

# ANNUAL REPORT

Survey of key economic indicators	5	<b>FINANCIAL SECTION</b>	<b>24</b>
Introduction from the Chairman of the Board of Directors	7	1. Financial statement	25
<b>Shareholders</b>	<b>9</b>	1.1. Balance sheet as at 31 december, 2017	25
Raiffeisen Bausparkassen Holding GmbH	9	1.2. 2017 Profit and loss account	28
Raiffeisenbank a.s.	9	1.3. Changes in equity in 2017	29
<b>Company bodies and organizational structure</b>	<b>10</b>	1.4. Annex to the financial statement	30
General Meeting	10	1.4.1. General information	30
Supervisory Board	10	1.4.1.1. About the Bank – status as at 31 December, 2017	30
Audit committee	11	1.4.1.2. Basis for financial statement	31
Board of Directors	11	1.4.2. Important accounting methods	31
Organizational structure of the Company as at 31 December, 2017	12	1.4.2.1. Date of transaction	31
<b>Board of Directors' Report on the Company's business activity and status of assets</b>	<b>13</b>	1.4.2.2. Securities	32
Sales	13	1.4.2.3. Repurchase and reverse repurchase agreements	32
Commentary on financial results	14	1.4.2.4. Transactions with securities for clients	33
Information about acquisition of own shares or stock	15	1.4.2.5. Participation interests with controlling and substantial influence	33
Awards and achievements	15	1.4.2.6. Receivables from banks and clients	33
Services and products in 2017	16	1.4.2.7. Revenues and expenses	34
Services	16	1.4.2.8. Payables to clients	34
Products	16	1.4.2.9. Creation of reserves	35
General information about risk management	17	1.4.2.10. Tangible and intangible fixed assets	35
Staff policy	18	1.4.2.11. Foreign currency translation	36
Corporate social responsibility	19	1.4.2.12. Derivatives	36
Research and development costs	19	1.4.2.13. Off-balance sheet assets	36
Environmental protection	19	1.4.2.14. Value added tax	36
<b>Raiffeisen stavební spořitelna Supervisory Board 2017 business activity report for the General Meeting</b>	<b>20</b>	1.4.2.15. Taxation	36
<b>Auditor's statement</b>	<b>21</b>	1.4.2.16. Financial leasing	37
		1.4.3. Impact of corrections of fundamental errors and changes in accounting policies	37

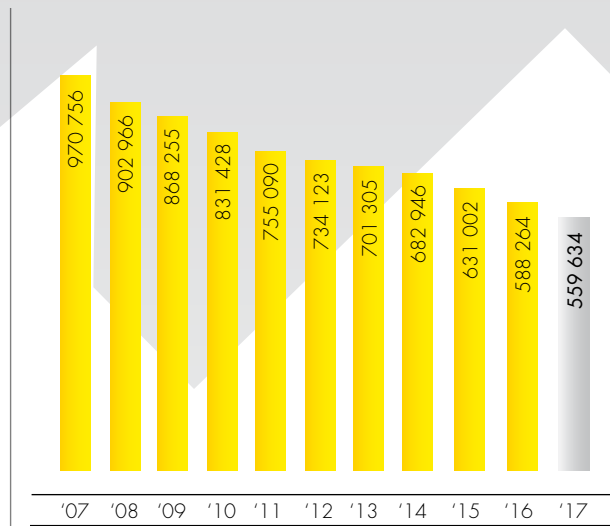
1.4.3.1.	Impact of corrections of fundamental errors	37	1.4.31.	Commitments and guarantees granted, receivables written-off	54
1.4.3.2.	Impact of changes in accounting policies	37	1.4.32.	Receivables and payables from fixed-term transactions and option transactions	54
1.4.4.	State zero coupon bonds and other securities eligible for refinancing with the central bank	38	1.4.33.	Values placed into custody, administration and deposit	54
1.4.5.	Receivables from banks	39	1.4.34.	Values placed under management	54
1.4.6.	Receivables from clients	39	1.4.35.	Commitments and guarantees received	54
1.4.7.	Provisions for receivables and reserves	42	1.4.36.	Collaterals and pledges received	54
1.4.8.	Debt securities	43	1.4.37.	Values taken under management	54
1.4.9.	Shares, units and other participation interests	44	1.4.38.	Transactions with related parties	55
1.4.10.	Participation interests with controlling and substantial influence	44	1.4.38.1.	Transactions with related parties – income and expenses	55
1.4.11.	Intangible fixed assets	45	1.4.38.2.	Transactions with related parties – receivables and payables	55
1.4.12.	Tangible fixed assets	45	1.4.38.3.	Information on controlled entities by Member States and non-Member States	55
1.4.13.	Other assets	46	1.4.38.4.	Income and expenses – transactions with companies in which the Bank has controlling or substantial influence	56
1.4.14.	Payables to banks	46	1.4.38.5.	Receivables from and payables to companies in which the Bank has controlling or substantial influence	56
1.4.15.	Payables to clients	46	1.4.38.6.	Receivables from individuals with a special relationship to the Bank	57
1.4.16.	Payables from debt securities	47	1.4.38.7.	Payables to companies in which the Bank has controlling or substantial influence	57
1.4.17.	Other liabilities	47	1.4.38.8.	Guarantees issued to individuals with a special relationship to the Bank and to participation interests with substantial and controlling influence, guarantees received from companies in which the Bank has substantial or controlling influence	57
1.4.18.	Subordinated liabilities	48	1.4.39.	Financial instruments – market risk	58
1.4.19.	Registered capital	48	1.4.40.	Financial instruments – credit risk	60
1.4.20.	Bonuses tied to equity	48	1.4.41.	Financial instruments – operational, legal and other risks	67
1.4.21.	Retained earnings or accumulated losses from previous years, reserve funds and other funds from profit	49	1.4.42.	Major events subsequent to the financial statement date	68
1.4.22.	Gains (losses) from revaluation	49	<b>2.</b>	<b>REPORT ON RELATED PARTIES</b>	<b>69</b>
1.4.23.	Net interest income	50	2.1.	Structure of relations among the parties pursuant to s. 82(2)(a) through (c) of the act	69
1.4.24.	Fee and commission income and expense	50			
1.4.25.	Gain or loss from financial operations	50			
1.4.26.	Other operating income and expenses	51			
1.4.27.	Administrative expenses	51			
1.4.28.	Extraordinary income and expenses	52			
1.4.29.	Income tax and deferred tax liability/asset	52			
1.4.30.	Income and expenses by segment	53			

2.1.1.	Controlling parties and structure of the consolidation unit	69	2.3.	Overview of actions implemented in the latest accounting period to the benefit of the controlling party to the effect of s. 82(2)(d) of the act	73
2.1.1.1.	Controlling parties	69	2.4.	Benefits and drawbacks arising from relations among the controlling and controlled parties stated under 2.1	73
2.1.1.2.	Ownership structure of the consolidation unit	70	2.5.	Closing statement of the board of directors	74
2.1.2.	Role of the controlled party, methods and means of control	71	3.	Information on capital	75
2.1.3.	Other related parties	71	3.1.	Reconciliation of regulatory and book capital	75
2.1.3.1.	Companies controlled by the Reporting Party	71	3.2.	Capital requirements	76
2.1.3.2.	Companies controlled by the same controlling party as the Reporting Party, with which the Reporting Party holds contractual relations	71			
2.2.	List of contracts pursuant to s. 82(2)(e) of the act	71			

# SURVEY OF KEY ECONOMIC INDICATORS

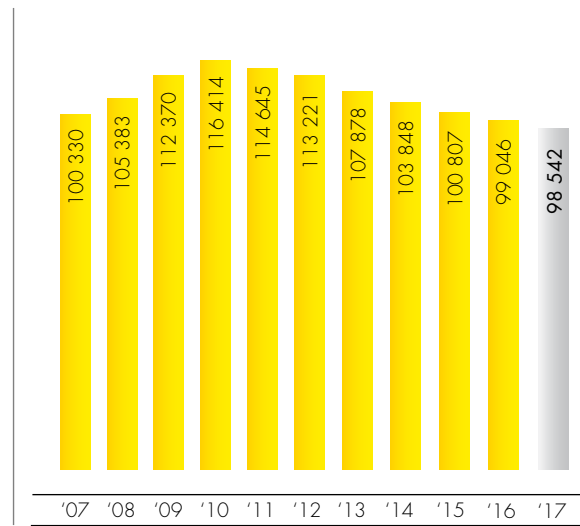
	Units	2017	2016
Number of new building savings contracts by natural persons	pcs	<b>59,468</b>	95,031
Number of topped-up building savings contracts by natural persons	pcs	<b>4,881</b>	9,465
Number of valid building savings contracts by natural persons	pcs	<b>559,634</b>	588,264
Number of valid loan contracts by natural persons	pcs	<b>98,542</b>	99,046
Volume of new loans by natural persons and legal entities	MCZK	<b>10,928</b>	7,764
Balance sheet total	MCZK	<b>67,230</b>	66,243
Client deposits	MCZK	<b>61,870</b>	60,817
Client loans	MCZK	<b>41,614</b>	38,457
Registered capital	MCZK	<b>650</b>	650
Equity	MCZK	<b>4,779</b>	4,785
Total income	MCZK	<b>2,791</b>	3,147
Total expenses	MCZK	<b>-2,347</b>	-2,617
Profit/loss for the accounting period after taxation	MCZK	<b>444</b>	530
Total capital ratio	%	<b>16.02</b>	16.12
ROAA – Return on average assets	%	<b>0.67</b>	0.76
ROAE – Return on average equity Tier 1	%	<b>10.56</b>	12.75
Assets per employee	MCZK	<b>249</b>	250
Administrative expenses per employee	TCZK	<b>-1,636</b>	-1,630
Net earnings per employee	TCZK	<b>1,644</b>	2,000
Number of employees	Number of individuals	<b>270</b>	265

(quantity)



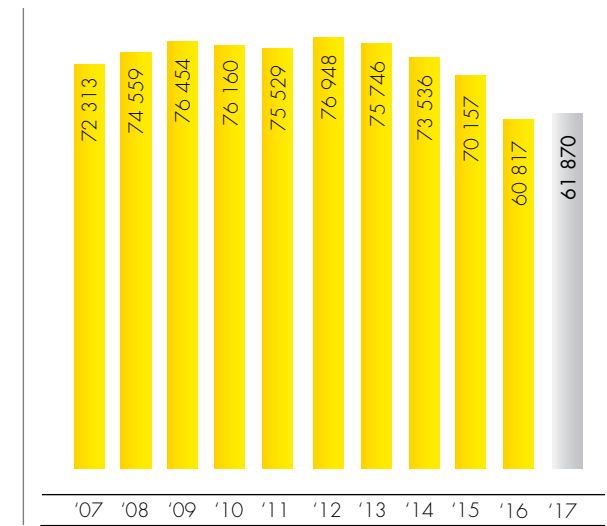
Valid building savings contracts by natural persons as at EOY

(quantity)



Valid loan contracts by natural persons as at EOY

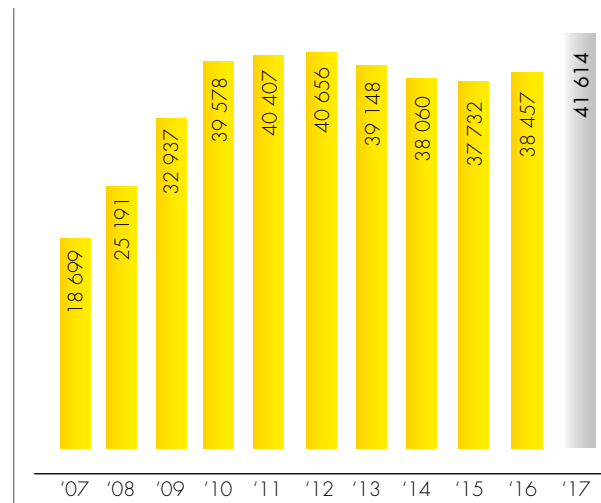
(CZKm)



Deposits by building savings clients as at EOY

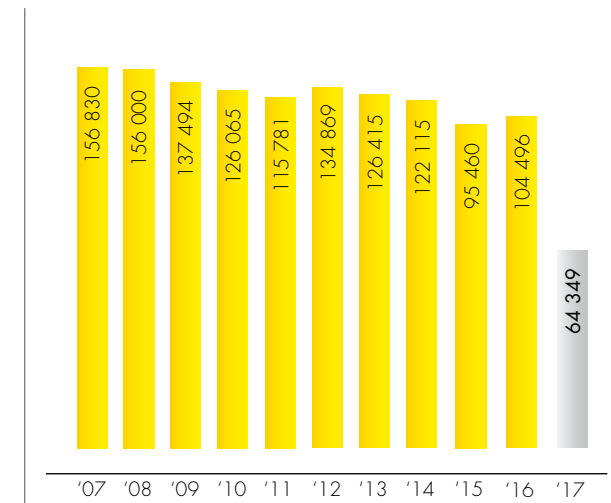
Values shown in the charts up to 2007 summarize the financial results of Raiffeisen stavební spořitelna and HYPO stavební spořitelna prior to their merger

(CZKm)



Client loans as at EOY

(quantity)



New and increased building savings contracts by natural persons

# INTRODUCTION FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Ladies and Gentlemen,

I am pleased to present the Raiffeisen stavební spořitelna 2017 Annual Report. The fact that it was a very successful year makes it a particular pleasure.

It was a successful year for the entire Czech economy, which is experiencing a slight upswing, and is now in very good shape. GDP growth, led primarily by household consumption, enabled companies to raise wages and hire new employees, while Czechs' faith in future progress grew. The Czech Republic had the lowest unemployment rate in the EU for the entire year. This low unemployment rate is forcing many companies to import foreign labour; there is a lack of local labour in many regions.

Banks managed the zero interest rate period very well. Despite the fact that they are holding excess liquidity, they retained above-average capital valuation. Competition in acquisition of new loan clients continued to rise. The volume of new housing loans reached a new high. Interest in property investments both for personal use and for rental purposes, coupled with an investment property shortage, led to significant escalation of property prices. Housing loan interest rates began slowly growing, which led to increased interest in loans due to consumer concerns of further increases.



The housing loan market is operating in compliance with the new consumer loan act, which is the implementation mechanism for the European Mortgage Credit Directive. Another unifying component is a series of recommendations issued by the Czech National Bank, which restricts provision of mortgage loans to clients lacking their own resources, thus partially inhibiting growth of a housing market pricing bubble.

At Raiffeisen stavební spořitelna we devoted considerable effort to loan provision terms and conditions. We were able to offer our clients exceptionally high quality service and products, which resulted in 41% year-on-year growth in the volume of new loans. With a volume of almost CZK 11 billion we hit an all-time record. We want to hear our clients' opinions. We work with an independent company to conduct client satisfaction surveys on a regular basis. Our professional approach and fast service in new loan provision get the highest marks. Positive feedback is a great motivator as we move forward in our work.

Public opinion about building savings remains very positive. The Association of Czech Savings Banks' barometer of savings popularity shows building savings as Czechs' favourite savings product.

Over the past year we increased the volume of client deposits by more than CZK 1 billion and we have sufficient resources to provide new loans in the upcoming period. The total loan volume increased year-on-year by more than CZK 3 billion.

The Company had a successful year in 2017, achieving both business and performance goals. Our net earnings equalled CZK 444 million. We increased the net interest margin, particularly owing to loan volume growth. This factor outweighed low interest rates on the financial market which lowered the earning capacity of available reinvested assets. We are also satisfied with the development of total administrative costs, which grew by a mere 2% year-on-year.

Our sales representatives are increasingly utilizing biometric signatures. We were the first building savings bank to implement this modern technology and we now use it in all of our offices on a regular basis. Biometric signatures save a considerable amount of paper and make the entire process much faster and free of errors. In 2017 we also successfully implemented a new CRM system that enables sales representatives to work with their client base systematically over the long-term.

We are well aware that our society includes people who need our help. We give back to our community regularly where help is needed most. Our employees also actively engage in charity projects.

RSTS's positive development is the result of the hard work of all of our employees and sales representatives. I truly value their efforts and am confident that we will continue to build a successful, self-assured Raiffeisen building savings bank in the years to come.

In conclusion, I would like to thank all of our clients for placing their long-term trust in us. We view it as a commitment to continue enhancing the level of our services. Building savings remains the safest, most advantageous financial product. As a body, we believe and will continue to believe in the building savings concept.



Ing. Jan Jeníček  
Chairman of the Board



## Raiffeisen Bausparkassen Holding GmbH

Vienna-based Raiffeisen Bausparkasse holds a 90% share in Raiffeisen stavební spořitelna through its subsidiary Raiffeisen Bausparkassen Holding. Since its founding 56 years ago, Raiffeisen Bausparkasse has grown from the smallest building savings bank in Austria into an international company in Central and Eastern Europe with almost 3.42 million clients.

There is a tradition of building savings in Austria. Almost 55% of all Austrians have building savings contracts. Since the building savings system was initiated, it has co-financed approximately 1.5 million housing units, which equals dwelling space for more than 4 million people. Favourable loans and this appealing form of savings add significantly to the high quality of housing in Austria and to development of home ownership and property.

The persistent low interest rate environment in 2017 also demonstrated the strength of building savings in Austria. That is reflected in very strong business development at Raiffeisen Bausparkasse. A total of 257,296 new building savings contracts were concluded. Raiffeisen Bausparkasse is the market leader in this sector with a market share of approximately 37%. Loan business also developed very positively; loans in a total amount of EUR 1.1 billion were provided in 2017.

Building savings using the Austrian model also helps people in Central and Eastern Europe fulfil their housing dreams. Raiffeisen Bausparkasse's foreign engagement has been a firm part of its corporate strategy for the past 25 years. The company's subsidiaries in the Czech Republic, Slovakia and Romania manage a total of 1.5 million clients and building savings deposits in a total volume of approximately EUR 4.9 billion.

## Raiffeisenbank a.s.

Raiffeisenbank a.s. owns 650 shares of Raiffeisen stavební spořitelna a.s. and its share in the registered capital and voting rights is 10%. Since 1993 Raiffeisenbank has provided a wide spectrum of banking services to both private and corporate clients in the Czech Republic.

The bank serves clients through a network of more than 130 branches and client centres, provides services through specialized mortgage loan centres and personal, corporate and business advisors. Raiffeisenbank is the fifth largest bank on the Czech market in terms of total assets.

Raiffeisenbank primarily targets more affluent clients who are looking for high quality services, active management of finances and professional advisory services. The high quality of the bank's services has been recognized through many domestic and international awards. One that deserves special mention is the bank's repeated success in the Hospodářské noviny competition, where Raiffeisenbank was the first and is still the only bank to win in two categories in a single year. In 2017 the bank was recognized as the "Most client-friendly bank of the year" in this prestigious award program for the third year in a row, which no other bank can boast. In addition to its business activities the bank engages in many non-profit efforts in culture, education and charity projects, all in line with its 140-year tradition.

