the individual CZK funds above
Amendment to the Distribution Agreement	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	1 July 2013	Changes to Appendix 3
Amendment to the Distribution Agreement	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	1 January 2016	Transfer of non-registered funds to a separate category

## Ukrainian Processing Center

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Master Agreement - 3D Secure Payment Cards	Ukrainian Processing Center	26 March 2014	Master agreement - 3D Secure payment cards / payment of contractual fees
Price sheet	Ukrainian Processing Center	29 April 2014	Price sheet to the Master Agreement / payment of contractual fees
Appendix 5 to the Master Agreement	Ukrainian Processing Center	7 May 2014	Appendix 5 to the Master agreement, definition of contractual terms
Amendment to Appendix 5 to the Master Agreement	Ukrainian Processing Center	13 May 2014	Amendment to Appendix 5 to the Master Agreement, definition of contractual terms
Appendix 2 to the Master Agreement	Ukrainian Processing Center	9 August 2017	Change of contractual terms
Amendment to Appendix 5 to the Master Agreement	Ukrainian Processing Center	28 August 2017	Amendment to Appendix 5 to the Master Agreement, definition of contractual terms

## Raiffeisenbank Sh. A

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Limit Approval	Raiffeisenbank Sh. A	9 December 2015	Limit approval / payment of contractual interest

## STRABAG SE

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Agreement on the Arrangement for Services Related to Keeping Records on Investment Instruments no. HS/0001/01/FN88983h	STRABAG SE	7 September 2016	CDCP services mediation/ remuneration according to the pricelist in Appendix no. 4 to this Agreement

## Czech Real Estate Fund (CREF) B.V.

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

In addition to contracts concluded in 2017 referred to above, the Bank and other related parties entered into other transactions in the reporting period, particularly loans and borrowings in the money market and fixed-term transactions, under which the Bank received or paid interest and fees.

## 5. LIST OF OTHER LEGAL ACTS

### 5.1. List of Other Legal Acts with Controlling Entities

#### Raiffeisen CEE Region Holding GmbH

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Resolution of Regular General Meeting of Raiffeisenbank a.s. - Payment of Dividends for 2016	Raiffeisen CEE Region Holding GmbH	27 April 2017	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 2016	Raiffeisenbank a.s.	27 April 2017	Acceptance of dividends based on a resolution of the General Meeting

#### Raiffeisen - Leasing, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Resolution of General Meeting of Raiffeisen - Leasing, s.r.o. - Payment of a Share in the Company's Profits	Raiffeisenbank a.s.	30 June 2017	Acceptance of a share in profits based on a resolution of the General Meeting

### 5.3. Overview of actions made at the initiative or in the interest of the controlling party or entities controlled by it, if such actions applied to assets exceeding 10% of the controlled entity's equity.

None.

## 6. LIST OF OTHER FACTUAL MEASURES

### 6.1. List of Measures Adopted at the Initiative of Controlling Parties

None.

#### General Limits

The Bank has approved general limits for transactions with related parties that apply to current and term deposits, loans, repurchase transactions, treasury shares, letters of credit, provided and received guarantees at request or to the benefit of the controlling party or other parties controlled by the same controlling entity.

### 6.2. List of Measures Adopted in the Interest of Other Related Parties

None.

## 7. CLOSING STATEMENT OF THE BOARD OF DIRECTORS OF RAIFFEISENBANK A.S.

We hereby represent that, to our best knowledge, the Report on Related Parties of Raiffeisenbank a.s. prepared in accordance with Section 82 of the Companies Act for the reporting period from 1 January 2017 to 31 December 2017 includes all of the below, concluded or effected in the reporting period and known to us as at the date of signing of this report:

- Contracts between related parties;
- Performance and counter-performance provided to related parties;
- Other legal acts made in the interest of these parties; and
- All other factual measures adopted or made in the interest or at the initiative of these parties.

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

Furthermore, we represent that we are not aware of any detriment to assets caused as a result of contracts, other legal acts and other factual measures concluded, made or adopted by the Bank in the reporting period from 1 January 2017 to 31 December 2017.

