



Raiffeisen
LEASING

ANNUAL REPORT

2018

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General Information on the Company

as at 31 December 2018

Company name	Raiffeisen – Leasing, s.r.o.
Legal status	Limited liability company
Recorded in the Register of Companies	22 June 1994
Corporate ID	61467863
Registered office	Praha 4, Hvězdova 2b
Share capital	CZK 450,000,000
Owner	Raiffeisenbank, a.s. (100%; as of 4 October 2017)
Company's management	Tomáš Görtler, general manager
	Alois Lanegger, statutory executive responsible for Front Office
	Josef Langmayer, statutory executive responsible for Back Office
Website	www.rl.cz

About Raiffeisen - Leasing, s.r.o.

We belong among the TOP ten players on the Czech lease market. With a total market share of 8.4%, in 2018, we ranked fourth among Czech Leasing and Finance Association members based on the volume of receivables from active contracts.

We have been active on the Czech market since 1994 and since the very beginning, we have held the stable role of a reliable and responsible financing partner.

We belong to the Raiffeisen financial group. Our parent company is Raiffeisenbank a.s., which is the fifth biggest bank on the Czech market based on assets.

To both companies and individuals, we offer a unique range of financing to cover their investment needs. We provide financing for cars, heavy vehicles, machines, equipment and technology to both companies and entrepreneurs. Financing provided to our corporate clientele often includes specific assets, such as air planes or locomotives. We have unique knowledge in the area of non-banking real estate financing. Thank to this, we have a broad and satisfied client base that uses our financing for projects involving the construction or reconstruction of hotels, shopping centres, residential areas and similar projects. We finance cars and utility vehicles for private persons, whose share in our portfolio is successfully growing. The universality of our services is one of the key parameters of our success. We endeavour to optimally use the synergy with our parent company, and thus offer our clients a combination of banking and lease services and products.

Another important factor in our successful growth is our experienced and professional team of employees. We are glad that we hold the position of a sought-after employer with very low employee turnover.

We continuously strive to optimise our products and processes to meet our clients' expectations to the best of our abilities and so that our clients have the most pleasant experience possible with the services and products of our Company.

Our primary goal is to be customer oriented, putting first the quality of the products and services provided. We prepare the most attractive products possible for our customers while we endeavour to control the level of credit risk and profitability of business transactions. Raiffeisen - Leasing, s.r.o. keeps a very good quality of contract portfolio in the long-term. We consider our strong asset our effort to grow cautiously with emphasis on balanced risk management.

Raiffeisen - Leasing, s.r.o. is a long-term member of the Czech Leasing and Finance Association, the German-Czech Chamber of Industry and Commerce and the American Chamber of Commerce in the Czech Republic.

We have all applicable authorisations and licenses necessary for us to run our business. We hold the Czech National Bank's license authorising us to provide consumer loans.

Our Company's basic philosophy includes corporate social responsibility, which we develop both on a state-wide scale and a regional level.

Our various projects and initiatives follow the strategy of the Raiffeisen group, and we support group corporate values. Reliability, high quality and helpfulness towards the customer – these are values that inspire us.

Business Activities in 2018 and Plans for 2019

We have a successful year behind us. In line with our strategy, **we focused on the quality of our products and services**, as well as on a **fair approach towards our clients and business partners**. We make an effort to flexibly respond to the market's requirements and come up with innovative ideas. Our continuous rapid growth together with the reinforcing of our market position have clearly confirmed that we have chosen the right strategy. In 2018, Raiffeisen - Leasing, s.r.o. grew markedly more quickly in the volume of newly closed business transactions than the Czech lease market in its entirety and more quickly than competitor companies that ranked in the top ten regularly compiled by the Czech Leasing and Finance Association.

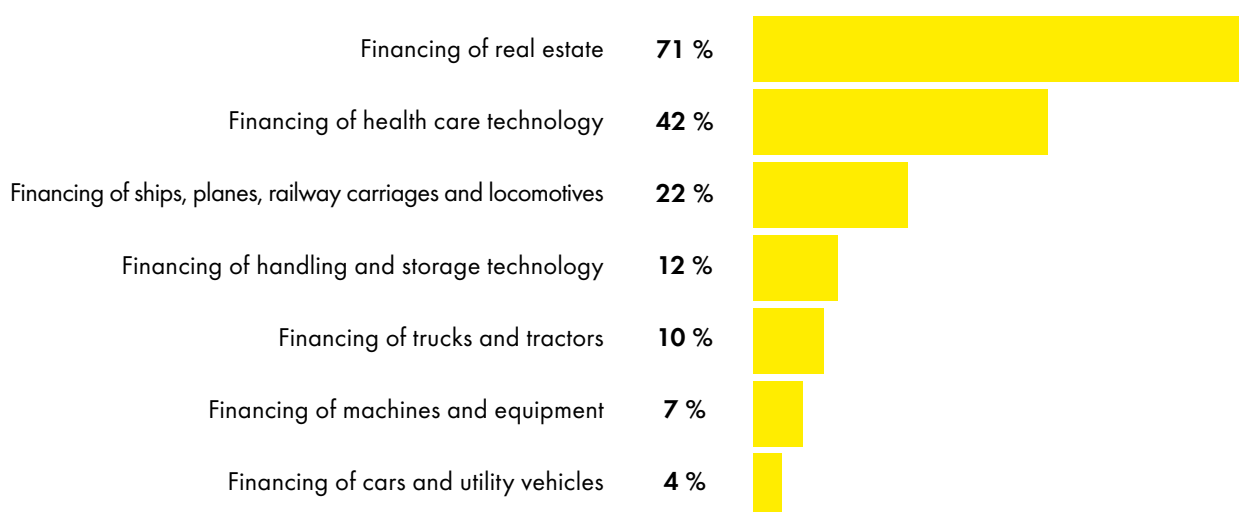
With an 8.4% market share, **we ranked fourth on the lease market** in the **volume** of aggregate **assets**, totalling CZK 22 billion at the end of 2018, after the exclusion of mutual transactions. Assets of Raiffeisen - Leasing, s.r.o. alone totalled CZK 17.9 billion.

In 2018, we concluded 8,477 new contracts on financing with our clients, and financed **commodities and real estate in the total volume of the aggregate financed value of Raiffeisen - Leasing, s.r.o., including its subsidiary companies, totalling CZK 9,978 billion**, representing **year-on-year growth of 24%**.

Based on rankings published by the Czech Leasing and Finance Association, Raiffeisen - Leasing, s.r.o., **with a market share of 71%, continues to hold first place in the non-banking financing of real estate**, in the volume of newly closed business transactions. Real estate financing has in the long term been one of the most successful business activities of our Company. In 2018, we participated in the implementation of a number of significant real estate projects. As part of our own development activity, we successfully completed the construction of the first phase of the Bydlení Studentská residential project, among other things, and started the implementation of the second phase.

We also hold a significant market position in other commodities. In 2018, **12% of the lease market belonged to us in the financing of handling and storage technology**, 10% in the financing of trucks, semi-trailers and trailers, and a 7% market share was achieved in the financing of machines and equipment. We hold a stable market position in the financing of health care technology, where our market share totalled **42%** in 2018 and 22% of the lease market belonged to us in the financing of ships, planes, railway carriages and locomotives category.

Raiffeisen - Leasing, s.r.o. market shares (based on the volume of newly closed business transactions)



Financing for entrepreneurs and small and medium companies play the main part in our portfolio of active contracts. Corporate clientele is also significantly represented, and the share of consumers has been gradually growing.

Raiffeisen - Leasing, s.r.o. acquires new business transactions using our own sales network, which manages to serve clients in all regions of the Czech Republic from Prague and our regional branches. We are proud that the sales network comprises our own experienced and professional employees of Raiffeisen - Leasing, s.r.o. An important distribution channel has traditionally been Raiffeisenbank a.s., which brings us more than 20% of the volume of newly closed business transactions.

Bank clients can also simply use lease products as part of cross-sell activities with the Raiffeisenbank parent company. The cooperation between Raiffeisenbank a.s. and Raiffeisen - Leasing, s.r.o. works reliably in the area of corporate transactions. We present to our clients joint offers and in some cases we jointly prepare the structure of corporate transactions. For several years, we have been providing a direct offer of car financing using the bank's branch network to clients from the segment of small companies and entrepreneurs. In autumn 2018, as an innovation, the bank network started to offer car loans also to individuals who are not entrepreneurs. In this manner, Raiffeisen - Leasing, s.r.o. significantly increased the number of selling points, where clients can easily take out a car loan. Thus the Company got even closer to consumers to whom it endeavours to offer equally good-quality services as it traditionally offers to corporate clients.

In 2018, Raiffeisen - Leasing, s.r.o. concluded a cooperation agreement with Českomoravská záruční a rozvojová banka as part of the Expansion and Energy Saving programme. We are currently prepare our products so that our customers will be able to enjoy the benefits of available subsidy programmes.

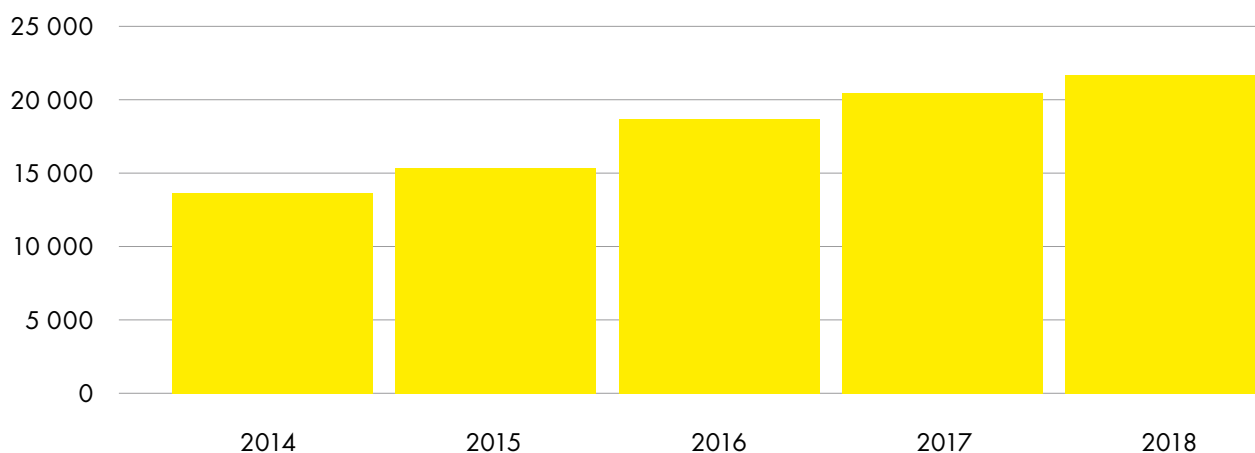
In the second half of 2018, we worked intensively on the implementation of new rules brought by the new Act on the Distribution of Insurance and Reinsurance (Act No. 170/2018 as amended), which entered into effect in the Czech Republic as of 1 December 2018. We cooperate with reputed insurance companies and selected insurance brokers in insuring financed assets.

In 2018, Raiffeisen - Leasing, s.r.o. received **an award in the prestigious Golden Crown 2018 contest, where it placed second in the Leases for Entrepreneurs category with its online car financing product.**

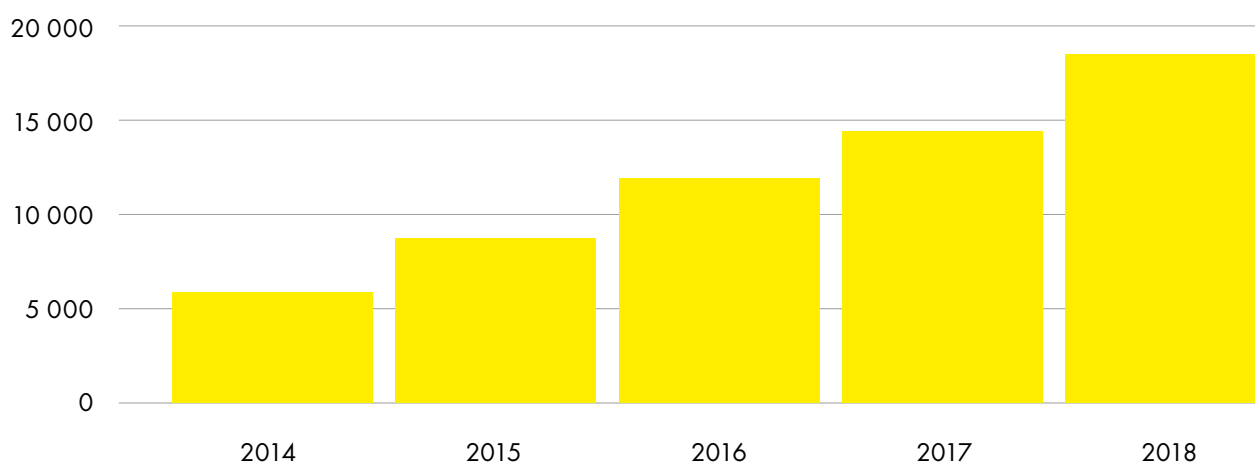
Raiffeisen - Leasing, s.r.o. has the ambition to continue in its growth trajectory in 2019. We expect the year-on-year growth of total assets of 13.8% and revenue growth of 22%. We hope to maintain the return on assets on the 2018 level and to keep the existing cost base. We will focus on further strengthening of our market position in the area of financing cars and utility vehicles as well as agricultural machines. We will continue reinforcing our long-term strong position in the financing of real estate, machines and equipment, health care and handling technology, and vehicles. We will complete the development of a new front-end system, and we will focus on the further optimisation of processes and making them more effective. The launch of a new client centre will be at the forefront of our interest. All this with the aim of continuously increasing the level of service we provide to our clients. Finally, we will continue in our successfully set-up cooperation with Raiffeisenbank, a.s.

Receivables from active contracts

(aggregate for Raiffeisen - Leasing, s.r.o. and subsidiaries) in MCZK

**Receivables from active contracts**

(aggregate for Raiffeisen - Leasing, s.r.o. without subsidiaries) in MCZK

**Labour relations activities**

The support we provide to employees is very important as they are key for the successful operation of our Company. We are aware of how important each employee is, and therefore have been developing a motivational system that takes into account the performance of both individuals and teams. We consider education a fundamental pillar of professional growth, and therefore in 2018, we reviewed and established a new training system for new employees. Gradually, we have been developing training for our other colleagues as well. We consider the internal communication system and sharing of information across the entire Company an important part. To this end, we have adapted the communication tools our employees can use. We have introduced on-line video conferences in selected branches to eliminate the need to travel to meetings that can be handled long-distance.

We focus on the possibilities of employee personal and career growth with the aim of supporting their potential and quality of work. We attach great importance to human relationships in the workplace, and hence have a very low employee turnover.

We support part-time workloads and we make working from home possible where ever the nature of the activity allows it.

Equal working opportunities, talent development and the satisfaction of our employees are of paramount importance to us. We set up labour relations in compliance with the Labour Code and associated regulations.

Corporate social responsibility principles

As part of our activity, we endeavour to positively influence the environment, for instance by way of a paperless approach. Thus we aim to decrease the volume of printed documents in our common activity.

We supported the activities of a number of non-profit organisations in 2018 as in previous years. Every year, we contribute to the publishing of the Silent World (Tichý Svět) calendar, thanks to whose sale Tichý svět, o.p.s. obtains means intended in particular for services for the hearing-impaired. Apart from charitable events, we are also active in the field of educational and cultural activities.

Capital Investments

As at 31 December 2018, Raiffeisen - Leasing, s. r. o. owned a direct or indirect share in a total of 95 special purpose vehicles as follows:

- › The Company owns 10% in two special purpose vehicles, Luna Property, s.r.o. and Kalypso Property, s.r.o., the remaining 90% is owned by Raiffeisen - Leasing International Gesellschaft m.b. H.
- › The Company owns 10% in the special purpose vehicle Viktor Property, s.r.o., where the remaining 90% is owned by RLKG Raiffeisen - Leasing Gesellschaft m.b.H
- › The Company owns 50% in the special purpose vehicle RLRE Ypsilon Property, s.r.o., where the remaining 50% is owned by Raiffeisen-Leasing Gesellschaft m. b. H.
- › The Company owns 77% in Létó Property, s.r.o., where the remaining 23% is owned by RUHR FVE s.r.o.
- › Indirectly via Létó Property, s.r.o., the Company owns 77% in the special purpose vehicle Sky Solar Distribuce s.r.o., the remaining 23% is owned by RUHR FVE s.r.o.
- › The Company owns 90% in the special purpose vehicle GS55 Sazovice s.r.o., where the remaining 10% is owned by GS5 s.r.o.
- › The Company owns 90% in the special purpose vehicle Palace Holding s.r.o., where the remaining 5% is owned by Petr Skrla and the remaining 4% is owned by Milan Hagan.
- › The Company owns 90% in the special purpose vehicle FORZA SOLE s.r.o., where the remaining 10% is owned by Eques Fotovoltaica Fundusz Inwestycyjny Zamkniety.
- › The Company owns 95% in the special purpose vehicle Hebe Property, s.r.o., where the remaining 5% is owned by Pavel Diviš.
- › The Company owns 95% in the special purpose vehicle Rheia Property, where the remaining 5% is owned by Snow-How ČR, s.r.o.

As at 31 December 2018, Raiffeisen - Leasing, s. r. o. indirectly owned 100% in the following seven of the total 95 companies:

- › KAPMC s.r.o. (100% Dike Property, s.r.o.)
- › Maloja Investment SICAV a.s. (100% Peitó Property, s.r.o.)
- › PILSENINVEST, uzavřený investiční fond, a.s. (1.4% Inó Property, s.r.o., 98,6% Niobé Property, s.r.o.)
- › SIGMA PLAZA s.r.o. (100% Polyxo Property, s.r.o.)
- › Sky Solar Distribuce s.r.o. (100% Létó Property, s.r.o.)
- › Strašnická realitní a.s. (100% Harmonia Property, s.r.o.)
- › Terasa LAVANDE s.r.o. (100% Hémerá Property, s.r.o.)

Other business relations are described in the notes to the financial statements.

Information on Pricing, Credit and Liquidity Risks Faced by the Reporting Entity, and Risk Management Aims and Methods including the Company's Policy on Using Hedging Derivatives

Raiffeisen Leasing, s.r.o. maintains sufficient liquidity through loans. Leased assets are not pledged in favour of creditors. The pricing policy and the Company's risk management (i.e. interest rate, currency and economic risks) are subject to standard processes of the Raiffeisen Group.

Research and development

In 2018, Raiffeisen Leasing, s.r.o. did not record any research and development activities.

Financial Statements for the Current Reporting Period

The annual financial statements for the current reporting period are an integral part of this annual report, and they clearly show an overview of the Company's assets.

Information on Significant Post Balance Sheet Events

PZ PROJEKT a.s. was sold after the balance sheet date.

The statutory executives declare that the information contained in the annual report reflects the actual state of affairs and that they are not aware of any significant events that occurred between the balance sheet date and the date of the annual report preparation.

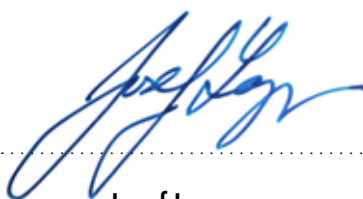
In Prague, on 25 June 2019



Tomáš Görtler
statutory executive



Alois Lanegger
statutory executive



Josef Langmayer
statutory executive

Auditor's Report





KPMG Česká republika Audit, s.r.o.

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

**Independent Auditor's Report to the Member of
Raiffeisen – Leasing, s.r.o.**

Opinion

We have audited the accompanying financial statements of Raiffeisen – Leasing, s.r.o. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors 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.



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 for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance



is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



Statutory Auditor Responsible for the Engagement

Milan Bláha is the statutory auditor responsible for the audit of the financial statements of Raiffeisen – Leasing, s.r.o. as at 31 December 2018 based on which this independent auditor's report has been prepared.

Prague
25 June 2019

KPMG Česká republika Audit, s.r.o.

