

ANNUAL REPORT

2020



Raiffeisen
STAVEBNÍ SPOŘITELNA

ANNUAL REPORT 2020

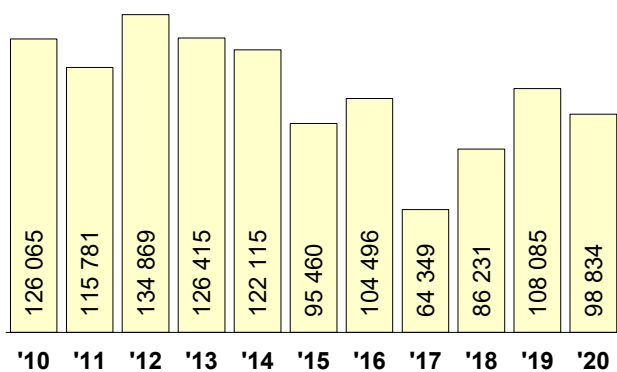
RAIFFEISEN STAVEBNÍ SPOŘITELNA A.S.

SURVEY OF KEY ECONOMIC INDICATORS	2
SHAREHOLDERS	4
COMPANY BODIES AND ORGANIZATIONAL STRUCTURE	5
BOARD OF DIRECTORS' REPORT ON THE COMPANY'S BUSINESS ACTIVITY AND STATUS OF ASSETS	8
RAIFFEISEN STAVEBNÍ SPOŘITELNA SUPERVISORY BOARD 2020 BUSINESS ACTIVITY REPORT	13
AUDITOR'S REPORT	14
FINANCIAL STATEMENT	20
REPORT ON RELATED PARTIES	66
INFORMATION ON CAPITAL	70

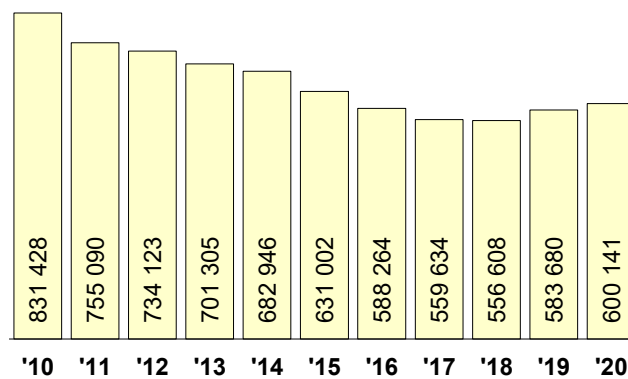
SURVEY OF KEY ECONOMIC INDICATORS

	Units	2020	2019
Number of new building savings contracts by natural persons	pcs	92,306	97,498
Number of topped-up building savings contracts by natural persons	pcs	6,528	10,587
Number of valid building savings contracts by natural persons	pcs	600,141	583,680
Number of valid loan contracts by natural persons	pcs	87,986	95,107
Volume of new loans by natural persons and legal entities	MCZK	10,389	9,276
Balance sheet total			
Balance sheet total	MCZK	75,310	71,833
Client deposits	MCZK	69,182	65,762
Client loans	MCZK	57,045	54,064
Registered capital	MCZK	650	650
Equity	MCZK	5,229	5,012
Total income			
Total income	MCZK	2,970	2,959
Total expenses			
Total expenses	MCZK	-2,753	-2,423
Profit/loss for the accounting period after taxation	MCZK	217	536
Total capital ratio			
Total capital ratio	%	17.21	15.61
ROAA – Return on average assets	%	0.30	0.77
ROAE – Return on average equity Tier 1	%	4.70	12.71
Assets per employee			
Assets per employee	MCZK	284	267
Administrative expenses per employee			
Administrative expenses per employee	MCZK	-1.777	-1.688
Net earnings per employee			
Net earnings per employee	MCZK	0.819	1.993
Number of employees			
Number of employees	Number of individuals	265	269

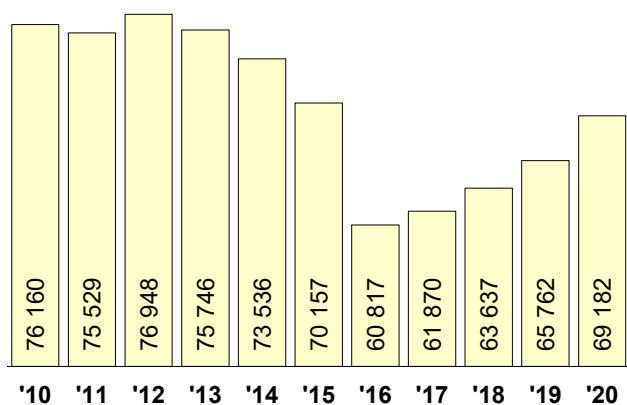
New building savings contracts by natural persons including topped-up contracts (quantity)



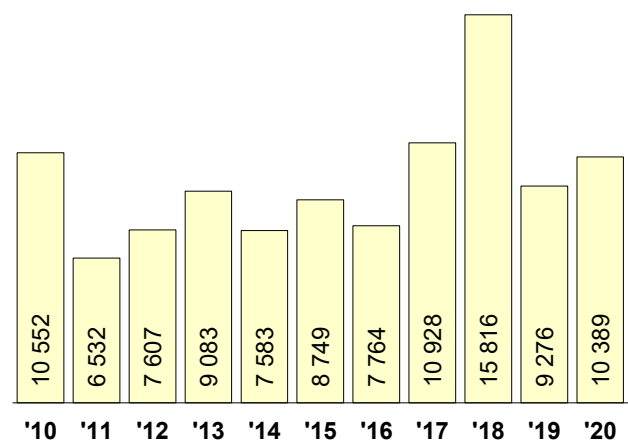
Valid building savings contracts by natural persons as at EOY (quantity)



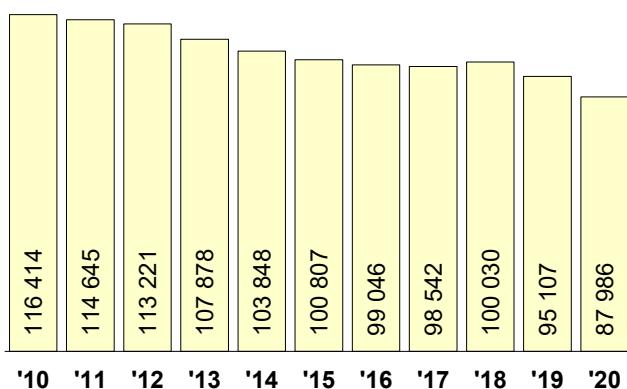
Deposits by building savings clients as at EOY (MCZK)



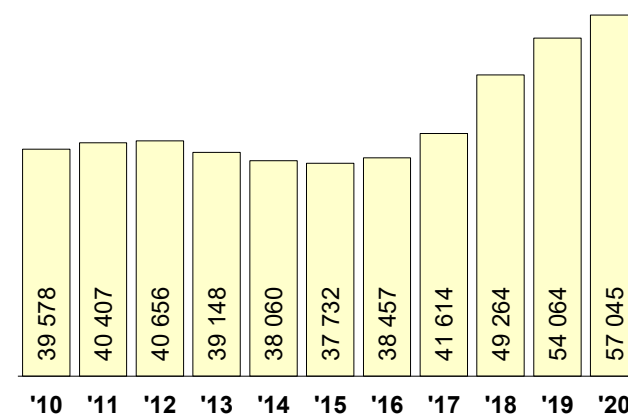
Volume of new loans by natural persons and legal entities (MCZK)



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



Client loans as at EOY (MCZK)



SHAREHOLDERS

Raiffeisen Bausparkassen Holding GmbH

Vienna-based Raiffeisen Bausparkasse Gesellschaft m.b.H. held a 90% share in Raiffeisen stavební spořitelna through its subsidiary Raiffeisen Bausparkassen Holding until 30 November, 2020.

In Austria, building savings banks have co-financed the construction, purchase and upgrade of numerous housing units in recent decades. Raiffeisen Bausparkasse with its approx. 1.3 million clients plays an important role in the sector. Over the 59-year history of Raiffeisen Bausparkasse, financing has been provided for more than 505,000 family homes, which provide housing to over 1.3 million people.

Building savings continued to demonstrate its strength in Austria in the persistent low interest rate environment in 2020. That was reflected in very strong business development at Raiffeisen Bausparkasse. A total of 226,869 new building savings contracts were concluded. Loan business also developed very positively; loans in a total amount of EUR 1.468 billion were provided in 2020. This makes Raiffeisen Bausparkasse the market leader among Austrian building savings banks. The Austrian building savings model also helps people in Central and Eastern Europe fulfil their housing dreams. Raiffeisen Bausparkasse's foreign engagement has been a firm part of its corporate strategy for the past 28 years. The Company's subsidiaries in the Czech Republic and Slovakia managed building savings deposits in a total volume of approximately EUR 5.3 billion and loans in a total volume of approximately EUR 4.5 billion in 2020.

Raiffeisenbank a.s.

As at 30 November, 2020, Raiffeisenbank a.s. (Raiffeisenbank) owned 650 shares of Raiffeisen stavební spořitelna a.s. and its share in the registered capital and voting rights was 10%. Since 1 December, 2020, Raiffeisenbank has owned 6,500 shares of Raiffeisen stavební spořitelna a.s. and its share in the registered capital and voting rights is 100%. Since 1993, Raiffeisenbank has provided a wide spectrum of banking services to both private and corporate clients in the Czech Republic.

Raiffeisenbank serves clients through a network of 125 branches and client centres and provides services through specialized mortgage loan centres and personal, corporate and business advisors. Raiffeisenbank is the fifth largest bank on the Czech market in terms of total assets.

Raiffeisenbank primarily targets clients who are looking for high quality services, active finance management and professional advisory services.

The high quality of the bank's services has been recognized through many domestic and international awards. One that deserves special mention is the bank's repeated success in the Hospodářské noviny competition, where Raiffeisenbank was the first and is still the only bank to have won in the two main categories in a single year. In 2019 the bank was recognized as the "Most client-friendly bank of the year" in this prestigious award program for the fifth year in a row, which no other bank can boast. In addition to its business activities and in line with its 140-year tradition, the bank engages in many cultural, educational and charity projects that benefit society.

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

COMPANY BODIES AND ORGANIZATIONAL STRUCTURE

General Meeting

The General Meeting is the supreme body of Raiffeisen stavební spořitelna. Four meetings of the General Meeting were held in 2020, namely on 29 April, 2020, 17 June, 2020, 24 June, 2020 and 1 October, 2020, all at the Company seat in Prague. The General Meeting made its last decision of 2020 on 15 December, 2020, after Raiffeisenbank became the sole shareholder of Raiffeisen stavební spořitelna, through a decision made by the sole shareholder exercising the powers of the General Meeting.

Supervisory Board

PhDr. Vladimír Kreidl, MSc. – Chairman	
In office	Since 22 June, 2020 (member of the Supervisory Board since 17 June, 2020)
Company	Raiffeisenbank a.s., Prague
Ing. Igor Vida – Deputy Chairman	
In office	Since 22 June, 2020 (member of the Supervisory Board since 15 December, 2016)
Company	Raiffeisenbank a.s., Prague
Mag. Dr. Martin Stotter – Member	
In office	Since 1 October, 2020
Company	Raiffeisenbank a.s., Prague
Mag. Hans-Christian Vallant – Member	
In office	Since 30 June, 2014 (Chairman of the Supervisory Board until 21 June, 2020)
Company	Raiffeisen Bausparkassen Holding GmbH, Vienna
Mag. Manfred Url – Deputy Chairman	
In office	From 23 November, 2015 (member of the Supervisory Board from 1 January, 2011) until 30 April, 2020
Company	Raiffeisen Bausparkassen Holding GmbH, Vienna
Mag. Christian Weidinger – Member	
In office	From 30 September, 2015 until 30 September, 2020
Company	Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna

Audit committee

Ing. Josef Malíř – Chairman	
In office	Since 14 June, 2018 (member of the Audit Committee since 1 May, 2018)
Mag. Dr. Martin Stotter – Deputy Chairman	
In office	Since 25 November, 2020 (member of the Audit Committee since 1 October, 2020)
Ing. Jana Musilová – Member	
In office	Since 1 May, 2018
Mag. Christian Weidinger – Deputy Chairman	
In office	From 14 June, 2018 (member of the Audit Committee from 30 September, 2015) until 30 September, 2020

Board of Directors



Ing. Jan Jeníček
Deputy Chairman of the Board of Directors

In office since 7 July, 2020
member of the Board of Directors since
23 November, 2000

Chairman of the Board of Directors until
23 June, 2020

Ing. Pavel Čejka, MBA
Chairman of the Board of Directors

In office since 7 July, 2020
member of the Board of Directors since
1 July, 2020

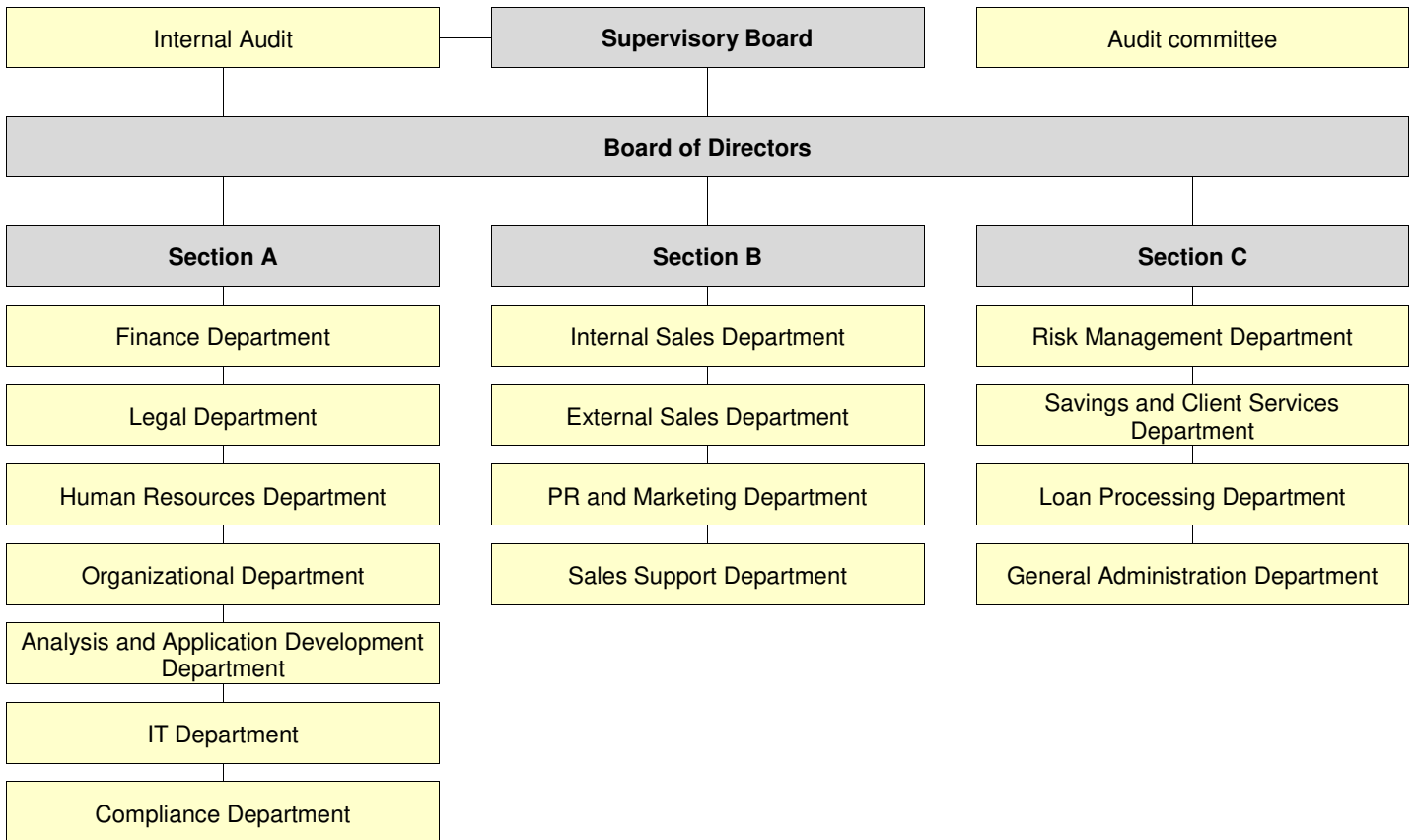
Ing. Jiří Klumpar
Deputy Chairman of the Board of Directors