The Board of Directors of Raiffeisenbank a.s. represents that as part of evaluation of the benefits and detriments, the Board is not aware of any material detriments arising out of the relations among the related parties, and in the Board's opinion, benefits arising out of these relations prevail, in particular benefits arising out of common synergies within the group, such as in sharing knowledge and capacities (technical, staff) during major regulatory projects, and benefits related to the knowledge of the group's background and the use of the same systems, processes etc. Furthermore, the Board of Directors of Raiffeisenbank a.s. represents that it is not aware of any material risks ensuing for Raiffeisenbank a.s. as the controlled entity.

In Prague on 31 March 2018



Igor Vida  
Chairman of the Board of Directors



Jan Pudil  
Member of the Board of Directors

# Persons Responsible 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 19 April 2018



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



Tomáš Jelínek  
Executive Director and Head  
of the Finance Division Raiffeisenbank a.s.

# Raiffeisen Bank International at a glance

Raiffeisen Bank International AG regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 14 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 50,000 employees serve RBI's 16.5 million customers in more than 2,400 business outlets, primarily in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2017, RBI's total assets stood at € 135 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.

Following the merger in March 2017 with Raiffeisen Zentralbank Österreich AG (RZB AG), its former majority shareholder, RBI AG assumed all rights, obligations and functions of the transferring company RZB AG in their entirety, in particular, the role of central institution for the Austrian Raiffeisen Banking Group.

# 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: RZBATWWW

[www.rbinternational.com](http://www.rbinternational.com)

[ir@rbinternational.com](mailto:ir@rbinternational.com)

[communications@rbinternational.com](mailto:communications@rbinternational.com)

## Banking network

### Albania

**Raiffeisen Bank Sh.A.**  
 "European Trade Center"  
 Bulevardi "Bajram Curri"  
 Tirana  
 Phone: +355-4-23 8 100  
 Fax: +355-4-22 755 99  
 SWIFT/BIC: SGSBALTX  
 www.raiffeisen.al

### Belarus

**Priorbank JSC**  
 V. Khoruzhey str. 31-A  
 220002 Minsk  
 Phone: +375-17-28 9-9090  
 Fax: +375-17-28 9-9191  
 SWIFT/BIC: PJCBBY2X  
 www.priorbank.by

### Bosnia and Herzegovina

**Raiffeisen Bank d.d.**  
 Bosna i Hercegovina  
 Zmaja od Bosne bb  
 71000 Sarajevo  
 Phone: +387-33-287 100  
 Fax: +387-33-21 385 1  
 SWIFT/BIC: RZBABA2S  
 www.raiffeisenbank.ba

### Bulgaria

**Raiffeisenbank (Bulgaria) EAD**  
 Nikola I. Vapzarov Blvd.  
 Business Center EXPO 200 PHAZE III, floor 5  
 1407 Sofia  
 Phone: +359-2-91 985 101  
 Fax: +359-2-94 345 28  
 SWIFT/BIC: RZBBBGSF  
 www.rbb.bg

### Croatia

**Raiffeisenbank Austria d.d.**  
 Magazinska cesta 69  
 10000 Zagreb  
 Phone: +385-1-45 664 66  
 Fax: +385-1-48 116 24  
 SWIFT/BIC: RZBHHR2X  
 www.rba.hr

### Czech Republic

**Raiffeisenbank a.s.**  
 Hvězdova 1716/2b  
 14078 Prague 4  
 Phone: + 420-412 446 400  
 Fax: +420-234-402-111  
 SWIFT/BIC: RZBCCZPP  
 www.rb.cz

### Hungary

**Raiffeisen Bank Zrt.**  
 Akadémia utca 6  
 1054 Budapest  
 Phone: +36-1-48 444-00  
 Fax: +36-1-48 444-44  
 SWIFT/BIC: UBRTHUHB  
 www.raiffeisen.hu

### Kosovo

**Raiffeisen Bank Kosovo J.S.C.**  
 Rruga UÇK, No. 191  
 10000 Pristina  
 Phone: +381-38-22 222 2  
 Fax: +381-38-20 301 130  
 SWIFT/BIC: RBKOKKPR  
 www.raiffeisen-kosovo.com