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

Milan Bláha

Milan Bláha
Partner
Registration number 2007

Notes to the Separate Financial Statements as at 31 December 2018



NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Company name:	Raiffeisen - Leasing, s.r.o.
Registered office:	Hvězdova 1716/2b, 14078 Praha 4 - Nusle
Legal form:	limited liability company
Corporate ID:	614 67 863

Components of the Separate Financial Statements for 2018 Prepared under IFRS as Adopted by the EU:

Statement of Financial Position (Balance Sheet)

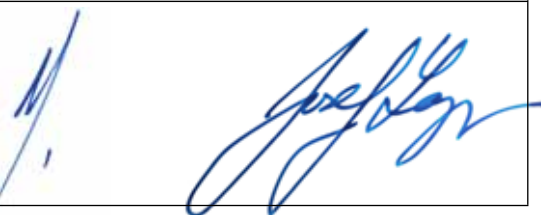
Statement of Comprehensive Income

Statement of Changes in Equity

Cash Flow Statement

Appendix

These financial statements were prepared on 25 June 2019.

Statutory body of the reporting entity	Signature
Alois Lanegger, statutory executive Josef Langmayer, statutory executive	

Separate financial statements

Balance Sheet

For the Year Ended 31 December 2018

CZK '000	Note	2018	2017
ASSETS			
Cash on hand		86	115
Cash at bank		315,136	423,236
Receivables from clients (net)	14,15	17,681,197	14,346,624
Positive fair values of financial derivatives	16	89,362	88,510
Investments in subsidiaries	17	508,502	508,512
Intangible fixed assets	18	19,294	11,683
Property, plant and equipment	18	762,716	642,044
Investment property	18	148,400	151,702
Other assets	19	403,136	190,661
TOTAL ASSETS		19,927,829	16,363,087
LIABILITIES			
Payables to banks	20	17,462,562	13,936,437
Payables to clients	21	80,962	101,896
Negative fair values of financial derivatives	22	6,160	7,340
Deferred tax liability	23	94,817	87,553
Provisions	24	30,901	78,585
Other liabilities	25	180,761	220,094
Share capital	26	450,000	450,000
Retained earnings/accumulated losses	26	1,444,010	1,183,169
Profit for the period	26	177,656	298,013
TOTAL LIABILITIES		19,927,829	16,363,087

Separate financial statements

Statement of Comprehensive Income

For the Year Ended 31 December 2018

CZK '000	Note	2018	2017
Interest income and similar income	1	508,865	414,792
Interest expense and similar expense	2	(167,633)	(95,914)
Net interest income		341,232	318,878
Change in allowances for risks arising from contract funding	3	4,656	60,094
Net interest income net of allowances		345,888	378,972
Fee and commission income	4	29,122	18,168
Fee and commission expense	5	(12,500)	(12,674)
Net fee and commission income		16,622	5,494
Foreign exchange rate gains or losses	6	2,355	1,904
Profit or loss from derivative transactions	7	1,510	116,633
Income from dividends	8	37	116
Income from investments	9	-	10,557
General operating expenses	10	(439,428)	(372,317)
Other operating income	11	484,106	423,173
Other operating expenses	12	(208,590)	(188,779)
Profit before tax		202,500	375,753
Income tax	13	(24,844)	(77,740)
Profit for the period		177,656	298,013
Cash flow hedge net of tax		601	8,899
Other comprehensive income (after income tax)		601	8,899
Total comprehensive income for the year		178,257	306,912

Separate financial statements

Statement of Changes in Equity

For the Year Ended 31 December 2018

CZK '000	Share capital	Statutory reserve fund	Retained earnings/ accumulated losses	Revaluation of assets and liabilities	Profit for the period	Total equity
Balance at 31 Dec 2016	450,000	-	876,215	-	368,672	1,694,887
Dividends	-	-	(70,617)	-		(70,617)
Allocation to retained earnings	-	-	368,672	-	(368,672)	-
Net profit for the period	-	-	-	-	298,013	298,013
Other comprehensive income, net	-	-	-	8,899	-	8,899
Balance at 31 Dec 2017	450,000	-	1,174,270	8,899	298,013	1,931,182
Impact of transition to IFRS 9	-	-	(37,773)			(37,773)
Balance at 1 Jan 2018	450,000	-	1,136,497	8,899	298,013	1,893,409
Allocation to retained earnings	-	-	298,013	-	(298,013)	-
Net profit for the period	-	-	-	-	177,656	177,656
Other comprehensive income, net	-	-	-	601	-	601
Balance at 31 Dec 2018	450,000	-	1,434,510	9,500	177,656	2,071,666

Separate financial statements

Cash Flow Statement

For the Year Ended 31 December 2018

CZK '000	2018	2017
Opening balance of cash and cash equivalents	423,351	331,281
Profit before tax	202,500	375,753
Adjustment for non-cash transactions	(161,558)	(361,214)
Recognition/release of allowances for financing risks, write-off of receivables	33,117	(60,094)
Depreciation of property, plant and equipment and amortisation of intangible assets	148,741	119,177
Recognition/release of provisions	3,599	29,150
Change in the fair value of derivatives	(1,289)	(117,927)
Received dividends	(37)	(116)
Profit/loss from the sale of property, plant and equipment and intangible assets	(2,102)	(65)
Profit/loss from the sale of equity investments	-	(10,557)
Foreign currency translation	(2,355)	(1,904)
Interest expense and interest income	(341,232)	(318,878)
Operating profit before the change in operating assets and liabilities	40,942	14,539
Change in working capital	(3,603,537)	(2,637,930)
Change in receivables and deferred expenses and accrued income	(3,353,636)	(2,695,011)
Change in payables and accrued expenses and deferred income	(23,347)	(5,717)
Change in other assets	(187,221)	10,354
Change in other liabilities	(39,333)	52,444
Paid interest	(165,220)	(91,205)
Received interest	497,166	409,381
Net cash flow from operating activities before tax	(3,230,649)	(2,305,215)
Income tax paid	(94,259)	(26,571)
Net cash flow from operating activities	(3,324,908)	(2,331,786)
Cash flow from investment activities		
Income from the sale of fixed assets	2,102	10,622
Purchase of property, plant and equipment and intangible assets	(273,712)	(314,962)
Dividends received	37	116
Net cash flow from investment activities	(271,573)	(304,224)
Cash flow from financing activities		
Change in payables from financing	3,526,125	2,798,697
Impacts of changes in equity	(37,773)	(70,617)
Dividends paid	-	(70,617)
Change in accounting policy	(37,773)	-
Net cash flow from financing activities	3,488,352	2,728,080
Net change in cash and cash equivalents	(108,129)	92,070
Closing balance of cash and cash equivalents	315,222	423,351

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Company name	Raiffeisen – Leasing, s.r.o.
Registered office	Hvězdova 1716/2b, 140 78 Praha 4 - Nusle
Legal form	limited liability company
Corporate ID	614 67 863

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1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

1.1. Incorporation and Description of Business

Raiffeisen – Leasing, s.r.o. (hereinafter the “Company”) was recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 29553, on 22 June 1994. The Company was formed through a Deed of Association at the beginning of 1994. The Company started its operations on 1 July 1994.

As a result of a merger by amalgamation, all assets and liabilities, including the rights and obligations arising from labour relations, of Raiffeisen – Leasing Real Estate, s.r.o., corporate ID 264 92 687, which was dissolved without liquidation, were transferred to the Company.

The principal activities of the Company include:

- › Provision or mediation of consumer loans;
- › Valuation of assets – immovable assets;
- › Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act. These primarily include: lease of movable and immovable assets (leases), purchase of goods for resale, provision of loans and borrowings, services regarding administration and organisational and economic services; and
- › Accounting advisors, bookkeeping, and maintenance of tax records.

In addition to the principal activities, the Company is authorised to perform all activities that seem to be necessary or useful for the achievement of its interests. The Company may form branches and/or subsidiaries in the Czech Republic or abroad and be involved in their plants in any legal form.

The Company generates a predominant part of its sales in the Czech Republic.

The amount of the paid-in share capital December CZK 450,000 thousand as of 31 December 2018 (2017: CZK 450,000 thousand).

1.2. Entities with Equity Interests in the Company

Owners as of December 2018	Share
Raiffeisenbank a.s., Hvězdova 1716/2b, Nusle, 140 00 Praha 4, Česká republika	100 %
Total	100 %

1.3. Statutory Body and the Supervisory Board as of 31 December 2018

Statutory body	Position
Alois Lanegger	Statutory executive
Josef Langmayer	Statutory executive
Tomáš Gürtler	Statutory executive

Supervisory Board	Position
Igor Vida	Chairman of the Supervisory Board
František Ježek	Member of the Supervisory Board
Tomáš Jelínek	Member of the Supervisory Board
Michael Hackl	Member of the Supervisory Board
Markus Kirchmair	Member of the Supervisory Board
Martin Stotter	Member of the Supervisory Board

1.4. Changes in the Register of Companies

The following changes were recorded in the Register of Companies in the reporting period:

- › A change in a Supervisory Board member: Martin Stotter became a member on 31 May 2018;
- › A change in a statutory executive: Josef Langmayer became a statutory executive on 1 January 2018 while Jiří Kruncel ceased to be a statutory executive on 1 January 2018.

1.5. Organisational Structure

The Company is internally organised into the Sales Department (Car Financing, Technology Financing, Real Estate Financing), Administration Department, Accounting Department, Risk Management Department, including Asset Valuation, (Corporate Clients and Real Estate, Retail Clients), Treasury Department, Finance Controlling Department, Risk Controlling Department, IT Department, Legal Department and Management Support, Real Estate Legal Department, Car Fleet Management, Marketing and Product Development, Real Estate Investment Department, Secretariat, Asset Remarketing Department and Project Management Department. The following activities are outsourced to a company in the group: internal audit, compliance, HR activities and procurement.

As of 31 December 2018, the Company had branches with registered offices in Pardubice, Brno, Teplice and Ostrava.

1.6. Consolidation Group Identification

The Company is part of the consolidation sub-group of Raiffeisenbank a.s., whose registered office is located at Hvězdova 1716/2b, 140 78, Prague 4. The Company is part of the Raiffeisen financial group that is controlled by Raiffeisen Bank International AG, Vienna. Consolidated financial statements are prepared by Raiffeisenbank, a.s.

With the approval of both of its owners, the Company does not prepare the consolidated financial statements. Raiffeisen Bank International AG (ultimate parent) prepares the consolidated financial statements which are available for public use and which comply with International Financial Reporting Standards.

1.7. Other information

Raiffeisen – Leasing, s.r.o. and Raiffeisen – Leasing Real Estate, s.r.o. prepared a project of merger by amalgamation with effect from 1 January 2015. Raiffeisen – Leasing, s.r.o. is the successor company while Raiffeisen – Leasing Real Estate, s.r.o. is the dissolved company.

The merger project was prepared by the Company's statutory executives pursuant to the Czech Act on Transformations, the Act on Business Corporations and other effective regulations. The successor company, Raiffeisen – Leasing, s.r.o., assumed the assets and liabilities of the dissolved Raiffeisen – Leasing Real Estate, s.r.o. and included them in the relevant line items of the opening balance sheet. Mutual transactions in the amount of CZK 20,647 thousand were excluded from other assets of the successor company and other liabilities of the dissolved company.

2. CHANGE IN THE APPLICATION OF ACCOUNTING STANDARDS SINCE 1 JANUARY 2011

In accordance with the amendment to Act No. 563/1991 Coll. on Accounting, as amended, effective since 1 January 2011, the general meeting of the Company decided to prepare the statutory local financial statements under International Financial Reporting Standards ("IFRS") and interpretations approved by the International Accounting Standards Board ("IASB"), as adopted by the European Union. The reason for this change is the fact that IFRS better present the economic situation of the Company in financing assets, primarily in finance leases, than Czech Accounting Standards.

The Company uses a similar structure of financial statements as the parent company Raiffeisenbank, a.s.

3. ACCOUNTING POLICIES, GENERAL ACCOUNTING PRINCIPLES AND THEIR CHANGES

The Company used the accounting policies described in Note 4 on a consistent basis throughout the reporting period.

The financial statements include the statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements including accounting policies and explaining comments.

The financial statements were prepared on an accrual principle, i.e. transactions and other facts were recognised at the time of their origination and recognised in the financial statements in the period to which they relate on an accrual basis, and under the going concern assumption.

These financial statements were prepared on a cost valuation basis, except for financial assets and financial liabilities at fair value through profit or loss (including all financial derivatives).

The financial statements, including the notes thereto, are unconsolidated and do not include the effect of financial statements of jointly controlled entities.

The Company prepares the unconsolidated financial statements in line with the requirements of Act No. 563/1991 Coll., on Accounting, as amended.

The financial statements are prepared as of the balance sheet date on 31 December 2018.

The reporting period is the calendar year.

These financial statements are presented in CZK thousands.

3.1. Changes in accounting policies in 2018

a) Newly applied standards and interpretations whose application has had a significant impact on the financial statements

IFRS 9 "Financial Instruments" is effective for annual periods beginning on or after 1 January 2018 and supersedes IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

IFRS 9 introduced a new approach to financial asset classification and calculation of credit losses.

For the purpose of classification under IFRS 9, the Group newly assesses the individual financial assets based on the:

- › business model for managing the financial assets;
- › and the characteristics of contractual cash flows following from the financial assets.

In determining the credit losses (i.e. loss allowances), the Group divided the financial assets in three stages based both on quantitative and qualitative criteria:

- › performing receivables (stage 1);
- › receivables where the credit risk has increased significantly since initial recognition (stage 2);
- › non-performing receivables (stage 3).

Due to the delayed application of a part of IFRS 9 for macro hedge accounting, it is possible to apply hedge accounting according to IAS 39 until the effective date of the amendments to IFRS 9 relating to this area. The Company has decided to continue approaching hedge accounting under IAS 39 since 1 January 2018 and not under the current requirements stipulated in IFRS 9.

The new accounting policies for financial instruments are described in note 4.

The impact of this change on equity as at 1 January 2018 is stated below.

Reconciliation of financial assets and liabilities and impairment losses on financial instruments

in TCZK Financial assets	IAS 39 me- asurement model	IAS 39 31 December 2017	Reclassification	Remeasure- ment – impair- ment losses	IFRS 9 me- asurement model	IFRS 9 1 January 2018
Financial assets at amortised cost (Receivables from clients)	L&R	14,249,985	-	(34 140)	AC	14,215,845
Receivables from banks	L&R	423,236	-	-	AC	423,236
Positive fair values of financial derivatives	FVTPL	89,362	-	-	FVTPL	89,362
Payables to banks	OFL	13,936,437	-	-	OFL	13,936,437
Payables to clients	OFL	101,896	-	-	OFL	101,896
Negative fair value financial derivatives	FVTPL	7,340	-	-	FVTPL	7,340
Provisions (provisions for provided commitments and financial guarantees)	AC	0	-	(3 633)	AC	3 633
Total				(37 773)		

(b) Newly applied standards and interpretations whose application has not had a significant impact on the financial statements

V In the reporting period, the following amendments to existing standards issued by the IASB and adopted by the European Union were effective:

- › **Amendments to IFRS 2 “Share-based Payments”** – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018);
- › **Amendments to IFRS 4 – “Insurance Contracts”** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time); and
- › **IFRS 15 – “Revenue from Contracts with Customers”** issued by the IASB on 28 May 2014 (on 11 September 2015 the IASB deferred the effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 the IASB issued clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers (the main exceptions are leases, financial instruments and insurance contracts). The core principle of the new standard is for companies to recognise revenue depicting the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
- › **Amendments to various standards “Improvements to IFRSs (cycle 2014 – 2016)”** – adopted by the EU on 7 February 2018. The amendments are resulting from the project of annual improvements to IFRS (IFRS 1 and IAS 28),

which are to remove discrepancies between the individual standards and clarify their purpose (effective for annual periods beginning on or after 1 January 2018).

- › **Amendments to IAS 40 Investment Property** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).
- › **IFRIC 22 Foreign Currency Transactions and Advance Consideration** (effective for annual periods beginning on or after 1 January 2018).

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

(c) Standards and interpretations not yet effective

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

- › **IFRS 16 Leases** (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)
- › **IFRS 16 Leases** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. The anticipated impact of IFRS 16 on the Company's balance sheet due to the recognition of new right-of-use assets and lease liabilities is approximately CZK 51,600 thousand.
- › **IFRIC 23 Uncertainty over Income Tax Treatments** (effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.)
- › **Amendments to IFRS 9 - Prepayment Features with Negative Compensation** (effective for annual periods beginning on or after 1 January 2019).

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

(d) Standards and interpretations issued by IASB but not yet adopted by the European Union

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

- › **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (the European Commission has decided to postpone the approval indefinitely);
- › **IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Earlier application is permitted.)

- › **Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019);
- › **Annual Improvements to IFRS 2015-2017 Cycle** (effective for annual periods beginning on or after 1 January 2019);
- › **Amendments to IAS 19 Employee Benefits** (effective for annual periods beginning on or after 1 January 2019);
- › **Amendments to IFRS 3 Business Combinations** (effective for annual periods beginning on or after 1 January 2020);
- › **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (effective for annual periods beginning on or after 1 January 2020).

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

4. OVERVIEW OF SIGNIFICANT ACCOUNTING PRINCIPLES, POLICIES AND VALUATION METHODS

4.1. Transaction Recognition Date

The transaction recognition date is the day when a delivery is performed, a payable is settled, a receivable is collected, an advance payment is made or received, a shortfall, deficit, surplus or damage is determined, an asset is transferred within the reporting entity or when other events occur arising from the internal circumstances of the Company that are subject to accounting and that occurred in the Company or can be supported by relevant documents.

4.2. Intangible Fixed Assets and Property, Plant and Equipment (Tangible Fixed Assets)

Tangible fixed assets include internal assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis. Tangible fixed assets also include vehicles held under operating lease (fleet management). Intangible fixed assets include internal assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand.

The cost of fixed asset improvements exceeding CZK 60 thousand or CZK 40 thousand for the taxation period increases the acquisition cost of the related intangible and tangible fixed asset, respectively.

Intangible fixed assets with an acquisition cost lower than CZK 60 thousand and tangible fixed assets with an acquisition cost lower than CZK 40 thousand treated as low value intangible or tangible assets are expensed in the period of acquisition. These assets are not reported on the face of the balance sheet.

Valuation

Tangible and intangible fixed assets are stated at cost less accumulated depreciation and allowances and are depreciated in the statement of comprehensive income in "General operating expenses" starting from the moment when they are ready for use, on a straight line basis over the anticipated useful lives.

Depreciation for Accounting Purposes

The following table shows accounting methods and depreciation periods according to groups of assets:

Intangible Fixed Assets and Tangible Fixed Assets	Method	Period
Software - Core system	Straight-line	4-5 year
Machinery and equipment 1st depreciation group	Straight-line	3-4 years
Machinery and equipment second depreciation	Straight-line	4 years
Vehicles (company cars)	Straight-line	5 years
Vehicles (fleet management contracts)	Straight-line	Based on lease contract and determined net book value
Buildings	Straight-line	30-50 years
Improvements on leased premises	Straight-line	72 months (based on lease contract)

The Company periodically examines the usability of assets and tests them for impairment.

Regular repairs and maintenance are reported in the statement of comprehensive income in "General operating expenses" in the year in which the relating expenses were incurred.

4.3. Investment Property

Investment property is the property held to earn rentals and/or for capital appreciation (including property in the phase of construction to be used as investment property at a later date). Investment property is measured at cost including any auxiliary expenses relating to the acquisition of the property. Investment property is depreciated and recognised net of all accumulated depreciation and accumulated impairment losses for which investment property is tested annually. Impairment losses and any reduction of the losses are recognised in profit or loss.

Investment property is derecognised at sale or when the investment property is permanently removed from the use and no future economic benefits are expected from its sale. Profit or loss arising from property derecognition (determined as the difference between proceeds from the sale and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Business and administrative investment property is depreciated on a straight line basis for 50 years.

4.4. Equity Investments

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

At the financial statement date or interim financial statement date, the Company assesses equity investments in subsidiary or associated undertakings and joint ventures for impairment. Impairment of equity investments in subsidiary or associated undertakings is identified as a difference between the net book value and the recoverable value of the investment. The recoverable amount is the higher of an asset's fair value and its value in use determined as a sum of discounted expected cash flows. Impairment of equity investments in subsidiary or associated undertakings is reflected through the recognition of allowances.

4.5. Receivables

4.5.1. Policies effective to 31 December 2017

Valuation

Receivables are measured at net book values using the effective interest rate method less impairment losses.

