

# **ANNUAL REPORT**

# 2019



**Raiffeisen**  
**STAVEBNÍ SPOŘITELNA**

# ANNUAL REPORT 2019

## RAIFFEISEN STAVEBNÍ SPOŘITELNA A.S.

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## INTRODUCTION FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear Ladies and Gentlemen,

Once again I am writing to you with an assessment of the past year. I am happy to report that we did very well in 2019. We had a demanding year that included many challenges as well as a number of successes. The tasks we manage and our successes are elements that push us forward year after year, and 2019 was a very successful year for our company. I am certain that reading this annual report will lead you to the same conclusion.

The Czech economy was very strong in 2019. The gross national product grew, we maintained the lowest unemployment rate in the European Union, household spending increased and inflation developed moderately. The extremely low unemployment rate showed an increasing impact on the economy. On the one hand dynamic growth boosted household consumption growth, but on the other hand potential development in corporations was hindered by the lack of a qualified labour force.

The banking market is very robust and resilient against any fluctuations, banks are reporting sufficient capital and good profitability. They also had a surplus of liquidity, which they were able to deposit favourably in the central bank.

In terms of housing loans, after an extremely successful 2018, we saw a significant decrease in new housing loans. There was a 20% decrease in mortgages and 30% in building savings bank loans. The central bank introduced general stricter conditions for assessment of creditworthiness in autumn 2018, which led to a sell-out effect in the second half of 2018. However, we noted a logical decrease in production not only at the beginning but throughout most of 2019. A number of clients were simply not able to meet these conditions. At the same time, the accessibility of housing loans was significantly limited by growth in real estate prices, which was greater than growth in wages. The banks sought to outdo one another with special offers and in gradual lowering of interest rates, but it was not enough to revitalize production. The lowering of interest rates tellingly documents the development in new mortgages, where interest rates dropped from 3% to 2.35%, where they had been at the beginning of the previous year.

For Raiffeisen stavební spořitelna, 2018 was a year full of innovations. We continued to strive to provide the fastest, highest quality services. We also perfected our system of processing and assessing loans for natural persons, which we had introduced in mid-2018. The new system makes our sales staff's work much easier and clients' loan processing much faster. We take pride in the fact that two thirds of our clients have their loans approved within two business days from the signing of the loan application.

We developed a new Portal for our financial advisors that displays all required information and reports and makes their day to day work easier. We developed conditions enabling employees at our headquarters to work from home.

Other projects, which are often very complex and costly, are induced by increasingly extensive regulation. We successfully joined the Anacredit project, which fulfils our reporting requirements in regard to loans to legal entities. Our efforts to supply financial and risk management data has been assessed very positively. However, I must admit that regulation today is so extensive and costly that it significantly limits our potential business initiatives.

I am proud of the business results we achieved in 2019. We greatly exceeded the planned number of new building savings contracts. The final total of 108,000 contracts and top-ups are the best result we have had in the last five years. Our building savings offer is very attractive and easy for clients to understand and the loan conclusion process is very simple. I am also satisfied with loan sales. Given the general slowdown on the housing loan market we were unable to fulfil our plan, but our CZK 9 bn+ in new loans is still a very solid result. It enabled us to increase the loan-to-deposit ratio to 82% and the total loan volume grew to CZK 54 bn.

2019 was successful also due to our very good financial results. We succeeded in surpassing the plan approved for the year. The total net profit of CZK 536 m exceeded our expectations by almost 4%. The net interest margin increased particularly owing to loan volume growth, and due to the gradual increase in interest rates for new and refinanced loans. The good overall standing of the Czech economy also contributed to very low non-performing loan costs. We also saw very positive development of administrative expenses.

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

The overall positive results achieved last year reflect the outstanding commitment of all our employees and financial advisors. I truly value their efforts and am confident that we will continue to build a successful, self-assured Raiffeisen stavební spořitelna in the years to come.

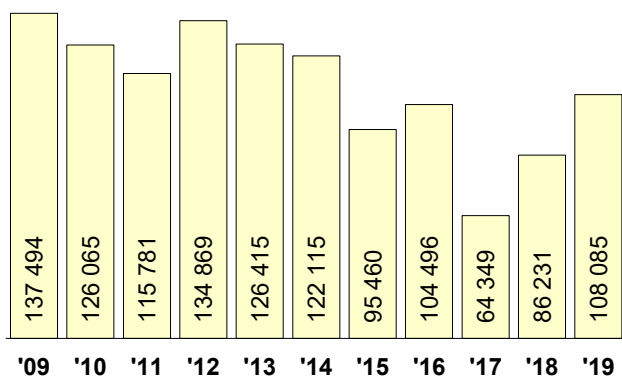
In conclusion, I would like to thank all of our clients for placing their long-term trust in us. We view it as a commitment to continue enhancing the level of our services. Building savings remains the safest, most advantageous financial product. As a body, we believe and will continue to believe in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

Jan Jeníček  
Chairman of the Board of Directors

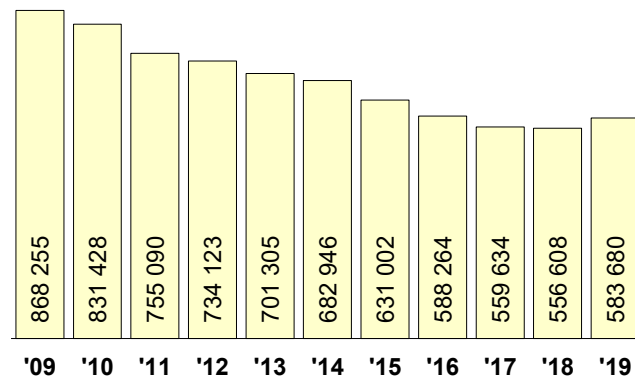
## SURVEY OF KEY ECONOMIC INDICATORS

	Units	2019	2018
Number of new building savings contracts by natural persons	pcs	97,498	74,225
Number of topped-up building savings contracts by natural persons	pcs	10,587	12,006
Number of valid building savings contracts by natural persons	pcs	583,680	556,608
Number of valid loan contracts by natural persons	pcs	95,107	100,030
Volume of new loans by natural persons and legal entities	MCZK	9,276	15,816
<b>Balance sheet total</b>			
Balance sheet total	MCZK	71,833	69,056
Client deposits	MCZK	65,762	63,636
Client loans	MCZK	54,064	49,264
Registered capital	MCZK	650	650
Equity	MCZK	5,012	4,776
<b>Income statement</b>			
Total income	MCZK	2,959	2,682
Total expenses	MCZK	-2,423	-2,166
Profit/loss for the accounting period after taxation	MCZK	536	516
<b>Profitability ratios</b>			
Total capital ratio	%	15.61	14.51
ROAA – Return on average assets	%	0.77	0.77
ROAE – Return on average equity Tier 1	%	12.71	12.69
<b>Operational indicators</b>			
Assets per employee	MCZK	267	261
Administrative expenses per employee	MCZK	-1.688	-1.792
Net earnings per employee	MCZK	1.993	1.947
Number of employees	Number of individuals	269	265

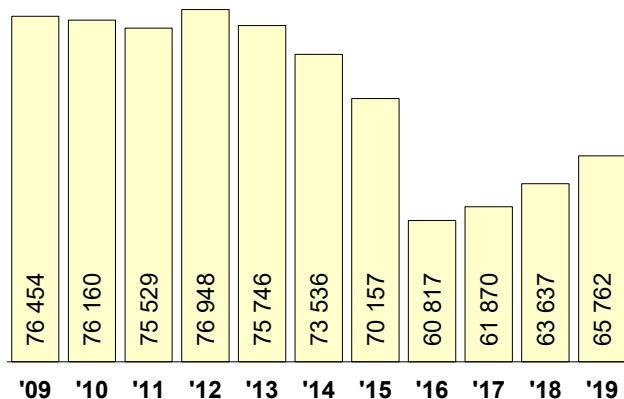
**New building savings contracts by natural persons including topped-up contracts (quantity)**



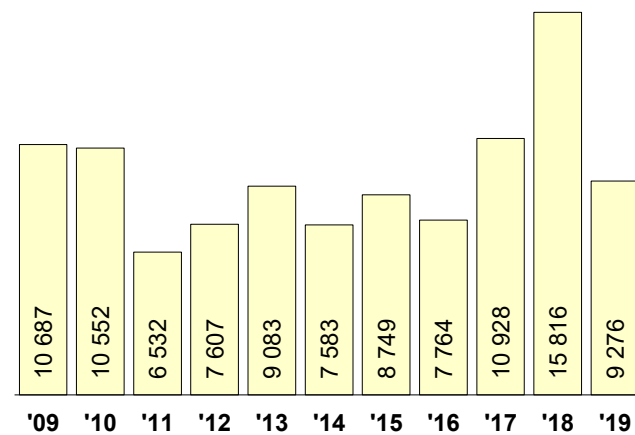
**Valid building savings contracts by natural persons as at EOY (quantity)**



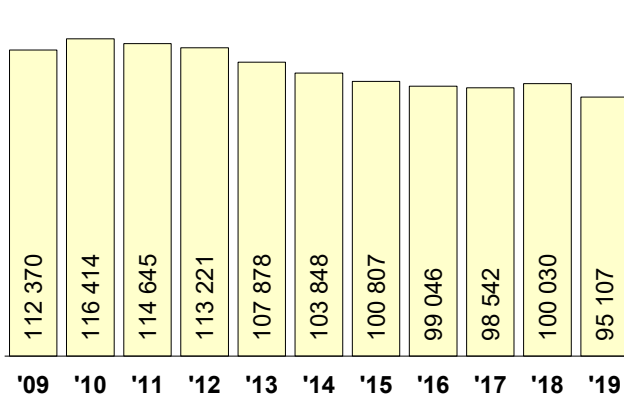
**Deposits by building savings clients as at EOY (MCZK)**



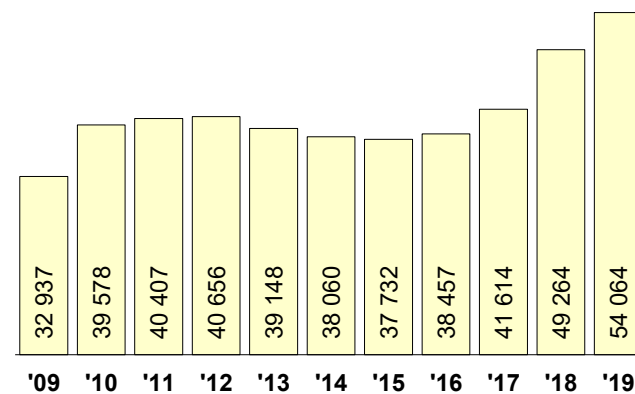
**Volume of new loans by natural persons and legal entities (MCZK)**



**Valid loan contracts by natural persons as at EOY (quantity)**



**Client loans as at EOY (MCZK)**



## SHAREHOLDERS

### Raiffeisen Bausparkassen Holding GmbH

Vienna-based Raiffeisen Bausparkasse Gesellschaft m.b.H. holds a 90% share in Raiffeisen stavební spořitelna through its subsidiary Raiffeisen Bausparkassen Holding.

In Austria, building savings banks have co-financed the construction, purchase and upgrade of numerous housing units in recent decades. Raiffeisen Bausparkasse with its approx. 1.5 million clients plays an important role in the sector. Over the 58-year history of Raiffeisen Bausparkasse financing has been provided for more than 497,000 family homes for over 1.32 million people.

Building savings continued to demonstrate its strength in Austria in the persistent low interest rate environment in 2019. That was reflected in very strong business development at Raiffeisen Bausparkasse. A total of 234,445 new building savings contracts were concluded. Loan business also developed very positively; loans in a total amount of EUR 1.091 billion were provided in 2019. This makes Raiffeisen Bausparkasse the market leader among Austrian building savings banks.

The Austrian building savings 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 27 years. The company's subsidiaries in the Czech Republic and Slovakia manage a total of 1.2 million clients and building savings deposits in a total volume of approximately EUR 5.3 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 and 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 have won in the two main categories in a single year. In 2019 the bank was recognized as the "Most client-friendly bank of the year" in this prestigious award program for the fifth year in a row, which no other bank can boast. In addition to its business activities and in line with its 140-year tradition the bank engages in many cultural, educational and charity projects that benefit society.

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 listed on the Vienna stock market.

## COMPANY BODIES AND ORGANIZATIONAL STRUCTURE

### General Meeting

The General Meeting is the Company's supreme body. One meeting of the General Meeting was held in 2019, namely on 29 April, 2019 at the Company seat in Prague.

### Supervisory Board

<b>Mag. Hans-Christian Vallant – Chairman</b>	
In office	Since 23 November, 2015 (member of the Supervisory Board since 30 June, 2014)
Company	Raiffeisen Bausparkassen Holding GmbH, Vienna
<b>Mag. Manfred Url – Deputy Chairman</b>	
In office	Since 23 November, 2015 (member of the Supervisory Board since 1 January, 2011)
Company	Raiffeisen Bausparkassen Holding GmbH, Vienna
<b>Mag. Christian Weidinger – Member</b>	
In office	Since 30 September, 2015
Company	Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna
<b>Ing. Igor Vida – Member</b>	
In office	Since 15 December, 2016
Company	Raiffeisenbank a.s., Prague

**Audit committee**

<b>Ing. Josef Malíř – Chairman</b>	
In office	Since 14 June, 2018 (member of the Audit Committee since 1 May, 2018)
<b>Mag. Christian Weidinger – Deputy Chairman</b>	
In office	Since 14 June, 2018 (member of the Audit Committee since 30 September, 2015)
<b>Ing. Jana Musilová – Member</b>	
In office	Since 1 May, 2018

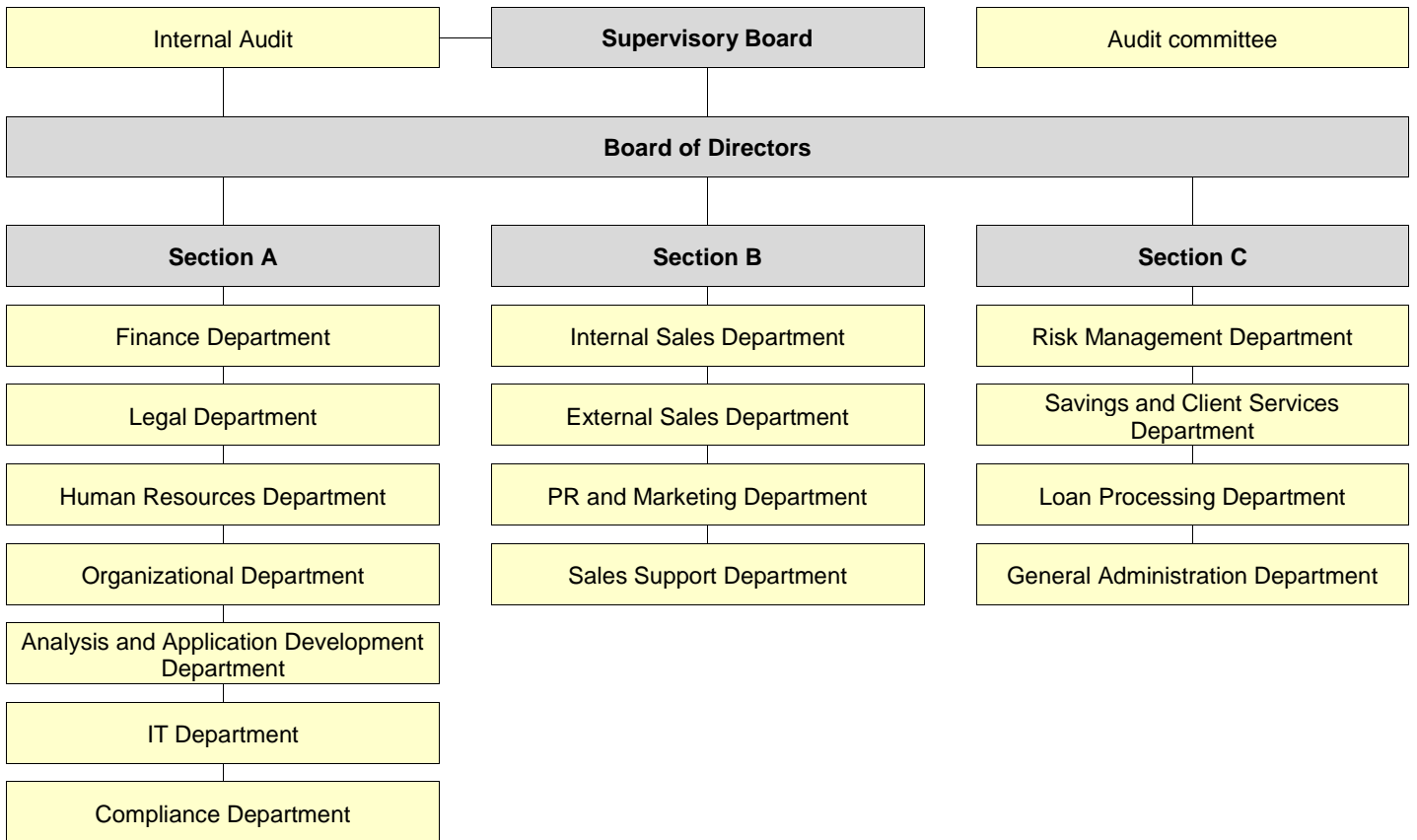
**Board of Directors**

**Dr. Ing. Pavel Chmelík**  
Deputy Chairman  
of the Board of Directors  
In office from 1 July, 2014

**Ing. Jan Jeníček**  
Chairman  
of the Board of Directors  
In office from 21 December, 2007  
member of the Board of Directors since  
23 November, 2000

**Mgr. Roman Hurých**  
Deputy Chairman  
of the Board of Directors  
In office from 17 December, 2010

## Organizational structure of the Company as at 31 December, 2019

**Advisory Bodies to the Board of Directors**

Credit Risk Management Committee
ALCO Assets and Liabilities Committee
ORCO Operational Risk Management Committee
Change Management Committee
Security Committee



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

### Sales

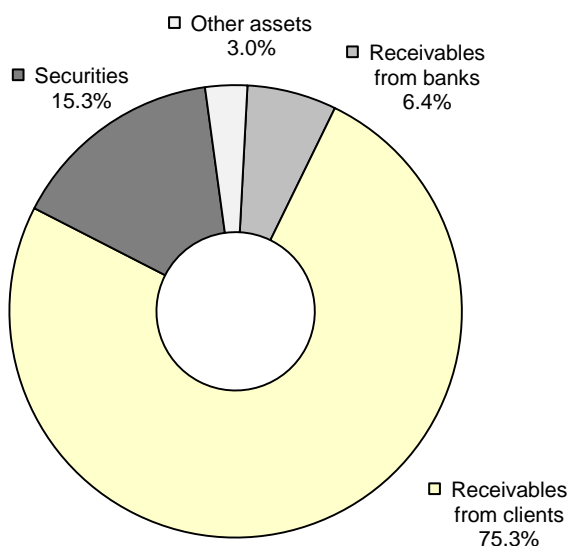
2019 was an exceptionally successful year for Raiffeisen stavební spořitelna (hereinafter also the "Company" or Bank") in terms of building savings contract sales. Our company's loan sales were significantly affected by the introduction of other new recommendations by the CNB (hereinafter the "CNB" or the "central bank") at the turn of 2018, which caused a huge drop in housing loan sales across the market. Even with limited sales of loans to legal entities, we concluded new loans in a total volume of CZK 9.28 billion.

In buildings savings contracts, Raiffeisen stavební spořitelna concluded more than 108,000 new contracts (year-on-year growth of more than 25%), which vastly surpassed our expectations. Raiffeisen stavební spořitelna has more than 584,000 valid building savings contracts by natural and legal persons in its portfolio.

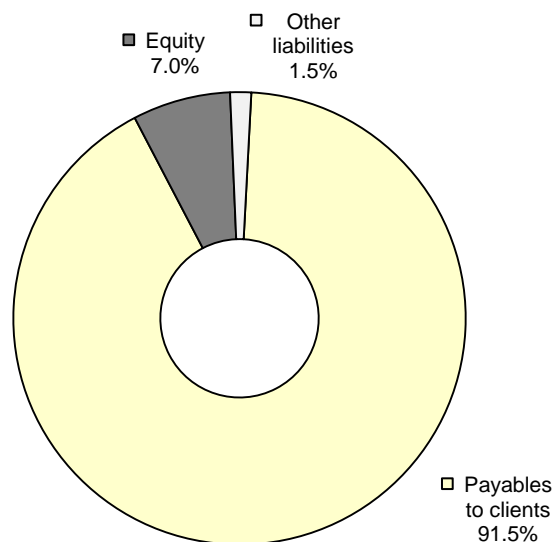
Other financial products, primarily insurance products which largely cover risks associated with provision of loans to our clients, constitute another important component of Raiffeisen stavební spořitelna's sales. In 2019 we began offering our clients current accounts with bonuses from our minor shareholder Raiffeisenbank and our efforts were very successful. We helped clients conclude 6,500 accounts, which is a much higher number than we had anticipated.

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 and are of great benefit to our savings bank.

### Structure of assets in 2019



### Structure of liabilities in 2019



### Commentary on financial results

Raiffeisen stavební spořitelna's total net profit in 2019 was CZK 536 m, which was 4% more y-on-y. The total volume of the Company's assets equalled CZK 71.8 billion. This is CZK 2.8 billion more (+4%) than in 2018. Total client deposits grew year-on-year by CZK 2.1 billion to CZK 65.8 billion. In 2019 the Company also accepted a subordinated loan of CZK 300 million from the majority shareholder Raiffeisen Bausparkassen Holding GmbH, which had a positive impact on the capital ratio, which was 15.6% at the end of the year.

