



Raiffeisen
LEASING

Annual Report

2016

Table of Contents

General Information	3
Company's History	3
Principal activities	4
Capital Investments	5
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	6
Financial Statements for the Current Reporting Period	6
Information on Significant Post Balance Sheet Events	6
Anticipated Development in Company's Activities	6
Report on Related Party Transactions pursuant to Sections 82-88 of Act No. 90/2012 Coll., on Business Corporations	6
Auditor's Report	6

Appendices:

1. Auditor's Report
2. Financial Statements as of 31 December 2016
3. Related Party Transaction Report

General Information

effective as of 31 December 2016

Name of the Company:	Raiffeisen – Leasing, s.r.o.
Legal status:	Limited Liability Company
Recorded in the Register of Companies:	22 June 1994
Corporate ID:	61467863
Registered office:	Hvězdova 2b, Prague 4
Share capital:	CZK 450,000,000
Owners:	Raiffeisenbank, a.s. (50%) Raiffeisen – Leasing International Gesellschaft m.b.H. (50%)
Statutory executives:	Tomáš Görtler Alois Lanegger Jiří Kruncl
Branches abroad:	None
Branches and business representation:	Ostrava, Pardubice, Brno, Teplice
Equity investments in other entities:	Refer to Capital Investments
Research and development activities:	None
Environmental activities:	None
Labour relations:	In line with the Labour Code and relating regulations
Information on the acquisition of treasury shares	None

Company's History

Raiffeisen - Leasing, s.r.o. has been active on the Czech market since 1994 and provides a comprehensive offer of financial products to companies, businessmen and individuals.

In 2012, the managements and work teams of Raiffeisen - Leasing, s.r.o. and Raiffeisen - Leasing Real Estate, s.r.o. were merged. As a result of this merger, the Company currently offers comprehensive financing of your investment needs under one roof.

In 2013, Raiffeisen - Leasing, s.r.o. sold its equity investment of 50% in Raiffeisen - Leasing Real Estate, s.r.o. to Raiffeisenbank, a.s. This change in ownership was not recorded to the Register of Companies before 2014.

On 1 January 2015, Raiffeisen - Leasing Real Estate, s.r.o. merged with Raiffeisen - Leasing, s.r.o.

Raiffeisen - Leasing, s.r.o. is a member of the Czech Leasing and Finance Association (CLFA) and contributes to the improvement of services provided in the field of leasing and dealing with issues related to leasing resulting from valid legal and tax legislation

of the Czech Republic. In the rankings of CLFA members according to the volume of financed value of new business cases, the Company is usually placed among the biggest leasing companies on the Czech market. In the area of real estate financing, the Company has been ranked first for a long time.

Principal activities

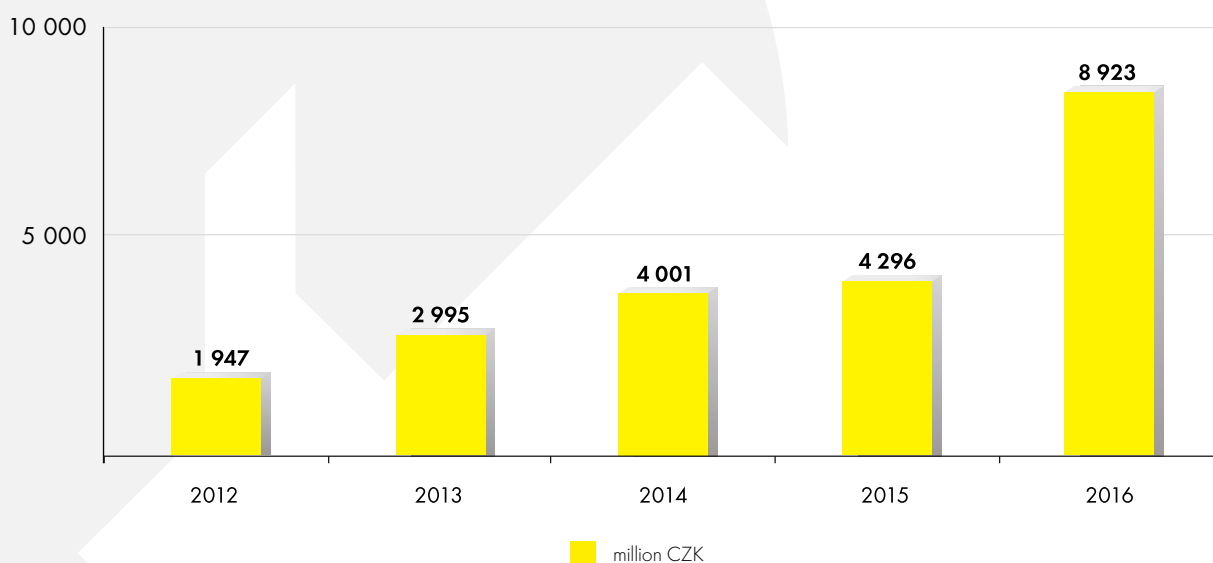
Financing of:

- › Real estate, construction projects;
- › Machinery;
- › Technology;
- › Personal, utility vehicles and trucks;
- › Airplanes;
- › Buses;
- › Railway wagons;
- › Machining tools;
- › Manufacturing lines;
- › Handling technology;
- › Information and communication technology; and
- › Healthcare technology and a number of other commodities.

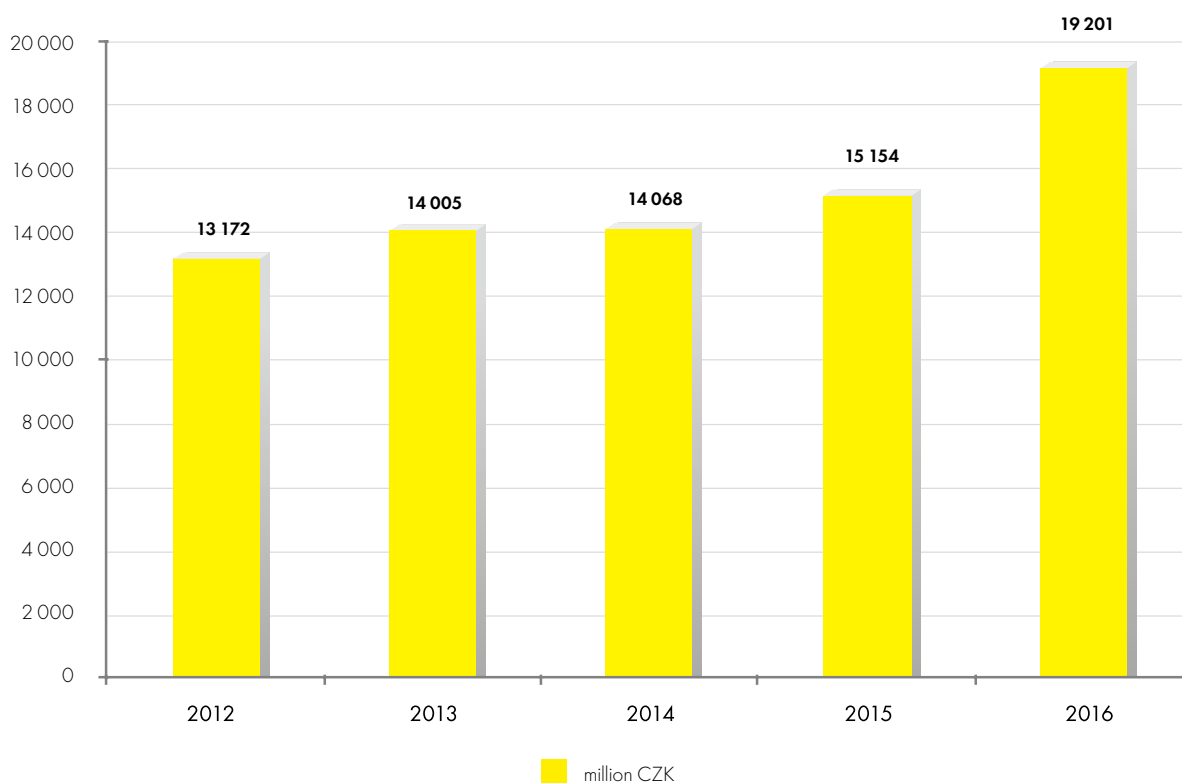
Services we provide:

- › Valuation of immovable assets; and
- › Production, trading and other services not listed in Appendices 1 to 3 to the Trade Licensing Act.

Volume of new business transactions concluded (in CZK million)



Portfolio (in CZK million)



Capital Investments

Raiffeisen - Leasing, s.r.o. possesses the following:

- › 78 project companies, directly or indirectly owned by the Company in full;
- › An investment of 50% in the project company RLRE Ypsilon Property, s.r.o.; the remaining investment of 50% is held by Raiffeisen - Leasing Gesellschaft m.b.H.;
- › An investment of 10% in three project companies: RLRE Carina Property, s.r.o., Luna Property, s.r.o. and Kalypso Property, s.r.o.; the remaining investment of 90% is held by RLI GmbH;
- › An investment of 10% in the project company Viktor Property, s.r.o.; the remaining investment of 90% is held by RLKG Raiffeisen - Leasing Gesellschaft mbH;
- › Indirectly (via RLRE Carina Property, s.r.o.) a 10% investment in the project company RLRE Dorado Property, s.r.o.; the remaining investment of 90% is held by RLI GmbH;
- › An investment of 77% in the project company Leto Property, s.r.o.; the remaining investment of 23% is held by RUHR FVE s.r.o.;
- › Indirectly (via Leto Property, s.r.o.) an investment of 100% in the project company Sky Solar Distribuce s.r.o.;
- › An investment of 95% in the project company Hébé Property, s.r.o.; the remaining investment of 5% is held by Pavel Diviš;
- › An investment of 95% in the project company Rheia Property, s.r.o.; the remaining investment of 5% is held by Snow-How ČR, s.r.o.;
- › An investment of 90% in the project company GS55 Sazovice s.r.o.; the remaining investment of 10% is held by GS5 s.r.o.; and
- › Other relations are disclosed 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 (ie interest rate, currency and economic risks) are subject to standard processes of the Raiffeisen Group.

Financial Statements for the Current Reporting Period

The annual financial statements for the current reporting period are provided in Appendix 2 to this Annual Report. An overview of the Company's assets is evident from the schedules disclosed in the Company's financial statements that form an integral part of this Annual Report.

Information on Significant Post Balance Sheet Events

Pursuant to the requirements of Act No. 257/2016 Coll., on Consumer Lending, in respect of non-bank consumer lending providers, Raiffeisen - Leasing, s.r.o. established a Supervisory Board in February 2017 in terms of Act No. 90/2012 Coll., on Business Corporations. The petition to register the Supervisory Board of Raiffeisen - Leasing, s.r.o. was filed on 5 May 2017. The members of the Supervisory Board are as follows: Rudolf Rabiňák, Chairman of the Supervisory Board; Michael Hackl, member of the Supervisory Board; František Ježek, member of the Supervisory Board; Tomáš Jelínek, member of the Supervisory Board; and Markus Kirchmair, member of the Supervisory Board.

Anticipated Development in Company's Activities

In 2017, the Company plans to continue conducting its standard principal business activities with a view to generating profits.

Report on Related Party Transactions pursuant to Sections 82-88 of Act No. 90/2012 Coll., on Business Corporations

The Report on Related Party Transactions pursuant to the provisions of Sections 82-88 of Act No. 90/2012 Coll., on Business Corporations, is provided in Appendix 3 to this Annual Report.

Auditor's Report

The Auditor's report is provided in Appendix 1 to this Annual Report.

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



Tomáš Görtler, Statutory Executive



Alois Lanegger, Statutory Executive



Jiří Kruncel, Statutory Executive

Appendix 1

Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Partners of Raiffeisen - Leasing, s.r.o.

Having its registered office at: Praha 4 - Nusle, Hvězdova 1716/2b, 140 78

Opinion

We have audited the accompanying financial statements of Raiffeisen - Leasing, s.r.o. (hereinafter also the "Company") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Raiffeisen - Leasing, s.r.o. as at 31 December 2016, 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 EU.

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, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the 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 the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements.
- The other information is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Company's Partners for the Financial Statements

The Partners are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Partners determine 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 Partners are 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 Partners either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, 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 Partners.
- Conclude on the appropriateness of the Partners 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 the Partners 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.

In Prague on 28 June 2017

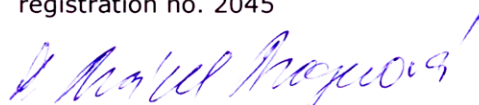
Audit firm:

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



Statutory auditor:

Diana Rádlová
registration no. 2045



Appendix 2

Financial Statements as of 31 December 2016



SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Name of the Company:	Raiffeisen - Leasing, s.r.o.
Registered Office:	Hvězdova 1716/2b, 14078 Praha 4 - Nusle
Legal Status:	Limited Liability Company
Corporate ID:	614 67 863

Components of Separate Financial Statements for 2016 Prepared under IFRS as Adopted by the EU

Statement of Financial Position (Balance Sheet)

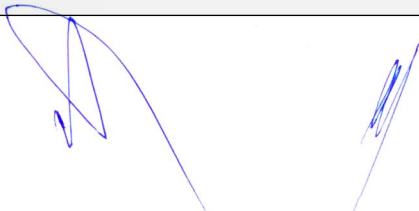
Statement of Comprehensive Income

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 28 June 2017.