In office since 7 July, 2020
member of the Board of Directors since
24 June, 2000

Dr. Ing. Pavel Chmelík – Deputy Chairman of the Board of Directors from 1 July, 2014 until 30 June, 2020

Mgr. Roman Hurých – Deputy Chairman of the Board of Directors from 17 December, 2010 until 23, June 2020

Organizational structure of the Company as at 31 December, 2020

**Advisory Bodies to the Board of Directors**

Credit Risk Management Committee

ALCO Assets and Liabilities Committee

ORCO Operational Risk Management Committee

Change Management Committee

Security Committee

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

Raiffeisen stavební spořitelna's response to the current Covid-19 situation

With the spread of the SARS-CoV-2 coronavirus infection (hereinafter "Covid-19") Raiffeisen stavební spořitelna was confronted on a practical level with an entirely new risk which it had addressed on a purely theoretical level to date. The Company's top priority was to ensure the safety and health of its clients and employees, and secondly to ensure regular bank operations. The first Bank-wide business continuity management measures were implemented in March 2020.

Bank operations were not hampered by these measures. A sufficiently large remote access system was completed at an accelerated pace, thus enabling at least half of the Bank's employees to work from home. This introduced an employee home office/work site rotation system to prevent possible spread of Covid-19 which would paralyze bank operations. Our sales representatives were instructed about safety rules and protection measures at work.

Raiffeisen stavební spořitelna identified and quantified specific risks related to Covid-19 and introduced a monitoring system to detect warning signals in a timely manner. Loss allowance calculations took into account the anticipated situation related to Covid-19, namely the deferral of loan repayments due to the voluntary and subsequently government moratorium.

In terms of bank risks, Raiffeisen stavební spořitelna continues to primarily monitor risks related to the business results for the entire sales network and to the development of the approval rate for loan repayment deferral requests.

The major continually monitored risks also include risks associated with the development of the volume of receivables (loans) and client deposits. Operational risks included lack of human resources, inaccessibility of buildings and the unavailability of information and communication technology.

With regard to the development of the spread of the Covid-19 infection to date and its effect on the operation and continuity of Raiffeisen stavební spořitelna's business, the Bank's management is not aware of any major impact that would pose a threat to the bank's operations in 2021. The situation crucially affected our financial results, but Raiffeisen stavební spořitelna continues to earn a profit and according to current assumptions it is expected that the Bank will remain profitable. On the basis of the results of standard stress tests, the management of Raiffeisen stavební spořitelna is convinced that its capital is adequate and that there is no risk of interruption to the Bank's operations.

Sales

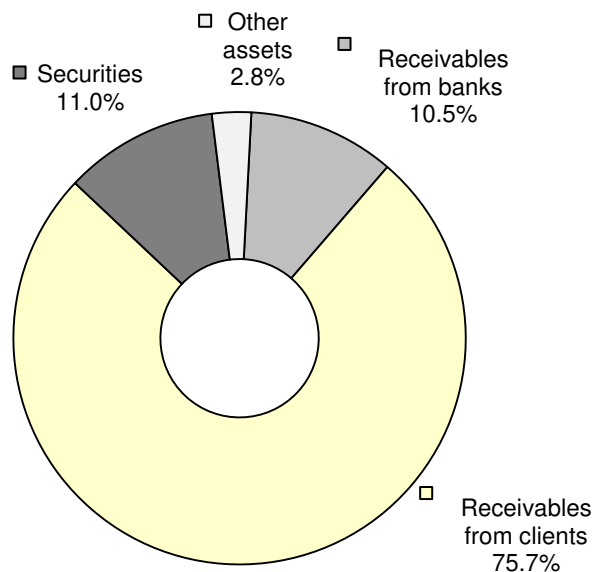
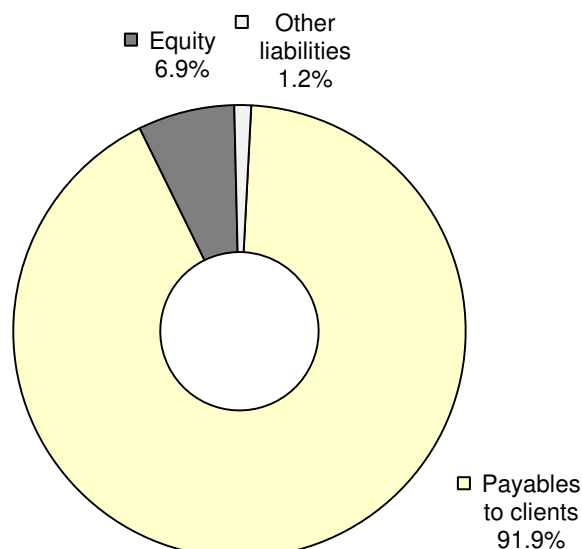
2020 was absolutely atypical for our clients, sales staff and employees. During the initial wave of the pandemic in March, we had the first lockdown and everyone had to learn to live with the new situation. Most of our offices were closed and business meetings took place only on the basis of appointments arranged in advance by phone. Most of our advisory services were shifted into digital mode and personal contact was reduced to a minimum. We are very pleased that even during this difficult time, we saw that our sales representatives can handle an arduous new situation such as we have had, and support our clients.

Raiffeisen stavební spořitelna concluded almost 99,000 new savings contracts. We exceeded the planned amount by 10%, even in this difficult year. Raiffeisen stavební spořitelna has more than 600,000 valid building savings contracts by natural and legal persons in its portfolio and our base grew by 3%.

We provided CZK 10.4 billion in housing loans, which is 12% more than in 2019. This growth was mainly spurred by the growth in the average loan amount, which rose to CZK 1.3 million in 2020.

Sales of other financial products constitute another important component of our sales. We primarily offer clients insurance products which largely cover risks associated with provision of loans. Sales of current accounts at our shareholder Raiffeisenbank also continued very successfully. We helped clients open 10,500 current accounts, which is a significant year-on-year increase.

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

Structure of assets in 2020**Structure of liabilities in 2020****Commentary on financial results**

Raiffeisen stavební spořitelna's financial results in 2020 were most affected by the secondary impacts of the Covid-19 pandemic. Raiffeisen stavební spořitelna's profit was CZK 217.2 million, which is a year-on-year decrease of almost 60%.

Total assets equalled CZK 75.3 billion, which equals year-on-year growth of 4.8%. Total client deposits grew year-on-year by 5.2% to CZK 69.2 billion. Limited travel opportunities led to household savings, which were reflected in increased client deposits across the entire banking sector.

Raiffeisen stavební spořitelna provided client loans in a total volume of CZK 10.4 billion in 2020, which equals year-on-year growth of 12%. The total balance of loans provided was CZK 57 billion, which equals year-on-year growth of 5.5%. The total volume of receivables from clients comprised 82.5%, which is a year-on-year change of 0.3 percentage points.

The volume of securities held was CZK 8.2 billion, which was a year-on-year decrease of CZK 2.7 billion (-24.9%). The reason is that due to the central bank's measures to support the economy, yields from securities are wholly unattractive and the Bank prefers short-term reinvestment through 2-week repo tenders at the Czech National Bank.

One factor which affected the Bank's annual financial results was net interest profit. The spread of the global Covid-19 pandemic paralyzed society in the spring and caused production plants to shut down. In an attempt to support economic growth, the central bank lowered the basic interest 2-week repo rate from 2.25% to 0.25%. The effect became apparent in the subsequent decrease in the Bank's interest income. The Bank's net interest profit in 2020 was CZK 946.5 million, which is a decrease of 9.1% from 2019. Interest income from loans equalled CZK 1.7 billion, which is year-on-year growth of 3.6%, but fell short of plan. We view client deposit expenses positively. Although the deposit balance was CZK 3.4 billion higher year-on-year, direct interest expenses grew by only CZK 2.3 million.

Interest expenses related to servicing subordinated debt equalled CZK 15.3 million in 2020.

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

Net profit from fees and commissions equalled CZK 237.1 million, which is a year-on-year decrease of 2.8%. This result is in line with expectations. Fee income remained the same at CZK 336 million year-on-year. Fee expenses grew from CZK 92 million in 2019 to 98.9 million in 2020, which equals year-on-year growth of 7.5%.

Administrative expenses grew year-on-year by 3.8% to CZK 470.8 million, which was lower than expected due to our consistent management policy.

The balance of receivables from clients grew year-on-year by almost CZK 3 billion, and expenses for creation and release of loss allowances increased disproportionately. These expenses increased year-on-year by CZK 241.2 million to CZK 301.8 million, or by 398% in relative terms. This was due to the use of a "holistic flag": Creation of loss allowances for loans which requested a payment deferral of 3 or 6 months based on Act No. 177/2020 Coll. on certain measures regarding the repayment of loans during the Covid-19 pandemic. On the basis of IFRS9, the Bank also reported a loss of CZK 16.6 million from loan modifications under the moratorium.

The Company's overall liquidity is very good.

Participation interests with controlling influence remained constant year-on-year at CZK 256.9 million; they are comprised of a 100% interest in KONEVOVA s.r.o.

Information about acquisition of own shares or stock

Raiffeisen stavební spořitelna did not acquire any of its own shares or stock in the 2020 accounting period.

Awards, achievements, points of interest

In 2020 Raiffeisen stavební spořitelna won accolades in several competitions. Raiffeisen stavební spořitelna's building savings product won first place in the Finparáda – Financial Product of the Year competition in the Building savings category. The Golden Crown competition's jury of experts awarded the same product second place in the Building savings category.

The Bank also won awards in marketing and PR communication competitions. The Starting City outreach project ranked high in the Lemur – Czech PR Prize, Golden Semicolon and IMC Czech Awards competitions.

The Bank also won awards in the online environment, namely taking second place in the WEBTOP100 competition in the Most effective website development category for its successful innovation of the Stavebko Online web application.

Raiffeisen stavební spořitelna's marketing and PR activities were affected by the coronavirus crisis in 2020. Nevertheless, Raiffeisen stavební spořitelna managed to participate in a number of outdoor events in regions across the country, including the Slunečná roadshow organized by the PRIMA television station. Primarily though, Raiffeisen stavební spořitelna focused on online activities and further development of social media.

On social media, the Bank followed the latest trends and implemented several new formats when creating social media content. In order to make the Bank's social media more exuberant and distinctive, the Bank also engaged leading Czech influencers in communication and promotion of the big summer contest for new clients.

Raiffeisen stavební spořitelna opened its doors to the public through its third annual participation in the Open House Praha festival. Raiffeisen stavební spořitelna employees took visitors on tours of the Bank.

Services and products in 2020

Services

In 2020, we continued developing and updating our systems so as to establish ourselves as a modern, forward-looking building savings bank. Fast, smooth handling of transactions and financial consultancy have always been and remain a matter of course at the Bank.

Beside dynamic biometric signatures, which have been crucial to our processes for several years now, we extended the text message signing option to more documents than the few that were introduced in 2019. This technology is available to all of our financial advisors so that clients can happily leave a meeting without a single sheet of paper. All key documents are available through internet banking.

We focused on the quality and speed of our services, processes, and respective SLA monitoring. The outcomes of customer satisfaction surveys were once again very positive in 2020 and we reflected suggestions and comments from clients and financial advisors in simplification and acceleration of processes.

Using new technologies, we help our clients avoid default on loan repayments. Comprehensive system support was deployed in mid-2020. This process support was absolutely vital for coping with the impacts of the anti-Covid-19 measures. We managed to process a large quantity of applications for rescheduling instalment plans even before it was imposed by law, and subsequently also to accommodate requirements arising from the moratorium on loan repayment. This in particular required prompt and complex system adjustments.

2020 was demanding; for most of the year, employees processed clients' and financial advisors' requests remotely from their home offices. Yet the quality and speed of the services provided were not affected.

Products

2020 was characterized by changes. The market saw a period of interest rate growth early in the year and everything seemed to suggest it would be an untroubled year; yet all this was upset during March and April.

The global pandemic also influenced the product portfolio of Raiffeisen stavební spořitelna both in the savings and loan segments.

However, the first change in the savings segment took place as early as January when the interest rate on the JUNIOR product was reduced from 1.5% p.a. to 1.3% p.a.; despite the reduction, the product still remained the highest interest-yielding product on the building savings market.

Even our Bank had to respond to the persisting global crisis and interest rate drop on the financial markets: starting from 1/10/2020 we introduced a single savings product bearing 1.0% p.a. interest and aligned thus with other building savings companies.

"Saving with Felix" also remains in the Raiffeisen stavební spořitelna portfolio. This product is used by most clients as a second building savings contract which gives them the option of early termination before the six-year mandatory saving period expires.

In loans, following a long pause we once again recorded growing average interest rates on the market, as indicated by Hypoindex. Then the curve broke in April 2020 and since then, average interest rates dropped to below 2.0% p.a.

This obviously has impacted us, too, and we reduced the interest rates on the HYPOsplátka product several times over the year.

At the same time, though, we had to tighten the loan criteria and exercise more caution in the spring in regard to the progressing economic lockdown in the Czech Republic.

In our portfolio for legal entities, we launched collaboration in the establishment of new housing cooperatives and extension of their housing portfolios. This helps us address the housing issues of the cooperatives' new members. We are happy to have thus extended our services for apartment block remodels and privatization, which we have long supported.

General information about risk management

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

The key risk management task is identification of assumed risks and subsequent development and implementation of risk management strategies for specific assumed risks. The specific strategies define measurement and management methods for given risk areas, determine procedures including control mechanisms, and set limits leading to minimization of assumed risks.