### Poland

**Raiffeisen Bank Polska S.A.**  
 Ul. Grzybowska 78  
 00-844 Warsaw  
 Phone: +48-22-347 7000  
 Fax: +48-22-347 7001  
 SWIFT/BIC: RCBWPLPW  
 www.raiffeisen.pl

### Romania

**Raiffeisen Bank S.A.**  
 Calea Floreasca 246C  
 014476 Bucharest  
 Phone: +40-21-30 610 00  
 Fax: +40-21-23 007 00  
 SWIFT/BIC: RZBRROBU  
 www.raiffeisen.ro

### Russia

**AO Raiffeisenbank**  
 17/1 St. Troitskaya  
 129090 Moscow  
 Phone: +7-495-72 1-9900  
 Fax: +7-495-72 1-9901  
 SWIFT/BIC: RZBMRUMM  
 www.raiffeisen.ru

## Serbia

### **Raiffeisen banka a.d.**

Djordja Stanojevic 16  
11070 Novi Beograd  
Phone: +381-11-32 021 00  
Fax: +381-11-22 070 80  
SWIFT/BIC: RZBSRSBG  
www.raiffeisenbank.rs

## Slovakia

### **Tatra banka, a.s.**

Hodžovo námestie 3  
81106 Bratislava 1  
Phone: +421-2-59 19-1000  
SWIFT/BIC: TATRSKBX  
www.tatrabanka.sk

## Ukraine

### **Raiffeisen Bank Aval JSC**

9, vul Leskova  
01011 Kiev  
Phone: +38-044-49 088 88  
Fax: +38-044-285-32 31  
SWIFT/BIC: AVALUAUK  
www.aval.ua

## Leasing companies

## Austria

### **Raiffeisen-Leasing**

International GmbH  
Am Stadipark 3  
1030 Vienna  
Phone: +43-1-71 707-2071  
Fax: +43-1-71 707-76 2966  
www.rli.co.at

## Albania

### **Raiffeisen Leasing Sh.a.**

"European Trade Center"  
Bulevardi "Bajram Curri"  
Tirana  
Phone: +355-4-22 749 20  
Fax: +355-4-22 325 24  
www.raiffeisen-leasing.al

## Belarus

### **"Raiffeisen-Leasing" JLLC**

V. Khoruzhey 31-A  
220002 Minsk  
Phone: +375-17-28 9-9394  
Fax: +375-17-28 9-9974  
www.rl.by

## Bosnia and Herzegovina

### **Raiffeisen Leasing d.o.o. Sarajevo**

Zmaja od Bosne bb.  
71000 Sarajevo  
Phone: +387-33-254 354  
Fax: +387-33-212 273  
www.rlbh.ba

## Bulgaria

### **Raiffeisen Leasing Bulgaria OOD**

32A Cherni Vrah Blvd. Fl.6  
1407 Sofia  
Phone: +359-2-49 191 91  
Fax: +359-2-97 420 57  
www.rlbh.bg

## Croatia

### **Raiffeisen Leasing d.o.o.**

Radnicka cesta 43  
10000 Zagreb  
Phone: +385-1-65 9-5000  
Fax: +385-1-65 9-5050  
www.rlhr.hr

## Czech Republic

### **Raiffeisen-Leasing s.r.o.**

Hvězdova 1716/2b  
14078 Prague 4  
Phone: +420-2-215 116 11  
Fax: +420-2-215 116 66  
www.rl.cz

## Hungary

### **Raiffeisen Corporate Lizing Zrt.**

Akadémia utca 6  
Phone: +36-1-477 8709  
Fax: +36-1-477 8702  
www.raiffeisenlizing.hu

## Kazakhstan

### **Raiffeisen Leasing Kazakhstan LLP**

Shevchenko Str. 146, flat 1  
050008 Almaty  
Phone: +7-727-378 54 30  
Fax: +7-727-378 54 31  
www.rlkz.at