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company recognises a direct accumulated depreciation to receivables arising from the financial settlement of prematurely terminated contracts, they actually negate the value of the receivable in "Receivables from customers". The profit or loss is impacted by the moment of the payment of receivable from financial settlement.

Recognition of Allowances

The Company determines allowances against doubtful receivables based on its own analysis of the solvency of its customers using the methodology of the Raiffeisen financial group so that allowances reflect the coverage of the risk resulting from the lease contract as a whole. Receivables from prematurely terminated contracts or contracts tending to premature termination are allowed for according to the individual perspective of the client with the anticipation of the form of the lease collateral and possibility to resell the lease asset.

The calculation is made using the following formula:

Billed and outstanding receivables based on the particular financing contract + present value of future lease payments or the balance of the loan principal – value of the lease asset measured in accordance with the intracompany guideline – value of other collateral of the particular contract determined according to the intracompany guideline = tax non-deductible allowance.

The Company additionally recognises portfolio allowances for active financing contracts. For the individuals and small and medium sized companies segments, the Company uses the Flow-rate calculation model reflecting, on an annual average basis, the statistical likelihood of the premature termination of the contract due to default in particular segments and the anticipated level of return.

In respect of the corporate clients segments, the calculation is based on the client default likelihood on the basis of its rating, migration rating tables calculated centrally by the Raiffeisen group, weighted collateralisation and also likely return of the unsecured part of the portfolio (again, calculated centrally).

The Company recognises allowances on a net basis, i.e. the amount of the difference between the balance of allowances at the beginning and end of the reporting period is debited or credited to expenses.

4.5.2. Policies effective from 1 January 2018

Classification and measurement of financial assets and liabilities - effective from 1 January 2018

IFRS 9 contains a new classification approach for financial assets that reflects the cash flow characteristics ("SPPI test") and business model in which assets are managed. Based on these criteria, the Group classifies financial instruments into the following categories:

- › financial assets measured at amortised cost ("AC");
- › financial assets measured at fair value through other comprehensive income ("FVOCI");
- › financial assets measured at fair value through profit or loss ("FVTPL");

Financial assets measured at amortised cost (AC)

A financial asset is measured at amortised cost if it is held in a business model whose objective is to hold financial assets to collect contractual cash flows and the cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding.

In the balance sheet, financial assets at amortised cost are recognised in "Receivables from clients (net)" and include loans and advances to customers.

The amortised cost is the cost minus repayments of principal, plus accrued interest, increased or decreased by amortisation of discount or premium, if any, and decreased by expected credit losses using a loss allowance. The amortised cost is calculated using the effective interest rate method. An integral part of the effective interest rate are fees and related transaction costs. All loans and advances are recognised when funds are provided to customers. Interest income from financial assets at amortised cost is reported in the statement of comprehensive income in "Interest income and similar income". Impairment losses are reported in the statement of comprehensive income in "Change in allowances for risks arising from contract funding".

Financial assets measured at fair value through other comprehensive income ("FVOCI"):

Debt instruments can be measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and at the same time the cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding. Unrealised gains and losses on debt securities are recognised directly in other comprehensive income. Upon sale, cumulated gains and losses are reclassified from other comprehensive income to profit or loss. Currently, the Company does not measure any debt instrument at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

Financial assets can be measured at fair value through profit or loss if the cash flows do not meet the conditions of the contractual cash flow characteristics test or present a part of the business model whose objective is to hold financial assets to realise their value through sale. Currently, the Company does not measure any financial asset at fair value through other comprehensive income.

In addition, the Company may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company currently does not use this option.

Analysis of contractual cash flow characteristics

As part of the analysis of contractual cash flow characteristics, the Company assesses whether the contractual cash flows from loans and debt securities represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic and lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company will consider:

- › contingent events that would change the amount and timing of contractual cash flows;
- › leverage features;
- › prepayment and extension terms;
- › terms that limit the entity's claim to cash flows from specified assets; and
- › features that modify consideration for the time value of money.

Business model

The definition of the Company's business models reflects how groups of financial assets are managed together to achieve a particular business objective. In assessing the objective of a business model, the Company primarily considers the following information:

- › the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Company considers whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- › how the performance of the business model is evaluated and reported to the Company's key management personnel;
- › the risks that affect the performance of the business model and financial assets held within this business model, and how those risks are managed;
- › how managers of the entity are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

The Company classifies financial assets into the following two business model categories:

- (i) "Hold and collect contractual cash flows"; and
- (ii) "Derivatives held for risk management purposes".

The Company does not have any other business models.

(i) "Hold and collect contractual cash flows" business model

Loans and debt securities in the "hold and collect contractual cash flows" category are held for the purpose of acquiring contractual cash flows over the entire useful life of the instrument. The Company expects and has intention and ability to hold these loans and debt securities to maturity. When determining whether cash flows will be generated by collecting financial assets' contractual cash flows, the Company assesses the frequency, value and timeline of sales in previous periods as well as reasons why these sales were carried out and expectations regarding the future selling activities within the given portfolio.

The Company considers the following sales to be consistent with the "hold and collect contractual cash flows" business model:

- › a sale as a result of an increase in the credit risk associated with a financial instrument, irrespective of the frequency and value;
- › a sale carried out to manage credit risk concentration if this sale is unique (even if material in terms of its value) or immaterial in terms of value but frequent;

(ii) "Derivatives held for risk management purposes" business model

Derivative transactions categorised as falling in the "hold and collect contractual cash flows" category represent hedging derivatives intended to manage the Company's interest rate and currency risks. Hedging derivatives are used according to the type of hedging relationship, i.e. fair value hedges or cash flow hedges.

Impairment of financial assets

IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses ("ECL") relating to an increase in the borrower's credit risk.

The Group determines impairment of financial assets using the ECL model in respect of the following financial assets:

- › Financial assets at amortised cost;
- › Financial guarantees and loan commitments.

For the purpose of calculating loss allowances, IFRS 9 requires using a new three-stage model that evaluates changes in portfolio quality since initial recognition as at the reporting date.

Stage 1 includes financial assets the credit risk of which has not increased significantly since initial recognition and assets with low credit risk as at the reporting date. The 12-month expected credit losses are recognised for all assets in this category. Interest income is calculated on the basis of the gross carrying amount of financial assets. The parameters of the probability of default ("PD"), loss given default ("LGD"), the amount of the receivable, qualitative and statistical data on contracts and data on future contractual cash flows are taken into account in the calculation. In addition, macroeconomic factors need to be considered in the calculation for corporate clients.

Stage 2 includes financial assets the credit risk of which has increased significantly since initial recognition but for which there is no objective evidence of impairment. Expected credit losses are recognised for these assets over their lifetime. Interest income is calculated on the basis of the gross carrying amount of financial assets. The same parameters need to be considered in the calculation as for the calculation in Stage 1.

Stage 3 includes financial assets for which there is objective evidence of the borrower's default. Expected credit losses are recognised for these assets over their entire lifetime. Interest income is calculated on the basis of the net carrying amount of the assets. Allowances for Stage 3 are calculated as estimated loss over the entire useful life of the contract using a minimum of two scenarios (Going concern, Gone concern) with a corresponding probability of implementation. The scenarios are prepared based on expected cash flow (client/contractual cash flow, hedging implementation, expected supply in insolvency proceeding, etc.).

The default of the borrower (receivable) is defined as a situation when at least one of the following conditions is met:

- › It can be assumed that the borrower is unlikely to repay in full his loan obligation to the Company, its parent company or any of its subsidiary companies without the Company taking steps such as hedging implementation;
- › Any of the borrower's substantial credit obligations to the Company, its parent company or any of its subsidiary companies is more than 90 days overdue.

The Company recognises allowances for Stage 1 and 2 monthly on a gross basis, i.e. the total amount of an allowance at the end of the period is debited to the expense account, and simultaneously, a minus allowance at the beginning of the period is debited to the expense account; allowances for Stage 3 are recognised on a net basis, i.e. the difference between the balance of allowances at the beginning and end of the reporting period is debited or credited to expenses.

4.6. Provisions

Provisions are probable liabilities of uncertain timing or amount. Provisions are recognised only when all of the following criteria are met:

- › The Company has a present obligation (legal or constructive) as a result of a specific past event;
- › It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- › A reliable estimate can be made of the amount of the obligation.

The Company recognises provisions on a gross basis, i.e. existing provisions are released to the relevant expense account and are recognised in the amount of provisions at the end of the reporting period.

The Company recognises provisions for outstanding vacation days of employees, legal disputes, bonuses paid to the management and employees and other provisions relating to the operations of the Company.

4.7. Trade Payables

Trade payables are stated at carrying amount using the effective interest rate method.

4.8. Loans

Loans are stated at carrying amount using the effective interest rate method.

Interest on loans is accrued and reported in the profit or loss for the period to which it relates on an accrual basis.

4.9. Financial Derivatives

In order to provide economic hedging of its interest rate and currency risks, the Company concludes interest rate swaps and currency swaps. This interest rate and currency risk results from the different interest on assets and liabilities or differently denominated assets and liabilities.

Hedging and Trading Derivatives

Hedging derivatives are concluded either for fair value hedging or cash flow hedging.

The Company designates a derivative as hedging only if the criteria set out below are met at the designation date:

- › Compliance with the risk management strategy;
- › At the inception of the hedge, the hedging relationship is formally documented;
- › The documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to assessing whether the hedge is effective;
- › The hedge is expected to be highly effective at inception and throughout the period; and
- › Changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Other derivatives are treated as trading derivatives.

Valuation

Interest rate and currency swaps are carried at acquisition cost at the acquisition date. The acquisition cost includes direct acquisition costs, e.g. fees and commissions to brokers, advisors and stock exchanges.

At the balance sheet date, interest rate or foreign currency swaps are remeasured at fair value which is arrived at on the basis of a reasonable determination of the fair value of all expected cash flows.

Fair value changes in respect of trading derivatives are recognised as a financial expense or income as appropriate. Fair value changes in respect of derivatives that are classified as fair value hedges are also included in financial expenses or income together with the relevant change of the fair value of the hedged asset or liability attributable to the hedged risk. Fair value changes in respect of derivatives that are classified as cash flow hedges are recognised in equity and through the revaluation gains or losses on assets and liabilities in the balance sheet. The ineffective portion of the hedge is reported directly in financial expenses or income as appropriate.

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

“Negative fair value of financial derivative transactions”. Realised and unrealised gains and losses are recognised in the statement of comprehensive income line “Profit or loss from derivative transactions”. Fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve or volatility factors underlying the positions.

In addition, the Company recognises accrued interest income and expenses of interest rate swaps which are reported as net interest income or expense under interest income or interest expenses in the statement of comprehensive income as appropriate.

The Company recognises the revaluation of currency swaps to fair value through foreign exchange rate gains or losses.

The Company uses derivative instruments to hedge the risks. The Company does not use hedge accounting.

Embedded Derivatives

The Company does not separate embedded foreign currency derivatives denominated in EUR from the host contracts which represent lease contracts concluded in EUR. The Company acts on the assumption that EUR is the commonly used currency in lease contracts in the Czech economic environment. The above lease contracts are also funded in EUR.

Fair value hedges

The Company concluded a derivative instrument in the form of an interest rate swap with a hedged granted loan. In order to prevent fluctuations in profit or loss due to the remeasurement of derivative instruments to fair value the Company applied the fair value hedge method to its profit or loss.

The derivative instrument complies with the following conditions:

- › At the inception of the hedging, a decision was made on the hedged item, the hedging instrument, the risks to be hedged and the method of calculation and evidence supporting effectiveness of hedging; the hedging relationship is formally documented;
- › The hedging is highly effective (ranging from 80% to 125%); and The effectiveness of hedging is reliably measurable and is continuously assessed as of the date of hedging inception and at the end of each calendar month.

The derivative instrument is measured at fair value. In line with accounting policies, profit or loss arising from the changes in the fair value of the hedged item and the hedging instrument are recognised in income or expenses when the fair value hedge method is applied. Interest income and expenses arising from the derivative instrument are recognised together with the interest expense and hedged granted loans to interest expenses.

Cash flow hedge

The Company concluded interest rate swaps to hedge the cash flow of received loans. The Company decided to apply hedge accounting to overcome the accounting mismatch between IAS 39 and CAS 110 for financial institutions. The Company classified the transaction as a cash flow hedge. As of the balance sheet date, the hedging interest rate swap is measured at fair value, with the effective portion of the hedging instrument being recognised through equity.

The derivative instrument complies with the following conditions:

- › At the inception of the hedging, a decision was made on the hedged item, the hedging instrument, the risks to be hedged and the method of calculation and evidence supporting effectiveness of hedging; the hedging relationship is formally documented;
- › The hedging is highly effective (ranging from 80% to 125%); and the effectiveness of the hedge can be reliably measured and is assessed as of the beginning of the hedge on an ongoing basis as well as at the end of each calendar quarter.

4.10. Leases

The Company provides financing only in the form of finance and operating leases.

The accounting treatment of finance lease

Long-term, gradually amortised receivable (over the contract period) is recorded in "Receivables from clients". The payment for the provision of finance is the interest that is reported in the statement of comprehensive income in "Interest income and similar income". The income from finance leases is allocated to reporting period in order to reflect a constant periodic level of return of the net investment of the Company in finance leases.

The gross investment in leases is the total of lease payments from the perspective of the lessor that will be made in the lease period plus potential uncollateralised net book value of a specific asset.

The difference between the gross investment in leases and unrealised financial income is the "net investment in leases".

The original direct costs are the costs that directly relate with the lease in the lessee. These costs are released over the lease period.

In the event of the premature termination of the contract, a fee will be imposed on receivables in the amount of remaining lease payments adjusted by insurance and finance service discount and a corresponding allowance is recognised.

The accounting treatment of operating lease

Vehicles held under operating leases are accounted for as tangible fixed assets (refer to Note 4.2).

The income from operating lease is accounted for when it originates and is recognised through "Other operating income".

Services relating to operating lease are accounted for when they originate and are recognised through "Other operating expenses".

4.11. Income and Expense Recognition

The Company recognises income and expenses on an accrual basis, i.e. recognises them on the relevant accounts of expense accounts and income items on an accrual basis.

Expenses relating to future periods take the form of deferred expenses and accrued expenses.

The income relating to future periods take the form of deferred income and accrued income.

4.12. Taxation

4.12.1. Current income tax

The income tax for the period is composed of current income tax and movements in deferred tax.

The current income tax is based on taxable profit for the reporting period. The profit of the current period is adjusted by adding non-tax-deductible expenses and deducting income that is exempt from income tax. In addition, it is adjusted by tax relief. The calculation of the tax payable is made at the end of the taxation period in accordance with Act No. 586/1992 Coll., on Income Taxes. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

4.12.2. Deferred tax

Deferred tax is accounted for using the balance sheet liability method.

Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised. The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

The deferred tax asset or deferred tax liability are determined as the sum of all products of the resulting temporary differences and the tax rate that is expected to apply in the period in which individual differences will be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet.

4.13. Foreign currency translation

The functional and presentation currency of the Company is the Czech crown. Transactions denominated in foreign currencies during the year are translated using the exchange rate of the Czech National Bank prevailing on the date preceding the date of the transaction.

At the balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date. Any resulting foreign exchange rate gains and losses are recorded through the current year's financial expenses or revenues as appropriate and are reported in "Foreign exchange rate gains or losses".

Fixed assets acquired in foreign currencies are recognised in Czech crowns using the foreign exchange rate applicable when these assets were acquired or individual items of assets were included into assets.

Unrealised foreign exchange rate gains or losses are recognised in the profit or loss of the current period.

Income or expenses denominated in foreign currencies are reported in Czech crowns and are retranslated using the foreign exchange rate of the Czech National Bank as of the transaction date. Any resulting foreign exchange gains or losses are recognised as other financial income or other financial expenses as appropriate and are reported in "Foreign exchange rate gains or losses".

4.14. Use of estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Actual results may differ from the estimates.

The Company regularly reviews its portfolio of receivables arising from leases and advanced loans for potential impairment. Receivables past their due dates are allowed for in accordance with internal guidelines. The allowance recognition policy is disclosed in Note 4.5.

4.15. Cash flow statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

	(CZK thousand)	
	31/12/2018	31/12/2017
Cash on hand and cash in transit	86	115
Cash at bank	315,136	423,236
Total cash and cash equivalents	315,222	423,351

The cash flow statement is segmented into cash flows from operating, investment and financial activities.

Adjustments for other non-cash transactions include expenses relating to disposals of fixed assets due to prematurely terminated lease contracts and the amount of expenses relating to the write-off of bad receivables.

5. ERROR CORRECTION

Some lease contracts were incorrectly classified as operating leases in 2017. These contracts should have been recognised as finance leases. The error was corrected in all statements for the previous period. The following tables summarise the impact on financial statements.

Balance sheet as at 31 Dec 2017 – error impact

CZK thousand	Originally recognised	Adjustment	Corrected
Receivables from clients (net)	14,249,985	96,639	14,346,624
Tangible fixed assets	742,305	(100,261)	642,044
Other assets	190,679	(18)	190,661
Other	1,183,758	-	1,183,758
Total assets	16,366,727	(3,640)	16,363,087
Payables to clients	104,952	(3,056)	101,896
Other	14,330,009	-	14,330,009
Total liabilities	14,434,961	(3,056)	14,431,905
Profit for the period	298,597	(584)	298,013
Other	1,633,169	-	1,633,169
Equity	1,931,766	(584)	1,931,182

Statement of comprehensive income as at 31 Dec 2017 – error impact

CZK thousand	Originally recognised	Adjustment	Corrected
Interest income and similar income	413,652	1,140	414,792
General operating expenses	(393,607)	21,290	(372,317)
Other operating income	446,187	(23,014)	423,173
Other	(167,635)	-	(167,635)
Profit for the period	298,597	(584)	298,013
Other comprehensive income	8,899	-	8,899
Total comprehensive income for the year	307,496	(584)	306,912

6. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

6.1. Interest Income and Similar Income (Note 1)

CZK thousand	2018	2017
from receivables from banks	-	1
from receivables from banks from financial derivatives	33,379	1,765
from receivables from clients	475,486	413,026
of which: interest on impaired assets	10,840	5,086
of which: interest on the default from impaired assets	2,199	3,944
Total interest income and similar income	508,865	414,792

The income of the Company is primarily generated from the provision of financing contracts (leases, consumer loans and instalment sale) and relating services provided to clients. The Company generated all sales from principal activities in 2018 and 2017 in the Czech Republic.

6.2. Interest Expense and Similar Expense (Note 2)

CZK thousand	2018	2017
From loans at banks	(156,596)	(74,803)
From financial derivatives	(11,037)	(21,111)
Total interest expense and similar expense	(167,633)	(95,914)

6.3. Change in Allowances for Risks Arising from Contract Funding (Note 3)

CZK thousand	2018	2017
Recognition of allowances	(108,985)	(20,380)
Release of allowances	107,643	86,042
Write-off of receivables	(106)	(35,107)
Income from written-off receivables	1,125	1,742
Income from the sale of seized items	4,838	2,797
Total change in allowances	4,515	35,094
Provision for off-balance sheet credit risks		
Recognition of provisions	(2,432)	-
<i>of which: RLRE Carina Property, s.r.o.</i>		-
Release of the provision	2,573	25,000
<i>of which: RLRE Carina Property, s.r.o.</i>		25,000
Total change in provisions for off-balance sheet credit risks	141	25,000
Change in provisions and allowances for the risks of contract financing	4,656	60,094

6.3.1. Change in Allowances for Risks Arising from Contract Funding

The table below includes the net expenses on additions to and revenue from release of allowances to inter-company receivables. The data below are part of the movements in lines "recognition of allowances" and "release of allowances" in the table presented in Note 6.3.