In comparison to the record year 2018, when the balance of loans grew year-on-year by CZK 7.7 billion, in 2019 we saw less dramatic yet solid growth of CZK 4.8 billion. The EOY balance was CZK 54 billion, which equals year-on-year growth of 9.7%. The volume of receivables from clients equalled 82.2% of client deposits.

Securities held continued to drop; the decrease in 2019 was CZK 4.4 billion. Contrarily the volume of receivables from banks grew by CZK 2.5 billion. The bank primarily used two-week CNB repo tenders. This was due particularly to the setup and inverse shape of the yield curve.

Interest profit was more than CZK 1 billion, which equals year-on-year growth of CZK 48 million (+4.8%). The main factor behind interest profit growth was loan revenue, which grew year-on-year by CZK 138 million (+9.3%). On the contrary securities income dropped by CZK 37 million, due mainly to the lower volume held. Interest expenses on client deposits equalled CZK 854 million and grew year-on-year by CZK 13 million (+1.6%). A new line item in the interest income statement is leasing liabilities, which equalled CZK 6.2 million and was related to implementation of the IFRS 16 standard. It reflects the interest expense for leased property, in this case specifically for the company headquarters and other premises. Another new line item equalling CZK 2.2 million was interest expense related to servicing the accepted subordinated loan.

Raiffeisen stavební spořitelna received a dividend of CZK 5 million from KONEVOVA s.r.o., in which it has a 100% interest and which is an auxiliary banking service company.

Net fee and commission income equalled CZK 244 million, which was a year-on-year decrease of CZK 3.3 million (-1.3%), while income from fees and commissions grew year-on-year by CZK 7.8 million (+2.4%) and equalled CZK 336 million. Fee and commission expenses grew by CZK 13.6 million (+17.3%) and equalled CZK 92 million.

The overall financial result was significantly affected by a consistent administrative cost management policy. Administrative costs equalled CZK 453.5 million, a year-on-year decrease of almost CZK 21 million (-4.4%).

Despite robust growth of the loan balance in both 2018 and 2019, expenses for use and creation of loss allowances were only CZK 62.3 million, which equals year-on-year growth of CZK 23.2 million. The volume of non-performing loans decreased by CZK 185.2 million in 2019 to CZK 982.3 million.

In 2019 Raiffeisen stavební spořitelna implemented the IFRS 16 accounting standard, which addresses leasing and long-term leased assets. In the bank's case this pertains mainly to a leased building and other non-residential premises. This was reflected in the balance sheet as a new line item, leasing liabilities, which equalled CZK 188.6 million, and right-of-use assets in the assets section equalling CZK 319.6 million. The difference between the amount of right-of-use assets and leasing liabilities was primarily due to the crediting of pre-paid rent (recorded in the line item "Accrued expenses" until 31 December, 2018.)

The Company's overall liquidity is 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 of its own shares or stock in the 2019 accounting period.

### Awards, achievements, points of interest

Raiffeisen stavební spořitelna's building savings product for children and young people up to age 25 was recognized in the Golden Crown competition in 2019. It was awarded third place by the jury of experts.

In the spring, Raiffeisen stavební spořitelna introduced a new ad campaign to raise awareness of the brand and products and increase positive responses to them. The campaign ran on television, billboards, the Internet and social media over the course of the year. It was positively received and generated compelling results among younger target groups, especially families with young children which it targeted in particular.

Raiffeisen stavební spořitelna held an unconventional one-day happening in Prague that sought to raise awareness through the media about the inaccessibility of housing in large cities. The bank gave the event, called Starting city, an educational tone with a humorous angle. Starting city was hugely popular in the media, which began frequently mentioning the shortage of affordable housing, and on social networks.

The Company also took part in many other outdoor events in regions across the country, where it organized entertaining and interactive family programs for visitors.

In 2019 Raiffeisen stavební spořitelna also developed its presence on social networks. Aside from its well-established [Facebook](#) profile, Raiffeisen also focused on proactively initiating communication on [Instagram](#) and the [LinkedIn](#) professional social network.

Raiffeisen stavební spořitelna opened its doors to the public when it participated in Open House Praha for the second time. Raiffeisen stavební spořitelna employees took visitors on tours through the bank.

Jan Jeníček, Chairman of the Board of Directors of Raiffeisen stavební spořitelna, achieved a distinctive milestone when he was re-elected president of the European Federation of Building Societies in October 2019.

## Services and products in 2019

### Services

In 2019 we took further steps to support electronic processing of client and business orders.

System modifications were proposed to enable signatures using a code sent via text message, in addition to the existing biometric signature option. The first task was an order to draw funds, and we are also focusing on other areas, including signature of loan applications, signature of building savings contracts and amendment of building savings contracts. The goal of this step is to eliminate printed forms and mailing of forms, which is a lengthy and administratively demanding process.

We also upgraded our contact centre's system. We shortened the servicing time for clients and financial advisors. The system e.g. can recognize callers by their telephone numbers and pre-set selection of clients or their current products for operators.

We focused on the entire process of early recovery and on updating the process. We are proactively updating our client contact information. We try to avoid repayment problems by identifying potential repayment risks in a timely manner and immediately contacting our clients.

In 2019 we continued with our customer satisfaction survey. We are always interested in the opinions of our clients and financial advisors. We reflected their ideas and opinions in our processes and we continue to be open to new suggestions for accelerating and refining processes.

## Products

There was less regulatory turbulence in 2019 but competition stiffened once again, both through the repeated drop in loan interest rates and competition between building savings banks to attract new clients.

In savings, we increased the base interest rate, offering our clients contracts with an interest rate of 1.2% p. a., and maintaining the base interest rate at 1.5% p. a. for clients under 25 years of age. This was positively reflected in the client demand, even beyond our expectations.

Our appealing offer attracted new clients, and for the first time in several years we recorded a growing number of active clients.

We continue to maintain an uncomplicated approach to housing acquisition and upgrade loans. The comprehensible offer, product quality, as well as speed of processes make us increasingly popular also with external financial advisors. We see it as proof that we opted for the right approach in designing our product offer.

Towards the end of the year, we decided to embrace the new trend – expansion of cooperative housing – and offer our clients a solution to their housing dreams. Our product for cooperative housing brings them a step closer to their goal.

## 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 and 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 2019 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 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. The Company atmosphere is very open and there are various formal and informal tools to facilitate feedback and dialogue: regular updates about Company matters; involvement of staff in these matters; meetings between the Board members and the staff; e-mail boxes for comments, opinions and observations; regular employee assessments; the employee magazine; intranet, etc.

Motivating employees was one of the most important staff processes in 2019. We carried out a satisfaction survey among employees and incorporated the survey results into our work. We became actively involved in the Company assessment at Atmoskop.cz, and we have begun to use the opportunities of the professional social network [LinkedIn](#) more extensively. In regard to the unfavourable labour market situation, we have reassessed our approach to recruitment; rather than merely selecting new employees, we seek to attract them. We continue to support internal hiring processes for open positions in order to develop and expand the professional scope of our employees. Employees are increasingly taking the opportunity to negotiate shorter working hours.

A feedback system is crucial both for employees' motivation and their personal development, which is why we proactively use a performance management system. The comprehensive outcomes from the employee performance evaluation process are also used for annual wage adjustments and for awarding the best employees of the year.

Raiffeisen stavební spořitelna's compensation system corresponds to and supports healthy, effective risk management and does not underestimate the overstepping of tolerated risk limits. We use the approach employed throughout the Raiffeisen group to determine categories of employees with a 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, or Sports for all" is a firmly established motto 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.

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

### **Corporate social responsibility**

In 2019, employees once again helped people in need and took part in supporting a project that, although not highly profiled in the media, is all the more important for its lack of publicity. Not only did they contribute through payroll charitable donations, but they also supported a six-month "Charitable Sweet Tooth" event by purchasing ice cream in the Company café; all the proceeds went to the benefit of the AKORD Day Care Centre for children, youth and people with mental or combined disabilities. We also supported a Christmas season charity collection for an asylum home and held six charitable events as a part of Charity Days in which 11% of all staff engaged.

The Company also helped the following organizations: SK Impuls Praha, The Homolka Hospital Endowment Fund, TJ Dukla Praha sports club, PROTEBE civic association, the ENVIRA society and OKKO Theatre.

### **Research and development costs**

Raiffeisen stavební spořitelna did not have any research and development costs in the 2019 accounting period.

### **Branches abroad**

Raiffeisen stavební spořitelna has no branches or other business units abroad.

### **Environmental protection**

Raiffeisen stavební spořitelna tries to minimize negative environmental impacts to the extent possible. In 2019 the Company continued working closely with Retela, s.r.o. on the Remobil project, which focuses on collection of used mobile devices including accessories. The Company also pursued its long-standing collaboration with Asekol on collecting used batteries and light sources. Both employees and clients of Raiffeisen stavební spořitelna can take part in either of the projects.

## RAIFFEISEN STAVEBNÍ SPOŘITELNA SUPERVISORY BOARD BUSINESS ACTIVITY REPORT FOR THE GENERAL MEETING IN 2019

The Supervisory Board of Raiffeisen stavební spořitelna a.s. (hereinafter the "Company") consists of four members. In the course of 2019, it managed tasks which it is authorized to perform in accordance with valid legal regulations and the Company's Articles of Association. There were three regular Supervisory Board meetings in 2019, on 18 March, 19 June and 21 November, 2019. Aside from these meetings, the Supervisory Board commented on issues where legal or internal regulations require a statement by the Supervisory Board, most often per rollam. The Supervisory Board meetings were attended by the members of the Company Board of Directors and other invited Company employees, as the case may be.

There were no changes in the membership of the Supervisory Board in 2019, but in connection with the expiry of his five-year term of office, Mag. Hans-Christian Vallant, a representative of Raiffeisen Bausparkassen Holding GmbH, was re-elected as member of the Supervisory Board by the Company's General Meeting in April 2019. Subsequently, Mag. Hans-Christian Vallant was re-elected as Chairman of the Supervisory Board.

Throughout 2019, the Company Board of Directors continuously informed the Supervisory Board about the business and economic results of the reviewed year, risk management, meeting compliance and anti-money laundering requirements, the internal audit, as well as long-term plans, important projects and other significant happenings in the Company. The Supervisory Board did not find any inadequacies in any of these areas.

The Supervisory Board reviewed the functionality and efficiency of the Company system of management and control and stated that the management and control system was functional.

The Supervisory Board also monitored application of and adherence to principles for compensation of Company staff. The Supervisory Board praised individual Directors as well as the Board of Directors as the Company's executive body for expertise and experience in performing their tasks.

At its meeting on 18 March, 2020 the Supervisory Board discussed the Board of Directors' 2019 Annual Report and the report on related parties, reviewed the financial statement as at 31 December, 2019, including the respective draft statement by KPMG Česká republika Audit, s.r.o., and discussed the profit distribution proposal.

The Supervisory Board had no objections to the submitted Board of Directors' 2019 Annual Report, report on related parties, financial statement or profit distribution proposal and recommended that the General Meeting approve these documents.

Prague, 18 March, 2020



Mag. Hans-Christian Vallant  
Chairman of the Supervisory Board

## AUDITOR'S REPORT

**KPMG Česká republika Audit, s.r.o.**  
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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 2019, and 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 2019, 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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187  
VAT No. CZ699001996  
ID data box: 8h3gtr

### 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.

#### Allowances to receivables from customers

Key audit matter	How the audit matter was addressed
<p>We determined the above area to be the key audit matter as the Company's management makes material and complex assumptions when determining the adequacy and sufficiency of loss allowances to expected credit losses on receivables from customers ("the Expected Credit Losses" or „ECL“) in accordance with accounting standard IFRS 9 – Financial Instruments.</p> <p>In accordance with Decree No. 501/2002, the Company has applied International Financial Reporting Standards as adopted by the European Union (including IFRS 9) for the purposes of reporting financial instruments, their valuation and disclosure in the notes to the financial statements.</p> <p>Allowances to receivables from customers of CZK 969 million as at 31 December 2019 represent the management's estimate of the Expected Credit Losses from the impairment of receivables from customers ("Loans") at the balance sheet date.</p> <p>Loans are divided into commercial and retail exposures. To calculate the Expected Credit Losses, the entire loan portfolio is divided into three stages.</p> <p>Stage 1 and stage 2 are Loans without default. Stage 2 includes Loans where a significant increase in credit risk has been registered since their arrangement. Stage 3 includes Loans with default. The Company</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• With respect to assessment of Company's impairment methodology and internal controls over calculation of ECL: <ul style="list-style-type: none"> <li>– Inspecting the Company's ECL impairment provisioning methodology and assessing its compliance with the relevant requirements of IFRS 9. As part of the above, we challenged the Company's representatives on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors, including inspecting validation reports;</li> <li>– Making relevant inquiries of the Company's risk management and information technology (IT) personnel in order to obtain an understanding of the provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Company's IT control environment for data security and access, assisted by our own IT specialists;</li> <li>– Assessing and testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of Loans, including, but not limited to, the controls relating to the identification of loss events and default, appropriateness of the classification of exposures into stages, payment</li> </ul> </li> </ul>

Key audit matter	How the audit matter was addressed
<p>estimates the Expected Credit Losses for all retail and corporate loans in Stage 1 and 2 using statistical models. The Company estimates the Expected Credit Losses for all corporate loans in Stage 3 based on an individual approach.</p> <p>Key assumptions and judgements for the calculation of the Expected Credit Losses include the following:</p> <ul style="list-style-type: none"> <li>• a definition of default and a definition of a significant increase in credit risk</li> <li>• an estimate of the probability of default (PD)</li> <li>• an estimate of the loss given default (LGD)</li> <li>• an estimate of exposure at default (EAD)</li> <li>• an estimate of the forward-looking indicators (FLI).</li> </ul> <p>Further details are disclosed in the following notes to the financial statements: 1.4.2 (Significant accounting policies), 1.4.7. (Receivables from clients) and 1.43.2. (Credit risk).</p>	<p>matching, calculation of days past due, collateral valuations and calculation of the impairment allowances.</p> <ul style="list-style-type: none"> <li>• With respect to impairment accounting under IFRS 9: <ul style="list-style-type: none"> <li>– Assessing whether the definition of default and the staging criteria were consistently applied. Also assessing whether the definition of significant increase in credit risk and definition of default applied for each portfolio is appropriate based on the requirements of IFRS 9 (e.g. taking into account the 90-day presumption of default);</li> <li>– Evaluating the overall modelling approach, of calculation of ECLs, including the calculation of main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD) and exposure at default (EAD));</li> <li>– Obtaining the relevant forward-looking information and macroeconomic forecasts used in the Company's ECL assessment. Assessing the information by means of corroborating inquiries of the Company's representatives and inspecting publicly available information. Challenging LGD and PD parameters used by the Company, by reference to historically realized losses on defaults.</li> </ul> </li> <li>• We assessed the adequacy of the Company's disclosures on the loss allowances and credit risk management in the notes to the financial statements.</li> </ul>

#### IT systems and controls over financial reporting

Key audit matter	How the audit matter was addressed
<p>We identified the IT systems and controls over financial reporting as an area of focus, as the Company's financial accounting and reporting systems are dependent on complex</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Using our internal IT specialists, updating our understanding of the Company's IT environment and the framework of</li> </ul>



Key audit matter	How the audit matter was addressed
<p>systems. Hence, there is a risk that automated accounting procedures and related IT dependent manual controls may not have been designed or may not be operating effectively.</p>	<p>governance over the IT organization, including the understanding of the controls over program development and changes, access to programs and data and IT operations;</p> <ul style="list-style-type: none"> <li>• Assessing and testing the design and operating effectiveness of the controls over the integrity of the IT systems that are relevant to financial reporting;</li> <li>• Testing certain aspects of the security of the IT systems, including access management and segregation of duties; and</li> <li>• Where relevant, assessing whether compensating controls were effective in mitigating deficiencies identified either by the Company or by us independently.</li> </ul>

### **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, in collaboration with the Audit Committee, is responsible for overseeing 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 6 December 2017 and our uninterrupted engagement has lasted for 19 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 18 March 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

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

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

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

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

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

Prague  
20 March 2020

*Signed by*

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

*Signed by*

Jindřich Vašina  
Partner  
Registration number 2059

# FINANCIAL SECTION

Date of financial statement: 20 March, 2020.

## 1 FINANCIAL STATEMENT

### 1.1 BALANCE SHEET AS AT 31 DECEMBER, 2019

#### Assets as at 31 December, 2019

MCZK	Chapter	31/12/2019	31/12/2018
1.	Cash and balances with central banks	605	909
2.	State zero coupon bonds and other securities eligible for refinancing with the central bank	9,345	13,223
	a) issued by government institutions	9,345	13,223
3.	Receivables from banks and cooperative savings associations	4,575	2,104
	a) repayable on demand	4,575	2,104
4.	Receivables from clients – cooperative savings associations' members	54,064	49,264
	b) other receivables	54,064	49,264
5.	Debt securities	1,648	2,220
	b) issued by other entities	1,648	2,220
8.	Participation interests with controlling influence	257	257
	b) in other entities	257	257
9.	Intangible fixed assets	215	189
	b) other	215	189
10.	Tangible fixed assets	371	45
	a) land and buildings for operating activities	342	24
	b) other	29	21
11.	Other assets	711	667
13.	Pre-paid expenses and accrued revenues	42	178
<b>Total assets</b>		<b>71,833</b>	<b>69,056</b>

#### Liabilities as at 31 December, 2019

MCZK	Chapter	31/12/2019	31/12/2018
2.	Payables to clients – cooperative savings associations' members	65,762	63,636
	a) repayable on demand	7,912	8,221
	b) other payables	57,850	55,415
4.	Other liabilities	682	571
5.	Accrued expenses and deferred income	50	53
6.	Provisions	25	20
	c) other	25	20
7.	Subordinated liabilities	302	0
<b>Total liabilities</b>		<b>66,821</b>	<b>64,280</b>
8.	Registered capital	650	650
	a) paid-up registered capital	650	650
10.	Reserve funds and other funds from profit	3,986	3,770
	a) statutory reserve funds and risk funds	130	130
	b) other reserve funds	3,848	3,632
	c) other funds from profit	8	8
14.	Retained earnings or accumulated losses from previous years	-160	-160
15.	Profit or loss for the accounting period	536	516
<b>Total equity</b>		<b>5,012</b>	<b>4,776</b>
<b>Total liabilities</b>		<b>71,833</b>	<b>69,056</b>

#### Off-balance sheet items as at 31 December, 2019

MCZK	Chapter	31/12/2019	31/12/2018
1.	Commitments and guarantees issued	3,671	5,614
6.	Receivables written-off	194	81
<b>Total off-balance sheet assets</b>		<b>3,865</b>	<b>5,695</b>
9.	Commitments and guarantees received	707	804
10.	Collaterals and pledges received	38,444	31,465
<b>Total off-balance sheet liabilities</b>		<b>39,151</b>	<b>32,269</b>

## 1.2 INCOME STATEMENT FOR YEAR ENDING 31 DECEMBER, 2019

MCZK	Chapter	31/12/2019	31/12/2018
<b>1. Interest income and similar income</b>	1.4.32	<b>1,904</b>	<b>1,834</b>
a) interest on debt securities		274	311
b) other		1,630	1,523
<b>2. Interest expense and similar expense</b>	1.4.32	<b>-863</b>	<b>-841</b>
b) other		-863	-841
<b>3. Income from shares and participation interests</b>		<b>5</b>	<b>5</b>
b) income from participation interests with controlling influence		5	5
<b>4. Fee and commission income</b>	1.4.33	<b>336</b>	<b>329</b>
<b>5. Fee and commission expense</b>	1.4.33	<b>-92</b>	<b>-81</b>
<b>6. Gain or loss from financial operations</b>	1.4.34	<b>-2</b>	<b>-1</b>
<b>7. Other operating income</b>	1.4.35	<b>7</b>	<b>5</b>
<b>8. Other operating expenses</b>	1.4.35	<b>-33</b>	<b>-49</b>
<b>9. Administrative expenses</b>	1.4.36	<b>-454</b>	<b>-475</b>
a) employee expenses		-273	-253
aa) wages and salaries		-194	-183
ab) social security and health insurance		-62	-58
ac) other		-17	-12
b) other administrative expenses		-181	-222
<b>11. Write-offs, creation and use of provisions and loss allowances for tangible and intangible fixed assets</b>		<b>-87</b>	<b>-50</b>
<b>12. Release of loss allowances and provisions for receivables, securities and guarantees, income from written-off receivables</b>	1.4.18, 1.4.37	<b>281</b>	<b>259</b>
<b>13. Write-offs, creation and use of provisions and loss allowances for receivables, securities and guarantees</b>	1.4.38	<b>-330</b>	<b>-294</b>
<b>16. Release of other provisions</b>	1.4.18	<b>2</b>	<b>5</b>
<b>17. Creation and use of other provisions</b>	1.4.18	<b>-7</b>	<b>-3</b>
<b>19. Current year profit or loss from ordinary activities before tax</b>		<b>667</b>	<b>643</b>
<b>23. Income tax</b>	1.4.39	<b>-131</b>	<b>-127</b>
<b>24. Profit/loss for the accounting period after taxation</b>		<b>536</b>	<b>516</b>