The bank's majority shareholder is the Austrian financial institution Raiffeisen Bank International AG (RBI). RBI provides services to corporate and investment clients in Austria and also serves clients in many Central and Eastern European countries. Since 2005 the group's shares have been traded on the Vienna stock market.

# COMPANY BODIES AND ORGANIZATIONAL STRUCTURE

## General Meeting

The General Meeting is the Company's highest body. Two meetings of the General Meeting were held in 2017, the first on 27 April, 2017 and the second on 6 December, 2017. Both meetings took place at the Company's registered office in Prague.

## Supervisory Board

### Mag. Hans Christian Vallant – Chairman

In office Since 23 November, 2015 (member of the Supervisory Board since 30 June, 2014)

Company Raiffeisen Bausparkassen Holding GmbH, Vienna

### Mag. Manfred Url – Deputy Chairman

In office Since 23 November, 2015 (member of the Supervisory Board since 1 January, 2011)

Company Raiffeisen Bausparkassen Holding GmbH, Vienna

### Mag. Christian Weidinger

In office Since 30 September, 2015

Company Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna

### Ing. Igor Vida

In office Since 15 December, 2016

Company Raiffeisenbank a.s., Prague

### Bc. Martina Šprincová

In office From 13 March, 2012 (elected by employees) until 13 March, 2017

Company Raiffeisen stavební spořitelna a.s.

### Ing. Jana Jeřichová

In office From 22 March, 2007 (elected by employees) until 13 March, 2017

Company Raiffeisen stavební spořitelna a.s.

## Audit committee

### Mag. Hans Christian Vallant – Chairman

In office Since 1 July, 2014 (member of the Audit Committee since 29 April, 2014)

Company Raiffeisen Bausparkassen Holding GmbH, Vienna

### Mag. Manfred Url

In office Since 29 April, 2014

Company Raiffeisen Bausparkassen Holding GmbH, Vienna

### Mag. Christian Weidinger

In office Since 30 September, 2015

Company Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna

### Ing. Igor Vida

In office Since 15 December, 2016

Company Raiffeisenbank a.s., Prague

## Board of Directors

### Ing. Jan Jeníček – Chairman

In office Since 21 December, 2007 (member of the Board of Directors since 23 November, 2000)

Company Raiffeisen stavební spořitelna a.s.

### Dr. Ing. Pavel Chmelík – Deputy Chairman

In office Since 1 July, 2014

Company Raiffeisen stavební spořitelna a.s.

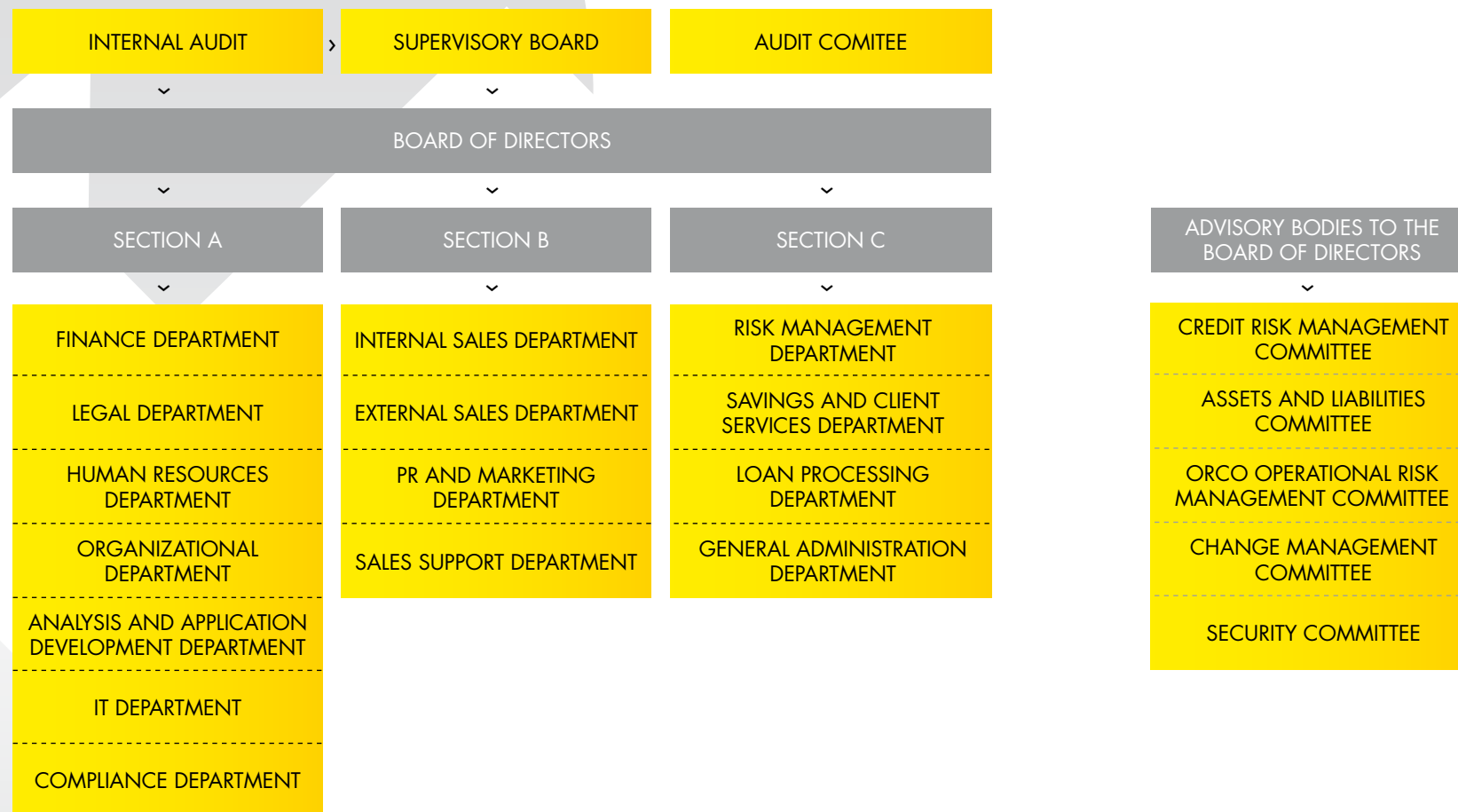
### Mgr. Roman Hurych – Deputy Chairman

In office Since 17 December, 2010

Company Raiffeisen stavební spořitelna a.s.



## Organizational structure of the Company as at 31 December, 2017



# BOARD OF DIRECTORS' REPORT ON THE COMPANY'S BUSINESS ACTIVITY AND STATUS OF ASSETS

## Sales

2017 was an exceptionally successful year for Raiffeisen stavební spořitelna in terms of new loan sales. The volume of new loan sales was almost CZK 11 billion, which equals year-on-year growth of 41% and the highest annual loan sales volume the Company has ever had. It is also pleasing to note that sales grew in consumer loans, mortgage loans and loans to legal entities.

Raiffeisen stavební spořitelna concluded more than 64,000 new savings contracts. Given that our partnership with Česká pošta came to an end, this volume was to be expected. Raiffeisen stavební spořitelna has more than 560,000 valid building savings contracts by natural and legal persons in its portfolio.

Other financial products, primarily insurance products which largely cover risks associated with provision of loans to our clients, constitute another important component of Raiffeisen stavební spořitelna's sales. We helped clients conclude almost 9,000 of these contracts in full alignment with our Company's expectations.

Raiffeisen stavební spořitelna's professional team of in-house financial advisors, who provide high quality advisory services at 180 advisory centres throughout the Czech Republic, continues to be our most important distribution channel for all types of products in our portfolio. Our partnerships with other companies also play an important role in our distribution mix.

## Commentary on financial results

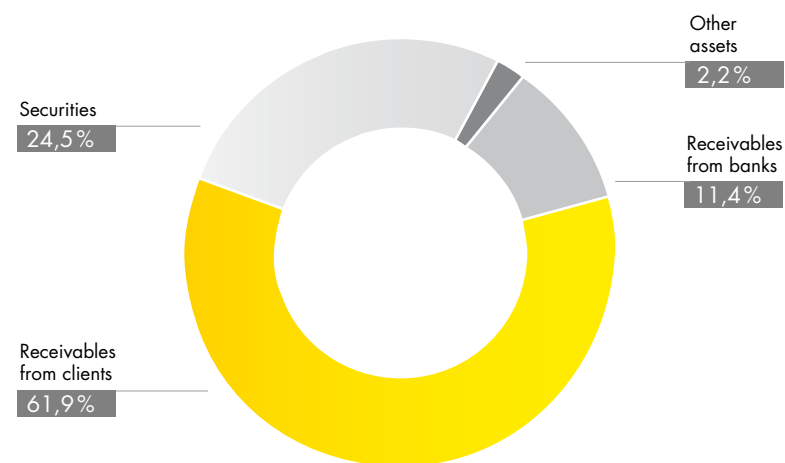
Raiffeisen stavební spořitelna's net profit in 2017 was CZK 444 million. The total volume of the Company's assets equalled CZK 67.2 billion. Profit fell by 16.2% year-on-year and the volume of total assets increased by 1.5%. The total balance grew by almost CZK 1 billion, which equals growth of slightly less than 1.5%. The total amount of client deposits grew by more than CZK 1 billion, i.e. by 1.7% in relative terms.

Compared to previous years, the loan balance showed significant growth. It grew by CZK 3.2 billion, i.e. by 8.2% in relative terms (2016 growth equalled 1.9%). The total volume of loans provided by Raiffeisen stavební spořitelna in 2017 was CZK 10.9 billion. The total volume of receivables from clients was almost CZK 41.6 billion. The Bank's volume of securities held continued to drop, with a decrease of more than CZK 7.5 billion.

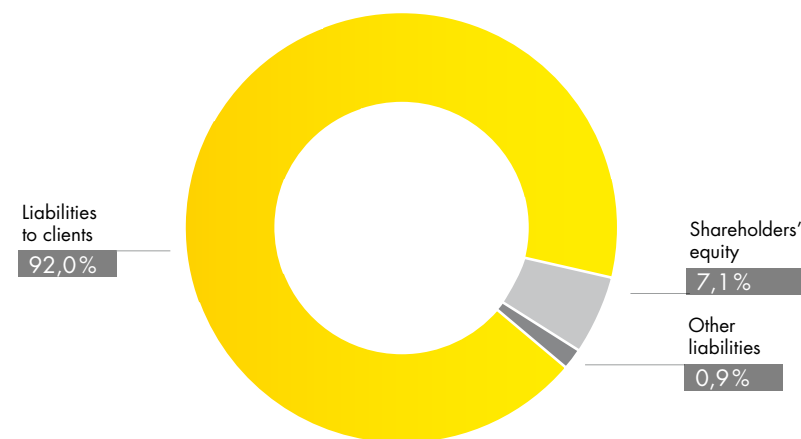
Interest profit equalled CZK 903 million. It grew year-on-year by almost CZK 38 million (+4.3%). The main factor in loan profit growth was the impact of cost cutting measures from previous years on client deposits. These costs decreased year-on-year by CZK 176 million, by -16.6% in relative terms. There were likewise year-on-year decreases in loan interest income and invested assets. Although the loan balance grew year-on-year, interest income decreased by 2% year-on-year as a result of falling interest rates on new loans and on the existing loan portfolio.

Profit from fees and commissions equalled CZK 95 million, which is a year-on-year decrease of CZK 51 million (34.9%). The year-on-year decrease was caused by our intense support of new loan provision through measures such as cancellation of various fees and support and motivation of the sales network. Other significant factors that contributed to the overall financial result in the year-on-year comparison was growth of CZK 10 million (+2.3%) in administrative costs, owing in particular to growth in human resource costs, growth of CZK 5 million (+13.2%) in tangible and intangible asset depreciation costs and the creation and release of provisions.

Despite significant growth in the loan volume, thanks to thorough management of credit risks the volume of classified loans grew year-on-year by only CZK 81 million, to CZK 1.5 billion. The ratio of classified loans to total loans dropped from 3.48% to 3.41%. Total provision costs (the difference between creation and release) were CZK 72 million, up CZK 66 million year-on-year.



Structure of assets in 2017



Structure of liabilities in 2017

Held-to-maturity (HTM) and available-for-sale (AFS) securities decreased by CZK 7.6 million (-31.4%) year-on-year to a total volume of CZK 16.5 billion. The cause of the year-on-year decrease in the volume of securities was sale of part of the AFS portfolio related to preparations for the transition to the new IFRS 9 accounting standard. Another factor was that some of the bonds held by RSTS matured without any adequate reinvestment

options; income from short-term and mid-term government bonds was negative or close to zero for most of the year. The Company's overall liquidity is very good.

Participation interests with controlling influence did not change year-on-year; they are comprised of a 100% interest in KONEVOVA s.r.o.

---

## Information about acquisition of own shares or stock

Raiffeisen stavební spořitelna did not acquire any own shares or stock in the 2017 accounting period.

---

## Awards and achievements

In 2017 Raiffeisen stavební spořitelna had several achievements and received interesting awards.

In the spring people voted in the Public Choice category in the 2017 Golden Crown competition. The RSTS building savings product took third place in this category. Raiffeisen stavební spořitelna once again placed in the WebTop100 competition, which evaluates the best digital marketing projects in the CR every year. RSTS won third place in the best banking website category.

Raiffeisen stavební spořitelna also drew attention in the Best Bank 2017 contest, specifically in the Banking Innovator category, where it made it to the finals. The jury appreciated that Raiffeisen stavební spořitelna was the first building savings bank in the CR to digitalize its loan process.

Raiffeisen stavební spořitelna worked on several projects that strengthened its image as a modern and innovative company. It launched a new television campaign titled Change Your Housing, Change Your Life, which was well received. The World of Housing website, which offers advice and tips about housing, underwent a complete redesign process, giving the site a new graphic design and new columns.

Our second annual Festival of Better Housing, a national roadshow that features the RSTS yellow truck, took place in 2017. RSTS sales representatives introduced better housing options to people in almost thirty Czech cities and towns. There was also an accompanying program and contests for families and children.

Jan Jeníček, Chairman of the Board of Directors of RSTS, achieved a distinctive milestone at the end of the year when he was named Chairman of the Association of Czech Building Savings Banks.

## Services and products in 2017

### Services

We continue to refine electronic processing of client and business requirements.

In addition to the standard electronic processing services for conclusion, modification or termination of a buildings savings contract, we enabled our clients to conclude loan contracts electronically. This was the culmination of our transition to a full-fledged electronic bank serving clients without requiring signature of a single paper document. Clients can access all of their contractual documents through the internet service. Documents are available to clients 24/7.

These steps have made our services even faster and more environmentally friendly.

We continue to pay particular attention to the quality of our services. We use mystery calling to verify the quality of our services and the speed and approach of our employees and sales representatives. In 2017 we began monitoring a new indicator, NPS (Net Promoter Score), which is a standardized metric to measure referral rates.

We are also working on development of a new loan processing system, which will result in changes in personalized offers of loan terms and simplification of the loan process.

In July 2017 we launched a new electronic land registry petition submission functionality as part of a new version of the information system. It will be used for submittal of petitions to add or release a property lien with the land registry. We are informed electronically when petition proceedings have been initiated during the property lien petition phase. During the property lien release phase, the client will now be issued a lien release petition, which will be more convenient for the client in the loan termination process.

We are improving our services for existing loan clients. We continue to monitor the development of market interest rates and update the retention process to ensure the stability of our loans and prevent loan client attrition.

### Products

Interest rates changed direction in 2017. After several years of a downward trend, the average rate of new loans began very slowly growing. This trend has not materialized in savings yet, where excess liquidity on the market means the banking sector has no justification to raise interest rates on savings products. We continue to offer clients attractive savings products with yields of more than 3.5% p.a. without other restrictions, which puts us at the top of risk-free savings rankings.

In loans, we maintained our simple and easy-to-understand portfolio of loans for housing remodels and purchases. Clients appreciate this portfolio, as growing interest in our loans demonstrates. Along with individuals, housing cooperatives and associations of housing unit owners are also showing increasing interest in these products. We have separate offers for these groups based on their current needs. We resolve financing needs for everything from small façade remodels to large apartment block privatization projects.

2017 was Raiffeisen stavební spořitelna's best year ever in terms of total loan volume. This was a clear positive appraisal of our products.



## General information about risk management

Raiffeisen stavební spořitelna manages all risks associated with its business activities in compliance with valid legal standards and regulations stipulated by relevant regulatory institutions, particularly the Czech National Bank. It monitors and manages risks inherent to its area of business, particularly credit, interest rate, liquidity and operational risks.

The Risk Management Department plays the leading role in risk management at Raiffeisen stavební spořitelna. The key risk management task is identification of assumed risks and subsequent development and implementation of risk management strategies for specific assumed risks. The specific strategies define measurement and management methods for given risk areas, determine procedures including control mechanisms, and set limits leading to minimization of assumed risks.

Aside from the Risk Management Department, the Board of Directors, Credit Risk Management Committee and Assets and Liabilities Committee are involved in the risk management system. They get an overview of risk exposure through regular

monthly reports on risk status and development, have the opportunity to conduct appropriate controls and give feedback. Other parts of the system include the Operational Risk Management Committee, Change Management Committee and Security Committee. The risk management system continues to develop in alignment with product and process changes, new activities and all requirements to refine risk management. Last but not least, all department and unit heads are involved in the risk management system, particularly in regard to operational risk management.

Raiffeisen stavební spořitelna used the standardized approach to calculate capital adequacy for credit risks in 2017 and the basic indicator method to calculate capital needs for operational risks. Raiffeisen stavební spořitelna regularly conducts an Internal Capital Adequacy Assessment Process (ICAAP) including reporting within the group and for the Czech National Bank. Raiffeisen stavební spořitelna publishes information about fulfilment of prudential rules (Pillar 3) on an individual basis in abbreviated form.

## Staff policy

Our staff policy is fully aligned with the goals and objectives outlined in the Raiffeisen stavební spořitelna business strategy. The key points include a pleasant, friendly, and dynamic environment, relationships based on friendship, trust and cooperation, respect for others and an acceptable dress code. Through these ties, knowledge and innovation are spread throughout the Company.

Recruitment of new employees is increasingly becoming one of the most important staff processes. In regard to the labour market situation, we have reassessed our approach to recruitment; rather than selecting new employees, our priority is to attract them. Our new career web pages, recruitment video and creative hiring ads are all part of this effort. We continue to support internal hiring processes for open positions in order to develop and expand the professional scope of our employees.