CZK thousand	2018	2017
Orchideus Property, s.r.o.	43,241	(934)
Steffany's Court s.r.o.	(99)	-
Viktor Property, s.r.o.	1	-
Landia – Jordánská, s.r.o.	(73)	-
Áté Property, s.r.o.	(92)	-
ALT POHLEDY s.r.o.	2,395	-
RLRE Carina Property, s.r.o.	(742)	-
FVE Cihelna s.r.o.	(15)	-
CRISTAL PALACE Property, s.r.o.	(659)	-
Credibilis a.s.	(83)	-
Dafné Property, s.r.o.	(673)	-
Euros Property, s.r.o.	(22)	-
GHERKIN, s.r.o.	(12)	-
Fobos Property, s.r.o.	(203)	-
Gaia Property, s.r.o.	(20)	-
Meleté Property, s.r.o.	(484)	-
Hestia Property, s.r.o.	(68)	-
Hémerá Property, s.r.o.	(87)	-
Inó Property, s.r.o.	1	-
Don Giovanni Properties, s.r.o.	(55)	-
Logistický areál Hostivař, s.r.o.	(34)	-
Luna Property, s.r.o.	(147)	-
Melpomené Property, s.r.o.	(39)	-
NATUM Alfa s.r.o.	(6)	-
Nereus Property, s.r.o.	(3)	-
JFD Real, s.r.o.	(61)	-
KAPMC s.r.o.	(181)	-
Photon Energie s.r.o.	1	-
Polyxo Property, s.r.o.	(136)	-
Rheia Property, s.r.o.	(27)	-
Selene Property s.r.o.	1	-

CZK thousand	2018	2017
Strašnická realitní a.s.	(327)	-
SeEnergy PT, s.r.o.	(134)	-
Raiffeisen FinCorp, s.r.o.	7	-
UPC Real, s.r.o.	(1,252)	-
Zatiší Rokytka s.r.o.	(462)	-
PZ Projekt a.s.	36,250	(3,160)
Total	75,701	(4,094)

The allowance to the receivable from PZ Projekt a.s. of CZK 36,250 thousand was released in 2018 due to full repayment of the receivable.

The allowance to the receivable from Orchideus Property, s.r.o. of CZK 43,241 thousand was released in 2018 due to the appreciation of the relevant collateral for the receivable.

6.4. Fee and Commission Income (Note 4)

CZK thousand	2018	2017
Fees from the provision of services to clients	17,247	6,055
Bonus from the mediation of insurance	10,773	7,437
Fee for the provision of a guarantee	1,102	4,676
Total fee and commission income	29,122	18,168

Fees from the provision of services to clients include, for example, fees for the preparation of the lease and loan contracts, change in the repayment schedule or contract cession and variable lease payment.

6.5. Fee and Commission Expense (Note 5)

Fee and commission expense includes fees for the administration of bank accounts held at banks in the amount of CZK (7,352) thousand (2017: CZK (4,042) thousand), fees for received bank guarantees of CZK (4,469) thousand (2017: CZK (7,749) thousand) and other commissions and costs related to client service fees of CZK (679) thousand (2017: CZK (883) thousand).

6.6. Foreign Exchange Rate Gains or Losses (Note 6)

Foreign exchange rate gains or losses include realised and unrealised foreign exchange rate gains or losses from the revaluation of assets and liabilities denominated in foreign currencies of CZK 2,355 thousand (2017: CZK 1,904 thousand).

6.7. Profit or Loss from Derivative Transactions – Revaluation of Derivatives (Note 7)

CZK thousand	2018	2017
Revaluation of swaps - IRS	919	118,104
Of which: IRS used to hedge fair value	203	1,677
Revaluation of swaps – CCS	49	(1,471)
Revaluation of forwards	542	-
Total revaluation of swaps	1,510	116,633

This item reflects the effect on the profit or loss from the hedging of the interest rate and foreign currency liquidity.

The Company has concluded derivative instruments in the form of interest rate swaps and forwards to hedge provided loans. In order to prevent fluctuations in profit or loss arising from changes in the variable interest rate of the provided loan and revaluation of the derivative instrument to fair value in the given case, the Company applied fair value hedging through its profit or loss. Individual items disclosed in the table above are recognised in net values.

6.8. Income from Dividends (Note 8)

The Company received dividends of CZK 37 thousand (2017: CZK 39 thousand) from the equity investment held in GS55 Sazovice s.r.o. and dividends of CZK 0 thousand (2017: CZK 77 thousand) from the equity investment held in FORZA SOLE s.r.o.

6.9. Income from Investments (Note 9)2018

Sold investments	Selling price	Net book value	Income from sold investments
Amfión Property, s.r.o.	50	50	0
RLRE HOTEL ELLEN, s.r.o.	100	100	0
Áté Property, s.r.o.	50	50	0
Polymnia Property, s.r.o.	50	50	0
NC Ivančice, s.r.o.	200	200	0
Michalka – Sun s.r.o.	200	200	0
Rezidence Pod Skálou s.r.o.	200	200	0
Nereus Property, s.r.o.	50	50	0
RIOBAU s.r.o.	10	10	0
FERDINAND Palace s.r.o.	50	50	0
Total sold investments	960	960	0

2017

Sold investments	Selling price	Net book value	Income from sold investments
FORZA SOLE s.r.o.	20	20	0
Afrodité Property, s.r.o.	50	50	0
RLRE Dorado Property, s.r.o.	0	181	(181)
Easy Develop s.r.o.	200	200	0
Eris Property, s.r.o.	200	200	0
Lysithea a.s.	100	100	0
Nike Property, s.r.o.	200	200	0
REF HP1 s.r.o.	10,740	2	10,738
VILLA ATRIUM BUBENEČ s.r.o.	200	200	0
Zelený Zlonín s.r.o.	50	50	0
Total sold investments	11,760	1,203	10,557

6.10. General Operating Expenses (Note 10)

CZK thousand	2018	2017
Payroll costs	(208,434)	(176,883)
Wages and salaries	(152,358)	(130,910)
Social security and health insurance	(49,815)	(41,326)
Other employee costs	(7,140)	(3,768)
Additions to/release of provisions for severance payments	879	(879)
Operating expenses	(82,253)	(76,257)
Rental, repairs and other services relating to the operation of offices	(13,743)	(14,301)
Marketing costs	(9,674)	(7,912)
Expenses paid to the statutory auditor	(931)	(820)
Other audit expenses	(275)	(21)
Tax advisory	(714)	(348)
Other advisory	(28,010)	(23,894)
Costs relating to IT support	(13,320)	(13,350)
Telecommunication, postal fees and other services	(4,536)	(4,442)
Insurance of assets	(1,109)	(1,146)
Training costs	(1,217)	(1,293)
Travel costs	(739)	(434)
Fuel, repairs and maintenance	(3,772)	(3,274)
Office supplies	(1,330)	(1,311)
Other operating expenses	(2,883)	(3,711)
Depreciation/amortisation of tangible and intangible assets	(148,741)	(119,177)
Total general operating expenses	(439,428)	(372,317)

6.10.1. Employees and Executives2018

CZK thousand	Number of employees	Payroll costs	Social security
Employees	175	(121,622)	(42,153)
Executives	15	(30,736)	(7,662)
Total	190	(152,358)	(49,815)

2017

CZK thousand	Number of employees	Payroll costs	Social security
Employees	125	(98,338)	(30,252)
Executives	14	(32,572)	(11,074)
Total	139	(130,910)	(41,326)

In 2018, members of the statutory and advisory body were paid bonuses of CZK 2,152 thousand (2017: CZK 2,381 thousand).

Statutory representatives of the Company and executives may use Company cars for private purposes.

In 2018 and 2017, members of statutory bodies received no loans, granted guarantees, prepayments and other benefits, and own no equity investments in the Company.

Social costs primarily include the expenses on the benefit scheme for employees and catering provided to all Company employees.

6.11. Other Operating Income (Note 11)

CZK thousand	2018	2017
Other income from financed assets	2,408	1,078
Sales of services provided in the Raiffeisen group	-	90
Sales of internal assets	1,478	6,202
Sales of fleet management assets	121,953	116,218
Income from operating leases of property (investment property)	17,307	16,776
Fleet management	240,754	186,883
Income from administration fees	92,685	94,393
Income from the release of other provisions	2,451	-
Income from the insurance of financed items	-	7
Income from services connected with operating lease	4,351	-
Sundry income	719	1,526
Total other operating income	484,106	423,173

6.12. Other Operating Expenses (Note 12)

CZK thousand	2018	2017
Expenses on the insurance of financed assets	(1,434)	-
Other expenses for financed assets	(3,204)	(346)
Expenses on the disposal of internal assets	(790)	(6,385)
Expenses on the disposal of assets under operating leases	(120,540)	(115,970)
Taxes and fees	(6,871)	(4,571)
Property taxes and fees	(662)	(1,193)
Fleet management costs	(69,574)	(48,098)
Expenses on property operating leases (investment property)	(723)	(433)
Expenses for services relating to operating lease	-	(53)
Expenses for the recognition of other provisions	-	(2,993)
Sundry expenses	(4,792)	(8,737)
Total other operating expenses	(208,590)	(188,779)

6.13. Income Tax (Note 13)

The change in the current tax and deferred tax for 2018 and 2017 is composed of the following items:

CZK thousand	2018	2017
Income/expense from current tax	(17,722)	(80,055)
Income/expense from deferred tax	(7,122)	2,315
Total income tax	(24,844)	(77,740)

The income tax for the year may be compared to the result in the statement of comprehensive income as follows:

CZK thousand	2018	2017
Profit before tax	202,500	375,753
Theoretical amount of tax calculated using the tax rate	(38,475)	(71,393)
Non-tax deductible expenses (tax effect)	(17,961)	(21,890)
Revenue not subject to taxation (tax effect)	32,163	17,745
Income tax for the year	(24,273)	(75,538)
Income tax for the prior period	(571)	(2,202)
Total income tax	(24,844)	(77,740)
Effective tax rate	12.27%	20.69%

The lower effective tax rate in 2018 was predominantly caused by release of allowances for receivables within the group.

6.14. Receivables from Clients (Note 14)**6.14.1. Analysis of Receivables by Categories of Financing (gross)**

CZK thousand	2018	2017
Receivables from finance leases	8,171,737	7,338,488
Receivables from provided loans	9,696,091	7,152,956
Receivables from instalment sale	10,718	16,671
Other receivables	-	375
Total receivables from clients	17,878,546	14,508,490

Receivables from finance lease include both receivables described below in Notes 6.31 and 6.32, and billed and as yet unmade finance lease payments.

6.14.2. Aging of Receivables from Customers2018

CZK thousand	Before due date	Within 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year	Total
Stage 1	15,391,791	852,613	656	-	-	-	16,245,060
Stage 2	1,153,733	96,458	62,945	-	-	-	1,313,136
Stage 3	33,306	115,673	28,518	14,628	26,165	102,060	320,350
Gross	16,578,830	1,064,744	92,119	14,628	26,165	102,060	17,878,546
Allowances	(112,977)	(28,098)	(9,672)	(10,229)	(20,231)	(16,142)	(197,349)
Net	16,465,853	1,036,646	82,447	4,399	5,934	85,918	17,681,197

2017

CZK thousand	Before due date	Within 1 month	1 – 3 months	3 – 6 months	6 – 12 months	More than 1 year	Total
Receivables without default (performing receivables)	13,239,697	824,488	100,136	0	0	0	14,164,321
Receivables with default (non-performing receivables)	212,923	14,124	6,562	16,150	90,153	4,257	344,169
Gross	13,452,620	838,612	106,698	16,150	90,153	4,257	14,508,490
Allowances	(139 933)	(3,391)	(2,656)	(5,874)	(5,755)	(4,257)	(161,866)
Net	13,312,687	835,221	104,042	10,276	84,398	0	14,346,624

Performing receivables (receivables without default) include receivables with a zero individual allowance. The other receivables are reported in non-performing (receivables with default). Non-performing receivables (receivables with default) are covered by allowances or collateral (e.g. pledge of real estate).

The Company records overdue receivables arising mainly from outstanding payments by lessees and financial settlement of prematurely terminated financing contracts. Receivables that are not impaired (performing receivables): primarily unsettled contractual fines and penalty imposed due to late instalment payments, outstanding fees for administrative acts or receivables from financing contracts that are sufficiently covered by a financed asset or another form of collateral.

6.14.3. Portfolio Quality

The rating that shows the portfolio quality represents an internal rating used in the Raiffeisen Group. In the rating categories, "A" is the best in the specific category and "C" is the worst in the specific category.

Total gross receivables - 2018

CZK thousand	Rating	2018
Corporate segment and small and medium-sized companies segment		8,306,653
Minimum risk	1C	-
Excellent credit rating	2A	263,476
	2B	193,547
	2C	-
Very good credit rating	3A	366
	3B	406,303
	3C	77,540
Good credit rating	4A	54,565
	4B	328,468
	4C	348,847
Healthy credit rating	5A	432,372
	5B	486,126
	5C	609,158
Acceptable credit rating	6A	783,366
	6B	908,238
	6C	969,242
Limit credit rating	7A	765,532
	7B	566,585
	7C	360,368
Weak credit rating	8A	296,693
	8B	105,691
	8C	120,089
Very weak credit rating/watch	9A	4,380
	9B	71,443
	9C	5,791
Default	10	148,467
Project financing		3,158,000
Excellent project profile – very low risk	6.1	1,858,306
Good project profile – low risk	6.2	980,511
Acceptable project profile – average risk	6.3	213,988
Bad project profile – high risk	6.4	92,054
Default	6.5	13,141
Other without rating (micro segment, individuals, etc.)		6,413,893
Total gross receivables		17,878,546

Performing receivables not yet due – 2018

CZK thousand	Rating	2018
Corporate segment and small and medium-sized companies segment		7,572,202
Minimum risk	1C	-
Excellent credit rating	2A	263,634
	2B	193,547
	2C	-
Very good credit rating	3A	366
	3B	406,303
	3C	63,938
Good credit rating	4A	49,933
	4B	319,059
	4C	348,791
Healthy credit rating	5A	409,255
	5B	466,669
	5C	602,123
Acceptable credit rating	6A	753,711
	6B	847,824
	6C	793,444
Limit credit rating	7A	701,064
	7B	536,875
	7C	316,886
Weak credit rating	8A	249,012
	8B	96,945
	8C	92,398
Very weak credit rating/watch	9A	4,380
	9B	54,210
	9C	-
Default	10	1,835
Project financing		3,122,714
Excellent project profile – very low risk	6.1	1,858,306
Good project profile – low risk	6.2	958,366
Acceptable project profile – average risk	6.3	213,988
Bad project profile – high risk	6.4	92,054
Default	6.5	-
Other without rating (micro segment, individuals, etc.)		5,850,608
Total gross receivables		16,545,524

Total gross receivables - 2017

CZK thousand	Rating	2017
Corporate segment and small and medium-sized companies segment		7,065,880
Minimum risk	1C	-
Excellent credit rating	2A	14,873
	2B	-
	2C	-
Very good credit rating	3A	737,292
	3B	-
	3C	345,097
Good credit rating	4A	92,254
	4B	98,661
	4C	514,395
Healthy credit rating	5A	243,688
	5B	613,810
	5C	462,790
Acceptable credit rating	6A	769,571
	6B	516,399
	6C	629,330
Limit credit rating	7A	797,237
	7B	335,609
	7C	264,941
Weak credit rating	8A	182,003
	8B	148,986
	8C	77,632
Very weak credit rating/watch	9A	16,275
	9B	53,849
	9C	2
Default	10	151,186
Project financing		1,826,699
Excellent project profile – very low risk	6.1	601,080
Good project profile – low risk	6.2	956,013
Acceptable project profile – average risk	6.3	7,916
Bad project profile – high risk	6.4	79,937
Default	6.5	181,753
Other without rating (micro segment, individuals, etc.)		5,615,911
Total gross receivables		14,508,490

Performing receivables not yet due – 2017

CZK thousand	Rating	2017
Corporate segment and small and medium-sized companies segment		6,542,887
Minimum risk	1C	-
Excellent credit rating	2A	14,873
	2B	-
	2C	-
Very good credit rating	3A	737,292
	3B	-
	3C	343,219
Good credit rating	4A	91,839
	4B	94,168
	4C	507,036
Healthy credit rating	5A	240,540
	5B	578,563
	5C	455,566
Acceptable credit rating	6A	610,682
	6B	458,853
	6C	587,328
Limit credit rating	7A	762,736
	7B	313,536
	7C	252,804
Weak credit rating	8A	179,497
	8B	126,873
	8C	62,837
Very weak credit rating/watch	9A	11,957
	9B	42,489
	9C	2
Default	10	70,197
Project financing		1,654,475
Excellent project profile – very low risk	6.1	601,080
Good project profile – low risk	6.2	935,568
Acceptable project profile – average risk	6.3	7,915
Bad project profile – high risk	6.4	79,937
Default	6.5	29,975
Other without rating (micro segment, individuals, etc.)		5,042,335
Total gross receivables		13,239,697

6.14.4. Analysis of Receivables from Customers by Sector and Type of Collateral2018

CZK thousand	Receivables collateralised by real estate	Receivables collateralised by movable assets	Total
Agriculture, game-keeping, forestry, fishing	-	457,968	457,968
Mining of minerals	-	81,963	81,963
Production sector	157,911	2,340,651	2,498,562
Production and distribution of electricity, gas and water	-	1,422,621	1,422,621
Construction industry	52,172	815,004	867,176
Wholesale and retail; repair of motor vehicles, motorcycles	-	2,609,209	2,609,209
Accommodation and public catering	-	175,829	175,829
Transport, storage and communications	-	4,273,362	4,273,362
Activities in real estate and lease, other business activities	1,645,046	831,399	2,476,445
Public administration; obligatory social security	-	7,213	7,213
Education	-	266,158	266,158
Healthcare and social care	-	465,043	465,043
Other public, social and personal services	616,552	1,532,931	2,149,483
Activities of households	-	127,514	127,514
Total	2,471,681	15,406,865	17,878,546

2017

CZK thousand	Receivables collateralised by real estate	Receivables collateralised by movable assets	Total
Agriculture, game-keeping, forestry, fishing	-	382,017	382,017
Mining of minerals	-	81,847	81,847
Production sector	152,391	1,926,494	2,078,885
Production and distribution of electricity, gas and water	854,843	1,085,842	1,940,685
Construction industry	52,845	676,352	729,197
Wholesale and retail; repair of motor vehicles, motorcycles	13,100	2,034,682	2,047,782
Accommodation and public catering	-	147,288	147,288
Transport, storage and communications	-	3,480,199	3,480,199
Activities in real estate and lease, other business activities	255,760	617,214	872,974
Public administration; obligatory social security	-	8,871	8,871
Education	266,255	11,612	277,867
Healthcare and social care	-	345,328	345,328
Other public, social and personal services	148,596	1,831,233	1,979,829
Activities of households	-	135,721	135,721
Total	1,743,790	12,764,700	14,508,490

6.14.5. Receivables from clients at amortised cost by segment2018

CZK thousand	Gross carrying amount	Allowances	Net carrying amount
Other financial institutions	193,546	(24)	193,522
Non-financial institutions	17,557,485	(196,987)	17,360,498
Households	127,515	(338)	127,177
Total receivables from clients	17,878,546	(197,349)	17,681,197

6.14.6. Receivables from clients at amortised cost by type

CZK thousand	2018
Receivables from finance leases	8,171,737
Receivables from fixed-term loans	9,706,809
Total gross receivables from clients	17,878,546
Allowances	(197,349)
Total net receivables from customers	17,681,197

6.14.7. Structure of receivables from clients at amortised cost by segment and stage of impairment2018

CZK thousand	Stage 1	Stage 2	Stage 3	Total
Other financial institutions	193,546	-	-	193,546
Non-financial institutions	15,924,447	1,312,863	320,175	17,557,485
Households	127,067	273	175	127,515
Total gross receivables from clients	16,245,060	1,313,136	320,350	17,878,546

6.14.8. Changes in gross carrying amount of receivables from clients at amortised cost2018

CZK thousand	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	12,899,764	1,204,327	307,760	14,411,851
Transfers	(642,056)	405,808	236,248	0
Increase arising from occurrence and acquisitions	8,208,920	168,104	17,421	8,394,445
Decrease arising from derecognition and full repayment	(1,391,766)	(104,600)	(134,559)	(1,630,925)
Partial repayment	(2,880,225)	(364,201)	(107,270)	(3,351,696)
Adjustment by foreign exchange gains/losses	50,423	3,698	750	54,871
Gross carrying amount as at 31/12/2018	16,245,060	1,313,136	320,350	17,878,546

6.14.9. Participation loans

To finance some transactions, the Company concludes purpose participation loans with Raiffeisenbank a.s. the reason of which is participation in the risk of non-payment of the relevant receivable. The loans provided to the clients are thus recognised at the value less the amount of the received participation loan. Any acts made towards the borrower relating to realisation of the collateral must be approved in writing by the provider of the purpose participation loan. The total amount of the received participation loans reducing the value of the financial assets is CZK 662,372 thousand (2017: CZK 375,237 thousand).