Statutory body of the reporting entity	Signature
	

Balance sheet

As of 31 December 2016

CZK '000	Note	2016	2015
ASSETS			
Cash on hand		89	150
Cash at bank		331 192	432 998
Receivables from clients (net)	14,15	11 503 348	8 283 354
Positive fair values of financial derivatives	16	28	760
Investments in subsidiaries	17	509 006	519 437
Intangible fixed assets	18	10 893	9 795
Property, plant and equipment	18	523 554	183 349
Investment property	18	155 559	159 275
Other assets	19	201 015	183 416
TOTAL ASSETS		13 234 684	9 772 534
LIABILITIES			
Payables to banks	20	11 137 740	7 805 302
Payables to clients	21	49 419	256 830
Negative fair values of financial derivatives	22	47 772	37 287
Deferred tax liability	23	87 781	63 708
Provisions	24	49 435	58 137
Other liabilities	25	167 650	158 925
Share capital	26	450 000	450 000
Retained earnings/accumulated losses	26	876 215	693 743
Profit for the period	26	368 672	248 602
TOTAL LIABILITIES		13 234 684	9 772 534

Statement of Comprehensive Income

for the Year Ended 31 December 2016

CZK '000	Note	2016	2015
Interest income and similar income	1	362 713	381 601
Interest expense and similar expense	2	-85 281	-102 061
Net interest income		277 432	279 540
Change in allowances for risks arising from contract funding	3	-42 555	-9 450
Net interest income net of allowances		234 877	270 090
Fee and commission income	4	21 778	19 741
Fee and commission expense	5	-10 923	-13 868
Net fee and commission income		10 855	5 873
Foreign exchange rate gains or losses	6	533	336
Profit or loss from derivative transactions	7	-12 231	29 205
Income from dividends	8	28	6
Income from investments	9	278 379	1 966
General operating expenses	10	-294 659	-201 729
Other operating income	11	233 399	340 152
Other operating expenses	12	-54 377	-143 882
Profit before tax		396 804	302 017
Income tax	13	-28 132	-53 415
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		368 672	248 602

Statement of Changes in Equity

for the Year Ended 31 December 2016

CZK '000	Share capital	Statutory reserve fund	Retained earnings/ accumulated losses	Profit for the period	Total equity
BALANCE AT 31 DEC 2014	440 000	5 000	482 812	62 100	989 912
Merger	10 000	1 000	116 261	106 490	233 751
Dividends			-79 920		-79 920
Share capital increase		-6 000	6 000		0
Allocation to reserve funds					0
Allocation to retained earnings			168 590	-168 590	0
Net profit for the period				248 602	248 602
Other comprehensive income, net					
Total comprehensive income for the period					
BALANCE AT 31 DEC 2015	450 000	0	693 743	248 602	1 392 345
Dividends			-66 130		-66 130
Allocation to retained earnings			248 602	-248 602	0
Net profit for the period				368 672	368 672
Other comprehensive income, net					0
Total comprehensive income for the period					
BALANCE AT 31 DEC 2016	450 000	0	876 215	368 672	1 694 887

Cash Flow Statement

for the Year Ended 31 December 2016

CZK thousand	2016	2015
Opening balance of cash and cash equivalents	433 148	213 077
Profit before tax	396 804	302 017
Adjustment for non-cash transactions	-442 879	-245 097
Recognition/release of allowances for financing risks, write-off of receivables	42 555	9 450
Depreciation of property, plant and equipment and amortisation of intangible assets	69 347	26 607
Recognition/release of provisions	-8 702	29 901
Change in the fair value of derivatives	11 217	-29 056
Received dividends	-28	-6
Profit/loss from the sale of property, plant and equipment and intangible assets	-924	-151
Profit/loss from the sale of equity investments	-278 379	-1 966
Foreign currency translation	-533	-336
Interest expense and interest income	-277 432	-279 540
Operating profit before the change in operating assets and liabilities	-46 075	56 920
Change in working capital	-3 424 364	-388 249
Change in receivables and deferred expenses and accrued income	-3 258 109	100 303
Change in payables and accrued expenses and deferred income	-157 381	-522 198
Change in other assets	-17 599	-17 930
Change in other liabilities	8 725	11 937
Cash acquired as a result of merger	-	39 639
Paid interest	-81 942	-98 621
Received interest	358 806	378 221
Net cash flow from operating activities before tax	-3 193 575	-51 729
Income tax paid	-57 428	-27 697
Net cash flow from operating activities	-3 251 003	-79 426
Cash flow from investment activities		
Income from the sale of fixed assets	279 303	2 117
Purchase of tangible and intangible assets	-396 503	-637 368
Dividends received	28	6
Net cash flow from investment activities	-117 172	-635 245
Cash flow from financing activities		
Change in payables from financing	3 332 438	1 014 662
Impacts of changes in equity	-66 130	-79 920
Dividends paid	-66 130	-79 920
Net cash flow from financing activities	3 266 308	934 742
Net change in cash and cash equivalents	-101 867	220 071
Closing balance of cash and cash equivalents	331 281	433 148

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Name of the Company: Raiffeisen – Leasing, s.r.o.

Registered Office: Hvězdova 1716/2b, 140 78 Prague 4 - Nusle

Legal Status: Limited Liability Company

Corporate ID: 614 67 863

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

TABLE OF CONTENTS

1.	GENERAL INFORMATION AND PRINCIPAL ACTIVITIES	4
1.1.	INCORPORATION AND DESCRIPTION OF BUSINESS.....	4
1.2.	ENTITIES WITH EQUITY INTERESTS IN THE COMPANY	4
1.3.	STATUTORY BODY AS OF 31 DECEMBER 2016	4
1.4.	CHANGES IN THE REGISTER OF COMPANIES.....	5
1.5.	ORGANISATIONAL STRUCTURE	5
1.6.	CONSOLIDATION GROUP IDENTIFICATION	5
1.7.	OTHER INFORMATION	5
2.	CHANGE IN THE APPLICATION OF ACCOUNTING STANDARDS SINCE 1 JANUARY 2011 ...	6
3.	ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES.....	7
3.1.	TRANSACTION RECOGNITION DATE	10
3.2.	INTANGIBLE FIXED ASSETS AND PROPERTY, PLANT AND EQUIPMENT (TANGIBLE FIXED ASSETS).....	10
3.3.	INVESTMENT PROPERTY	11
3.4.	EQUITY INVESTMENTS.....	11
3.5.	RECEIVABLES.....	11
3.6.	PROVISIONS.....	12
3.7.	TRADE PAYABLES	13
3.8.	LOANS	13
3.9.	FINANCIAL DERIVATIVES.....	13
3.10.	LEASES.....	15
3.11.	INCOME AND EXPENSE RECOGNITION.....	15
3.12.	TAXATION.....	15
3.12.1.	<i>Income Tax Payable</i>	15
3.12.2.	<i>Deferred Tax</i>	16
3.13.	FOREIGN CURRENCY TRANSLATION.....	16
3.14.	USE OF ESTIMATES.....	17
3.15.	CASH FLOW STATEMENT	17
4.	ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT	18
4.1.	INTEREST INCOME AND SIMILAR INCOME (NOTE 1).....	18
4.2.	INTEREST EXPENSE AND SIMILAR EXPENSE (NOTE 2)	18
4.3.	CHANGE IN ALLOWANCES FOR RISKS ARISING FROM CONTRACT FUNDING (NOTE 3)	18
4.4.	FEE AND COMMISSION INCOME (NOTE 4)	19
4.5.	FEE AND COMMISSION EXPENSE (NOTE 5)	19
4.6.	FOREIGN EXCHANGE RATE GAINS OR LOSSES (NOTE 6)	19
4.7.	PROFIT OR LOSS FROM DERIVATIVE TRANSACTIONS – REVALUATION OF DERIVATIVES (NOTE 7)	19
4.8.	INCOME FROM DIVIDENDS (NOTE 8).....	19
4.9.	INCOME FROM INVESTMENTS (NOTE 9)	20
4.10.	GENERAL OPERATING EXPENSES (NOTE 10).....	21
4.10.1.	<i>Employees and Managers</i>	21
4.11.	OTHER OPERATING INCOME (NOTE 11)	22
4.12.	OTHER OPERATING EXPENSES (NOTE 12).....	22
4.13.	INCOME TAX (NOTE 13).....	22
4.14.	RECEIVABLES FROM CUSTOMERS (NOTE 14).....	23
4.14.1.	<i>Analysis of Receivables by Categories of Financing (gross)</i>	23
4.14.2.	<i>Aging of Receivables from Customers</i>	24
4.14.3.	<i>Portfolio Quality</i>	25
4.14.4.	<i>Analysis of Receivables from Customers by Sectors and by Type of Collateral</i>	29
4.15.	ALLOWANCE FOR RECEIVABLES FROM CUSTOMERS (NOTE 15)	29
4.15.1.	<i>Allowance for Receivables from Related Parties</i>	30
4.16.	POSITIVE FAIR VALUES OF FINANCIAL DERIVATIVES (NOTE 16)	30
4.17.	INVESTMENTS IN SUBSIDIARIES (NOTE 17).....	31
4.18.	TANGIBLE AND INTANGIBLE FIXED ASSETS (NOTE 18).....	35

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.19.	OTHER ASSETS (NOTE 19).....	37
4.20.	PAYABLES TO BANKS – SHORT-TERM AND LONG-TERM LOANS (NOTE 20)	37
4.20.1.	<i>Payables to Banks by Creditors</i>	37
4.20.2.	<i>Payables to Banks by Maturity</i>	37
4.21.	PAYABLES TO CLIENTS (NOTE 21)	37
4.22.	NEGATIVE FAIR VALUES OF FINANCIAL DERIVATIVES (NOTE 22)	38
4.23.	DEFERRED TAX LIABILITY (NOTE 23)	38
4.24.	PROVISIONS (NOTE 24)	39
4.25.	OTHER LIABILITIES (NOTE 25).....	39
4.26.	SHARE CAPITAL AND CAPITAL FUNDS (NOTE 26)	39
4.27.	OFF-BALANCE SHEET ITEMS – HEDGING FINANCIAL INSTRUMENTS	40
4.28.	AGING OF RECEIVABLES FROM FINANCE LEASES.....	41
4.29.	STRUCTURE OF ASSETS THAT ARE LEASED UNDER FINANCE LEASES.....	41
5.	RELATED PARTY TRANSACTIONS.....	42
5.1.	TRADE RECEIVABLES AND PAYABLES.....	42
5.2.	SALES AND PURCHASES	44
5.3.	RECEIVED LOANS AND BORROWINGS	45
5.4.	GRANTED LOANS	46
6.	LEGAL DISPUTES	47
7.	RISK MANAGEMENT.....	48
7.1.	CREDIT RISK.....	48
7.2.	INTEREST RATE RISK.....	49
7.3.	CURRENCY RISK.....	50
7.4.	LIQUIDITY RISK.....	52
8.	POST BALANCE SHEET EVENTS	54

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

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 is CZK 450,000 thousand as of 31 December 2016 (2015: CZK 450,000 thousand).

1.2. Entities with Equity Interests in the Company

Owners as of 31 Dec 2016	Share
Raiffeisenbank a.s., Hvězdova 1716/2b, Nusle, 140 00 Prague 4, Czech Republic	50 %
Raiffeisen – Leasing International Gesellschaft m.b.H., Am Stadtpark 9, 1030 Vienna, Austria	50 %
Total	100%

1.3. Statutory Body as of 31 December 2016

Statutory body	Position
Alois Lanegger	Statutory executive
Jiří Kruncl	Statutory executive
Tomáš Gürtler	Statutory executive

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

1.4. Changes in the Register of Companies

The following changes were recorded in the Register of Companies:

- On 17 May 2016, the change of address of Alois Lanegger, statutory executive, was recorded.

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 (Corporate Clients and Real Estate, Retail Clients), Treasury Department, Controlling Department, IT Department, Legal Department (includes Legal, Compliance and HR), Car Fleet Management, Marketing and Product Development, Real Estate Investment Department, Secretariat and Procurement. Pursuant to its internal guideline, the Company established the Company's Advisory Board as the supreme oversight and advisory body. Statutory executives are authorised to implement certain resolutions only after obtaining the prior opinion of the Advisory Board.

As of 31 December 2016, 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.

This matter thus has an impact on the comparability of figures presented in the profit and loss account.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

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 AND GENERAL ACCOUNTING PRINCIPLES

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, ie 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 2016.

The reporting period is the calendar year.

These financial statements are presented in CZK thousands.

a) Standards and Interpretations Effective in the Reporting Period

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

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015);
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Acceptable Methods of Depreciation and Amortisation adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

- IAS 27 “Individual Financial Statements” – Equity Method in Separate Financial Statements adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 41 “Agriculture” - Bearer Plants adopted by the EU on 31 November 2015 (effective for annual periods beginning on or after 1 January 2016); and
- Amendments to IFRS 11 “Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).

b) Standards and Interpretations Issued by the IASB and Adopted by the EU but Not Yet Effective

The Company assessed the impact of the standards, interpretations and amendments to applicable standards that are not yet effective, that were not used in the preparation of these financial statements but are approved and will have an impact on the preparation of the financial statements of the Company at a later date. At present, the Company is undertaking an analysis of the impacts related to the application of the standards. The Company plans to implement the following standards as of their effective dates.

- IFRS 2 “Classification and Measurement of Share-based Payment Transactions” (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 – “Leases” (effective for annual periods beginning on or after 1 January 2019),
- IFRS 15 – “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

- IAS 7 - "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- Annual improvements of IFRS – cycle 2014-2016 (effective from 1 January 2017/2018).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

c) Standards and Interpretations issued by the IASB, but not yet adopted by the European Union

- IFRS 9 "Financial Instruments" effective for annual periods beginning on or after 1 January 2018 containing requirements for reporting and measurement, impairment, derecognition and general hedge accounting;

Classification and measurement – IFRS 9 introduced a new approach to financial asset classification, which is based on the characteristics of cash flows and a business model based on which an assets is held. This single approach arises from the principles of and replaces the existing requirements of IAS 39. The new model also results in forming a new impairment model applied to all financial instruments.