Aside from the Risk Management Department, the Board of Directors, Credit Risk Management Committee and Assets and Liabilities Committee are involved in the risk management system. They get an overview of risk exposure through regular monthly reports on risk status and development and have the opportunity to conduct appropriate controls and give feedback. Other parts of the system include the Operational Risk Management Committee, Change Management Committee and Security Committee. The risk management system continues to develop in alignment with product and process changes, new activities and all requirements to refine risk management.

Last but not least, all department and unit heads are involved in the risk management system, particularly in regard to operational risk management.

Raiffeisen stavební spořitelna used the standardized approach to calculate capital adequacy for credit risks in 2020 and the basic indicator method to calculate capital needs for operational risks. Raiffeisen stavební spořitelna regularly conducts an Internal Capital Adequacy Assessment Process (ICAAP) including reporting within the financial group and for the Czech National Bank. Raiffeisen stavební spořitelna publishes information about fulfilment of prudential rules (Pillar 3) on an individual basis in abbreviated form.

Staff policy

Our staff policy is fully aligned with the goals and objectives outlined in the Raiffeisen stavební spořitelna business strategy. The key points include a pleasant and dynamic environment, relationships based on friendship, trust and cooperation, respect for others and an acceptable dress code. Through these ties, knowledge and innovation are spread throughout the Company. The Company atmosphere is very open and there are various formal and informal tools to facilitate feedback and dialogue: regular updates about Company matters; involvement of staff in these matters; meetings between the Board members and the staff; email boxes for comments, opinions and suggestions; regular employee assessments; the employee magazine; intranet, etc.

2020 was different from any other year before. First of all, introduction of remote access changed our work patterns, we changed how we communicate with the staff, we started using online platforms. At the beginning of the pandemic outbreak, we had the clear aim of protecting the health of our staff and clients and ensuring smooth operations. We accommodated government regulations, procured face masks and respirators for our staff, introduced strict rules and distributed IT technology to the staff. We carried out a satisfaction survey among employees concerning working from home and incorporated the survey results into our work. We made efforts to prevent social isolation, provided support to employees and communicated with them. No dismissals took place over the year, benefits as well as wages remained unchanged and we supported company catering.

Hiring processes took place only during part of the year. An important milestone for employees was the change in the shareholder and the plan to integrate support operations into Raiffeisenbank in 2021.

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

Raiffeisen stavební spořitelna's compensation system corresponds to and supports healthy, effective risk management and does not underestimate the overstepping of tolerated risk limits. We use the approach employed throughout the Raiffeisen group to determine categories of employees with a significant impact on the risk profile.

Employee care includes systematic employee development and education (smart learning in 2020), benefits and programs. We support team spirit and unit team building activities: "Sports year-round, or Sports for all" is a firmly established motto in our corporate terminology. We held fewer social events in 2020 but we used every opportunity that arose. We value our employees and try to support them in situations they encounter in their lives. We offer them a number of supporting programs and contributions. Employees actively engaged in the "Raiffeisen stavební spořitelna Gives Blood" program for the ninth year in a row.

Corporate social responsibility

Raiffeisen stavební spořitelna responded to the 2020 coronavirus crisis and donated money where it was most needed – to hospitals for the purchase of protective equipment for the health care staff. The Company also lent laptops to employees' children to support them in remote schooling.

The Company also provided funding to charitable organizations which have been its long-term beneficiaries – such as the AKORD Day Care Centre, The Homolka Hospital Endowment Fund, PROTEBE civic association and many others.

As a part of our charitable activities, resumption of employee charity played a significant role. Employees were personally involved in choosing charitable projects to be supported. The Company thus supported a total of 14 entities. Employees also became proactively involved in helping those in need during our Charity Days.

Research and development costs

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

Branches abroad

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

Environmental protection

Raiffeisen stavební spořitelna continued the trend of previous years, trying to minimize the environmental impact of operating the building at Koněvova 99 in Prague 3. To implement this aim practically, we work closely with the companies RETELA, s.r.o. and ASEKOL a. s. Retela with its Remobil project focuses on collection of used mobile devices including accessories and their subsequent environmentally friendly disposal. Asekol provides for collection of used batteries and light sources in the building; separating them from other reusable waste helps reduce the environmental footprint of operating the building. CIVOP, which provides environmental consultancy services to Raiffeisen stavební spořitelna, also appreciates the extensive sorting of solid waste in the building.

Prague, 24 March, 2021

Raiffeisen stavební spořitelna a.s. Board of Directors:



Ing. Pavel Čejka, MBA



Ing. Jan Jeníček



Ing. Jiří Klumpar

RAIFFEISEN STAVEBNÍ SPOŘITELNA SUPERVISORY BOARD 2020 BUSINESS ACTIVITY REPORT

In the course of 2020, Raiffeisen stavební spořitelna a.s. (the Company) Supervisory Board managed tasks which it is authorized to perform in accordance with valid legal regulations and the Company's Articles of Association.

There were three Supervisory Board meetings in 2020, however in regard to measures in connection with the SARS-CoV-2 coronavirus pandemic they were held remotely using technological tools. The meetings took place on 18 March, 3 June and 25 November, 2020. When needed, the Supervisory Board also took decisions outside these meetings on issues where legal or internal regulations or the Articles of Association require a statement by the Supervisory Board, most often per rollam. The Supervisory Board meetings were attended by the members of the Company Board of Directors and other invited Company employees, as the case may be.

There were significant changes to the composition of the four-member Supervisory Board in 2020. In spring 2020, Manfred Url, representing Raiffeisen Bausparkassen Holding GmbH, terminated his membership in the Supervisory Board at his own request and was replaced by Vladimír Kreidl, representative of Raiffeisenbank a.s. In June 2020, Vladimír Kreidl was elected as Chairman of the Supervisory Board. In October 2020, the five-year term of Christian Weidinger, representative of Raiffeisen Bausparkassen Holding GmbH, elapsed and he was replaced by Martin Stotter, representative of Raiffeisenbank a.s.

Throughout 2020, the Supervisory Board supervised the business and economic results, developments in risk management, the internal audit, and meeting compliance and anti-money laundering requirements. The Company Board of Directors regularly informed the Supervisory Board about long-term plans, important projects and other significant events in the Company. The Supervisory Board did not find any inadequacies in any of these areas.

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

The Supervisory Board regularly evaluated the expertise and experience of each Director, as well as the Board of Directors as the Company's executive body, in relation to performance of their tasks. The Supervisory Board did not find any inadequacies in these areas either. In June 2020, the Supervisory Board, acting in line with the Company's Articles of Association, considered the proposal to elect two new members to the Board of Directors and recommended that they be elected by the General Meeting. The Supervisory Board also monitored application of and adherence to principles underlying compensation of Company staff over the entire year.

At its meeting on 24 March, 2021 the Supervisory Board discussed the Board of Directors' 2020 Annual Report and the report on related parties, reviewed the financial statement as at 31 December, 2020, including the respective statement by KPMG Česká republika Audit, s.r.o., and discussed the profit distribution proposal.

The Supervisory Board had no objections to the submitted Board of Directors' 2020 Annual Report, report on related parties, financial statement or profit distribution proposal and recommended that the General Meeting approve these documents.

Prague, 24 March, 2021



PhDr. Vladimír Kreidl, MSc.
Chairman of the Supervisory Board

AUDITOR'S REPORT

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

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Raiffeisen stavební spořitelna a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2020, and the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1.4.1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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

Identification No. 49619187
VAT No. CZ656001996
ID data box: 893jys

Key Audit Matters

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

Loss allowances to receivables from clients

As at 31 December 2020, gross receivables to clients amount to CZK 58,097 million, related loss allowance amounts to CZK 1,052 million (31 December 2019: gross loans and receivables: CZK 55,033 million, loss allowance: CZK 969 million).

Refer to the following notes to the financial statements: 1.4.2 (Significant accounting policies), 1.4.7 (Receivables from clients) 1.4.37 (Release of loss allowances and provisions for receivables, securities and guarantees, income from written-off receivables 1.4.38 (Write-offs, creation and use of loss allowances and provisions for receivables, securities and guarantees) and 1.4.43.2 (Credit risk).

Key audit matter	How the audit matter was addressed
<p>Loss allowances to receivables from clients represent the management's best estimate of the expected credit losses ("ECLs") within the receivables from clients ("Loans") at the reporting date.</p> <p>We focused on this area as the determination of the amount of such impairment losses requires a significant amount of judgment from the Company's management.</p> <p>Loans are divided into commercial and retail exposures. To determine the ECLs, the entire loan portfolio is divided into three stages.</p> <p>The loss allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing (Stage 3) retail loans are determined by modelling techniques ("collective loss allowance") relying on key parameters, including the probability of default (PD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant deterioration in credit quality and forward-looking information ("FLI").</p>	<p>Our procedures, performed, where applicable, with the assistance from our own credit risk and information technology (IT) specialists, included, among others:</p> <ul style="list-style-type: none"> - inspecting the Company's ECL impairment provisioning methodology and assessing its compliance with the relevant requirements of IFRS 9. As part of the above, we challenged the Company's management on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors, including inspecting validation reports; - testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of Loans and related impairment, including, but not limited to, the controls relating to the identification of significant increase in credit risk and of events of default, appropriateness of the classification of exposures into stages, payment matching, calculation of days past due, collateral valuations and calculation of the loss allowances; - evaluating whether in its ECL measurement the Company appropriately considered the effects of

Key audit matter	How the audit matter was addressed
<p>Expected credit losses for non-performing corporate exposures (Stage 3) are determined on an individual basis, however no such exposures were noted.</p> <p>Due to the above factors, coupled with the need to consider the effects of the COVID-19 pandemic (discussed in Note 1.4.1.2. and 1.4.43.2.) on the Company's business environment and the measurement of ECLs, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<p>the market disruption resulting from the COVID-19 pandemic;</p> <ul style="list-style-type: none"> - obtaining the relevant FLI used in the Company's ECL assessment. Independently assessing the information by means of corroborating inquiries of the Management Board and by reference to publicly available data and reports; - challenging the collective LGD, EAD and PD, among other things, by reference to historical defaults, historical realized losses on those defaults and considering any required adjustments to reflect expected changes in circumstances; - assessing the adequacy of the Company's disclosures on the loss allowances and credit risk management in the notes to the financial statements in relation to requirements of the applicable financial reporting framework.

Other Information

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

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

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any

material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

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

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 6 December 2017 and our uninterrupted engagement has lasted for 19 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 24 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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

financial statements.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Raiffeisen stavební spořitelna a.s. as at 31 December 2020, based on which this independent auditor's report has been prepared.

Prague
24 March 2021

Signed by

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

Signed by

Jindřich Vašina
Partner
Registration number 2059

FINANCIAL SECTION

Date of financial statement: 24 March, 2021.

1 FINANCIAL STATEMENT

1.1 BALANCE SHEET AS AT 31 DECEMBER, 2020

Assets as at 31 December, 2020

MCZK	Chapter	31/12/2020	31/12/2019
1.	Cash and balances with central banks	552	605
2.	State zero coupon bonds and other securities eligible for refinancing with the central bank	8,050	9,345
	a) issued by government institutions	8,050	9,345
3.	Receivables from banks and cooperative savings associations	7,938	4,575
	a) repayable on demand	7,938	4,575
4.	Receivables from clients – cooperative savings associations' members	57,045	54,064
	b) other receivables	57,045	54,064
5.	Debt securities	205	1,648
	b) issued by other entities	205	1,648
8.	Participation interests with controlling influence	257	257
	b) in other entities	257	257
9.	Intangible fixed assets	220	215
	b) other	220	215
10.	Tangible fixed assets	76	371
	a) land and buildings for operating activities	52	342
	b) other	24	29
11.	Other assets	930	711
13.	Pre-paid expenses and accrued revenues	37	42
Total assets		75,310	71,833

Liabilities as at 31 December, 2020

MCZK	Chapter	31/12/2020	31/12/2019
2.	Payables to clients – cooperative savings associations' members	69,182	65,762
	a) repayable on demand	9,143	7,912
	b) other payables	60,039	57,850
4.	Other liabilities	481	682
5.	Accrued expenses and deferred income	58	50
6.	Provisions	58	25
	c) other	58	25
7.	Subordinated liabilities	302	302
Total liabilities		70,081	66,821
8.	Registered capital	650	650
	a) paid-up registered capital	650	650
10.	Reserve funds and other funds from profit	4,362	3,986
	a) reserve funds and risk funds	130	130
	b) other reserve funds	4,224	3,848
	c) other funds from profit	8	8
14.	Retained earnings or accumulated losses from previous years	0	-160
15.	Profit or loss for the accounting period	217	536
Total equity		5,229	5,012
Total liabilities		75,310	71,833

Off-balance sheet items as at 31 December, 2020

MCZK	Chapter	31/12/2020	31/12/2019
1.	Commitments and guarantees issued	3,230	3,671
6.	Receivables written-off	328	194
Total off-balance sheet assets		3,558	3,865
9.	Commitments and guarantees received	584	707
10.	Collaterals and pledges received	46,666	38,444
Total off-balance sheet liabilities		47,250	39,151

1.2 INCOME STATEMENT FOR YEAR ENDING 31 DECEMBER, 2020

MCZK	Chapter	31/12/2020	31/12/2019
1. Interest income and similar income	1.4.32	1,834	1,904
a) interest on debt securities		185	274
b) other		1,649	1,630
2. Interest expense and similar expense	1.4.32	-887	-863
b) other		-887	-863
3. Income from shares and participation interests		5	5
b) income from participation interests with controlling influence		5	5
4. Fee and commission income	1.4.33	336	336
5. Fee and commission expense	1.4.33	-99	-92
6. Gain or loss from financial operations	1.4.34	-1	-2
7. Other operating income	1.4.35	24	7
8. Other operating expenses	1.4.35	-42	-33
9. Administrative expenses	1.4.36	-471	-454
a) employee expenses		-294	-273
aa) wages and salaries		-215	-194
ab) social security and health insurance		-67	-62
ac) other		-12	-17
b) other administrative expenses		-177	-181
11. Write-offs, creation and use of provisions and loss allowances for tangible and intangible fixed assets	1.4.11, 1.4.12	-95	-87
12. Release of loss allowances and provisions for receivables, securities and guarantees, income from written-off receivables	1.4.18, 1.4.37	264	281
13. Write-offs, creation and use of provisions and loss allowances for receivables, securities and guarantees	1.4.38	-567	-330
16. Release of other provisions	1.4.18	1	2
17. Creation and use of other provisions	1.4.18	-27	-7
19. Current year profit or loss from ordinary activities before tax		275	667
23. Income tax	1.4.39	-58	-131
24. Profit/loss for the accounting period after taxation		217	536