Overview of gross provided receivables before the reduction by the value of the participation loan

CZK thousand	2018	2017
50% participation	842,526	575,193
66.67% participation	248,031	-
100 % participation	84,932	84,041
Total	1,175,489	659,234

Due to the different timing of the cash flows, temporary differences between the value reducing financial assets and the amount of receivables from clients arise.

The difference between the fair value and present value of the provided receivables is immaterial.

6.15. Allowance for Receivables from Clients (Note 15)**6.16. Allowances as at 31 December 2017**

Allowances for receivables of CZK 161,866 thousand include individual allowances of CZK 143,437 thousand that are recognised primarily for receivables in respect of prematurely terminated contracts due to default and for receivables where the payment discipline of a client deteriorated and where the collateral underlying the specific receivable is not sufficiently high, and portfolio allowances disclosed in Note 4.5.1. of CZK 18,429 thousand.

6.17. Allowances as at 31/12/2018**6.17.1. Structure of allowances for financial assets at amortised cost by segment and stage of impairment**

CZK thousand	Stage 1	Stage 2	Stage 3	Total
Other financial institutions	(24)	-	-	(24)
Non-financial institutions	(40,141)	(32,295)	(124,551)	(196,987)
Households	(293)	(9)	(36)	(338)
Allowances for Receivables from Clients	(40,458)	(32,304)	(124,587)	(197,349)

6.17.2. Quantitative information about the collateral for impaired financial assets

CZK thousand	Gross carrying amount	Security
Financial assets at amortised cost (Stage 3)	320,350	153,941
Total	320,350	153,941

The main types of security are movable assets and real estate.

The difference between the gross carrying amount and the amount of the collateral of CZK 166,409 thousand is covered by an allowance of CZK 124,587 thousand. The remaining portion of CZK 41,822 thousand is covered by the ability to acquire cash flows from financial assets.

6.17.3. Changes in allowances by impairment stage

CZK thousand	Stage 1	Stage 2	Stage 3	Total
Allowances as at 1/1/2018	(24,966)	(27,602)	(143,438)	(196,006)
Increase arising from occurrence and acquisitions	(21,364)	(4,475)	(4,839)	(30,678)
Decrease arising from derecognition	4,024	5,248	45,341	54,613
Changes resulting from a change in the credit risk	1,847	(5,474)	(21,651)	(25,278)
Allowances as at 31/12/2018	(40,459)	(32,303)	(124,587)	(197,349)

6.17.4. Allowance for Receivables from Related Parties

CZK thousand	2018	2017
Orchideus Property, s.r.o.	113	43,364
Steffany's Court s.r.o.	99	-
Viktor Property, s.r.o.	216	-
Landia – Jordánská, s.r.o.	73	-
Áté Property, s.r.o.	92	-
ALT POHLEDY s.r.o.	4,175	-
RLRE Beta Property, s.r.o.	1	-
RLRE Carina Property, s.r.o.	742	-
FVE Cihelna s.r.o.	96	-
CRISTAL PALACE Property, s.r.o.	659	-
Credibilis a.s.	94	-
Dafné Property, s.r.o.	673	-
Euros Property, s.r.o.	113	-
GHERKIN, s.r.o.	12	-
Fobos Property, s.r.o.	203	-
Gaia Property, s.r.o.	20	-
Meleté Property, s.r.o.	484	-
Hestia Property, s.r.o.	70	-
Hémerá Property, s.r.o.	87	-
Inó Property, s.r.o.	2	-
Don Giovanni Properties, s.r.o.	55	-
Logistický areál Hostivař, s.r.o.	34	-
Luna Property, s.r.o.	147	-
Melpomené Property, s.r.o.	39	-
NATUM Alfa s.r.o.	6	-
Niobé Property, s.r.o.	3	-
Nereus Property, s.r.o.	3	-
JFD Real, s.r.o.	61	-
KAPMC s.r.o.	181	-
Photon Energie s.r.o.	32	-
Polyxo Property, s.r.o.	136	-
Rheia Property, s.r.o.	148	-
Selene Property s.r.o.	21	-
Strašnická realitní a.s.	327	-
SeEnergy PT, s.r.o.	134	-
Raiffeisen FinCorp, s.r.o.	24	-
UPC Real, s.r.o.	7,842	-
Zatiší Rokytka s.r.o.	462	-
PZ Projekt a.s.	-	36,250
Total	17,679	79,614

6.18. Positive Fair Values of Financial Derivatives (Note 16)

In the course of its business, the Company conducts transactions with financial derivatives. Financial derivatives include interest rate swaps and are used to hedge risks and mitigate their impact.

The fair value of financial derivatives is based on valuation models that reflect the present market and contractual values of the underlying instrument similarly as the time value and yield curve or volatility factors. Subsequent to the initial recognition, financial derivatives are measured at fair value on level 2. The valuation of IRS and CCS is based on quoted yield curves. These markets are active. Market inputs directly correspond to the valued instruments.

The Company purchases financial derivatives primarily from Raiffeisenbank, a.s. which also remeasures them at fair value on a monthly basis.

CZK thousand	2018	2017
Interest rate swap - financial hedge	76,703	77,167
Interest rate swap - fair value hedges	384	356
Interest rate swap - cash flow hedges	11,729	10,987
Forward exchange contract	546	-
Total	89,362	88,510

6.19. Equity Investments in Subsidiaries (Note 17)

2018

	Ownership interest	Equity at 31/12/2018	Share in equity	Profit/loss after tax for the year ended 31/12/2018	Carrying amount at 31/12/2018
RLRE Beta Property, s.r.o.	100 %	574	574	618	200
RLRE Eta Property, s.r.o.	100 %	(369)	(369)	(522)	200
RLRE Jota Property, s.r.o.	100 %	107	107	341	200
Palace Holding, s.r.o.	90 %	8,417	7,575	2	90
RLRE Carina Property, s.r.o.	100 %	48,184	48,184	(3,088)	198
Kaliopé Property, s.r.o.	100 %	63,165	63,165	1,544	50
JFD Real s.r.o.	100 %	3,106	3,106	(848)	50
CRISTAL PALACE Property, s.r.o.	100 %	35,090	35,090	(4,271)	27,418
Iris Property, s.r.o.	100 %	1,416	1,416	1,859	200
Raiffeisen FinCorp, s.r.o.	100 %	680,392	680,392	42,886	451,588
Sirius Property, s.r.o.	100 %	(220,414)	(220,414)	13	400
Hypnos Property, s.r.o.	100 %	(49,750)	(49,750)	316	50
Gaia Property, s.r.o.	100 %	26,646	26,646	4,934	200
Orchideus Property, s.r.o.	100 %	(4,252)	(4,252)	41,808	200
Luna Property, s.r.o.	100 %	(71)	(71)	661	200
Kalypso Property, s.r.o.	100 %	47	47	(1)	200
Zatiší Rokytka s.r.o.	100 %	18,298	18,298	3,635	200

	Ownership interest	Equity at 31/12/2018	Share in equity	Profit/loss after tax for the year ended 31/12/2018	Carrying amount at 31/12/2018
Chronos Property, s.r.o.	100 %	101	101	4	200
Viktor Property, s.r.o.	100 %	41,165	41,165	26,148	200
Appolon Property, s.r.o.	90 %	(75,729)	(68,156)	14,005	180
Holečková Property, s.r.o.	100 %	(16,677)	(16,677)	(2,533)	210
RESIDENCE PARK TŘEBEŠ, s.r.o.	100 %	9,573	9,573	(97)	200
Euros Property, s.r.o.	100 %	177,966	177,966	20,207	200
Pontos Property, s.r.o.	100 %	13,238	13,238	(328)	200
Dike Property, s.r.o.	100 %	161	161	(3)	200
Hermes Property, s.r.o.	100 %	10,362	10,362	4,412	200
Hémerá Property, s.r.o.	100 %	(3,590)	(3,590)	(3,640)	50
Rheia Property, s.r.o.	95 %	59,150	56,193	11,252	190
UPC Real, s.r.o.	100 %	(28,928)	(28,928)	(433)	200
Photon SPV 3 s.r.o.	100 %	22,129	22,129	1,505	200
Photon Energie s.r.o.	100 %	29,629	29,629	3,415	200
Photon SPV 8 s.r.o.	100 %	37,925	37,925	5,048	200
FORZA SOLE s.r.o.	90 %	106,577	95,919	24,858	180
Exit 90 SPV s.r.o.	100 %	44,742	44,742	5,742	200
GS55 Sazovice s.r.o.	90 %	38,845	34,961	8,555	180
Onyx Energy s.r.o.	100 %	27,749	27,749	4,642	200
Onyx Energy projekt II s.r.o.	100 %	36,365	36,365	8,507	200
Photon SPV 4 s.r.o.	100 %	24,499	24,499	1,454	200
Photon SPV 6 s.r.o.	100 %	20,851	20,851	589	200
Photon SPV 10 s.r.o.	100 %	23,654	23,654	2,329	200
Photon SPV 11 s.r.o.	100 %	70,078	70,078	11,403	200
Selene Property s.r.o.	100 %	(7,516)	(7,516)	(1,470)	200
ALT POHLEDY s.r.o.	100 %	256,575	256,575	33,986	200
PZ PROJEKT a.s.	100 %	(107,223)	(107,223)	5,174	20
SeEnergy PT, s.r.o.	100 %	(27,756)	(27,756)	4,513	50
FVE Cihelna s.r.o.	100 %	157,254	157,254	23,124	200
Credibilis a.s.	100 %	(10,722)	(10,722)	(560)	2,000
Morfeus Property, s.r.o.	100 %	43	43	(3)	50
Zefyros Property, s.r.o.	100 %	(126)	(126)	6	200
Létó Property s.r.o.	77 %	(5,230)	(4,027)	176	3,064
Hébé Property s.r.o.	95 %	3,481	3,307	747	180
GHERKIN, s.r.o.	100 %	(14,913)	(14,913)	16,200	50
Astra Property, s.r.o.	100 %	6,912	6,912	1,380	50
Kleió Property, s.r.o.	100 %	861	861	92	50
Inó Property, s.r.o.	100 %	22	22	(5)	50
Niobé Property, s.r.o.	100 %	(34)	(34)	(45)	50
Na Stárce, s.r.o.	100 %	320	320	(14)	200
RLRE Ypsilon Property, s.r.o.	50 %	102	51	113	100
Janus Property, s.r.o.	100 %	31	31	(3)	50

	Ownership interest	Equity at 31/12/2018	Share in equity	Profit/loss after tax for the year ended 31/12/2018	Carrying amount at 31/12/2018
Dafné Property, s.r.o.	100 %	(4,017)	(4,017)	(1,903)	50
Médea Property, s.r.o.	100 %	(1)	(1)	(254)	50
Steffany's Court s.r.o.	100 %	(20,962)	(20,962)	(4,323)	50
Áté Property, s.r.o.	100 %	257	257	117	50
Theia Property, s.r.o.	100 %	18	18	(62)	100
Neptun Property, s.r.o.	100 %	(9)	(9)	573	50
Erató Property, s.r.o.	100 %	(645)	(645)	(147)	50
Harmonia Property, s.r.o.	100 %	28	28	(3)	50
Ofión Property, s.r.o.	100 %	173	173	17	50
Hyperion Property, s.r.o.	100 %	(2,117)	(2,117)	358	50
Don Giovanni Properties, s.r.o.	100 %	48,633	48,633	(11,023)	50
Grainulos s.r.o.	100 %	424	424	431	10
Meleté Property, s.r.o.	100 %	240	240	74	50
Melpomené Property, s.r.o.	100 %	912	912	736	50
Peitó Property, s.r.o.	100 %	(65)	(65)	(98)	50
Éós Property, s.r.o.	100 %	(23)	(23)	(6)	50
Boreas Property, s.r.o.	100 %	(245)	(245)	105	50
Hestia Property, s.r.o.	100 %	(1,123)	(1,123)	(1,163)	50
Logistický areál Hostivař, s.r.o.	100 %	36,602	36,602	(1,700)	200
Polyxo Property, s.r.o.	100 %	(2,721)	(2,721)	(2,772)	50
Apaté Property, s.r.o.	100 %	340	340	390	50
Landia – Jordánská, s.r.o.	100 %	(18,179)	(18,179)	(493)	50
NATUM Alfa s.r.o.	100 %	(338)	(338)	(530)	200
Fobos Property, s.r.o.	100 %	39	39	(11)	50
Nereus Property, s.r.o.	100 %	439	439	(261)	50
Nyx Property, s.r.o.	100 %	(16)	(16)	(34)	50
Eunomia Property, s.r.o.	100 %	(26)	(26)	(76)	50
Deimos Property, s.r.o.	100 %	49	49	(1)	50
Kappa Estates, s.r.o.	100 %	(31,052)	(31,052)	5,276	13,794
Total					508,502

2017

	Ownership interest	Equity at 31/12/2017	Share in equity	Profit/loss after tax for the year ended 31/12/2017	Carrying amount at 31/12/2017
RLRE Beta Property, s.r.o.	100 %	(43)	(43)	712	200
RLRE HOTEL ELLEN, s.r.o.	100 %	(35,959)	(35,959)	(3,549)	100
RLRE Eta Property, s.r.o.	100 %	154	154	(322)	200
RLRE Jota Property, s.r.o.	100 %	(340)	(340)	(41)	200
Palace Holding, s.r.o.	90 %	8,415	7,574	(1,835)	90

	Ownership interest	Equity at 31/12/2017	Share in equity	Profit/loss after tax for the year ended 31/12/2017	Carrying amount at 31/12/2017
RLRE Carina Property, s.r.o.	100 %	51,272	51,272	(5,364)	198
Kaliopé Property, s.r.o.	100 %	47	47	(3)	50
Polymnia Property, s.r.o.	100 %	47	47	(3)	50
CRISTAL PALACE Property, s.r.o.	100 %	36,564	36,564	(77)	27,418
Iris Property, s.r.o.	100 %	(443)	(443)	3,794	200
Raiffeisen FinCorp, s.r.o.	100 %	637,506	637,506	96,770	451,588
Sirius Property, s.r.o.	100 %	(220,427)	(220,427)	119	400
Hypnos Property, s.r.o.	100 %	(50,066)	(50,066)	0	50
Gaia Property, s.r.o.	100 %	21,711	21,711	4,967	200
Orchideus Property, s.r.o.	100 %	(46,060)	(46,060)	(6,148)	200
Luna Property, s.r.o.	100 %	(799)	(799)	34,865	200
Kalypso Property, s.r.o.	100 %	48	48	(5)	200
Zatíší Rokytka	100 %	14,664	14,664	(1,227)	200
Chronos Property, s.r.o.	100 %	97	97	(127)	200
Viktor Property, s.r.o.	100 %	15,017	15,017	38,722	200
Appolon Property, s.r.o.	90 %	(89,735)	(80,762)	550	180
Holečkova Property, s.r.o.	100 %	(13,789)	(13,789)	(2,200)	210
RESIDENCE PARK TŘEBEŠ, s.r.o.	100 %	9,671	9,671	(166)	200
Euros Property, s.r.o.	100 %	157,759	157,759	15,703	200
Pontos Property, s.r.o.	100 %	15,966	15,966	(894)	200
Dike Property, s.r.o.	100 %	164	164	(3)	200
Hermes Property, s.r.o.	100 %	4,612	4,612	6,684	200
Hémerá Property, s.r.o.	100 %	50	50	0	50
Rheia Property, s.r.o.	95 %	52,614	49,983	10,752	190
UPC Real, s.r.o.	100 %	(28,494)	(28,494)	(708)	200
Photon SPV 3 s.r.o.	100 %	20,624	20,624	1,901	200
Photon Energie s.r.o.	100 %	26,214	26,214	1,717	200
Photon SPV 8 s.r.o.	100 %	49,249	49,249	5,913	200
FORZA SOLE s.r.o.	90 %	89,565	80,609	18,877	180
Exit 90 SPV s.r.o.	100 %	56,538	56,538	5,974	200
Michalka – Sun s.r.o.	100 %	266,672	266,672	35,013	200
GS55 Sazovice s.r.o.	90 %	36,230	32,607	6,997	180
Onyx Energy s.r.o.	100 %	38,152	38,152	4,741	200
Onyx Energy projekt II s.r.o.	100 %	32,317	32,317	3,998	200
Photon SPV 4 s.r.o.	100 %	23,045	23,045	3,450	200
Photon SPV 6 s.r.o.	100 %	20,263	20,263	1,586	200
Photon SPV 10 s.r.o.	100 %	33,943	33,943	3,291	200
Photon SPV 11 s.r.o.	100 %	58,675	58,675	9,347	200
Selene Property s.r.o.	100 %	8,986	8,986	22,066	200
ALT POHLEDY s.r.o.	100 %	222,588	222,588	31,604	200
PZ PROJEKT a.s.	100 %	(112,397)	(112,397)	4,818	20
SeEnergy PT, s.r.o.	100 %	(32,270)	(32,270)	2,506	50

	Ownership interest	Equity at 31/12/2017	Share in equity	Profit/loss after tax for the year ended 31/12/2017	Carrying amount at 31/12/2017
FVE Cihelna s.r.o.	100 %	134,130	134,130	19,489	200
Credibilis a.s.	100 %	(10,960)	(10,960)	(1,763)	2,000
Morfeus Property, s.r.o.	100 %	46	46	(112)	50
Zefyros Property, s.r.o.	100 %	134	134	(6)	200
Tmólos Property, s.r.o.	100 %	(2,329)	(2,329)	(2,379)	50
Létó Property s.r.o.	77 %	5,116	3,939	293	3,064
Rezidence Pod Skálou s.r.o.	100 %	(2,068)	(2,068)	(1,887)	200
Hébé Property s.r.o.	95 %	2,734	2,597	713	180
GHERKIN, s.r.o.	100 %	(31,113)	(31,113)	(1,651)	50
NC Ivančice, s.r.o.	100 %	3,717	3,717	(324)	200
Astra Property, s.r.o.	100 %	5,532	5,532	1,498	50
Kleió Property, s.r.o.	100 %	769	769	375	50
Inó Property, s.r.o.	100 %	27	27	(10)	50
Niobé Property, s.r.o.	100 %	11	11	(26)	50
Na Stárce, s.r.o.	100 %	335	335	(42)	200
RLRE Ypsilon Property, s.r.o.	50 %	(11)	(6)	37	100
Urania Property, s.r.o.	100 %	64	64	17	50
Janus Property, s.r.o.	100 %	34	34	(3)	50
Dafné Property, s.r.o.	100 %	(2,114)	(2,114)	(1,784)	50
Médea Property, s.r.o.	100 %	241	241	204	50
Amfión Property, s.r.o.	100 %	782	782	833	50
Nemesis Property, s.r.o.	100 %	(2,162)	(2,162)	(2,212)	50
Áté Property, s.r.o.	100 %	49	49	(1)	50
Theia Property, s.r.o.	100 %	16	16	82	50
RIOBAU s.r.o.	100 %	(179)	(179)	(579)	10
Neptun Property, s.r.o.	100 %	(583)	(583)	(184)	50
Erató Property, s.r.o.	100 %	(498)	(498)	(436)	50
Harmonia Property, s.r.o.	100 %	31	31	(3)	50
Ofión Property, s.r.o.	100 %	156	156	29	50
Hyperion Property, s.r.o.	100 %	(884)	(884)	(2,011)	50
Don Giovanni Properties, s.r.o.	100 %	61,827	61,827	(2,054)	50
Grainulos s.r.o.	100 %	1,584	1,584	1,509	10
Meleté Property, s.r.o.	100 %	46	46	(3)	50
Melpomené Property, s.r.o.	100 %	176	176	125	50
Peitó Property, s.r.o.	100 %	33	33	(17)	50
Éós Property, s.r.o.	100 %	30	30	(6)	50
Boreas Property, s.r.o.	100 %	(350)	(350)	(356)	50
Hestia Property, s.r.o.	100 %	40	40	(4)	50
Kappa Estates, s.r.o.	100 %	(60,248)	(60,248)	(4,473)	13,794
Total					508,512

The statutory accounting records of subsidiaries are maintained according to Czech Accounting Standards. The figures on equity and the profit or loss for 2018 and 2017 are based on preliminary financial statements of the relevant companies.