Impairment – IFRS 9 introduced a new impairment model based on expected losses requiring earlier reporting of expected credit losses. Specifically, the new standard requires that entities account for their expected financial losses when the financial instruments are initially recognised and that they report expected losses earlier over the useful life of the financial instrument.

The standard introduces a three-level model reflecting changes in credit quality from the initial recognition:

Level 1 includes financial assets with no material increase in the credit risk from the initial recognition or with a low credit risk as of the financial statements date. Twelve-month expected credit losses are recognised for these assets. Interest income is calculated based on the gross book value of assets.

Level 2 includes financial assets with a material increase in the credit risk from the initial recognition but lacking an objective evidence of impairment. The expected credit losses over the entire useful lives are recognised for these assets. Interest income is calculated based on the gross book value of assets.

Level 3 includes financial assets with objective evidence of impairment. The expected credit losses over the entire useful lives are recognised for these assets. Interest income is calculated based on the net book value of assets.

Hedge accounting – IFRS 9 introduces a revised model of hedge accounting, including a more precise disclosure of risk management activities. The new model is a significant revision of hedge accounting aligning accounting policies and activities in risk management.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Internal credit risk – IFRS 9 eliminates volatility in profit or loss, which resulted from the changing credit risk of liabilities selected to be measured at fair value. This change in recognition means that profits resulting from the deterioration of the internal credit risk of the liabilities is no longer recognised in profit or loss.

The Company assesses the impact of the application of IFRS 9 on its financial statements. The assessment includes the application of new guidance for the classification and measurement of financial instruments and impairment rules. The analysis of impacts has not been completed as of the date of the financial statements.

Summary of significant accounting policies and valuation methods

3.1. 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.

3.2. 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. 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:

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Intangible and tangible fixed assets	Method	Depreciation period
Software - Core system	Straight line	4-5 years
Machinery and equipment 1st depreciation group	Straight line	3-4 years
Machinery and equipment second depreciation group	Straight line	4 years
Vehicles (company cars)	Straight line	5 years
Vehicles (contracts fleet management)	Straight line	According to the lease contract and determined net book value
Buildings	Straight line	30-50 years
Improvements on leased premises	Straight line	72 months (according to the 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.

3.3. 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.

3.4. 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.

3.5. Receivables

Valuation

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

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

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, ie 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.

3.6. 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

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

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

The Company recognises provisions on a gross basis, ie 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.

3.7. Trade Payables

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

3.8. 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.

3.9. 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.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

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 Hedge

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.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

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.

3.10. Leases

The Company provides financing only in the form of finance leases under IFRS. Although certain contracts are defined as operating leases, they meet the definition of finance leases under IFRS and are recognised as such.

The accounting treatment is as follows: 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.

3.11. 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.

3.12. Taxation

3.12.1. Income Tax Payable

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

The tax currently payable 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

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Taxes. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

3.12.2. 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.

3.13. 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".

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

3.14. 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 future results may differ from these 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.

3.15. 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 Dec 2016	31 Dec 2015
Cash on hand and cash in transit	89	150
Cash at bank	331 192	432 998
Total cash and cash equivalents	331 281	433 148

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.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4.1. Interest Income and Similar Income (Note 1)

CZK thousand	2016	2015
from receivables from banks	30	66
from receivables from banks from financial derivatives	3 512	3 506
from receivables from customers	359 171	378 029
of which: interest on impaired assets	17 586	6 937
of which: interest on the default from impaired assets	929	1 305
Total interest income and similar income	362 713	381 601

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 2016 and 2015 in the Czech Republic.

4.2. Interest Expense and Similar Expense (Note 2)

CZK thousand	2016	2015
From loans at banks	-59 437	-56 048
From client loans	-216	-5 218
From financial derivatives	-25 628	-40 795
Total interest expense and similar expense	-85 281	-102 061

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

CZK thousand	2016	2015
Recognition of allowances	-66 438	-54 668
of which: Orchideus Property, s.r.o.	-620	-4 102
PZ Projekt a.s.	-	-5 052
Release of allowances	23 100	62 221
of which: Luna Property, s.r.o.	-	31 995
RLRE Carina Property, s.r.o.	-	17 106
PZ Projekt a.s.	1 202	-
Write-off of receivables	-851	-3 486
Income from written-off receivables	1 929	650
Income from the sale of seized items	6 505	2 939
Total change in allowances	-35 755	7 656
Provisions for off-balance sheet credit risks		
Recognition of provisions	-6 800	-17 106
of which: RLRE Carina Property, s.r.o.	-6 800	-17 106
Total change in provisions for off-balance sheet credit risks	-6 800	-17 106
Change in provisions and allowances for the risks of contract financing	-42 555	-9 450

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.4. Fee and Commission Income (Note 4)

CZK thousand	2016	2015
Fees from the provision of services to clients	11 079	6 156
Bonus from the mediation of insurance	5 194	3 904
Fee for the provision of a guarantee	5 505	9 625
Received subsidies for the sales promotion	-	56
Total fee and commission income	21 778	19 741

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, for premature termination and variable lease payment.

Received subsidies include subsidies from the Company's suppliers for sales promotion.

4.5. 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 (2,741) thousand (2015: CZK (1,386) thousand), fees for received bank guarantees of CZK (6,539) thousand (2015: CZK (9,181) thousand) and other commissions and costs related to client service fees of CZK (1,643) thousand (2015: CZK (3,301) thousand).

4.6. 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 533 thousand (2015: CZK 336 thousand).

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

CZK thousand	2016	2015
Revaluation of swaps - IRS	-12 587	28 812
<i>Of which: IRS used to hedge fair value</i>	-110	581
Revaluation of swaps – CCS	242	800
Revaluation of hedged item	114	-407
Total revaluation of swaps	-12 231	29 205

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 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, the Company applied fair value hedging through its profit or loss. Individual items disclosed in the table above are recognised in net values.

4.8. Income from Dividends (Note 8)

The Company received dividends of CZK 8 thousand (2015: CZK 6 thousand) from the equity investment held in GS55 Sazovice s.r.o. and dividends of CZK 20 thousand (2015: CZK 0 thousand) from the equity investment held in Dione Property, s.r.o.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.9. Income from Investments (Note 9)

2016

Sold investments	Selling price	Net book value	Income form sold investments
RLRE Orion Property, s.r.o.	8 991	-8 991	0
Gala Property, s.r.o.	50	-50	0
FORZA SOLE s.r.o.	200	-200	0
EUDOXUS s.r.o.	200	-200	0
Dione Property, s.r.o.	200	-200	0
Maharal Hotels, s.r.o.	200	-200	0
T.L.S. building construction s.r.o.	200	-200	0
Raines Property, s.r.o.	200	-200	0
Bondy Centrum s.r.o.	279 499	-1 120	278 379
Total sold investments	289 740	-11 361	278 379

2015

Sold investments	Selling price	Net book value	Income form sold investments
Thetis Property, s.r.o.	200	-200	0
RLRE Lyra Property, s.r.o.	200	-200	0
Phoenix Property, s.r.o.	200	-200	0
RLRE Epsilon Property, s.r.o.	1 719	-200	1 519
Trojské výhledy s.r.o.	200	-200	0
Elektrárna Dynín s.r.o.	200	-200	0
Logistický areál Hostivař, s.r.o.	727	-200	527
Studio Invest, s.r.o.	200	-200	0
Total sold investments	3 646	-1 600	2 046
Investments with completed liquidation	Liquidation balance	Net book value	Income from investment liquidation
Pyrit Property, s.r.o v likvidaci	179	-200	-21
RLRE Alpha Property, s.r.o. v likvidaci	141	-200	-59
Green Energie větrný park Bílčice, s.r.o. v likvidaci	100	-100	0
Total impaired investments	420	-500	-80
Total investment income			1 966

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.10. General Operating Expenses (Note 10)

CZK thousand	2016	2015
Payroll costs	-155 032	-113 268
Wages and salaries	-115 771	-84 527
Social security and health insurance	-35 780	-26 062
Other employee costs	-3 481	-2 679
Operating expenses	-70 280	-61 853
Rental, repairs and other services relating to the operations of offices	-14 733	-14 090
Marketing costs	-8 588	-6 504
Audit	-917	-913
Tax advisory	-34	-1 953
Other advisory	-20 065	-18 418
Costs relating to IT support	-9 442	-6 885
Telecommunication, postal fees and other services	-3 509	-2 805
Insurance of assets	-898	-898
Training costs	-1 116	-862
Travel costs	-1 099	-579
Fuel, repairs and maintenance	-3 123	-2 523
Office supplies	-1 696	-1 136
Other operating expenses	-5 060	-4 287
Depreciation of tangible and intangible assets	-69 347	-26 608
Total general operating expenses	-294 659	-201 729

4.10.1. Employees and Managers

2016			
CZK thousand	Number of employees	Payroll costs	Social security
Employees	97	-82 774	-25 583
Managers	14	-32 997	-10 197
Total	111	-115 771	-35 780

2015			
CZK thousand	Number of employees	Payroll costs	Social security
Employees	78	-56 782	-19 415
Managers	11	-27 745	-6 647
Total	89	-84 527	-26 062

In 2016, members of the statutory and advisory body were paid bonuses of CZK 2,113 thousand (2015: CZK 2,003 thousand).

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

In 2016 and 2015, 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 costs of meal vouchers and catering provided to all Company employees.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.11. Other Operating Income (Note 11)

CZK thousand	2016	2015
Income from short-term lease of financed assets	88	23
Other income from financed assets	611	403
Sales of services provided in the Raiffeisen group	67	-
Sales of internal assets	1 333	191
Sales of fleet management assets	24 110	17 874
Income from operating leases of property (investment property)	17 013	15 865
Fleet management	93 367	24 648
Income from administration fees	93 553	91 065
Construction arrangement	-	184 285
Income from the release of other provisions	1 955	2 263
Sundry income	1 302	3 535
Total other operating income	233 399	340 152

4.12. Other Operating Expenses (Note 12)

In CZK thousand	2016	2015
Expenses for the insurance of financed assets	-218	-2 250
Other expenses for financed assets	-371	-509
Expenses for the disposal of internal assets	-171	-109
Expenses for the disposal of assets under operating leases	-24 348	-17 818
Taxes and fees	-2 146	-699
Property tax and fees	-1 176	-1 509
Fleet management costs	-19 371	-6 448
Expenses for property operating leases (investment property)	-693	-1 045
Expenses for the recognition of other reserves	-	-110 285
Expenses for construction arrangement	-	-2 100
Sundry expenses	-5 883	-1 110
Total other operating expenses	-54 377	-143 882

4.13. Income Tax (Note 13)

The change in the tax payable and deferred tax for 2016 and 2015 is composed of the following items:

CZK thousand	2016	2015
Income/expense from tax payable	-4 059	-46 819
Income/expense from the deferred tax	-24 073	-6 596
Total income tax	-28 132	-53 415

The income tax payable is calculated using the applicable tax rate from the accounting profit according to Czech Accounting Standards (CAS) increased or decreased by permanently or temporarily tax deductible costs and non-taxed income. The corporate income tax for 2016 and 2015 is 19%.

The general tax base is derived from the accounting records in accordance with Czech Accounting Standards and is further adjusted by items to add and deductible items in line with the Income Taxes Act and the Provisioning Act. The accounting for finance leases under IFRS and CAS significantly differs. The principal accounting treatment of the lessor is as follows:

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

- IFRS: assets held under finance leases are reported in the form of a receivable in the amount of the net investment in the lease, CAS: assets are reported in the form of depreciated tangible fixed assets;
- IFRS: income includes financial interest from the provided financing on an annuity basis; CAS: income includes the lease payment that has linear development in time.

When comparing the results under CAS and IFRS, the total profit for the entire financing period from the financed contract is equal. However, there is an important difference in the timing of profit generation. Under CAS, the profit grows over the contract period and reaches its peak at its end. On the contrary, the profit is the highest at the beginning of the contract and gradually decreases during the period under IFRS.

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

CZK thousand	2016	2015
Profit before tax	396 804	302 017
Theoretical amount of tax calculated using the tax rate	-75 393	-57 383
Differences from IFRS adjustments	-2 896	-7 397
Profit before tax under CAS	393 908	294 620
Items to add	67 448	68 796
Deductible items	-439 992	-94 436
Tax base	21 364	268 980
Utilisation of the tax loss from prior periods	-	-22 245
Income tax for the year	-4 059	-46 880
Income tax for the prior period	-	61

The effective tax rate as of 31 December 2016 is 7.09% (2015: 17.69%). The effective tax rate in 2016 is due predominantly to the impact of the deductible item arising from non-taxable income from the sale of an ownership interest in a subsidiary of CZK 278,379 thousand. Without this impact, the effective tax rate as of 31 December 2016 would be 23.76%.

4.14. Receivables from Customers (Note 14)

4.14.1. Analysis of Receivables by Categories of Financing (gross)

CZK thousand	2016	2015
Receivables from finance leases	6 676 795	4 923 076
Receivables from provided loans	5 026 029	3 498 083
Receivables from instalment sale	27 243	33 925
Receivables from prematurely terminated contracts	557	2 528
Other receivables	387	10 067
Total receivables from customers	11 731 011	8 467 679

Receivables from finance lease include both receivables described below in Notes 4.28 and 4.29, and billed and as yet unmade finance lease payments.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.14.2. Aging of Receivables from Customers

2016

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	11 389 660	21 458	1 868	30	-	-	11 413 016
Receivables with default	276 592	38	873	1 994	8 650	29 848	317 995
Gross	11 666 252	21 496	2 741	2 024	8 650	29 848	11 731 011
Allowances	-187 581	-	-873	-1 450	-8 452	-29 307	-227 663
Net	11 478 671	21 496	1 868	574	198	541	11 503 348

2015

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	8 180 747	10 089	1 983	-	-	-	8 192 819
Receivables with default	190 515	867	1 227	825	3 958	77 468	274 860
Gross	8 371 262	10 956	3 210	825	3 958	77 468	8 467 679
Allowances	-113 176	-	-85	-	-3 353	-67 711	-184 325
Net	8 258 086	10 956	3 125	825	605	9 757	8 283 354

Receivables “without default” include receivables with a zero individual allowance. Other receivables are reported as receivables with default. Receivables “with default” are covered by either allowances or collateral (eg pledge of real estate).