## Kosovo

### **Raiffeisen Leasing Kosovo LLC**

Rr. UCK p.n.  
10000 Pristina  
Phone: +38-1-222 222 340  
www.raiffeisenleasing-kosovo.com

## Moldova

### **I.C.S. Raiffeisen Leasing S.R.L.**

Alexandru cel Bun 51  
2012 Chişinău  
Phone: +373-22-27 931 3  
Fax: +373-22-22 838 1  
www.raiffeisen-leasing.md

## Romania

### **Raiffeisen Leasing IFN S.A.**

Calea Floreasca 246 D  
014476 Bucharest  
Phone: +40-21-36 532 96  
Fax: +40-37-28 799 88  
www.raiffeisen-leasing.ro

## Russia

### **OOO Raiffeisen-Leasing**

Smolenskaya-Sennaya 28  
119121 Moscow  
Phone: +7-495-72 1-9980  
Fax: +7-495-72 1-9901  
www.raiffeisen-leasing.ru

## Serbia

### **Raiffeisen Leasing d.o.o.**

Djordja Stanojevic 16  
11070 Novi Beograd  
Phone: +381-11-220 7400  
Fax: +381-11-228 9007  
www.raiffeisen-leasing.rs

## Slovakia

### **Tatra-Leasing s.r.o.**

Černyševského 50  
85101 Bratislava  
Phone: +421-2-59 19-3053  
www.tatraleasing.sk

## Slovenia

### **Raiffeisen Leasing d.o.o.**

Letališka cesta 29a  
1000 Ljubljana  
Phone: +386-1-241-6250  
Fax: +386-1-241-6268  
www.rl-sl.si

## Ukraine

### **LLC Raiffeisen Leasing Aval**

9, Stepan Bandera av.  
Build. 6 Office 6-201  
04073 Kiev  
Phone: +380-44-590 24 90  
Fax: +380-44-200 04 08  
www.rla.com.ua

## Branches and representative offices – Europe

### France

#### RBI Representative Office Paris

9-11 Avenue Franklin D. Roosevelt  
75008 Paris  
Phone: +33-1-45 612 700  
Fax: +33-1-45 611 606

### Germany

#### RBI Frankfurt Branch

Wiesenhüttenplatz 26  
60 329 Frankfurt  
Phone: +49-69-29 921 924  
Fax: +49-69-29 921 9-22

### Sweden

#### RBI Representative Office

Nordic Countries  
Drottningatan 89, 14th floor  
11360 Stockholm  
Phone: +46-8-440 5086

### UK

#### RBI London Branch

Tower 42, Leaf C, 9th Floor  
25 Old Broad Street  
London EC2N 1HQ  
Phone: +44-20-79 33-8000  
Fax: +44-20-79 33-8009

## Branches and representative offices – Asia and America

### China

#### RBI Beijing Branch

Beijing International Club Suite 200  
2nd floor  
Jianguomenwai Dajie 21  
100020 Beijing  
Phone: +86-10-65 32-3388  
Fax: +86-10-65 32-5926

#### RBI Representative Office Zhuhai

Room 2404, Yue Cai Building  
No. 188, Jingshan Road, Jida,  
Zhuhai, Guangdong Province  
519015, P.R. China  
Phone: +86-756-32 3-3500  
Fax: +86-756-32 3-3321

### India

#### RBI Representative Office Mumbai

501, Kamla Hub, Gulmohar Road, Juhu  
Mumbai - 400049  
Phone: +91-22-26 230 657  
Fax: +91-22-26 244 529

### Korea

#### RBI Representative Office Korea

#1809 Le Meilleur Jongno Town  
24 Jongno 1ga  
Seoul 110-888  
Republic of Korea  
Phone: +82-2-72 5-7951  
Fax: +82-2-72 5-7988

### Singapore

#### RBI Singapore Branch

50 Raffles Place  
#31-03 Singapore Land Tower  
Singapore 048623  
Phone: +65-63 05-6000  
Fax: +65-63 05-6001

## USA

### **RB International Finance (USA) LLC**

1177 Avenue of the Americas,  
5th Floor  
10036 New York  
Phone: +1-929-432-1846

## 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  
Phone: +84-8-38 214 718,  
+84-8-38 214 719  
Fax: +84-8-38 215 256

# 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 2017, RIS issued mutual funds for more than CZK 8.7 billion, and by 31 December 2017, it had 17 Czech crown denominated funds in its management for a total value of CZK 19.8 billion, i.e. 14% more than the previous year.