The Company holds equity investments predominantly in companies trading with real estate and companies engaged in power production from renewable sources. Most subsidiaries were founded for the purpose.

All equity investments are in companies having registered offices in the Czech Republic.

Equity investments are based on economic ownership of subsidiaries that may be different from legal ownership of shares in subsidiaries. The differences are in companies with respect to which the Company concluded trust agreements for equity investments in subsidiaries with Raiffeisen - Leasing International G.m.b.H. and RLKG Raiffeisen - Leasing Gesellschaft m.b.H. Companies with a trust agreement are stated in the table below.

Corporate name	Equity investment in the company held based on a trust agreement in %
Luna Property, s.r.o.	90 %
Kalypso Property, s.r.o.	90 %
Viktor Property, s.r.o.	90 %

6.20. Tangible and Intangible Fixed Assets (Note 18)

Acquisition cost

CZK thousand	Balance as at 31/12/2017	Additions	Disposals	Balance as at 31/12/2018
IFA – core system	46,539	2,274	-	48,813
Software	9,954	945	-	10,899
Intellectual property rights	105	-	-	105
FA - under construction	2,714	23,189	(13,160)	12,743
Other buildings and land	2,052	676	-	2,728
Vehicles	34,324	9,340	(3,734)	39,930
Machinery and equipment	5,872	395	-	6,267
Low value assets	1,604	-	-	1,604
FM	749,132	379,775	(196,947)	931,960
Other	2,044	-	-	2,044
Buildings under operating leases	187,441	566	-	188,007
Land under operating leases	15,000	-	-	15,000
Total	1,056,781	417,160	(213,841)	1,260,100

Accumulated Depreciation and Allowances

CZK thousand	Balance as at 31/12/2017	Additions	Disposals	Balance as at 31/12/2018
IFA – core system	(39,822)	(2,771)	-	(42,593)
Software	(7,117)	(1,565)	-	(8,682)
IFA - under construction	(690)	-	-	(690)
Other buildings and land	(1,694)	(211)	-	(1,905)
Vehicles	(13,032)	(7,237)	2,887	(17,382)
Machinery and equipment	(3,523)	(941)	-	(4,464)
Low value assets	(1,604)	-	-	(1,604)
FM	(132,921)	(132,006)	67,516	(197,411)
Other	(210)	(142)	-	(352)
Buildings under operating leases	(50,739)	(3,868)	-	(54,607)
Total	(251,352)	(148,741)	70,403	(329,690)

Net Book Value

CZK thousand	Balance as at 31/12/2018	Balance as at 31/12/2017
IFA – core system	6,220	6,717
Software	2,217	2,837
Intellectual property rights	105	105
FA - under construction	12,053	2,024
Other buildings and land	823	358
Vehicles	22,548	21,292
Machinery and equipment	1,803	2,349
Low value assets	0	0
FM	734,549	616,211
Other	1,692	1,834
Buildings under operating leases	133,400	136,702
Land under operating leases	15,000	15,000
Total	930,410	805,429

Depreciation and Allowances

CZK thousand	Balance as at 31/12/2018	Balance as at 31/12/2017
IFA – core system	2,771	2,361
Software	1,565	1,593
Other buildings and land	211	(1,812)
Vehicles	7,237	6,324
Machinery and equipment	941	776
FM	132,006	106,043
Other	142	35
Buildings under operating leases	3,868	3,857
Total	148,741	119,177

The fair value of a building and land under operating leases, determined by an internal expert in real estate, is CZK 155,000 thousand.

Low Value Intangible and Tangible Assets

Low value tangible assets acquired in the reporting period and directly expensed in 2018 amounted to CZK 2,410 thousand (2017: CZK 2,713 thousand).

6.21. Other Assets (Note 19)

CZK thousand	2018	2017
Operating receivables	61,219	72,614
Prepayments made for tangible assets – leased assets	11,260	-
Acquisition of tangible assets – leased assets	220,545	80,360
Fee stamps	1,759	161
Operating prepayments made	3,484	2,819
Estimated receivables – insurance	1,693	1,392
Prepaid expenses - rental	-	580
VAT entitlement for December	65,973	24,328
Income tax prepayment	25,254	-
Other assets	11,949	8,407
Total	403,136	190,661

As at 31 December 2018, operating receivables include inter-company receivables of CZK 44,145 thousand (2017: CZK 38,412 thousand) for services relating to the Company's operations.

6.22. Payables to Banks – Short-Term and Long-Term Loans (Note 20)

Loans are collateralised by a bank guarantee from a foreign related bank of CZK 20,000 thousand (2017: CZK 888,932 thousand) and a bank guarantee from a local related bank of CZK 1,419,800 thousand (2017: CZK 2,204,500 thousand). The drawn loans are used primarily for the financing of the Company's transactions. Loans are provided in CZK and foreign currencies (EUR, USD). Short-term loans additionally include overdraft loans in selected banks.

6.22.1. Payables to Banks by Creditors

CZK thousand	2018	2017
Creditor A	566,752	948,692
Creditor B	15,278,265	10,432,107
Creditor C	-	22,481
Creditor D	786,182	810,656
Creditor E	115,142	275,166
Creditor F	716,221	1,447,335
Total	17,462,562	13,936,437

6.22.2. Payables to Banks by Maturity

CZK thousand	2018	2017
Within 3 months	1,628,954	882,921
3 months to 1 year	3,320,193	2,542,247
1 - 5 years	11,332,379	9,282,136
More than 5 years	1,181,036	1,229,133
Total	17,462,562	13,936,437

6.23. Payables to Clients (Note 21)

Payables to clients of CZK 80,962 thousand (2017: CZK 101,896 thousand) include the unreleased portion of an extraordinary lease payment for operating lease agreements of CZK 7,345 thousand (2017: CZK 20,602 thousand), extraordinary lease agreements relating to inactive finance lease agreements of CZK 28,469 thousand (2017: CZK 26,065 thousand) and received prepayments for the net book value, received deposits and premature payments for unbilled repayments of CZK 45,148 thousand (2017: CZK 55,229 thousand).

6.24. Negative Fair Values of Financial Derivatives (Note 22)

The fair value of financial derivatives is based on valuation models that reflect the present market and contractual values of the underlying instrument similarly as the time value and yield curve or volatility factors. Subsequent to the initial recognition, financial derivatives are measured at fair value on level 2. The valuation of IRS and CCS is based on quoted yield curves. These markets are active. Market inputs directly correspond to the valued instruments.

The Company purchases financial derivatives almost solely from Raiffeisenbank, a.s. that remeasures them to fair value in its Midas and Crafos systems on a monthly basis.

CZK thousand	2018	2017
Interest rate swap - IRS	6,160	7,340
Total	6,160	7,340

The Company uses interest rate derivatives for the hedging of the interest rate risk that relates to drawn loans.

6.25. Deferred Tax Liability (Note 23)

CZK thousand	2018	2017
Deferred tax liability	94,817	87,553

The purpose of the deferred tax is to reflect the difference between the accounting and tax reporting of the result of operations.

Movements in temporary differences arising from the difference between the accounting and tax net book value of tangible and intangible fixed assets, the difference between the carrying amount and tax value of receivables, the difference between the carrying amount and tax value of accrual of income, the differences between the accounting and tax allowances for receivables after reflecting the success rate of their recovery, differences between accounting and tax allowances for assets, provisions and tax losses utilisable in the future are shown in the table below:

CZK thousand	2018	2017
Deferred tax liability	(1,884,933)	(1,718,641)
Present value of future debt	(1,630,342)	(1,429,231)
Accrual of lease payments	(252,362)	(252,000)
Difference between accounting and tax allowances	-	(35,323)
Revaluation of derivative instruments – cash flow hedges	(2,229)	(2,087)
Deferred tax asset	1,790,116	1,631,088
Difference between accounting and tax value of tangible fixed assets	1,729,864	1,578,838
Difference between accounting and tax allowances	15,494	-
Provisions	5,208	5,187
Valuation difference on acquired assets	2,508	3,623
Other temporary effects	37,042	43,440
Total deferred tax	(94,817)	(87,553)

The deferred tax is calculated using the anticipated tax rate in the period when the tax asset is realised or the tax liability settled.

6.26. Provisions (Note 24)

2018

CZK thousand	Balance as at 1/1/2018	Additions to provisions	Use of provisions	Release of provisions	Balance as at 31/12/2018
Provision for bonuses	16,757	36,496	(25,941)	(5,407)	21,905
Provision for untaken holidays	6,344	-	-	(1,710)	4,634
Provision for off-balance sheet supplies	3,633	-	-	(142)	3,491
Income tax provision	51,283	-	(51,283)	-	-
Provision for severance pay	879	-	(879)	-	-
Other provisions	3,322	-	(104)	(2,347)	871
	82,218	36,496	(78,207)	(9,606)	30,901

2017

CZK thousand	Balance as at 1/1/2017	Additions to provisions	Use of provisions	Release of provisions	Balance as at 31/12/2017
Provision for bonuses	19,035	23,860	(23,754)	(2,384)	16,757
Provision for untaken holidays	5,071	1,273	-	-	6,344
Provision for off-balance sheet supplies	25,000	-	-	(25,000)	-
Income tax provision	-	77,853	(26,570)	-	51,283
Provision for severance pay	-	879	-	-	879
Other provisions	329	2,993	-	-	3,322
	49,435	106,858	(50,324)	(27,384)	78,585

6.26.1. Structure of provisions for off-balance sheet supplies (provisions for provided commitments and financial guarantees) by segment and impairment stage

2018

CZK thousand	Stage 1	Stage 2	Stage 3	Total
Provisions for off-balance sheet items	(3,452)	(39)	-	(3,491)

6.26.2. Changes in provisions for off-balance sheet supplies (provisions for provided commitments and financial guarantees)

CZK thousand	Stage 1	Stage 2	Stage 3	Total
Provisions for off-balance sheet items as at 1/1/2018	(3,187)	(446)	-	(3,633)
Changes resulting from a change in the credit risk (net)	(265)	407	-	142
Provisions for off-balance sheet items as at 31/12/2018	(3,452)	(39)	-	(3,491)

6.27. Other Liabilities (Note 25)

CZK thousand	2018	2017
Estimated payables for insurance	9,358	6,066
Estimated payables for operations	9,757	8,656
Accrued interest	1,797	2,084
Deferred revenues	160	232
Payables to suppliers	85,102	167,090
Payables to employees	8,064	7,215
Payables to tax authority	2,282	1,555
Social security and health insurance liabilities	4,099	3,483
Other	60,142	23,713
Total	180,761	220,094

6.28. Share Capital and Capital Funds (Note 26)

Share capital

In 2018, the share capital amounted to CZK 450,000 thousand. As at 31 December 2018, the capital was paid up to CZK 450,000 thousand.

In 2018, the Company did not pay out any dividends.

The dividend paid in 2017 of CZK 70,617 thousand was paid out in the amounts of CZK 26,500 thousand and CZK 44,117 thousand to the members Raiffeisen – Leasing International Gesellschaft m.b.H. and Raiffeisenbank a.s., respectively.

6.29. Fair values of selected items of assets and liabilities valued in Level 3

Level 3 category is the category of financial instruments measured at fair value determined using the techniques based on input information not based on data observable on the market.

The Company used the following methods and estimates in determining the fair values of financial assets and liabilities.

Cash and balances with banks

The reported amounts of cash and receivables from banks due within one year are essentially equivalent to their fair value.

Receivables from clients

The fair values of receivables with a variable interest rate that are often remeasured or receivables with the final maturity within one year for which the credit risk changes are immaterial are essentially equivalent to the reported amounts. The fair values of fixed-rate loans are estimated based on discounted cash flows using the interest rate that is standard for loans with similar terms and conditions provided to borrowers with a similar risk profile, including the impact of collateral (the discounted rate technique according to IFRS 13). The fair values of delinquent loans are estimated based on discounted cash flows, including proceeds from a collateral foreclosure, if any.

Payables to Banks and Clients

The fair values of deposits repayable on demand at the reporting date are equal to the amounts repayable on demand (i.e. their reported amounts). The carrying amounts of variable-rate payables are essentially equivalent to their fair values at the reporting date. The fair values of fixed-rate payables are estimated based on discounted cash flows using market interest rates.

2018

CZK thousand	Carrying amounts	Fair values	Difference
Cash in hand and balances with banks	315,222	315,222	0
Receivables from clients	17,681,197	17,792,426	111,229
Payables to Banks and Clients	17,543,524	17,478,577	(64,947)

6.30. Off-balance Sheet Items – Hedging Financial Instruments

The list of hedging financial instruments (financial derivatives) is reported off balance sheet at nominal values:

CZK thousand	2018	2017
Interest rate swap - cash flow hedges	611,311	827,268
Interest rate swap - fair value hedges	72,351	79,620
Interest rate swap - financial hedge	6,709,243	9,618,923
Total interest rate swap	7,392,905	10,525,811
Forward exchange contract - receivables – financial hedge	70,000	-
Forward exchange contract - liabilities – financial hedge	(67,902)	-
Total forward exchange contract	2,098	-

The residual maturity of financial derivatives – nominal values

2018

CZK thousand	Within 1 year	1 - 5 years	More than 5 years	Total
Interest rate swap - financial hedge	123,322	5,554,068	1,031,853	6,709,243
Interest rate swap - cash flow hedges	199,344	411,967	-	611,311
Interest rate swap - fair value hedges	1,605	70,746	-	72,351
Total interest rate swap	324,271	6,036,781	1,031,853	7,392,905
Forward exchange contract - receivables – financial hedge	-	70,000	-	70,000
Forward exchange contract - liabilities – financial hedge	-	(67,902)	-	(67,902)
Total forward exchange contract	-	2,098	-	2,098

As a result of revaluation of the interest rate swap hedging the cash flows, CZK 742 thousand (2017: CZK 10,987 thousand) was transferred to other comprehensive income.

Total loan commitments as at 31 December 2018 amounted to CZK 1,357,951 thousand (2017: CZK 1,354,415 thousand).

The Company provided a group entity with a guarantee for a loan amounting to CZK 2,665,278 thousand (2017: CZK 3,917,640 thousand).

Received collateral in respect of receivables from clients by type:

CZK thousand	2018	2017
Real estate pledged as collateral for a loan receivable	2,225,894	363,788
Real estate as a leased asset	173,411	225,199
Leased movable assets	8,964,908	7,278,949
Received guarantees	250,283	265,554
Total	11,614,496	8,133,490

6.31. Ageing of Receivables from Finance Leases

CZK thousand	2018
Gross investments in finance leases	8,651,033
Within 3 months	616,106
3 months to 1 year	1,983,649
1 - 5 years	5,667,597
More than 5 years	383,681
Unrealised financial income	532,113
Within 3 months	61,823
3 months to 1 year	156,351
1 - 5 years	292,491
More than 5 years	21,448
Net investments in finance leases	8,118,920

6.32. Structure of Assets Held under Finance Leases

CZK thousand	2018
Lease of motor vehicles	5,760,486
Lease of real estate	173,416
Lease of facilities	2,185,018
Total	8,118,920

6.33. Future Operating Lease Payments of the Lessor

CZK thousand	2018
Within 1 year	213,378
1 - 5 years	269,587
More than 5 years	-
Total	482,965

7. RELATED PARTY TRANSACTIONS

Related party transactions include transactions with entities from the Raiffeisen group

7.1. Trade receivables and payables

The above receivables and payables include the following balances of accounts relating to inter-company relations.

	Receivables at 31/12		Payables at 31/12	
	2018	2017	2018	2017
Raiffeisenbank, a.s.	465	159	3,615	3,569
Raiffeise Bank International AG	-	-	-	1,283
Raiffeisen FinCorp, s.r.o.	30	329	-	-
Amfión Property, s.r.o.	-	132	-	-
Maloja Investment SICAV a.s.	4	-	-	-
Astra Property, s.r.o.	129	135	-	-
ALT POHLEDY s.r.o.	51	8	-	-
Boreas Property, s.r.o.	140	-	-	-
CRISTAL PALACE Property, s.r.o.	319	-	-	-
Dafné Property, s.r.o.	694	297	-	-
Don Giovanni Properties, s.r.o.	1,326	3,085	-	-
Erató Property, s.r.o.	58	190	-	-
FVE Cihelna s.r.o.	12	12	-	-
Grainulos s.r.o.	231	176	-	-
Hypnos Property, s.r.o.	118	153	-	-
Hyperion Property, s.r.o.	108	1	-	-
Holečkova Property, s.r.o.	571	200	-	-
Chronos Property, s.r.o.	248	435	-	-
Iris Property, s.r.o.	786	104	-	-
Kappa Estates, s.r.o.	808	1,090	-	-
Kleió Property, s.r.o.	57	225	-	-
Photon SPV 3, s.r.o.	161	158	-	-
UPC Real, s.r.o.	462	1,057	-	-
RLRE Ypsilon Property, s.r.o.	-	11	-	-
Appolon Property, s.r.o.	17	40	-	-
Photon SPV 8 s.r.o.	305	316	-	-
Exit 90 SPV s.r.o.	376	373	-	-
Gaia Property, s.r.o.	249	401	-	-
GHERKIN, s.r.o.	190	122	-	-
Hermes Property, s.r.o.	930	406	-	-
Photon SPV 10 s.r.o.	302	289	-	-
Photon SPV 11 s.r.o.	336	381	-	-
Na Stárce, s.r.o.	186	91	-	-
Steffany's Court s.r.o.	1,236	1,025	-	-
Neptun Property, s.r.o.	-	66	-	-
Melpomené Property, s.r.o.	660	946	-	-
Ofión Property, s.r.o.	66	89	-	-
Onyx Energy Projekt II s.r.o.	213	238	-	-
Onyx Energy s.r.o.	252	242	-	-
Palace Holding, s.r.o.	123	236	-	-
PILSENINVEST SICAV, a.s.	10	225	-	-
Photon SPV 6 s.r.o.	214	205	-	-
Photon SPV 4 s.r.o.	190	204	-	-

	Receivables at 31/12		Payables at 31/12	
	2018	2017	2018	2017
KAPMC s.r.o.	868	408	-	-
Pontos Property, s.r.o.	6,805	6,805	-	-
PZ Projekt a.s.	-	1 601	-	-
RIOBAU s.r.o.	-	183	-	-
RESIDENCE PARK TŘEBEŠ, s.r.o.	79	13	-	-
Rezidence Pod Skálou s.r.o.	-	1,459	-	-
RLRE Beta Property, s.r.o.	577	797	-	-
RLRE Carina Property, s.r.o.	2,865	1,538	-	-
RLRE Eta Property, s.r.o.	284	362	-	-
RLRE Jota Property, s.r.o.	271	685	-	-
Selene Property, s.r.o.	5,108	7,145	-	-
SeEnergy PT s.r.o.	122	73	-	-
Sirius Property, s.r.o.	448	795	-	-
Strašnická realitní a.s.	446	236	-	-
Theia Property, s.r.o.	4	5	-	-
Tmólos Property, s.r.o.	-	1,369	-	-
Viktor Property, s.r.o.	85	216	-	-
Urania Property, s.r.o.	-	1	-	-
Zátiší Rokytka s.r.o.	196	892	-	-
Credibilis a.s.	1,181	637	-	-
FORZA SOLE s.r.o.	387	422	-	-
Photon Energie s.r.o.	-	435	-	-
Hébé Property, s.r.o.	26	36	-	-
Luna Property, s.r.o.	474	976	-	-
NC Ivančice, s.r.o.	-	369	-	-
Orchideus Property, s.r.o.	4,320	2,997	-	-
Landia – Jordánská, s.r.o.	185	-	-	-
Áté Property, s.r.o.	1,206	-	-	-
Apaté Property, s.r.o.	129	-	-	-
Fobos Property, s.r.o.	95	-	-	-
Meleté Property, s.r.o.	738	-	-	-
Hestia Property, s.r.o.	530	-	-	-
Hémerá Property, s.r.o.	566	-	-	-
Logistický areál Hostivař, s.r.o.	1,477	-	-	-
Médea Property, s.r.o.	88	-	-	-
NATUM Alfa s.r.o.	428	-	-	-
Nereus Property, s.r.o.	6	-	-	-
JFD Real, s.r.o.	595	-	-	-
Polyxo Property, s.r.o.	1,284	-	-	-
Total	44,506	44,307	3,615	4,852

In addition, the Company recognised a payable of CZK 6,160 thousand (2017: CZK 7,340 thousand) and a receivable of CZK 77,249 thousand (2017: CZK 77,167 thousand) in respect of Raiffeisenbank a.s. arising from concluded hedging derivatives.