1.3 STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDING 31 DECEMBER, 2020

MCZK	Registered capital	Share buy-back	Share premium	Reserve funds	Other funds	Capital funds	Gains (losses) from revaluation	Accumulated losses from previous years	Profit (loss)	Total
Balance as at 1/1/2019	650	0	0	3,762	8	0	0	-160	516	4,776
Changes in accounting policies	0	0	0	0	0	0	0	0	0	0
Corrections of fundamental errors	0	0	0	0	0	0	0	0	0	0
Exchange rate differences and gains (losses) from revaluation not included in P/L	0	0	0	0	0	0	0	0	0	0
Net profit/loss for the accounting period	0	0	0	0	0	0	0	0	536	536
Paid share in profit	0	0	0	0	0	0	0	0	-300	-300
Transfers to funds	0	0	0	216	0	0	0	0	-216	0
Use of funds	0	0	0	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0	0	0	0
Reduction in registered capital	0	0	0	0	0	0	0	0	0	0
Own shares purchased	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0
Balance as at 31/12/2019	650	0	0	3,978	8	0	0	-160	536	5,012
Balance as at 1/1/2020	650	0	0	3,978	8	0	0	-160	536	5,012
Changes in accounting policies	0	0	0	0	0	0	0	0	0	0
Corrections of fundamental errors	0	0	0	0	0	0	0	0	0	0
Exchange rate differences and gains (losses) from revaluation not included in P/L	0	0	0	0	0	0	0	0	0	0
Net profit/loss for the accounting period	0	0	0	0	0	0	0	0	217	217
Paid share in profit	0	0	0	0	0	0	0	0	0	0
Transfers to funds	0	0	0	376	0	0	0	160	-536	0
Use of funds	0	0	0	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0	0	0	0
Reduction in registered capital	0	0	0	0	0	0	0	0	0	0
Own shares purchased	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0
Balance as at 31/12/2020	650	0	0	4,354	8	0	0	0	217	5,229

1.4 NOTES TO THE FINANCIAL STATEMENT

1.4.1 GENERAL INFORMATION

1.4.1.1 About the Bank – status as at 31 December, 2020

Corporate name	Raiffeisen stavební spořitelna a.s. (hereinafter “Raiffeisen stavební spořitelna” or the “Company” or “Bank”)
Business objects	Operation of buildings savings as defined in S. 1 of Act No. 96/1993 Coll., on building savings and state support for building savings, and execution of activities listed in S. 9(1) of Act No. 96/1993 Coll.
Initiation of business activity	7 September, 1993
Business ID	49241257
Tax ID	CZ49241257
Registered office	Koněvova 2747/99 130 45 Prague 3
Email	rsts@rsts.cz
Internet	www.rsts.cz
Phone	271 031 111
Info hotline	800 11 22 11
Fax	222 581 156
Data box	f6qr5pb
Amendments recorded in the Commercial Registry in 2020	21 August, 2020 – change in membership of the Supervisory Board and Board of Directors, election of the Supervisory Board Chairman 4 November, 2020 – election of a Supervisory Board member
Legal form	Joint stock company
Shareholder and consolidated unit that compiles the consolidated financial statement for the closest group of accounting units to which the Bank belongs	Raiffeisenbank a.s., Prague, Czech Republic (100% of registered capital)
Registered capital	CZK 650,000,000
Consolidated unit that compiles the consolidated financial statement for the entire group of accounting units to which the Bank belongs	Raiffeisen Bank International AG with its registered office at Am Stadtpark 9, Vienna, Austria
Members of the Board of Directors as at 31 December, 2020	Ing. Pavel Čejka, MBA – Chairman Ing. Jan Jeníček – Deputy Chairman Ing. Jiří Klumpar – Deputy Chairman
Members of the Supervisory Board as at 31 December, 2020	PhDr. Vladimír Kreidl, MSc. – Chairman Ing. Igor Vida – Deputy Chairman Mag. Dr. Martin Stotter – Member Mag. Hans Christian Vallant – Member

1.4.1.2 Raiffeisen stavební spořitelna’s response to the current Covid-19 situation

With the spread of the SARS-CoV-2 coronavirus infection (hereinafter “Covid-19”) Raiffeisen stavební spořitelna was confronted on a practical level with an entirely new risk which it had addressed on a purely theoretical level to date. The Company’s top priority was to ensure the safety and health of its clients and employees, and secondly to ensure regular Bank operations. The first Bank-wide business continuity management measures were implemented in March 2020.

Bank operations were not hampered by these measures. A sufficiently large remote access system was completed at an accelerated pace, thus enabling at least half of the Bank’s employees to work from home. This introduced an employee home office/work site rotation system to prevent possible spread of Covid-19 which would paralyze Bank operations. Our sales representatives were instructed about safety rules and protection measures at work.

Raiffeisen stavební spořitelna identified and quantified specific risks related to Covid-19 and introduced a monitoring system to detect warning signals in a timely manner. Loss allowance calculations took into account the anticipated situation related to Covid-19, namely the deferral of loan repayments due to the voluntary and subsequently government moratorium.

In terms of bank risks, Raiffeisen stavební spořitelna continues to primarily monitor risks related to the business results for the entire sales network and to the development of the approval rate for loan repayment deferral requests.

The major continually monitored risks also include risks associated with the development of the volume of receivables (loans) and client deposits. Operational risks included lack of human resources, inaccessibility of buildings and the unavailability of information and communication technology.

With regard to the development of the spread of the Covid-19 infection to date and its effect on the operation and continuity of Raiffeisen stavební spořitelna's business, the Bank's management is not aware of any major impact that would pose a threat to the Bank's operations in 2021. The situation crucially affected our financial results, but Raiffeisen stavební spořitelna continues to earn a profit and according to current assumptions it is expected that the Bank will remain profitable. On the basis of the results of standard stress tests, the management of Raiffeisen stavební spořitelna is convinced that its capital is adequate and that there is no risk of interruption to the Bank's operations.

1.4.1.3 Basis for financial statement

The financial statement of Raiffeisen stavební spořitelna was compiled on the basis of accounting maintained in compliance with Act No. 563/1991 Coll., on accounting (hereinafter the "Accounting Act"), as amended, and Decree No. 501/2002 Coll. of the Ministry of Finance of the Czech Republic as applicable from 1 January, 2018, and the Czech accounting standards for financial institutions of the Ministry of Finance.

This financial statement was compiled in compliance with Decree No. 501/2002 Coll. of the Ministry of Finance of the Czech Republic, as applicable from 1 January, 2018, which stipulates the structure, coding and content of the items in the financial statement. S. 4a(1) of the Decree also stipulates that the accounting unit shall for the purpose of reporting, evaluating and informing about financial instruments in the notes to the financial statement proceed in line with the international accounting standards governed by directly applicable legislation of the European Union on the application of international accounting standards (hereinafter the "international accounting standards" or "IFRS").

The financial statement was compiled based on the accrual principle and historical prices. The financial statement is based on the assumption that Raiffeisen stavební spořitelna a.s. will uninterruptedly continue its operation and that there is no matter that would restrict or prevent its operation in the foreseeable future.

The balance sheet date is 31 December, 2020. The current accounting period is from 1 January, 2020 until 31 December, 2020. The previous accounting period was from 1 January, 2019 until 31 December, 2019.

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

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

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

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

1.4.2 SIGNIFICANT ACCOUNTING POLICIES

The Raiffeisen stavební spořitelna financial statement was compiled in compliance with the following major accounting policies.

1.4.2.1 Accounting policies

1.4.2.1.1 Receivables from banks and cooperative savings associations

The balance sheet item "Receivables from banks and cooperative savings associations" includes the following:

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

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

1.4.2.1.2 Receivables from clients – cooperative savings associations' members

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

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

1.4.2.1.3 Securities

In accordance with the Building Savings Act, Raiffeisen stavební spořitelna is only allowed to purchase mortgage bonds and similar products issued by the Member States of the Organization for Economic Cooperation and Development, bonds issued by the Czech Republic, bonds for which the Czech Republic assumed guarantees, bonds issued by the Czech National Bank, bonds issued by the Member States of the Organization for Economic Cooperation and Development, central banks and financial institutions of such states and banks domiciled in such states, bonds for which these states assumed guarantees, and bonds issued by the European Investment Bank, the Nordic Investment Bank and the European Central Bank. Following a business model whose objective is to hold assets to collect their contractual cash flows, Raiffeisen stavební spořitelna classifies securities in the portfolio of securities valued at amortized cost (AC). These securities may be sold, but the sales are expected to be incidental. Upon initial recognition, the securities are measured at acquisition cost. It includes direct transaction costs related to the purchase known at the time of purchase.

Accrued interest income is accounted for on a monthly basis. For coupon bonds classified as securities valued at amortized cost, accrued interest income (coupon) is recognized on a monthly basis. Coupon accruals are obtained using the linear method. Premium or discount accruals (amortization) are obtained using the effective interest rate or linear method. The linear method is used for zero-coupon bonds with a maturity of up to one year and for variable-coupon bonds.

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

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

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

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

1.4.2.1.4 Participation interests with controlling and substantial influence

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

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

1.4.2.1.5 Interest

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

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

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

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

1.4.2.1.6 Guarantees and loan commitments issued

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

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

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

1.4.2.1.7 Recognition and initial valuation

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

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

1.4.2.1.8 Classification

Financial assets

Upon first recognition the financial asset is classified as valued:

- at amortized cost (AC).

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

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

Assessing the business model

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

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

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

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

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

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

Reclassification

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

Financial liabilities

The accounting unit classifies its financial liabilities, other than financial guarantees and commitments issued, as valued at amortized cost.

1.4.2.1.9 Derecognition

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

- Rights to collect cash flows from the financial asset are transferred to a third person; the overall objective of the receivable assignment is to generate immediate financial return higher than the estimated net present value of the future recovered performance under other instruments. Beside cash generation from the assigned receivables, another objective is one-off streamlining of the liabilities portfolio;

- Following a recommendation of the Credit Risk Management Committee and in line with the NPL reduction strategy, Raiffeisen stavební spořitelna, through a Board of Directors decision, writes off debts that continue to be recovered and recognized in off-balance sheet records;
- If a debt is assessed as unrecoverable or its further recovery is uneconomical, it shall be written off.

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

1.4.2.1.10 Modification of financial assets and financial liabilities

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

The only modification relevant in the Raiffeisen stavební spořitelna environment would be restructuring of financial assets or loans, as the case may be. However, cash flows following restructuring are not substantially different (the modification consists merely in different timing of instalments). Therefore such modified financial asset is not derecognized. However, a modified financial asset is considered default (see the definition of default in Chapter 1.4.43.2.4.3).

Following the offer by Raiffeisen stavební spořitelna, and later on the basis of Act No. 177/2020 Coll. (on certain measures regarding the repayment of loans during the Covid-19 pandemic), the clients had the opportunity to apply for loan repayment deferral of 1 up to 6 months between 1/5/2020 and 31/10/2020. As at 31/12/2020, Raiffeisen stavební spořitelna recorded 3,813 contracts worth CZK 3.6 billion under the moratorium. Raiffeisen stavební spořitelna calculated the difference between the net present value of the original cash flow with the original instalment plans, and the new cash flow with the deferred instalments. The loss added up to CZK 16.6 million.

1.4.2.1.11 Off-set and reporting in net value

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

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

1.4.2.1.12 Fair value measurement

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

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

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

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

Should the accounting unit determine that the fair value at initial recognition differs from the transaction price and the fair value is supported neither by a price quoted on the active market for an identical asset or liability nor based on a valuation technique where unobservable inputs are disregarded as insignificant for the valuation, the financial asset shall be initially valued at fair value and subsequently the difference between the initial fair value and the transaction price shall be accrued in the income statement over the remaining life of the instrument. The accrual may apply only over the period for which such valuation remains supported by observable market data or until the transaction is closed.

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

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

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

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

Fair value hierarchy

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

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

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

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

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

For more on fair value, refer to Chapter 1.4.44.

1.4.2.1.13 Impairment

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

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

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

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

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

Measuring expected credit loss (ECL)

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

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

For further information see Chapter 1.4.43.

Restructured financial assets

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

Impaired financial assets

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

Presentation of loss allowances for ECL in the balance sheet:

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

full amount, loss allowances under the same item of the income statement are decreased by the same amount. Income from written-off loans is reported in the income statement under "Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables".

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

Not applicable to Raiffeisen stavební spořitelna.

1.4.2.1.15 Payables to clients

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

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

1.4.2.1.16 Tangible and intangible fixed assets

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

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

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

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

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

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

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

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

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

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

Type of asset	Depreciation period
Software	Book depreciation: 4–16 years/tax depreciation: 3–14 years
Audiovisual works	Book depreciation: 18–24 months/tax depreciation: 18 months
Buildings	Book depreciation: 25 years/tax depreciation: 30 years
Machinery and equipment	Book depreciation: 4–10 years/tax depreciation: 3–10 years
Computer equipment	Book depreciation: 3–4 years/tax depreciation: 3–4 years
Furniture and fixtures	Book depreciation: 6–10 years/tax depreciation: 5–10 years
Vehicles	Book depreciation: 3–5 years/tax depreciation: 5 years
Right of use	as per the anticipated validity of the lease contract

1.4.2.1.17 Financial leasing from the lessee's perspective

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

An accounting unit in the position of a lessee reports the right-of-use asset and the related lease liabilities in the balance sheet, unless:

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

Right-of-use asset

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

- initial valuation of the lease liability;
- lease payments made as at the start date or earlier, reduced by any received lease incentives;
- initial direct costs;
- estimated costs to be expended by the lessee for the dismantle and removal of the leased asset; commissions paid to the real estate agent. These are costs to acquire the lease that would not have been expended if the lease had not come into effect.

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

Lease liabilities

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

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

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

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

Raiffeisen stavební spořitelna leases non-residential premises. The following steps were taken upon introduction of the IFRS 16 standard:

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

Raiffeisen stavební spořitelna measured and reported its lease liabilities at the present value of future lease payments that had not been paid as at the start date of the lease, and discounted them subsequently applying the incremental interest rate. At the start of the standard application, the accounting unit applied a single incremental interest rate of 3.2% to the lease contract portfolio.

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

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

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

As at 1 January, 2020, Raiffeisen stavební spořitelna did not report any change (modification) to the existing lease contracts. As at the same date, there were no changes in the lease payments or in the scope of the lease. The primarily applied incremental interest rate used to revalue lease liabilities and the individually determined depreciation periods of the right-of-use assets were retained by the accounting unit.

In December 2020, Raiffeisen stavební spořitelna recognized and reported a revaluation (modification) of three of the four existing lease contracts. The accounting unit in the position of a lessee was reasonably certain that, based on the anticipated agreement with the lessors of the individual non-residential premises, the above-mentioned lease contracts would be terminated as of 31/12/2021.

Raiffeisen stavební spořitelna provided for the expected change in the duration of the leases (shortening of the lease period) in its accounting for the lease contracts with KONEVOVA s.r.o. (Koněvova office building and Hájkova building) and O2 Czech Republic a.s. (Nagano data centre).

Raiffeisen stavební spořitelna recognized and reported the modification of leases as a revaluation of liabilities (reduction of lease liabilities) and a reduction in the book value of the right-of-use assets.

Gains and losses arising from the lease modifications were recognized and reported in the income statement under "Other operating income".