## 1.3 STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDING 31 DECEMBER, 2019

MCZK	Registered capital	Share buy-back	Share premium	Reserve funds	Other funds	Capital funds	Gains (losses) from revaluation	Accumulated losses from previous years	Profit (loss)	Total
Balance as at 1/1/2018	650	0	0	3,618	8	0	59	0	444	4,779
Changes in accounting policies	0	0	0	0	0	0	0	-160	0	-160
Corrections of fundamental errors	0	0	0	0	0	0	0	0	0	0
Exchange rate differences and gains (losses) from revaluation not included in P/L	0	0	0	0	0	0	-59	0	0	-59
Net profit/loss for the accounting period	0	0	0	0	0	0	0	0	516	516
Paid share in profit	0	0	0	0	0	0	0	0	-300	-300
Transfers to funds	0	0	0	144	0	0	0	0	-144	0
Use of funds	0	0	0	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0	0	0	0
Reduction in registered capital	0	0	0	0	0	0	0	0	0	0
Own shares purchased	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0
<b>Balance as at 31/12/2018</b>	<b>650</b>	<b>0</b>	<b>0</b>	<b>3,762</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>-160</b>	<b>516</b>	<b>4,776</b>
Balance as at 1/1/2019	650	0	0	3,762	8	0	0	-160	516	4,776
Changes in accounting policies	0	0	0	0	0	0	0	0	0	0
Corrections of fundamental errors	0	0	0	0	0	0	0	0	0	0
Exchange rate differences and gains (losses) from revaluation not included in P/L	0	0	0	0	0	0	0	0	0	0
Net profit/loss for the accounting period	0	0	0	0	0	0	0	0	536	536
Paid share in profit	0	0	0	0	0	0	0	0	-300	-300
Transfers to funds	0	0	0	216	0	0	0	0	-216	0
Use of funds	0	0	0	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0	0	0	0
Reduction in registered capital	0	0	0	0	0	0	0	0	0	0
Own shares purchased	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0
<b>Balance as at 31/12/2019</b>	<b>650</b>	<b>0</b>	<b>0</b>	<b>3,978</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>-160</b>	<b>536</b>	<b>5,012</b>

## 1.4 NOTES TO THE FINANCIAL STATEMENT

### 1.4.1 GENERAL INFORMATION

#### 1.4.1.1 About the Bank

Corporate name	<b>Raiffeisen stavební spořitelna a.s.</b> (hereinafter "Raiffeisen stavební spořitelna" or the "Company" or "Bank")
Business objects	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	<a href="mailto:rsts@rsts.cz">rsts@rsts.cz</a>
Internet	<a href="http://www.rsts.cz">www.rsts.cz</a>
Phone	271 031 111
Info hotline	800 11 22 11
Fax	222 581 156
Data box	f6qr5pb
Amendments recorded in the Commercial Registry in 2019	31 July, 2019 – election of a Supervisory Board member and a Board of Directors member 11 October, 2019 – election of the Chairman of the Supervisory Board
Legal form	Joint stock company
Shareholders	Raiffeisen Bausparkassen Holding GmbH, Vienna, Austria (90% of registered capital) Raiffeisenbank a.s., Prague, Czech Republic (10% of 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
Members of the Board of Directors as at 31 December, 2019	Ing. Jan Jeníček – Chairman Dr. Ing. Pavel Chmelík – Deputy Chairman Mgr. Roman Hurych – Deputy Chairman
Members of the Supervisory Board as at 31 December, 2019	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"), as amended, and Decree No. 501/2002 Coll. of the Ministry of Finance of the Czech Republic as applicable from 1 January, 2018, and the Czech accounting standards for financial institutions of the Ministry of Finance.

This financial statement was compiled in compliance with Decree No. 501/2002 Coll. of the Ministry of Finance of the Czech Republic, as applicable from 1 January, 2018, which stipulates the structure, coding and content of the items in the financial statement. S. 4a(1) of the Decree also stipulates that the accounting unit shall for the purpose of reporting, evaluating and informing about financial instruments in the notes 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 financial statement was compiled based on the accrual principle and historical prices. The financial statement is based on the assumption that Raiffeisen stavební spořitelna a.s. will uninterruptedly continue its operation and that there is no matter that would restrict or prevent its operation in the foreseeable future.

The balance sheet date is 31 December, 2019. The current accounting period is from 1 January, 2019 until 31 December, 2019. The previous accounting period was from 1 January, 2018 until 31 December, 2018.

All data are listed in Czech crowns (CZK). The unit of measurement is million CZK, unless stated otherwise. This financial statement is unconsolidated.

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 or other requirements, is provided in the financial statement and on the company's website.

Information subject to mandatory disclosure pursuant to Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June, 2013 is published on the Bank's website in the Mandatory Disclosure section (<https://www.rsts.cz/povinne-uvarejnovane-informace/>).

## 1.4.2 SIGNIFICANT ACCOUNTING POLICIES

The Raiffeisen stavební spořitelna financial statement was compiled in compliance with the following major accounting policies. Starting from 1 January, 2019 the international accounting standard IFRS 16 Leases has been applied. For more details see Chapter 1.4.2.1.17.

### 1.4.2.1 Accounting policies

#### 1.4.2.1.1 Receivables from banks and cooperative savings associations

The balance sheet item "Receivables from banks and cooperative savings associations" includes the following: Receivables from banks arising from term deposits and current account deposits. Raiffeisen stavební spořitelna creates loss allowances for these receivables due to impairment. Loss allowances are created on a monthly basis. Loans from reverse repurchase agreements with the Czech National Bank. Income arising under reverse repurchase agreements as the difference between the sale and repurchase prices is accrued evenly over the term of the agreement and reported in the income statement as "Interest income and similar income". Securities received under reverse repo agreements are only kept at their nominal value in off-balance sheet accounts under "Collaterals and pledges received".

Policies and procedures for classification of receivables are presented in Chapter 1.4.43.

#### 1.4.2.1.2 Receivables from clients – cooperative savings associations' members

The item includes loans valued at their amortized cost that were valued at fair price including additional direct transaction costs upon their initial recognition; subsequently they are valued at amortized cost applying the effective interest rate. Accrued interest is recognized in the respective accounting groups for individual assets and it is reported with the respective asset. Interest income is accounted for the period to which it is factually and temporally related. Raiffeisen stavební spořitelna creates loss allowances for these receivables due to impairment. Loss allowances are created on a monthly basis.

Policies and procedures for classification of receivables are presented in Chapter 1.4.43.

#### 1.4.2.1.3 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. Following a business model whose objective is to hold assets to collect their contractual cash flows, Raiffeisen stavební spořitelna classifies securities in the portfolio of securities valued at amortized cost (AC). These securities may be sold, but the sales are expected to be incidental. Upon initial recognition, the securities are measured 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 effective interest rate method.

In relation to the IFRS 9 coming into effect, the existing portfolio of held-to-maturity securities and portfolio of available-for-sale securities were reclassified as at 1 January, 2018 as the portfolio of securities valued at amortized cost. Gains (losses) from revaluation arising from valuation of the available-for-sale portfolio at fair price were derecognized as at 1 January, 2018 from the gains (losses) from the revaluation account of available-for-sale securities in correspondence with the valuation account of available-for-sale securities.

Raiffeisen stavební spořitelna creates loss allowances for securities classified in the portfolio of securities valued at amortized cost due to impairment. Loss allowances are created on a monthly basis.



For the purpose of financial assets impairment and creation of loss allowances, securities are categorized as Stages 1 through 3.

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 income statement as “Interest income and similar income”. Upon sale, gains and losses are reported in the income statement as “Gain or loss from financial operations”.

Policies and procedures for classification of receivables are presented in Chapter 1.4.43.

#### 1.4.2.1.4 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. In such case 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 loss allowances made due to temporary impairment of their value or net of any write-offs due to permanent impairment of their value.

#### 1.4.2.1.5 Interest

Interest income and expense are reported in the income statement as “Interest income and similar income” and “Interest expense and similar expense” using the effective interest rate method.

The effective interest rate (EIR) is a rate discounting the anticipated future incoming or outgoing cash flows over the financial instrument's expected life. When applying the amortized cost valuation, the accounting unit uses the EIR method to calculate the interest income or expense. When applying the EIR method, the accounting unit identifies fees which comprise an inseparable part of the financial instrument's EIR. Raiffeisen stavební spořitelna considers the following expenses and income inseparable parts of the financial instrument's EIR that need to be accrued:

- Initial fees for the conclusion of building savings contracts and loans;
- Commissions associated with the conclusion of building savings contracts and loans;
- Contributions to client campaigns;
- Any other transaction costs/income associated with acquisition.

When applying the EIR method, the accounting unit shall usually amortize all fees, paid and received interest, transaction costs (fees and commissions to financial advisors) and other premiums or discounts included in EIR calculation over the financial instrument's expected life. Raiffeisen stavební spořitelna will consider the mandatory saving period for savings, and the first fixed-interest-rate-period, roll-over period or termination period for loans, whichever occurs first.

#### 1.4.2.1.6 Guarantees and loan commitments issued

Loan commitments issued are commitments to provide loans under agreed terms.

Raiffeisen stavební spořitelna did not issue any loan commitments to be valued at fair value through profit or loss (FVTPL).

The loan commitments issued are reported in the off-balance sheet items “Commitments and guarantees issued”.

#### 1.4.2.1.7 Recognition and initial valuation

Selected financial assets and financial liabilities (e.g. receivables from clients, payables to clients, etc.) shall be initially recognized as of the time of their establishment. All other financial instruments (including spot purchases and sales of financial assets) shall be recognized as of the transaction settlement date, i.e. the date on which the accounting unit becomes the party to the contractual provisions of the given financial instrument.

A financial asset or liability shall be initially recognized at fair value adjusted for transactions costs. Transaction costs are costs directly assignable to acquisition or issue.

#### 1.4.2.1.8 Classification

##### Financial assets

Upon first recognition the financial asset is classified as valued:

- At amortized cost (AC).

The financial asset is valued at amortized cost (AC) if both of the following conditions are met cumulatively and at the same time the asset is not valued at fair value through profit or loss (FVTPL):

- The asset is held under a business model whose objective is to hold financial assets to collect their contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interests on the outstanding principal amount (the SPPI test).

## Assessing the business model

The business model of the accounting unit is determined at a level that reflects how groups of financial assets are managed to achieve a certain business objective. This condition therefore does not reflect classification of individual instruments but is determined rather at a higher level of aggregation. The accounting unit considers all relevant information and evidence available as at the date of assessment. This relevant information and evidence include but are not limited to:

- Set methods and objectives for the portfolio and a practical approach to such methods. Namely, whether the accounting unit's strategy is focused on income from contractual interest, maintaining the interest rate profile, correspondence between the duration of financial assets and duration of their underlying liabilities which serve as a source of financing for these assets, or generation of cash flow by selling the assets;
- How the performance of the business model and the financial assets held within that model are evaluated and reported to the accounting unit's key management personnel;
- Risks that affect the performance of the business model and the financial assets held within the model, and in particular the way those risks are managed;
- How the accounting unit's managers are compensated, e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- Frequency, volume and timing of sales in prior periods, the reasons for these sales and the expectations about future sales activity. However, information about sales activity is not considered in isolation, but as a part of a holistic assessment of how the accounting unit's stated objective for managing the financial assets is achieved and how the cash flows are realised.

## Assessing whether cash flows are solely payments of principal and interests on the principal amount outstanding (the SPPI test)

For the purpose of this assessment "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is consideration for the time value of money and credit risk associated with the outstanding principal amount over a specific time period and other basic lending risks and costs (e.g. liquidity risk and administrative costs), and a profit margin.

When assessing whether the cash flows meet the "solely payments of principal and interest" criterion, the accounting unit assesses the contractual terms of the given instrument. This includes consideration of whether the financial asset's contractual terms allow for changing the timing and amount of the contractual cash flows. As a part of the assessment, the accounting unit considers:

- Contingent features that may change the timing and amount of the contractual cash flows;
- The leverage effect;
- Early termination and term extension;
- Terms limiting the accounting unit's collection options from specific asset cash flows;
- Terms modifying the time value of money (e.g. ways of periodically resetting the interest rate).

## Reclassification

Once initially recognized, financial assets are not reclassified except for situations where the business model of the accounting unit has changed during a current accounting period; in such case reclassification of the respective financial assets takes place in the following accounting period.

## Financial liabilities

The accounting unit classifies its financial liabilities, other than financial guarantees and commitments issued, as valued:

- At amortized cost.

### 1.4.2.1.9 Derecognition

A financial asset shall be derecognized if the contractual rights to collect cash flows from the asset expire:

- Rights to collect cash flows from the financial asset are transferred to a third person; the overall objective of the receivable assignment is to generate immediate financial return higher than the estimated net present value of the future recovered performance under other instruments. Beside cash generation from the assigned receivables, another objective is one-off streamlining of the liabilities portfolio;
- Following a recommendation of the Credit Risk Management Committee and in line with the NPL reduction strategy, Raiffeisen stavební spořitelna, through a Board of Directors decision, writes off debts that continue to be recovered and recognized in off-balance sheet records;
- If a debt is assessed as unrecoverable or its further recovery is uneconomical, it shall be written off.

Write-offs of receivables from clients are tax-optimized. Costs associated with write-offs are compensated by means of loss allowances. Written-off receivables that continue to be recovered are kept on off-balance sheet accounts until the process of recovering the due amounts is over.

### 1.4.2.1.10 Modification of financial assets and financial liabilities

Following modification of the terms of a financial asset or liability, Raiffeisen stavební spořitelna shall assess whether the cash flows from such modified financial asset or liability are substantially different.

The only modification relevant in the Raiffeisen stavební spořitelna environment would be restructuring of financial assets or loans, as the case may be. However, cash flows following restructuring are not substantially different (the modification consists merely in different

timing of instalments). Therefore, such modified financial asset is not derecognized. Such financial asset is however considered default (see the definition of default in Chapter 1.4.43.2.5.2).

#### 1.4.2.1.11 Off-set and reporting in net value

Financial assets and financial liabilities may be offset and their net value reported in the balance sheet only if Raiffeisen stavební spořitelna holds an enforceable right to offset the given balances. Raiffeisen stavební spořitelna plans either settlement in net value or simultaneous realization of the asset and settlement of the liability.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the accounting unit's trading activity.

#### 1.4.2.1.12 Fair value measurement

"Fair value" is the price that would be obtained from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal (or most advantageous) market that the accounting unit can access at the given date. The fair value of a liability reflects the risk of default. The risk of default includes, but is not limited to, the accounting unit's own credit risk.

The accounting unit measures the fair value of an instrument using the quoted price in an active market for the instrument, if available. An active market means a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If no quoted price from an active market is available, the accounting unit shall apply valuation techniques that use relevant observable inputs to the maximum extent and minimize the use of unobservable inputs. The selected valuation technique shall consider all factors that market participants would consider for valuation of such transaction.

The best evidence for the fair value of a financial instrument upon initial recognition is usually the transaction price (i.e. the fair value of the provided or received consideration).

Should the accounting unit determine that the fair value at initial recognition differs from the transaction price and the fair value is supported neither by a price quoted on the active market for an identical asset or liability nor based on a valuation technique where unobservable inputs are disregarded as insignificant for the valuation, the financial asset shall be initially valued at fair value and subsequently the difference between the initial fair value and the transaction price shall be accrued in the income statement over the remaining life of the instrument. The accrual may apply no longer than over the period for which such valuation remains supported by observable market data or until the transaction is closed.

Where there is a bid and ask price for an asset or liability valued at fair value, the accounting unit shall value:

- Assets and long positions at the bid price; and
- Liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities exposed to market and credit risks, managed by the accounting unit based on their net exposure to market or credit risks, shall be valued based on the price that could be obtained from sale of net long position (or paid for transfer of net short position) of the given risk exposure. Modifications at the portfolio level (e.g. modification of bid and ask prices or modification of credit risks that reflect the valuation on the basis of net position) shall be allocated to individual assets and liabilities correspondingly to the respective risk modification of individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Fair value hierarchy

The accounting unit measures fair value by applying the following fair value hierarchy reflecting the significance of inputs used in valuation techniques.

**Level 1 inputs:** Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2 inputs:** Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (as derived from prices). Level 2 inputs include instruments measured using:

- Quoted prices for similar instruments in active markets;
- Quoted prices for identical or similar instruments in markets that are not considered active; or
- Other methods where all significant inputs are observable directly or indirectly from market data.

**Level 3 inputs:** Level 3 inputs are unobservable inputs. Level 3 inputs include all instruments where valuation methods involve unobservable inputs while the unobservable inputs have a significant impact on the instrument measurement. This level includes instruments measured based on quoted prices for similar instruments for which unobservable modifications or assumptions are required to reflect the differences between the instruments.

For more on fair value, refer to Chapter 1.4.44.

#### 1.4.2.1.13 Impairment

The accounting unit reports loss allowances for expected credit loss (ECL) from the following financial instruments that are not measured at FVTPL:

- Loans and loan commitments;
- Debt securities and term deposits;
- Receivables from the Czech National Bank;
- Trade receivables;
- Other receivables not measured at FVTPL.

For financial instruments on which no significant increase in credit risk has appeared since initial recognition, Raiffeisen stavební spořitelna uses the 12-month ECL loss allowance.

For financial instruments on which a significant increase in credit risk, or indeed credit impairment (default) has appeared, Raiffeisen stavební spořitelna uses the lifetime ECL loss allowance.

12-month ECLs represent the portion of lifetime expected credit losses that result from default events on the financial instrument that are possible within the 12 months following the balance sheet date.

#### Measuring expected credit loss (ECL)

ECL represents the probability-weighted estimate of credit loss and is determined as follows:

- Financial assets that are not impaired: as the present value of all cash shortfalls (i.e. difference between the cash flows credited to the accounting unit and cash flows that the accounting unit expects to receive);
- Financial assets that are impaired: as the difference between the gross book value of the given financial asset and the present value of estimated future cash flows;
- As-yet unused loan commitments: as the present value of the difference between contractual cash flows credited to the accounting unit, if the loan commitment has been already used, and cash flows that the accounting unit expects to receive.

For further information see Chapter 1.4.43.

#### Restructured financial assets

- When the financial asset's contractual terms are modified, or it is restructured, such asset is usually not derecognized at Raiffeisen stavební spořitelna. A restructured financial asset is considered impaired, i.e. default, and a lifetime ECL loss allowance is measured.

#### Impaired financial assets

The accounting unit shall assess as at each balance sheet date whether its financial assets valued at amortized cost are impaired. A financial asset is impaired if one or more events occurred that have a negative impact on the estimated future cash flows from such financial asset. Measuring impairment is consistent with measuring default, which is explained in more detail in Chapter 1.4.43.

#### Presentation of loss allowances for ECL in the balance sheet:

- Financial assets measured at amortized cost: the loss allowance is deducted from the gross book value of the assets;
- Loan commitments: as provisions;
- Loss allowances and provisions for ECL created by debiting expenses are reported in the income statement as "Write-offs, creation and use of loss allowances and provisions for receivables and guarantees". This item also includes possible subsequent use of loss allowances,
- Release of allowances and provisions for ECL when no longer needed is reported in the income statement under "Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables".
- Tax-deductible loss allowances – tax-deductible portion of the total loss allowances created for losses from loans for the accounting period is calculated according to S. 5 ("Banking provisions and loss allowances"). Loss allowances are recorded in the analytical accounts for the purpose of calculating the tax liability;
- Write-offs of receivables are included under "Write-offs, creation and use of loss allowances and provisions for receivables and guarantees" in the income statement. When writing off a receivable for which a loss allowance has been created in full amount, loss allowances under the same item of the income statement are decreased by the same amount. Income from written-off loans is reported in the income statement under "Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables".

#### 1.4.2.1.14 Classification of a financial instrument into a category measured at fair value through profit or loss (FVTPL)

Not applicable to Raiffeisen stavební spořitelna.

#### 1.4.2.1.15 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.

The item includes deposits measured at amortized cost that are initially recognized at fair value with the inclusion of additional direct transaction costs and subsequently measured at amortized cost using the effective interest rate method. Accrued interest is recognized in the respective accounting groups for individual liabilities and it is reported together with the respective liability. Interest expenses are accounted for the period to which they are factually and temporally related.

#### 1.4.2.1.16 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, as applicable, 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, as applicable, 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 and intangible assets (over CZK 500,000).

Raiffeisen stavební spořitelna further recognizes fixed tangible assets, or rather the right to use leased assets, pursuant to IFRS 16. When in the position of a lessee, Raiffeisen stavební spořitelna recognizes leased assets in the category of fixed tangible assets – leasing.

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

Right-of-use assets that constitute fixed tangible assets are valued by the accounting unit at acquisition cost as at the date of initial recognition of the lease in the accounting books. Right of use of an asset means the lessee's right to use the underlying asset over the lease period.

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.

The depreciation period for right-of-use assets is determined by Raiffeisen stavební spořitelna individually depending on particular lease contracts. The depreciation period determined in this manner is based on the lease period and the time period during which the accounting unit is sure to be leasing the asset. Raiffeisen stavební spořitelna applies the linear depreciation method to right-of-use assets depending on individually determined lease periods.

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

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

Type of asset	Depreciation period
Software	Book depreciation: 4–16 years/tax depreciation: 3–14 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: 4–12 years/tax depreciation: 3–10 years
Computer equipment	Book depreciation: 3–4 years/tax depreciation: 3–4 years
Furniture and fixtures	Book depreciation: 6–12 years/tax depreciation: 5–10 years
Vehicles	Book depreciation: 3–5 years/tax depreciation: 5 years
Right of use	As per the validity of the lease contract

#### 1.4.2.1.17 Leasing from the lessee's perspective – methods applicable since 1/1/2019

Starting from 1 January, 2019, Raiffeisen stavební spořitelna has applied the international accounting standard IFRS 16 Leases. A contractual arrangement is considered a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 brings changes in particular in the recognition and reporting by the lessee. An accounting unit in the position of a lessee shall report the right-of-use asset and the related lease liabilities in the balance sheet, unless:

- the lease period is shorter than 12 months;
- or the underlying asset has a low acquisition cost.