RIS funds now offer a full range of investment opportunities for all types of investors depending on their risk profile. The most popular funds of 2017 were the mixed sustainable development fund and the high-yield bond fund. Unit holders invested more than CZK 1.7 billion into each of the 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

Important events of 2017 include the summer launch of the Raiffeisen realty fund, which already has the first real estate in its portfolio, and the autumn launch of three crown equity funds geared to America, Europe, and developing markets.

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. For 25 years, it has arranged for clients favourable building savings, housing loans, and comprehensive financial advice. In 1998, the company became a part of the strong Raiffeisen financial group. A milestone in the history of the company occurred in 2008 when it merged with HYPO stavební spořitelna. During the same year, the ownership structure of RSTS was changed for both shareholders, and currently, Raiffeisen Bausparkassen Holding GmbH owns a 90% share, and Raiffeisenbank a.s. holds the remaining 10%.

Raiffeisen stavební spořitelna is a traditional but modern bank operating throughout the Czech Republic. In more than 200 consultancy locations and also through its business partners, RSTS offers its clients comprehensive solutions for quality housing, as well as securing families, assets, and retirement.

Raiffeisen stavební spořitelna a.s.  
Koněvova 2747/99  
130 45 Prague 3  
Phone: 271 031 111  
Fax: 222 581 156  
Email: rsts@rsts.cz  
www.rsts.cz  
Toll-free infoline: 800 11 22 11

In 2017, RSTS achieved success and received a number of prestigious awards. In the spring, the building savings from RSTS won third place in Zlatá koruna's 2017 General Public Award. The company once again placed in the WebTop100 competition, which assesses every year the best digital marketing projects in the Czech Republic. RSTS won third place for the best bank website.

RSTS also had a presence in the Best Bank 2017 Awards, specifically in the category of Banking Innovator, where it managed to get into the top finals. The expert panel appreciated the digitalisation of the credit process. RSTS was the first building society to accomplish this in the Czech Republic.



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 more than 40 subsidiary companies, UNIQA operates in 18 countries throughout Europe and serves more than 10 million clients.

The sole shareholder of the Czech UNIQA pojišťovna is UNIQA International Versicherungs-Holding AG. The insurance company's registered capital is CZK 500 million.

UNIQA pojišťovna holds a universal insurance licence allowing the company to carry out business in the area of both life and non-life insurance. Currently, UNIQA offers all types of insurance products covering the insurance needs of all private and corporate clients.

UNIQA is currently the eighth largest insurance company on the Czech market. It provides its services at 140 business locations throughout the Czech Republic. Its portfolio includes 850,000 insurance policies. Prescribed premiums in 2017 exceeded CZK 6.5 billion.

UNIQA pojišťovna has closely cooperated with the Raiffeisen group for many years. This cooperation has also successfully expanded in other European countries where both brands are active on the financial market. Insurance is an integral part of financial services, and hence UNIQA pojišťovna has prepared optimal products for this purpose, such as leasing, credit, and mortgage transactions.

Last year, UNIQA continued the successful sale of life insurance at the Raiffeisenbank branch offices under the brand DOMINO. In 2017, bankers concluded 2,869 life insurance

UNIQA pojišťovna, a.s.  
Evropská 136, 160 12 Prague 6  
Phone: 225 393 111  
E-mail: [uniqa@uniqa.cz](mailto:uniqa@uniqa.cz)  
[www.uniqa.cz](http://www.uniqa.cz)  
Customer support: 488 125 125

policies with their clients, and total annual premiums reached close to CZK 32.5 million. The growth trend in the number of property insurance policies continued, especially in connection with the mortgage segment. In 2017, a new record was reached with 8.350 new UNIQA insurance policies, of which 5.617 new policies with premiums amounting to CZK 14.2 million for the new product VARIANT offered starting in the summer of 2017 and which accentuates the actual trends in housing and the needs of clients. Thus, prescribed premiums relating to property insurance for households and buildings amounted to approximately CZK 86 million. Of course, UNIQA profited here from the unique mortgage boom on the market, which, despite various predictions of a slowdown, had continued for the entire year and is comparable to the record year 2016.