The Company records receivables past their due dates primarily arising from outstanding payments by lessees and financial settlement of prematurely terminated financing contracts. Receivables that are not impaired (without default): primarily unsettled contractual fines and penalty imposed due to late payments, outstanding fees for administrative acts or receivables from financing contracts that are sufficiently covered by a financed asset or another form of collateral.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.14.3. Portfolio Quality

Rating that shows the portfolio quality represents 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 – 2016

CZK thousand	Rating	2016
Corporate segment and small and medium-sized companies segment		5 606 963
Minimum risk	1C	-
Excellent credit rating	2A	11 818
	2B	-
	2C	-
Very good credit rating	3A	268
	3B	-
	3C	317 664
Good credit rating	4A	161 584
	4B	255 746
	4C	148 596
Healthy credit rating	5A	416 992
	5B	378 382
	5C	397 697
Acceptable credit rating	6A	691 264
	6B	565 305
	6C	572 529
Limit credit rating	7A	707 386
	7B	181 908
	7C	242 858
Weak credit rating	8A	130 942
	8B	56 520
	8C	136 560
Very weak credit rating/watch	9A	-
	9B	37 197
	9C	33 576
Default	10	162 171
Project financing		2 287 612
Excellent project profile – very low risk	6,1	795 867
Good project profile – low risk	6,2	1 158 991
Acceptable project profile – average risk	6,3	146 501
Bad project profile – high risk	6,4	117 980
Default	6,5	68 273
Other without rating (micro segment, individuals, etc.)		3 836 436
Total gross receivables		11 731 011

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Receivables without default before due dates – 2016

CZK thousand	Rating	2016
Corporate segment and small and medium-sized companies segment		5 492 673
Minimum risk	1C	-
Excellent credit rating	2A	11 818
	2B	-
	2C	-
Very good credit rating	3A	268
	3B	-
	3C	317 664
Good credit rating	4A	161 533
	4B	255 569
	4C	148 424
Healthy credit rating	5A	416 972
	5B	376 734
	5C	397 697
Acceptable credit rating	6A	690 831
	6B	565 276
	6C	568 987
Limit credit rating	7A	706 226
	7B	181 748
	7C	242 163
Weak credit rating	8A	130 591
	8B	55 499
	8C	136 152
Very weak credit rating/watch	9A	-
	9B	36 384
	9C	33 576
Default	10	58 561
Project financing		2 100 921
Excellent project profile – very low risk	6,1	795 867
Good project profile – low risk	6,2	1 156 799
Acceptable project profile – average risk	6,3	9 481
Bad project profile – high risk	6,4	117 980
Default	6,5	20 794
Other without rating (micro segment, individuals, etc.)		3 796 066
Total gross receivables		11 389 660

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Total gross receivables – 2015

CZK thousand	Rating	2015
Corporate segment and small and medium-sized companies segment		4 209 802
Minimum risk	1C	-
Excellent credit rating	2A	-
	2B	-
	2C	-
Very good credit rating	3A	342
	3B	315 836
	3C	-
Good credit rating	4A	142 229
	4B	107 950
	4C	151 846
Healthy credit rating	5A	393 518
	5B	226 648
	5C	291 384
Acceptable credit rating	6A	509 578
	6B	382 382
	6C	195 064
Limit credit rating	7A	546 866
	7B	441 530
	7C	156 288
Weak credit rating	8A	93 022
	8B	75 413
	8C	18 033
Very weak credit rating/watch	9A	55 028
	9B	11 739
	9C	2 383
Default	10	92 723
Project financing		3 011 092
Excellent project profile – very low risk	6,1	1 154 734
Good project profile – low risk	6,2	1 491 000
Acceptable project profile – average risk	6,3	319 840
Bad project profile – high risk	6,4	-
Default	6,5	45 518
Other without rating (micro segment, individuals, etc.)		1 246 785
Total gross receivables		8 467 679

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Receivables without default before due dates – 2015

CZK thousand	Rating	2015
Corporate segment and small and medium-sized companies segment		4 109 005
Minimum risk	1C	-
Excellent credit rating	2A	-
	2B	-
	2C	-
Very good credit rating	3A	342
	3B	315 836
	3C	-
Good credit rating	4A	142 168
	4B	107 939
	4C	151 845
Healthy credit rating	5A	393 495
	5B	226 646
	5C	291 350
Acceptable credit rating	6A	509 023
	6B	381 213
	6C	194 692
Limit credit rating	7A	543 363
	7B	437 569
	7C	155 346
Weak credit rating	8A	93 014
	8B	73 746
	8C	18 033
Very weak credit rating/watch	9A	55 028
	9B	11 739
	9C	2 383
Default	10	4 235
Project financing		2 845 672
Excellent project profile – very low risk	6,1	1 154 733
Good project profile – low risk	6,2	1 472 796
Acceptable project profile – average risk	6,3	218 143
Bad project profile – high risk	6,4	-
Default	6,5	-
Other without rating (micro segment, individuals, etc.)		1 226 070
Total gross receivables		8 180 747

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.14.4. Analysis of Receivables from Customers by Sectors and by Type of Collateral

2016

CZK thousand	Receivables collateralised by real estate	Receivables collateralised by movable assets	Total
Agriculture, game-keeping, forestry, fishing	-	293 698	293 698
Mining of minerals	-	40 292	40 292
Production sector	175 281	1 728 019	1 903 300
Production and distribution of electricity, gas and water	843 149	1 175 764	2 018 913
Construction industry	55 873	434 862	490 735
Wholesale and retail; repair of motor vehicles, motorcycles	199 432	1 392 278	1 591 710
Accommodation and public catering	-	87 135	87 135
Transport, storage and communications	-	2 828 885	2 828 885
Activities in real estate and lease, other business activities	206 655	625 738	832 393
Public administration; obligatory social security	-	787	787
Education	298 564	8 545	307 109
Healthcare and social care	-	203 850	203 850
Other public, social and personal services	162 130	758 594	920 724
Activities of households	-	211 480	211 480
Total	1 941 084	9 789 927	11 731 011

2015

CZK thousand	Receivables collateralised by real estate	Receivables collateralised by movable assets	Total
Agriculture, game-keeping, forestry, fishing	-	213 682	213 682
Mining of minerals	-	25 163	25 163
Production sector	199 652	1 340 598	1 540 250
Production and distribution of electricity, gas and water	1 189 056	1 296 388	2 485 444
Construction industry	123 082	237 602	360 684
Wholesale and retail; repair of motor vehicles, motorcycles	43 019	820 019	863 038
Accommodation and public catering	-	51 311	51 311
Transport, storage and communications	-	1 338 748	1 338 748
Activities in real estate and lease, other business activities	253 104	196 229	449 333
Public administration; obligatory social security	-	1	1
Education	-	319 345	319 345
Healthcare and social care	-	44 571	44 571
Other public, social and personal services	146 887	522 510	669 397
Activities of households	-	106 712	106 712
Total	1 954 800	6 512 879	8 467 679

4.15. Allowance for Receivables from Customers (Note 15)

Allowances for receivables of CZK 227,663 thousand (2015: CZK 184,325 thousand) include individual allowances of CZK 200,649 thousand (2015: CZK 159,000 thousand) that are recognised primarily for receivables in 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 3.5. of CZK 27,014 thousand (2015: CZK 25,325 thousand).

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.15.1. Allowance for Receivables from Related Parties

CZK thousand	2016	2015
RLRE Carina Property, s.r.o.	-	6 800
Orchideus Property, s.r.o.	42 431	41 811
PZ Projekt a.s.	33 090	34 292
Total	75 521	82 903

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

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

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 instruments 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	2016	2015
Interest rate swap - IRS	28	760

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.17. Investments in Subsidiaries (Note 17)

2016

	Investment	Equity at 31 Dec 2016	Share in equity	Profit/Loss after tax for the year ended 31 Dec 2016	Carrying amount at 31 Dec 2016
RLRE Beta Property, s.r.o.	100 %	-4 886	-4 886	1 097	200
RLRE HOTEL ELLEN, s.r.o.	100 %	-32 410	-32 410	-5 053	100
RLRE Eta Property, s.r.o.	100 %	476	476	-129	200
RLRE Jota Property, s.r.o.	100 %	-1 268	-1 268	-483	200
Palace Holding, s.r.o.	90 %	10 251	9 226	-671	90
RLRE Carina Property, s.r.o.	100 %	-11 701	-11 701	4 689	200
RLRE Dorado Property, s.r.o.	90 %	-7 603	-6 843	-1 315	181
Lysithea a.s.	100 %	-915	-915	-2 915	100
CRISTAL PALACE Property, s.r.o.	100 %	33 281	33 281	172	27 418
Iris Property, s.r.o.	100 %	-4 237	-4 237	2 306	200
Raiffeisen FinCorp, s.r.o.	100 %	540 736	540 736	107 462	451 588
Sirius Property, s.r.o.	100 %	-221 637	-221 637	-510	400
Hypnos Property, s.r.o.	100 %	50 066	50 066	39	50
Gaia Property, s.r.o.	100 %	16 745	16 745	166	200
Orchideus Property, s.r.o.	100 %	-39 912	-39 912	-1 185	200
Luna Property, s.r.o.	100 %	-35 664	-35 664	5 388	200
Kalypso Property, s.r.o.	100 %	53	53	-3	200
Athena Property, s.r.o. v likvidaci	90 %	-106	-95	-581	1 840
Chronos Property, s.r.o.	100 %	224	224	-12	200
Viktor Property, s.r.o.	100 %	-23 705	-23 705	29 962	200
Appolon Property, s.r.o.	90 %	-90 285	-81 257	251	180
Holečkova Property, s.r.o.	100 %	-14 658	-14 658	-1 549	210
RESIDENCE PARK TŘEBEŠ, s.r.o.	100 %	9 837	9 837	-284	200
Euros Property, s.r.o.	100 %	142 055	142 055	15 042	200
Pontos Property, s.r.o.	100 %	-301	-301	-640	200
Dike Property, s.r.o.	100 %	167	167	-3	200
Hermes Property, s.r.o.	100 %	-2 073	-2 073	2 851	200
Nike Property, s.r.o.	100 %	-2 038	-2 038	303	200
Rheia Property, s.r.o.	95 %	41 862	39 769	9 556	190
UPC Real, s.r.o.	100 %	-27 786	-27 786	-446	200
Photon SPV 3 s.r.o.	100 %	18 724	18 724	-2 353	200
Photon Energie s.r.o.	100 %	24 497	24 497	4 660	200
Photon SPV 8 s.r.o.	100 %	43 336	43 336	-3 355	200
FORZA SOLE s.r.o.	100 %	78 335	78 335	15 314	200
Exit 90 SPV s.r.o.	100 %	50 565	50 565	-671	200
Michalka – Sun s.r.o.	100 %	231 659	231 659	29 324	200
GS55 Sazovice s.r.o.	90 %	33 173	29 856	6 856	180
Onyx Energy s.r.o.	100 %	33 411	33 411	-2 892	200
Onyx Energy projekt II s.r.o.	100 %	28 319	28 319	-3 005	200
Photon SPV 4 s.r.o.	100 %	19 595	19 595	143	200
Photon SPV 6 s.r.o.	100 %	18 676	18 676	-3 822	200
Photon SPV 10 s.r.o.	100 %	30 652	30 652	-3 053	200
Photon SPV 11 s.r.o.	100 %	49 328	49 328	-2 543	200
Selene Property s.r.o.	100 %	-24 072	-24 072	-462	200
ALT POHLEDY s.r.o.	100 %	190 984	190 984	29 598	200
PZ PROJEKT a.s.	100 %	-116 980	-116 980	-4 896	20
VILLA ATRIUM BUBENEČ s.r.o.	100 %	6 851	6 851	-3 288	200
FVE Cihelna s.r.o.	100 %	114 641	114 641	18 209	200
Credibilis a.s.	100 %	-9 197	-9 197	-2 058	2 000
Morfeus Property, s.r.o.	100 %	158	158	108	50
Zefyros Property, s.r.o.	100 %	140	140	21	200
Triton Property, s.r.o.	100 %	48	48	-2	50
Létó Property s.r.o.	77 %	-11 701	-9 010	4 689	3 064
Éris Property s.r.o.	100 %	-457	-457	-446	200
Hébé Property s.r.o.	95 %	2 021	1 920	1 018	180
Euterpe Property, s.r.o.	100 %	-29 462	-29 462	-171	50
NC Ivančice, s.r.o.	100 %	-1 510	-1 510	-1 877	200
Afrodité Property, s.r.o.	100 %	11	11	1	50
Astra Property, s.r.o.	100 %	4 034	4 034	2 411	50
Kleió Property, s.r.o.	100 %	394	394	344	50
Inó Property, s.r.o.	100 %	-37	-37	-3	50