#### Right-of-use asset

A right-of-use asset is initially valued at the acquisition cost which includes:

- initial valuation of the lease liability;
- lease payments made as at the start date or earlier, reduced by any received lease incentives;
- initial direct costs;

- estimated costs to be expended by the lessee for the dismantle and removal of the leased asset; commissions paid to the real estate agent. These are costs to acquire the lease that would not have been expended if the lease had not come into effect.

Right-of-use assets are reported in the balance sheet under the "Tangible fixed assets" item and are subject to linear depreciation during the underlying asset's economic life or until the lease termination, whichever occurs first. Respective depreciation is reported in the income statement under the "Write-offs, creation and use of provisions and loss allowances for tangible and intangible fixed assets" item.

#### **Lease liabilities**

A lease liability is initially valued at the present value of lease payments that have not been paid as at the initial recognition date. Lease payments are discounted applying the interest rate (incremental interest rate) that the lessee would be obliged to pay if it borrowed funds to purchase the underlying asset while respecting conditions related to the lease (i.e. lease/loan relation, loan amount, etc.).

Subsequently, the lease liability is revalued if any changes in the future lease payments occur (e.g. due to reassessment of extension or early termination of the lease, etc.). When a lease liability is thus revalued, the right-of-use asset shall also be revalued. For zero-value right-of-use assets the revaluation of the lease liability shall be recognized in the income statement.

Lease liabilities are reported in the balance sheet under the "Other liabilities" item.

Interest expenses ensuing from lease liabilities are reported in the income statement under the "Interest expense and similar expense" item.

#### **1.4.2.1.18 Derivatives**

Raiffeisen stavební spořitelna has no derivatives.

#### **1.4.2.1.19 Derivatives held for risk management and hedge accounting purposes**

Not applicable to Raiffeisen stavební spořitelna.

#### **1.4.2.1.20 Embedded derivatives**

N/A to Raiffeisen stavební spořitelna.

#### **1.4.2.1.21 Repurchase and reverse repurchase agreements and short sales**

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 the bank's balance sheet and continue to be measured 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 "Collaterals and pledges received". Loans provided under reverse repurchase agreements are included in "Receivables from banks and cooperative savings associations". Interest on bonds transferred under repurchase agreements is accrued while interest on bonds 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 purchase prices are accrued evenly over the term of the agreement and reported in the income statement as "Interest income and similar income" or "Interest expense and similar expense".

#### **1.4.2.1.22 Received deposits, issued debt securities and subordinated liabilities**

Subordinated liabilities are reported under the "Subordinated liabilities" item. A received loan was initially valued at fair value, no additional direct transaction costs were incurred. Subsequently, it is valued at amortized costs.

#### **1.4.2.1.23 Transactions with securities for clients**

Raiffeisen stavební spořitelna does not undertake any securities transactions on behalf of its clients.

#### **1.4.2.1.24 Creation of provisions**

Provisions represent a probable performance of an obligation with an uncertain timespan and amount. Provisions are created to the debit of expenses at an amount equal to the best estimate of the expenses necessary to settle the existing debt. Provisions 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.

Provisions are broken down according to the purpose of their use. In addition, they are classified as statutory provisions, provisions for commitments, and other provisions:

- Statutory provisions – their creation is set out by the Provisions Act and taken into account by the Income Tax Act (tax-deductible provisions);
- Provisions for commitments made in accordance with IFRS 9;
- Other provisions – their creation is not stipulated by law (tax non-deductible provisions).

#### 1.4.2.1.25 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.

#### 1.4.2.1.26 Dividends received

Dividends received are recognized in the income statement once the right to receive dividends arises. Dividends received are recognized under "Income from other shares and participation interests".

#### 1.4.2.1.27 Fee and commission income

Fees and commissions not included in the calculation of the effective interest rate are recognized on an accrual basis as at the date when the service is rendered. 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 provisions.

#### 1.4.2.1.28 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 transaction is deemed to be the mandatory tax return date.

When preparing the financial statement, Raiffeisen stavební spořitelna measures 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 income statement as "Gain or loss from financial operations".

#### 1.4.2.1.29 Taxation

The corporate income tax base is calculated in accordance with Act No. 586/1992 Coll., on income tax, as amended, based on profit or loss of the current year before taxation by adding non-tax-deductible expenses and other items increasing the tax base and subtracting revenues not subject to income tax and other tax-deductible items, as well as tax discounts and relevant credits. In the balance sheet, the income tax is recognized inclusive of pre-payments while the net value is reported under other assets or other liabilities.

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.

#### 1.4.2.1.30 Value added tax

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

#### 1.4.2.1.31 Off-balance sheet transactions

Loan commitments are recognized at the nominal value of the loan upon approval of the loan contract. Loan commitments are reduced by the respective amount when drawn. The value of loan commitments reflects any potential increase or decrease in 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.

### 1.4.3 IMPACT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF FUNDAMENTAL ERRORS

#### 1.4.3.1 Impact of changes in accounting policies

Raiffeisen stavební spořitelna made modifications to the following accounting policies in 2019.

##### 1.4.3.1.1 Initial application of IFRS 16

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, for the purpose of reporting, measuring of and informing on financial instruments in the notes to the financial statement, the accounting unit proceeds 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 Raiffeisen stavební spořitelna is the application of the new international accounting standard IFRS 16 Leases as of 1 January, 2019. Raiffeisen stavební spořitelna leases non-residential premises. The following steps were taken upon introduction of the IFRS 16 standard:

- Analysis of valid existing lease contracts as at 1 January, 2019;
- Identification of leases as per IFRS 16 requirements;
- Definition of the transition method;
- Determination of the incremental interest rate;
- Determination of particular lease periods for each lease contract.

Raiffeisen stavební spořitelna measured and reported its lease liabilities at the present value of future lease payments that had not been paid as at the start date of the lease, and discounted them subsequently applying the incremental interest rate. At the start of the standard application, the accounting unit applied a single incremental interest rate of 3.2% to the lease contract portfolio. Interest expenses ensuing from lease liabilities are reported by Raiffeisen stavební spořitelna in the income statement under the "Interest expense and similar expense" item.

As at 1 January, 2019, Raiffeisen stavební spořitelna also measured and reported right-of-use assets in an amount equal to lease contracts adjusted by the amount of all pre-paid lease payments (pre-paid rental). The pre-paid rental reported as at 31 December, 2018 under the "Deferred expenses" item in the amount of CZK 144 million was included in the right-of-use asset value.

In the course of 2019, Raiffeisen stavební spořitelna measured and reported the right-of-use asset pertaining to the newly concluded lease contract, equal to the lease liability adjusted by the initial direct cost incurred, i.e. the commission paid to the real estate agent.

Raiffeisen stavební spořitelna reports right-of-use assets under the "Tangible fixed assets" item which is subject to depreciation. The depreciation period was determined individually depending on particular lease contracts. The depreciation period determined in this manner is based on the lease period and the time period over which the Company is sure to be leasing the asset. The accounting unit applies the linear depreciation method to right-of-use assets depending on individually determined lease periods.

An exemption is applied by Raiffeisen stavební spořitelna to lease contracts for non-residential premises where the underlying asset value is low, as stated in Chapter 1.4.2.1.17, and continues to report the expenses pertaining to such contracts under operating expenses.

Below is the reconciliation and explanation of differences between future operating lease payments as at 31 December, 2018 and lease liabilities as at 1 January, 2019:

<b>MCZK</b>	
Future operating lease payments as at 31 December, 2018	244
Future operating lease payments as at 31 December, 2018 discounted as at 1 January, 2019	198
Operating lease liabilities as at 31 December, 2018	0
<b>Subtotal</b>	<b>198</b>
Adjusted by: Short-term leases	0
Leases of low-value assets	0
Lease extension/termination options that are reasonably sure to be exercised	0
<b>Lease liabilities as at 1 January, 2019</b>	<b>198</b>



For leases classified earlier as operating leases, the accounting unit opted for reporting right-of-use assets as at the initial date of IFRS 16 application in the amount of lease liabilities adjusted by pre-payments or accruals pertaining to these leases reported in the balance sheet immediately before the initial date of application, i.e. as follows:

MCZK	
Lease liabilities as at 1 January, 2019	198
Pre-payments and accruals of rentals as at 31 December, 2018	144
<b>Right-of-use assets as at 1 January, 2019</b>	<b>342</b>

#### 1.4.3.2 Impact of corrections of fundamental errors

No corrections were made in 2019 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 income statement 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 the Bank's balance sheet.

### 1.4.4 CASH AND BALANCES WITH CENTRAL BANKS

#### 1.4.4.1 Cash and balances with central banks by type of instrument

MCZK	31/12/2019	31/12/2018
Cash	2	3
Mandatory minimum reserves	603	906
<b>Total cash and balances with central banks</b>	<b>605</b>	<b>909</b>

#### 1.4.4.2 Balances with central banks – loss allowances

MCZK	31/12/2019	31/12/2018
Gross amount	603	906
Loss allowances	0	0
<b>Total balances with central banks</b>	<b>603</b>	<b>906</b>

As at 31 December, 2019 and 31 December, 2018, balances with central banks were not credit-impaired or exposed to a significant increase in credit risk. As at 31 December, 2019 and 31 December, 2018, loss allowances were calculated based on a 12-month expected credit loss.

### 1.4.5 STATE ZERO COUPON BONDS AND OTHER SECURITIES ELIGIBLE FOR REFINANCING WITH THE CENTRAL BANK

#### 1.4.5.1 State zero coupon bonds and other securities eligible for refinancing with the central bank by type of instrument

MCZK	31/12/2019	31/12/2018
Government bonds	9,345	13,223
<b>Total state zero coupon bonds and other securities eligible for refinancing with the central bank</b>	<b>9,345</b>	<b>13,223</b>

#### 1.4.5.2 Classification of state zero coupon bonds and other securities eligible for refinancing with the central bank by measurement categories

MCZK	31/12/2019	31/12/2018
At amortized cost	9,345	13,223
<b>Total state zero coupon bonds and other securities eligible for refinancing with the central bank</b>	<b>9,345</b>	<b>13,223</b>

All state zero coupon bonds and other securities eligible for refinancing with the central bank as at 31 December, 2019 and 31 December, 2018 were valued at amortized costs as per IFRS 9.

### 1.4.5.3 Total state zero coupon bonds and other securities eligible for refinancing with the central bank – loss allowances

MCZK	31/12/2019	31/12/2018
Gross amount	9,345	13,223
Loss allowances	0	0
<b>Total state zero coupon bonds and other securities eligible for refinancing with the central bank</b>	<b>9,345</b>	<b>13,223</b>

As at 31 December, 2019 and 31 December, 2018, state zero coupon bonds and other securities eligible for refinancing with the central bank were not credit-impaired or exposed to a significant increase in credit risk. As at 31 December, 2019 and 31 December, 2018, loss allowances were calculated based on a 12-month expected credit loss.

### 1.4.5.4 Repurchase and reverse repurchase agreements

As at 31 December, 2019, Raiffeisen stavební spořitelna acquired state zero coupon bonds and other securities worth CZK 4,368 million (as at 31 December, 2018: CZK 2,085 million) as part of reverse repurchase agreements, which are recognized as “Collaterals and pledges received”.

## 1.4.6 RECEIVABLES FROM BANKS

### 1.4.6.1 Receivables from banks by type

MCZK	31/12/2019	31/12/2018
Current accounts	4	4
Term deposits with the CNB	170	0
Reverse repurchase agreements with the CNB	4,401	2,100
<b>Receivables from banks – gross</b>	<b>4,575</b>	<b>2,104</b>
Loss allowances for potential losses from receivables	0	0
<b>Receivables from banks – net</b>	<b>4,575</b>	<b>2,104</b>

### 1.4.6.2 Classification of receivables from banks by measurement categories

MCZK	31/12/2019	31/12/2018
Receivables from banks at amortized cost	4,575	2,104
<b>Receivables from banks – net</b>	<b>4,575</b>	<b>2,104</b>

### 1.4.6.3 Receivables from banks – loss allowances

MCZK	31/12/2019	31/12/2018
Gross amount	4,575	2,104
Loss allowances	0	0
<b>Receivables from banks – net</b>	<b>4,575</b>	<b>2,104</b>

As at 31 December, 2019 and 31 December, 2018, receivables from banks were not credit-impaired or exposed to a significant increase in credit risk. As at 31 December, 2019 and 31 December, 2018, loss allowances were calculated based on a 12-month expected credit loss.

### 1.4.6.4 Analysis of receivables from banks by type of collateral received

MCZK	31/12/2019	31/12/2018
Securities	4,401	2,100
Unsecured	174	4
<b>Receivables from banks – gross</b>	<b>4,575</b>	<b>2,104</b>

### 1.4.6.5 Loans of a special nature (subordinated)

As at the end of the reported accounting periods, Raiffeisen stavební spořitelna did not record any granted (subordinated) loans of a special nature.

## 1.4.7 RECEIVABLES FROM CLIENTS

### 1.4.7.1 Receivables from clients by type

MCZK	31/12/2019	31/12/2018
Receivables from loans	54,944	50,270
Other receivables	89	102
<b>Receivables from clients – gross</b>	<b>55,033</b>	<b>50,372</b>
Allowances for expected losses	-969	-1,108
<b>Receivables from clients – net</b>	<b>54,064</b>	<b>49,264</b>

As at 31 December, 2019, Raiffeisen stavební spořitelna recorded a total of 420 restructured receivables from natural persons and legal entities worth CZK 206 million (as at 31 December, 2018: 464 restructured receivables worth CZK 232 million).

### 1.4.7.2 Receivables from clients by measurement categories

MCZK	31/12/2019	31/12/2018
Receivables from clients at amortized cost	54,064	49,264
<b>Receivables from clients – net</b>	<b>54,064</b>	<b>49,264</b>

All receivables from clients as at 31 December, 2019 and 31 December, 2018 were valued at amortized costs as per IFRS 9.

### 1.4.7.3 Receivables from clients by degree of impairment

#### Receivables from clients by degree of impairment as at 31 December, 2019

MCZK	31/12/2019 Receivables from clients – gross	31/12/2019 Loss allowances	31/12/2019 Receivables from clients – net
Stage 1	50,600	-184	50,416
Stage 2	3,445	-74	3,371
Stage 3	988	-711	277
<b>Total</b>	<b>55,033</b>	<b>-969</b>	<b>54,064</b>

#### Receivables from clients by degree of impairment as at 31 December, 2018

MCZK	31/12/2018 Receivables from clients – gross	31/12/2018 Loss allowances	31/12/2018 Receivables from clients – net
Stage 1	45,363	-136	45,227
Stage 2	3,837	-69	3,768
Stage 3	1,172	-903	269
<b>Total</b>	<b>50,372</b>	<b>-1,108</b>	<b>49,264</b>

The amount of loss allowances for receivables from clients is described in more detail in Chapter 1.4.43.

### 1.4.7.4 Provided subordinated receivables from clients

As at the end of the reporting periods, Raiffeisen stavební spořitelna did not record any provided subordinated receivables from clients.

### 1.4.7.5 Consortium loans

As at the end of the reporting periods, Raiffeisen stavební spořitelna did not record any consortium loans.

## 1.4.8 DEBT SECURITIES

### 1.4.8.1 Debt securities by type

MCZK	31/12/2019	31/12/2018
Bonds issued by financial institutions	1,648	2,220
<b>Debt securities – net</b>	<b>1,648</b>	<b>2,220</b>

### 1.4.8.2 Debt securities by measurement categories

MCZK	31/12/2019	31/12/2018
At amortized cost	1,648	2,220
<b>Debt securities – net</b>	<b>1,648</b>	<b>2,220</b>

All debt securities as at 31 December, 2019 and 31 December, 2018 were valued at amortized costs as per IFRS 9.

### 1.4.8.3 Debt securities at amortized cost

#### Debt securities at amortized cost as at 31/12/2019

MCZK	Stage 1	Stage 2	Stage 3	Other	Total
Gross amount	1,648	0	0	0	1,648
Loss allowances	0	0	0	0	0
<b>Debt securities – net</b>	<b>1,648</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,648</b>

#### Debt securities at amortized cost as at 31/12/2018

MCZK	Stage 1	Stage 2	Stage 3	Other	Total
Gross amount	2,220	0	0	0	2,220
Loss allowances	0	0	0	0	0
<b>Debt securities – net</b>	<b>2,220</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,220</b>

### 1.4.8.4 Analysis of debt securities measured at amortized cost

MCZK	31/12/2019	31/12/2018
Listed on a Czech stock exchange	435	436
Listed on another securities market	1,213	1,784
Unlisted	0	0
<b>Issued by financial institutions</b>	<b>1,648</b>	<b>2,220</b>
<b>Debt securities – net</b>	<b>1,648</b>	<b>2,220</b>

### 1.4.8.5 Debt securities as collateral provided under repurchase agreements

As at the end of the accounting periods, Raiffeisen stavební spořitelna recorded no securities as collateral provided under repurchase agreements.

## 1.4.9 SHARES, UNITS AND OTHER PARTICIPATION INTERESTS

As at the end of the reporting periods, Raiffeisen stavební spořitelna did not record any shares, units or other participation interests.

## 1.4.10 PARTICIPATION INTERESTS WITH CONTROLLING AND SUBSTANTIAL INFLUENCE

### 1.4.10.1 Participation interests with controlling influence

#### Participation interests with controlling influence as at 31 December, 2019

MCZK	Registered office	Business objects	Registered capital	Other equity components	Share in registered capital	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	98	100%	100%	257

#### Participation interests with controlling influence as at 31 December, 2018

MCZK	Registered office	Business objects	Registered capital	Other equity components	Share in registered capital	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	92	100%	100%	257

### 1.4.10.2 Participation interests with substantial influence

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

### 1.4.10.3 Information on controlled entities by individual Member States and non-Member States

MCZK	31/12/2019	31/12/2018
Turnover	45	44
Number of workers (full-time equivalent)	3	3
Pre-tax profit or loss	13	10
Corporate income tax	2	2
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.

## 1.4.11 INTANGIBLE FIXED ASSETS

### 1.4.11.1 Changes in intangible fixed assets

#### Changes in intangible fixed assets in 2019

MCZK	Status as at 31/12/2018	Additions	Disposals	Status as at 31/12/2019	Accumulated amortization	Net book value in 2019	Depreciation in 2019
Software	735	72	0	807	-616	191	-47
Other intangible assets	22	6	0	28	-21	7	-4
Intangible assets not in use	19	76	78	17	0	17	0
<b>Intangible fixed assets</b>	<b>776</b>	<b>154</b>	<b>78</b>	<b>852</b>	<b>-637</b>	<b>215</b>	<b>-51</b>

#### Changes in intangible fixed assets in 2018

MCZK	Status as at 31/12/2017	Additions	Disposals	Status as at 31/12/2018	Accumulated amortization	Net book value in 2018	Depreciation in 2018
Software	656	79	0	735	-570	165	-37
Other intangible assets	21	1	0	22	-17	5	-2
Intangible assets not in use	32	67	80	19	0	19	0
<b>Intangible fixed assets</b>	<b>709</b>	<b>147</b>	<b>80</b>	<b>776</b>	<b>-587</b>	<b>189</b>	<b>-39</b>

#### Net book value of intangible fixed assets

MCZK	31/12/2019	31/12/2018
Software	191	165
Other intangible assets	7	5
Intangible assets not in use	17	19
<b>Intangible fixed assets – net</b>	<b>215</b>	<b>189</b>

## 1.4.12 TANGIBLE FIXED ASSETS

### 1.4.12.1 Changes in tangible fixed assets

#### Changes in tangible fixed assets in 2019

MCZK	Status as at 31/12/2018	Additions	Disposals	Status as at 31/12/2019	Accumulated amortization	Net book value in 2019	Depreciation in 2019
Land and buildings for operating activities	37	346	0	383	-41	342	-28
Of that: right of use	0	346	0	346	-26	320	-26
Operating tangible assets	127	6	14	119	-105	14	-8
Non-operating tangible assets	5	0	0	5	0	5	0
Tangible assets not in use	0	16	6	10	0	10	0
<b>Tangible fixed assets</b>	<b>169</b>	<b>368</b>	<b>20</b>	<b>517</b>	<b>-146</b>	<b>371</b>	<b>-36</b>

The difference of CZK 346 million between disposals and additions of assets is due to the transition to IFRS 16 (the right to use leased assets). As at 1 January, 2019, the additions due to the transition to IFRS 16 were CZK 342 million.