Another important product relating to bank insurance is casualty insurance offered with the eKonto bank account, which is an interesting product for sufficient risk coverage thanks to the simplified process and a favourable price. 103,600 Raiffeisenbank clients have already arranged casualty insurance as a supplementary product for their bank accounts. Very solid results were also achieved in the sale of insurance with payment cards issued by Raiffeisenbank. Clients may select with their payment cards travel insurance, purchasing insurance, or insurance for financial damage incurred by the misuse of payment cards. These products as a whole in 2017 generated prescribed premiums of around CZK 79.4 million.

Two new insurance products were introduced to Raiffeisenbank's range of products during 2015: mortgage payment insurance and a comprehensive insurance package for small and medium-size enterprises with the eKonto bank account. In 2017, the total prescribed premiums for these products reached CZK 14.3 million.

Total prescribed premiums for the sale of insurance products at Raiffeisenbank in 2017 amounted to CZK 372.2 million.



Raiffeisen - Leasing, s.r.o. offers companies and individuals comprehensive services for financing their investment needs. The company has been operating on the Czech market since 1994. Since 3 October 2017, its sole shareholder is Raiffeisenbank a.s. Raiffeisen-Leasing is a member of the Czech Leasing and Financial Association, the Czech-German Chamber of Industry and Commerce, and the American Chamber of Commerce in the Czech Republic.

Raiffeisen-Leasing offers on the Czech market a unique spectrum of financing for fixed assets, such as real estate and developer financing, financing of machinery, equipment, technology, freight vehicles and tractors, locomotives, boats and aircraft, as well as the financing and fleet management of private and commercial vehicles.

In 2017, group Raiffeisen - Leasing, s.r.o.\* financed in new commercial transactions commodities and real estate for a total purchase-price volume of CZK 10.3 billion. Consolidated profit after taxes according to the IFRS increased to CZK 435 million, which is an increase of 24% in comparison with 2016. At the end of 2017, the company's consolidated total assets amounted to CZK 19.0 billion.

According to the ratings of the Czech Leasing and Financial Association, Raiffeisen-Leasing has held on to its long-term 1st place position in the non-bank financing of real estate with a market share of more than 50%. Raiffeisen-Leasing is among the TOP 5 leasing companies in the financing of heavy transport technology, aircraft, rail technology, IT, and healthcare technology. The company is especially strong in the segment of small and medium-size enterprises. Corporate clientele are also well-represented in its portfolio.

Raiffeisen - Leasing, s.r.o.  
Hvězdova 1716/2b  
140 78 Prague 4  
Phone: 221 511 611  
Fax: 221 511 666  
E-mail: rl@rl.cz  
www.rl.cz

\* The Raiffeisen - Leasing, s.r.o. group includes the companies Raiffeisen - Leasing, s.r.o., Raiffeisen FinCorp, s.r.o., and Viktor Property, s.r.o.

Raiffeisen-Leasing has excelled in the financing of real estate, which has been one of its most successful business activities for many years. Among other things, it contributed to the construction of a winter stadium in Prague Strašnice and hotels and residential projects in Prague. At the end of 2017, the company sold a part of its own successful project, the H-Park shopping centre in Brno.

In 2017, Raiffeisen-Leasing continued to successfully cooperate with Raiffeisenbank a.s. in offering leasing products for medium-size enterprises and corporations as well as directly offering automobile financing for businesses and small firms through the bank's branch network.