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Niobé Property, s.r.o.	100 %	-37	-37	-3	50
Na Stárce, s.r.o.	100 %	451	451	176	200
RLRE Ypsilon Property, s.r.o.	50 %	-48	-24	31	100
Urania Property, s.r.o.	100 %	47	47	-3	50
Janus Property, s.r.o.	100 %	37	37	-3	50
Dafné Property, s.r.o.	100 %	-330	-330	-369	50
Médea Property, s.r.o.	100 %	37	37	-3	50
Amfión Property, s.r.o.	100 %	-51	-51	-67	50
Theia Property, s.r.o.	100 %	-66	-66	-102	50
Zelený Zlonín s.r.o.	100 %	-190	-190	-230	50
Neptun Property, s.r.o.	100 %	-398	-398	-286	50
Erató Property, s.r.o.	100 %	-62	-62	-112	50
Harmonia Property, s.r.o.	100 %	34	34	16	50
Ofión Property, s.r.o.	100 %	126	126	5	50
Hyperion Property, s.r.o.	100 %	-1 128	-1 128	-1 178	50
Don Giovanni Properties, s.r.o.	100 %	44 610	44 610	-3 866	50
Grainulos s.r.o.	100 %	53	53	47	10
Meleté Property, s.r.o.	100 %	49	49	-1	50
Melpomené Property, s.r.o.	100 %	471	471	421	50
Peitó Property, s.r.o.	100 %	49	49	-1	50
Éós Property, s.r.o.	100 %	36	36	-6	50
Boreas Property, s.r.o.	100 %	6	6	-41	50
Hestia Property, s.r.o.	100 %	44	44	-3	50
Kappa Estates, s.r.o.	100 %	-47 743	-47 743	7 307	13 795
Easy Develop s.r.o.	100 %	-338	-338	-227	200
Total					510 846
Allowance for equity investments					Allowance as of 31 Dec 2016
Athena Property, s.r.o. in liquidation					-1 840
Total allowances					-1 840
Net book value					509 006

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

2015

	Investment	Equity at 31 Dec 2015	Share in equity	Profit/Loss after tax for the year ended 31 Dec 2015	Carrying amount at 31 Dec 2015
RLRE Beta Property, s.r.o.	100 %	-6 698	-6 698	-189	200
RLRE HOTEL ELLEN, s.r.o.	100 %	-27 357	-27 357	21 580	100
RLRE Eta Property, s.r.o.	100 %	605	605	95	200
RLRE Jota Property, s.r.o.	100 %	-1 116	-1 116	-283	200
RLRE Orion Property, s.r.o.	100 %	-2 885	-2 885	1 303	8 991
RLRE Carina Property, s.r.o.	100 %	-16 390	-16 390	4 836	200
RLRE Dorado Property, s.r.o.	90 %	-6 287	-5 658	-1 625	181
Raines Property, s.r.o.	100 %	693	693	103	200
CRISTAL PALACE Property, s.r.o.	100 %	33 059	33 059	605	27 418
Iliris Property, s.r.o.	100 %	-6 543	-6 543	1 845	200
Raiffeisen FinCorp, s.r.o.	100 %	433 273	433 273	-8 938	451 588
Sirius Property, s.r.o.	100 %	-221 637	-221 637	-155	400
Dione Property, s.r.o.	100 %	220	220	-13	200
Gaia Property, s.r.o.	100 %	16 579	16 579	6 321	200
Orchideus Property, s.r.o.	100 %	-38 727	-38 727	-6 896	200
Luna Property, s.r.o.	100 %	-43 235	-43 235	3 007	200
Kalypso Property, s.r.o.	100 %	56	56	-3	200
Athena Property, s.r.o. v likvidaci	90 %	782	704	-1 011	1 840
Chronos Property, s.r.o.	100 %	236	236	4	200
Viktor Property, s.r.o.	100 %	-53 667	-53 667	25 500	200
Appolon Property, s.r.o.	90 %	-90 535	-81 482	5 159	180
Holečkova Property, s.r.o.	100 %	-13 336	-13 336	-1 475	210
RESIDENCE PARK TŘEBEŠ, s.r.o.	100 %	10 121	10 121	-694	200
Euros Property, s.r.o.	100 %	127 013	127 013	14 438	200
Pontos Property, s.r.o.	100 %	285	285	226	200
Dike Property, s.r.o.	100 %	170	170	-8	200
Hermes Property, s.r.o.	100 %	-5 042	-5 042	4 054	200
Nike Property, s.r.o.	100 %	-2 341	-2 341	36	200
Rheia Property, s.r.o.	95 %	41 526	39 450	7 811	190
UPC Real, s.r.o.	100 %	-27 340	-27 340	-2 216	200
Photon SPV 3 s.r.o.	100 %	21 076	21 076	4 481	200
Photon Energie s.r.o.	100 %	19 836	19 836	4 181	200
Photon SPV 8 s.r.o.	100 %	46 691	46 691	8 626	200
FORZA SOLE s.r.o.	100 %	63 021	63 021	16 162	200
Exit 90 SPV s.r.o.	100 %	51 235	51 235	9 842	200
Michalka – Sun s.r.o.	100 %	202 276	202 276	27 558	200
GS55 Sazovice s.r.o.	90 %	29 682	26 714	6 717	180
Onyx Energy s.r.o.	100 %	36 304	36 304	8 152	200
Onyx Energy projekt II s.r.o.	100 %	31 324	31 324	7 169	200
Photon SPV 4 s.r.o.	100 %	19 453	19 453	3 270	200
Photon SPV 6 s.r.o.	100 %	22 498	22 498	4 493	200
Photon SPV 10 s.r.o.	100 %	33 705	33 705	6 021	200
Photon SPV 11 s.r.o.	100 %	51 870	51 870	11 086	200
Selene Property s.r.o.	100 %	-24 239	-24 239	13 204	200
ALT POHLEDY s.r.o.	100 %	161 387	161 387	27 172	200
PZ Projekt a.s.	100 %	-112 083	-112 083	-5 185	20
VILLA ATRIUM BUBENEČ s.r.o.	100 %	10 139	10 139	68	200
FVE Cihelna s.r.o.	100 %	96 432	96 432	18 259	200
Credibilis a.s.	100 %	-7 029	-7 029	-3 128	2 000
Maharal Hotels, s.r.o.	100 %	34 836	34 836	-1 085	200
Zefyros Property, s.r.o.	100 %	119	119	-171	200
T.L.S. building construction s.r.o.	100 %	50 382	50 382	50 788	200
Létó Property s.r.o.	77 %	4 701	3 620	149	3 064
Eris Property s.r.o.	100 %	-11	-11	-210	200
Hébé Property s.r.o.	95 %	1 003	953	772	180
EUDOXUS s.r.o.	100 %	-2 970	-2 970	-2 345	200
NC Ivančice, s.r.o.	100 %	506	506	-1 104	200

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Afrodité Property, s.r.o.	100 %	10	10	-22	50
Astra Property, s.r.o.	100 %	1 623	1 623	1 574	50
Gala Property, s.r.o.	100 %	40	40	-8	50
Ilno Property, s.r.o.	100 %	40	40	-10	50
Niobé Property, s.r.o.	100 %	40	40	-10	50
Na Stárce, s.r.o.	100 %	276	276	80	200
RLRE Ypsilon Property, s.r.o.	50 %	-79	-40	23	100
Bondy Centrum	50 %	169 935	84 968	40 541	1 040
Janus Property, s.r.o.	100 %	40	40	-10	50
Dafné Property, s.r.o.	100 %	40	40	-10	50
Médea Property, s.r.o.	100 %	40	40	-10	50
Amfión Property, s.r.o.	100 %	16	16	-34	50
Theia Property, s.r.o.	100 %	36	36	-14	50
Zéthos Property, s.r.o.	100 %	40	40	-10	50
Neptun Property, s.r.o.	100 %	-112	-112	-162	50
Erató Property, s.r.o.	100 %	44	44	-6	50
Harmonia Property, s.r.o.	100 %	43	43	-8	50
Ofión Property, s.r.o.	100 %	250	250	200	50
Hyperion Property, s.r.o.	100 %	50	50	0	50
Kirké Property, s.r.o.	100 %	-61	-61	-111	50
Éós Property, s.r.o.	100 %	42	42	-8	50
Boreas Property, s.r.o.	100 %	47	47	-3	50
Hestia Property, s.r.o.	100 %	47	47	-3	50
Kappa Estates, s.r.o.	100 %	-57 060	-57 060	14 289	13 795
Easy Develop, s.r.o.	100 %	-112	-112	-263	200
Total					521 277
Allowance for equity investments					Allowance as of 31 Dec 2015
Athena Property, s.r.o. in liquidation					-1 840
Total allowances					-1 840
Net book value					519 437

The statutory accounting records of subsidiaries are maintained according to Czech Accounting Standards. The figures on equity and the profit or loss for 2016 and 2015 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.

The Company has not concluded a controlling agreement or contract for the profit allocation with subsidiaries.

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.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

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

4.18. Tangible and Intangible Fixed Assets (Note 18)

Cost

CZK thousand	Balance at 31 Dec 2014	Additions arising from the merger	Transfer between categories	Additions	Disposals	Balance at 31 Dec 2015
IFA – core system	39 525	-	-	1 335	-	40 860
Software	-	384	4 080	2 637	-	7 101
Valuable rights	-	105	-	-	-	105
IFA - under construction	1 685	-	-	3 853	-3 981	1 557
Other buildings and land	-	5 243	1 730	124	-	7 097
Vehicles	19 395	1 071	-	4 054	-1 205	23 315
Machinery and equipment	2 239	365	-	951	-	3 555
Low value assets	1 604	123	-	-	-23	1 704
FM	11 064	-	-	186 705	-19 028	178 741
Other	6 441	175	-5 810	-	-	806
Buildings under operating leases	-	186 366	-	934	-	187 300
Land under operating leases	-	15 000	-	-	-	15 000
Total	81 953	208 832	0	200 593	-24 237	467 141

CZK thousand	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016
IFA – core system	40 860	2 638	-	43 498
Software	7 101	2 728	-	9 829
Valuable rights	105	-	-	105
IFA - under construction	1 557	14 239	-13 815	1 981
Other buildings and land	7 097	55	-	7 152
Vehicles	23 315	8 716	-3 317	28 714
Machinery and equipment	3 555	273	-	3 828
Low value assets	1 704	-	-53	1 651
FM	178 741	417 468	-30 761	565 448
Other	806	-	-	806
Buildings under operating leases	187 300	141	-	187 441
Land under operating leases	15 000	-	-	15 000
Total	467 141	446 258	47 946	865 453

Accumulated Depreciation and Allowances

CZK thousand	Balance at 31 Dec 2014	Additions arising from the merger	Transfer between categories	Additions	Disposals	Balance at 31 Dec 2015
IFA – core system	-32 153	-	-	-2 835	-	-34 988
Software	-	-384	-3 313	-453	-	-4 150
IFA - under construction	-690	-	-	-	-	-690
Other buildings and land	-	-2 300	-721	-651	-	-3 672
Vehicles	-6 921	-587	-	-4 152	1 204	-10 456
Machinery and equipment	-1 595	-321	-	-369	-	-2 285
Low value assets	-1 604	-89	-	-25	23	-1 695
FM	-420	-	-	-32 194	19 028	-13 586
Other	-4 034	-175	4 034	-	-	-175
Buildings under operating leases	-	-39 171	-	-3 854	-	-43 025
Total	-47 417	-43 027	0	-44 533	20 255	-114 722

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

CZK thousand	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016
IFA – core system	-34 988	-2 473	-	-37 461
Software	-4 150	-1 374	-	-5 524
IFA – under construction	-690	-	-	-690
Other buildings and land	-3 672	-426	-	-4 098
Vehicles	-10 456	-5 035	3 317	-12 174
Machinery and equipment	-2 285	-462	-	-2 747
Low value assets	-1 695	-9	53	-1 651
FM	-13 586	-80 307	29 848	-64 045
Other	-175	-	-	-175
Buildings under operating leases	-43 025	-3 857	-	-46 882
Total	-114 722	-93 943	33 218	-175 447

Net Book Value

CZK thousand	Balance at 31 Dec 2016	Balance at 31 Dec 2015
IFA – core system	6 037	5 872
Software	4 305	2 951
Valuable rights	105	105
IFA – under construction	1 291	867
Other property and land	3 054	3 425
Vehicles	16 540	12 859
Machinery and equipment	1 081	1 270
Low value assets	0	9
FM	501 403	165 155
Other	631	631
Buildings under operating leases	140 559	144 275
Land under operating leases	15 000	15 000
Total	690 006	352 419

Depreciation and allowances

CZK thousand	Balance at 31 Dec 2016	Balance at 31 Dec 2015
DNM – core system	2 473	2 835
Software	1 374	453
Other buildings and land	426	651
Vehicles	4 864	4 044
Machinery and equipment	462	369
Low value assets	9	25
FM	55 613	14 376
Buildings under operating leases	3 857	3 854
Total	69 078	26 607

The fair value of a building and land under operating leases, determined by an internal expert in real estate, is CZK 160,000 thousand.

Low Value Intangible and Tangible Assets

Low value assets acquired in the reporting period and directly expensed in 2016 amounted to CZK 2,713 thousand (2015: CZK 1,800 thousand).

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.19. Other Assets (Note 19)

CZK thousand	2016	2015
Operating receivables	50 259	60 835
Prepayments made for tangible assets – lease assets	2 027	549
Acquisition of tangible assets – lease assets	38 454	74 970
Cash equivalents	412	325
Operating prepayments made	2 686	3 360
Estimated receivables – insurance	760	509
Deferred expenses - rental	1 739	2 898
VAT entitlement for December	54 944	31 304
Income tax prepayment	32 556	-
Other assets	17 178	8 666
Total	201 015	183 416

As of 31 December 2016, operating receivables include intercompany receivables of CZK 29,705 thousand (2015: CZK 26,366 thousand) for services relating to the Company's operations.

4.20. 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 804,000 thousand (2015: CZK 1,714,987 thousand) and a bank guarantee from a local related bank of CZK 1,959,000 thousand (2015: CZK 475,000 thousand). The drawn loan 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.