Pre-paid rent, which was included in the value of the right-of-use assets by the accounting unit as at 1 January, 2019 (the primary recording of the lease in Raiffeisen stavební spořitelna's books), was derecognized as at 31 December, 2020 and reported in the amount of CZK 113 million under "Other assets". This part of the pre-paid rent pertains to the period after the anticipated termination of the rental contract, i.e. after 31/12/2021. As the lessee, Raiffeisen stavební spořitelna expects that the anticipated agreement to terminate the lease agreement with the lessor of non-residential premises, KONEVOVA s.r.o., shall contain the format and timeframe for the reimbursement of the pre-paid rent.

MCZK	
Lease liabilities as at 1 January, 2020	189
Right-of-use assets as at 1 January, 2020	320
MCZK	
Lease liabilities as at 31 December, 2020 (modified)	21
Right-of-use assets as at 31 December, 2020 (modified)	31
Other assets as at 31 December, 2020 (the part of the pre-paid rent pertaining to the period after the anticipated termination of the lease agreement)	113

1.4.2.1.18 Derivatives

Raiffeisen stavební spořitelna has no derivatives.

1.4.2.1.19 Derivatives held for risk management and hedge accounting purposes

Not applicable to Raiffeisen stavební spořitelna.

1.4.2.1.20 Embedded derivatives

Not applicable to Raiffeisen stavební spořitelna.

1.4.2.1.21 Repurchase and reverse repurchase agreements and short sales

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

1.4.2.1.22 Received deposits, issued debt securities and subordinated liabilities

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

1.4.2.1.23 Transactions with securities for clients

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

1.4.2.1.24 Creation of provisions

Provisions represent a probable performance of an obligation with an uncertain timespan and amount. Provisions are created to the debit of expenses at an amount equal to the best estimate of the expenses necessary to settle the existing debt. Provisions are recognized in the balance sheet for cases meeting the following criteria:

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

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

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

1.4.2.1.25 Date of transaction

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

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

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

1.4.2.1.26 Dividends received

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

1.4.2.1.27 Fee and commission income

Fees and commissions not included in the calculation of the effective interest rate are recognized on an accrual basis as at the date when the service is rendered. Income from and expenses on commissions from cross-selling transactions are recorded as prepaid expenses and accrued income for the given year. Commissions that have not been settled yet are recognized as estimated payables. Since 2017, expenses, or future cancellation of income from cross-selling transactions, have no longer been recognized as provisions.

1.4.2.1.28 Foreign currency translation

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

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

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

1.4.2.1.29 Taxation

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

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

1.4.2.1.30 Value added tax

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

1.4.2.1.31 Off-balance sheet transactions

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

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

1.4.3 IMPACT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF FUNDAMENTAL ERRORS**1.4.3.1 Impact of changes in accounting policies**

Raiffeisen stavební spořitelna did not make any modifications to the accounting policies in 2020.

1.4.3.2 Impact of corrections of fundamental errors

No corrections were made in 2020 in respect of any fundamental errors of the past accounting periods.

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

1.4.4 CASH AND BALANCES WITH CENTRAL BANKS**1.4.4.1 Cash and balances with central banks by type of instrument**

MCZK	31/12/2020	31/12/2019
Cash	3	2
Mandatory minimum reserves	549	603
Total cash and balances with central banks	552	605

1.4.4.2 Balances with central banks – loss allowances

MCZK	31/12/2020	31/12/2019
Gross amount	549	603
Loss allowances	0	0
Total balances with central banks	549	603

As at 31 December, 2020 and 31 December, 2019, balances with central banks were not credit-impaired or exposed to a significant increase in credit risk. As at 31 December, 2020 and 31 December, 2019, loss allowances were calculated based on a 12-month expected credit loss.

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

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

MCZK	31/12/2020	31/12/2019
Government bonds	8,050	9,345
Total state zero coupon bonds and other securities eligible for refinancing with the central bank	8,050	9,345

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

MCZK	31/12/2020	31/12/2019
At amortized cost	8,050	9,345
Total state zero coupon bonds and other securities eligible for refinancing with the central bank	8,050	9,345

All state zero coupon bonds and other securities eligible for refinancing with the central bank as at 31 December, 2020 and 31 December, 2019 were valued at amortized costs as per IFRS 9.

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

MCZK	31/12/2020	31/12/2019
Gross amount	8,051	9,345
Loss allowances	-1	0
Total state zero coupon bonds and other securities eligible for refinancing with the central bank	8,050	9,345

As at 31 December, 2020, state zero coupon bonds and other securities eligible for refinancing with the central bank were credit-impaired by CZK 1 million (as at 31 December, 2019 they were not credit-impaired nor had any of them been identified as having a significantly increased credit risk). As at 31 December, 2020 and 31 December, 2019, loss allowances were calculated based on a 12-month expected credit loss.

1.4.5.4 Repurchase and reverse repurchase agreements

As at 31 December, 2020, Raiffeisen stavební spořitelna acquired state zero coupon bonds and other securities at a nominal value of CZK 7,789 million (as at 31 December, 2019: CZK 4,368 million) as part of reverse repurchase agreements, which are recognized as "Collaterals and pledges received".

1.4.6 RECEIVABLES FROM BANKS

1.4.6.1 Receivables from banks by type

MCZK	31/12/2020	31/12/2019
Current accounts	4	4
Term deposits with the CNB	0	170
Reverse repurchase agreements with the CNB	7,934	4,401
Receivables from banks – gross	7,938	4,575
Loss allowances for potential losses from receivables	0	0
Receivables from banks – net	7,938	4,575

1.4.6.2 Classification of receivables from banks by measurement categories

MCZK	31/12/2020	31/12/2019
Receivables from banks at amortized cost	7,938	4,575
Receivables from banks – net	7,938	4,575

1.4.6.3 Receivables from banks – loss allowances

MCZK	31/12/2020	31/12/2019
Gross amount	7,938	4,575
Loss allowances	0	0
Receivables from banks – net	7,938	4,575

As at 31 December, 2020 and 31 December, 2019, receivables from banks were not credit-impaired or exposed to a significant increase in credit risk. As at 31 December, 2020 and 31 December, 2019, loss allowances were calculated based on a 12-month expected credit loss.

1.4.6.4 Analysis of receivables from banks by type of collateral received

MCZK	31/12/2020	31/12/2019
Securities	7,772	4,311
Unsecured	166	264
Receivables from banks – gross	7,938	4,575

1.4.6.5 Loans of a special nature (subordinated)

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

1.4.7 RECEIVABLES FROM CLIENTS

1.4.7.1 Receivables from clients by type

MCZK	31/12/2020	31/12/2019
Receivables from loans	58,008	54,944
Other receivables	89	89
Receivables from clients – gross	58,097	55,033
Allowances for expected losses	-1,052	-969
Receivables from clients – net	57,045	54,064

As at 31 December, 2020, Raiffeisen stavební spořitelna recorded a total of 369 restructured receivables from natural persons and legal entities worth CZK 180 million (as at 31 December, 2019: 420 restructured receivables worth CZK 206 million).

1.4.7.2 Receivables from clients by measurement categories

MCZK	31/12/2020	31/12/2019
Receivables from clients at amortized cost	57,045	54,064
Receivables from clients – net	57,045	54,064

All receivables from clients as at 31 December, 2020 and 31 December, 2019 were valued at amortized costs as per IFRS 9.

1.4.7.3 Receivables from clients by degree of impairment

Receivables from clients by degree of impairment as at 31 December, 2020

MCZK	31/12/2020 Receivables from clients – gross	31/12/2020 Loss allowances	31/12/2020 Receivables from clients – net
Stage 1	51,612	-285	51,327
Stage 2	5,738	-262	5,476
Stage 3	747	-505	242
Total	58,097	-1,052	57,045

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

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

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

1.4.7.4 Provided subordinated receivables from clients

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

1.4.7.5 Consortium loans

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

1.4.8 DEBT SECURITIES**1.4.8.1 Debt securities by type**

MCZK	31/12/2020	31/12/2019
Bonds issued by financial institutions	205	1,648
Debt securities – net	205	1,648

1.4.8.2 Debt securities by measurement categories

MCZK	31/12/2020	31/12/2019
At amortized cost	205	1,648
Debt securities – net	205	1,648

All debt securities as at 31 December, 2020 and 31 December, 2019 were valued at amortized costs as per IFRS 9.

1.4.8.3 Debt securities at amortized cost**Debt securities at amortized cost as at 31/12/2020**

MCZK	Stage 1	Stage 2	Stage 3	Other	Total
Gross amount	205	0	0	0	205
Loss allowances	0	0	0	0	0
Debt securities – net	205	0	0	0	205

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

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

1.4.8.4 Analysis of debt securities measured at amortized cost

MCZK	31/12/2020	31/12/2019
Listed on a Czech stock exchange	0	435
Listed on another securities market	205	1,213
Issued by financial institutions	205	1,648
Debt securities – net	205	1,648

1.4.8.5 Debt securities as collateral provided under repurchase agreements

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

1.4.9 SHARES, UNITS AND OTHER PARTICIPATION INTERESTS

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

1.4.10 PARTICIPATION INTERESTS WITH CONTROLLING AND SUBSTANTIAL INFLUENCE

1.4.10.1 Participation interests with controlling influence

Participation interests with controlling influence as at 31 December, 2020

MCZK	Registered office	Business objects	Registered capital	Other equity components	Share in registered capital	Share in voting rights	Book value
KONEVOVA s.r.o.	Koněvova 2747/99, Prague 3	Production, trade and services not specified in Annexes 1 to 3 of the Trade Licensing Act	50	103	100%	100%	257

Participation interests with controlling influence as at 31 December, 2019

MCZK	Registered office	Business objects	Registered capital	Other equity components	Share in registered capital	Share in voting rights	Book value
KONEVOVA s.r.o.	Koněvova 2747/99, Prague 3	Production, trade and services not specified in Annexes 1 to 3 of the Trade Licensing Act	50	98	100%	100%	257

1.4.10.2 Participation interests with substantial influence

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

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

MCZK	31/12/2020	31/12/2019
Turnover	46	45
Number of workers (full-time equivalent)	2	3
Pre-tax profit or loss	13	13
Corporate income tax	2	2
State aid received	0	0

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

1.4.11 INTANGIBLE FIXED ASSETS

1.4.11.1 Changes in intangible fixed assets

Changes in intangible fixed assets in 2020

MCZK	Status as at 31/12/2019	Additions	Disposals	Status as at 31/12/2020	Accumulated amortization	Net book value in 2020	Depreciation in 2020
Software	807	70	152	725	-518	207	-54
Other intangible assets	28	0	0	28	-25	3	-4
Intangible assets not in use	17	63	70	10	0	10	0
Intangible fixed assets	852	133	222	763	-543	220	-58

Changes in intangible fixed assets in 2019

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

Net book value of intangible fixed assets

MCZK	31/12/2020	31/12/2019
Software	207	191
Other intangible assets	3	7
Intangible assets not in use	10	17
Intangible fixed assets – net	220	215

1.4.12 TANGIBLE FIXED ASSETS

1.4.12.1 Changes in tangible fixed assets

Changes in tangible fixed assets in 2020

MCZK	Status as at 31/12/2019	Additions	Disposals	Status as at 31/12/2020	Accumulated amortization	Net book value in 2020	Depreciation in 2020
Land and buildings for operating activities	383	0	311	72	-20	52	-28
Of which: right of use	346	0	311	35	-4	31	-27
Operating tangible assets	119	14	10	123	-104	19	-9
Non-operating tangible assets	5	0	0	5	0	5	0
Tangible assets not in use	10	4	14	0	0	0	0
Tangible fixed assets	517	18	335	200	-124	76	-37

The decrease of CZK 311 million in the "Right of use" item pertains to recognition of revaluation (modification) of three out of the four existing lease agreements (IFRS 16). Raiffeisen stavební spořitelna provided for the expected change in the duration of the leases (shortening of the lease period) in its accounting for the lease contracts with KONEVOVA s.r.o. (Koněvova office building and Hájková building) and O2 Czech Republic a.s. (Nagano data centre). Raiffeisen stavební spořitelna recognized and reported the modification of leases as a reduction in the book value of the right-of-use assets.

Changes in tangible fixed assets in 2019

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

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

Net book value of tangible fixed assets

MCZK	31/12/2020	31/12/2019
Land and buildings for operating activities	52	342
Of which: right of use	31	320
Operating tangible assets	19	14
Non-operating tangible assets	5	5
Tangible assets not in use	0	10
Tangible fixed assets – net	76	371

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

- 1.4.2.1.17 Financial leasing from the lessee’s perspective,
- 1.4.12.1 Changes in tangible fixed assets (right-of-use assets),
- 1.4.12.2 Tangible fixed assets acquired under leasing contracts as per IFRS 16
- 1.4.17 Other liabilities (lease liabilities),
- 1.4.32 Net interest income (interest expense on lease liabilities).

Raiffeisen stavební spořitelna provided for the expected change in the duration of leases (shortening of the lease period) in its accounting in 2020, as described in detail in Chapters 1.4.2.1.17 and 1.4.12.2.

1.4.12.2 Tangible fixed assets acquired under leasing contracts as per IFRS 16

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

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

In December 2020, Raiffeisen stavební spořitelna recognized and reported a revaluation (modification) of three of the four existing lease contracts. The accounting unit as a lessee was reasonably certain that, based on the anticipated agreement with the lessors of the individual non-residential premises, three lease contracts would be terminated as of 31/12/2021.

1.4.13 OTHER ASSETS

MCZK	31/12/2020	31/12/2019
Estimated receivables – government premiums	756	706
Estimated receivables	3	3
Clearing accounts for the state budget	56	0
Operating advances paid	1	1
Sundry debtors	117	5
Loss allowances for receivables	-5	-4
Other	2	0
Total other assets	930	711

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

The item “Clearing accounts for the state budget” as at 31 December, 2020 includes an overpayment for corporate income tax of CZK 55 million, which is comprised of pre-payments of CZK 118 million less tax payable in the net value of CZK 63 million, and receivables from the Ministry of Finance of the Czech Republic from state support amounting to CZK 1 million (as at 31 December, 2019: CZK 0 million, recorded as a liability, see item 1.4.17).

“Sundry debtors” include in particular pre-paid rental of the administrative building owned by KONEVOVA s.r.o. Pre-paid rental, which was included in the value of the right-of-use assets by the accounting unit as at 1 January, 2019 (the primary recording of the lease in Raiffeisen stavební spořitelna’s books), was derecognized as at 31 December, 2020 and reported in the amount of CZK 113 million under “Other assets”. This part of the pre-paid rent pertains to the period after the anticipated termination of the rental contract, i.e. after 31/12/2021. As the lessee, Raiffeisen stavební spořitelna expects that the anticipated agreement to terminate the lease agreement with the lessor of non-residential premises, KONEVOVA s.r.o., shall contain the format and timeframe for the reimbursement of the pre-paid rent.