At the end of 2017 we prepared a new performance management system in line with our vision. The comprehensive outcomes from the employee performance evaluation process are used for evaluation, annual wage adjustment compensation and employee personal development planning.

Raiffeisen stavební spořitelna's compensation system corresponds to and supports healthy, effective risk management and does not underestimate the overstepping of tolerated risk limits. The approach used throughout the Raiffeisen group is applied to determination of categories of employees with significant impact on the risk profile.

Employee care includes systematic employee development and education, benefits and programs. We support team spirit and unit team building activities. "Sports year-round" and "Sports for all" are firmly established motto's in our corporate terminology. Employees act as guarantors of sports events, organize interesting sports competitions for fellow staff members and sign up employee teams for external events.

In 2017 employees also helped people in need and once again took part in supporting a project that, although not highly profiled in the media, is all the more important for its lack of publicity. As in past years, they contributed to the AKORD Day Care Centre for children, youth and people with mental or combined disabilities through charitable donation payroll deductions and food purchases at our charity breakfast. We also supported a Christmas season charity collection for an asylum home and held a Christmas market with non-profit organizations. Employees were able to choose from several volunteer events – charity days – and work for a non-profit organization for one day in 2017.

We value our employees and try to support them in situations they encounter in their lives. We offer a number of supporting programs and contributions. Employees actively engaged in the "Raiffeisen stavební spořitelna Gives Blood" program for the seventh year in a row.

The Bank had 270 employees as at 31 December, 2017.

## Corporate social responsibility

Raiffeisen stavební spořitelna contributes to a diverse range of charity projects. In 2017 the Bank worked most closely with the AKORD Day Care Centre, supporting it financially and also directly through employee volunteers. Employee volunteers also supported the Tamtam Centre for Children with Hearing Impairments and the

Palata Home for the Visually Impaired. RSTS also helped the following organizations: PROTEBE civic association, Prague Wheelchair Sports Club, SK Impuls Prague, TJ Dukla Prague Sports Club and the Homolka Hospital Endowment Fund.

---

## Research and development costs

Raiffeisen stavební spořitelna did not have any research and development costs in the 2017 accounting period.

---

## Environmental protection

Raiffeisen stavební spořitelna tries to minimize negative environmental impacts to the extent possible. In 2017, for example, coolants in the main central air-conditioning system in the building used by the Company were replaced with environmentally-

friendly alternatives. The central lighting system in the client hall was also replaced with LED technology.

# RAIFFEISEN STAVEBNÍ SPOŘITELNA SUPERVISORY BOARD 2017 BUSINESS ACTIVITY REPORT FOR THE GENERAL MEETING

Throughout 2017 the Supervisory Board of Raiffeisen stavební spořitelna a.s. (hereinafter the "Company") managed the following tasks which it is authorized to perform in accordance with valid legal regulations and the Company's Articles of Association. There were three Supervisory Board meetings in 2017, on 28 March, 22 June and 11 December, 2017. Aside from these meetings, the Supervisory Board commented on issues where legal or internal regulations require an opinion by the Supervisory Board, most often per rollam.

The Supervisory board concerned itself with the efficacy of the management and review system of the Company, risk management, compliance fulfilment and measures against legalization of yields from criminal activity and financing of terrorism, and internal auditing. The Supervisory Board did not find any inadequacies in any of these areas. The Supervisory Board also monitored application of and adherence to principles for compensation, which stipulate the rules for compensation of Company employees. The Supervisory Board assessed the work, professional capacity and experience of the Company's Board of Directors in 2017 positively. It assessed the Board as a whole and each member individually.

The Supervisory Board of Raiffeisen stavební spořitelna a.s. has consisted of four members since 14 March, 2017. Terms of office of two members elected by employees of Raiffeisen stavební spořitelna a.s. expired in accordance with the Company's Articles of Association as at 13 March, 2017.

The Company's Board of Directors provided the Supervisory Board with commercial and business results for the given year as well as information about long-term plans, key projects and other Company milestones.

At its meeting on 19 March, 2018 the Supervisory Board discussed the Board of Directors' 2017 Annual Report and the report on related parties, reviewed the financial statement as at 31 December 2017, including the statement by KPMG Česká republika Audit, s.r.o. pertaining to the financial statement, and discussed the profit distribution proposal.

The Supervisory Board has no objections to the submitted Board of Directors' 2017 Annual Report, report on related parties, financial statement or profit distribution proposal and recommended that the General Meeting approve these documents.

Prague, 19 March, 2018



Mag. Hans Christian Vallant – Chairman  
Chairman of the Supervisory Board



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

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

## Independent Auditor's Report to the Shareholders of Raiffeisen stavební spořitelna a.s.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Raiffeisen stavební spořitelna a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1.4.1. to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

#### Basis for Opinion

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

#### Key Audit Matters

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

KPMG Česká republika Audit, s.r.o. člen sítě nezávislých členů společnosti KPMG  
 přidružená ke KPMG International Cooperative („KPMG International“), sídlem v  
 Lucernu, Švýcarsko. Česká republika: IČO 25252317, zapsaná v  
 Soudním rejstříku vedeném Městským soudem v Praze  
 oddělení Soudní správy, číslo 14618.



### Loss allowances to receivables from customers

Key audit matter	How the audit matter was addressed
We focused on this matter because of significant and complex judgements made by Company management in determining the adequacy and sufficiency of allowances to losses arising from receivables from customers.	We performed, among others, the procedures outlined below to address this key audit matter:  We critically assessed and challenged the Company's loan assessment rules and evaluated the creation of loan loss allowances based on our knowledge, experience and market standards applicable within the sector.
Loss allowances to receivables from customers as at 31 December 2017 of CZK 979 million represent the management's estimate of impairment losses relating to receivables from customers ("loans") as at the balance sheet date.	We tested the design, implementation and operating effectiveness of system and manual controls over the identification and calculation of losses from loans, in particular controls over the following: calculation of days past due for individual loans, loan categorisation, acceptable collateral, calculation of allowances, transfer of data among IT systems, etc. Our procedures involved inquiring in combination with observation and inspection of documentation and selected calculations.
When assessing loan impairment, it is particularly important to identify whether objective evidence of impairment exists for the respective loan exposure. The Company has set a series of criteria to identify the objective evidence of impairment. This evidence includes observable data about the events such as, among other things, the breach of contractual terms by the debtor (delay or non-payment of contractual principal and related interest or a serious breach of information duties towards the Company), the debtor's financial situation, loan restructuring, etc. Based on these criteria, the Company categorises these loans pursuant to Decree No. 163/2014 Coll., on the performance of the activity of banks, credit unions and investment firms ("the Decree").	Within our substantive procedures, we carried out substantive analytical procedures for loan loss allowances, and the reconciliation of material balances of loan loss allowances between accounting and operating systems.
Loan loss allowances are determined using the coefficients prescribed by the Decree.	We assessed the adequacy of the Company's disclosures on loan loss allowances and related credit risk management in the notes to the financial statements.
The Company reassesses the coefficients used to create loan loss allowances on a quarterly basis.	
Refer for more information to the following notes to the financial statements: Note 1.4.2.6 (Significant accounting methods – Receivables from banks and customers), Note 1.4.6 (Receivables from customers), 1.4.7 (Loss allowances to receivables and provisions) and Note 1.4.40 (Financial instruments – credit risk).	



#### **Other Information**

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

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

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

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

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

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

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in



our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

##### *Appointment of Auditor and Period of Engagement*

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 15 December 2016 and our uninterrupted engagement has lasted for 16 years.

##### *Consistency with Additional Report to Audit Committee*

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

##### *Provision of Non-audit Services*

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

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

##### **Statutory Auditor Responsible for the Engagement**

Veronika Strolená is the statutory auditor responsible for the audit of the financial statements of Raiffeisen stavební spořitelna a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague  
19 March 2018

*Signed by*

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

*Signed by*

Veronika Strolená  
Partner  
Registration number 2195

# FINANCIAL SECTION



**Raiffeisen**  
**STAVEBNÍ SPOŘITELNA**



# 1. FINANCIAL STATEMENT

## 1.1. BALANCE SHEET AS AT 31 DECEMBER, 2017

Balance as at 31 December, 2017

**Corporate name:**

Raiffeisen stavební spořitelna a.s.

**Registered office:**

Koněvova 2747/99,  
130 45, Praha 3

**Business ID:**

49241257

**Business objects:**

Building society

**Date of financial statement:**

19 March, 2018

**Bank code:**

7950

MCZK	Annex	2017	2016
<b>1. Cash and balances with central banks</b>		<b>171</b>	<b>614</b>
<b>2. State zero coupon bonds and other securities eligible for refinancing with the central bank</b>	<b>1.4.4.</b>	<b>11,242</b>	<b>17,667</b>
a) issued by government institutions		11,242	17,667
b) other		0	0
<b>3. Receivables from banks and cooperative savings associations</b>	<b>1.4.5.</b>	<b>7,658</b>	<b>1,808</b>
a) repayable on demand		7,658	1,808
b) other receivables		0	0
<b>4. Receivables from clients and cooperative savings associations' members</b>	<b>1.4.6., 1.4.7.</b>	<b>41,614</b>	<b>38,457</b>
a) repayable on demand		0	0
b) other receivables		41,614	38,457
<b>5. Debt securities</b>	<b>1.4.8.</b>	<b>5,254</b>	<b>6,386</b>
a) issued by government institutions		0	0
b) issued by other entities		5,254	6,386
<b>6. Shares, units and other participation interests</b>	<b>1.4.9.</b>	<b>0</b>	<b>0</b>
<b>7. Participation interests with substantial influence</b>	<b>1.4.10.</b>	<b>0</b>	<b>0</b>
a) in banks		0	0
b) in other entities		0	0
<b>8. Participation interests with controlling influence</b>	<b>1.4.10.</b>	<b>257</b>	<b>257</b>
a) in banks		0	0
b) in other entities		257	257
<b>9. Intangible fixed assets</b>	<b>1.4.11.</b>	<b>161</b>	<b>127</b>
a) goodwill		0	0
b) other		161	127
<b>10. Tangible fixed assets</b>	<b>1.4.12.</b>	<b>56</b>	<b>64</b>
a) land and buildings for operating activities		25	27
b) other		31	37
<b>11. Other assets</b>	<b>1.4.13.</b>	<b>628</b>	<b>667</b>
<b>12. Receivables from subscribed registered capital</b>		<b>0</b>	<b>0</b>
<b>13. Pre-paid expenses and accrued income</b>		<b>189</b>	<b>196</b>
<b>Total assets</b>		<b>67,230</b>	<b>66,243</b>

Liabilities as at 31 December, 2017

<b>MCZK</b>	<b>Annex</b>	<b>2017</b>	<b>2016</b>
<b>1. Payables to banks and cooperative savings associations</b>	<b>1.4.14.</b>	<b>0</b>	<b>0</b>
a) repayable on demand		0	0
b) other payables		0	0
<b>2. Payables to clients – cooperative savings associations' members</b>	<b>1.4.15.</b>	<b>61,870</b>	<b>60,817</b>
a) repayable on demand		7,782	7,063
b) other payables		54,088	53,754
<b>3. Payables from debt securities</b>	<b>1.4.16.</b>	<b>0</b>	<b>0</b>
a) debt securities issued		0	0
b) other payables from debt securities		0	0
<b>4. Other liabilities</b>	<b>1.4.17.</b>	<b>518</b>	<b>601</b>
<b>5. Accrued expenses and deferred income</b>		<b>50</b>	<b>27</b>
<b>6. Reserves</b>	<b>1.4.7.</b>	<b>13</b>	<b>13</b>
a) reserves for pensions and similar payables		0	0
b) reserves for taxes		0	0
c) other		13	13
<b>7. Subordinated liabilities</b>	<b>1.4.18.</b>	<b>0</b>	<b>0</b>
<b>8. Registered capital</b>	<b>1.4.19.</b>	<b>650</b>	<b>650</b>
a) paid-up registered capital		650	650
<b>9. Share premium</b>		<b>0</b>	<b>0</b>
<b>10. Reserve funds and other funds from profit</b>	<b>1.4.21.</b>	<b>3,626</b>	<b>3,396</b>
a) statutory reserve funds and risk funds		130	130
b) other reserve funds		3,488	3,258
c) other funds from profit		8	8
<b>11. Revaluation reserve fund</b>		<b>0</b>	<b>0</b>
<b>12. Capital funds</b>		<b>0</b>	<b>0</b>
<b>13. Gains (losses) from revaluation</b>	<b>1.4.22.</b>	<b>59</b>	<b>209</b>
a) from assets and liabilities		59	209
b) from hedging derivatives		0	0
c) from recalculation of participation		0	0
<b>14. Retained earnings or accumulated losses from previous years</b>	<b>1.4.21.</b>	<b>0</b>	<b>0</b>
<b>15. Profit or loss for the accounting period</b>		<b>444</b>	<b>530</b>
<b>Total liabilities</b>		<b>67,230</b>	<b>66,243</b>

Off-balance sheet items as at 31 December, 2017

<b>MCZK</b>	<b>Annex</b>	<b>2017</b>	<b>2016</b>
1. Commitments and guarantees granted	<b>1.4.31.</b>	<b>3,390</b>	1,824
2. Pledges granted		<b>0</b>	0
3. Receivables from spot transactions		<b>0</b>	0
4. Receivables from fixed-term transactions	<b>1.4.32.</b>	<b>0</b>	0
5. Receivables from options	<b>1.4.32.</b>	<b>0</b>	0
6. Receivables written-off	<b>1.4.31.</b>	<b>74</b>	72
7. Values placed into custody, administration and deposit	<b>1.4.33.</b>	<b>0</b>	0
8. Values placed under management	<b>1.4.34.</b>	<b>0</b>	0
<b>Total off-balance sheet assets</b>		<b>3,464</b>	<b>1,896</b>
9. Commitments and guarantees received	<b>1.4.35.</b>	<b>966</b>	1,133
10. Collaterals and pledges received	<b>1.4.36.</b>	<b>31,807</b>	23,142
11. Payables from spot transactions		<b>0</b>	0
12. Payables from fixed-term transactions	<b>1.4.32.</b>	<b>0</b>	0
13. Payables from options	<b>1.4.32.</b>	<b>0</b>	0
14. Values taken into custody, administration and deposit		<b>0</b>	0
15. Values taken under management	<b>1.4.37.</b>	<b>0</b>	0
<b>Total off-balance sheet liabilities</b>		<b>32,773</b>	<b>24,275</b>
Off-balance sheet counter accounts		<b>29,309</b>	22,379
<b>Total off-balance sheet items</b>		<b>0</b>	<b>0</b>

## 1.2. 2017 PROFIT AND LOSS ACCOUNT

### Corporate name:

Raiffeisen stavební  
spořitelna a.s.

### Registered office:

Koněvova 2747/99,  
130 45, Praha 3

### Business ID:

49241257

### Business objects:

Building society

### Date of financial statement:

19 March, 2018

### Bank code:

7950

<b>MCZK</b>		<b>Annex</b>	<b>2017</b>	<b>2016</b>
<b>1.</b>	<b>Interest income and similar income</b>	<b>1.4.23.</b>	<b>1,792</b>	<b>1,931</b>
	a) interest on debt securities		373	489
	b) other		1,419	1,442
<b>2.</b>	<b>Interest expense and similar expense</b>	<b>1.4.23.</b>	<b>-889</b>	<b>-1,065</b>
	a) interest on debt securities		0	0
	b) other		-889	-1,065
<b>3.</b>	<b>Income from shares and participation interests</b>		<b>5</b>	<b>5</b>
	a) income from participation interests with substantial influence		0	0
	b) income from participation interests with controlling influence		5	5
	c) income from other shares and participation interests		0	0
<b>4.</b>	<b>Fee and commission income</b>	<b>1.4.24.</b>	<b>471</b>	<b>587</b>
<b>5.</b>	<b>Fee and commission expense</b>	<b>1.4.24.</b>	<b>-376</b>	<b>-441</b>
<b>6.</b>	<b>Gain or loss from financial operations</b>	<b>1.4.25.</b>	<b>117</b>	<b>132</b>
<b>7.</b>	<b>Other operating income</b>	<b>1.4.26.</b>	<b>5</b>	<b>4</b>
<b>8.</b>	<b>Other operating expenses</b>	<b>1.4.26.</b>	<b>-37</b>	<b>-40</b>
<b>9.</b>	<b>Administrative expenses</b>	<b>1.4.27.</b>	<b>-442</b>	<b>-432</b>
	a) employee expenses		-244	-229
	aa) wages and salaries		-176	-165
	ab) social security and health insurance		-55	-52
	ac) other		-13	-12
	b) other administrative expenses		-198	-203
<b>10.</b>	<b>Release of reserves and provisions for tangible and intangible fixed assets</b>		<b>0</b>	<b>0</b>
<b>11.</b>	<b>Depreciation, creation and use of reserves and provisions for tangible and intangible fixed assets</b>		<b>-43</b>	<b>-38</b>
<b>12.</b>	<b>Release of provisions and reserves for receivables and guarantees, income from written-off receivables</b>	<b>1.4.7.</b>	<b>182</b>	<b>197</b>
<b>13.</b>	<b>Write-offs, creation and use of reserves and provisions for receivables and guarantees</b>	<b>1.4.7.</b>	<b>-249</b>	<b>-197</b>
<b>14.</b>	<b>Release of provisions for participation interests with controlling and substantial influence</b>		<b>0</b>	<b>0</b>
<b>15.</b>	<b>Losses from transfer of participation interests with controlling and substantial influence, creation and use of provisions for participation interests with controlling and substantial influence</b>		<b>0</b>	<b>0</b>
<b>16.</b>	<b>Release of other reserves</b>	<b>1.4.7.</b>	<b>3</b>	<b>3</b>
<b>17.</b>	<b>Creation and use of other reserves</b>	<b>1.4.7.</b>	<b>-3</b>	<b>-5</b>
<b>18.</b>	<b>Share in profits or losses from participation interests with controlling and substantial influence</b>		<b>0</b>	<b>0</b>
<b>19.</b>	<b>Current year profit or loss from ordinary activities before tax</b>		<b>536</b>	<b>641</b>
<b>20.</b>	<b>Extraordinary income</b>	<b>1.4.28.</b>	<b>0</b>	<b>0</b>
<b>21.</b>	<b>Extraordinary expenses</b>	<b>1.4.28.</b>	<b>0</b>	<b>0</b>
<b>22.</b>	<b>Current year profit or loss from extraordinary activities before tax</b>		<b>0</b>	<b>0</b>
<b>23.</b>	<b>Income tax</b>	<b>1.4.29.</b>	<b>-92</b>	<b>-111</b>
<b>24.</b>	<b>Profit/loss for the accounting period after taxation</b>		<b>444</b>	<b>530</b>

### 1.3. CHANGES IN EQUITY IN 2017

**Corporate name:**

Raiffeisen stavební  
společnost a.s.