4.20.1. Payables to Banks by Creditors

CZK thousand	2016	2015
Creditor A	921 180	53 470
Creditor B	7 906 001	6 409 586
Creditor C	48 451	73 131
Creditor D	1 714	48 463
Creditor E	500 000	-
Creditor F	375 141	475 178
Creditor G	1 385 253	745 474
Total	11 137 740	7 805 302

4.20.2. Payables to Banks by Maturity

CZK thousand	2016	2015
Within 3 months	601 798	587 384
From 3 months to 1 year	1 709 312	1 000 836
From 1 year to 5 years	7 375 792	4 670 097
More than 5 years	1 450 838	1 546 985
Total	11 137 740	7 805 302

4.21. Payables to Clients (Note 21)

Payables to clients of CZK 49,419 thousand (2015: CZK 256,830 thousand) include the cash pool from subsidiaries of CZK 0 thousand (2015: CZK 223,877 thousand) and received prepayments for the carrying amount, received deposits and premature payments for unbilled payments of CZK 49,419 thousand (2015: CZK 32,953 thousand).

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.22. 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 instruments 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	2016	2015
Interest rate swap - IRS	47 772	35 740
Currency swap - CCS	-	1 547
Total	47 772	37 287

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

4.23. Deferred Tax Liability (Note 23)

CZK thousand	2016	2015
Deferred tax liability	87 781	63 708

The purpose of the deferred tax is to reflect the difference between the accounting and tax reporting of the profit and loss. The basis for the calculation of the deferred tax is the tax calculated under CAS which is adjusted in line with IAS 17.

Movements in temporary differences arising from the difference between the accounting and tax carrying value of tangible and intangible fixed assets, difference between receivables under CAS and IFRS, difference between the accrual of income under CAS and IFRS, difference 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 below table:

CZK thousand	2016	2015
Deferred tax liability	-1 612 035	-1 255 314
Present value of future debt	-1 336 828	-982 124
Accrual of lease payments	-246 654	-233 685
Difference between accounting and tax allowances	-28 553	-39 505
Deferred tax asset	1 524 254	1 191 606
Difference between accounting and tax value of tangible fixed assets	1 490 020	1 159 175
Provisions	4 643	3 633
Valuation difference on acquired assets	4 738	5 853
Other temporary impacts	24 853	22 945
Total deferred tax	-87 781	-63 708

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

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.24. Provisions (Note 24)

CZK thousand	Provision for bonuses	Provision for vacation days	Other provisions	Provision for off-balance sheet payments	Provision for income tax	Total
31 Dec 2014	16 517	3 494	2 344	-	-	22 355
Addition from the merger	2 992	-	104	1 094	1 691	5 881
Recognition of provisions	25 842	3 873	2 100	17 106	20 813	69 734
Use of provisions	-10 584	-3 494	-239	-	-1 630	-15 947
Release of provisions	-21 800	-	-2 025	-	-61	-23 886
31 Dec 2015	12 967	3 873	2 284	18 200	20 813	58 137
Recognition of provisions	22 260	5 071	-	6 800	-	33 953
Use of provisions	-16 014	-3 873	-	-	-20 689	-36 703
Release of provisions	- 178	-	-1 955	-	-124	-5 952
31 Dec 2016	19 035	5 071	329	25 000	-	49 435

4.25. Other Liabilities (Note 25)

CZK thousand	2016	2015
Estimated payables to insurance	5 866	5 906
Estimated payables for operations	6 080	7 321
Accrued interest	2 299	2 592
Deferred income	199	98
Payables to suppliers	71 306	50 108
Payables to employees	6 283	8 676
Payables to the taxation authority	1 313	2 325
Payables for social security and health insurance	2 919	3 772
Other	71 385	78 127
Total	167 650	158 925

4.26. Share Capital and Capital Funds (Note 26)

Share Capital

In 2016, the share capital amounted to CZK 450,000 thousand. As of 31 December 2016, the capital was paid up to CZK 450,000 thousand.

The dividend paid in 2016 of CZK 66,130 thousand was paid out in the amounts of CZK 27,130 thousand and CZK 39,000 thousand to owners Raiffeisen – Leasing International Gesellschaft m.b.H. and Raiffeisenbank a.s., respectively.

The dividend paid in 2015 of CZK 79,920 thousand was paid out in the amounts of CZK 38,888 thousand and CZK 41,032 thousand to owners Raiffeisen – Leasing International Gesellschaft m.b.H. and Raiffeisenbank a.s., respectively.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.27. 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	2016	2015
Interest rate swap - IRS	8 122 110	4 689 454
Currency swap - CCS - purchase of EUR	-	-57 370
Total	8 122 110	4 632 084

The residual maturity of financial derivatives - nominal values

2016

CZK thousand	within 1 year	from 1 year to 5 years	More than 5 years	Total
Interest rate swap - IRS	77 778	5 455 645	2 588 687	8 122 110
Total	77 778	5 455 645	2 588 687	8 122 110

2015

CZK thousand	within 1 year	from 1 year to 5 years	More than 5 years	Total
Interest rate swap - IRS	286 211	1 422 911	2 980 332	4 689 454
Currency swap - CCS - purchase of EUR	-57 370	-	-	-57 370
Total	228 841	1 422 911	2 980 332	4 632 084

Total loan commitments as of 31 December 2016 amounted to CZK 1,157,155 thousand (2015: CZK 513,027 thousand).

The Company provided a group entity with a guarantee for the loan amounting to CZK 5,376,428 thousand (2015: CZK 4,375,485 thousand).

Received collateral by type:

CZK thousand	2016	2015
Real estate pledged as collateral for a loan receivable	1 534 319	1 713 927
Solar power stations pledged as collateral for a loan receivable	-	1 971 864
Real estate as a lease asset	261 569	280 519
Leased movable assets	5 979 444	4 365 595
Received guarantees	298 564	427 163
Total	8 073 896	8 759 068

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

4.28. Aging of Receivables from Finance Leases

CZK thousand	2016	2015
Gross investments in finance leases	7 240 439	5 707 195
within 3 months	462 618	382 553
from 3 months to 1 year	1 377 299	1 246 530
from 1 year do 5 let	4 888 225	3 294 131
more than 5 years	512 297	783 981
Unrealised financial income	619 933	776 996
within 3 months	60 790	52 082
from 3 months to 1 year	158 638	169 706
from 1 year to 5 let	366 857	448 474
more than 5 years	33 648	106 734
Net investments in finance leases	6 620 506	4 930 199

4.29. Structure of Assets that are Leased under Finance Leases

CZK thousand	2016	2015
Lease of motor vehicles	3 543 475	1 992 598
Lease of real estate	314 776	362 398
Lease of facilities	2 762 255	2 575 203
Total	6 620 506	4 930 199

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

5. RELATED PARTY TRANSACTIONS

Related party transactions include transactions with entities from the Raiffeisen group.

5.1. Trade Receivables and Payables

The above receivables and payables include the following balances of accounts relating to intercompany relations.

	Receivables at 31 Dec		Payables at 31 Dec	
	2016	2015	2016	2015
Raiffeisenbank, a.s.	144	242	-	-
Raiffeisen FinCorp, s.r.o.	41	65	-	-
Amfión Property, s.r.o.	21	-	-	-
Areál Kbely a.s.	110	-	-	-
Astra Property, s.r.o.	136	-	-	-
ALT POHLEDY s.r.o.	3	-	-	-
Boreas Property, s.r.o.	58	-	-	-
CRISTAL PALACE Property, s.r.o.	261	-	-	-
Dafné Property, s.r.o.	346	-	-	-
Don Giovanni Properties, s.r.o.	1 587	-	-	-
Erató Property, s.r.o.	57	-	-	-
Eutepré Property, s.r.o.	152	-	-	-
Grainulos s.r.o.	176	-	-	-
Hypnos Property, s.r.o.	164	-	-	-
Kleió Property, s.r.o.	438	-	-	-
Photon SPV 3, s.r.o.	185	194	-	-
UPC Real, s.r.o.	-	1 504	-	-
RLRE Ypsilon Property, s.r.o.	56	-	-	-
Zelený Zlonín s.r.o.	201	-	-	-
Appolon Property, s.r.o.	-	288	-	-
Photon SPV 8 s.r.o.	384	412	-	-
Easy Develop s.r.o.	6	93	-	-
Exit 90 SPV s.r.o.	436	914	-	-
Gaia Property, s.r.o.	1 620	1 130	-	-
GS55 Sazovice s.r.o.	-	12	-	-
Hermes Property, s.r.o.	3	1 787	-	-
Photon SPV 10 s.r.o.	338	379	-	-
Photon SPV 11 s.r.o.	456	481	-	-
Na Stárce, s.r.o.	-	157	-	-
Neptun Property, s.r.o.	-	100	-	-
Nike Property, s.r.o.	163	184	-	-
Onyx Energy Projekt II s.r.o.	278	300	-	-
Onyx Energy s.r.o.	286	300	-	-
PILSENINVEST SICAV, a.s.	238	236	-	-
Photon SPV 6 s.r.o.	240	259	-	-
Photon SPV 4 s.r.o.	239	402	-	-
KAPMC s.r.o.	-	15	-	-
Pontos Property, s.r.o.	6 805	6 806	-	63
PZ Projekt a.s.	6 515	11 872	-	36
RESIDENCE PARK TŘEBEŠ, s.r.o.	-	407	-	-
RLRE Carina Property, s.r.o.	356	3 297	-	-
Selene Property, s.r.o.	-	3 607	-	-
Bondy Centrum s.r.o.	-	3 069	-	-
Theia Property, s.r.o.	-	4	-	-
VILLA ATRIUM BUBENEČ s.r.o.	-	459	-	-

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Viktor Property, s.r.o.	12	17	-	-
Credibilis a.s.	688	773	-	-
Maharal Hotels, s.r.o.	-	225	-	-
T.L.S. building construction s.r.o.	-	1 210	-	-
RLRE Dorado Property, s.r.o.	1 772	727	-	-
Afrodité Property, s.r.o.	56	52	-	-
Eris Property, s.r.o.	63	53	-	-
EUDOXUS s.r.o.	-	255	-	-
Hébé Property, s.r.o.	38	44	-	-
Luna Property, s.r.o.	-	975	-	-
NC Ivančice, s.r.o.	-	424	-	-
Orchideus Property, s.r.o.	1 809	833	-	-
Total	26 937	44 563	-	99

In addition, the Company records a payable of CZK 46,627 thousand (2015: CZK 36,246 thousand) and a receivable of CZK 28 thousand (2015: CZK 760 thousand) in respect of Raiffeisenbank a.s. arising from concluded hedging derivative instruments.

As of 31 December 2016, the Company records a balance on bank accounts with Raiffeisenbank, a.s. of CZK 251,024 thousand (2015: CZK 404,079 thousand). As of 31 December 2016, the balance on the bank account held at Raiffeisen Bank International AG is CZK 4,599 thousand (2015: CZK 3,089 thousand).

Deferred expenses include the lease of office premises paid in advance to Raiffeisenbank a.s. of CZK 1,739 thousand (2015: CZK 2,898 thousand).

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

5.2. Sales and Purchases

	Sales for		Purchases for	
	2016	2015	2016	2015
Raiffeisenbank a.s.	25 767	43 435	98 715	87 246
Raiffeisen – Leasing International GmbH	-	-	1 353	2 718
Raiffeisen Bank International AG	-	-	5 900	12 115
RLRE Beta Property, s.r.o.	2 224	2 667	98	1 176
RLRE HOTEL ELLEN, s.r.o.	951	1 566	86	1 035
RLRE Eta Property, s.r.o.	1 359	1 459	-	180
RLRE Jota Property, s.r.o.	2 959	3 141	5	315
RLRE Ypsilon Property, s.r.o.	227	163	-	171
Selene Property, s.r.o.	12 225	10 176	-	-
Sirius Property, s.r.o.	2 334	3 659	-	-
RLRE Orion Property, s.r.o.	116	777	-	315
Gaia Property, s.r.o.	1 815	934	-	-
Raines Property, s.r.o.	80	376	-	95
RLRE Dorado Property, s.r.o.	1 123	792	-	-
Dafné Property, s.r.o.	286	10	-	-
CRISTAL PALACE Property, s.r.o.	1 115	1 112	-	-
Credibilis a.s.	2 392	2 330	-	-
Easy Develop s.r.o.	195	95	-	-
FVE Cihelna s.r.o.	4 332	5 242	-	-
RLRE Carina Property, s.r.o.	2 559	3 051	-	-
Amfión Property, s.r.o.	41	24	-	-
Appolon Property, s.r.o.	209	238	6	17
Bondy Centrum s.r.o.	537	7 759	-	1 467
Boreas Property, s.r.o.	48	-	-	-
Iris Property, s.r.o.	1 188	1 532	-	-
Orchideus Property, s.r.o.	1 692	1 305	-	-
Raiffeisen FinCorp, s.r.o.	752	275	7	25
Chronos Property, s.r.o.	897	1 219	-	-
UPC Real, s.r.o.	3 466	4 083	-	-
ALT POHLEDY s.r.o.	10 762	12 132	-	-
Photon SPV 3 s.r.o.	3 403	2 124	-	-
Photon Energie s.r.o.	1 594	2 033	-	-
Don Giovanni Properties,, s.r.o.	5 611	-	-	-
Hermes Property, s.r.o.	1 656	1 716	6	-
Holečkova Property, s.r.o.	569	808	-	-
Hyperion Property, s.r.o.	550	-	-	-
Kappa Estates, s.r.o.	2 998	3 967	-	-
Kleio Property, s.r.o.	362	-	-	-
Hypnós Property, s.r.o.	135	-	-	-
Luna Property, s.r.o.	1 173	2 073	-	-
Lysithea a.s.	381	-	-	-
Erató Property, s.r.o.	66	-	-	-
Eutepre Property, s.r.o.	125	-	-	-
Euros Property, s.r.o.	6 438	7 612	-	-
Exit 90 SPV s.r.o.	7 701	4 840	-	-
FORZA SOLE s.r.o.	4 581	5 475	-	-
Gala Property, s.r.o.	21	-	-	-
Grainulos s.r.o.	146	-	-	-
GS55 Sazovice s.r.o.	112	723	-	-
Maharal Hotels, s.r.o.	2 104	6 048	-	-
Michalka – Sun s.r.o.	14 211	16 779	-	-
Neptun Property, s.r.o.	409	200	-	-
Nike Property, s.r.o.	1 052	1 249	-	-
Ofión Property, s.r.o.	274	116	-	-