In 2018, Raiffeisen-Leasing plans to strengthen further its market position in the financing of transport, agriculture, and healthcare technology. Through its own business network, it will continue to reinforce its long-term strong position in the financing of machinery and equipment and real estate. It will further support its acquisition and retention programme and will continue with its successful cooperation with Raiffeisenbank a.s. geared to streamlining its processes and continuing to improve products and services so that the experiences of Raiffeisen-Leasing's clients are as pleasant as possible.

# Raiffeisenbank's branches

Branch Office	Address	Phone
Beroun	Husovo náměstí 45, 266 01, Beroun	+420 311 600 027
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 - Londýnské nám.	Londýnské nám. 881/6, 639 00 Brno - Štýřice	+420233062434
Česká Lípa	Náměstí T.G.M 193, 470 01, Česká Lípa	+420 487 881 811
České Budějovice - Lannova třída	Lannova třída 51/23, 370 01, České Budějovice	+420 383 709 011
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
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
Frydek - Místek - J.V.Sládka	J.V.Sládka 84, 738 01, Frydek-Místek	+420 558 440 910
Havířov	Hlavní třída 438/73, 736 01, Havířov - Město	+420 596 808 311
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
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 Míru 168/1, 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 - Jánská	Jánská 863/9, 460 01, Liberec	+420 482711730
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
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

Branch Office	Address	Phone
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
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, Sjízdna 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 - Barrandov	Tilleho nám. 792/2, 152 00, Praha 5 - Hlubočepy	+420 234 724 111
Praha - Bělehradská	Bělehradská 100/18, 120 00, Praha 2	+420 221 511 281
Praha - Bělohorská	Bělohorská 71, 169 00, Praha 6	+420 233 356 840
Praha - Budějovická	Olbrachtova 2006/9, 140 21, Praha 4	+420 234 401 026
Praha - City Tower (Hvězdova)	Hvězdova 1716/2B, 140 78, Praha 4	+420 234 405 130
Praha - Dejvická	Dejvická 11, 160 00, Praha 6	+420 233 089 711
Praha - Eden Vršovická	OC Eden, Vršovická 1527/68b, 100 00, Praha 10	+420 225 282 911
Praha - Evropská	Evropská 136, 136 00, Praha 6	+420 234 715 115
Praha - Flora	Chrudimská 7, 130 00, Praha 3	+420 225 376 611
Praha - Háje	Arkalycká 877, 149 00, Praha 4	+420 272 653 815
Praha - Chlumecká	Chlumecká 765/6, 198 00, Praha 9	+420 281 008 111
Praha - Jalta	Václavské náměstí 43, 110 00, Praha 1	+420 222 115 590
Praha - Jandova (OSN)	Jandova 135/2, 190 00, Praha 9	+420 225 545 511
Praha - Jugoslávská	Jugoslávská 320/21, 120 00, Praha 2	+420 222 517 800
Praha - Karlovo náměstí	Karlovo náměstí 10, 120 00, Praha 2	+420 224 900 711
Praha - Komunardů	Komunardů 21/1045, 170 00, Praha 7	+420 225 020 380
Praha - Ládví	Kyselova 1658, 182 00, Praha 8 - Ládví	+420 283 880 342
Praha - Lidická	Lidická 42, 150 00, Praha 5-Smíchov	+420 251 010 811
Praha - Milady Horákové	Milady Horákové 10, 170 00, Praha 7	+420 233 028 022
Praha - Moskevská	Moskevská 43, 101 00, Praha 10	+420 271 078 815
Praha - Na Pankráci Gemini	Na Pankráci 1724, 140 78, Praha 4	+420 234 261 211