**Registered office:**

Koněvova 2747/99,  
130 45, Praha 3

**Business ID:**

49241257

**Business objects:**

Building society

**Date of financial  
statement:**

19 March, 2018

**Bank code:**

7950

MCZK	Registered capital	Own shares	Share premium	Reserve funds	Other funds	Capital funds	Gains (losses) from revaluation	Profit (loss)	Total
Balance as at 01/01/2016	650	0	0	3,246	8	0	423	392	<b>4,719</b>
Changes in accounting methods	0	0	0	0	0	0	0	0	<b>0</b>
Corrections of fundamental errors	0	0	0	0	0	0	0	0	<b>0</b>
Exchange rate differences and gains (losses) from revaluation not included in P/L	0	0	0	0	0	0	-214	0	<b>-214</b>
Net profit/loss for the accounting period	0	0	0	0	0	0	0	530	<b>530</b>
Paid share in profit	0	0	0	0	0	0	0	-250	<b>-250</b>
Transfers to funds	0	0	0	142	0	0	0	-142	<b>0</b>
Use of funds	0	0	0	0	0	0	0	0	<b>0</b>
Issue of shares	0	0	0	0	0	0	0	0	<b>0</b>
Reduction in registered capital	0	0	0	0	0	0	0	0	<b>0</b>
Own shares purchased	0	0	0	0	0	0	0	0	<b>0</b>
Other changes	0	0	0	0	0	0	0	0	<b>0</b>
<b>Balance as at 31/12/2016</b>	<b>650</b>	<b>0</b>	<b>0</b>	<b>3,388</b>	<b>8</b>	<b>0</b>	<b>209</b>	<b>530</b>	<b>4,785</b>
Balance as at 01/01/2017	650	0	0	3,388	8	0	209	530	<b>4,785</b>
Changes in accounting methods	0	0	0	0	0	0	0	0	<b>0</b>
Corrections of fundamental errors	0	0	0	0	0	0	0	0	<b>0</b>
Exchange rate differences and gains (losses) from revaluation not included in P/L	0	0	0	0	0	0	-150	0	<b>-150</b>
Net profit/loss for the accounting period	0	0	0	0	0	0	0	444	<b>444</b>
Paid share in profit	0	0	0	0	0	0	0	-300	<b>-300</b>
Transfers to funds	0	0	0	230	0	0	0	-230	<b>0</b>
Use of funds	0	0	0	0	0	0	0	0	<b>0</b>
Issue of shares	0	0	0	0	0	0	0	0	<b>0</b>
Reduction in registered capital	0	0	0	0	0	0	0	0	<b>0</b>
Own shares purchased	0	0	0	0	0	0	0	0	<b>0</b>
Other changes	0	0	0	0	0	0	0	0	<b>0</b>
<b>Balance as at 31/12/2017</b>	<b>650</b>	<b>0</b>	<b>0</b>	<b>3,618</b>	<b>8</b>	<b>0</b>	<b>59</b>	<b>444</b>	<b>4,779</b>

## 1.4. ANNEX TO THE FINANCIAL STATEMENT

### 1.4.1. General information

#### 1.4.1.1. ABOUT THE BANK – STATUS AS AT 31 DECEMBER, 2017

Corporate name	Raiffeisen stavební spořitelna a.s. (hereinafter "Raiffeisen stavební spořitelna" or the "Company" or "Bank")
Business activity	Operation of buildings savings as defined in S. 1 of Act No. 96/1993 Coll., on building savings and state support for building savings, and execution of activities listed in S. 9(1) of Act No. 96/1993 Coll.
Initiation of business activity	7 September, 1993
Business ID	49241257
Tax ID	CZ49241257
Registered office	Koněvova 2747/99 130 45 Prague 3
E-mail	rsts@rsts.cz
Internet	www.rsts.cz
Phone	271 031 111
Info hotline	800 11 22 11
Fax	222 581 156
Data box	f6qr5pb
Amendments recorded in the Commercial Registry in 2017	25 March 2017 - election of Supervisory Board member 5 May, 2017 - expiry of membership of two Supervisory Board members elected by employees - reduction of number of Supervisory Board members to four
Legal form	Joint stock company
Shareholders	Raiffeisen Bausparkassen Holding GmbH, Vienna, Austria (90% of the registered capital) Raiffeisenbank a.s., Prague, Czech Republic (10% of the registered capital)
Registered capital	CZK 650,000,000
Consolidated unit that compiles the consolidated financial statement for the entire group of accounting units to which the Bank belongs	Raiffeisen Bank International AG with its registered office at Am Stadtpark 9, Vienna, Austria
Board of Directors	Ing. Jan Jeníček – Chairman Dr. Ing. Pavel Chmelík – Deputy Chairman Mgr. Roman Hurych – Deputy Chairman
Supervisory Board	Mag. Hans Christian Vallant – Chairman Mag. Manfred Url – Deputy Chairman Mag. Christian Weidinger – Member Ing. Igor Vida – Member

#### 1.4.1.2. BASIS FOR FINANCIAL STATEMENT

---

The financial statement of Raiffeisen stavební spořitelna a.s. was compiled on the basis of accounting maintained in compliance with Act No. 563/1991 Coll., on accounting (hereinafter the "Accounting Act"), and relevant orders and decrees valid in the Czech Republic.

This financial statement was compiled in compliance with Decree No. 501/2002 Coll. of the Ministry of Finance of the Czech Republic, dated 6 November, 2002, as amended, which stipulates the structure and content of the financial statement.

The financial statement was compiled based on the accrual principle and historical prices. Exceptions are made for selected financial instruments appraised at their fair values. This financial statement is unconsolidated. All data are listed in Czech crowns (CZK). The unit of measurement is million CZK, unless stated otherwise.

The business activity of Raiffeisen stavební spořitelna is comprised of operating buildings savings as defined by S.1 of Act No. 96/1993 Coll., on building savings and state support for building savings, as amended (hereinafter the "Building Savings Act"), and execution of activities listed in S. 9(1) of the Building Savings Act. The Bank's license was issued by the Ministry of Finance of the Czech Republic on 15 April, 1993 and by the Czech National Bank on 7 September, 1993.

Equivalent disclosure of information, which the Company conducted pursuant to accounting requirements, stock listing requirements or other requirements, is provided in the financial statement and on the company's website.

#### 1.4.2. Important accounting methods

The Raiffeisen stavební spořitelna financial statement was compiled in compliance with the following important accounting methods.

##### 1.4.2.1. DATE OF TRANSACTION

---

Depending on the type of transaction, the date of the transaction is the day on which cash is paid or collected, the day of purchase or sale of foreign currency or securities, day of execution of a payment, or collection from a client's account, day of settlement of bank payment orders with the Czech National Bank clearing centre, day of conclusion and day of settlement of transactions with securities, foreign currency, options, or other derivatives, day of issuance or acceptance of guarantees and commitments, day of acceptance of values for custody, and day of confirmation of building savings contracts.

Transactions pertaining to purchase and sale of financial assets with ordinary delivery dates (spot operations) as well as fixed-term and option contracts are managed on off-balance sheet accounts from the moment of conclusion of the transaction until settlement of the transaction.

Financial assets or parts of financial assets are derecognized from the balance sheet in cases where there was a loss of control over contractual rights to these financial assets or parts of financial assets. Raiffeisen stavební spořitelna loses such control in the event that it exercises its rights to the benefits defined by the contract, the rights expire, or the Bank waives such rights.

#### 1.4.2.2. SECURITIES

---

In accordance with the Building Savings Act, Raiffeisen stavební spořitelna is only allowed to purchase mortgage bonds and similar products issued by the Member States of the Organization for Economic Cooperation and Development, bonds issued by the Czech Republic, bonds for which the Czech Republic assumed guarantees, bonds issued by the Czech National Bank, bonds issued by the Member States of the Organization for Economic Cooperation and Development, central banks and financial institutions of such states and banks domiciled in such states, bonds for which these states assumed guarantees, and bonds issued by the European Investment Bank, the Nordic Investment Bank and the European Central Bank. In accordance with its intention, RSTS allocates debt securities into either the portfolio of securities held to maturity or the portfolio of securities available for sale.

Upon initial recognition, the securities are valued at acquisition cost. It includes direct transaction costs related to the purchase known at the time of purchase.

Accrued interest income is accounted for on a monthly basis. Coupon accruals and premium or discount accruals are obtained using the linear method or the effective interest rate method. The linear method is only used for premium or discount in variable-coupon bonds.

Securities in the portfolios of available-for-sale securities are valued at fair value on a monthly basis. Gains and losses arising from this revaluation are recognized in the equity under "Gains (losses) from revaluation". Upon sale the gains or losses are recognized in the Profit and loss account under "Gain or loss from financial operations".

The fair value of debt securities is determined as the market price on the date of the determination of the fair value including accrued interest income, if the Bank proves that the securities can be sold at the market price. The market prices of publicly traded securities are equal to the prices achievable at the public market, provided that the market liquidity requirements are satisfied at the same time. If the fair value of the debt securities cannot be set as a market price, the fair value is set as an adjusted value of the securities. The adjusted value of the debt securities is equal to the current value of future cash flows arising from the securities.

No provisions are created for securities available for sale. These are assets valued at fair value. Provisions for securities held to maturity are created based on individual securities in an amount equal to the impairment of the value of the security due to increased issuer's credit risk. Raiffeisen stavební spořitelna does not create provisions for bonds issued by the government of the Czech Republic or the Czech National Bank and for bonds guaranteed by the government.

Securities are reported under "Debt securities" or "State zero coupon bonds and other securities eligible for refinancing with the Central Bank". Interest income and expenses are reported in the Profit and loss account as "Interest income and similar income". Upon sale the gains and losses are reported in the Profit and loss account as "Gain or loss from financial operations".

#### 1.4.2.3. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

---

Raiffeisen stavební spořitelna carries out operations where the securities are sold under the commitment to repurchase them (repo) at a predetermined price or purchased under the commitment to resell them (reverse repo), which are treated as collateralized borrowing and lending transactions. The legal title to the securities is transferred to the lender. Securities legally transferred under a repurchase agreement are accounted for in an unchanged manner for the duration of the repo agreement, i.e. they continue to be included under the relevant securities items in RSTS's balance sheet and continue to be valued in the same way. These securities are kept on separate analytical accounts and the amount obtained from the transfer of securities under repurchase agreements is reported under "Payables to banks and cooperative savings associations". Securities received under reverse repo agreements are only kept in off-balance sheet accounts under "Collateral and pledges received". A loan provided under reverse repurchase agreements is included in "Receivables from banks and cooperative savings associations". Interest on debt securities transferred under repurchase agreements is accrued while interest on debt securities received under reverse repurchase agreements is not. Income and expenses arising under repurchase and/or reverse repurchase agreements as a difference between the sale and repurchase prices are accrued evenly over the term of the agreement and reported in the Profit and loss account as "Interest income and similar income" or "Interest expense and similar expense".



#### 1.4.2.4. TRANSACTIONS WITH SECURITIES FOR CLIENTS

---

Raiffeisen stavební spořitelna undertakes no securities transactions on behalf of its clients.

#### 1.4.2.5. PARTICIPATION INTERESTS WITH CONTROLLING AND SUBSTANTIAL INFLUENCE

---

A participation interest with controlling influence means interest in an entity where Raiffeisen stavební spořitelna is a majority shareholder. Raiffeisen stavební spořitelna has a controlling influence on the entity's management and full control of its activities.

Participation interests with controlling and substantial influence are recognized at acquisition cost, including transaction costs, net of any provisions made due to temporary impairment of their value or net of any write-offs due to permanent impairment of their value.

#### 1.4.2.6. RECEIVABLES FROM BANKS AND CLIENTS

---

Receivables are carried at the nominal value net of any provisions for special-mentioned and classified loans. Accrued interest income is part of the book value of such receivables.

Receivables are written off when assessed as unrecoverable, or when further recovery is uneconomical. Write-offs of receivables from clients are tax-optimized. Costs associated with write-offs are compensated by means of provisions. Written-off receivables are kept on off-balance sheet accounts until the recovery process is over. Write-offs of receivables and use of provisions are included under "Write-offs, creation and use of provisions and reserves for receivables and guarantees" in the Profit and loss account. Income from written-off receivables is reported in the Profit and loss account under "Release of provisions and reserves for receivables and guarantees, income from written-off receivables".

Raiffeisen stavební spořitelna reviews receivables for recoverability and creates provisions in accordance with Decree No. 163/2014 Coll. on activities by banks, building societies and loan associations and securities traders (hereinafter referred to as "Decree No. 163/2014"). When reviewing individual receivables, the crucial factor is the past-due period of prescribed instalments. Provisions are created and recorded separately for each receivable. The value of receivables is reduced for the creation of provisions by the recoverable value of high-quality collateral of such receivables (in case of Raiffeisen stavební spořitelna, this includes pledged building savings deposits and liens on real property meeting the defined conditions). In case that no impairment was identified in separately reviewed receivables, yet events were objectively identified based on which reduction of future cash flows from the given portfolio of homogeneous receivables can be expected, a portfolio provision at the amount of expected loss is created for this portfolio of receivables.

Creation and use of provisions are reported in the Profit and loss account as "Write-offs, creation and use of provisions and reserves for receivables and guarantees". Release of provisions is reported in the Profit and loss account as "Release of provisions and reserves for receivables and guarantees, income from written-off receivables". The amount of created provisions reduces the value of assets under "Receivables from clients – cooperative savings associations' members".

#### 1.4.2.7. INCOME AND EXPENSES

---

Raiffeisen stavební spořitelna records income and expense interests associated with any interest-yielding instruments in the Profit and loss account for the period to which they are factually and temporally related. Premium or discount accruals in securities are obtained using the linear method or the effective interest rate method. The linear method is only used for zero-coupon bonds with a maturity of up to one year and for variable-coupon bonds.

The expenses associated with preferential interest rate terms for building savings clients are accounted for by means of estimated payables.

Accrued interest is recognized in the respective accounting groups for individual assets and liabilities.

Raiffeisen stavební spořitelna does not use the accrual principle for interest on late payments in special-mentioned and classified receivables. Accrued interest on late payments is recorded on off-balance sheet accounts. In terms of income, only paid interest on late payments is accounted for. On the other hand, common interest on classified loans is accrued in an unchanged way and is taken into account in the calculation of provisions.

Income from fees for the conclusion of building savings contracts and expenses related to commissions for sales representatives are recognized as income and expenses at the time of contract execution. Income from fees for account management and account statements is accrued over the year. Expenses, or future cancellation of income from fees for contract conclusion, related to termination of building savings contracts with no savings activity are recognized as estimated payables. Income from and expenses on commissions from cross-selling transactions are recorded as prepaid expenses and accrued income for the given year. Commissions that have not been settled yet are recognized as estimated payables. Since 2017, expenses, or future cancellation of income from cross-selling transactions, have no longer been recognized as reserves.

#### 1.4.2.8. PAYABLES TO CLIENTS

---

Deposits on building savings accounts are recognized as clients' savings deposits, which are monitored and classified into three basic types of deposits with a fixed maturity. The first type are deposits with the saving period of up to 5 or 6 years inclusive, which are classified as savings term deposits with a fixed maturity of 5 or 6 years matching the minimum saving period needed for the payout of government support stipulated by the Building Savings and Government Support of Building Savings Act (hereinafter referred to as "the mandatory saving period"). The second type are deposits made during the extended period of the building savings contract after the expiry of the mandatory saving period, which are classified as savings term deposits with a notice period, the maturity period of which matches the notice period of the contract (3 months). The third type are deposits on building savings accounts after the granting of a building savings loan, or after the conclusion of a loan agreement with a condition of deposit payout prior to the use of the loan, which are classified as savings non-term deposits repayable on demand. This classification of deposits complies with the measure of the Czech National Bank establishing the methodology for the compilation of statements submitted to the Czech National Bank.

#### 1.4.2.9. CREATION OF RESERVES

Reserves represent a probable performance of an obligation with uncertain time occurrence and amount. Reserves are recognized in the balance sheet for cases meeting the following criteria:

- There is a (legal or material) duty to perform resulting from past events;
- It is probable that performance will occur and that it will require cash outflow representing economic benefit; "probable" means a probability exceeding 50%;
- The value of such performance can be reasonably and reliably estimated.

#### 1.4.2.10. TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets include assets with an acquisition cost higher than CZK 40,000 and a useful life longer than 1 year. Intangible fixed assets include assets with no physical substance with an acquisition cost higher than CZK 60,000 or CZK 40,000 and a useful life longer than 1 year.

Small tangible and intangible fixed assets include assets with an acquisition cost lower than CZK 40,000 or CZK 60,000, respectively, with a useful life longer than 1 year. Starting with the 2014 taxation period, small intangible fixed assets include assets with an acquisition cost of up to CZK 40,000 inclusive and a useful life longer than 1 year.

Small tangible and intangible fixed assets are recognized as administrative costs and are at the same time kept in operational records until disposed of. The accrual method is used for costs related to mass purchases of a larger quantity of small tangible assets (over CZK 500,000).

Tangible and intangible assets are valued at acquisition cost. The acquisition cost includes the cost at which the asset was acquired and the costs associated with its acquisition.

The value of a given intangible fixed asset will be increased by technical appreciation if its expenses exceed CZK 40,000 per each completed partial performance and if, at the same time, the technically appreciated asset is put in use.

Accounting and tax depreciation is governed by the applicable depreciation schedule.

Depreciation periods for individual categories of tangible and intangible fixed assets are the following:

	<b>Depreciation period</b>
Software	Book depreciation: 4, 7 and 8 years / tax depreciation: 3 and 4 years
Audiovisual works	Book depreciation: 18–24 months / tax depreciation: 18 months
Buildings	Book depreciation: 25 years / tax depreciation: 30 years
Machinery and equipment	Book depreciation: 3–12 years / tax depreciation: 3–10 years
Computer equipment	Book depreciation: 3–4 years / tax depreciation: 3 years
Furniture and fixtures	Book depreciation: 4–12 years / tax depreciation: 4–10 years
Vehicles	Book depreciation: 3–5 years / tax depreciation: 5 years

#### 1.4.2.11. FOREIGN CURRENCY TRANSLATION

---

Accounting transactions denominated in foreign currencies are recorded in Czech crowns. The exchange rate used for conversion is the rate announced by the Czech National Bank for the date of the transaction. For specific cases relating to the date of taxable supply according to the applicable VAT Act, the date of taxable supply is deemed to be the mandatory tax return date.