1.4.14 PAYABLES TO BANKS AND COOPERATIVE SAVINGS ASSOCIATIONS

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

1.4.15 PAYABLES TO CLIENTS

1.4.15.1 Payables to clients by type

MCZK	31/12/2020	31/12/2019
Building savings deposits by natural persons	67,756	64,415
Of which: savings accounts on demand	9,100	7,866
building savings deposits with fixed maturity	33,204	34,520
building savings notice deposits	25,452	22,029
Building savings deposits by legal entities	547	510
Of which: savings accounts on demand	43	46
building savings deposits with fixed maturity	145	48
building savings notice deposits	359	416
Other	879	837
Total payables to clients	69,182	65,762

As at 31 December, 2020, "Other" includes in particular uncredited state support for building savings clients worth CZK 757 million (as at 31 December, 2019: CZK 706 million).

1.4.15.2 Payables to clients by sector – residents

MCZK	31/12/2020	31/12/2019
Non-financial institutions	428	384
Government institutions	119	126
Households	67,756	64,415
Other	879	837
Total payables to clients	69,182	65,762

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

1.4.16 PAYABLES FROM DEBT SECURITIES

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

1.4.17 OTHER LIABILITIES

MCZK	31/12/2020	31/12/2019
Estimated payables	81	79
Clearing accounts for the Czech National Bank	179	171
Clearing accounts for employees	14	12
Clearing accounts for the social security authorities	7	7
Clearing accounts for the state budget	108	140
Sundry creditors	83	259
Of which: lease liabilities	21	189
Deferred tax liability	9	14
Total other liabilities	481	682

"Estimated payables" include in particular CZK 46 million worth of estimated payables in the form of interest bonuses for building savings clients (in 2019: CZK 52 million).

The item "Clearing accounts for the Czech National Bank" contains liabilities to clients and suppliers, which will be paid on the following business day through the Czech National Bank clearing centre.

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

"Clearing accounts for the state budget" include mainly settlement of the withholding income tax on interest in the amount of CZK 103 million (in 2019: CZK 104 million) and settlement of corporate income tax in the amount of CZK 0 million (in 2019: CZK 32 million).

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

The lease liabilities of CZK 21 million as at 31 December, 2020 (2019: CZK 189 million) represent lease liabilities under IFRS 16. The remaining maturity of these liabilities as at 31 December, 2020 is: CZK 5 million up to 3 months, CZK 14 million 3–12 months,

CZK 2 million 1–5 years and CZK 0 million more than 5 years (as at 31 December, 2019: CZK 3 million up to 3 months, CZK 10 million 3–12 months, CZK 57 million 1–5 years and CZK 119 million more than 5 years). Raiffeisen stavební spořitelna provided for the expected change in the duration of leases (shortening of the lease period) in its accounting in 2020. Raiffeisen stavební spořitelna recognized and reported the modification of leases as a revaluation of liabilities (reduction of lease liabilities).

1.4.18 PROVISIONS

1.4.18.1 Provisions for taxes

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

1.4.18.2 Other provisions

Creation and use of provisions in 2020

MCZK	Status as at 31/12/2019	Created	Used	Released	Status as at 31/12/2020
Provisions for litigations	10	25	-6	0	29
Provisions for loan commitments	8	14	0	-7	15
Provisions for restructuring	0	5	0	0	5
Other provisions	7	40	-37	-1	9
Total	25	84	-43	-8	58

The creation of higher provisions for litigation in 2020 related primarily to an older litigation, where the probability of possible higher performance increased.

Creation and use of provisions in 2019

MCZK	Status as at 31/12/2018	Created	Used	Released	Status as at 31/12/2019
Provisions for litigations	6	5	0	-1	10
Provisions for loan commitments	8	6	0	-6	8
Provisions for restructuring	0	0	0	0	0
Other provisions	6	37	-35	-1	7
Total	20	48	-35	-8	25

Since 2016 "Other provisions" have included provisions for contributions to the Financial Market Guarantee System. Out of a provision of CZK 35 million created in 2020, CZK 35 million were used in the same year. Out of a provision of CZK 33 million created in 2019, CZK 33 million were used in the same year.

1.4.19 SUBORDINATED LIABILITIES

MCZK	31/12/2020	31/12/2019
Subordinate loans	302	302
Subordinated liabilities	302	302

As at 31 December, 2020 and 31 December, 2019, Raiffeisen stavební spořitelna recognized a subordinate loan subject to the following conditions: the nominal value of the subordinate loan is CZK 300 million, the loan is due in November 2029, the interest rate is 5% p.a., interest is paid annually, no call option. The remaining maturity as at 31 December, 2020 is: CZK 2 million 3–12 months, CZK 300 million more than 5 years (as at 31 December, 2019: CZK 2 million 3–12 months, CZK 300 million more than 5 years).

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

Conditions of subordination:

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

1.4.20 REGISTERED CAPITAL

Composition of Raiffeisen stavební spořitelna shareholders as at 31 December, 2020

Title	Registered office	Relationship to the Bank	Number of shares (units)	Share in registered capital (in %)	Type of share	Nominal share value
Raiffeisenbank a.s.	Czech Republic	Controlling company	6,500	100%	Ordinary	CZK 100,000
Total			6,500	100%	Ordinary	CZK 100,000

With effect from 1 December, 2020, a 90% stake in Raiffeisen stavební spořitelna was transferred from Raiffeisen Bausparkassen Holding GmbH to Raiffeisenbank a.s.

Composition of Raiffeisen stavební spořitelna shareholders as at 30 November, 2020

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

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

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

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

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

Raiffeisen stavební spořitelna issued no shares in the reported periods.

1.4.21 GAINS (LOSSES) FROM REVALUATION

As at 31 December, 2020, or 31 December, 2019, Raiffeisen stavební spořitelna reported no gains (losses) from revaluation of assets and liabilities.

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

MCZK	Retained earnings	Accumulated losses from previous years	Reserve fund	Voluntary reserve fund	Other funds from profit
Balance as at 31 December, 2019	0	-160	130	3,848	8
Profit/loss in 2019	536	0	0	0	0
Allocations to funds from profit	-536	160	0	376	0
Other use of funds from profit	0	0	0	0	0
Other use of earnings	0	0	0	0	0
Share in profit	0	0	0	0	0
Royalties	0	0	0	0	0
Balance as at 31 December, 2020	0	0	130	4,224	8

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

MCZK	Retained earnings	Accumulated losses from previous years	Reserve fund	Voluntary reserve fund	Other funds from profit
Balance as at 31 December, 2020	0	0	130	4,224	8
Profit/loss in 2020	217	0	0	0	0
Allocations to funds from profit	0	0	0	0	0
Other use of funds from profit	0	0	0	0	0
Other use of earnings	0	0	0	0	0
Share in profit	-217	0	0	-33	0
Royalties	0	0	0	0	0
	0	0	130	4,191	8

1.4.24 COMMITMENTS AND GUARANTEES ISSUED, RECEIVABLES WRITTEN-OFF

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

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

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

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

1.4.26 VALUES PLACED INTO CUSTODY, ADMINISTRATION AND DEPOSIT

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

1.4.27 VALUES PLACED UNDER MANAGEMENT

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

1.4.28 COMMITMENTS AND GUARANTEES RECEIVED

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

1.4.29 COLLATERALS AND PLEDGES RECEIVED

MCZK	31/12/2020	31/12/2019
Real property pledges	33,434	28,807
Cash collaterals	5,443	5,269
Collaterals – securities	7,789	4,368
Collaterals and pledges received	46,666	38,444

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

1.4.30 VALUES TAKEN INTO CUSTODY, ADMINISTRATION AND DEPOSIT

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

1.4.31 VALUES TAKEN UNDER MANAGEMENT

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

1.4.32 NET INTEREST INCOME

MCZK	2020	2019
Interest income from loans granted	1,607	1,587
Interest income from interbank transactions	42	43
Interest income from securities	185	274
Interest income and similar income	1,834	1,904
Interest expense on client deposits	-867	-855
Interest expense on lease liabilities	-5	-6
Interest expense on subordinate loan received	-15	-2
Interest expense and similar expense	-887	-863
Net interest income	947	1,041

Raiffeisen stavební spořitelna does not claim interest on late payments in defaulted loans prior to repayment. As at 31 December, 2020, the value of unclaimed interest was CZK 106 million (in 2019: CZK 238 million). All interest income is calculated at the effective interest rate and only relates to financial assets and liabilities at amortized cost.

1.4.33 FEE AND COMMISSION INCOME AND EXPENSE

MCZK	2020	2019
Fee income from building savings	215	201
Fee income from loans	54	63
Other income	67	72
Fee and commission income	336	336
Fee expense	-2	-2
Commission expense	-96	-89
Other expense	-1	-1
Fee and commission expense	-99	-92
Gain or loss from fees and commissions	237	244

1.4.34 GAIN OR LOSS FROM FINANCIAL OPERATIONS

MCZK	2020	2019
Exchange rate gain or loss	-1	-1
Gain or loss from the sale of securities	0	-1
Gain or loss from financial operations	-1	-2

1.4.35 OTHER OPERATING INCOME AND EXPENSES

MCZK	2020	2019
Gains from the transfer of assets	0	1
Other	24	6
Other operating income	24	7
Contributions to the Financial Market Guarantee System	-36	-33
Other	-6	0
Other operating expenses	-42	-33
Gain or loss from other operating income or expenses	-18	-26

The item "Other" in the section "Other operating income" as at 31 December, 2020 contains, in particular, a litigation reimbursement in the amount of CZK 15 million and profit from leasing modification (rights-of-use assets) of CZK 5 million.

1.4.36 ADMINISTRATIVE EXPENSES

1.4.36.1 Employee expenses

MCZK	2020	2019
Salaries and remuneration paid to Members of the Board of Directors	-29	-19
Remuneration paid to Members of the Supervisory Board	-1	-1
Salaries and remuneration paid to other executives	-30	-28
Salaries and remuneration paid to other employees	-155	-146
Social security and health insurance	-67	-62
Other employee expenses	-12	-17
Employee expenses	-294	-273

As at 31 December, 2020 or as at 31 December, 2019, the Bank did not report any pension liabilities incurred or contracted by former members of the management and supervisory bodies.

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

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

	2020	2019
Employees	265	268
Board of Directors	3	3
Supervisory Board	4	4
Other managers	16	16

1.4.36.2 Other administrative expenses

MCZK	2020	2019
Information technology	-36	-37
Rent and associated expenses	-10	-10
Advertising and marketing	-62	-56
Audit, legal and tax advisory	-4	-3
Other	-65	-75
Other administrative expenses	-177	-181

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

MCZK excluding VAT	2020	2019
Audit	1.1	1.0
Other verification services	0.0	0.3
Tax advisory	0.5	0.3
Consultancy services and seminars by KPMG companies	0.4	0.0
Total	2.0	1.6

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

MCZK excluding VAT	2020	2019
Audit	0.1	0.1
Tax advisory	0.2	0.2
Total	0.3	0.3

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

MCZK	2020	2019
Release of unneeded loss allowances for receivables from clients	233	262
Release of unneeded provisions for losses from loans and guarantees	6	7
Income from receivables written off	25	12
Total	264	281

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

MCZK	2020	2019
Write-off of receivables	-200	-161
Creation of loss allowances for receivables from clients	-534	-322
Creation of loss allowances for other receivables	-2	-1
Creation of provisions for losses from loans and guarantees	-14	-6
Use of loss allowances for receivables from clients	218	200
Use of loss allowances for other receivables	0	0
Loss from transfer of receivables	-18	-40
Loss from modification of financial assets at amortized cost	-17	0
Total	-567	-330

1.4.39 INCOME TAX AND DEFERRED TAX LIABILITY/ASSET

1.4.39.1 Income tax

MCZK	2020	2019
Tax payable for the current accounting period	-63	-130
Deferred tax	5	-1
Total	-58	-131

1.4.39.2 Tax payable for the current accounting period

MCZK	2020	2019
Pre-tax profit or loss for current year	275	667
Non-taxable income	-103	-96
Non-tax-deductible expenses	161	112
Total	333	683
Tax calculated using a 19% rate (2019: 19%)	-63	-130

1.4.39.3 Deferred tax liability/asset

MCZK	2020	2019
Other	11	4
Deferred tax assets	11	4
Asset book and tax value difference	-20	-18
Deferred tax liabilities	-20	-18
Deferred tax liability or asset	-9	-14
Tax rate	19%	19%
Deferred tax recognized through profit and loss	-9	-14
Deferred tax recognized through equity	0	0

1.4.40 INCOME AND EXPENSES BY GEOGRAPHICAL MARKETS

With the exception of CZK 11 million worth of interest income from securities (2019: CZK 30 million), all income and expenses listed above are realized in the Czech Republic.

1.4.41 TRANSACTIONS WITH, RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

1.4.41.1 Transactions with related parties – income and expenses

MCZK	2020	2019
Interest income	2	10
Interest expense	-21	-8
Income from shares and participation interests	5	5
Fee and commission income	13	16
Fee and commission expense	-1	-1
Administrative expenses	-13	-15
Other operating income	1	1

1.4.41.2 Transactions with related parties – receivables and payables

MCZK	31/12/2020	31/12/2019
Receivables from banks	4	4
Debt securities	0	1,008
Other assets	114	2
Other liabilities	21	184
Subordinated liabilities	302	302
Accrued expenses and deferred income	1	0

“Other liabilities” include liabilities of CZK 18 million arising from leased assets (in 2019: CZK 183 million). The remaining maturity of these liabilities as at 31 December, 2020 is: CZK 4 million up to 3 months, CZK 14 million 3–12 months and CZK 0 million more than 1 year (2019: CZK 3 million up to 3 months, CZK 9 million 3–12 months, CZK 52 million 1–5 years and CZK 119 million more than 5 years). Raiffeisen stavební spořitelna provided for the expected change in the duration of leases (shortening of the lease period) in its accounting in 2020, which resulted in a decrease in “Other liabilities” (lease liabilities) and an increase in “Other assets” (receivables from prepaid rentals with KONEVOVA s.r.o.).

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

Raiffeisen stavební spořitelna is a tenant in an administrative building owned by KONEVOVA s.r.o. Receivables as at 31 December, 2018 include prepaid rentals for the KONEVOVA administrative building. The receivable was derecognized as at 1 January, 2019 in connection with the transition to IFRS 16. Raiffeisen stavební spořitelna provided for the expected change in the duration of leases (shortening of the lease period) in its accounting in 2020, which resulted in a decrease in “Other liabilities” (lease liabilities) and an increase in “Pre-paid expenses and accrued revenues” (receivables from prepaid rent with KONEVOVA s.r.o.). More detailed information on IFRS 16 is provided in Chapters 1.4.12.1 and 1.4.12.2.

Receivables from companies in which the Bank has controlling influence

MCZK	KONEVOVA s.r.o. (controlling influence)
As at 31/12/2018	144
Transition to IFRS 16	-144
As at 1/1/2019	0
Additions	0
Disposals	0
As at 31/12/2019	0
As at 1/1/2020	0
Additions	113
Disposals	0
As at 31/12/2020	113

Income and expenses from transactions with participation interests with controlling influence

MCZK	2020	2019
Income from dividends	5	5
Other operating income	1	1
Interest expense on lease liabilities	-5	-6
Other administrative expenses	-11	-10

1.4.41.4 Receivables from individuals with a special relationship to the Bank

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

MCZK	Administration bodies	Management bodies	Supervisory bodies	Other	Total
As at 31/12/2020	0	0	0	0	0
As at 31/12/2019	0	0	0	3	3

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

Terms of loans granted to the members of the management and supervisory bodies

MCZK	Amount	Interest rate	Form of collateral	Amount repaid	Amount waived	Amount written off
As at 31/12/2020	0	-	-	0	0	0
As at 31/12/2019	0	-	-	0	0	0

The above loans were granted under standard market conditions.