**Changes in tangible fixed assets in 2018**

MCZK	Status as at 31/12/2017	Additions	Disposals	Status as at 31/12/2018	Accumulated amortization	Net book value in 2018	Depreciation in 2018
Land and buildings for operating activities	37	0	0	37	-13	24	-1
Operating tangible assets	126	3	2	127	-111	16	-10
Non-operating tangible assets	5	0	0	5	0	5	0
Tangible assets not in use	1	2	3	0	0	0	0
<b>Tangible fixed assets</b>	<b>169</b>	<b>5</b>	<b>5</b>	<b>169</b>	<b>-124</b>	<b>45</b>	<b>-11</b>

**Net book value of tangible fixed assets**

MCZK	31/12/2019	31/12/2018
Land and buildings for operating activities	342	24
Of that: right of use	320	0
Operating tangible assets	14	16
Non-operating tangible assets	5	5
Tangible assets not in use	10	0
<b>Tangible fixed assets – net</b>	<b>371</b>	<b>45</b>

As of 1 January, 2019, based on the implementation of the new IFRS 16 and the abolition of the IAS 17, Raiffeisen stavební spořitelna as a lessee recognizes right-of-use assets (i.e. except where the lease term is up to 12 months or the underlying asset has a low acquisition cost) under “Tangible fixed assets” and the related lease liabilities under “Other liabilities” in the balance sheet. For details see the following chapters of the financial statement:

- 1.4.2.1.17 Financial leasing from the lessee’s perspective – methods applicable since 1/1/2019,
- 1.4.12.1 Changes in tangible fixed assets (right-of-use assets),
- 1.4.12.2 Tangible fixed assets acquired under leasing contracts – since 1/1/2019 as per IFRS 16,
- 1.4.17 Other liabilities (lease liabilities),
- 1.4.32 Net interest income (interest expense on lease liabilities)
- 1.4.43.3.3 Estimated remaining maturity (estimated remaining maturity of lease liabilities).

**1.4.12.2 Tangible fixed assets acquired under leasing contracts – since 1/1/2019 as per IFRS 16**

Raiffeisen stavební spořitelna primarily rents the building for its headquarters. Leases are concluded for an indefinite period, with a notice period of 3–12 months.

Some leases include additional rental payments related to the development of the inflation rate in the coming years. The inflation clause has not yet been applied to any of the lease contracts.

**1.4.12.3 Tangible fixed assets acquired under financial leasing contracts – until 31/12/2018 as per IAS 17**

Raiffeisen stavební spořitelna used no assets acquired through financial leasing before 31 December, 2018.

**1.4.13 OTHER ASSETS**

MCZK	31/12/2019	31/12/2018
Estimated receivables – government premiums	706	656
Estimated receivables	3	3
Operating advances paid	1	7
Sundry debtors	5	5
Loss allowances for receivables	-4	-4
<b>Total other assets</b>	<b>711</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 AND COOPERATIVE SAVINGS ASSOCIATIONS**

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

## 1.4.15 PAYABLES TO CLIENTS

### 1.4.15.1 Payables to clients by type

MCZK	31/12/2019	31/12/2018
<b>Building savings deposits by natural persons</b>	<b>64,415</b>	<b>62,282</b>
Of that: savings accounts on demand	7,866	8,164
building savings deposits with fixed maturity	34,520	32,635
building savings notice deposits	22,029	21,483
<b>Building savings deposits by legal entities</b>	<b>510</b>	<b>531</b>
Of that: savings accounts on demand	46	57
building savings deposits with fixed maturity	48	50
building savings notice deposits	416	424
<b>Other</b>	<b>837</b>	<b>823</b>
<b>Total payables to clients</b>	<b>65,762</b>	<b>63,636</b>

As at 31 December, 2019, "Other" includes in particular uncredited state support for building savings clients worth CZK 706 million (as at 31 December, 2018: CZK 657 million).

### 1.4.15.2 Payables to clients by sector – residents

MCZK	31/12/2019	31/12/2018
Non-financial institutions	384	402
Government institutions	126	129
Households	64,415	62,282
Other	837	823
<b>Total payables to clients</b>	<b>65,762</b>	<b>63,636</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.

## 1.4.16 PAYABLES FROM DEBT SECURITIES

As at the end of the reported accounting periods, Raiffeisen stavební spořitelna recorded no payables from debt securities.

## 1.4.17 OTHER LIABILITIES

MCZK	31/12/2019	31/12/2018
Estimated payables	79	87
Clearing accounts for the Czech National Bank	171	279
Clearing accounts for employees	12	11
Clearing accounts for the social security authorities	7	6
Clearing accounts for the state budget	140	114
Sundry creditors	259	61
Of that: leasing liabilities	189	0
Deferred tax liability	14	13
<b>Total other liabilities</b>	<b>682</b>	<b>571</b>

"Estimated payables" include in particular CZK 52 million worth of estimated payables in the form of interest bonuses for building savings clients (in 2018: CZK 63 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 amounting to CZK 104 million (in 2018: CZK 103 million) and settlement of the corporate income tax amounting to CZK 32 million (in 2018: CZK 0 million).

"Sundry creditors" include leasing liabilities and also mainly liabilities arising from commissions to financial advisors and other liabilities to suppliers to be paid in the following accounting period.

The leasing liabilities of CZK 189 million as at 31 December, 2019 represent leasing liabilities under IFRS 16. The remaining maturity of these liabilities as at 31 December, 2019 is: CZK 3 million up to 3 months, CZK 10 million 3–12 months, CZK 57 million 1–5 years and CZK 119 million more than 5 years.

## 1.4.18 PROVISIONS

### 1.4.18.1 Provisions for taxes

As at the end of the reported accounting periods, Raiffeisen stavební spořitelna recorded no provisions for taxes.

### 1.4.18.2 Other provisions

#### Creation and use of provisions in 2019

MCZK	Status as at 31/12/2018	Created	Used	Released	Status as at 31/12/2019
Provisions for litigations	6	5	-2	-1	8
Provisions for loan commitments	8	6	0	-6	8
Other provisions	6	37	-33	-1	9
<b>Total</b>	<b>20</b>	<b>48</b>	<b>-35</b>	<b>-8</b>	<b>25</b>

#### Creation and use of provisions in 2018

MCZK	Status as at 1/1/2018	IFRS 9 effect as at 1/1/2018	Created	Used	Released	Status as at 31/12/2018
Provisions for litigations	8	0	14	-15	-1	6
Provisions for loan commitments	0	7	7	0	-6	8
Other provisions	5	0	35	-30	-4	6
<b>Total</b>	<b>13</b>	<b>7</b>	<b>56</b>	<b>-45</b>	<b>-11</b>	<b>20</b>

Since 2016 "Other provisions" have included provisions for contributions to the Financial Market Guarantee System. Out of a provision of CZK 34 million created in 2019, CZK 33 million were used in the same year. Out of a provision of CZK 32 million created in 2018, CZK 29 million were used in the same year.

## 1.4.19 SUBORDINATED LIABILITIES

MCZK	2019	2018
Subordinate loans	302	0
<b>Subordinated liabilities</b>	<b>302</b>	<b>0</b>

As at 31 December, 2019, Raiffeisen stavební spořitelna recognizes a subordinate loan subject to the following conditions: the nominal value of the subordinate loan is CZK 300 million, the loan is due in November 2029, the interest rate is 5% p.a., interest is paid annually, no call option. The remaining maturity as at 31 December, 2019 is: CZK 2 million 3–12 months, CZK 300 million more than 5 years.

Purpose of the loan: The loan must be used by the debtor as a subordinate loan constituting a capital instrument in accordance with Article 62(a) of (EU) Regulation No. 575/2013, on prudential requirements for credit institutions and investment firms, amending (EU) Regulation No. 648/2012, as amended (CRR), so that the debtor can meet the relevant capital requirements in accordance with the CRR.

Conditions of subordination:

- All creditor's receivables under the loan will always be unsecured; and
- In the event of the winding-up or bankruptcy of the bank, all of the creditor's receivables under this contract will be subordinated to the receivables of the bank's other creditors; and
- It is available to cover operating losses as well as for the event of bankruptcy or liquidation; and
- It is not exercised or redeemed by the bank prior to maturity except in cases where the loan is converted into shares, which are included in the bank's registered capital, excluding the bank's cumulative preferred shares; and
- The bank converts the loan into shares that are included in the bank's registered capital if the bank's capital ratio falls below  $\frac{3}{4}$  of the statutory capital adequacy ratio (or any other ratio prescribed by the Czech National Bank) and if the shareholders refuse to make additional capital contributions within 90 days from the date when it is proved that the capital adequacy ratio has fallen below  $\frac{3}{4}$  of the level prescribed by law; and
- No amounts owed by the bank to the creditor under this contract shall be deemed to be creditor's deposits with the bank.



## 1.4.20 REGISTERED CAPITAL

### Composition of Raiffeisen stavební spořitelna shareholders as at 31 December, 2019

Title	Registered office	Relationship to the Bank	Number of shares (units)	Share in registered capital (in %)	Type of share	Nominal share value
Raiffeisen Bausparkassen Holding GmbH	Austria	Controlling company	5,580	90%	Ordinary	CZK 100,000
Raiffeisenbank a.s.	Czech Republic	Related party	650	10%	Ordinary	CZK 100,000
<b>Total</b>			<b>6,500</b>	<b>100%</b>	<b>Ordinary</b>	<b>CZK 100,000</b>

### Composition of Raiffeisen stavební spořitelna shareholders as at 31 December, 2018

Title	Registered office	Relationship to the Bank	Number of shares (units)	Share in registered capital (in %)	Type of share	Nominal share value
Raiffeisen Bausparkassen Holding GmbH	Austria	Controlling company	5,580	90%	Ordinary	CZK 100,000
Raiffeisenbank a.s.	Czech Republic	Related party	650	10%	Ordinary	CZK 100,000
<b>Total</b>			<b>6,500</b>	<b>100%</b>	<b>Ordinary</b>	<b>CZK 100,000</b>

The share in the registered capital is equal to the share in voting rights.

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

Raiffeisen stavební spořitelna issued no shares in the reported periods.

## 1.4.21 GAINS (LOSSES) FROM REVALUATION

As at 31 December, 2019, or 31 December, 2018, Raiffeisen stavební spořitelna reported no gains (losses) from revaluation of assets and liabilities.

## 1.4.22 USE OF PROFIT OR SETTLEMENT OF LOSS FROM PREVIOUS ACCOUNTING PERIODS

MCZK	Retained earnings	Accumulated losses from previous years	Reserve fund	Voluntary reserve fund	Other funds from profit
Balance as at 31 December, 2018	0	-160	130	3,632	8
Profit/loss in 2018	516	0	0	0	0
Allocations to funds from profit	-216	0	0	216	0
Other use of funds from profit	0	0	0	0	0
Other use of earnings	0	0	0	0	0
Share in profit	-300	0	0	0	0
Royalties	0	0	0	0	0
<b>Balance as at 31 December, 2019</b>	<b>0</b>	<b>-160</b>	<b>130</b>	<b>3,848</b>	<b>8</b>

## 1.4.23 PROPOSAL FOR USE OF PROFIT OR SETTLEMENT OF LOSS FROM THE CURRENT ACCOUNTING PERIOD

MCZK	Retained earnings	Accumulated losses from previous years	Reserve fund	Voluntary reserve fund	Other funds from profit
Balance as at 31 December, 2019	0	-160	130	3,848	8
Profit/loss in 2019	536	0	0	0	0
Allocations to funds from profit	-76	0	0	76	0
Other use of funds from profit	0	0	0	0	0
Other use of earnings	-160	160	0	0	0
Share in profit	-300	0	0	0	0
Royalties	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>130</b>	<b>3,924</b>	<b>8</b>

#### 1.4.24 COMMITMENTS AND GUARANTEES ISSUED, RECEIVABLES WRITTEN-OFF

“Commitments and guarantees issued” 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.

#### 1.4.25 RECEIVABLES AND PAYABLES FROM FIXED-TERM TRANSACTIONS AND OPTION TRANSACTIONS

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

#### 1.4.26 VALUES PLACED INTO CUSTODY, ADMINISTRATION AND DEPOSIT

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

#### 1.4.27 VALUES PLACED UNDER MANAGEMENT

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

#### 1.4.28 COMMITMENTS AND GUARANTEES RECEIVED

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

#### 1.4.29 COLLATERALS AND PLEDGES RECEIVED

MCZK	31/12/2019	31/12/2018
Real property pledges	28,807	24,497
Cash collaterals	5,269	4,883
Collaterals – securities	4,368	2,085
<b>Collaterals and pledges received</b>	<b>38,444</b>	<b>31,465</b>

“Collaterals and pledges received” include immovable and financial collaterals received in respect of bridge loans, building savings loans and commercial loans and state zero coupon bonds and other securities acquired through reverse repurchase agreements.

#### 1.4.30 VALUES TAKEN INTO CUSTODY, ADMINISTRATION AND DEPOSIT

Raiffeisen stavební spořitelna accepts into custody only blank bills of exchange in connection with loans granted to legal entities.

#### 1.4.31 VALUES TAKEN UNDER MANAGEMENT

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

#### 1.4.32 NET INTEREST INCOME

MCZK	2019	2018
Interest income from loans granted	1,587	1,485
Interest income from interbank transactions	43	38
Interest income from securities	274	311
<b>Interest income and similar income</b>	<b>1,904</b>	<b>1,834</b>
Interest expense on client deposits	-855	-841
Interest expense on leasing liabilities	-6	0
Interest expense on subordinate loan received	-2	0
<b>Interest expense and similar expense</b>	<b>-863</b>	<b>-841</b>
<b>Net interest income</b>	<b>1,041</b>	<b>993</b>

Raiffeisen stavební spořitelna does not claim interest on late payments in defaulted loans prior to repayment. As at 31 December, 2019, the value of unclaimed interest was CZK 238 million (in 2018: CZK 366 million). All interest income is calculated at the effective interest rate and only relates to financial assets and liabilities at amortized cost.

**1.4.33 FEE AND COMMISSION INCOME AND EXPENSE**

MCZK	2019	2018
Fee income from building savings	201	195
Fee income from loans	63	75
Other income	72	59
<b>Fee and commission income</b>	<b>336</b>	<b>329</b>
Fee expense	-2	-4
Commission expense	-89	-75
Other expense	-1	-2
<b>Fee and commission expense</b>	<b>-92</b>	<b>-81</b>
<b>Gain or loss from fees and commissions</b>	<b>244</b>	<b>248</b>

**1.4.34 GAIN OR LOSS FROM FINANCIAL OPERATIONS**

MCZK	2019	2018
Exchange rate gain or loss	-1	-1
Gain or loss from the sale of securities	-1	0
<b>Gain or loss from financial operations</b>	<b>-2</b>	<b>-1</b>

**1.4.35 OTHER OPERATING INCOME AND EXPENSES**

MCZK	2019	2018
Gains from the transfer of assets	1	1
Other (e.g. lease)	6	4
<b>Other operating income</b>	<b>7</b>	<b>5</b>
Contributions to the Financial Market Guarantee System	-33	-32
Expenses on the transfer of assets	0	-1
Other	0	-16
<b>Other operating expenses</b>	<b>-33</b>	<b>-49</b>
<b>Gain or loss from other operating income or expenses</b>	<b>-26</b>	<b>-44</b>

**1.4.36 ADMINISTRATIVE EXPENSES****1.4.36.1 Employee expenses**

MCZK	2019	2018
Salaries and remuneration paid to Members of the Board of Directors	-19	-17
Remuneration paid to Members of the Supervisory Board	-1	-1
Salaries and remuneration paid to other executives	-28	-28
Salaries and remuneration paid to other employees	-146	-137
Social security and health insurance	-62	-58
Other employee expenses	-17	-12
<b>Employee expenses</b>	<b>-273</b>	<b>-253</b>

As at 31 December, 2019 or as at 31 December, 2018, the Bank reported no pension liabilities incurred or contracted by former members of the management and supervisory bodies.

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

**Average number of employees and members of the Board of Directors and the Supervisory Board**

	2019	2018
Employees	268	262
Board of Directors	3	3
Supervisory Board	4	4
Other managers	16	16

**1.4.36.2 Other administrative expenses**

MCZK	2019	2018
Information technology	-37	-35
Rent and associated expenses	-10	-38
Advertising and marketing	-56	-62
Audit, legal and tax advisory	-3	-3
Other	-75	-84
<b>Other administrative expenses</b>	<b>-181</b>	<b>-222</b>

The year-on-year decrease in "Rent and associated expenses", which predominantly includes rental of the Bank's headquarters, is mainly due to the application of the new International Accounting Standard IFRS 16 as of 1 January, 2019 and the abolition of the International Accounting Standard IAS 17. Raiffeisen stavební spořitelna as a lessee recognizes right-of-use assets, except where the lease term is up to 12 months or the underlying asset has a low acquisition cost. For this reason, "Rent and associated expenses" for 2018 show rent expenses of CZK 29 million qualifying for operational leasing as per IAS 17. For 2019, these expenses are not recognized because as of 1 January, 2019, the Bank recognizes right-of-use assets which are depreciated, as well as leasing liabilities for which interest expenses are recognized.

As at the end of the reporting period, Raiffeisen stavební spořitelna does not register any short-term leases or leases of low acquisition value.

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

MCZK excluding VAT	2019	2018
Audit	1.0	1.2
Other verification services	0.3	0.4
Tax advisory	0.3	0.2
Consultancy services and seminars by KPMG companies	0.0	0.9
<b>Total</b>	<b>1.6</b>	<b>2.7</b>

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

MCZK excluding VAT	2019	2018
Audit	0.1	0.1
Tax advisory	0.2	0.1
<b>Total</b>	<b>0.3</b>	<b>0.2</b>

**1.4.37 RELEASE OF LOSS ALLOWANCES AND PROVISIONS FOR RECEIVABLES AND GUARANTEES, INCOME FROM WRITTEN-OFF RECEIVABLES**

MCZK	2019	2018
Release of unneeded loss allowances for receivables from clients	262	247
Release of unneeded loss allowances for other receivables	0	1
Release of unneeded provisions for losses from loans and guarantees	7	6
Income from receivables written off	12	5
<b>Total</b>	<b>281</b>	<b>259</b>

**1.4.38 WRITE-OFFS, CREATION AND USE OF LOSS ALLOWANCES AND PROVISIONS FOR RECEIVABLES AND GUARANTEES**

MCZK	2019	2018
Write-off of receivables	-161	-41
Creation of loss allowances for receivables from clients	-322	-285
Creation of loss allowances for other receivables	-1	-1
Creation of provisions for losses from loans and guarantees	-6	-7
Use of loss allowances for receivables from clients	200	79
Use of loss allowances for other receivables	0	1
Loss from transfer of receivables	-40	-40
<b>Total</b>	<b>-330</b>	<b>-294</b>

**1.4.39 INCOME TAX AND DEFERRED TAX LIABILITY/ASSET****1.4.39.1 Income tax**

MCZK	2019	2018
Tax payable for the current accounting period	-130	-106
Deferred tax	-1	-21
<b>Total</b>	<b>-131</b>	<b>-127</b>

**1.4.39.2 Tax payable for the current accounting period**

MCZK	2019	2018
Pre-tax profit or loss for current year	667	643
Non-taxable income	-96	-193
Non-tax-deductible expenses	112	110
<b>Total</b>	<b>683</b>	<b>560</b>
<b>Tax calculated using a 19% rate (2018: 19%)</b>	<b>-130</b>	<b>-106</b>

**1.4.39.3 Deferred tax liability/asset**

MCZK	2019	2018
Other	4	2
<b>Deferred tax assets</b>	<b>4</b>	<b>2</b>
Asset book and tax value difference	-18	-15
<b>Deferred tax liabilities</b>	<b>-18</b>	<b>-15</b>
<b>Deferred tax liability or asset</b>	<b>-14</b>	<b>-13</b>
Tax rate	19%	19%
Deferred tax recognized through profit and loss	-14	-13
Deferred tax recognized through equity	0	0

**1.4.40 INCOME AND EXPENSES BY GEOGRAPHICAL MARKETS**

With the exception of CZK 30 million worth of interest income from securities (2018: CZK 26 million), all income and expenses listed above are realized in the Czech Republic.

**1.4.41 TRANSACTIONS WITH, RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES****1.4.41.1 Transactions with related parties – income and expenses**

MCZK	2019	2018
Interest income	10	10
Interest expense	-8	0
Income from shares and participation interests	5	5
Fee and commission income	16	0
Fee and commission expense	-1	-2
Administrative expenses	-15	-44
Other operating income	1	1

The “Administrative expenses” in 2018 included rent expenses for the rented building. Due to the transition to IFRS 16, rent expenses are no longer recognized under this item as of 1 January, 2019.

**1.4.41.2 Transactions with related parties – receivables and payables**

MCZK	31/12/2019	31/12/2018
Receivables from banks	4	4
Debt securities	1,008	1,008
Other assets	2	0
Pre-paid expenses and accrued revenues	0	144
Other liabilities	184	1
Subordinated liabilities	302	0

“Other liabilities” include liabilities of CZK 183 million arising from leased assets (in 2018: CZK 0 million). The remaining maturity of these liabilities as at 31 December, 2019 is: CZK 3 million up to 3 months, CZK 9 million 3–12 months, CZK 52 million 1–5 years and CZK 119 million more than 5 years.

**1.4.41.3 Receivables from companies in which the Bank has controlling or substantial influence and income and expenses from transactions with participation interests with controlling influence**

Raiffeisen stavební spořitelna is a tenant in an administrative building owned by KONEVOVA s.r.o.; the majority of items in the following tables arise from this contractual relationship. Receivables as at 31 December, 2018 include prepaid rentals for the KONEVOVA administrative building. The receivable was derecognized as at 1 January, 2019 in connection with the transition to IFRS 16. More detailed information on the transition to IFRS 16 is provided in Chapters 1.4.3.1.1, 1.4.12.1 and 1.4.12.2.

**Receivables from companies in which the Bank has controlling influence**

MCZK	KONEVOVA s.r.o. (controlling influence)
As at 1/1/2018	155
Additions	0
Disposals	-11
<b>As at 31/12/2018</b>	<b>144</b>
Transition to IFRS 16	-144
As at 1/1/2019	0
Additions	0
Disposals	0
<b>As at 31/12/2019</b>	<b>0</b>

**Income and expenses from transactions with participation interests with controlling influence**

MCZK	2019	2018
Income from dividends	5	5
Other operating income	1	1
Interest expense on leasing liabilities	-6	0
Other administrative expenses	-10	-39

**1.4.41.4 Receivables from individuals with a special relationship to the Bank**

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

MCZK	Administration bodies	Management bodies	Supervisory bodies	Other	Total
As at 31/12/2019	0	0	0	3	3
As at 31/12/2018	0	0	0	0	0

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 periods.