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

Onyx Energy projekt II s.r.o.	5 023	3 217	-	-
Onyx Energy s.r.o.	5 116	3 195	-	-
Palace Holding, s.r.o.	819	-	-	-
Photon SPV 10 s.r.o.	5 951	3 793	-	-
Photon SPV 11 s.r.o.	8 035	5 135	-	-
Photon SPV 6 s.r.o.	4 424	2 739	-	-
Photon SPV 8 s.r.o.	6 861	4 370	-	-
Photon SPV 4 s.r.o.	4 345	2 694	-	-
PILSENINVEST, uzavřený investiční fond, a.s.	144	144	-	-
PZ Projekt a.s.	4 799	6 019	1 079	1 112
Pontos Property, s.r.o.	-	187 414	-	1 256
Viktor Property, s.r.o.	10 945	12 929	-	-
VILLA ATRIUM BUBENEČ s.r.o.	2 092	725	-	-
Zelený Zlonín s.r.o.	216	-	-	-
Rheia Property, s.r.o.	3 984	4 522	-	-
T.L.S. building construction s.r.o.	142	1 871	-	-
Theia Property, s.r.o.	36	3	-	-
RESIDENCE PARK TŘEBEŠ, s.r.o.	543	336	13	87
Afrodité Property, s.r.o.	188	243	-	-
Astra Property, s.r.o.	234	587	-	-
Eris Property, s.r.o.	202	208	-	-
EUDOXUS s.r.o.	540	997	-	-
Hébé Property, s.r.o.	121	248	-	-
NC Ivančice, s.r.o.	1 195	2 165	-	-
Na Stárce, s.r.o.	626	525	-	-
KAPMC s.r.o.	220	1 639	-	-
Total	204 124	411 033	107 268	109 330

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

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

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

5.3. Received Loans and Borrowings

	2016	2015
Raiffeisenbank a.s.	7 906 015	6 409 586
Raiffeisen Bank International AG	48 451	73 131
Appolon Property, s.r.o.	-	7 006
RLRE Beta Property, s.r.o.	-	109 392
RLRE HOTEL ELLEN, s.r.o.	-	93 468
RLRE Jota Property, s.r.o.	-	6 011
RESIDENCE PARK TŘEBEŠ, s.r.o.	-	8 000
Total	7 954 466	6 706 594

The Company received loans from related parties under standard interest rates comparable on the market. Loans are provided as uncollateralised.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

5.4. Granted Loans

	2016	2015
RLRE Carina Property, s.r.o.	-	7 394
Orchideus Property, s.r.o.	58 931	58 311
UPC Real, s.r.o.	86 978	93 753
Inó Property, s.r.o.	38	38
EUDOXUS s.r.o.	-	19 313
Nike Property, s.r.o.	15 078	19 178
Michalka – Sun, s.r.o.	220 956	262 093
Euros Property, s.r.o.	112 687	133 507
Viktor Property, s.r.o.	198 718	256 248
Forza Sole, s.r.o.	-	16 318
Rheia Property, s.r.o.	106 086	109 162
RLRE Beta Property, s.r.o.	2 300	-
PZ Projekt a.s.	78 090	79 292
ALT POHLEDY s.r.o.	237 479	264 564
FVE Cihelna s.r.o.	92 808	109 888
Maharal Hotels, s.r.o.	-	112 343
Niobé Property, s.r.o.	38	38
Photon Energie s.r.o.	39 823	37 276
T.L.S. building construction s.r.o.	-	19 646
Selene Property, s.r.o.	21 770	24 059
PMC Špindlerův Mlýn s.r.o.	-	25 360
Total loans and borrowings	1 271 780	1 647 781
Revaluation of a collateralised loan	-157	-465
Total	1 271 623	1 647 316

The Company provided loans to related parties under standard interest rates comparable on the market.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

6. LEGAL DISPUTES

Based on the lawsuit it filed, the Company is involved in a legal dispute to determine the existence of a receivable of the Company as a bankruptcy creditor in the amount of CZK 132,421 thousand, which was partly rejected in terms of reason and amount in a review made by a trustee in bankruptcy. In the judgement of 15 October 2008, the claim was dismissed by court. The Company appealed against the judgement within a statutory deadline and, therefore, the judgement has not come into force. No action has been ordered in respect of the appeal to date. The receivable is only recognised in the Company's tax records and is not included in the Company's accounting books.

PORTA BRNO plus a.s. filed an action against the Company to claim a decision that the lien established for the benefit of Raiffeisen – Leasing, s.r.o. pertaining to real estate in the cadastral area of Brno Město, the City of Brno, included in title deed LV 896 does not exist as it was not established in a legitimate manner. The dispute has been interrupted until the completion of the proceedings to determine the ownership of the relevant real estate. In the main proceedings, which must be completed so that the proceedings on the action to determine the existence of the lien could continue, no legal action has been ordered to date. The Company does not expect the legal dispute be terminated before 2017.

In September 2014, the Company became another defendant in the proceedings on ineffectiveness of legal acts, specifically a contract on the transfer of an equity 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 has 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.

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

7. RISK MANAGEMENT

7.1. 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 assets that are seized from the lessee in the event of default and subsequently sold.

The credit risk in respect of liquid funds is limited, as the counterparties are banks with high rating from 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, structure of 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 executives, risk department manager, administrative department manager, accounting department manager and the controlling department manager.

	Balance sheet exposure (carrying value)	Off-balance sheet exposure (carrying value)	Total exposure (carrying value)	Total collateral
2016				
ASSETS				
Cash	89	-	89	-
Deposits at banks	331 192	-	331 192	-
Receivables from clients	11 731 011	6 533 583	18 264 594	8 073 896
Allowance for receivables from clients	-227 663	-	-227 663	-
Positive fair values of financial derivatives	28	-	28	-
Equity investments in subsidiaries	509 006	-	509 006	-
Intangible fixed assets	10 893	-	10 893	-
Tangible fixed assets	523 554	-	523 554	-
Investment property	155 559	-	155 559	-
Other assets	201 015	-	201 015	-
TOTAL ASSETS	13 234 684	6 533 583	19 768 267	8 073 896

	Balance sheet exposure (carrying value)	Off-balance sheet exposure (carrying value)	Total exposure (carrying value)	Total collateral
2015				
ASSETS				
Cash	150	-	150	-
Deposits at banks	432 998	-	432 998	-
Receivables from clients	8 467 679	4 888 512	13 356 191	8 759 068
Allowance for receivables from clients	-184 325	-	-184 325	-
Positive fair values of financial derivatives	760	-	760	-
Equity investments in subsidiaries	519 437	-	519 437	-
Intangible fixed assets	9 795	-	9 795	-
Tangible fixed assets	183 349	-	183 349	-
Investment property	159 275	-	159 275	-
Other assets	183 416	-	183 416	-
TOTAL ASSETS	9 772 534	4 888 512	14 661 046	8 759 068

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

7.2. 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 expenses and interest income. 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.

The table for 2016 (2015) includes assets and liabilities structured by risk of a change in the interest rate.

2016	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	At request	Unspecified	Total
ASSETS							
Cash	-	-	-	-	89	-	89
Deposits at banks	-	-	-	-	331 192	-	331 192
Receivables from clients	2 191 526	44 354	8 064 198	1 430 933	-	-	11 731 011
Allowance for receivables from clients	-110 578	-1 410	-90 026	-25 649	-	-	-227 663
Positive fair values of financial derivatives	28	-	-	-	-	-	28
Equity investments in subsidiaries	-	-	-	-	-	509 006	509 006
Intangible fixed assets	-	-	-	-	-	10 893	10 893
Tangible fixed assets	-	-	-	-	-	523 554	523 554
Investment property	-	-	-	-	-	155 559	155 559
Other assets	201 015	-	-	-	-	-	201 015
TOTAL ASSETS	2 281 991	42 944	7 974 172	1 405 284	331 281	1 199 012	13 234 684
LIABILITIES							
Payables to banks	10 031 472	-	752 947	353 321	-	-	11 137 740
Payables to clients	49 419	-	-	-	-	-	49 419
Negative fair values of financial derivatives	47 772	-	-	-	-	-	47 772
Deferred tax liability	-	-	-	-	-	87 781	87 781
Provisions	-	-	-	-	-	49 435	49 435
Other liabilities	167 650	-	-	-	-	-	167 650
Share capital	-	-	-	-	-	450 000	450 000
Retained earnings/accumulated losses	-	-	-	-	-	876 215	876 215
Profit for the period	-	-	-	-	-	368 672	368 672
TOTAL LIABILITIES	10 296 313	-	752 947	353 321	-	1 832 103	13 234 684

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

2015	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	At request	Unspecified	Total
ASSETS							
Cash	-	-	-	-	150	-	150
Deposits at banks	-	-	-	-	432 998	-	432 998
Receivables from clients	2 537 244	27 410	4 651 259	1 251 766	-	-	8 467 679
Allowance for receivables from clients	-88 667	-1 409	-68 595	-329	-	-25 325	-184 325
Positive fair values of financial derivatives	760	-	-	-	-	-	760
Equity investments in subsidiaries	-	-	-	-	-	519 437	519 437
Intangible fixed assets	-	-	-	-	-	9 795	9 795
Tangible fixed assets	-	-	-	-	-	183 349	183 349
Investment property	-	-	-	-	-	159 275	159 275
Other assets	183 416	-	-	-	-	-	183 416
TOTAL ASSETS	2 632 753	26 001	4 582 664	1 251 437	433 148	846 531	9 772 534
LIABILITIES							
Payables to banks	7 064 582	-	355 278	385 442	-	-	7 805 302
Payables to clients	32 953	-	-	-	-	223 877	256 830
Negative fair values of financial derivatives	37 287	-	-	-	-	-	37 287
Deferred tax liability	-	-	-	-	-	63 708	63 708
Provisions	-	-	-	-	-	58 137	58 137
Other liabilities	158 925	-	-	-	-	-	158 925
Share capital	-	-	-	-	-	450 000	450 000
Retained earnings/accumulated losses	-	-	-	-	-	693 743	693 743
Profit for the period	-	-	-	-	-	248 602	248 602
TOTAL LIABILITIES	7 293 747	-	355 278	385 442	-	1 738 067	9 772 534

At the year-end, the Company contracted IRS with the nominal amount of CZK 8,122,110 thousand (2015: CZK 4,689,454 thousand) which are disclosed in Note 4.27.

7.3. 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 2016 (2015) includes the Company's currency position in realised currencies (the amounts in the table are translated into CZK).

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

2016

CZK thousand	Total	CZK	EUR	USD
ASSETS				
Cash	89	86	3	-
Deposits at banks	331 192	111 149	211 780	8 263
Receivables from clients	11 731 011	8 237 245	3 018 863	474 903
Allowance for receivables from clients	-227 663	-221 533	-6 130	-
Positive fair values of financial derivatives	28	28	-	-
Equity investments in subsidiaries	509 006	509 006	-	-
Intangible fixed assets	10 893	10 893	-	-
Tangible fixed assets	523 554	523 554	-	-
Investment property	155 559	155 559	-	-
Other assets	201 015	173 213	27 802	-
TOTAL ASSETS	13 234 684	9 499 200	3 252 318	483 166
LIABILITIES				
Payables to banks	11 137 740	7 522 548	3 133 931	481 261
Payables to clients	49 419	41 922	2 436	5 061
Negative fair values of financial derivatives	47 772	47 772	-	-
Deferred tax liability	87 781	87 781	-	-
Provisions	49 435	49 435	-	-
Other liabilities	167 650	64 866	102 774	10
Share capital	450 000	450 000	-	-
Retained earnings/accumulated losses	876 215	876 215	-	-
Profit for the period	368 672	368 672	-	-
TOTAL LIABILITIES	13 234 684	9 509 211	3 239 141	486 332
Total foreign currency position at 31 Dec 2016		-10 011	13 177	-3 166

2015

CZK thousand	Total	CZK	EUR	USD
ASSETS				
Cash	150	92	58	-
Deposits at banks	432 998	231 431	182 202	19 365
Receivables from clients	8 467 679	6 577 430	1 752 611	137 638
Allowance for receivables from clients	-184 325	-176 526	-7 799	-
Positive fair values of financial derivatives	760	760	-	-
Equity investments in subsidiaries	519 437	519 437	-	-
Intangible fixed assets	9 795	9 795	-	-
Tangible fixed assets	183 349	183 349	-	-
Investment property	159 275	159 275	-	-
Other assets	183 416	111 704	64 461	7 251
TOTAL ASSETS	9 772 534	7 616 747	1 991 533	164 254
LIABILITIES				
Payables to banks	7 805 302	5 763 003	1 891 592	150 707
Payables to clients	256 830	249 605	2 325	4 900
Negative fair values of financial derivatives	37 287	37 287	-	-
Deferred tax liability	63 708	63 708	-	-
Provisions	58 137	58 137	-	-
Other liabilities	158 925	52 801	103 831	2 293
Share capital	450 000	450 000	-	-
Retained earnings/accumulated losses	693 743	693 743	-	-
Profit for the period	248 602	248 602	-	-
TOTAL LIABILITIES	9 772 534	7 616 886	1 997 748	157 900
Total foreign currency position at 31 Dec 2015		-139	-6 215	6 354

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

As of the year-end, the Company had concluded CCS for the purchase of EUR in the nominal value of CZK 57,370 thousand.