When preparing the financial statement, Raiffeisen stavební spořitelna carries out valuation of all assets and liabilities denominated in foreign currencies by their conversion into Czech crowns using the exchange rate of the Czech National Bank prevailing on the balance sheet date.

Any exchange rate gains and losses are reported in the Profit and loss account as "Gain or loss from financial operations".

#### 1.4.2.12. DERIVATIVES

---

Raiffeisen stavební spořitelna has no derivatives.

#### 1.4.2.13. OFF-BALANCE SHEET TRANSACTIONS

---

Credit lines are recognized at the nominal value of the loan upon approval of the loan contract. Credit lines are reduced by the respective amount when drawn. The value of the credit line reflects any potential increase or decrease of the nominal amount of the loan.

Collaterals, pledges and guarantees received are recognized at the net disposable value of the collateral at the moment of conclusion of the loan contract, up to the amount of the receivable. They are derecognized upon termination of the loan contract.

#### 1.4.2.14. VALUE ADDED TAX

---

Raiffeisen stavební spořitelna is a registered value added tax payer. Due to the high proportion of financial activity, RSTS is not entitled to tax deductions on a majority of received taxable supplies.

#### 1.4.2.15. TAXATION

---

The corporate income tax base is calculated in accordance with Act No. 586/1992 Coll., on income tax, as amended, based on the profit reported in the Profit and loss account compiled in accordance with the Czech accounting standards.

Deferred tax is determined from any temporary differences between the book and tax values of assets and liabilities using the expected tax rate applicable to the following period. Raiffeisen stavební spořitelna only accounts for a deferred tax receivable if there is no doubt about its further use in subsequent accounting periods.

#### 1.4.2.16. FINANCIAL LEASING

---

Raiffeisen stavební spořitelna undertakes no financial leasing operations.

### 1.4.3. Impact of corrections of fundamental errors and changes in accounting policies

#### 1.4.3.1. IMPACT OF CORRECTIONS OF FUNDAMENTAL ERRORS

---

No corrections were made in 2017 in respect of any fundamental errors of the past accounting periods.

Items from accounting periods other than those to which they belong in terms of taxation and accounting and changes in accounting policies are recognised as income or expenses in the Profit and loss account for the current accounting period with the exception of corrections of fundamental errors in the accounting of income and expenses of past accounting periods that are recorded under "Retained earnings or accumulated losses from previous years" in RSTS's balance sheet.

#### 1.4.3.2. IMPACT OF CHANGES IN ACCOUNTING POLICIES

---

Raiffeisen stavební spořitelna made no significant changes or modifications in the accounting policies in 2017.

Since 1 January, 2018, based on Decree No. 501/2002 Coll. effective from 1 January, 2018, as amended by Decree No. 442/2017 Coll., of 7 December, 2017, RSTS shall for the purpose of reporting, evaluating and informing on financial instruments in the annex to the financial statement proceed in line with the international accounting standards governed by directly applicable legislation of the European Union on the application of international accounting standards (hereinafter the "international accounting standards" or "IFRS").

The most significant impact of this change on RSTS starting from 1 January, 2018 will be the application of IFRS 9 Financial Instruments in classification of receivables from clients and quantification of credit losses (i.e. provisions). In view of IFRS 9 application, the concept of incurred losses has been replaced by the concept of expected losses.

For the purpose of classification, RSTS newly considers the following aspects of all receivables from clients:

- The business model for managing the financial assets (i.e., how the accounting unit manages its financial assets with the objective of creating cash flow);
- The characteristics of contractual cash flows from the financial assets (i.e., whether the contractual terms of a particular financial asset stipulate specific dates of cash flows, namely repayments of the principal and interests).

For the purpose of quantifying credit losses (i.e. provisions), RSTS has categorized receivables from clients according to quantitative and qualitative criteria into the following categories:

- No default ("stage 1");
- Increased credit risk ("stage 2");
- In default ("stage 3").

Key parameters and presumptions for the quantification of a credit loss from receivables from clients are in particular:

- Recognition of the moment of default;
- Recognition of significant increase in credit risk;
- Forecast of the future development of selected macroeconomic indicators.

The Bank has analysed the impact of this change and specifically quantified the expected impact on the provisions for receivables from clients as at 1 January, 2018.

The said change had no impact on the financial statement as at 31 December, 2017.

#### 1.4.4. State zero coupon bonds and other securities eligible for refinancing with the central bank

Classification by type of security and by Bank's intention

MCZK	Acquisition cost	Accrued interest	Amortization of discount/premium	Valuation	Book value including accrued interest 2017	Book value including accrued interest 2016
<b>Available-for-sale securities</b>	<b>1,291</b>	<b>13</b>	<b>-30</b>	<b>73</b>	<b>1,347</b>	<b>4,725</b>
Of that: issued by the government sector	1,291	13	-30	73	1,347	4,725
issued by financial institutions	0	0	0	0	0	0
<b>Held-to-maturity securities</b>	<b>10,063</b>	<b>81</b>	<b>-249</b>	<b>0</b>	<b>9,895</b>	<b>12,942</b>
Of that: issued by the government sector	10,063	81	-249	0	9,895	12,942
issued by financial institutions	0	0	0	0	0	0
<b>Total</b>	<b>11,354</b>	<b>94</b>	<b>-279</b>	<b>73</b>	<b>11,242</b>	<b>17,667</b>

Raiffeisen stavební spořitelna does not currently hold any securities in its trading portfolio.

The fair value of held-to-maturity securities is CZK 10,035 million (in 2016: CZK 13,869 million).

As at the end of 2017, Raiffeisen stavební spořitelna reported CZK 6,708 million worth of securities acquired under reverse repurchase agreements (no securities in 2016).

As at the end of the accounting period, Raiffeisen stavební spořitelna did not transfer any securities under repurchase agreements.

The above securities are listed on the stock exchange in the Czech Republic.

### 1.4.5. Receivables from banks

Receivables from banks

MCZK	2017	2016
Current accounts	457	8
Term deposits	400	1,800
Repurchase and reverse repurchase agreements	6,801	0
<b>Receivables from banks</b>	<b>7,658</b>	<b>1,808</b>

All receivables from banks are standard ones without restructuring. There were no write-offs or assignments of any of the receivables from banks during the accounting period.

Collateral amounting to MCZK 6,708 was received for reverse repurchase agreements.

### 1.4.6. Receivables from clients

Receivables from clients

MCZK	2017	2016
Short-term loans	1	3
Medium-term loans	71	146
Long-term loans	40,975	37,771
Classified loans	1,453	1,372
Provisions for potential losses from receivables	-979	-936
Other receivables	93	101
<b>Receivables from clients</b>	<b>41,614</b>	<b>38,457</b>

### Receivables from clients by classification

<b>MCZK</b>	<b>Receivables 2017</b>	<b>Provisions 2017</b>	<b>Receivables 2016</b>	<b>Provisions 2016</b>
Standard	41,047	0	37,920	0
Special-mentioned	196	-11	170	-9
Substandard	212	-32	221	-33
Doubtful	61	-23	60	-25
Loss	984	-913	921	-869
Other receivables	93	0	101	0
<b>Receivables from clients</b>	<b>42,593</b>	<b>-979</b>	<b>39,393</b>	<b>-936</b>

### Receivables from clients by type

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
<b>Loans to natural persons</b>	<b>34,978</b>	<b>32,484</b>
Of that: bridge loans	29,682	26,654
construction loans	4,297	4,794
recovered loans	999	1,036
<b>Loans to legal entities</b>	<b>7,522</b>	<b>6,808</b>
Of that: bridge loans	1,033	1,216
construction loans	85	92
commercial loans	6,394	5,487
recovered loans	10	13
<b>Provisions for potential losses from receivables</b>	<b>-979</b>	<b>-936</b>
<b>Other receivables</b>	<b>93</b>	<b>101</b>
<b>Receivables from clients</b>	<b>41,614</b>	<b>38,457</b>

### Receivables from clients by sector – residential

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Non-financial institutions	7,499	6,783
Government institutions	23	25
Households	34,978	32,484
Provisions for potential losses from receivables	-979	-936
Others	93	101
<b>Receivables from clients</b>	<b>41,614</b>	<b>38,457</b>

Any loans recorded under “Receivables from clients” are granted to natural persons with permanent residence in the Czech Republic or to legal entities based in the Czech Republic.



As at the end of 2017, Raiffeisen stavební spořitelna recorded a total of 466 restructured receivables from natural persons and legal entities worth CZK 241 million (in 2016: 485 restructured receivables worth CZK 257 million).

Receivables from clients by sector and type of security received as at 31 December, 2017

MCZK	Bank guarantees	Cash	Lien on real property	Other collateral and un-secured loans	Total
Non-financial institutions	932	268	3,026	3,273	<b>7,499</b>
Government institutions	0	0	18	5	<b>23</b>
Households	0	4,222	17,506	13,250	<b>34,978</b>
Others	0	0	0	93	<b>93</b>
Provisions	0	0	0	-979	<b>-979</b>
<b>Receivables from clients as at 31/12/2017</b>	<b>932</b>	<b>4,490</b>	<b>20,550</b>	<b>15,642</b>	<b>41,614</b>

Receivables from clients by sector and type of security received as at 31 December, 2016

MCZK	Bank guarantees	Cash	Lien on real property	Other collateral and un-secured loans	Total
Non-financial institutions	1,095	284	2,766	2,638	<b>6,783</b>
Government institutions	0	0	19	6	<b>25</b>
Households	0	3,980	16,023	12,481	<b>32,484</b>
Others	0	0	0	101	<b>101</b>
Provisions	0	0	0	-936	<b>-936</b>
<b>Receivables from clients as at 31/12/2016</b>	<b>1,095</b>	<b>4,264</b>	<b>18,808</b>	<b>14,290</b>	<b>38,457</b>

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no consortium loans.

### 1.4.7. Provisions for receivables and reserves

Provisions are created, recorded and recognized separately for each receivable from a natural person or legal entity.

#### Creation and use of provisions in 2017

MCZK	Status as at 31/12/2016	Created	Used	Released	Status as at 31/12/2017
Provisions for classified loans	936	247	-28	-176	979
Other provisions	8	2	-7	0	3
<b>Total</b>	<b>944</b>	<b>249</b>	<b>-35</b>	<b>-176</b>	<b>982</b>

#### Creation and use of provisions in 2016

MCZK	Status as at 31/12/2015	Created	Used	Released	Status as at 31/12/2016
Provisions for classified loans	1,014	194	-80	-192	936
Other provisions	5	3	0	0	8
<b>Total</b>	<b>1,019</b>	<b>197</b>	<b>-80</b>	<b>-192</b>	<b>944</b>

#### Creation and use of reserves in 2017

MCZK	Status as at 31/12/2016	Created	Used	Released	Status as at 31/12/2017
Reserves for litigations	9	0	0	-1	8
Other reserves	4	41	-38	-2	5
<b>Total</b>	<b>13</b>	<b>41</b>	<b>-38</b>	<b>-3</b>	<b>13</b>

#### Creation and use of reserves in 2016

MCZK	Status as at 31/12/2015	Created	Used	Released	Status as at 31/12/2016
Reserves for litigations	9	1	0	-1	9
Other reserves	2	44	-40	-2	4
<b>Total</b>	<b>11</b>	<b>45</b>	<b>-40</b>	<b>-3</b>	<b>13</b>

The cost of receivables from clients assigned by Raiffeisen stavební spořitelna in 2017 amounted to CZK 14 million (in 2016: CZK 27 million). In 2017 Raiffeisen stavební spořitelna wrote off CZK 21 million worth of financial receivables (in 2016: CZK 53 million).

During the accounting period, CZK 0 million worth of other receivables were written off (in 2016: CZK 0 million) and the costs of assignment of other receivables amounted to CZK 0 million (in 2016: CZK 0 million).

Raiffeisen stavební spořitelna reported CZK 6 million worth of income from written-off receivables in 2017 (in 2016: CZK 5 million).

Since 2016 "Other reserves" have included reserves for contributions to the Financial Market Guarantee System. Out of a reserve of CZK 38 million created in 2017, CZK 37 million were used in the same year.

### 1.4.8. Debt securities

Classification by type of security and by Bank's intention

MCZK	Acquisition cost	Accrued interest	Amortization of discount/ premium	Valuation	Book value including accrued interest 2017	Book value including accrued interest 2016
<b>Available-for-sale securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Of that: issued by the government sector	0	0	0	0	0	0
issued by financial institutions	0	0	0	0	0	0
<b>Held-to-maturity securities</b>	<b>5,293</b>	<b>43</b>	<b>-82</b>	<b>0</b>	<b>5,254</b>	<b>6,386</b>
Of that: issued by the government sector	0	0	0	0	0	0
issued by financial institutions	5,293	43	-82	0	5,254	6,386
<b>Total</b>	<b>5,293</b>	<b>43</b>	<b>-82</b>	<b>0</b>	<b>5,254</b>	<b>6,386</b>

Raiffeisen stavební spořitelna does not currently hold any securities in its trading portfolio.

The fair value of held-to-maturity securities is CZK 5,239 million (in 2016: CZK 6,439 million).

The above securities are listed on the stock exchange in the Czech Republic with the exception of the securities issued by Raiffeisen Bank International AG listed in Austria, securities issued by Erste Group bank AG listed in Austria, securities issued by ING Bank N.V. listed in Luxembourg, securities issued by Crédit Agricole Corporate and Investment Bank listed in Luxembourg, a security issued by BNP Paribas S.A. listed in Luxembourg, a security issued by Commerzbank AG listed in Luxembourg, a security issued by mFinance France S.A. listed in Luxembourg, a security issued by General Electric Capital Corporation listed in London, a security issued by Česká exportní banka, a.s. listed in Luxembourg and a security issued by Export-Import Bank of Korea listed in Singapore.

### 1.4.9. Shares, units and other participation interests

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no shares, units and other participation interests.

### 1.4.10. Participation interests with controlling and substantial influence

Participation interests with controlling influence as at 31 December, 2017

MCZK	Registered office	Business objects	Registered capital	Other equity components	Share in equity	Share in voting rights	Book value
KONEVOVA s.r.o.	Koněvova 2747/99, Prague 3	Production, trade and services not specified in Annexes 1 to 3 of the Trade Licensing Act	50	89	100%	100%	257

Participation interests with controlling influence as at 31 December, 2016

MCZK	Registered office	Business objects	Registered capital	Other equity components	Share in equity	Share in voting rights	Book value
KONEVOVA s.r.o.	Koněvova 2747/99, Prague 3	Production, trade and services not specified in Annexes 1 to 3 of the Trade Licensing Act	50	82	100%	100%	257

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no participation interests with substantial influence.

### 1.4.11. Intangible fixed assets

Changes in intangible fixed assets in 2017

MCZK	Status as at 31/12/2016	Additions	Disposals	Status as at 31/12/2017	Accumulated amortization	Net book value in 2017	Depreciation in 2017
Software	612	44	0	656	533	123	-29
Other intangible assets	17	4	0	21	15	6	-2
Acquisitions	15	65	48	32	0	32	0
<b>Intangible fixed assets</b>	<b>644</b>	<b>113</b>	<b>48</b>	<b>709</b>	<b>548</b>	<b>161</b>	<b>-31</b>

Residual value of intangible fixed assets

MCZK	2017	2016
Software	123	109
Other intangible assets	6	3
Acquisition of intangible fixed assets	32	15
<b>Intangible fixed assets</b>	<b>161</b>	<b>127</b>

### 1.4.12. Tangible fixed assets

Changes in tangible fixed assets in 2017

MCZK	Status as at 31/12/2016	Additions	Disposals	Status as at 31/12/2017	Accumulated amortization	Net book value in 2017	Depreciation in 2017
Land and buildings for operating activities	37	0	0	37	12	25	-2
Operating tangible assets	121	5	0	126	101	25	-10
Non-operating tangible assets	5	0	0	5	0	5	0
Acquisitions	3	3	5	1	0	1	0
<b>Tangible fixed assets</b>	<b>166</b>	<b>8</b>	<b>5</b>	<b>169</b>	<b>113</b>	<b>56</b>	<b>-12</b>

Net book value of tangible fixed assets

MCZK	2017	2016
Land and buildings for operating activities	25	27
Operating tangible assets	25	29
Non-operating tangible assets	5	5
Acquisition of tangible fixed assets	1	3
<b>Tangible fixed assets</b>	<b>56</b>	<b>64</b>

Raiffeisen stavební spořitelna uses no assets acquired through financial leasing.

### 1.4.13. Other assets

Other assets

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Estimated receivables – government premiums	615	654
Estimated receivables	3	3
Clearing accounts for employees	0	0
Settlement of income tax, road tax and VAT	2	0
Operating advances paid	7	7
Sundry debtors	4	11
Provisions for receivables	-3	-8
Others	0	0
<b>Other assets</b>	<b>628</b>	<b>667</b>

“Estimated receivables – government premiums” include an estimate of government contributions to building savings to be received by Raiffeisen stavební spořitelna in the following year. At the same time, this estimate is entered under “Payables to clients – cooperative savings associations’ members”.

### 1.4.14. Payables to banks

As at the end of the reported accounting period, Raiffeisen stavební spořitelna recorded no payables to banks.

### 1.4.15. Payables to clients

Payables to clients by type

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
<b>Building savings deposits by natural persons</b>	<b>60,472</b>	<b>59,320</b>
Of that: savings accounts on demand	7,725	7,006
building savings deposits with fixed maturity	30,563	27,748
building savings notice deposits	22,184	24,566
<b>Building savings deposits by legal entities</b>	<b>662</b>	<b>670</b>
Of that: savings accounts on demand	57	57
building savings deposits with fixed maturity	216	281
building savings notice deposits	389	332
<b>Received loans from repurchase agreements</b>	<b>0</b>	<b>0</b>
<b>Others</b>	<b>736</b>	<b>827</b>
<b>Payables to clients</b>	<b>61,870</b>	<b>60,817</b>

#### Payables to clients by sector – residents

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Non-financial institutions	423	437
Government institutions	239	233
Households	60,472	59,320
Others	736	827
<b>Payables to clients</b>	<b>61,870</b>	<b>60,817</b>

According to the methodology of the Czech National Bank, building savings deposits with a running saving period are recognized as deposits with fixed maturity until the expiry of the mandatory saving period stipulated by the Building Savings Act. Deposits with a notice period are deposits made during the extension of the building savings contract after the expiry of the mandatory saving period and deposits payable on demand are non-term deposits and deposits made after the granting of a building savings loan.

Any deposits recorded under “Payables to clients” are deposits by natural persons with permanent residence in the Czech Republic or by legal entities based in the Czech Republic.