**Terms of 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
As at 31/12/2019	0	-	-	0	0	0
As at 31/12/2018	3	3.5 %	Lien on insured real property	3	0	0

The above loans were granted under standard market conditions.

**1.4.41.5 Payables to companies in which the Bank has controlling or substantial influence**

As at 31 December, 2019, Raiffeisen stavební spořitelna recorded payables of CZK 183 million arising from leasing liabilities towards a company in which it had controlling influence. As at 31 December, 2018, Raiffeisen stavební spořitelna recorded no payables to companies in which it had controlling or substantial influence.

**1.4.41.6 Payables to individuals with a special relationship to the Bank**

MCZK	Administration bodies	Management bodies	Supervisory bodies	Other	Total
As at 31/12/2019	0	3	0	5	8
As at 31/12/2018	0	4	0	5	9

All payables to persons with a special relationship to the Bank arise from building savings products concluded by such persons with Raiffeisen stavební spořitelna.

**1.4.41.7 Guarantees issued to persons with a special relationship to the Bank**

Raiffeisen stavební spořitelna granted no guarantees to individuals with a special relationship to the Bank.

**1.4.41.8 Guarantees issued to companies in which the Bank has controlling or substantial influence**

Raiffeisen stavební spořitelna issued no guarantees to companies in which it had controlling or substantial influence in the reported periods.

### 1.4.41.9 Guarantees received from companies in which the Bank has controlling or substantial influence

Raiffeisen stavební spořitelna received no guarantees from companies in which it had controlling or substantial influence in the reporting periods.

### 1.4.42 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December, 2019, and 31 December, 2018, Raiffeisen stavební spořitelna classified all financial assets and financial liabilities at amortized cost.

### 1.4.43 RISK MANAGEMENT

#### 1.4.43.1 Introduction

The risk management strategy is in line with other strategies of Raiffeisen stavební spořitelna. The risk management strategy responds to these strategies in a timely manner to identify risks arising from new business activities, operations and processes to keep these risks at an acceptable level. The strategic risk management documents cover the credit risk management strategy, the market risk management strategy, the liquidity management strategy and the operational risk management strategy.

The risk that Raiffeisen stavební spořitelna is willing to undertake in pursuing its business and enforcing its goals and plans is quantified through risk appetite. The risk appetite of Raiffeisen stavební spořitelna is reflected in a system of limits. The acceptable level of credit risk is reflected in the setting of criteria and conditions for the provision of credit products and the execution of transactions, as well as in the credit processes, the credit risk system and limits, while taking into account other risks.

#### 1.4.43.1.1 Risk management system

The Board of Directors of Raiffeisen stavební spořitelna has overall responsibility for establishing and supervising a risk management system. The Board of Directors has set up the following advisory bodies to define and supervise risk management principles and methods:

- Assets and Liabilities Committee (ALCO)
- Operational Risk Management Committee (ORCO)
- Credit Risk Management Committee (CRCO)

Risk management principles and methods are used to:

- Identify and analyze the risks that Raiffeisen stavební spořitelna is exposed to;
- Set appropriate limits and controls;
- Monitor risks and comply with the appropriate limits.

Risk management principles and methods are regularly reviewed to reflect changes in market conditions and activities pursued by Raiffeisen stavební spořitelna. The goal of Raiffeisen stavební spořitelna is to create a control environment in which all employees understand their roles and responsibilities, with the help of training and management and setting of standards and methodologies.

The Audit Committee of Raiffeisen stavební spořitelna supervises how the company's management monitors compliance with the risk management principles, methods and rules and controls the adequacy of the risk management system in relation to the risks that Raiffeisen stavební spořitelna is exposed to. In this role, the Audit Committee uses the assistance of Raiffeisen stavební spořitelna's internal audit department. The internal audit department performs both regular and ad hoc audits of risk management controls and procedures, and the results are then presented to the Audit Committee and the Board of Directors.

#### 1.4.43.2 Credit risk

Credit risk is a risk of loss arising from the failure (default) of the counterparty (debtor) to meet its obligations under the terms of the contract based on which the bank became the creditor, causing loss to the holder of the receivable (creditor). These liabilities arise from lending activities, trading and investment activities, payment transactions and settlement of securities in trading on own account or somebody else's behalf (i.e. when acting as an agent on behalf of clients).

#### 1.4.43.2.1 Settlement risk in trading on financial markets

The following transactions are subject to settlement risk:

- Deposit operations on the interbank market in CZK;
- Bond trading on Raiffeisen stavební spořitelna's own account:
  - Trading in bonds issued by the Czech Republic, guaranteed by the Czech Republic or issued by the Czech National Bank on Raiffeisen stavební spořitelna's own account;
  - Trading in mortgage bonds and similar products issued by the member states of the Organization for Economic Cooperation and Development;
  - Trading in other bonds pursuant to S. 9(1)(f) of the Building Savings Act.

Raiffeisen stavební spořitelna reduces this risk for certain types of transactions by the use of settlement/clearing agents. This ensures that the transaction is settled only when both parties fulfil their contractual obligations. Settlement limits form part of the credit approval process and subsequent credit risk monitoring and evaluation.

#### 1.4.43.2.2 Credit risk management

The Board of Directors of Raiffeisen stavební spořitelna has established a Credit Risk Management Committee as an advisory body for credit risk management and supervision.

Credit risk management is governed by the following rules and principles:

- Credit risk management is fully in line with legislation requirements, parent company regulations, BCBS standards and EBA guidelines;
- Credit risk management is fully in line with the risk appetite of Raiffeisen stavební spořitelna, so it is carried out in compliance with the regulatory, RBI and internal credit risk limits.

In managing credit risk, Raiffeisen stavební spořitelna uses in particular the following methods:

- Analysis of the contracting party's creditworthiness and credibility, and/or investment plan;
- Scoring (natural persons), rating (legal entities);
- Use of collateral;
- Purpose checking;
- Cross-checks of the internal blacklist and publicly available registers;
- Mathematical and statistical models;
- Setting of limits;
- Quality analysis of the credit portfolio including time series;
- Monitoring of:
  - Credit risk exposure;
  - The contracting party's financial and economic standing;
  - Compliance with the terms of the contract;
  - Collateral value;
  - The contracting party's current situation/problems;
  - Adequacy of loss allowances and provisions;
- Forecasts of future development of important risk management indicators and individual limits;
- Periodic review of product input parameters;
- Regular review of processes and procedures based on the results of analyses.

**Raiffeisen stavební spořitelna also strives to limit concentration of credit risk** resulting from a significant concentration of exposures to a person or a group of persons where the likelihood of default is affected by a common risk factor (e.g. the same type of business activity, common market, country, region);

**Credit risk measurement** – credit risk at Raiffeisen stavební spořitelna is measured through:

- Assessment of loan portfolio quality;
- Evaluation of the success rate of the loan process;
- Evaluation of the effectiveness of recovery processes;
- Verification of adequate loss allowance creation;
- Stress testing.

#### 1.4.43.2.3 Collateral

Generally, Raiffeisen stavební spořitelna requires that certain creditors provide collateral when taking a loan. Raiffeisen stavební spořitelna considers the following types of collateral as eligible:

**Funded credit protection** (reduction of credit risk associated with exposure results from Raiffeisen stavební spořitelna's right to satisfy its receivable in the event of the debtor's default from the proceeds of collateral realization or by collateral appropriation):

- Financial collateral:
  - Pledged receivable – credit balance on own building savings contract;
  - Pledged receivable – credit balance on a third party's building savings contract;
- Real property;
- Other non-financial collateral – cash collateral with another bank, i.e. a lien on a receivable held by another bank.

**Unfunded credit protection** (a reduction in credit risk associated with exposure arises from a third party's obligation to pay Raiffeisen stavební spořitelna a certain amount in case of the debtor's default):

- Guarantees/surety.

Determination of the net realizable value of collateralized real property ensues from the real-property price estimate based on market principles and/or from internal evaluations prepared by the Credit Risk Management Department. The net realizable value of the collateral is then determined from such value by applying a correction coefficient which reflects the ability of Raiffeisen stavební spořitelna to realize the collateral if needed. Raiffeisen stavební spořitelna conducts regular revaluation of collaterals and correction coefficients.



#### 1.4.43.2.3.1 Types of collateral and conditions of eligibility for calculation of capital adequacy

**Financial collateral** – financial collateral in Raiffeisen stavební spořitelna includes in particular cash or cash instruments (hereinafter referred to as “cash collateral”) representing the liability of Raiffeisen stavební spořitelna, namely:

- Pledged receivable where the pledged asset is the credit balance on own building savings contract with Raiffeisen stavební spořitelna;
- Pledged receivable where the pledged asset is the credit balance on a third person’s building savings contract with Raiffeisen stavební spořitelna.

Cash collateral can be considered eligible if the following conditions are met:

- There is no material positive correlation between the creditworthiness of the creditor and the value of the cash collateral;
- All contractual and regulatory requirements regarding the recoverability of liabilities arising from cash collateral contracts in the respective jurisdiction are met;
- Contracts relating to the cash collateral are duly documented and contain a clear and thorough procedure for timely settlement of the claim;
- The cash collateral or part thereof is not transferred to a third party or encumbered with third party rights; this shall be without prejudice to the right to deposit the cash collateral or part thereof into the custody of or management with a third party, provided that such third party records it separately from its own assets;
- The remaining maturity of the cash collateral is at least equal to the remaining maturity of the exposure.

**Real property** – eligible real property collateral includes residential real property that is or will be occupied or rented for housing purposes by its owner.

Real property can be considered eligible if the following conditions are met:

- The value of the real property is not significantly dependent on the debtor’s creditworthiness (this is without prejudice to a situation where mere macroeconomic factors affect both the value of the real property and the debtor’s performance);
- The debtor’s risk is not significantly dependent on the operation of the real property or project, but rather on the debtor’s ability to repay debt from other sources;
- The collateral is legally effective and enforceable in all jurisdictions relevant at the time of conclusion of the loan agreement; in particular, the agreement on the establishment of a lien on the real property qualifies for a fully enforceable lien. This lien is duly and timely registered and all legal requirements for the creation of lien are met;
- Regular monitoring of the value/revaluation of real property:
  - At least every 12 months in the case of residential real property;
  - More frequent monitoring/revaluation is conducted upon significant changes in market conditions;
  - Raiffeisen stavební spořitelna uses statistical methods to monitor/revise real property values and to identify real property needing revaluation;
  - If there is a reason to believe that the real property value may have been significantly reduced compared to general market values, the real property value is reviewed by an independent appraiser. An independent appraiser can be considered a person who possesses the necessary qualifications, ability and experience in real property appraisal, is not involved in the loan-granting process and is independent of it;
- Raiffeisen stavební spořitelna has well documented definitions of the types of real property it accepts as collateral, as well as policies and procedures for provision of loans secured by such collateral;
- The real property accepted as collateral is duly insured against damage.

**Other funded credit protection** – cash collateral with another bank may be eligible if the following conditions are met:

- The collateral provider is sufficiently reliable to provide reasonable assurance that the level of credit risk reduction achieved corresponds to the extent to which that reduction is recognized and taken into account in the calculation of the capital ratio;
- The debtor’s claim to the third party’s cash payment is pledged in favour of Raiffeisen stavební spořitelna and this pledge is legally effective and enforceable in all applicable jurisdictions;
- The cash collateral is the property of the debtor or co-debtor (including the debtor’s spouse in case of estate in entirety);
- The third person is notified of the pledge;
- As a result of the notification, the third party provides performance exclusively for the benefit of Raiffeisen stavební spořitelna or other persons with the consent of Raiffeisen stavební spořitelna;
- The lien is unconditional and irrevocable.

#### 1.4.43.2.4 Debt recovery

Raiffeisen stavební spořitelna has a Recovery Unit that manages receivables the recoverability of which is at risk. This department takes legal steps in order to achieve maximum recoverability, including realization of collateral and representation of Raiffeisen stavební spořitelna on creditors’ committees in the event of bankruptcy proceedings involving debtors.

#### 1.4.43.2.5 Expected credit losses

Raiffeisen stavební spořitelna classifies financial instruments into three groups:

- Non-defaulted financial instruments without a significant increase in credit risk (“Stage 1”);
- Non-defaulted financial instruments with a significant increase in credit risk (“Stage 2”);
- Defaulted financial instruments (“Stage 3”).

For Stage 1 financial instruments, loss allowances are calculated at 12-month expected credit losses, and for Stage 2 and Stage 3 financial instruments, loss allowances are calculated at lifetime expected credit losses.

#### 1.4.43.2.5.1 Significant increase in credit risk

In determining whether the risk of default arising from a financial instrument has increased significantly since initial recognition, Raiffeisen stavební spořitelna assesses reasonable and verifiable information that is available without unreasonable cost or effort. This includes quantitative and qualitative information and analyses based on the historical experience of Raiffeisen stavební spořitelna and expert credit assessment, including forward-looking information.

The objective of this assessment is to identify whether there has been a significant increase in credit risk for a given credit exposure. The quantitative assessment component is based on a comparison of the probability of default (PD) for the remaining maturity determined as at the balance-sheet date with the probability of default (PD) for the remaining maturity determined for the balance-sheet date as at the date of initial recognition.

The qualitative assessment component takes into account the following information:

- Number of past-due days exceeding 30 (including delinquency in relation to compulsory regular savings deposits for bridge loans);
- Significant increase in credit risk of the same client's other exposures;
- Minor credit fraud (serious frauds are classified as default – see the definition of default);
- Pending execution procedure related to building savings worth CZK 20,000+ in total;
- Other comprehensive information that can be obtained without unreasonable cost or effort (credit use for a different purpose than contractually agreed, etc.).

The calculation of expected credit losses for non-retail financial instruments at Stages 1 and 2 is carried out by the parent company, Raiffeisen Bank International. Expected credit losses for retail financial instruments at Stages 1, 2, and 3, and for non-retail financial instruments at Stage 3 are calculated by Raiffeisen stavební spořitelna.

Due to the absence of a local rating system, the quantitative component is applied to non-retail financial instruments (the rating is obtained using the parent company's rating systems), with the PD change threshold set at 250%.

The qualitative component is applied to assess a significant increase in credit risk for retail financial assets.

#### Development of the probability of default (PD) curve

Credit risk rating grades are an essential input in developing the PD curve for credit exposure in relation to time. Raiffeisen stavební spořitelna collects information about performance and defaults relating to its credit exposures and analyzes this information from different perspectives.

Raiffeisen stavební spořitelna uses statistical models to analyze the acquired data and to create PD curves and their evolution over the remaining maturity of the given exposures (time structures) and to determine expected changes to these curves over time.

This analysis involves identification and calibration of correlation between changes in default rates and changes in key macroeconomic factors on the one hand and the risk of default on the other hand. Key macroeconomic indicators include in particular gross domestic product, unemployment rate, inflation rate, market interest rates and increase in real property prices (the last-mentioned primarily for LGD).

For non-retail credit exposures, PD curves are estimated by individual rating grades. For retail credit exposures, for the reasons given in the previous chapter, PD curves are estimated for each grade and the segmentation is based on the nature of Raiffeisen stavební spořitelna's product (bridge loans secured by real property, bridge loans not secured by real property, construction loans).

Raiffeisen stavební spořitelna uses macroeconomic variable scenarios generated by the parent company (for details refer to Forward-looking information). These scenarios are then used in conjunction with macroeconomic models developed in-house to modify the probability of default estimates.

#### Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly include quantitative changes in the probability of default and qualitative factors including defined delinquency limits and other risk attributes of the exposures.

It is assumed that a significant increase in credit risk since the initial recognition for that exposure has occurred when the probability of default (PD) for the remaining period to maturity has increased by more than 250%.

On the basis of an expert opinion and relevant historical experience (where available), Raiffeisen stavební spořitelna is able to state that credit risk for the exposure has increased significantly, as indicated by selected qualitative indicators. The factors listed at the beginning of this chapter are taken into account in this process.

Raiffeisen stavební spořitelna therefore set the following limit: regardless of other facts, a significant increase in credit risk occurs when the asset is more than 30 days past due. Days past due are calculated in two ways:

- The number of days that have transpired from the earliest due date when the full payment was not received ("the RSTS DPD counter");
- The number of days that a material credit obligation is past due irrespective of its time structure ("the EBA DPD counter").

Raiffeisen stavební spořitelna monitors the efficacy of criteria used to identify a significant increase in credit risk through regular analyses and control measures, to confirm that:

- The criteria are capable of identifying a significant increase in credit risk sooner than the exposure defaults;
- The criteria are not tied to the particular moment in time when the asset becomes 30 days past due;
- There is no unjustified volatility of the loss allowances from the transfer between the twelve-month probability of default (Stage 1) and lifetime probability of default (Stage 2).

#### 1.4.43.2.5.2 Definition of default

Raiffeisen stavební spořitelna considers a debtor to be in default if at least one of the following occurs:

- a) It is assumed that the debtor will probably not repay his/her credit liabilities in full;
- b) One of the debtor's important credit liabilities is more than 90 days past due (in the case of a bridge loan, related compulsory savings deposits are also considered).

Following the group methodology, Raiffeisen stavební spořitelna defines a default as follows:

- For individuals at the level of a payable, i.e. the default on a client's individual payable does not automatically mean default on that client's other payables;
- For legal entities at the level of a debtor, i.e. the default on any payable means default of the client and on all of its payables.

The materiality limit of the credit liability is divided into absolute and relative:

- The absolute limit of materiality is set at CZK 2,500 for retail receivables and CZK 12,600 for non-retail receivables.
- The relative limit of materiality is set to 1% of exposure.

In relation to a), Raiffeisen stavební spořitelna has defined the following 17 default indicators:

- Discontinued interest accrual;
- Specific credit risk adjustments (to maintain consistency between IFRS 9 grades and the definition of default);
- Sale of a receivable with economic loss exceeding a defined limit;
- Forced restructuring;
- Bankruptcy/insolvency;
- Credit fraud;
- Death of the debtor;
- Loss of regular income;
- Significant indebtedness;
- Breach of contractual terms;
- Immediate repayability of the receivable prior to maturity;
- Realization of collateral or activation of guarantees;
- Acquisition or creation of a receivable with a material discount;
- Product-related cross default;
- Volume-related cross default;
- Cross effect of consolidated receivables;
- Cross effect of consolidated debtors.

The definition of default is consistent with the definition of default for the purposes of capital adequacy.

#### 1.4.43.2.5.3 Forward-looking information (FLI)

FLI is taken into account during assessment of whether the credit risk of a financial instrument has significantly increased since the initial recognition (for non-retail exposures) as well as during calculation of expected credit losses.

Macroeconomic development scenarios generated by the parent company are used in this process. A total of 3 macroeconomic development scenarios are generated – basic, positive and negative – weighted at 50%, 25% and 25% respectively. The time horizon for macroeconomic forecasting is 3 years.

These scenarios are then used in combination with macroeconomic models developed in-house to adjust estimates of the probability of default (PD) and loss given default (LGD) in the calculation of expected credit losses for retail exposures or are used in combination with group models to calculate expected credit losses for non-retail exposures.

The basic outlook scenario shows the most likely result and is in line with information that Raiffeisen stavební spořitelna uses for other purposes such as strategic and short-term planning. The other two scenarios include one more optimistic scenario and one more pessimistic outcome.

Raiffeisen stavební spořitelna identified and documented key credit risk and credit loss indicators for each financial instrument credit portfolio and using analyses of historical data it determined the relationship between macroeconomic variables, credit risk and credit losses. The economic scenarios applied as at 31 December, 2019 include the following range of key indicators for the Czech Republic for the years ending on 31 December, 2020 and 2021.

	2020	2021
Unemployment rate	Baseline: 2.26% Range: 2.26–4.73%	Baseline: 2.49% Range: 2.49–5.46%
Inflation (year-on-year growth in CPI)	Baseline: 2.68% Range: 1.21–3.16%	Baseline: 2.36% Range: 0.69–3.02%
Growth in GDP (year-on-year)	Baseline: 0.05% Range: 0.05–2.98%	Baseline: –0.08% Range: –0.58–2.93%
Growth in real property prices (year-on-year)	Baseline: 5.70% Range: 2.33–8.11%	Baseline: 3.80% Range: –0.25–6.69%
3M interbank interest rate	Baseline: 1.91% Range: 0.91–3.16%	Baseline: 1.50% Range: 0.30–3.01%

The expected relationships between key indicators and the default and loss rates of various financial asset portfolios are determined based on historical data, in a manner that enables coverage of the economic cycle, including economic recession.

#### 1.4.43.2.5.4 Calculation of expected credit losses (ECL)

The key input for calculation of expected credit losses (ECL) consists of the time structure of the following variables/parameters:

- Probability of default/PD;
- Loss given default/LGD;
- Exposure at default/EAD.

These parameters are derived from proprietary statistical models (for retail exposures) or from parent company statistical models (for non-retail exposures) and from historical data, which must be adjusted to correspond to forward-looking information (FLI), as stated above.

PD estimates are estimates as at a particular moment in time which are calculated on the basis of statistical models and rating instruments adapted for various counterparty and exposure categories. These statistical models are based on acquired data that includes both quantitative and qualitative factors. If the rating of a counterparty or exposure changes, the relevant PD estimate is changed. Exposure maturity is taken into account during estimation of probabilities of default (PD).