As at 31 December 2018, the Company recognised a balance on bank accounts with Raiffeisenbank, a.s. of CZK 247,548 thousand (2017: CZK 284,369 thousand). As at 31 December 2018, the balance on the bank account held at Raiffeisen Bank International AG is CZK 2,909 thousand (2017: CZK 3,637 thousand).

An allowance for receivables from Orchideus Property, s.r.o. was created in the amount of CZK 2,929 thousand (2017: CZK 2,929 thousand).

7.2. Sales and purchases

	Sales for		Purchases for year	
	2018	2017	2018	2017
Raiffeisenbank a.s.	53,792	139,320	154,527	90,059
Raiffeisen Bank International AG	-	-	3,339	6,099
RLRE Beta Property, s.r.o.	1,332	2,172	-	-
RLRE HOTEL ELLEN, s.r.o.	-	292	-	-
RLRE Eta Property, s.r.o.	1,039	1,234	-	-
RLRE Jota Property, s.r.o.	1 589	2,099	-	-
RLRE Ypsilon Property, s.r.o.	9	132	-	-
Selene Property, s.r.o.	9,672	12,660	-	-
Sirius Property, s.r.o.	2,037	2,417	-	-
Gaia Property, s.r.o.	1,760	1,402	-	-
Dafné Property, s.r.o.	1,543	598	-	-
CRISTAL PALACE Property, s.r.o.	931	546	-	-
Credibilis a.s.	3,349	2,346	-	-
FVE Cihelna s.r.o.	3,644	3,740	-	-
RLRE Carina Property, s.r.o.	2,580	3,732	-	-
Amfión Property, s.r.o.	-	207	-	-
Appolon Property, s.r.o.	62	(11)	-	-
Boreas Property, s.r.o.	199	367	-	-
Iris Property, s.r.o.	1,179	1,102	-	-
Orchideus Property, s.r.o.	2,033	1,313	-	-
Raiffeisen FinCorp, s.r.o.	10,496	2,382	-	-
Chronos Property, s.r.o.	881	1,011	-	-
UPC Real, s.r.o.	3,056	3,355	-	-
ALT POHLEDY s.r.o.	10,235	9,797	-	-
Photon SPV 3 s.r.o.	1,593	1,740	-	-
Photon Energie s.r.o.	1,361	2,416	-	-
Don Giovanni Properties, s.r.o.	5,297	6,195	-	-
Hermes Property, s.r.o.	2,067	1,632	22	6
Holečková Property, s.r.o.	865	559	-	-
Hyperion Property, s.r.o.	479	163	-	-
Kappa Estates, s.r.o.	2,663	3,025	-	-
Kleio Property, s.r.o.	201	344	-	-

	Sales for		Purchases for year	
	2018	2017	2018	2017
Hypnós Property, s.r.o.	369	375	-	-
Luna Property, s.r.o.	1,816	2,148	-	-
Erató Property, s.r.o.	(61)	206	-	-
GHERKIN, s.r.o.	672	367	-	-
Euros Property, s.r.o.	4,931	5,439	-	-
Exit 90 SPV s.r.o.	3,498	3,873	-	-
FORZA SOLE s.r.o.	1,442	1,139	-	-
Maloja Investment SICAV a.s.	624	9	-	-
Grainulos s.r.o.	284	318	-	-
GS55 Sazovice s.r.o.	102	81	-	-
Médea Property, s.r.o.	85	100	-	-
Melpomené Property, s.r.o.	3,614	3,991	-	-
Michalka – Sun s.r.o.	-	11,923	-	-
Steffany's Court s.r.o.	3,440	1,559	-	-
Neptun Property, s.r.o.	24	102	-	-
Ofión Property, s.r.o.	249	264	-	-
Onyx Energy projekt II s.r.o.	2,259	2,532	-	-
Onyx Energy s.r.o.	2,388	2,606	-	-
Palace Holding, s.r.o.	413	800	-	-
Photon SPV 10 s.r.o.	2,826	3,056	-	-
Photon SPV 11 s.r.o.	3,578	4,042	-	-
Photon SPV 6 s.r.o.	2,051	2,215	-	-
Photon SPV 8 s.r.o.	3,116	3,439	-	-
Photon SPV 4 s.r.o.	1,998	2,193	-	-
PILSENINVEST, uzavřený investiční fond, a.s.	120	640	-	-
PZ Projekt a.s.	5,122	6,591	582	1,103
Viktor Property, s.r.o.	8,082	8,270	-	-
Rheia Property, s.r.o.	3,865	3,567	-	-
Theia Property, s.r.o.	36	36	-	-
RESIDENCE PARK TŘEBEŠ, s.r.o.	172	-	-	-
Rezidence Pod Skálou s.r.o.	-	1,641	-	-
SeEnergy PT s.r.o.	394	188	-	-
Strašnická realitní a.s.	576	187	-	-
Tmólos Property, s.r.o.	-	1,941	-	-
Zátiší Rokytka s.r.o.	2,409	1,009	-	-
Astra Property, s.r.o.	445	466	-	-
RIOBAU s.r.o.	-	199	-	-
Hébé Property, s.r.o.	107	123	-	-
NC Ivančice, s.r.o.	-	1,322	-	-
Na Stárce, s.r.o.	645	469	-	-
KAPMC s.r.o.	2,077	690	-	-
Landia – Jordánská, s.r.o.	359	-	-	-
Áté Property, s.r.o.	1,427	-	-	-

	Sales for		Purchases for year	
	2018	2017	2018	2017
Apaté Property, s.r.o.	430	-	-	-
Fobos Property, s.r.o.	194	-	-	-
Meleté Property, s.r.o.	763	-	-	-
Hestia Property, s.r.o.	1,611	-	-	-
Hémerá Property, s.r.o.	2,649	-	-	-
Logistický areál Hostivař, s.r.o.	2,250	-	-	-
NATUM Alfa s.r.o.	356	-	-	-
Nereus Property, s.r.o.	36	-	-	-
JFD Real, s.r.o.	866	-	-	-
Polyxo Property, s.r.o.	4,123	-	-	-
Niobé Property, s.r.o.	1	-	-	-
Total	204,777	288,403	158,470	97,267

Purchases primarily include provided services regarding treasury (costs of provided guarantees to received loans, interest expense, banking fees), costs relating to derivative instruments, risk management and rental including services relating to the lease of office premises.

Sales primarily include interest revenue from bank accounts, derivatives and granted loans, fees for related party administration and construction billing.

The relation to Raiffeisenbank a.s. is described in Note 1.2. Raiffeisen Bank International AG is a group entity (the shareholder of Raiffeisenbank a.s.).

7.3. Received Loans and Borrowings

	2018	2017
Raiffeisenbank a.s.	15,278,263	10,432,107
Raiffeisen Bank International AG	-	22,481
Total	15,278,263	10,454,588

Loans are provided as uncollateralised.

7.4. Granted Loans

	2018	2017
RLRE Carina Property, s.r.o.	18,958	12,072
Orchideus Property, s.r.o.	46,239	59,908
UPC Real, s.r.o.	72,620	79,937
Inó Property, s.r.o.	39	38
Michalka – Sun, s.r.o.	-	189,171
Euros Property, s.r.o.	71,091	96,747
Viktor Property, s.r.o.	130,105	147,744

	2017	2016
Rheia Property, s.r.o.	86,564	96,453
RLRE Beta Property, s.r.o.	798	804
PZ Projekt a.s.	-	78,020
ALT POHLEDY s.r.o.	202,476	211,742
FVE Cihelna s.r.o.	68,341	76,301
Niobé Property, s.r.o.	89	58
Photon Energie s.r.o.	31,192	36,685
Selene Property, s.r.o.	18,560	19,572
Credibilis a.s.	81,585	85,258
Hestia Property, s.r.o.	28,335	463
Raiffeisen FinCorp, s.r.o.	193,547	737,292
Maloja Investment SICAV a.s.	106,048	-
Landia – Jordánská, s.r.o.	62,832	-
Áté Property, s.r.o.	77,770	-
Apaté Property, s.r.o.	19,364	-
CRISTAL PALACE Property, s.r.o.	66,954	-
Dafné Property, s.r.o.	74,989	-
GHERKIN, s.r.o.	26,040	-
Fobos Property, s.r.o.	147,730	-
Gaia Property, s.r.o.	146,395	-
Meleté Property, s.r.o.	85,813	-
Hémerá Property, s.r.o.	73,822	-
Don Giovanni Properties, s.r.o.	48,164	-
Logistický areál Hostivař, s.r.o.	29,546	-
Luna Property, s.r.o.	53,087	-
Melpomené Property, s.r.o.	33,863	-
NATUM Alfa s.r.o.	5,025	-
Steffany's Court s.r.o.	134,292	-
Nereus Property, s.r.o.	2,707	-
JFD Real, s.r.o.	70,135	-
KAPMC s.r.o.	157,308	-
Peitó Property, s.r.o.	74	-
Polyxo Property, s.r.o.	115,807	-
GS55 Sazovice s.r.o.	20,013	-
Strašnická realitní a.s.	103,720	-
SeEnergy PT s.r.o.	35,177	-
Zátiší Rokytka s.r.o.	248,031	-
Total loans and borrowings	2,995,245	1,928,265
Revaluation of a collateralised loan	(1,245)	(1,470)
Total	2,994,000	1,926,795

8. LEGAL DISPUTES

Legal disputes relating to monetary supplies

In 2018, the Company was involved in legal disputes before general and arbitration courts concerning monetary supplies of CZK 1,063,984 thousand, with the amounts of CZK 6,870 thousand and CZK 1,057,114 thousand, net of accrued interest, being attributable to legal disputes where the Company acts as a plaintiff and as a defendant, respectively. As at 31 December 2018, the Company's management assessed the legal disputes where the Company acts as a defendant. Based on the assessment of the individual legal disputes as regards the risk of a possible defeat and the amounts subject to the disputes, the Company recognised no provision for the legal disputes in 2018.

Other disputes

In September 2014, the Company became another defendant in the proceedings on ineffectiveness of juridical acts, specifically a contract for the transfer of an ownership interest in ALT POHLEDY s.r.o. concluded between ALTENERGIE DEVELOP s.r.o. as the transferor and the Company as the acquirer. The action was filed with the District Court in Svitavy by RR-Inkasní s.r.o., initially against ALT POHLEDY s.r.o. and subsequently against the Company (refer to above). The proceedings have been interrupted until a decision in another dispute between RR-Inkasní s.r.o. and ALTENERGIE DEVELOP s.r.o. is made. The Company expects that the proceedings will continue no sooner than in several years.

9. RISK MANAGEMENT

9.1. Credit Risk

The credit risk of the Company primarily relates to receivables arising from contracts for financing (lease contracts, loan contracts, instalment sale contracts). The risk of lease and loan receivables is largely covered by collateral. The Company requires the provided receivables to be hedged before being provided. The Company considers collaterals in the form of real estate, machinery and equipment and bank guarantees acceptable security reducing the gross credit exposure for the purpose of calculating the allowances. In determining the recoverable amount of the collateral for the purposes of calculating the allowances, the Company uses an internal appraisal prepared by a special department or expert reports. The recoverable amount of the collateral is subsequently determined based on this value by applying a correction coefficient that reflects the ability to realise the collateral. The value of the collateral and the amount of the correction coefficients are regularly reassessed.

The collateral is reflected in the calculation of the allowances only if there is a provable and enforceable legal claim to realisation of the collateral, the extent of the collateral is clear and uncontested and the hedging liability is properly documented. Without regard to the reflected collateral, the Company continues to fully assess the credit risk connected with the relevant exposure.

The credit risk in respect of liquid funds is limited, as the counterparties are banks with high rating by international rating agencies.

The Company reports no significant concentration of credit risks as its exposures are distributed among a significant number of counterparties and clients.

The credit risk is monitored on a monthly basis in monitoring the receivables, allowances, default rates, and structure of the portfolio by rating. The assessment is made by the Receivables Committee that approves the amount of allowances. Members of the committee are the Company's statutory representatives, risk department manager, administrative department manager, accounting department manager and the controlling department manager.

Furthermore, there is a Committee for distressed loans which meets at least once a month and makes decisions with the aim to achieve the highest net present values of receivables relating to the Company's exposures, taking into account the risks connected with every alternative Workout strategy.

2018	Balance sheet exposure (carrying amount)	Off-balance sheet exposure (carrying amount)	Total exposure (carrying amount)	Total collateral
ASSETS				
Cash in hand	86	-	86	-
Deposits at banks	315,136	-	315,136	-
Receivables from clients	17,878,546	4,023,229	21,901,775	13,028,567
Allowance for receivables from clients	(197,349)	-	(197,349)	-
Positive fair values of financial derivatives	89,362	-	89,362	-
Equity investments in subsidiaries	508,502	-	508,502	-
Intangible fixed assets	19,294	-	19,294	-
Tangible fixed assets	762,716	-	762,716	-
Investment property	148,400	-	148,400	-
Other assets	403,136	-	403,136	-
TOTAL ASSETS	19,927,829	4,023,229	23,951,058	13,028,567

2017	Balance sheet exposure (carrying amount)	Off-balance sheet exposure (carrying amount)	Total exposure (carrying amount)	Total collateral
ASSETS				
Cash in hand	115	-	115	-
Deposits at banks	423,236	-	423,236	-
Receivables from clients	14,508,490	5,272,055	19,780,545	10,008,137
Allowance for receivables from clients	(161,866)	-	(161,866)	-
Positive fair values of financial derivatives	88,510	-	88,510	-
Equity investments in subsidiaries	508,512	-	508,512	-
Intangible fixed assets	11,683	-	11,683	-
Tangible fixed assets	642,044	-	642,044	-
Investment property	151,702	-	151,702	-
Other assets	190,661	-	190,661	-
TOTAL ASSETS	16,363,087	5,272,055	21,635,142	10,008,137

The value of the collateral differs from the collateral disclosed in Note 6.30 by the value of the received collateral to the off-balance sheet exposure.

9.2. Interest Rate Risk

Interest rate risk is the risk that the interest rate of receivables from contracts for financing may change differently than the interest rate based on which these receivables are refinanced (fixed and floating rates). This is a risk of the loss from the difference between interest expense and interest revenue. Contracts that are financed using fixed rates are hedged through interest rate swaps or the financing drawn bears a fixed rate. On the basis of contracts for interest rate swaps, the Company undertakes to swap the difference between the amount of fixed and variable interest calculated from contracted principal amounts.

Financial risks in the Company are managed pursuant to Raiffeisen Leasing International Market Risk Guidelines for Raiffeisen Leasing International Subsidiaries. The Company's intent is not to speculate with market movements and expose itself to the market risk. The Company may assume the market risk only in such situations and in such quantity as deemed necessary to facilitate day-to-day refinancing administration. In order to prevent market risks, liquidity, foreign currency and interest rate limits are determined, reported and monitored in accordance with the Raiffeisen Leasing International guideline.

According to the calculation of the interest rate sensitivity, the increase in interest rates by 1 bp would result in a decrease of the Company's profit by CZK 377 thousand.

The table for 2018 (2017) includes assets and liabilities structured by the risk of a change in the interest rate.

2018	Within 3 months	3 months to 1 year	1 - 5 years	More than 5 years	On request	Unspecified	Total
ASSETS							
Cash in hand	-	-	-	-	86	-	86
Deposits at banks	-	-	-	-	315,136	-	315,136
Receivables from clients	2,941,415	228,960	12,342,953	2,365,218	-	-	17,878,546
Allowance for receivables from clients	(13,279)	(65)	(134,653)	(49,352)	-	-	(197,349)
Positive fair values of financial derivatives	89,362	-	-	-	-	-	89,362
Equity investments in subsidiaries	-	-	-	-	-	508,502	508,502
Intangible fixed assets	-	-	-	-	-	19,294	19,294
Tangible fixed assets	-	-	-	-	-	762,716	762,716
Investment property	-	-	-	-	-	148,400	148,400
Other assets	-	-	-	-	-	403,136	403,136
TOTAL ASSETS	3,017,498	228,895	12,208,300	2,315,866	315,222	1,842,048	19,927,829
LIABILITIES							
Payables to banks	9,230,081	175,891	6,860,712	1,195,878	-	-	17,462,562
Payables to clients	80,962	-	-	-	-	-	80,962
Negative fair values of financial derivatives	6,160	-	-	-	-	-	6,160
Deferred tax liability	-	-	-	-	-	94,817	94,817
Provisions	-	-	-	-	-	30,901	30,901
Other liabilities	-	-	-	-	-	180,761	180,761
Share capital	-	-	-	-	-	450,000	450,000
Retained profits/accumulated losses	-	-	-	-	-	1,444,010	1,444,010
Profit for the period	-	-	-	-	-	177,656	177,656
TOTAL LIABILITIES AND EQUITY	9,317,203	175,891	6,860,712	1,195,878	-	2,378,145	19,927,829

2017	Within 3 months	3 months to 1 year	1 - 5 years	More than 5 years	On request	Unspecified	Total
ASSETS	-	-	-	-	115	-	115
Cash in hand							
Deposits at banks	-	-	-	-	423,236	-	423,236
Receivables from clients	2,297,482	258,596	10,330,247	1,622,165	-	-	14,508,490
Allowance for receivables from clients	(102,662)	-	(32,401)	(26,803)			(161,866)
Positive fair values of financial derivatives	88,510	-	-	-	-	-	88,510
Equity investments in subsidiaries	-	-	-	-	-	508,512	508,512
Intangible fixed assets	-	-	-	-	-	11,683	11,683
Tangible fixed assets	-	-	-	-	-	642,044	642,044
Investment property	-	-	-	-	-	151,702	151,702
Other assets	-	-	-	-	-	190,661	190,661
TOTAL ASSETS	2,283,330	258,596	10,297,846	1,595,362	423,351	1,504,602	16,363,087
LIABILITIES							
Payables to banks	11,724,422	229,682	1,272,628	705,064	-	4,641	13,936,437
Payables to clients	101,896	-	-	-	-	-	101,896
Negative fair values of financial derivatives	7,340	-	-	-	-	-	7,340
Deferred tax liability	-	-	-	-	-	87,553	87,553
Provisions	-	-	-	-	-	78,585	78,585
Other liabilities	-	-	-	-	-	220,094	220,094
Share capital	-	-	-	-	-	450,000	450,000
Retained profits/accumulated losses	-	-	-	-	-	1,183,169	1,183,169
Profit for the period	-	-	-	-	-	298,013	298,013
TOTAL LIABILITIES AND EQUITY	11,833,658	229,682	1,272,628	705,064	-	2,322,055	16,363,087

At year-end, the Company contracted IRS with the total nominal amount of CZK 7,392,905 thousand (2017: CZK 10,525,811 thousand) which are disclosed in Note 6.30. They hedge the discrepancy between the payables to banks with sensitivity to the interest rate risk within 3 months and receivables with sensitivity to the interest rate risk in all categories.

9.3. Currency Risk

Pursuant to its risk management strategy, the Company generally applies a rule under which all business activities in the specific currency are refinanced by bank loans in the identical currency.

The table for 2018 (2017) includes the Company's currency position in realised currencies (the amounts in the table are translated into CZK).