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

As at 31 December, 2020, Raiffeisen stavební spořitelna recorded payables of CZK 18 million arising from lease liabilities towards a company in which it had controlling influence. As at 31 December, 2019, Raiffeisen stavební spořitelna recorded payables of CZK 183 million arising from lease liabilities towards a company in which it had controlling influence. Raiffeisen stavební spořitelna provided for the expected change in the duration of leases (shortening of the lease period) in its accounting in 2020. Raiffeisen stavební spořitelna recognized and reported the modification of leases as a revaluation of liabilities (reduction of lease liabilities).

1.4.41.6 Payables to individuals with a special relationship to the Bank

MCZK	Administration bodies	Management bodies	Supervisory bodies	Other	Total
As at 31/12/2020	0	0	0	1	1
As at 31/12/2019	0	3	0	5	8

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

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

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

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

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

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

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

1.4.42 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December, 2020, and 31 December, 2019, Raiffeisen stavební spořitelna classified all financial assets and financial liabilities at amortized cost.

1.4.43 RISK MANAGEMENT

1.4.43.1 Introduction

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

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

1.4.43.1.1 Risk management system

The Board of Directors of Raiffeisen stavební spořitelna and the Chief Risk Officer (CRO) have joint responsibility for establishing and supervising a risk management system. The Board of Directors has set up the following advisory bodies to define and supervise risk management principles and methods:

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

Risk management principles and methods are used to:

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

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

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

1.4.43.2 Credit risk

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

1.4.43.2.1 Settlement risk in trading on financial markets

The following transactions are subject to settlement risk:

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

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

1.4.43.2.2 Credit risk management

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

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

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

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

- Analysis of the contracting party's creditworthiness and credibility, and/or investment plan;
- Scoring (natural persons), rating (legal entities);
- Use of collateral;
- Purpose checking;
- Cross-checks of the internal blacklist and publicly available registers;
- Mathematical and statistical models;

- Setting of limits;
- Quality analysis of the credit portfolio including time series;
- Monitoring of:
 - Credit risk exposure;
 - The contracting party's financial and economic standing;
 - Compliance with the terms of the contract;
 - Collateral value;
 - The contracting party's current situation/problems;
 - Adequacy of loss allowances and provisions;
- Forecasts of future development of important risk management indicators and individual limits;
- Periodic review of product input parameters;
- Regular review of processes and procedures based on the results of analyses.

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

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

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

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

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

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

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

- Guarantees/surety.

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

1.4.43.2.2.1 Types of collateral and conditions of eligibility for calculation of capital adequacy

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

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

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

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

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

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

- The value of the real property is not significantly dependent on the debtor's creditworthiness (this is without prejudice to situations where mere macroeconomic factors affect both the value of the real property and the debtor's performance);

- The debtor's risk is not significantly dependent on the operation of the real property or project, but rather on the debtor's ability to repay debt from other sources;
- The collateral is legally effective and enforceable in all jurisdictions relevant at the time of conclusion of the loan agreement; in particular, the agreement on the establishment of a lien on the real property qualifies for a fully enforceable lien. This lien is duly and timely registered and all legal requirements for the creation of lien are met;
- Regular monitoring of the value/revaluation of real property:
 - At least every 12 months in the case of residential real property;
 - More frequent monitoring/revaluation is conducted upon significant changes in market conditions;
 - Raiffeisen stavební spořitelna uses statistical methods to monitor/revise real property values and to identify real property needing revaluation;
 - If there is a reason to believe that the real property value may have been significantly reduced compared to general market values, the real property value is reviewed by an independent appraiser. An independent appraiser can be considered a person who possesses the necessary qualifications, ability and experience in real property appraisal, is not involved in the loan approval process and is independent of it;
- Raiffeisen stavební spořitelna has well documented definitions of the types of real property it accepts as collateral, as well as policies and procedures for provision of loans secured by such collateral;
- The real property accepted as collateral is duly insured against damage.

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

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

1.4.43.2.3 Debt recovery

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

1.4.43.2.4 Expected credit losses

Raiffeisen stavební spořitelna classifies financial instruments into three groups:

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

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

1.4.43.2.4.1 Significant increase in credit risk

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

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

The qualitative assessment component takes into account the following information:

- Number of days past due (DPD) exceeding 30 (including delinquency in relation to compulsory regular savings deposits for bridge loans);
- Significant increase in credit risk of the same client's other exposures;
- Minor credit fraud (serious frauds are classified as default – see the definition of default);
- Pending execution procedure related to building savings worth CZK 20,000+ in total;
- Forbearance;
- Other comprehensive information that can be obtained without unreasonable cost or effort (loan repayment deferral in connection with the Covid-19 pandemic that meets defined criteria, non-compliance with specific contractual conditions, etc.).

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

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

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

In 2020, the qualitative component was extended by a new holistic flag (HF) related to the Covid-19 pandemic. A prerequisite for the possible setting of this HF on a loan was a request for deferral of loan repayments under the government moratorium. The objective of the HF was to transfer the most vulnerable part of the portfolio affected by government-backed repayment deferrals to Stage 2. Furthermore, depending on the risk level of the industry in which the client operates, limits of maximum contractual DPD over the last 12 months and CB scores were determined (the riskier the industry, the stricter the limits). If any one of the defined limits was exceeded, the loan was HF-flagged. The basic idea is that a request for loan repayment deferral signals a potential problem with future loan repayment in clients that may have already had such a problem with Raiffeisen stavební spořitelna (identified via DPD) or elsewhere (identified via the CB score). The condition for lifting the HF is the same for all cases: the maximum contractual DPD over the three months following the expiry of the repayment deferral period may not exceed 30. Additional deferrals after the expiry of the government moratorium are directly classified as Stage 2 on the grounds of forbearance.

Development of the probability of default (PD) curve

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

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

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

For non-retail credit exposures, PD curves are estimated by individual rating grades. For retail credit exposures, for the reasons given in the previous chapter, PD curves are estimated for each grade individually and the segmentation is based on the nature of Raiffeisen stavební spořitelna's product (secured and unsecured loans).

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

Determining whether credit risk has increased significantly

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

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

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

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

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

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

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

1.4.43.2.4.2 Modified financial assets

The contractual terms of a loan may generally be modified for a variety of reasons, such as changes in market conditions, retention of the debtor, or other factors unrelated to the debtor's current or potential credit deterioration. Following modification of loan terms, Raiffeisen stavební spořitelna shall assess whether the cash flows from such modified loan are substantially different.

As mentioned in section 1.4.2.1.10, the only modifications Raiffeisen stavební spořitelna makes are loan repayment deferrals. These are provided individually subject to defined conditions, including the requirement that the client has no debt past due when applying for the deferral. However, the cash flows after the loan repayment deferral are not significantly different, so the loan is not derecognized.

Deferral of loan repayments is considered a forbearance (with the exception of the government's moratorium in connection with the Covid-19 pandemic). Forbearance is considered a qualitative indicator of a significant increase in credit risk, so the loan is classified at least as Stage 2 (typically with 3-month deferrals). However, if the forbearance meets the definition of forced restructuring, the loan is directly classified as Stage 3, meaning it is considered default (typically with 6-month deferrals).

1.4.43.2.4.3 Definition of default

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

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

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

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

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

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

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

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

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

1.4.43.2.4.4 Forward-looking information (FLI)

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

Scenarios of macroeconomic variables generated by the parent RBI and supplied to Raiffeisen stavební spořitelna usually on a quarterly basis are used unless there is an emergency like the Covid-19 pandemic (where significant deterioration of the foreseen macroeconomic situation had to be reflected as soon as possible). A total of 3 macroeconomic development scenarios are generated – basic, positive and negative – weighted at 50%, 25% and 25% respectively. The time horizon for macroeconomic forecasting is 3 years.

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

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

Raiffeisen stavební spořitelna identified and documented key credit risk and credit loss indicators for each financial instrument credit portfolio and using analyses of historical data it determined the relationship between macroeconomic variables, credit risk and credit losses. The economic scenarios applied as at 31 December, 2020 include the following range of key indicators for the Czech Republic for the years ending on 31 December, 2021 and 31 December, 2022.

	2021	2022
Unemployment rate	Baseline: 6.40% Range: 5.08–8.22%	Baseline: 6.20% Range: 5.21–7.57%
Inflation (year-on-year growth in CPI)	Baseline: 2.30% Range: 0.93–3.49%	Baseline: 2.06% Range: 1.03–2.95%
Growth in GDP (year-on-year)	Baseline: 1.00% Range: -1.51–2.81%	Baseline: 6.03% Range: 4.15–7.38%
Growth in real property prices (year-on-year)	Baseline: 4.00% Range: 1.57–7.12%	Baseline: 3.00% Range: 1.18–5.34%
3M interbank interest rate	Baseline: 0.35% Range: -0.04–1.55%	Baseline: 0.59% Range: 0.30–1.49%

The expected relationships between key indicators and the default and loss rates of various financial asset portfolios are determined based on historical data, in a manner that enables coverage of the economic cycle, including economic recession. In addition, Raiffeisen stavební spořitelna regularly monitors the economic validity of the resulting model predictions.

1.4.43.2.4.5 Calculation of expected credit losses (ECL)

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

- Probability of default (PD),
- Loss given default (LGD),
- Exposure at default (EAD).

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

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

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

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

Calculations are made on the basis of discounted cash flows.

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

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

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

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

For credit risk parameter estimates the portfolio is segmented by the very character of the product, i.e. primarily into secured and unsecured loans.

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

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

1.4.43.2.5 Reconciliation of opening and closing loss allowance balances

Total loss allowances – 31/12/2020

MCZK	12-month ECL (Stage 1)	Lifetime ECL for financial assets that are not credit-impaired (Stage 2)	Lifetime ECL for financial assets that are credit-impaired (Stage 3)	Purchased or originated credit-impaired financial assets (POCI)	Total
Balance as at 1 January, 2020	185	74	714	0	973
Transfer to 12-month ECL (Stage 1)	46	-16	-30	0	0
Transfer to lifetime ECL for financial assets that are not credit-impaired (Stage 2)	-6	25	-19	0	0
Transfer to lifetime ECL for financial assets that are credit-impaired (Stage 3)	-1	-16	17	0	0
Newly purchased or originated financial assets	48	7	4	0	59
Derecognition of financial assets	-16	-8	-84	0	-108
Revaluation and changes in models/risk parameters	31	196	-93	0	134
Balance as at 31 December, 2020	287	262	509	0	1,058

Total loss allowances – 31/12/2019

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

Transfers are designed such that when the stage changes, the transfer of the loss allowance occurs first and the change of amount second. "Newly purchased or originated financial assets" include loss allowances that were created for newly originated financial assets during 2020. There are parameter changes in "Revaluation and changes in models/risk parameters". All newly originated assets are classified as Stage 1 (POCI = 0). The Stage 2 and 3 values under "Newly purchased or originated financial assets" are loss allowances for assets originated in 2020 and transferred to Stage 2 or 3 before 31/12/2020.

1.4.43.2.6 Sensitivity analysis

As mentioned above, key macroeconomic indicators with impact on the amount of loss allowances include in particular gross domestic product, unemployment rate, inflation rate, market interest rates and increase in real property prices (the last of these indicators primarily for LGD).

The table below compares the expected credit losses from financial assets in Stages 1 and 2 (weighted 25% for the optimistic scenario, 50% for the baseline scenario and 25% for the pessimistic scenario) and each scenario with a 100% weighting.

Amount of loss allowances under each scenario (Stages 1 and 2)

MCZK	Reported	Optimistic	Baseline	Pessimistic
Retail exposure	542	398	522	727
Non-retail exposure	7	7	7	8
Total	549	405	529	735

1.4.43.2.7 Maximum credit risk exposure**Maximum credit risk exposure – 31/12/2020**

MCZK	Balance sheet	Off-balance sheet	Total credit risk exposure	Collateral received	Main type of collateral
Loans and receivables from banks and bank bonds	8,144	0	8,144	7,789	CNB treasury bills
Loans and receivables from clients	57,885	3,230	61,115	34,123	Real property
State zero coupon bonds	8,050	0	8,050	0	
Cash and balances with central banks	552	0	552	0	
Other exposure	1,546	0	1,546	0	

Maximum credit risk exposure – 31/12/2019

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

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

1.4.43.2.8 Credit risk concentration

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

1.4.43.2.9 Concentration by sectors**Concentration by sectors – 31/12/2020**

MCZK	Financial institutions	Non-financial institutions	Government sector and central banks	Households	Total
Balances with central banks	0	0	549	0	549
State zero coupon bonds and other securities eligible for refinancing with the central bank	0	0	8,050	0	8,050
Receivables from banks	4	0	7,934	0	7,938
Receivables from clients	0	5,283	16	52,586	57,885
Debt securities	205	0	0	0	205
Other receivables	2	4	812	4	822
Commitments and guarantees issued	0	39	0	3,191	3,230
Total	211	5,326	17,361	55,781	78,679

Concentration by sectors – 31/12/2019

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

1.4.43.2.10 Concentration by geographical criteria**Concentration by geographical criteria – 31/12/2020**

MCZK	Czech Republic	European Union excluding the Czech Republic	Total
Balances with central banks	549	0	549
State zero coupon bonds and other securities eligible for refinancing with the central bank	8,050	0	8,050
Receivables from banks	7,938	0	7,938
Receivables from clients	57,885	0	57,885
Debt securities	0	205	205
Other receivables	822	0	822
Commitments and guarantees issued	3,230	0	3,230
Total	78,474	205	78,679

Concentration by geographical criteria – 31/12/2019

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

1.4.43.3 Liquidity**1.4.43.3.1 Liquidity risk exposure**

One of the key liquidity risk exposure criteria is the liquidity coverage ratio (LCR). The LCR focuses on the Bank's short-term liquidity. Its objective is to ensure that banks maintain an adequate proportion of highly liquid assets to be able to cover their 30-day liquidity needs in the event of crisis scenarios. According to the LCR, banks must have a sufficient volume of highly liquid assets that is greater than their expected future net outflows over the ensuing 30 days. Highly liquid assets in the Raiffeisen stavební spořitelna environment include cash, state bonds, treasury bills securing reverse repo operations with the CNB and reserves with central banks that may be drawn.