The LGD is the volume of the probable loss should default occur. LGD parameters are forecast on the basis of historical rates of recovery from debtors in default. LGD models take into account collateralization and the direct costs of receivable recovery.

LGD estimates are specified for various economic scenarios so that they also reflect possible changes in real property prices for the purposes of loans secured by real property.

Calculations are made on the basis of discounted cash flows.

The EAD is the expected credit exposure at the time of default. The EAD is calculated on the basis of current exposure in regard to a given counterparty and possible changes to the current exposure on the basis of contracts concluded with the counterparty.

The EAD of a financial asset equals the asset's gross book value. For loan commitments, the EAD includes the drawn amount and also possible future drawing which may occur based on the concluded contract.

As described above, aside from use of a max. 12-month PD for financial assets whose credit risk did not increase significantly, expected credit losses (ECL) are calculated with regard to the default risk during the expected lifespan of the subject financial assets (i.e. for the period during which Raiffeisen stavební spořitelna is exposed to the credit risk).

Raiffeisen stavební spořitelna does not have any revolving products in its portfolio.

For credit risk parameter estimates the portfolio is segmented directly by the character of the product, as follows: bridge loans secured by real property, bridge loans not secured by real property, and construction loans.

#### Calculation of expected credit losses (ECL) for credit-impaired loans

For credit-impaired loans, loss allowances are calculated based on the Best estimate of expected loss (BEEL). For retail exposures, BEEL parameters are estimated for the segments listed above; they are based on the LGD and increase as the exposure period in default increases up to 100% at the end of the effective recovery period. For non-retail exposures, BEEL parameters are calculated individually in regard to the very small number of historical defaults and only after the Credit Risk Management Committee has reached a consensus.

## 1.4.43.2.6 Reconciliation of opening and closing loss allowance balances

## Total loss allowances – 31/12/2019

MCZK	12-month ECL (Stage 1)	Lifetime ECL for financial assets that are not credit impaired (Stage 2)	Lifetime ECL for financial assets that are credit impaired (Stage 3)	Purchased or originated credit impaired financial assets (POCI)	Total
Balance as at 1 December, 2019	137	69	906	0	1,112
Transfer to 12-month ECL (Stage 1)	65	-17	-48	0	0
Transfer to lifetime ECL for financial assets that are not credit impaired (Stage 2)	0	5	-5	0	0
Transfer to lifetime ECL for financial assets that are credit impaired (Stage 3)	-1	-22	23	0	0
Newly purchased or originated financial assets	26	3	3	0	32
Derecognition of financial assets	-8	-6	-126	0	-140
Revaluation and changes in models/risk parameters	-34	42	-39	0	-31
<b>Balance as at 31 December, 2019</b>	<b>185</b>	<b>74</b>	<b>714</b>	<b>0</b>	<b>973</b>

## Total loss allowances – 31/12/2018

MCZK	12-month ECL (Stage 1)	Lifetime ECL for financial assets that are not credit impaired (Stage 2)	Lifetime ECL for financial assets that are credit impaired (Stage 3)	Purchased or originated credit impaired financial assets (POCI)	Total
Balance as at 1 January, 2019	119	71	962	0	1,152
Transfer to 12-month ECL (Stage 1)	48	-23	-25	0	0
Transfer to lifetime ECL for financial assets that are not credit impaired (Stage 2)	-1	5	-4	0	0
Transfer to lifetime ECL for financial assets that are credit impaired (Stage 3)	-1	-20	21	0	0
Newly purchased or originated financial assets	33	5	4	0	42
Derecognition of financial assets	-8	-9	-122	0	-139
Revaluation and changes in models/risk parameters	-53	40	70	0	57
<b>Balance as at 31 December, 2018</b>	<b>137</b>	<b>69</b>	<b>906</b>	<b>0</b>	<b>1,112</b>

Transfers are designed such that when the stage changes, the transfer of the loss allowance occurs first and the change of amount second. "Newly purchased or originated financial assets" include loss allowances that were created for newly originated financial assets during 2019. There are parameter changes in "Revaluation and changes in models/risk parameters". All newly originated assets are classified as Stage 1 (POCI = 0). The Stage 2 and 3 values under "Newly purchased or originated financial assets" are loss allowances for assets originated in 2019 and transferred to Stage 2 or 3 before 31 December, 2019.

**1.4.43.2.7 Maximum credit risk exposure****Maximum credit risk exposure – 31/12/2019**

MCZK	Balance sheet	Off-balance sheet	Total credit risk exposure	Collateral received	Main type of collateral
Loans and receivables from banks and bank bonds	6,224	0	6,224	4,368	CNB treasury bills
Loans and receivables from clients	54,843	3,671	58,514	30,703	Real property
State zero coupon bonds	9,345	0	9,345	0	
Cash and balances with central banks	605	0	605	0	
Other exposure	1,577	0	1,577	0	

**Maximum credit risk exposure – 31/12/2018**

MCZK	Balance sheet	Off-balance sheet	Total credit risk exposure	Collateral received	Main type of collateral
Loans and receivables from banks and bank bonds	4,325	0	4,325	2,085	CNB treasury bills
Loans and receivables from clients	50,231	5,614	55,845	30,727	Real property
State zero coupon bonds	13,223	0	13,223	0	
Cash and balances with central banks	909	0	909	0	
Other exposure	1,292	0	1,292	0	

The difference from the item in the financial statements is due to accruals of input fees that are part of the effective interest rate. Since these fees have already been paid, they do not pose a credit risk to the Bank and are therefore excluded from loans and receivables from clients in this and the following sub-chapters.

**1.4.43.2.8 Credit risk concentration**

Credit risk concentration develops when there are credit receivables with similar economic characteristics which affect a debtor's ability to meet his or her obligations. Raiffeisen stavební spořitelna considers a receivable from a debtor or economically associated group of debtors that exceeds 25% of the capital as significantly exposed. If the debtor is a credit institution (i.e. a bank other than a central bank, an international development bank or a credit union), the limit is 25% of the capital or EUR 150 million, whichever is higher.

**1.4.43.2.8.1 Concentration by sectors****Concentration by sectors – 31/12/2019**

MCZK	Financial institutions	Non-financial institutions	Government sector and central banks	Households	Total
Balances with central banks	0	0	603	0	603
State zero coupon bonds and other securities eligible for refinancing with the central bank	0	0	9,345	0	9,345
Receivables from banks	4	0	4,571	0	4,575
Receivables from clients	0	5,110	18	49,715	54,843
Debt securities	1,648	0	0	0	1,648
Other receivables	3	1	706	5	715
Commitments and guarantees issued	0	373	0	3,298	3,671
<b>Total</b>	<b>1,655</b>	<b>5,484</b>	<b>15,243</b>	<b>53,018</b>	<b>75,400</b>

**Concentration by sectors – 31/12/2018**

MCZK	Financial institutions	Non-financial institutions	Government sector and central banks	Households	Total
Balances with central banks	0	0	906	0	906
State zero coupon bonds and other securities eligible for refinancing with the central bank	0	0	13,223	0	13,223
Receivables from banks	4	0	2,100	0	2,104
Receivables from clients	0	5,044	20	45,167	50,231
Debt securities	2,220	0	0	0	2,220
Other receivables	1	9	657	4	671
Commitments and guarantees issued	0	996	0	4,618	5,614
<b>Total</b>	<b>2,225</b>	<b>6,049</b>	<b>16,906</b>	<b>49,789</b>	<b>74,969</b>

#### 1.4.43.2.8.2 Concentration by geographical criteria

##### Concentration by geographical criteria – 31/12/2019

MCZK	Czech Republic	European Union excluding the Czech Republic	Other	Total
Balances with central banks	603	0	0	603
State zero coupon bonds and other securities eligible for refinancing with the central bank	9,345	0	0	9,345
Receivables from banks	4,575	0	0	4,575
Receivables from clients	54,843	0	0	54,843
Debt securities	435	1,213	0	1,648
Other receivables	715	0	0	715
Commitments and guarantees issued	3,671	0	0	3,671
<b>Total</b>	<b>74,187</b>	<b>1,213</b>	<b>0</b>	<b>75,400</b>

##### Concentration by geographical criteria – 31/12/2018

MCZK	Czech Republic	European Union excluding the Czech Republic	Other	Total
Balances with central banks	906	0	0	906
State zero coupon bonds and other securities eligible for refinancing with the central bank	13,223	0	0	13,223
Receivables from banks	2,104	0	0	2,104
Receivables from clients	50,231	0	0	50,231
Debt securities	435	1,785	0	2,220
Other receivables	671	0	0	671
Commitments and guarantees issued	5,614	0	0	5,614
<b>Total</b>	<b>73,184</b>	<b>1,785</b>	<b>0</b>	<b>74,969</b>

#### 1.4.43.3 Liquidity

##### 1.4.43.3.1 Liquidity risk exposure

One of the key liquidity risk exposure criteria is the liquidity coverage ratio (LCR). The LCR 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. According to the LCR, the Bank must have a sufficient volume of highly liquid assets that is greater than the Bank's expected future net outflows over the ensuing 30 days. Highly liquid assets in the Raiffeisen stavební spořitelna environment include cash, state bonds, treasury bills securing reverse repo operations with the CNB and reserves with central banks that may be drawn.

Given the three-month notice period for building savings, the LCR indicator is well above the regulatory minimum of 100%.

The LCR at the end of the accounting period and during the period was as follows:

	2019	2018
As at 31 December	1,336.0%	2,060.5%
Average	1,939.5%	3,347.4%
Maximum	4,990.0%	6,436.2%
Minimum	1,283.9%	1,490.2%

##### 1.4.43.3.2 Liquidity risk management

Liquidity risk is defined as the risk of the Bank's loss of ability to meet its financial obligations at maturity (short-term liquidity risk), or inability to fund its assets (funding liquidity risk).

Risk materiality is calculated based on an assessment of the impact on the company's capital or profit, or by an expert estimate.

Liquidity risk in the Raiffeisen stavební spořitelna environment is considered material. It is measured and managed only in CZK, because Raiffeisen stavební spořitelna has only a negligible amount of assets in foreign currency. Raiffeisen stavební spořitelna holds foreign currencies only for internal purposes. Given the absence of a trading portfolio, the only relevant liquidity risk for Raiffeisen stavební spořitelna is that of the investment portfolio.

Raiffeisen stavební spořitelna mainly holds two types of assets in its portfolio. The first type consists of loans provided to clients. These include building savings loans, bridge loans and commercial loans. The second most important type of asset is debt instruments, primarily bonds issued by the Ministry of Finance of the Czech Republic or by financial institutions. Raiffeisen stavební spořitelna also conducts deposit transactions on the interbank market, repo operations, reverse repo operations and securities operations with a repurchase or sale obligation. The general rule is that all purchased instruments must fulfil the conditions of S. 9 of the Building Savings Act. The choice of financial instruments available to building savings banks is more limited than that available to universal banks.

The majority of the Bank's liabilities are client deposits, which yield interest at a fixed interest rate for a minimum duration of the six-year fixation period. The interest rate is defined by the rate at which the buildings savings contract was concluded or the rate to which the contract was changed.

Liquidity risk is a natural part of Raiffeisen stavební spořitelna's banking activities, for there is a maturity mismatch in the structure of assets and liabilities.

Raiffeisen stavební spořitelna manages its liquidity risk primarily through its investment policy with use of financial instruments defined by the Building Savings Act.

The investment policy determines the basic principles and opportunities for investment of available funding. Through deposit operations on the interbank market, the CNB deposit facility, reverse repo operations with the CNB and investments into bonds, Raiffeisen stavební spořitelna appreciates its available funding. Use of these instruments is an integral part of asset and liability management. The main goal is to ensure Raiffeisen stavební spořitelna's ability to meet its payment obligations at maturity under both ordinary and adverse circumstances, while respecting the specific nature of building savings, Raiffeisen stavební spořitelna's investment horizon and acceptable risk levels.

In general, Raiffeisen stavební spořitelna uses financial instruments that ensure Raiffeisen stavební spořitelna sufficient liquidity while maintaining acceptable risk levels from its investments. Raiffeisen stavební spořitelna holds part of its assets in highly liquid forms, which primarily include deposits on the interbank market with selected credit institutions with a 3-month maturity, the CNB deposit facility, reverse repo operations with the CNB, securities with a repo guarantee and other securities from issuing institutions with high credit quality.

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

#### 1.4.43.3 Estimated remaining maturity

##### Estimated remaining maturity of the Bank's assets and liabilities as at 31 December, 2019

MCZK	Up to 3 months	3–12 months	1–5 years	More than 5 years	Unspecified	Total
Cash and balances with central banks	17	0	0	0	588	605
Securities eligible for refinancing with the central bank	2	1,304	7,445	594	0	9,345
Receivables from banks	4,575	0	0	0	0	4,575
Receivables from clients	1,307	3,712	18,512	30,279	254	54,064
Debt securities	513	937	0	198	0	1,648
Property	3	8	42	81	452	586
Participation interests with controlling influence	0	0	0	0	257	257
Other assets	9	706	0	0	-4	711
Pre-paid expenses and accrued revenues	0	0	0	0	42	42
<b>Total assets</b>	<b>6,426</b>	<b>6,667</b>	<b>25,999</b>	<b>31,152</b>	<b>1,589</b>	<b>71,833</b>
Payables to clients	4,647	8,647	26,969	25,463	36	65,762
Other liabilities	233	10	57	119	263	682
Accrued expenses and deferred income	0	0	0	0	50	50
Provisions	0	0	0	0	25	25
Subordinated liabilities	0	2	0	300	0	302
Registered capital	0	0	0	0	650	650
Reserve funds	0	0	0	0	3,986	3,986
Retained earnings or accumulated losses from previous years	0	0	0	0	-160	-160
Profit or loss for the accounting period	0	0	0	0	536	536
<b>Total liabilities</b>	<b>4,880</b>	<b>8,659</b>	<b>27,026</b>	<b>25,882</b>	<b>5,386</b>	<b>71,833</b>
<b>Commitments</b>	<b>-3,654</b>	<b>35</b>	<b>236</b>	<b>3,383</b>	<b>0</b>	<b>0</b>
GAP including commitments	-2,108	-1,957	-791	8,653	-3,797	0
Cumulative GAP including commitments	-2,108	-4,065	-4,856	3,797	0	0
CBC	8,741	7,586	523	0	0	-
Cumulative GAP including commitments and CBC	6,633	3,521	-4,333	3,797	0	0

CBC includes all unencumbered assets that can be accepted as collateral for currency transactions conducted by the central bank on the local money market. In terms of Raiffeisen stavební spořitelna, these assets include government securities.



## Estimated remaining maturity of the Bank's assets and liabilities as at 31 December, 2018

MCZK	Up to 3 months	3–12 months	1–5 years	More than 5 years	Unspecified	Total
Cash and balances with central banks	324	0	0	0	585	909
Securities eligible for refinancing with the central bank	2	3,897	8,722	602	0	13,223
Receivables from banks	2,104	0	0	0	0	2,104
Receivables from clients	1,341	3,856	19,296	24,550	221	49,264
Debt securities	13	577	1,432	198	0	2,220
Property	0	0	0	0	234	234
Participation interests with controlling influence	0	0	0	0	257	257
Other assets	14	656	0	0	-3	667
Pre-paid expenses and accrued revenues	3	8	42	92	33	178
<b>Total assets</b>	<b>3,801</b>	<b>8,994</b>	<b>29,492</b>	<b>25,442</b>	<b>1,327</b>	<b>69,056</b>
Payables to clients	3,446	6,975	27,839	25,238	138	63,636
Other liabilities	192	0	0	0	379	571
Accrued expenses and deferred income	0	0	0	0	53	53
Provisions	0	0	0	0	20	20
Subordinated liabilities	0	0	0	0	0	0
Registered capital	0	0	0	0	650	650
Reserve funds	0	0	0	0	3,770	3,770
Retained earnings or accumulated losses from previous years	0	0	0	0	-160	-160
Profit or loss for the accounting period	0	0	0	0	516	516
<b>Total liabilities</b>	<b>3,638</b>	<b>6,975</b>	<b>27,839</b>	<b>25,238</b>	<b>5,366</b>	<b>69,056</b>
<b>Commitments</b>	<b>-5,579</b>	<b>83</b>	<b>519</b>	<b>4,977</b>	<b>0</b>	<b>0</b>
GAP including commitments	-5,416	2,102	2,172	5,181	-4,039	0
Cumulative GAP including commitments	-5,416	-3,314	-1,142	4,039	0	0
CBC	12,802	9,040	464	0	0	-
Cumulative GAP including commitments and CBC	7,386	5,726	-678	4,039	0	0

CBC includes all unencumbered assets that can be accepted as collateral for currency transactions conducted by the central bank on the local money market. In terms of Raiffeisen stavební spořitelna, these assets include government securities.

## 1.4.43.3.4 Liquidity reserve

As part of management of liquidity risk resulting from the Bank's financial obligations, Raiffeisen stavební spořitelna holds part of its assets in highly liquid instruments, such as cash, state bonds, treasury bills and reserves with central banks that may be drawn. Therefore, the following tables only show the volume of deposits on the mandatory minimum reserve account exceeding their prescribed amount, which amounted to CZK 588 million as at 31 December, 2019 and CZK 585 million as at 31 December, 2018.

Raiffeisen stavební spořitelna includes in its liquidity reserve only those financial assets that are not being provided as collateral in e.g. reverse repo operations at the given time.

## Liquidity reserve components – 31/12/2019

MCZK	Book value	Fair value
Cash and balances with central banks	17	17
State zero coupon bonds and other securities eligible for refinancing with the central bank not provided as collateral as at the balance sheet date	9,345	9,284
Securities as collateral for reverse repo operations	4,368	4,311
<b>Total liquidity reserve</b>	<b>13,730</b>	<b>13,612</b>

## Liquidity reserve components – 31/12/2018

MCZK	Book value	Fair value
Cash and balances with central banks	324	324
State zero coupon bonds and other securities eligible for refinancing with the central bank not provided as collateral as at the balance sheet date	13,223	13,182
Securities as collateral for reverse repo operations	2,085	2,057
<b>Total liquidity reserve</b>	<b>15,632</b>	<b>15,563</b>

#### 1.4.43.4 Market risks

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

In regard to the scope of building savings banks' activities, which is limited by the Buildings Savings Act, the main market risk that affects Raiffeisen stavební spořitelna is interest-rate risk. Raiffeisen stavební spořitelna does not have a trading portfolio and does not create capital requirements for market risk.

##### 1.4.43.4.1 Interest-rate risk

###### 1.4.43.4.1.1 Interest-rate risk management

Interest-rate risk is the 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 may decrease due to adverse changes in market interest rates. Given the structure of interest-bearing assets and liabilities which show a time discrepancy and have different maturity dates 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 Raiffeisen stavební spořitelna.

Due to the nature of the building savings product and in view of its size, scale and nature and the 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 the general EBA guidelines on the management of interest-rate risk arising from non-trading activities (EBA/GL/2018/02). Supervisory outlier testing is conducted in accordance with these guidelines and 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, limits set by the RBI group or internally set limits. These limits are assessed by the Assets and Liabilities Committee and approved by the Board of Directors.

###### 1.4.43.4.1.2 Interest-rate risk sensitivity analysis

Part of Raiffeisen stavební spořitelna's revenue is generated by a deliberate discrepancy between interest-rate sensitive assets and liabilities. The table below summarizes the discrepancy between Raiffeisen stavební spořitelna's interest-rate sensitive assets and liabilities. The book value of these assets and liabilities is included in the period in which they mature or during which there is a change in interest rate, whichever comes first. Due to expected early repayment or undefined maturity, some assets or liabilities are allocated to specific periods based on expert estimates.