#### 1.4.16. Payables from debt securities

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no payables from debt securities.

#### 1.4.17. Other liabilities

##### Other liabilities

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Estimated payables	94	108
Clearing accounts for the Czech National Bank	235	231
Clearing accounts for employees	11	11
Clearing accounts for the social security authorities	6	5
Clearing accounts for the state budget	108	146
Sundry creditors	41	45
Operating advances received	0	0
Deferred tax liability	23	55
<b>Other liabilities</b>	<b>518</b>	<b>601</b>

“Estimated payables” include in particular CZK 77 million worth of estimated payables in the form of interest bonuses for building savings clients (in 2016: CZK 82 million).

Any liabilities under “Clearing accounts for the social security authorities” and “Clearing accounts for the state budget” were paid on or before the dates due. Raiffeisen stavební spořitelna records no past due liabilities under these items.

“Clearing accounts for the state budget” include mainly settlement of the withholding income tax on interests.

“Sundry creditors” include mainly liabilities arising from commissions to sales representatives and other liabilities to suppliers to be paid in the following accounting period.

#### 1.4.18. Subordinated liabilities

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no subordinated liabilities.

#### 1.4.19. Registered capital

Equity

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
<b>Registered capital</b>	<b>650</b>	650
Of that: Raiffeisenbank a.s.	<b>65</b>	65
Raiffeisen Bausparkassen Holding GmbH	<b>585</b>	585
<b>Reserve funds and other funds from profit</b>	<b>3,626</b>	3,396
Of that: reserve fund	<b>130</b>	130
voluntary reserve fund	<b>3,488</b>	3,258
other funds from profit	<b>8</b>	8
<b>Gains (losses) from revaluation</b>	<b>59</b>	209
<b>Retained earnings</b>	<b>0</b>	0
<b>Profit for the current period</b>	<b>444</b>	530
<b>Equity</b>	<b>4,779</b>	<b>4,785</b>

#### 1.4.20. Bonuses tied to equity

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no bonuses tied to equity.



### 1.4.21. Retained earnings or accumulated losses from previous years, reserve funds and other funds from profit

2016 profit/loss distribution

MCZK	Retained earnings	Reserve fund	Voluntary reserve fund	Other funds from profit
Balance as at 31 December, 2016	0	130	3,258	8
Profit/loss in 2016	530	0	0	0
Allocations to funds from profit	-230	0	230	0
Other use of funds from profit	0	0	0	0
Other use of earnings	0	0	0	0
Share in profit	-300	0	0	0
Royalties	0	0	0	0
<b>Balance as at 31 December, 2017</b>	<b>0</b>	<b>130</b>	<b>3,488</b>	<b>8</b>

Proposal for the distribution of 2017 profit/loss

MCZK	Retained earnings	Reserve fund	Voluntary reserve fund	Other funds from profit
Balance as at 31 December, 2017	0	130	3,488	8
Profit/loss in 2017	444	0	0	0
Allocations to funds from profit	-144	0	144	0
Other use of funds from profit	0	0	0	0
Other use of earnings	0	0	0	0
Share in profit	-300	0	0	0
Royalties	0	0	0	0
	<b>0</b>	<b>130</b>	<b>3,632</b>	<b>8</b>

### 1.4.22. Gains (losses) from revaluation

Under "Gains (losses) from revaluation of assets and liabilities", Raiffeisen stavební spořitelna reported CZK 73 million worth of gains from revaluation of securities included in the portfolio of available-for-sale securities at fair value (in 2016: CZK 258 million worth of gains) and CZK 14 million worth of deferred tax liability in respect of the revaluation (in 2016: CZK 49 million liability).

### 1.4.23. Net interest income

Net interest income

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Interest income from loans granted	1,410	1,441
Interest income from interbank transactions	9	1
Interest income from securities	373	489
<b>Interest income and similar income</b>	<b>1,792</b>	<b>1,931</b>
Interest expense from client deposits	-889	-1,065
Interest expense from interbank transactions	0	0
<b>Interest expense and similar expense</b>	<b>-889</b>	<b>-1,065</b>
<b>Net interest income</b>	<b>903</b>	<b>866</b>

Raiffeisen stavební spořitelna does not claim interest on late payments in classified receivables prior to repayment. As at 31 December 2017, the value of unclaimed interest was CZK 398 million (in 2016: CZK 383 million).

### 1.4.24. Fee and commission income and expense

Gain or loss from fees and commissions

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Fee income from building savings	323	426
Fee income from loans	93	109
Other income	55	52
<b>Fee and commission income</b>	<b>471</b>	<b>587</b>
Fee expense	-29	-73
Commission expense	-344	-364
Other expense	-3	-4
<b>Fee and commission expense</b>	<b>-376</b>	<b>-441</b>
<b>Gain or loss from fees and commissions</b>	<b>95</b>	<b>146</b>

### 1.4.25. Gain or loss from financial operations

Gain or loss from financial operations

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Exchange rate gain or loss	-1	-1
Gain or loss from the sale of securities	118	133
<b>Gain or loss from financial operations</b>	<b>117</b>	<b>132</b>

### 1.4.26. Other operating income and expenses

Gain or loss from other operating income or expenses

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Gains from the transfer of assets	0	0
Other (e.g. lease)	5	4
<b>Other operating income</b>	<b>5</b>	<b>4</b>
Contributions to the Financial Market Guarantee System	-37	-40
Expenses from the transfer of assets	0	0
Others	0	0
<b>Other operating expenses</b>	<b>-37</b>	<b>-40</b>
<b>Gain or loss from other operating income or expenses</b>	<b>-32</b>	<b>-36</b>

### 1.4.27. Administrative expenses

Administrative expenses

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Salaries and remuneration paid to Members of the Board of Directors	-17	-17
Remuneration paid to Members of the Supervisory Board	-1	-1
Salaries and remuneration paid to other executives	-26	-27
Salaries and remuneration paid to other employees	-132	-120
Social security and health insurance	-55	-52
Others	-13	-12
<b>Employee expenses</b>	<b>-244</b>	<b>-229</b>
Information technology	-35	-32
Rent and associated expenses	-38	-38
Advertising and marketing	-56	-61
Audit, legal and tax advisory	-2	-2
Others	-67	-70
<b>Other administrative expenses</b>	<b>-198</b>	<b>-203</b>
<b>Administrative expenses</b>	<b>-442</b>	<b>-432</b>

Administrative expenses paid by Raiffeisen stavební spořitelna a.s. to KPMG companies

<b>MCZK excl. VAT</b>	<b>2017</b>	<b>2016</b>
Audit	1.2	1.2
Other verification services	0.4	0.4
Tax advisory	0.2	0.2
Consultancy services and seminars by KPMG companies	0.2	0.7
<b>Total</b>	<b>2.0</b>	<b>2.5</b>

Administrative expenses paid by KONEVOVA s.r.o. to KPMG companies

<b>MCZK excl. VAT</b>	<b>2017</b>	<b>2016</b>
Audit	0.1	0.1
Tax advisory	0.2	0.2
<b>Total</b>	<b>0.3</b>	<b>0.3</b>

Average headcount

	<b>2017</b>	<b>2016</b>
Overall average headcount per year	268	264
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	4	6
Number of other executives	16	16

#### 1.4.28. Extraordinary income and expenses

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no extraordinary income and expenses.

#### 1.4.29. Income tax and deferred tax liability/asset

Raiffeisen stavební spořitelna reported a payable 2017 tax of CZK 89 million and a CZK 3 million change in deferred tax, i.e. a total of CZK 92 million, under "Income tax" (2016: payable 2016 income tax of CZK 109 million and a CZK 2 million change in deferred tax, i.e. a total of CZK 111 million).

Payable income tax

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Pre-tax profit or loss for current year	536	641
Non-taxable income	-134	-129
Non-tax-deductible expenses	69	64
<b>Tax base</b>	<b>471</b>	<b>576</b>
Tax adjustment for previous years	0	-1
<b>Reduced tax base</b>	<b>471</b>	<b>575</b>
<b>Tax</b>	<b>89</b>	<b>109</b>
Tax discounts	0	0
<b>Payable income tax</b>	<b>89</b>	<b>109</b>
Of that: tax from extraordinary items	0	0

## Deferred tax liability/asset

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Tax loss from previous years	0	0
Asset book and tax value difference	0	0
Valuation of available-for-sale securities	0	0
Others	3	3
<b>Deferred tax assets</b>	<b>3</b>	<b>3</b>
Asset book and tax value difference	-12	-9
Valuation of available-for-sale securities	-14	-49
Others	0	0
<b>Deferred tax liabilities</b>	<b>-26</b>	<b>-58</b>
<b>Deferred tax liability or asset</b>	<b>-23</b>	<b>-55</b>
Tax rate	19 %	19%

A total deferred tax liability of CZK 23 million was recognized in 2017 (2016: a liability of CZK 55 million). The deferred tax also includes a deferred tax liability in respect of the valuation of available-for-sale securities at CZK 14 million (2016: a liability of CZK 49 million). Given that the valuation of available-for-sale securities is recognized as a liability under "Gains (losses) from revaluation of assets and liabilities", the matching deferred tax asset or liability is recognized accordingly.

### 1.4.30. Income and expenses by segment

Income and expenses by segment as at 31/12/2017

<b>MCZK</b>	<b>Building savings NP</b>	<b>Building savings LE</b>	<b>Investment banking</b>	<b>Others</b>	<b>Total as at 31/12/2017</b>
Interest income and similar income	1,234	176	381	1	<b>1,792</b>
Interest expense and similar expense	-879	-10	0	0	<b>-889</b>
Fee and commission income	411	5	0	55	<b>471</b>
Fee and commission expense	-361	-7	-3	-5	<b>-376</b>
Gain or loss from financial operations	0	0	118	-1	<b>117</b>

Income and expenses by segment at 31/12/2016

<b>MCZK</b>	<b>Building savings NP</b>	<b>Building savings LE</b>	<b>Investment banking</b>	<b>Others</b>	<b>Total as at 31/12/2016</b>
Interest income and similar income	1,250	191	490	0	<b>1,931</b>
Interest expense and similar expense	-1,056	-9	0	0	<b>-1,065</b>
Fee and commission income	530	5	0	52	<b>587</b>
Fee and commission expense	-424	-6	-4	-7	<b>-441</b>
Gain or loss from financial operations	0	0	133	-1	<b>132</b>

NP = natural persons

LE = legal entities including commercial loans

With the exception of CZK 47 million worth of interest income from securities (2016: CZK 46 million), all income and expenses listed above are realized in the Czech Republic.

#### **1.4.31. Commitments and guarantees granted, receivables written-off**

“Commitments and guarantees granted” include as-yet unused credit lines for bridge loans and building savings loans.

“Receivables written-off” record written-off financial receivables and receivables from customer-supplier relationships which are still being legally enforced.

#### **1.4.32. Receivables and payables from fixed-term transactions and option transactions**

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no receivables and payables from fixed-term transactions and option transactions.

#### **1.4.33. Values placed into custody, administration and deposit**

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no values placed into custody, administration and deposit.

#### **1.4.34. Values placed under management**

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no values placed under management.

#### **1.4.35. Commitments and guarantees received**

“Commitments and guarantees received” include guarantees received in respect of bridge loans, building savings loans and commercial loans.

#### **1.4.36. Collaterals and pledges received**

“Collaterals and pledges received” include immovable and financial collaterals received in respect of bridge loans, building savings loans and commercial loans.

#### **1.4.37. Values taken under management**

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no values taken under management.

### 1.4.38. Transactions with related parties

#### 1.4.38.1. TRANSACTIONS WITH RELATED PARTIES – INCOME AND EXPENSES

Transactions with related parties – income and expenses

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Interest income	0	5
Interest expense	0	0
Income from shares and participation interests	5	5
Fee and commission income	0	2
Fee and commission expense	-3	-5
Administrative expenses	-49	-49
Other operating income	1	1

#### 1.4.38.2. TRANSACTIONS WITH RELATED PARTIES – RECEIVABLES AND PAYABLES

Transactions with related parties – receivables and payables

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Receivables from banks	457	9
Debt securities	1,008	1,008
Other assets	0	0
Pre-paid expenses and accrued revenues	155	165
Other liabilities	1	0
Accrued expenses and deferred income	0	0

#### 1.4.38.3. INFORMATION ON CONTROLLED ENTITIES BY MEMBER STATES AND NON-MEMBER STATES

Information on controlled entities

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Turnover	44	45
Number of employees	3	3
Pre-tax profit or loss	13	17
Corporate income tax	3	3
State aid received	0	0

Raiffeisen stavební spořitelna has one controlled entity, which is based in the Czech Republic. The activities performed by the controlled entity include management of own real property.

#### 1.4.38.4. INCOME AND EXPENSES – TRANSACTIONS WITH COMPANIES IN WHICH THE BANK HAS CONTROLLING OR SUBSTANTIAL INFLUENCE

Raiffeisen stavební spořitelna is a tenant in an administrative building owned by KONEVOVA s.r.o.; the majority of items in the following table arise from this contractual relationship.

Income and expenses from transactions with participation interests with controlling influence

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Income from dividends	<b>5</b>	5
Other operating income	<b>1</b>	1
Other administrative expenses	<b>-38</b>	-38

#### 1.4.38.5. RECEIVABLES FROM AND PAYABLES TO COMPANIES IN WHICH THE BANK HAS CONTROLLING OR SUBSTANTIAL INFLUENCE

Raiffeisen stavební spořitelna is a tenant in an administrative building owned by KONEVOVA s.r.o.; the majority of items in the following table arise from this contractual relationship.

Receivables and payables related to transactions with participation interests with controlling influence

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Receivables	<b>0</b>	0
Deferred expenses	<b>155</b>	165
Payables	<b>0</b>	0

“Deferred expenses” include in particular pre-paid rental of the administrative building owned by KONEVOVA s.r.o.

Receivables from companies in which the Bank has controlling influence

<b>MCZK</b>	<b>KONEVOVA s.r.o.</b>
As at 01/01/2016	176
Additions	0
Disposals	-11
<b>As at 31/12/2016</b>	<b>165</b>
As at 01/01/2017	<b>165</b>
Additions	<b>0</b>
Disposals	<b>-10</b>
<b>As at 31/12/2017</b>	<b>155</b>



#### 1.4.38.6. RECEIVABLES FROM INDIVIDUALS WITH A SPECIAL RELATIONSHIP TO THE BANK

The building savings products listed below concluded with individuals with a special relationship to RSTS were granted under normal commercial conditions applicable to regular clients of Raiffeisen stavební spořitelna.

Receivables from individuals with a special relationship to the Bank

MCZK	Administration bodies	Management bodies	Supervisory bodies	Others	Total
<b>As at 31/12/2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
As at 31/12/2016	0	0	10	0	10

Payables to individuals with a special relationship to the Bank

MCZK	Administration bodies	Management bodies	Supervisory bodies	Others	Total
<b>As at 31/12/2017</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>9</b>
As at 31/12/2016	0	4	1	5	10

Raiffeisen stavební spořitelna did not provide the members of the management and supervisory bodies with any advance payment, earnest money or loan in the reported period.

Loans granted to the members of the management and supervisory bodies

MCZK	Amount	Interest rate	Form of collateral	Amount repaid	Amount waived	Amount written off
<b>As at 31/12/2017</b>	<b>3</b>	<b>3.5%</b>	<b>Lien on insured real property</b>	<b>3</b>	<b>0</b>	<b>0</b>
As at 31/12/2016	13	1.78–3.5%	Lien on insured real property Building savings account pledged	3	0	0

The above loans were granted under standard market conditions.

#### 1.4.38.7. PAYABLES TO COMPANIES IN WHICH THE BANK HAS CONTROLLING OR SUBSTANTIAL INFLUENCE

As at the end of the reporting period, Raiffeisen stavební spořitelna recorded no payables to companies in which it had controlling or substantial influence.

#### 1.4.38.8. GUARANTEES ISSUED TO INDIVIDUALS WITH A SPECIAL RELATIONSHIP TO THE BANK AND TO PARTICIPATION INTERESTS WITH SUBSTANTIAL AND CONTROLLING INFLUENCE, GUARANTEES RECEIVED FROM COMPANIES IN WHICH THE BANK HAS SUBSTANTIAL OR CONTROLLING INFLUENCE

Raiffeisen stavební spořitelna issued no guarantees to individuals with a special relationship to the Bank or to participation interests with substantial and controlling influence in the reported period.

### 1.4.39. Financial instruments – market risk

Market risk is a risk of loss arising for the bank from changes in prices, exchange rates and other rates in the financial markets. It is a general term for interest-rate, currency, equity and other risks associated with the fluctuation of market prices.

Given the scope of the activities of building savings banks, which is limited by the Building Savings Act, RSTS is only exposed to interest-rate and currency risks.

#### a) Interest-rate risk

Interest-rate risk is a risk of a potential loss as a result of open interest-rate positions where net interest income or the market value of assets and liabilities can be reduced due to adverse changes in market interest rates. Given the structure of interest-bearing assets and liabilities which show time discrepancy and have different maturity periods or intervals for interest rate changes, Raiffeisen stavební spořitelna is exposed to interest rate risk. Due to the absence of a trading portfolio, only the interest rate risk related to the investment portfolio is relevant and material to RSTS.

Due to the nature of the building savings product and in view of its size, scale, nature and complexity of the transactions and activities, Raiffeisen stavební spořitelna uses gap analysis, Basis Point Value (BPV) sensitivity analysis, Net Interest Income (NII) calculation and the Value at Risk (VaR) method to manage interest rate risk.

The impact of regulatory interest rate shock on capital by means of parallel shifts in the yield curve is measured in full accordance with Decree No. 163/2014 Coll. and EBA's Guidelines on the management of interest rate risk arising from non-trading activities. In accordance with these regulations, stress testing of interest rate risk is also carried out on a regular basis.

Monitoring and management of interest rate risk is carried out using regulatory limits, RBI-set limits or internally set limits. These limits are assessed by the of the Assets and Liabilities Committee and approved by the Board of Directors.

The "Interest rate sensitivity of the Bank's assets and liabilities" table sums up the mismatch between the Bank's interest-rate sensitive assets and liabilities. The book value of those assets and liabilities is included in the period in which the interest rate is changed.