Branch Office	Address	Phone
Praha - Na Příkopě	Na Příkopě 860/24, 110 00, Praha 1	+420 225 374 011
Praha - Europark	Nákupní 389/3, 102 00, Praha 10	+420 234 093 011
Praha - náměstí bří Synků	Bratří Synků 300/15, 140 00, Praha 4	+420 234 700 911
Praha - Národní	Národní 9/1010, 110 00, Praha 1	+420 221 411 922
Praha - Nitranská	Nitranská 988/19, vstup z ulice Vinohradská, 130 00, Praha 3	+420 296 338 011
Praha - Novodvorská	Novoplaza Novodvorská 1800/136, 142 00, Praha 4	+420 241 406 914
Praha - Palladium	náměstí Republiky 1, 110 00, Praha 1	+420 225 376 503
Praha - Park Hostivař	Interspar Švehlova 32/1392, 102 00, Praha 10	+420 272 656 215
Praha - Petržilkova	Petržilkova 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
Praha - Na Příkopě	Na Příkopě 1047/17, 110 00 Praha 1	+420233063280
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
Šumperk	17. listopadu 9, 787 01, Šumperk	+420 583 219 734
Tábor, Bílkova	Bílkova 960, 390 02, Tábor	+420 381 201 611
Teplice, 28. října	28.října 7/963, 415 01, Teplice	+420 417 816 074
Teplice, nám. Svobody, GALERIE	Nám. Svobody 3316, 415 01, Teplice	+420 417 534 703
Trutnov, Horská	Horská 97, Trutnov, 541 01, Trutnov	+420 498 501 801
Třebíč, Jejkovská brána	Jejkovská brána 36/1, 674 01, Třebíč	+ 420 568 891 236
Třinec	Náměstí Svobody 528, 739 61, Třinec	+420 558 944 911
Uherské Hradiště, Obchodní	Obchodní ul. 1508, 686 01, Uherské hradiště	+420 576 000 401
Ústí nad Labem - Forum, Bílinská	Bílinská 3490/6, 400 01, Ústí n. L.	+420 478 050 111
Ústí nad Labem - Pařížská	Pařížská 20, 400 01, Ústí nad Labem	+420 477 101 701
Vyškov	Masarykovo náměstí 46/34 ,682 01, Vyškov	42051730 25 50
Zlín - Kvitková	Kvitková 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 Centres

Location	Location	Telephone
Brno	Česká 12, 602 00 Brno	517 545 333
Brno/Hodonín	Národní třída 18A, 695 01 Hodonín	518 399 819
Brno/Znojmo	Masarykovo nám. 325/3, 662 02 Znojmo	515 209 724
České Budějovice	Náměstí Přemysla Otakara II. 13, 370 63 České Budějovice	386 707 413
České Budějovice/Tábor	Bílková 960, 390 02 Tábor	381 201 614
Hradec Králové	V Kopečku 75, 500 02 Hradec Králové	495 069 677
Jihlava	Masarykovo náměstí 35, 586 01 Jihlava	567 578 918
Karlovy Vary	Krále Jiřího 39, 360 01 Karlovy Vary	353 167 719
Liberec	Na Rybníčku 874/1, 460 01 Liberec	488 100 020
Mladá Boleslav	T. G. Masaryka 1009, 293 01, Mladá Boleslav	326 700 982
Most	Budovatelů 1996/4, 434 01 Most	476 140 223
Olomouc	Národní dům, 8. května 464/21, 779 00 Olomouc	582 800 446
Ostrava	Dlouhá 3, 702 00 Ostrava 1	581 853 732
Ostrava/Opava	Horní nám. 32, 746 01 Opava	553 759 334
Ostrava/Frýdek-Místek	J. V. Sládka 84, 73802 Frýdek-Místek	581 853 702
Pardubice	K Polabinám 1893-4, 530 02 Pardubice	467 002 510
Plzeň	Americká 1, 306 29 Plzeň	379 305 545
Praha - Budějovická	Olbrachtova 9, 140 21 Praha 4	582 800 415
Praha - Karlovo nám.	Karlovo náměstí 2097/10, 120 00 Praha 2	224 900 722
Praha - Jandova	Jandova 135/2, 190 00 Praha 9	222 925 839
Praha - ASTRA	Václavské náměstí 773/4, 110 00 Praha 1	225 374 059
Ústí nad Labem	Pařížská 227/20, 400 01 Ústí nad Labem	475 237 486
Zlín	Potoky 552, 760 01 Zlín	577 008 042

Free info line 800 900 900, [www.rb.cz](http://www.rb.cz), [info@rb.cz](mailto:info@rb.cz)