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

Payables are reported as contractual payables including future interest.

2016	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	At request	Unspecified	Total
ASSETS							
Cash	-	-	-	-	89	-	89
Deposits at banks	-	-	-	-	331 192	-	331 192
Receivables from clients	740 056	2 119 929	7 722 296	1 094 776	53 954	-	11 731 011
Allowance for receivables from clients	-35 100	-50 820	-60 263	-54 466	-	-27 014	-227 663
Positive fair values of financial derivatives	-	-	28	-	-	-	28
Equity investments in subsidiaries	-	-	-	-	-	509 006	509 006
Intangible fixed assets	-	-	-	-	-	10 893	10 893
Tangible fixed assets	-	-	-	-	-	523 554	523 554
Investment property	-	-	-	-	-	155 559	155 559
Other assets	167 009	33 426	580	-	-	-	201 015
TOTAL ASSETS	871 965	2 102 535	7 662 641	1 040 310	385 235	1 171 998	13 234 684
LIABILITIES							
Payables to banks	616 782	1 750 322	7 486 671	1 477 721	-	-	11 331 496
Payables to clients	40 559	-	-	8 860	-	-	49 419
Negative fair values of financial derivatives	4	253	20 792	26 723	-	-	47 772
Deferred tax liability	-	-	-	-	-	87 781	87 781
Provisions	-	-	-	-	-	49 435	49 435
Other liabilities	167 650	-	-	-	-	-	167 650
Share capital	-	-	-	-	-	450 000	450 000
Retained earnings/accumulated losses	-	-	-	-	-	876 215	876 215
Profit for the period	-	-	-	-	-	368 672	368 672
TOTAL LIABILITIES	824 995	1 750 575	7 507 463	1 513 304	-	1 832 103	13 428 440

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

2015	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	At request	Unspecified	Total
ASSETS							
Cash	-	-	-	-	150	-	150
Deposits at banks	-	-	-	-	432 998	-	432 998
Receivables from clients	564 370	1 838 972	4 859 744	1 156 587	48 006	-	8 467 679
Allowance for receivables from clients	-31 957	-59 576	-39 240	-28 227	-	-25 325	-184 325
Positive fair values of financial derivatives	-	169	121	470	-	-	760
Equity investments in subsidiaries	-	-	-	-	-	519 437	519 437
Intangible fixed assets	-	-	-	-	-	9 795	9 795
Tangible fixed assets	-	-	-	-	-	183 349	183 349
Investment property	-	-	-	-	-	159 275	159 275
Other assets	183 416	-	-	-	-	-	183 416
TOTAL ASSETS	715 829	1 779 565	4 820 625	1 128 830	481 154	846 531	9 772 534
LIABILITIES							
Payables to banks	600 529	1 037 186	4 786 546	1 588 622	-	-	8 012 883
Payables to clients	248 311	-	-	8 519	-	-	256 830
Negative fair values of financial derivatives	88	1 865	9 912	25 422	-	-	37 287
Deferred tax liability	-	-	-	-	-	63 708	63 708
Provisions	-	-	-	-	-	58 137	58 137
Other liabilities	158 925	-	-	-	-	-	158 925
Share capital	-	-	-	-	-	450 000	450 000
Retained earnings/accumulated losses	-	-	-	-	-	693 743	693 743
Profit for the period	-	-	-	-	-	248 602	248 602
TOTAL LIABILITIES	1 007 853	1 039 051	4 796 458	1 622 563	-	1 514 190	9 980 115

Raiffeisen – Leasing, s.r.o.

Notes to the Separate Financial Statements

Year ended 31 December 2016

8. POST BALANCE SHEET EVENTS

Pursuant to the requirements of Act No. 257/2016 Coll., on Consumer Lending, in respect of non-bank consumer lending providers, Raiffeisen-Leasing, s.r.o. established a Supervisory Board in February 2017 in terms of Act No. 90/2012 Coll., on Business Corporations. The petition to register the Supervisory Board of Raiffeisen-Leasing, s.r.o. was filed on 5 May 2017. The members of the Supervisory Board are as follows: Rudolf Rabiňák, Chairman of the Supervisory Board; Michael Hackl, member of the Supervisory Board; František Ježek, member of the Supervisory Board; Tomáš Jelínek, member of the Supervisory Board; and Markus Kirchmair, member of the Supervisory Board.

Subsequent to the balance sheet date, the subsidiary Euterpé Property, s.r.o. was renamed to GHERKIN, s.r.o. on 31 January 2017.

Appendix 3

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: 035 83 554, 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 50% and by Raiffeisen-Leasing International Gesellschaft m.b.H., registration no: FN 157024v, with its registered office at Am Stadtpark 3, 1030 Vienna, Austria, which holds a 50% equity investment in the Company.

3. Role of the Controlled Entity in the Structure of Relations of Related Parties.

The Company is a subsidiary operating in non-banking financing of movable assets.

4. Method and Means of Control

- 4.1 The Company is controlled through resolutions of Company owners.

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 Some of the Related Parties

Contract (change to the contract)	Counter-party	Conclusion date
Contract on the assignment of receivables	Athena Property, s.r.o. in liquidation	12 January 2016
Amendment no. 2 to the Loan contract	Photon Energie, s.r.o., client	31 March 2016
Amendment no. 4 to the Framework contract for cooperation	Photon Energie, s.r.o., client	31 March 2016
Loan contract	Photon SPV 4 s.r.o., client	25 January 2016

Contract (change to the contract)	Counter-party	Conclusion date
Loan contract	Photon SPV 10 s.r.o., client	25 January 2016
Loan contract	Photon SPV 11 s.r.o., client	25 January 2016
Loan contract	Onyx Energy projekt II s.r.o., client	25 January 2016
Loan contract	Onyx Energy s.r.o., client	25 January 2016
Loan contract	Photon SPV 6 s.r.o., client	25 January 2016
Loan contract	EXIT 90 SPV s.r.o., client	25 January 2016
Loan contract	Photon SPV 8 s.r.o., client	25 January 2016
Loan contract	Photon SPV 3 s.r.o., client	25 January 2016
Framework contract for cooperation	Euterpé Property s.r.o., client	13 July 2016
Amendment no. 1 to the Framework contract for cooperation	Euterpé Property s.r.o., client	28 July 2016
Agreement on the termination of Framework contract for cooperation no. I	FORZA SOLE s.r.o., client	24 October 2016
Framework contract for cooperation no. II	FORZA SOLE s.r.o., client	24 October 2016
Amendment no. 1 to the Framework contract for cooperation	Gala Property, s.r.o., Peitó Property, s.r.o., clients	14 November 2016
Contract on the transfer of interest	Peitó Property, s.r.o.	31 October 2016
Contract on the provision of comprehensive project support	Amfión Property, s.r.o.	18 August 2016
Amendment to the Framework contracts for cooperation	Euros Property, s.r.o., Michalka - Sun s.r.o., clients	10 May 2016
Agreement on the distribution and transfer of interest	Raiffeisen FinCorp, s.r.o., client	29 June 2016
Agreement on the settlement of an overpayment	Kappa Estates, s.r.o., client	6 December 2016
Contract on the provision of comprehensive project support and loan contract	Raiffeisen FinCorp, s.r.o., Palace Holding s.r.o.,	5 May 2016
Contract on the provision of comprehensive project support and loan contract	Raiffeisen FinCorp, s.r.o., Grainulos s.r.o.	12 July 2016
Contract on waiving rights and obligations related to the Project	FVE Cihelna s.r.o., client	18 July 2016
Framework contract for cooperation	Meleté Property, s.r.o., client	26 October 2016
Framework contract for cooperation	Lysithea a.s.	3 March 2016
Amendment no. 1 to the Framework contract for cooperation	Lysithea a.s., client	3 March 2016
Contract on the settlement of costs	Lysithea a.s., client	18 January 2016
Contract for work	Lysithea a.s., client	7 March 2016
Contract on joint action	Harmonia Property, s.r.o., client	19 September 2016
Amendment no. 13 to the Loan contract dated 27 December 2007	Orchideus Property, s.r.o.	28 December 2016
Amendment no. 8 to the Contract on the lease of non-residential premises	Raiffeisenbank a.s.	16 December 2016
Contract on acceding to liability no. S/2016/00160	Raiffeisenbank a.s.	4 January 2016

Contract (change to the contract)	Counter-party	Conclusion date
Contract on communication by means of the JIRA application no. S/2016/00160	Raiffeisenbank a.s.	21 March 2016
Amendment no. 2 to the Contract on cooperation in risk management	Raiffeisenbank a.s.	22 December 2016
Sub-license agreement	Raiffeisenbank a.s.	9 September 2016
Agreement on confidentiality and personal data protection and conservation	Raiffeisenbank a.s.	25 November 2016
Amendment no. 1 to the Contract on acceding to liability	Raiffeisenbank a.s.	7 November 2016
SERVICE AGREEMENT for Financial Institutions, Country and Portfolio Risk Management	Raiffeisen Bank International AG	1 January 2016
Amendment no. 18 to Loan contract no. 110157/2012/01	Raiffeisenbank a.s.	29 April 2016
Amendment no. 19 to Loan contract no. 110157/2012/01	Raiffeisenbank a.s.	6 June 2016
Amendment no. 20 to Loan contract no. 110157/2012/01	Raiffeisenbank a.s.	17 June 2016
Amendment no. 21 to Loan contract no. 110157/2012/01	Raiffeisenbank a.s.	29 July 2016
Loan contract (Senior loan I)	Rheia Property, s.r.o., client	28 June 2016
Loan contract (Senior loan II)	Rheia Property, s.r.o., client	28 June 2016
Loan contract (Senior loan III)	Rheia Property, s.r.o., client	28 June 2016
Amendment no. 3 to the Framework contract for cooperation	Rheia Property, s.r.o., client	28 June 2016
Amendment no. 3 to the Framework contract for cooperation	ALT POHLEDY s.r.o., client	7 December 2016
Loan contract	Na Stárce, s.r.o.	29 September 2016
Termination of the Contract on mutual interconnection of agreements and financing	Raiffeisen FinCorp, s.r.o., Chronos Property, s.r.o., Holečkova Property, s.r.o., Credibilis, a.s., clients	26 July 2016
Contract on mutual interconnection of agreements and financing	Raiffeisen FinCorp, s.r.o., Chronos Property, s.r.o., Holečkova Property, s.r.o., Credibilis, a.s., Dafné Property, s.r.o., B O M A K, spol. s r.o., clients	26 July 2016
Contract on the provision of comprehensive project support and the provision of loan	Raiffeisen FinCorp, s.r.o., Hypnos Property, s.r.o., B O M A K, spol. s r.o.	26 July 2016
Framework agreement on cooperation with regard to financing the "Post" development project	Dafné Property, client	26 July 2016
Contract on the provision of comprehensive project support and the provision of loan	Raiffeisen FinCorp, s.r.o., Dafné Property, s.r.o.	26 July 2016
Framework agreement on financing	Zelený Zlonín, s.r.o., client	30 June 2016
Contract on the provision of comprehensive project support and the provision of loan	Raiffeisen FinCorp, s.r.o., Zelený Zlonín, s.r.o.,	30 June 2016
Framework agreement on cooperation with regard to financing the "Vila Černošice" development project	Erató Property, s.r.o., client	19 April 2016

Contract (change to the contract)	Counter-party	Conclusion date
Contract on the provision of comprehensive project support and the provision of loan	Raiffeisen FinCorp, s.r.o., Erató Property, s.r.o.	26 April 2016
Contract on risk participation no. PD/61467863/01/2016	Raiffeisenbank a.s.	23 June 2016
Contract on risk participation and the provision of a special-purpose loan no. 110157/2016/01	Raiffeisenbank a.s.	20 April 2016
Agreement on the solution of disputed issues	Gaia Property, s.r.o., client	2 November 2016
Contract on the provision of comprehensive project support	Melpomené Property, s.r.o.	30 November 2016
Contract on the provision of comprehensive project support	Boreas Property, s.r.o.	24 August 2016
Lease contract nos. 5019000614 - 5019000626	Raiffeisenbank a.s.	1 March 2016
Lease contract nos. 5019000631 - 5019000646	Raiffeisenbank a.s.	1 March 2016
Lease contract no. 5019000533	Raiffeisenbank a.s.	1 March 2016
Lease contract no. 5019000500	Raiffeisenbank a.s.	1 March 2016
Lease contract no. 5019000613	Raiffeisenbank a.s.	13 April 2016
Lease contract no. 5019000612	Raiffeisenbank a.s.	14 April 2016
Lease contract nos. 5019000627 - 5019000630	Raiffeisenbank a.s.	15 April 2016
Lease contract nos. 5019001268 - 5019001269	Raiffeisenbank a.s.	30 August 2016
Lease contract nos. 5019001265 - 5019001267	Raiffeisenbank a.s.	17 October 2016
Lease contract nos. 5019001272 - 5019001273	Raiffeisenbank a.s.	17 October 2016
Lease contract nos. 5019001256 - 5019001264	Raiffeisenbank a.s.	23 September 2016
Lease contract nos. 5019001270 - 5019001271	Raiffeisenbank a.s.	23 September 2016
Lease contract no. 5019001274	Raiffeisenbank a.s.	23 September 2016

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 31 March 2017

Alois Lanegger



Jiří Kruncel