Interest rate sensitivity of the Bank's assets and liabilities as at 31 December, 2017

<b>MCZK</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Non-rate sensitive</b>	<b>Total</b>
Cash and balances with central banks	0	0	0	0	171	<b>171</b>
Securities eligible for refinancing with central banks	0	3,078	7,701	463	0	<b>11,242</b>
Receivables from banks	7,658	0	0	0	0	<b>7,658</b>
Receivables from clients	4,907	4,013	25,775	6,353	566	<b>41,614</b>
Debt securities	1,735	1,888	1,433	198	0	<b>5,254</b>
Property	0	0	0	0	217	<b>217</b>
Participation interests with controlling influence	0	0	0	0	257	<b>257</b>
Other assets	0	0	0	0	628	<b>628</b>
Pre-paid expenses and accrued revenues	0	0	0	0	189	<b>189</b>
<b>Total assets</b>	<b>14,300</b>	<b>8,979</b>	<b>34,909</b>	<b>7,014</b>	<b>2,028</b>	<b>67,230</b>
Payables to clients	3,387	13,534	30,968	13,245	736	<b>61,870</b>
Other liabilities	0	0	0	0	518	<b>518</b>
Accrued expenses and deferred income	0	0	0	0	50	<b>50</b>
Reserves	0	0	0	0	13	<b>13</b>
Registered capital	0	0	0	0	650	<b>650</b>
Reserve funds	0	0	0	0	3,626	<b>3,626</b>
Gains (losses) from revaluation	0	0	0	0	59	<b>59</b>
Profit or loss for the accounting period	0	0	0	0	444	<b>444</b>
<b>Total liabilities</b>	<b>3,387</b>	<b>13,534</b>	<b>30,968</b>	<b>13,245</b>	<b>6,096</b>	<b>67,230</b>
GAP	10,913	-4,555	3,941	-6,231	-4,068	<b>0</b>
Cumulative GAP	10,913	6,358	10,299	4,068	0	<b>0</b>

Interest rate sensitivity of the Bank's assets and liabilities as at 31 December, 2016

<b>MCZK</b>	<b>Up to 3 months</b>	<b>3–12 months</b>	<b>1–5 years</b>	<b>More than 5 years</b>	<b>Non-rate sensitive</b>	<b>Total</b>
Cash and balances with central banks	0	0	0	0	614	<b>614</b>
Securities eligible for refinancing with central banks	1,629	6,654	8,891	493	0	<b>17,667</b>
Receivables from banks	1,808	0	0	0	0	<b>1,808</b>
Receivables from clients	4,986	2,559	24,310	6,065	537	<b>38,457</b>
Debt securities	1,997	1,571	2,818	0	0	<b>6,386</b>
Property	0	0	0	0	191	<b>191</b>
Participation interests with controlling influence	0	0	0	0	257	<b>257</b>
Other assets	0	0	0	0	667	<b>667</b>
Pre-paid expenses and accrued revenues	0	0	0	0	196	<b>196</b>
<b>Total assets</b>	<b>10,420</b>	<b>10,784</b>	<b>36,019</b>	<b>6,558</b>	<b>2,462</b>	<b>66,243</b>
Payables to clients	2,937	11,724	28,444	16,885	827	<b>60,817</b>
Other liabilities	0	0	0	0	601	<b>601</b>
Accrued expenses and deferred income	0	0	0	0	27	<b>27</b>
Reserves	0	0	0	0	13	<b>13</b>
Registered capital	0	0	0	0	650	<b>650</b>
Reserve funds	0	0	0	0	3,396	<b>3,396</b>
Gains (losses) from revaluation	0	0	0	0	209	<b>209</b>
Profit or loss for the accounting period	0	0	0	0	530	<b>530</b>
<b>Total liabilities</b>	<b>2,937</b>	<b>11,724</b>	<b>28,444</b>	<b>16,885</b>	<b>6,253</b>	<b>66,243</b>
GAP	7,483	-940	7,575	-10,327	-3,791	<b>0</b>
Cumulative GAP	7,483	6,543	14,118	3,791	0	<b>0</b>

b) Currency risk

Currency risk results from exchange rate movements and the existence of open currency positions. RSTS' currency risk is immaterial as open foreign currency positions (cash in hand or foreign currency receivables and payables from customer-supplier relationships) are insignificant in terms of volume. Given the low volume of foreign currency positions, Raiffeisen stavební spořitelna does not create capital reserves for currency risk.

**1.4.40. Financial instruments – credit risk**

Credit risk is a risk of loss arising from the failure of the debtor to meet their obligations under the terms of the contract, causing loss to the holder of the claim (creditor). The Bank is exposed to this risk as a result of its lending, trading and investment activities and settlement of securities when trading in financial markets. Given the scope of activities undertaken by building savings banks, which is additionally limited by the Building Savings Act, Raiffeisen stavební spořitelna is mainly affected by credit risk and credit exposure risk.

Raiffeisen stavební spořitelna undertakes the following activities generating credit risk:

Credit transactions under the Building Savings Act:

- Providing building savings loans to natural persons;
- Providing bridge loans and building savings loans to natural persons;
- Providing building savings loans to legal entities;
- Providing bridge loans and building savings loans to legal entities;
- Providing commercial loans to legal entities.

Financial market counterparty trading:

- Deposit CZK operations on the interbank market; trading on RSTS own account of bonds issued by the Czech Republic, bonds guaranteed by the Czech government, and bonds issued by the Czech National Bank;
- Trading of mortgage bonds and similar products issued by the member states of the Organisation for Economic Cooperation and Development;
- Trading of other bonds pursuant to S. 9(1)(f) of the Building Savings Act.

All loan transactions are approved in line with powers and competences governed by the Competence Rules of Raiffeisen stavební spořitelna.

#### a) Assessment of debtor creditworthiness

In 2017, creditworthiness was assessed on an individual basis for each client prior to closing a loan transaction. Application scoring is a key element of the client rating. The evolution of the scoring function on the existing loan portfolio thus takes into account the specific aspects of our building savings company and valuable feedback on the behaviour of an extensive portfolio of loan clients. Since 2005, the score cards have been regularly reviewed in order to reflect the current behaviour of Raiffeisen stavební spořitelna clients.

An important step during loan approval is screening of the Czech Banking and Non-Banking Credit Bureaux, and since late 2012 also of the SOLUS register of natural persons; the screening has been directly incorporated into the approval process. Along with information from the loan register the approval process also automatically evaluates the client's CB score. The CB score is a behavioural score determined by the provider of loan register information.

Over the course of 2017, the suitability of specific test settings was regularly reviewed. In order to assess client creditworthiness even more thoroughly, screening of the Central Register of Executions was also incorporated into the loan approval process. In line with the Czech National Bank's recommendation, more extensive client rating was introduced for loans secured by real property.

In 2017 Raiffeisen stavební spořitelna continued to provide loans to legal entities. Loan transactions to legal entities are provided primarily to housing cooperatives, associations of unit owners, and also territorial administrative units (municipalities). When performing an analysis for a requested loan, we assess both the parameters pertaining to the client (submitted financial reports including forecasts, history, various qualitative information, etc.), and the terms of the given transaction (purpose, funding method, quality of collateral, etc.). In the case of municipalities, housing cooperatives, associations of unit owners, or commercial corporations, as the case may be, the assessment of the applicant's creditworthiness includes not only the internal financial analysis, but also an external rating by CCB – Czech Credit Bureau, a.s., and an internal rating based on RBI models.

An annual credit review of each client and loan is performed throughout the loan relationship with each legal entity client; emphasis is placed on financial analysis and client rating, payment behaviour of individual loan recipients, and quality of collateral. Systemic monitoring and assessment of individual loan cases throughout the relationship with the client ensure timely identification of potential payment difficulties and immediate initiation of recovery procedures, if needed.

## b) Evaluation of collaterals

In 2017 RSTS most frequently used the following collaterals to secure loans:

- Pledged CZK receivable from a deposit on a buildings savings account;
- Pledged CZK receivable from a deposit on an account with another financial institution;
- Bank guarantee (in particular by the Czech-Moravian Guarantee and Development Bank);
- Lien on real property;
- Surety by natural persons and legal entities;
- Insurance and tying of the indemnity payment to the benefit of Raiffeisen stavební spořitelna (not as a single collateral);
- Blank bill of exchange (only as complementary collateral).

Requirements for collateralization of natural persons' loans vary depending on the product type and the unsecured amount. Collateralization of legal entities' loans varies depending on the type of loan recipient and the type and purpose of the loan.

When determining the recoverable amount from real property collateral, Raiffeisen stavební spořitelna is guided by estimates of the normal prices of real property which are revised and updated as a part of the approval process. The recoverable amount from the collateral is then determined from the revised nominal value of the real property by applying a coefficient which reflects the bank's chances of recovering the amount from the collateral if needed. The maximum level of the coefficient for calculation of the recoverable amount from a real property last year was 80%.

An automated recording system of collaterals, which is based on recalculation of the amounts of certain collateral types, updates the amount of collected collaterals on a monthly basis. The system incorporates an algorithm which ensures that the maximum amount accounted for each collateral item does not exceed the current loan amount.

The Company applies an automated monthly assessment of collateral eligibility in the CIBIS system. In line with Regulation (EU) No 575/2013, compliance with a defined set of parameters is required for eligibility of a given collateral. Eligible collateral is used for the calculation of the capital requirement for a particular loan risk (reduction of the sum of risk weighted assets) and also for provisioning (eligible collateral as a deductible). As a part of the collateral eligibility assessment, the value of selected types of real property received as collateral is regularly updated. Revaluation of real property follows price indices published by the Czech Statistical Office.

## c) Classification of receivables

In 2017 receivables were classified pursuant to Decree No. 163/2014 Coll. The decisive parameter for assessment of a receivable is the time past due of the prescribed instalments, or the time past receivable restructuring, as applicable. The classification update is conducted on a monthly basis; receivables are automatically allocated to different categories according to the time past due. A debtor holding more than one loan is categorized according to the loan with the poorest classification. The option of manual classification is available for certain cases in line with Decree No. 163/2014 Coll. The loan amount and quality of collateral are disregarded for the purpose of receivable classification.

Raiffeisen stavební spořitelna does not use the option of classifying receivables included under retail customer exposures at the transaction level (i.e. regardless of other receivables from the same debtor). The same approach is also applied to the calculation of the capital requirement for a given loan risk. Retail customer exposures include loans to natural persons meeting the requirements for retail customer exposure stipulated by Decree No. 163/2014 Coll.

Additional key factors for classification of receivables from legal entities are also the debtor's financial status and compliance with information provision requirements.

#### d) Calculation of provisions

Provisions are created for classified receivables. For the purpose of calculating provisions Raiffeisen stavební spořitelna reduces the gross exposure by the recoverable value of quality collaterals (pledged receivable from a deposit on a buildings savings account). Since 1 October, 2007 a lien on real property is also considered a quality collateral by Raiffeisen stavební spořitelna. Either type of quality collateral may be taken into account for the purpose of provisioning solely under the condition that it is considered an eligible collateral. Raiffeisen stavební spořitelna applies identical criteria to the assessment of collateral eligibility both for the purpose of provisioning and for the purpose of calculating the capital ratio. Raiffeisen stavební spořitelna will disregard a real property collateral for the purpose of provisioning only for loans where LTV exceeds 80% – i.e. the provision shall be created for the entire loan amount according to the rules for provisioning for unsecured loans. For the purpose of provisioning for development projects, Raiffeisen stavební spořitelna also accepts other real property that does not meet the capital ratio requirement. However, in such cases the quality of collateral is crucial (the property must be completed/approved for use, current market value exceeds 50% of the loan balance, the lien is first priority, the collateral documentation is complete).

In 2017, provisions for such adjusted receivable value were created in compliance with Decree No. 163/2014 Coll. with respect to the receivable classification. Raiffeisen stavební spořitelna creates provisions at the following minimum levels:

- |                               |      |
|-------------------------------|------|
| • Special mention receivables | 10%  |
| • Substandard receivables     | 20%  |
| • Doubtful receivables        | 50%  |
| • Loss receivables            | 100% |

In the case of classified receivables, a provision for the full amount of accrued interest and fees is created, while any eligible collateral is taken into consideration.

Raiffeisen stavební spořitelna conducts regular quarterly assessment of coefficient adequacy for calculation of provisions for specific categories. These quarterly reports also consider the need to create portfolio provisions. The assessment results along with proposed measures are regularly presented to the Assets and Liabilities Committee.

Provisions are created and recorded individually for each receivable.

#### e) Recovery of receivables from debtors

Similarly to the previous year, adequate attention was paid to analysing the causes of overdue receivables and optimizing recovery procedures, especially in the early stages. The reminder procedure in the early recovery stage includes several automated written reminders and telephone reminders to clients. The early stage recovery procedure was further improved. The timing of certain recovery steps was changed (e.g. reassignment of a receivable from the early to the late recovery stage was adjusted). The late recovery stage, i.e. recovery of classified receivables, is managed by the Recovery Unit and the Legal Department at Raiffeisen stavební spořitelna. These units take steps to maximize the recovered amounts, enforce collaterals, and address the legal aspects of overdue receivables, including representing the bank in court cases with debtors.

The Credit Risk Management Committee receives a monthly RSTS Receivable Recovery Report which provides an overview of delinquent loans to natural persons, information on the recovery status of receivables from loans to natural persons, and a review of the efficiency of recovery activities and related costs in different recovery stages.

In the event that during assessment of a receivable Raiffeisen stavební spořitelna comes to the conclusion that the given receivable has become irrecoverable, in particular in view of the duration and course of the recovery process, the amount to be recovered, and the debtor's financial standing, it writes off the given receivable. A receivable write-off is suggested by the Recovery Unit, or the Legal Department, as appropriate; the given receivable is then assessed by the Credit Risk Management Committee and Financial Department and a final decision is taken by the Board of Directors.

#### f) Quality of loan portfolio

In 2017 regular analyses of the quality of the natural persons' loan portfolio were expanded in view of identified risks and their causes. Monthly analyses are performed of reassignments between different receivable categories; payment behaviour in delinquent loans; and the loan portfolio by product type, collateral, loan amount, sociodemographic characteristics of debtors, location of loan processing, year of loan, and other criteria. Furthermore, each step of the loan process and its impact on the client's behaviour throughout the loan relationship are monitored. The outcomes of the analyses serve as a basis for risk-mitigating measures.

The outcomes of the analyses are presented in regular monthly Risk Status and Development Reports to the Credit Risk Management Committee and to the Board of Directors.

Stress tests of loan risks are performed to verify the quality of the client loan portfolio. The analysis is presented to the Credit Risk Management Committee. Raiffeisen stavební spořitelna's resilience was tested against unfavourable (hypothetical and historical) macroeconomic indicator development scenarios and quantified as each scenario's impact on risk weighted assets (RVA) and capital requirements. When developing the stress scenarios, Raiffeisen stavební spořitelna took into consideration its own loan risk profile, specifically the size and structure of the loan portfolio, and major factors in which the loan portfolio is, or could be, most vulnerable to change, including possible unfavourable changes in the economic environment.

#### g) Credit risk on financial markets

Raiffeisen stavební spořitelna manages its credit risk on financial markets by applying internal limits for exposure vis-a-vis specific counterparties, i.e. banks. Approved counterparties and internal limits for exposure are defined in view of maintaining the limit stipulated by the regulator. The counterparty credibility rating system is regularly updated. The assessment consists primarily of evaluation of the financial standing of banking entities and rating by external rating agencies (Moody's, Standard & Poor's, Fitch).

Banking portfolio net exposure limits at Raiffeisen stavební spořitelna are used primarily in relation to the following types of transactions:

- Interbanking deposit with a counterparty;
- Purchase of mortgage bonds issued by a counterparty.

Monitoring of the use of the limits is supported by an internal information system.

Concentration of credit risk from loans to legal entities is curbed by an internal limit restricting the maximum loan amount. As at the financial statement date, Raiffeisen stavební spořitelna did not have any significant concentration of credit risk with respect to any individual debtor or an economically related group of debtors.



Credit risk mitigation measures are applied to mitigate the credit risk and risk of concentration on financial markets. Pledged quality securities are considered eligible collateral. To address possible differences in maturity, the comprehensive method of financial collateral is applied for capital ratio purposes.

Liquidity risk is defined as the risk of the bank's loss of ability to meet its financial obligations at maturity, or the bank's inability to fund its assets. The primary objective of liquidity management is to ensure the Bank's ability to repay its obligations at any time. To mitigate this risk Raiffeisen stavební spořitelna implements operational and strategic liquidity management tools.

### Operational liquidity management

The fundamental prerequisite for short-term liquidity management is daily monitoring of net cash flow in relation to managing the minimum mandatory reserves on the interbank account for payment transactions at the clearing centre of the Czech National Bank. The objective is to manage liquidity expeditiously and smooth processing of the Bank's daily payment obligations is given high priority. While maintaining the stipulated minimum mandatory reserves, the total Bank's cash flow must be balanced either by releasing funds or suitably investing funds on financial markets. The average actual reserves on the given account should deviate only to a minimum extent from the calculated minimum mandatory level. The Balance Management Unit is responsible for maintaining an optimum fund balance with the Czech National Bank.

### Strategic liquidity management

The primary objective of strategic liquidity management in the long run is to ensure the bank's ability to meet its payment obligations at maturity both under normal and unfavourable circumstances (e.g. risk of unexpected efflux of funds from building savings), and at the same time ensure sufficient financial resources over the long-term for the Bank's activities, and/or liquidization of assets at a reasonable price. Long-term liquidity management is fundamentally based on projecting cash flow from dynamic modelling of future development of the natural persons' client base, subsequently taking into account other cash flows (planning of legal entity loan business, future flows from existing trades on monetary and capital markets, and planning of operating expenses). Analysis of each cash flow gives rise to the anticipated development of available liquidity for a certain time horizon.

As a part of its liquidity management strategy Raiffeisen stavební spořitelna holds an adequate proportion of highly liquid assets, including deposits on the interbank market, treasury bills, government bonds, and mortgage bonds. There is a contingency plan in place for liquidity management in unexpected situations.

Raiffeisen stavební spořitelna regularly reviews its liquidity risks using liquidity gap, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) indicators. Apart from group-wide RBIs and internally defined limits, RSTS is also obliged to meet regulatory limits based on the mandatory minimum reserves deposited in the Czech National Bank. A differential (liquidity gap) analysis indicates the liquidity position within defined time periods and the risk resulting from the difference between the remaining maturity of assets and liabilities. The LCR indicator focuses on the Bank's short-term liquidity. Its objective is to ensure that banks maintain an adequate proportion of highly liquid assets to be able to cover their 30-day liquidity needs in the event of crisis scenarios. The Bank's mid-term and long-term liquidity are covered by the NSFR indicator. This indicator is used to ensure that banks maintain sufficient liquidity to fund their activities for a minimum of one year. Stress testing helps assess the liquidity position at different levels of stress.

The table "Estimated remaining maturity of the bank's assets and liabilities" breaks down the assets and liabilities of Raiffeisen stavební spořitelna by different time bands according to their contractual remaining maturity as at the financial statement date.