2018

CZK thousand	Total	CZK	EUR	USD
ASSETS				
Cash in hand	86	80	6	-
Deposits at banks	315,136	252,491	59,777	2,868
Receivables from clients	17,878,546	12,312,205	5,241,256	325,085
Allowance for receivables from clients	(197,349)	(168,517)	(28,832)	-
Positive fair values of financial derivatives	89,362	89,362	-	-
Equity investments in subsidiaries	508,502	508,502	-	-
Intangible fixed assets	19,294	19,294	-	-
Tangible fixed assets	762,716	762,716	-	-
Investment property	148,400	148,400	-	-
Other assets	403,136	198,631	204,504	1
TOTAL ASSETS	19,927,829	14,123,164	5,476,711	327,954
LIABILITIES				
Payables to banks	17,462,562	11,686,889	5,458,497	317,176
Payables to clients	80,962	47,626	33,256	80
Negative fair values of financial derivatives	6,160	6,160	-	-
Deferred tax liability	94,817	94,817	-	-
Provisions	30,901	30,901	-	-
Other liabilities	180,761	149,319	31,442	-
Share capital	450,000	450,000	-	-
Retained profits/accumulated losses	1,444,010	1,444,010	-	-
Profit for the period	177,656	177,656	-	-
TOTAL LIABILITIES AND EQUITY	19,927,829	14,087,378	5,523,195	317,256
Total foreign currency position at 31/12/2018		35,786	(46,484)	10,698

2017

CZK thousand	Total	CZK	EUR	USD
ASSETS				
Cash in hand	115	83	32	-
Deposits at banks	423,236	361,985	57,317	3,934
Receivables from clients	14,508,490	10,251,946	3,881,207	375,337
Allowance for receivables from clients	(161,866)	(157,860)	(4,006)	-
Positive fair values of financial derivatives	88,510	88,510	-	-
Equity investments in subsidiaries	508,512	508,512	-	-
Intangible fixed assets	11,683	11,683	-	-
Tangible fixed assets	642,044	642,044	-	-
Investment property	151,702	151,702	-	-
Other assets	190,661	108,379	82,282	-
TOTAL ASSETS	16,363,087	11,966,984	4,016,832	379,271
LIABILITIES				
Payables to banks	13,936,437	9,619,761	3,944,338	372,338
Payables to clients	101,896	70,258	27,359	4,279
Negative fair values of financial derivatives	7,340	7,340	-	-
Deferred tax liability	87,553	87,553	-	-
Provisions	78,585	78,585	-	-
Other liabilities	220,094	172,440	47,654	-
Share capital	450,000	450,000	-	-
Retained profits/accumulated losses	1,183,169	1,183,169	-	-
Profit for the period	298,013	298,013	-	-
TOTAL LIABILITIES AND EQUITY	16,363,087	11,967,119	4,019,351	376,617
Total foreign currency position at 31/12/2017		(135)	(2,519)	2,654

9.4. Liquidity Risk

The liquidity risk is the risk that the Company will not have sufficient available funds to settle payables arising from financial contracts. It includes both the risk of the ability to finance assets by instruments with appropriate maturity and the ability to sell assets for a reasonable price within a reasonable time frame.

The purpose of liquidity management is to ensure that the Company will dispose of sufficient funds to providing financing to its clients. The Company has been drawing loan tranches from the bank based on information on client loans in order to ensure sufficient funds to make payments on the Company's accounts. In practice, deviations from the expected drawing and repayment of client loans occur and therefore it is necessary to keep a sufficient liquidity reserve on the bank accounts.

Client loans for movable assets funding are financed by the bank either on the portfolio basis or the large transactions and real estate funding on the back-to-back funding (1:1, matched funding).

The short-term liquidity of the Company is monitored on the key current accounts separately for individual currencies - CZK, EUR and USD. Each currency also has a comfort limit of the total available liquidity on the bank accounts which form the basis of regular monthly funding for the portfolio-based drawing of tranches. All short-term funding is drawn at the beginning of the month, with a one month maturity. In the event of a surplus of funding, the surplus is repaid by the end of the month. At the end of the month, the actual need for funding in the relevant month and currency is evaluated retrospectively. The accelerated short-term funding shall be replaced by a new funding to be divided into small packages with the relevant tenor and repayment structure so that the liquidity position best corresponds to the increment of new client assets in the relevant month.

The below table includes assets and liabilities structured by residual maturities, i.e. from the financial statements date to the contractual maturity date. Assets and liabilities without the contracted maturity date are presented in the "Unspecified" column.

2018	Within 3 months	3 months to 1 year	1 - 5 years	More than 5 years	On request	Unspecified	Total
ASSETS							
Cash in hand	-	-	-	-	86	-	86
Deposits at banks	-	-	-	-	315,136	-	315,136
Receivables from clients	1,188,533	3,802,201	11,294,738	1,399,348	193,726	-	17,878,546
Allowance for receivables from clients	(40)	(3,758)	(168,280)	(25,271)	-	-	(197,349)
Positive fair values of financial derivatives	385	890	66,116	21,971	-	-	89,362
Equity investments in subsidiaries	-	-	-	-	-	508,502	508,502
Intangible fixed assets	-	-	-	-	-	19,294	19,294
Tangible fixed assets	-	-	-	-	-	762,716	762,716
Investment property	-	-	-	-	-	148,400	148,400
Other assets	360,480	39,594	1,606	-	1,456	-	403,136
TOTAL ASSETS	1,549,358	3,838,927	11,194,180	1,396,048	510,404	1,438,912	19,927,829
LIABILITIES							
Payables to banks	1,628,954	3,320,193	11,332,379	1,181,036	-	-	17,462,562
Payables to clients	34,398	28,469	18,095	-	-	-	80,962
Negative fair values of financial derivatives	-	67	6,093	-	-	-	6,160
Deferred tax liability	-	-	-	-	-	94,817	94,817
Provisions	-	-	-	-	-	30,901	30,901
Other liabilities	110,130	68,783	1,848	-	-	-	180,761
Share capital	-	-	-	-	-	450,000	450,000
Retained profits/accumulated losses	-	-	-	-	-	1,444,010	1,444,010
Profit for the period	-	-	-	-	-	177,656	177,656
TOTAL LIABILITIES AND EQUITY	1,773,482	3,417,512	11,358,415	1,181,036	-	2,197,384	19,927,829

2017	Within 3 months	3 months to 1 year	1 - 5 years	More than 5 years	On request	Unspecified	Total
ASSETS							
Cash in hand	-	-	-	-	115	-	115
Deposits at banks	-	-	-	-	423,236	-	423,236
Receivables from clients	1,080,680	2,906,814	9,190,504	1,187,756	142,736	-	14,508,490
Allowance for receivables from clients	(17,220)	(36,845)	(62,740)	(26,632)	-	(18,429)	(161,866)
Positive fair values of financial derivatives	3	4	61,723	26,780	-	-	88,510
Equity investments in subsidiaries	-	-	-	-	-	508,512	508,512
Intangible fixed assets	-	-	-	-	-	11,683	11,683
Tangible fixed assets	-	-	-	-	-	642,044	642,044
Investment property	-	-	-	-	-	151,702	151,702
Other assets	190,371	290	-	-	-	-	190,661
TOTAL ASSETS	1,253,834	2,870,263	9,189,487	1,187,904	566,087	1,295,512	16,363,087
LIABILITIES							
Payables to banks	882,921	2,542,247	9,282,136	1,229,133	-	-	13,936,437
Payables to clients	96,273	-	-	5,623	-	-	101,896
Negative fair values of financial derivatives	-	33	4,039	3,268	-	-	7,340
Deferred tax liability	-	-	-	-	-	87,553	87,553
Provisions	-	-	-	-	-	78,585	78,585
Other liabilities	207,091	-	-	13,003	-	-	220,094
Share capital	-	-	-	-	-	450,000	450,000
Retained profits/accumulated losses	-	-	-	-	-	1,183,169	1,183,169
Profit for the period	-	-	-	-	-	298,013	298,013
TOTAL LIABILITIES AND EQUITY	1,186,285	2,542,280	9,286,175	1,251,027	-	2,097,320	16,363,087

9.4.1. Payables to banks including future contractual interest

2018	Within 3 months	3 months to 1 year	1 - 5 years	More than 5 years	On request	Unspecified	Total
Payables to banks	1,681,255	3,457,104	11,601,743	1,216,712	-	-	17,956,814

2017	Within 3 months	3 months to 1 year	1 - 5 years	More than 5 years	On request	Unspecified	Total
Payables to banks	910,695	2,614,264	9,445,242	1,256,792	-	-	14,226,993

10. POST BALANCE SHEET EVENTS

As at 1 January 2019, the ownership interest in PZ Projekt a. s. was sold for CZK 41,990 thousand.

Related Party Transaction Report



Related Party Transaction Report

pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended (hereinafter the "Act on Business Corporations")

- 1.1. The statutory body of Raiffeisen - Leasing, s.r.o., with its registered office at Hvězdova 1716/2b, 140 78 Prague 4, corporate ID: 61467863, recorded in the Register of Companies held by the Municipal Court in Prague, File No. C 29553 (hereinafter the "Company") prepared this related party transaction report in accordance with Section 82 of Act No. 90/2012 Coll., and the legal regulation regarding business secrecy in accordance with Section 504 of Act No. 89/2012 Coll., Civil Code.
- 1.2. The statutory body of the Company used the information in the Register of Companies in identifying controlling entities.
- 2. Structure of Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Controlling Entity (hereinafter the "Related Parties")**
 - 2.1. The Company is controlled by Raiffeisenbank a.s., corporate ID: 492 40 901, with its registered office at Hvězdova 1716/2b, 140 78 Prague 4, recorded in the Register of Companies held by the Municipal Court in Prague, File No. B 2051, which holds an equity investment of 100%.
- 3. Role of the Controlled Entity in the Structure of Relations of Related Parties.**
 - 3.1. The Company is a subsidiary of the parent company operating autonomously and independently of the parent company in non-banking financing of movable and immovable assets.
- 4. Method and Means of Control**
 - 4.1. The Company is controlled through resolutions of the parent company acting the capacity of the general meeting in matters that are within the authority of the general meeting or the sole owner pursuant to law. The Company is not subject to unified management as per Section 79 et seq. of the Act on Business Corporations.
 - 4.2. Decisions are made in the Company at the level of the statutory body, with no one being allowed to give the Company's statutory body binding instructions regarding the business management of the Company.
- 5. List of Acts Made in the Reporting Period at the Initiative or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity that related to Assets that Exceed 10% of Equity of the Controlled Entity Identified according to the Most Recent Set of Financial Statements**

No such acts were made.

6. List of Contracts concluded in the Reporting Period with Related Parties

Contract (change to the contract)	Counter-party	Conclusion date
Amendment no. 4 to the contract on non-exclusive business representation	Raiffeisenbank a.s.	1 Oct 2018
Amendment no. 3 to the contract on non-exclusive business representation	Raiffeisenbank a.s.	3 Apr 2018
Amendment no. 25 to loan contract no. 110157/2012/01	Raiffeisenbank a.s.	18 Oct 2018
Amendment no. 26 to loan contract no. 110157/2012/01	Raiffeisenbank a.s.	5 Nov 2018
Amendment no. 27 to loan contract no. 110157/2012/01	Raiffeisenbank a.s.	17 Dec 2018
Amendment no. 9 to the contract on sublease of non-residential premises	Raiffeisenbank a.s.	1 July 2018
Amendment to the management service agreement	Raiffeisen Bank International AG	8 Jan 2018
Framework contract on service provision (S/2017/00498)+ Appendices 1-9	Raiffeisenbank a.s.	28 Mar 2018
Amendment No. 10 to framework contract on service provision (S/2017/00498)	Raiffeisenbank a.s.	7 Dec 2018
Agreement on framework contract on service provision S/2017/00498	Raiffeisenbank a.s.	28 Mar 2018
Personal data processing agreement	Raiffeisenbank a.s.	14 Dec 2018
Personal data processing agreement (2018)	Raiffeisenbank a.s.	14 Dec 2018
Contract on risk participation and the provision of a special-purpose loan reg. no. NDP/0002//02/28223152	Raiffeisenbank a.s.	27 Mar 2018
Contract on risk participation and the provision of a special-purpose loan reg. no. 7108001801	Raiffeisenbank a.s.	12 Jul 2018
Contract on risk participation and the provision of a special-purpose loan reg. no. 7108001800,	Raiffeisenbank a.s.	11 Jul 2018
Contract on risk participation and the provision of a special-purpose loan reg. no. 7108001799	Raiffeisenbank a.s.	11 Jul 2018
Contract on risk participation and the provision of a special-purpose loan	Raiffeisenbank a.s.	1 Feb 2018
Amendment no. 1 to contract on risk participation and the provision of a special-purpose loan of 29 Jan 2017	Raiffeisenbank a.s.	29 Jan 2018
Amendment no. 2 to contract on risk participation and the provision of a special-purpose loan	Raiffeisenbank a.s.	19 Sep 2018
Lease contract no. 5019002659 - 5019002663	Raiffeisenbank a.s.	25 Jan 2018
Lease contract no. 5019002666	Raiffeisenbank a.s.	30 Apr 2018
Lease contract no. 5019002667	Raiffeisenbank a.s.	29 Mar 2018
Lease contract no. 5019002668	Raiffeisenbank a.s.	1 Mar 2018
Lease contract no. 5019002669	Raiffeisenbank a.s.	15 May 2018
Lease contract no. 5019002671 - 5019002672	Raiffeisenbank a.s.	30 Apr 2018
Lease contract no. 5019002706	Raiffeisenbank a.s.	30 Apr 2018
Lease contract no. 5019002900	Raiffeisenbank a.s.	20 Sep 2018
Lease contract no. 5019002907	Raiffeisenbank a.s.	29 May 2018
Lease contract no. 5019002952	Raiffeisenbank a.s.	20 Jul 2018
Lease contract no. 5019002955	Raiffeisenbank a.s.	11 May 2018

Contract (change to the contract)	Counter-party	Conclusion date
Lease contract no. 5019003006	Raiffeisenbank a.s.	15 May 2018
Lease contract no. 5019003259	Raiffeisenbank a.s.	1 Nov 2018
Lease contract no. 5019003260	Raiffeisenbank a.s.	28 Aug 2018
Lease contract no. 5019003351 - 5019003352	Raiffeisenbank a.s.	28 Aug 2018
Lease contract no. 5019003354 - 5019003355	Raiffeisenbank a.s.	28 Aug 2018
Lease contract no. 5019003393 - 5019003394	Raiffeisenbank a.s.	1 Oct 2018
Lease contract no. 5019003395 - 5019003396	Raiffeisenbank a.s.	1 Nov 2018
Lease contract no. 5019003586	Raiffeisenbank a.s.	13 Dec 2018
Lease contract no. 5019003613	Raiffeisenbank a.s.	11 Dec 2018
Lease contract no. 5019003618	Raiffeisenbank a.s.	11 Dec 2018
Loan contract	CRISTAL PALACE Property, s.r.o.	7 Feb 2018
Loan contract	CRISTAL PALACE Property, s.r.o.	1 May 2018
Loan contract	Luna Property, s.r.o.	1 Nov 2018
Contract on the provision of comprehensive project support	Hestia Property, s.r.o.	5 Jan 2018
Loan contract	JFD Real s.r.o.	26 Oct 2018
Loan contract II.	JFD Real s.r.o.	26 Oct 2018
Contract on the provision of comprehensive project support	JFD Real s.r.o.	26 Oct 2018
Contract on the provision of comprehensive project support	GRENA REAL s.r.o.	26 Oct 2018
Loan contract	GRENA REAL s.r.o.	26 Oct 2018
Loan contract	Fobos Property, s.r.o.	20 Dec 2018
Loan contract – VAT line	Fobos Property, s.r.o.	20 Dec 2018
Contract on the provision of comprehensive project support	Fobos Property, s.r.o.	20 Dec 2018
Contract on the provision of comprehensive project support	Eunomia Property, s.r.o.	21 Dec 2018
Loan contract	Gaia Property, s.r.o.	1 Aug 2018
Amendment no. 1 to the contract on bookkeeping	Hermes Property, s.r.o.	1 Oct 2018
Contract on development activities	Neptun Property, s.r.o., client	21 May 2018
Loan contract	SeEnergy PT, s.r.o.	1 Nov 2018
Loan contract	KAPMC s.r.o.	1 Nov 2018
Framework contract on cooperation	Áté Property, s.r.o., client	27 Jun 2018
Contract on the provision of comprehensive project support	Áté Property, s.r.o.	27 Jun 2018
Loan contract	Áté Property, s.r.o.	18 Jul 2018
Amendment to framework contract on cooperation	KAPMC s.r.o., client	21 Aug 2018
Contract on development activities	KAPMC s.r.o., client	21 Aug 2018
Contract on the provision of comprehensive project support	KAPMC s.r.o.	21 Aug 2018
Loan contract	KAPMC s.r.o.	17 Sep 2018
Loan contract	GHERKIN, s.r.o.	31 Jul 2018
Amendment no.1 to framework contract on cooperation in financing the CODECO - Zátíší Nad Rokytkou project	Zátíší Rokytka s.r.o., client	29 May 2018
Amendment no. 2 to framework contract on cooperation in financing the CODECO - Zátíší Nad Rokytkou project	Zátíší Rokytka s.r.o., client	22 Oct 2018

Contract (change to the contract)	Counter-party	Conclusion date
Amendment no. 3 to framework contract on cooperation in financing the Obytný park Šmukýřka project	Na Stárce, s.r.o.	22 Oct 2018
Loan contract on financing of Logistický areál Hostivař	Logistický areál Hostivař, s.r.o.	13 Mar 2018
Contract on the provision of comprehensive project support	Logistický areál Hostivař, s.r.o.	16 Mar 2018
Amendment no. 2 to framework contract on cooperation in financing the Pekařka - Rezidence Pod skálou project	Rezidence Pod Skálou s.r.o., client	23 Apr 2018
Loan contract for financing CODECO - Zátíší Nad Rokytkou	Zátíší Rokytka s.r.o.	01 Oct 2018
Amendment no. 3 to loan contract	GS55 Sazovice s.r.o.	20 Dec 2018
Amendment no. 5 to framework contract on cooperation	GS55 Sazovice s.r.o.	20 Dec 2018
Amendment no. 5 to framework contract on cooperation	ALT POHLEDY s.r.o.	22 May 2018
Loan contract	ALT POHLEDY s.r.o.	23 Oct 2018
Loan contract for financing the Pošta project	Dafné Property, s.r.o.	01 Aug 2018
Amendment no.1 to framework contract on cooperation in financing the Štěpánská development project	Steffany´s Court s.r.o., client	04 Jul 2018
Loan contract on financing the Štěpánská flats project	Steffany´s Court s.r.o.	29 Oct 2018
Contract on the provision of comprehensive project support	Credibilis a.s.	27 Feb 2018
Loan contract on financing the Opatovická project	Credibilis a.s.	27 Feb 2018
Framework contract on cooperation in financing the Záhřebská development project	Hémerá Property, s.r.o., client	17 Apr 2018
Contract on development activities for ensuring the construction of the Záhřebská 41 project	Terasa LAVANDE s.r.o., client	11 Jul 2018
Contract on the provision of comprehensive project support	Hémerá Property, s.r.o	17 Apr 2018
Loan contract on financing the Záhřebská flats project	Hémerá Property, s.r.o	17 Apr 2018
Framework contract on cooperation in financing the Petrská project	Polyxo Property, s.r.o., client	22 May 2018
Contract on development activities for ensuring the construction of the Petrská 33 project	Polyxo Property, s.r.o., client	03 Sep 2018
Loan contract on financing the Záhřebská flats project	Polyxo Property, s.r.o.	22 May 2018
Contract on the provision of comprehensive project support	Polyxo Property, s.r.o.	22 May 2018
Contract on the provision of comprehensive project support	Apaté Property, s.r.o.	18 Jul 2018
Loan contract on financing the Barcana project	Apaté Property, s.r.o.	18 Jul 2018
Amendment no. 1 to mutually aligned contracts on financing	Raiffeisen FinCorp, s.r.o. x Dafné Property, s.r.o. x Chronos Property, s.r.o. x Holečkova Property, s.r.o. x Credibilis a.s. x Hypnos Property, s.r.o., clients	21 Nov 2018
Contract on the provision of comprehensive project support	Nereus Property, s.r.o.	21 Nov 2018
Loan contract on financing the Holečkova 19 project	Nereus Property, s.r.o.	21 Nov 2018
Contract on coordination and management of activities relating to the construction of utilities and communications in Landia - Jordánská	Landia - Jordánská, s.r.o. , client	08 Nov 2018
Loan contract on financing PADOK Icerink	Strašnická realitní a.s.	09 Nov 2018
Loan contract on financing the NATUM Ořech project	NATUM Alfa s.r.o.	21 Jun 2018
Loan contract	Landia - Jordánská, s.r.o.	23 Nov 2018

7. The Controlled Entity incurred no detriment in the reporting period.

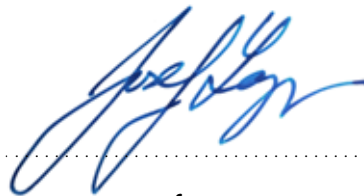
8. Benefits and disadvantages arising for the Controlled Entity from related party transactions.

8.1 The Company generated no benefits and incurred no disadvantages.

In Prague, on 29 March 2019



Alois Lanegger



Josef Langmayer