## Interest-rate sensitivity of the Bank's assets and liabilities as at 31 December, 2019

MCZK	Up to 3 months	3–12 months	1–5 years	More than 5 years	Unspecified	Non-rate sensitive	Total
Cash and balances with central banks	15	0	0	0	588	2	605
Securities eligible for refinancing with central banks	2	2,820	5,929	594	0	0	9,345
Receivables from banks	4,575	0	0	0	0	0	4,575
Receivables from clients	4,787	7,006	37,503	4,476	189	103	54,064
Debt securities	513	937	0	198	0	0	1,648
Property	0	0	0	0	0	586	586
Participation interests with controlling influence	0	0	0	0	0	257	257
Other assets	0	0	0	0	0	711	711
Pre-paid expenses and accrued revenues	0	0	0	0	0	42	42
<b>Total assets</b>	<b>9,892</b>	<b>10,763</b>	<b>43,432</b>	<b>5,268</b>	<b>777</b>	<b>1,701</b>	<b>71,833</b>
Payables to clients	15,236	9,772	28,692	11,263	57	742	65,762
Other liabilities	0	0	0	0	0	682	682
Accrued expenses and deferred income	0	0	0	0	0	50	50
Provisions	0	0	0	0	0	25	25
Registered capital	0	2	0	300	0	0	302
Reserve funds	0	0	0	0	0	650	650
Subordinated liabilities	0	0	0	0	0	3,986	3,986
Retained earnings or accumulated losses from previous years	0	0	0	0	0	-160	-160
Profit or loss for the accounting period	0	0	0	0	0	536	536
<b>Total liabilities</b>	<b>15,236</b>	<b>9,774</b>	<b>28,692</b>	<b>11,563</b>	<b>57</b>	<b>6,511</b>	<b>71,833</b>
<b>Commitments</b>	<b>-3,654</b>	<b>35</b>	<b>2,976</b>	<b>643</b>	<b>0</b>	<b>0</b>	<b>0</b>
GAP including commitments	-8,998	1,024	17,716	-5,652	720	-4,810	0
Cumulative GAP including commitments	-8,998	-7,974	9,742	4,090	4,810	0	0

## Interest-rate sensitivity of the Bank's assets and liabilities as at 31 December, 2018

MCZK	Up to 3 months	3–12 months	1–5 years	More than 5 years	Unspecified	Non-rate sensitive	Total
Cash and balances with central banks	321	0	0	0	585	3	909
Securities eligible for refinancing with central banks	2	5,963	6,655	603	0	0	13,223
Receivables from banks	2,104	0	0	0	0	0	2,104
Receivables from clients	5,643	5,453	33,338	4,338	140	352	49,264
Debt securities	583	7	1,432	198	0	0	2,220
Property	0	0	0	0	0	234	234
Participation interests with controlling influence	0	0	0	0	0	257	257
Other assets	0	0	0	0	0	667	667
Pre-paid expenses and accrued revenues	0	0	0	0	0	178	178
<b>Total assets</b>	<b>8,653</b>	<b>11,423</b>	<b>41,425</b>	<b>5,139</b>	<b>725</b>	<b>1,691</b>	<b>69,056</b>
Payables to clients	5,701	8,835	36,033	12,194	78	795	63,636
Other liabilities	0	0	0	0	0	571	571
Accrued expenses and deferred income	0	0	0	0	0	53	53
Provisions	0	0	0	0	0	20	20
Subordinated liabilities	0	0	0	0	0	0	0
Registered capital	0	0	0	0	0	650	650
Reserve funds	0	0	0	0	0	3,770	3,770
Retained earnings or accumulated losses from previous years	0	0	0	0	0	-160	-160
Profit or loss for the accounting period	0	0	0	0	0	516	516
<b>Total liabilities</b>	<b>5,701</b>	<b>8,835</b>	<b>36,033</b>	<b>12,194</b>	<b>78</b>	<b>6,215</b>	<b>69,056</b>
<b>Commitments</b>	<b>-5,575</b>	<b>83</b>	<b>4,763</b>	<b>729</b>	<b>0</b>	<b>0</b>	<b>0</b>
GAP including commitments	-2,623	2,671	10,155	-6,326	647	-4,524	0
Cumulative GAP including commitments	-2,623	48	10,203	3,877	4,524	0	0

The table below shows the results of the standardized interest-rate shock in the Income statement and Raiffeisen stavební spořitelna's equity as at the balance sheet date. The calculation is based on the interest-rate gap, i.e. the difference between interest-rate sensitive assets and liabilities in each defined time period. It is assumed that the yield curve will move 200 basis points up and down, whereas the minimum interest rate floor as per EBA/GL/2018/02 is applied for movements in the downward direction.

MCZK	2019	2019
	Interest rate increase 200 basis points	Interest rate decrease 200 basis points
Impact on the Income statement	-279	226
Impact on the Bank's equity	-6.1%	5.0%

#### 1.4.43.4.1.3 Simulation of net interest rate yield

Simulation and forecasting of the net interest rate yield is an additional component of interest-rate risk monitoring in the accounting unit. Raiffeisen stavební spořitelna regularly measures the sensitivity of the net interest rate yield on various changes to the interest rate (parallel shifts in both directions from 1 to 300 basis points). An appropriate limit is set on the net interest rate yield.

#### 1.4.43.4.2 Currency risk

Currency risk results from exchange rate movements and the existence of open currency positions. Raiffeisen stavební spořitelna's 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.

#### 1.4.43.4.3 Market risk sensitivity analysis using Value at Risk (VaR)

Market risks related to Raiffeisen stavební spořitelna's trading activities (trading portfolio) are managed using the Value at Risk method. Value at Risk shows the potential loss from market volatility measured over a specific time frame at a particular confidence level. Raiffeisen stavební spořitelna sets the Value at Risk using two approaches: the variance-covariance (parametric) method and Monte Carlo simulation, i.e. stochastic simulation of a large quantity of financial market potential development scenarios. Value at Risk is measured for one-day holding periods and at a 99% confidence level.

#### Value at Risk results for interest-rate risk (calculated using Monte Carlo simulation)

MCZK	As at 31 December, 2019	Average 2019	As at 31 December, 2018	Average 2018
VaR of interest-rate instruments	23	23	24	24

As at 31 December, 2019 the VaR equalled CZK 23 million (in 2018 it was CZK 24 million).

#### Market risk management limits

All market risk management limits are proposed through a collaborative effort between the Risk Management Department and Financial Department, discussed by the ALCO and approved by the Board of Directors of Raiffeisen stavební spořitelna.

#### 1.4.43.4.4 Stress testing

Raiffeisen stavební spořitelna conducts stress testing of interest-rate risks on a monthly basis by applying historical financial market volatility scenarios and internally defined improbable scenarios, and models their impacts on Raiffeisen stavební spořitelna's profits. Raiffeisen stavební spořitelna has set limits for these stress scenarios which are part of the risk management process.

#### 1.4.43.4.5 Equity risk

As at the end of the reporting periods, Raiffeisen stavební spořitelna did not record any shares, units or other participation interests.

Raiffeisen stavební spořitelna has no derivatives.

#### 1.4.43.4.6 Operational risk

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 2019, events affecting operational risks were collected. In 2019, risk assessment procedures were updated for all departments and aligned with the advanced operational risk management method, and various possible adverse development scenarios and their impacts on the core activities of Raiffeisen stavební spořitelna were elaborated. Risk indicators continued to be collected and evaluated.

The Risk Management Department presented the outcomes to the Operational Risk Management Committee. Operational risk management, including risk prevention, 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 operational risk management, the fraud prevention methodology was streamlined, implementation of fraud prevention tools was completed and training of employees took place.

Compliance with relevant standards is supported by regular verification through an internal audit. The internal audit outcomes are discussed with the Operational Risk Management Committee and the Board of Directors of Raiffeisen stavební spořitelna.

## 1.4.44 FAIR VALUE

### 1.4.44.1 Financial instruments not carried at fair value in the balance sheet

The following table lists the book values and fair values of financial assets and financial liabilities that are not carried at fair value in Raiffeisen stavební spořitelna's balance sheet.

#### Financial assets and financial liabilities at book and fair values as at 31/12/2019

MCZK	Book value 31/12/2019	Fair value 31/12/2019
Cash and balances with central banks	605	605
State zero coupon bonds and other securities eligible for refinancing with the central bank	9,345	9,284
Receivables from banks and cooperative savings associations	4,575	4,575
Receivables from clients – cooperative savings associations' members	54,064	55,101
Debt securities	1,648	1,617
Participation interests with controlling influence	257	392
Other assets	753	753
<b>Total financial assets</b>	<b>71,247</b>	<b>72,327</b>
Payables to clients – cooperative savings associations' members	65,762	65,488
Payables from the subordinate loan	302	301
Other liabilities	765	765
<b>Total financial liabilities</b>	<b>66,829</b>	<b>66,554</b>

#### Financial assets and financial liabilities at book and fair values as at 31/12/2018

MCZK	Book value 31/12/2018	Fair value 31/12/2018
Cash and balances with central banks	909	909
State zero coupon bonds and other securities eligible for refinancing with the central bank	13,223	13,182
Receivables from banks and cooperative savings associations	2,104	2,104
Receivables from clients – cooperative savings associations' members	49,264	50,769
Debt securities	2,220	2,170
Participation interests with controlling influence	257	379
Other assets	845	845
<b>Total financial assets</b>	<b>68,822</b>	<b>70,358</b>
Payables to clients – cooperative savings associations' members	63,636	62,429
Other liabilities	652	651
<b>Total financial liabilities</b>	<b>64,288</b>	<b>63,080</b>

The accounting unit uses the following inputs and techniques to estimate fair values:

Cash and balances with central banks – the book value is equal to the fair value. These financial assets are classified as Level 2 in the fair value hierarchy.

State zero coupon bonds and other securities eligible for refinancing with the central bank – the difference between the fair value and the book value is mainly due to the different market and effective interest rates on the government bonds included in this portfolio. These financial assets are classified as Level 1 in the fair value hierarchy because their fair value is based on quoted prices in an active market.

Receivables from banks and cooperative savings associations – due to the short maturity of these receivables, the book value approximates their fair value. These financial assets are classified as Level 2 in the fair value hierarchy.

Receivables from clients – cooperative savings associations' members – estimates of the loan fair value are based on discounted expected future cash flows, using the interest rate applicable to loans associated with similar credit and interest risks and similar maturity. For credit-impaired loans, the basis is the present value of expected future cash flows including the expected proceeds from collateral realization, if applicable.

Estimating the cash flows used for discounting is based on assumptions and consideration of the expected course of repayment of the particular product or group of products. The applied discount rates are based on the rates of the bank's main competitors or other comparable rates on similar types of assets.

These financial assets are classified as Level 3 in the fair value hierarchy.

Debt securities – the difference between the fair value and the book value is mainly due to the different market and effective interest rates on the government bonds included in this portfolio. These financial assets are classified as Level 1 in the fair value hierarchy because their fair value is based on quoted prices in an active market.

Participation interests with controlling and substantial influence – the fair value is derived from an expert opinion. These financial assets are classified as Level 3 in the fair value hierarchy.

Payables to banks and cooperative savings associations – due to the short maturity of these payables, the book value approximates their fair value. These financial liabilities are classified as Level 2 in the fair value hierarchy.

Payables to clients – cooperative savings associations' members – the fair value of demand deposits and floating rate term deposits equals the book value of the deposits as at the balance sheet date.

The fair value of fixed rate term deposits is estimated on the basis of discounted cash flows applying the respective interest rates. The applied discount rates are based on the rates of the bank's main competitors or other comparable rates on similar types of liabilities.

These financial liabilities are classified as Level 3 in the fair value hierarchy.

#### 1.4.45 TRANSACTIONS NOT INCLUDED IN THE BALANCE SHEET

As at the date of the financial statement, the management of Raiffeisen stavební spořitelna is not aware of any major events that would require amendments to the financial statement as at 31 December, 2019.

#### 1.4.46 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.

In light of recent events related to Covid-19, the Bank is closely monitoring the situation and taking appropriate actions necessary in order to ensure that we can properly support the employees and our clients. Under current circumstances, the Bank's management is convinced that the situation has no material impact on financial statement as at 31 December 2019. As future implications are uncertain, the management is also taking proactive measures to prepare for various scenarios and ensure that the Bank remains resilient.

Raiffeisen stavební spořitelna a.s. Board of Directors:



**Ing. Jan Jeníček**

Chairman of the Board of Directors



**Dr. Ing. Pavel Chmelík**

Deputy Chairman of the Board of Directors



**Mgr. Roman Hurych**

Deputy Chairman of the Board of Directors

Officer in charge of accounting and the 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 2019 in line with the provisions 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

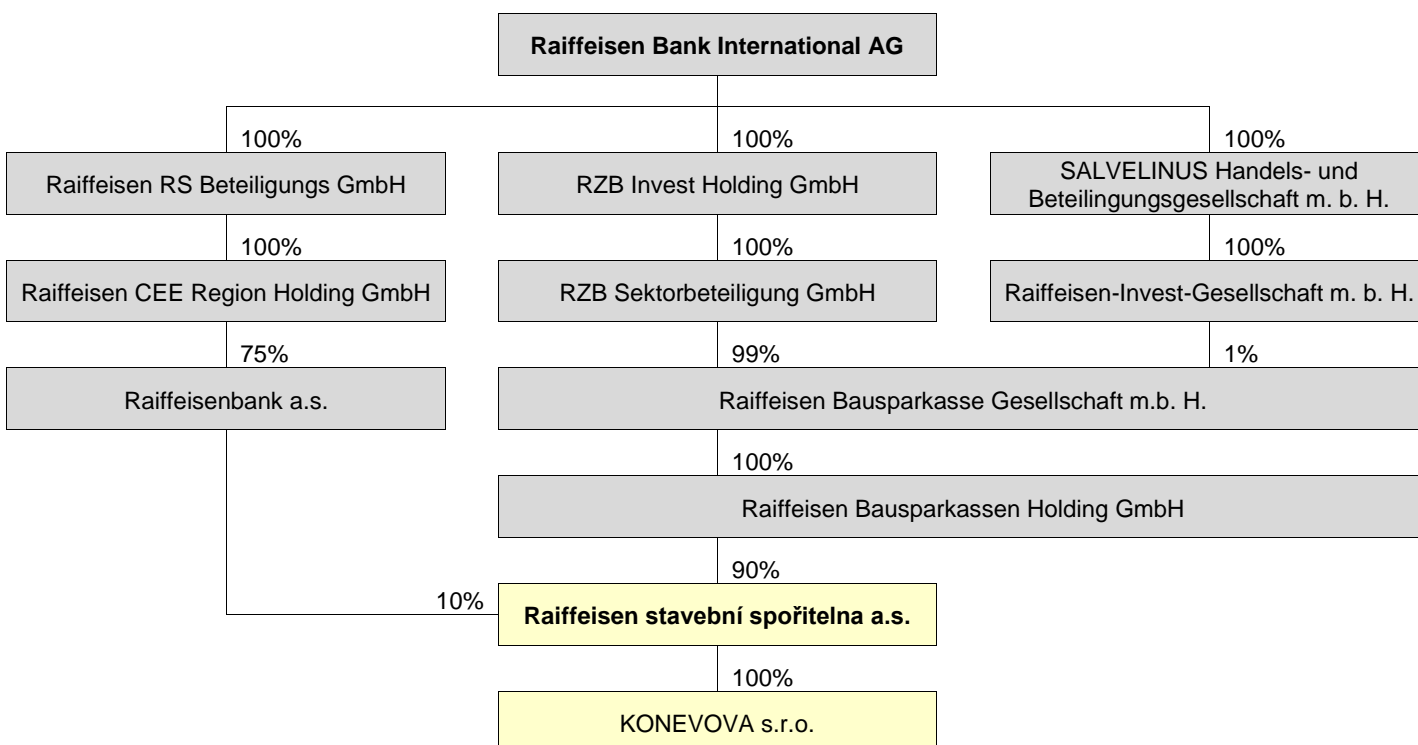
Raiffeisen Bausparkassen Holding GmbH  
With its seat at Mooslackengasse 12, Vienna, Austria  
90% share in Raiffeisen stavební spořitelna

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 party. 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

Contract	Closing date	Counterparty
Application to Open an Account	15/12/1993	Raiffeisenbank a.s., Prague
Contract for Lease of Real Property – Land	1/12/1995	KONEVOVA s.r.o., Prague
Amendment No. 1	1/12/1995	
Amendment No. 2	19/9/1997	
Amendment No. 3	1/10/1999	
Amendment No. 4	19/11/2015	
Amendment No. 5	29/2/2016	
Contract for Lease of a Movable Asset	29/5/1998	KONEVOVA s.r.o., Prague
Amendment No. 1	1/12/1998	
Amendment No. 2	1/7/2002	
Current Account Agreement	13/6/2000	Raiffeisenbank a.s., Prague
Current Investment Account Agreement	2/10/2001	Raiffeisenbank a.s., Prague
Contract for Lease of Non-residential Premises – Prague, Hájkova street	1/9/2005	KONEVOVA s.r.o., Prague
Amendment No. 1	1/2/2006	
Amendment No. 2	27/3/2007	
Amendment No. 3	3/5/2010	
Amendment No. 4	1/7/2011	
Amendment No. 5	29/9/2011	
Agreement to Buy or Sell Securities, to Settle Trades with Securities, and to Administer Securities Including Annexes No. 1–5	10/4/2007	Raiffeisenbank a.s., Prague
Amendment No. 1	25/9/2013	
Annex No. 4	12/1/2016	
Agreement on the Provision of Commercial, Administrative, and Technical Consultancy Services	15/1/2008	Raiffeisen Bausparkassen Holding GmbH, Vienna
Framework Contract – Preferential Financing for Employees	13/6/2011	Raiffeisen – Leasing, s.r.o.
Amendment No. 1	8/8/2011	
Confidentiality and Personal Data Processing Agreement	29/9/2011	Raiffeisenbank a.s., Prague
Agreement on the Lease of Non-Residential Premises, Parking Stalls, and Flats	1/1/2012	KONEVOVA s.r.o., Prague
Treasury Master Agreement	29/2/2012	Raiffeisenbank a.s., Prague
Confidentiality and Personal Data Processing Agreement and Some Additional Arrangements	5/4/2012	Raiffeisenbank a.s., Prague
Agreement on Further Terms of Cooperation	16/4/2012	Raiffeisenbank a.s., Prague
FTP Access Agreement	15/2/2013	Raiffeisenbank a.s., Prague
Direct Banking Service Agreement	15/11/2013	Raiffeisenbank a.s., Prague
Agreement to Provide X-business Internet Banking Services	3/2/2015	Raiffeisenbank a.s., Prague
Framework Agreement	26/1/2016	Raiffeisen Bank International AG, Vienna
Service Level Agreement	26/1/2016	Raiffeisen Bank International AG, Vienna

Contract	Closing date	Counterparty
Personal Data Processing Verification Agreement pursuant to Article 28 of the GDPR	21/5/2018	Raiffeisen Bank International AG, Vienna
Service Level Agreement	7/9/2018	Raiffeisen Bank International AG, Vienna
Sales Representation Agreement	24/9/2018	Raiffeisenbank a.s., Prague
Annex No. 1	24/9/2018	
Amendment No. 1	31/1/2019	
Amendment No. 2	13/5/2019	
Amendment No. 3	14/5/2019	
Amendment No. 4	24/10/2019	
Service Level Agreement	2/10/2018	Raiffeisen Bank International AG, Vienna
Tip Brokerage Agreement	10/10/2018	Raiffeisenbank a.s., Prague
Amendment No. 1	30/4/2019	
Amendment No. 2	18/11/2019	
Contract for the Provision of Call Centre Services	12/11/2018	Raiffeisenbank a.s., Prague
Debit Card Agreement	26/11/2018	Raiffeisenbank a.s., Prague
Cooperation Contract S/2019/00124	29/3/2019	Raiffeisenbank a.s., Prague
Cooperation Contract S/2019/00126	29/3/2019	Raiffeisenbank a.s., Prague
Subordinate loan contract	23/10/2019	Raiffeisen Bausparkassen Holding GmbH, Vienna
Amendment No. 1	5/12/2019	
Insurance Participation Agreement	4/12/2019	Raiffeisenbank a.s., Prague
Debit Card Agreement	17/12/2019	Raiffeisenbank a.s., Prague

### 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 shares in profit and shares 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 IN CHAPTER 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 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 2019 in the interest or upon the impetus of any of the 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, 18 March, 2020

Raiffeisen stavební spořitelna a.s. Board of Directors:

Ing. Jan Jeníček

Chairman of the Board of Directors

Dr. Ing. Pavel Chmelík

Deputy Chairman of the Board of Directors

Mgr. Roman Hurych

Deputy Chairman of the Board of Directors



### 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, 2019 and 31 December, 2018, allowing thus full reconciliation of regulatory capital items with the institution's capital and balance sheet.

##### 3.1.1 Regulatory capital

MCZK	31/12/2019	31/12/2018
Paid-up registered capital entered in the Commercial Register	650	650
Gains (losses) from revaluation of assets and liabilities	0	0
Retained earnings or accumulated losses from previous years	-160	-160
Reserve funds	3,978	3,762
(-) Additional value adjustment according to prudent valuation principles (AVA)	0	0
(-) Intangible assets other than goodwill	-215	-189
(-) Deferred tax liabilities associated with other intangible assets	17	13
<b>Total capital meeting the criteria for Tier 1</b>	<b>4,270</b>	<b>4,076</b>
Total amount of Tier 2 capital	300	0
<b>Capital relevant for calculation of limits for major exposures, for qualified interests, and the capital ratio</b>	<b>4,570</b>	<b>4,076</b>

##### 3.1.2 Equity

MCZK	31/12/2019	31/12/2018
Paid-up registered capital entered in the Commercial Register	650	650
Retained earnings from previous periods	-160	-160
Current year profit	536	516
Gains (losses) from revaluation of assets and liabilities	0	0
Reserve funds	3,986	3,770
<b>Total equity</b>	<b>5,012</b>	<b>4,776</b>

#### 3.2 CAPITAL REQUIREMENTS

MCZK	31/12/2019	31/12/2018
Exposure to central governments and central banks	0	0
Exposure to regional governments and local authorities	0	0
Exposures to institutions	47	97
Exposures to enterprises	67	69
Retail exposures	1,284	1,288
Exposures secured with real property	666	541
Defaulting exposures	37	37
Exposures in covered bonds	3	7
Exposures to shares	21	21
Exposures to other items	54	36
<b>Total capital requirements for credit risk</b>	<b>2,179</b>	<b>2,096</b>
Capital requirement pursuant to Title III, Chapter 2 of Regulation No. 2013/575/EU	164	151
<b>Total capital requirements for operational risk</b>	<b>164</b>	<b>151</b>
<b>Total capital requirements</b>	<b>2,343</b>	<b>2,247</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 Status: Joint-stock company

Business ID: 49241257

Tax ID: CZ49241257

Bank details: IBAN CZ82 5500 0000 0010 0100 5369

Phone: 271 03 11 11

Data box ID: f6qr5pb

Internet: [www.rsts.cz](http://www.rsts.cz)  
[www.svet-bydleni.cz](http://www.svet-bydleni.cz)  
[www.startovacimesto.cz](http://www.startovacimesto.cz)  
[www.vicedomova.cz](http://www.vicedomova.cz)  
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