Estimated remaining maturity of the Bank's assets and liabilities as at 31 December, 2017

<b>MCZK</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Unspecified</b>	<b>Total</b>
Cash and balances with central banks	4	0	0	0	167	<b>171</b>
Securities eligible for refinancing with central banks	0	941	8,249	2,052	0	<b>11,242</b>
Receivables from banks	7,658	0	0	0	0	<b>7,658</b>
Receivables from clients	631	1,762	9,583	29,637	1	<b>41,614</b>
Debt securities	864	2,188	2,004	198	0	<b>5,254</b>
Property	0	0	0	0	217	<b>217</b>
Participation interests with controlling influence	0	0	0	0	257	<b>257</b>
Other assets	14	616	0	0	-2	<b>628</b>
Pre-paid expenses and accrued revenues	3	8	42	102	34	<b>189</b>
<b>Total assets</b>	<b>9,174</b>	<b>5,515</b>	<b>19,878</b>	<b>31,989</b>	<b>674</b>	<b>67,230</b>
Payables to clients	3,402	6,598	28,304	23,566	0	<b>61,870</b>
Other liabilities	406	2	0	0	110	<b>518</b>
Accrued expenses and deferred income	0	50	0	0	0	<b>50</b>
Reserves	0	0	0	0	13	<b>13</b>
Registered capital	0	0	0	0	650	<b>650</b>
Reserve funds	0	0	0	0	3,626	<b>3,626</b>
Gains (losses) from revaluation	0	0	0	0	59	<b>59</b>
Profit or loss for the accounting period	0	0	0	0	444	<b>444</b>
<b>Total liabilities</b>	<b>3,808</b>	<b>6,650</b>	<b>28,304</b>	<b>23,566</b>	<b>4,902</b>	<b>67,230</b>
GAP	5,366	-1,135	-8,426	8,423	-4,228	<b>0</b>
Cumulative GAP	5,366	4,231	-4,195	4,228	0	<b>0</b>

Estimated remaining maturity of the Bank's assets and liabilities as at 31 December, 2016

<b>MCZK</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Unspecified</b>	<b>Total</b>
Cash and balances with central banks	0	0	0	0	614	<b>614</b>
Securities eligible for refinancing with central banks	9	4,756	9,438	3,464	0	<b>17,667</b>
Receivables from banks	1,808	0	0	0	0	<b>1,808</b>
Receivables from clients	615	1,702	9,126	27,012	2	<b>38,457</b>
Debt securities	7	1,340	5,039	0	0	<b>6,386</b>
Property	0	0	0	0	191	<b>191</b>
Participation interests with controlling influence	0	0	0	0	257	<b>257</b>
Other assets	14	653	0	0	0	<b>667</b>
Pre-paid expenses and accrued revenues	3	8	42	113	30	<b>196</b>
<b>Total assets</b>	<b>2,456</b>	<b>8,459</b>	<b>23,645</b>	<b>30,589</b>	<b>1,094</b>	<b>66,243</b>
Payables to clients	2,958	6,079	28,840	22,940	0	<b>60,817</b>
Other liabilities	404	46	0	0	151	<b>601</b>
Accrued expenses and deferred income	0	27	0	0	0	<b>27</b>
Reserves	0	0	0	0	13	<b>13</b>
Registered capital	0	0	0	0	650	<b>650</b>
Reserve funds	0	0	0	0	3,396	<b>3,396</b>
Gains (losses) from revaluation	0	0	0	0	209	<b>209</b>
Profit or loss for the accounting period	0	0	0	0	530	<b>530</b>
<b>Total liabilities</b>	<b>3,362</b>	<b>6,152</b>	<b>28,840</b>	<b>22,940</b>	<b>4,949</b>	<b>66,243</b>
GAP	-906	2,307	-5,195	7,649	-3,855	<b>0</b>
Cumulative GAP	-906	1,401	-3,794	3,855	0	<b>0</b>

#### 1.4.41. Financial instruments – operational, legal and other risks

Operational risk is defined as the risk of a loss incurred due to inadequacy or failure of internal processes, the human factor or systems, or due to external events, including a risk of loss due to the breach of or non-compliance with a legal regulation.

In 2017, events affecting operational risks were collected. In 2016, risk assessment procedures were updated for all departments and aligned with the advanced operational risk management method, and different possible negative development scenarios and their impacts on the core activities of Raiffeisen stavební spořitelna were worked out. Risk indicators continued to be collected and evaluated.

The Risk Management Department presented the outcomes to the Operational Risk Management Committee. Operational risk management is devolved to the department level. Raiffeisen stavební spořitelna has a system of contingency plans in place for emergency situations; it also has a contingency plan to address situations jeopardizing operation of the Bank's IT system.

In the field of operational risk, the fraud prevention methodology was streamlined, implementation of fraud prevention tools was completed and training of employees took place.

Raiffeisen stavební spořitelna defines legal risk mainly as risk resulting from non-conformity of its operation with the legal environment, risk of adequacy and enforceability of contracts, and risk of changes to the legal environment including regulatory risk, i.e. change in requirements and settings stipulated by the market regulator.

To ensure compliant operation of Raiffeisen stavební spořitelna with the legal environment, newly enforced legislation is followed and monitored. Any amendments affecting the activities of Raiffeisen stavební spořitelna are reflected in the Bank's internal regulations. Timely information about legal regulations and amendments is disseminated by the Compliance Department to all other units affected by the changes.

Draft contracts with external entities (contracts for work done, contracts of mandate, consignment contracts, purchase contracts, etc.) are always reviewed by the Legal Department.

Compliance of Raiffeisen stavební spořitelna processes, procedures, and rules with the legal environment is reviewed on an ongoing basis. In 2017, these tasks were coordinated by the Compliance Department.

#### **1.4.42. Major events subsequent to the financial statement date**

No major events occurred between the financial statement date and the date of financial statement approval that would require any amendments thereto.

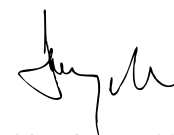
Raiffeisen stavební spořitelna a.s. Board of Directors:



Ing. Jan Jeníček  
Chairman of the Board



Dr. Ing. Pavel Chmelík  
Deputy Chairman of the Board



Mgr. Roman Hurych  
Deputy Chairman of the Board

Officer in charge of the accounting and financial statement:



Ing. Petr Zaremba  
Financial Department Director

## 2. REPORT ON RELATED PARTIES

Raiffeisen stavební spořitelna a.s., with its registered seat at Koněvova 2747/99, 130 45 Prague 3, Business ID: 49241257, incorporated in the Commercial Register administered by the Municipal Court in Prague, Section B, Insert 2102 (hereinafter the "Reporting Party") is part of a business grouping (holding) with the following relations between the Reporting Party and the controlling party, and among the Reporting Party and other parties controlled by the same controlling party (hereinafter "Related Parties").

This report on relations among the parties identified below was prepared for the accounting period of 2017 in line with the provision of S. 82 of Act No. 90/2012 Coll., on business corporations (hereinafter the "Act"), as amended and applicable in the given accounting period.

Within the accounting period in question, the contracts and agreements identified below were concluded between the Reporting Party and the identified parties, the following legal acts were adopted or implemented, and other material measures stated in the Report were taken.

### 2.1. STRUCTURE OF RELATIONS AMONG THE PARTIES PURSUANT TO S. 82(2)(A) THROUGH (C) OF THE ACT

#### 2.1.1. Controlling parties and structure of the consolidation unit

##### 2.1.1.1. CONTROLLING PARTIES

---

Raiffeisen Bausparkassen Holding GmbH  
With its seat at Mooslackengasse 12, Vienna, Austria  
90% share in Raiffeisen stavební spořitelna

Raiffeisenbank a.s.  
With its seat at Hvězdova 1716/2b, Prague, Czech Republic  
10 % share in Raiffeisen stavební spořitelna

Raiffeisen Bank International AG  
With its seat at Am Stadtpark 9, Vienna, Austria  
Ultimate beneficial owner of the group

The parties listed above take concerted action to the effect of S. 78 of the Act.

## 2.1.1.2. OWNERSHIP STRUCTURE OF THE CONSOLIDATION UNIT



## 2.1.2. Role of the controlled party, methods and means of control

The role of the Reporting Party is representation of the Raiffeisen financial group on the Czech market in the field of building savings. The method of control is through share or participation interest in the controlled entity. The controlling parties control the Reporting Party through voting at the General Meeting in compliance with the Reporting Party's Articles of Association. Representatives of the controlling party are members of the Supervisory Board of Raiffeisen stavební spořitelna.

## 2.1.3. Other related parties

### 2.1.3.1. COMPANIES CONTROLLED BY THE REPORTING PARTY

---

KONEVOVA s.r.o.  
With its seat at Koněvova 2747/99, Prague, Czech Republic  
Raiffeisen stavební spořitelna holds a 100% share interest in the company.

### 2.1.3.2. COMPANIES CONTROLLED BY THE SAME CONTROLLING PARTY AS THE REPORTING PARTY, WITH WHICH THE REPORTING PARTY HOLDS CONTRACTUAL RELATIONS

---

Raiffeisen – Leasing, s.r.o., Prague, Czech Republic

## 2.2. LIST OF CONTRACTS PURSUANT TO S. 82(2)(E) OF THE ACT

List of contracts

Contract	Closing date	Counterparty
Current Account Agreement	16/12/1993	Raiffeisenbank a.s., Prague
Contract for Lease of Real Property – Land	01/12/1995	KONEVOVA s.r.o., Prague
Amendment No. 1	01/12/1995	
Amendment No. 2	19/09/1997	
Amendment No. 3	01/10/1999	
Amendment No. 4	19/11/2015	
Amendment No. 5	29/02/2016	
Contract for Lease of a Movable Asset	29/05/1998	KONEVOVA s.r.o., Prague
Amendment No. 1	01/12/1998	
Amendment No. 2	01/07/2002	

<b>Contract</b>	<b>Closing date</b>	<b>Counterparty</b>
Contract for the Use of Raiffeisenbank a.s. Call Centre Amendment No. 1 Amendment No. 2 Amendment No. 3	24/05/2002 23/09/2002 01/01/2003 02/08/2004	Raiffeisenbank a.s., Prague
Cooperation Contract – Conclusion of Building Savings Contracts Amendment No. 1 Amendment No. 2 Amendment No. 3 Amendment No. 4 Amendment No. 5 Amendment No. 6 Amendment No. 7	31/05/2002  01/04/2004 31/12/2004 08/11/2005 27/03/2009 23/12/2009 24/07/2013	Raiffeisenbank a.s., Prague
Contract for the Use of a Call Centre	21/05/2004	Raiffeisenbank a.s., Prague
Contract for the Provision of Call Centre Services	23/06/2005	Raiffeisenbank a.s., Prague
Contract for Lease of Non-residential Premises – Prague, Hájkova street Amendment No. 1 Amendment No. 2 Amendment No. 3 Amendment No. 4 Amendment No. 5	01/09/2005 01/02/2006 27/03/2007 03/05/2010 01/07/2011 29/09/2011	KONEVOVA s.r.o., Prague
Sales Representation Agreement Annex No. 1 Annex No. 2	01/10/2005 01/10/2005 01/10/2005	Raiffeisenbank a.s., Prague
Agreement to Buy or Sell Securities, to Settle Trades with Securities, and to Administer Securities Amendment No. 1	22/03/2007 25/09/2013	Raiffeisenbank a.s., Prague
Agreement on the Provision of Commercial, Administrative, and Technical Consultancy Services	15/01/2008	Raiffeisen Bausparkassen Holding GmbH, Vienna
CIBIS Contract – Framework Agreement	12/02/2008	Raiffeisen Bausparkassen Holding GmbH, Vienna
Sales Representation Agreement	10/10/2008	Raiffeisenbank a.s., Prague
Framework Contract – Preferential Funding for Employees Amendment No. 1	13/06/2011 08/08/2011	Raiffeisen – Leasing, s.r.o.
Confidentiality and Personal Data Processing Agreement	29/09/2011	Raiffeisenbank a.s., Prague
Agreement on the Lease of Non-Residential Premises, Parking Stalls, and Flats	01/01/2012	KONEVOVA s.r.o., Prague
Treasury Master Agreement	29/02/2012	Raiffeisenbank a.s., Prague
Confidentiality and Personal Data Processing Agreement and Some Additional Arrangements	05/04/2012	Raiffeisenbank a.s., Prague
Agreement on Further Terms of Cooperation	16/04/2012	Raiffeisenbank a.s., Prague
FTP Access Agreement	15/02/2013	Raiffeisenbank a.s., Prague
Direct Banking Service Agreement	15/11/2013	Raiffeisenbank a.s., Prague
Sales Representation Agreement Product Appendices 1 through 5 Amendment No. 1 Agreement on Terminating Appendices No. 2, 4 and 5 as of 30/11/2016 Agreement on Terminating the Sales Representation Agreement as of 31/12/ 2017	15/12/2014 15/12/2014 27/04/2015 29/11/2016 07/11/2017	Raiffeisenbank a.s., Prague



Contract	Closing date	Counterparty
Insurance Participation Agreement	01/01/2017	Raiffeisenbank a.s., Prague UNIQA pojišťovna, a.s., Prague
Agreement to Provide X-business Internet Banking Services	03/02/2015	Raiffeisenbank a.s., Prague
Framework Agreement	26/01/2016	Raiffeisen Bank International AG, Vienna
Service Level Agreement	26/01/2016	Raiffeisen Bank International AG, Vienna

### 2.3. OVERVIEW OF ACTIONS IMPLEMENTED IN THE LATEST ACCOUNTING PERIOD TO THE BENEFIT OF THE CONTROLLING PARTY TO THE EFFECT OF S. 82(2)(D) OF THE ACT

Paid share in profit and share in equity: In the given accounting period the Reporting Party paid out shares in profit amounting to CZK 300 million (CZK 270 million to Raiffeisen Bausparkassen Holding GmbH and CZK 30 million to Raiffeisenbank a.s.).

### 2.4. BENEFITS AND DRAWBACKS ARISING FROM RELATIONS AMONG THE CONTROLLING AND CONTROLLED PARTIES STATED UNDER 2.1.

The key benefit of relations among the entities within the Raiffeisen group is awareness of the Raiffeisen brand across Europe, and perception of Raiffeisen as a strong international banking group. Other benefits include strong methodological guidance on European banking regulation and international accounting standards, as well as experience in selling a wide range of financial products.

Minor drawbacks of working within a large group include the need to reserve capacity for consolidated reporting and the complex risk management system. The language barrier also places higher demands on employees in their efforts to facilitate flawless understanding in communication.

## 2.5. CLOSING STATEMENT OF THE BOARD OF DIRECTORS

Having reviewed the legal relations between the Reporting Party and the related parties, we are certain that no harm was incurred by the Reporting Party in consequence of the contracts, other legal acts and/or other measures concluded, executed or adopted by the Reporting Party in the accounting period of 2017 in the interest or upon the impetus of any of the individual related parties.

Statement: Raiffeisen stavební spořitelna a.s. hereby declares that it has produced this report with due diligence on the basis of information available as at the date of the report's compilation.

Prague, 19 March, 2018

Raiffeisen stavební spořitelna a.s. Board of Directors:



Ing. Jan Jeníček  
Chairman of the Board



Dr. Ing. Pavel Chmelík  
Deputy Chairman of the Board



Mgr. Roman Hurych  
Deputy Chairman of the Board

# 3. INFORMATION ON CAPITAL

## 3.1. RECONCILIATION OF REGULATORY AND BOOK CAPITAL

The tables below summarize the composition of regulatory and book capital and of specific indicators as at 31 December, 2017 and 31 December, 2016, allowing thus full reconciliation of regulatory capital items with the institution's capital and balance sheet.

### Regulatory capital

MCZK	Regulatory capital as at 31/12/2017	Regulatory capital as at 31/12/2016
Paid-up registered capital entered in the Commercial Register	650	650
Gains (losses) from revaluation of assets and liabilities	59	209
Reserve funds	3,618	3,388
(-) Additional value adjustment according to prudent valuation principles (AVA)	-1	-5
(-) Intangible assets other than goodwill	-161	-127
(-) Deferred tax liabilities associated with other intangible assets	10	7
<b>Total capital meeting the criteria for Tier 1</b>	<b>4,175</b>	<b>4,122</b>
Total amount of Tier 2 capital	0	0
<b>Capital relevant for calculating the limits for major exposures, for qualified interests, and the capital ratio</b>	<b>4,175</b>	<b>4,122</b>

### Equity

MCZK	Equity as at 31/12/2017	Equity as at 31/12/2016
Paid-up registered capital entered in the Commercial Register	650	650
Retained earnings from previous periods	0	0
Current year profit	444	530
Gains (losses) from revaluation of assets and liabilities	59	209
Reserve funds	3,626	3,396
<b>Total equity</b>	<b>4,779</b>	<b>4,785</b>

## 3.2. CAPITAL REQUIREMENTS

Capital requirements

<b>MCZK</b>	<b>2017</b>	<b>2016</b>
Exposure to central governments and central banks	0	0
Exposure to regional governments and local authorities	1	1
Exposures to institutions	161	188
Exposures to enterprises	69	71
Retail exposures	1,108	1,098
Exposures secured with real property	428	351
Defaulting exposures	48	45
Exposures in covered bonds	33	42
Exposures to shares	51	51
Exposures to other items	28	30
<b>Total capital requirements for credit risk</b>	<b>1,927</b>	<b>1,877</b>
Capital requirement pursuant to Title III, Chapter 2 of Regulation No. 2013/575/EU	157	168
<b>Total capital requirements for operational risk</b>	<b>157</b>	<b>168</b>
<b>Total capital requirements</b>	<b>2,084</b>	<b>2,045</b>

Raiffeisen stavební spořitelna a.s.  
Koněvova 2747/99  
130 45 Prague 3

Corporation registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 2102

Year of founding:	1993
Legal form:	joint stock company
Business ID:	49241257
Tax ID:	CZ49241257
Bank details:	IBAN CZ82 5500 0000 0010 0100 5369
Phone:	271 031 111
Fax:	222 581 156
Data box ID:	f6qr5pb
Website:	<a href="http://www.rsts.cz">www.rsts.cz</a> <a href="http://online.rsts.cz">online.rsts.cz</a> <a href="http://felixuv-planovac.cz">felixuv-planovac.cz</a> <a href="http://www.svet-bydleni.cz">www.svet-bydleni.cz</a> <a href="http://www.vicedomova.cz">www.vicedomova.cz</a>
E-mail:	<a href="mailto:rsts@rsts.cz">rsts@rsts.cz</a>
Info line:	800 11 22 11

Design and production:

© Radek Kraus – Grafis, 2018