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

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

	2020	2019
As at 31 December	1,411.6%	1,336.0%
Average	1,395.3%	1,939.5%
Maximum	1,970.0%	4,990.0%
Minimum	1,124.0%	1,283.9%

1.4.43.3.2 Liquidity risk management

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

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

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

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

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

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

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

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

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

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

1.4.43.3.3 Estimated remaining maturity

Estimated remaining maturity of the Bank's assets and liabilities as at 31 December, 2020

MCZK	Up to 3 months	3–12 months	1–5 years	More than 5 years	Unspecified	Total
Cash and balances with central banks	3	0	0	0	549	552
Securities eligible for refinancing with the central bank	322	3,184	4,448	96	0	8,050
Receivables from banks	7,938	0	0	0	0	7,938
Receivables from clients	1,727	4,799	20,480	29,763	276	57,045
Debt securities	7	0	0	198	0	205
Property	3	8	0	0	285	296
Participation interests with controlling influence	0	0	0	0	257	257
Other assets	65	757	0	0	108	930
Pre-paid expenses and accrued revenues	0	0	0	0	37	37
Total assets	10,065	8,748	24,928	30,057	1,512	75,310
Payables to clients	4,869	8,344	28,483	27,523	-37	69,182
Other liabilities	196	14	2	0	269	481
Accrued expenses and deferred income	0	0	0	0	58	58
Provisions	0	0	0	0	58	58
Subordinated liabilities	0	2	0	300	0	302
Registered capital	0	0	0	0	650	650
Reserve funds	0	0	0	0	4,362	4,362
Retained earnings or accumulated losses from previous years	0	0	0	0	0	0
Profit or loss for the accounting period	0	0	0	0	217	217
Total liabilities	5,065	8,360	28,485	27,823	5,577	75,310
Commitments	-3,217	33	188	2,996	0	0
GAP including commitments	1,783	421	-3,369	5,230	-4,065	0
Cumulative GAP including commitments	1,783	2,204	-1,165	4,065	0	0
CBC	7,344	4,310	93	0	0	-
Cumulative GAP including commitments and CBC	9,127	6,514	-1,072	4,065	0	0

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

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

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

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

1.4.43.3.4 Liquidity reserve

As part of management of liquidity risk resulting from the Bank's financial obligations, Raiffeisen stavební spořitelna holds part of its assets in highly liquid instruments, such as cash, state bonds, treasury bills and reserves with central banks that may be drawn. Therefore, the following tables only show the volume of deposits on the mandatory minimum reserve account exceeding their prescribed amount, which amounted to CZK 672 million as at 31 December, 2020 and CZK 588 million as at 31 December, 2019.

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

Liquidity reserve components – 31/12/2020

MCZK	Book value	Fair value
Cash and balances with central banks	3	3
State zero coupon bonds and other securities eligible for refinancing with the central bank not provided as collateral as at the balance sheet date	8,050	8,135
Securities as collateral for reverse repo operations	7,789	7,772
Total liquidity reserve	15,842	15,910

Liquidity reserve components – 31/12/2019

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

1.4.43.4 Market risks

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

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

1.4.43.4.1 Interest-rate risk

1.4.43.4.1.1 Interest-rate risk management

Interest-rate risk is the risk of a potential loss as a result of open interest-rate positions where net interest income or the market value of assets and liabilities may decrease due to adverse changes in market interest rates. Given the structure of interest-bearing assets and liabilities, which are characterized by a duration gap and have different maturity dates or intervals for interest rate changes, Raiffeisen stavební spořitelna is exposed to interest-rate risk. Due to the absence of a trading portfolio, only the interest-rate risk related to the investment portfolio is relevant and material to Raiffeisen stavební spořitelna.

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

The impact of regulatory interest-rate shock on capital by means of parallel shifts in the yield curve is measured in full accordance with the general EBA guidelines on the management of interest-rate risk arising from non-trading activities (EBA/GL/2018/02). Supervisory outlier testing is conducted in accordance with these guidelines and stress testing of interest-rate risk is also carried out on a regular basis. Monitoring and management of interest-rate risk is carried out using regulatory limits, limits set by the RBI group or internally set limits. These limits are assessed by the Assets and Liabilities Committee and approved by the Board of Directors.

1.4.43.4.1.2 Interest-rate risk sensitivity analysis

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

Interest-rate sensitivity of the Bank's assets and liabilities as at 31 December, 2020

MCZK	Up to 3 months	3–12 months	1–5 years	More than 5 years	Unspecified	Non-rate sensitive	Total
Cash and balances with central banks	0	0	0	0	549	3	552
Securities eligible for refinancing with the central bank	322	4,697	2,935	96	0	0	8,050
Receivables from banks	7,938	0	0	0	0	0	7,938
Receivables from clients	4,233	8,489	40,292	4,040	229	-238	57,045
Debt securities	7	0	0	198	0	0	205
Property	0	0	0	0	0	296	296
Participation interests with controlling influence	0	0	0	0	0	257	257
Other assets	0	0	0	0	0	930	930
Pre-paid expenses and accrued revenues	0	0	0	0	0	37	37
Total assets	12,500	13,186	43,227	4,334	778	1,285	75,310
Payables to clients	21,946	8,236	26,048	12,180	52	720	69,182
Other liabilities	0	0	0	0	0	481	481
Accrued expenses and deferred income	0	0	0	0	0	58	58
Provisions	0	0	0	0	0	58	58
Subordinated liabilities	0	2	0	300	0	0	302
Registered capital	0	0	0	0	0	650	650
Reserve funds	0	0	0	0	0	4,362	4,362
Retained earnings or accumulated losses from previous years	0	0	0	0	0	0	0
Profit or loss for the accounting period	0	0	0	0	0	217	217
Total liabilities	21,946	8,238	26,048	12,480	52	6,546	75,310
Commitments	-3,217	48	2,646	523	0	0	0
GAP including commitments	-12,663	4,996	19,825	-7,623	726	-5,261	0
Cumulative GAP including commitments	-12,663	-7,667	12,158	4,535	5,261	0	0

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

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

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

MCZK	2020 Interest rate increase 200 basis points	2020 Interest rate decrease 200 basis points
Impact on the Income statement	10	-222
Impact on the Bank's equity	0.19%	-4.34%

1.4.43.4.1.3 Simulation of net interest rate yield

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

1.4.43.4.2 Currency risk

Currency risk results from exchange rate movements and the existence of open currency positions. Raiffeisen stavební spořitelna's currency risk is immaterial as open foreign currency positions (cash in hand or foreign currency receivables and payables from customer-supplier relationships) are insignificant in terms of volume. As at 31 December, 2020 the foreign currency payables equalled CZK 1 million (as at 31 December, 2019: CZK 0 million).

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

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

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

MCZK	As at 31 December, 2020	Average 2020	As at 31 December, 2019	Average 2019
VaR of interest-rate instruments	57	34	23	23

As at 31 December, 2020 the VaR equalled CZK 57 million (in 2019 it was CZK 23 million).

Market risk management limits

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

1.4.43.4.4 Stress testing

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

1.4.43.4.5 Equity risk

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

Raiffeisen stavební spořitelna has no derivatives.

1.4.43.4.6 Operational risk

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

In 2020, events affecting operational risks were collected. In 2020, risk assessment procedures were updated for all departments and aligned with the advanced operational risk management method, and various possible adverse development scenarios and their impacts on the core activities of Raiffeisen stavební spořitelna were elaborated. Risk indicators continued to be collected and evaluated.

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

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

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

1.4.44 FAIR VALUE

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

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

Financial assets and financial liabilities at book and fair values as at 31/12/2020

MCZK	Book value 31/12/2020	Fair value 31/12/2020
Cash and balances with central banks	552	552
State zero coupon bonds and other securities eligible for refinancing with the central bank	8,050	8,135
Receivables from banks and cooperative savings associations	7,938	7,938
Receivables from clients – cooperative savings associations' members	57,045	59,245
Debt securities	205	213
Participation interests with controlling influence	257	289
Other assets	967	967
Total financial assets	75,014	77,339
Payables to clients – cooperative savings associations' members	69,182	69,040
Payables from the subordinate loan	302	302
Other liabilities	605	604
Total financial liabilities	70,089	69,946

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

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

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

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

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

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

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

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

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

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

Participation interests with substantial influence and participation interests with controlling influence – the fair value is the value taken from the expert opinion adjusted for the Bank's expectations, which reflect the Company's current situation. These financial assets are classified as Level 3 in the fair value hierarchy.

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

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

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

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

1.4.45 TRANSACTIONS NOT INCLUDED IN THE BALANCE SHEET

As at the date of the financial statement, the management of Raiffeisen stavební spořitelna is not aware of any major events that would require amendments to the financial statement as at 31 December, 2020.

1.4.46 MAJOR EVENTS SUBSEQUENT TO THE FINANCIAL STATEMENT DATE

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

Prague, 24 March, 2021

Raiffeisen stavební spořitelna a.s. Board of Directors:



Ing. Pavel Čejka, MBA

Chairman of the Board of Directors



Ing. Jan Jeníček

Deputy Chairman of the Board of Directors



Ing. Jiří Klumpar

Deputy Chairman of the Board of Directors

Officer in charge of accounting and the financial statement:



Ing. Petr Zaremba

Financial Department Director

2 REPORT ON RELATED PARTIES

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

This report on relations among the parties identified below was prepared for the accounting period of 2020 in line with the provisions of S. 82 of Act No. 90/2012 Coll., on business corporations (hereinafter the "Act"), as amended and applicable in the given accounting period.

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

2.1 STRUCTURE OF RELATIONS AMONG THE PARTIES PURSUANT TO S. 82(2)(a) THROUGH (c) OF THE ACT

2.1.1 CONTROLLING PARTIES AND STRUCTURE OF THE CONSOLIDATION UNIT

2.1.1.1 Controlling parties – until 30/11/2020

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

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

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

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

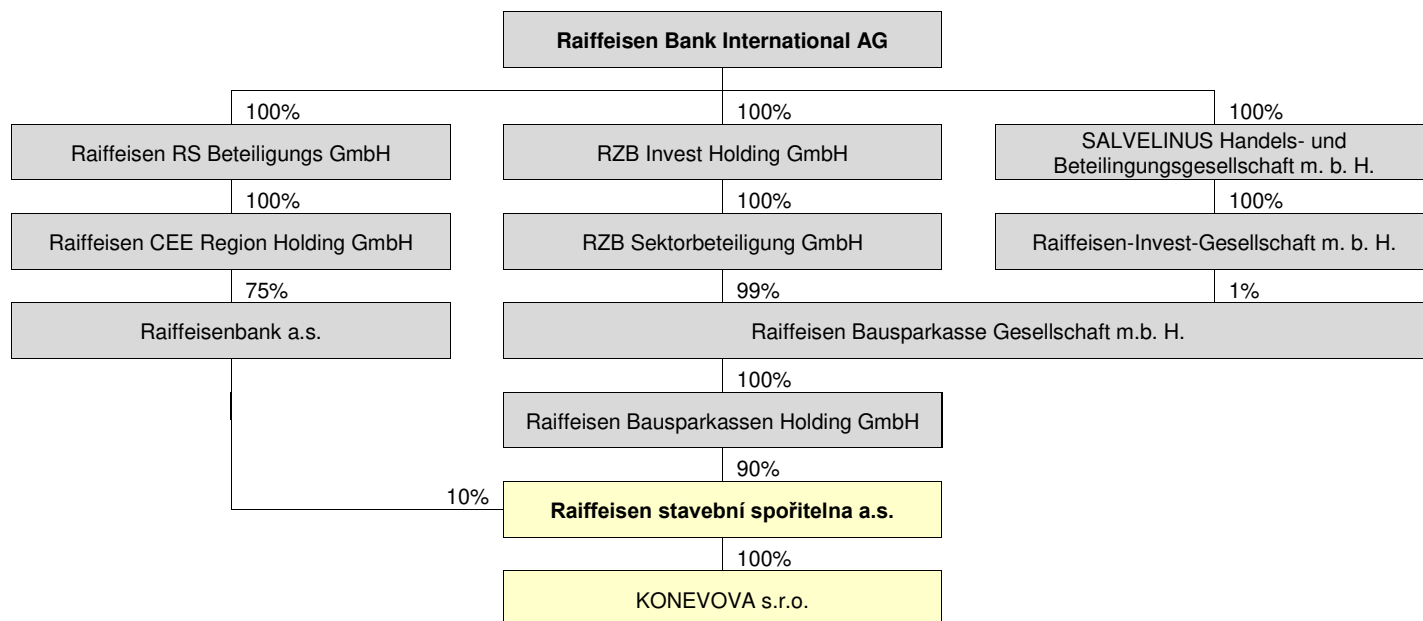
2.1.1.2 Controlling parties – since 1/12/2020

Raiffeisenbank a.s.
With its seat at Hvězdova 1716/2b, Prague, Czech Republic
100% share in Raiffeisen stavební spořitelna

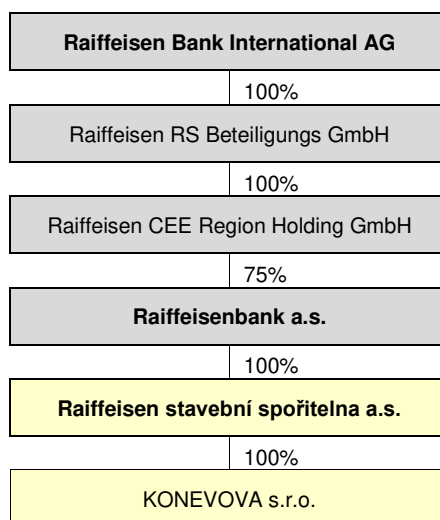
Raiffeisen Bank International AG
With its seat at Am Stadtpark 9, Vienna, Austria
Ultimate beneficial owner of the group

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

2.1.1.3 Ownership structure of the consolidation unit – until 30/11/2020



2.1.1.4 Ownership structure of the consolidation unit – since 1/12/2020



2.1.2 ROLE OF THE CONTROLLED PARTY, METHODS AND MEANS OF CONTROL

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

2.1.3 OTHER RELATED PARTIES

2.1.3.1 Companies controlled by the Reporting Party

KONEVOVA s.r.o.

With its seat at Koněvova 2747/99, Prague, Czech Republic

Raiffeisen stavební spořitelna holds a 100% share interest in the company.

2.1.3.2 Companies controlled by the same controlling party as the Reporting Party, with which the Reporting Party holds contractual relations – until 30/11/2020

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

2.1.3.3 Companies controlled by the same controlling party as the Reporting Party, with which the Reporting Party holds contractual relations – since 1/12/2020

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

Raiffeisen Bausparkassen Holding GmbH, Vienna, Austria

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

Contract	Closing date	Counterparty
Application to Open an Account	15/12/1993	Raiffeisenbank a.s., Prague
Contract for Lease of Real Property – Land	1/12/1995	KONEVOVA s.r.o., Prague
Amendment No. 1	1/12/1995	
Amendment No. 2	19/9/1997	
Amendment No. 3	1/10/1999	
Amendment No. 4	19/11/2015	
Amendment No. 5	29/2/2016	
Contract for Lease of a Movable Asset	29/5/1998	KONEVOVA s.r.o., Prague
Amendment No. 1	1/12/1998	
Amendment No. 2	1/7/2002	
Current Account Agreement	13/6/2000	Raiffeisenbank a.s., Prague
Current Investment Account Agreement	2/10/2001	Raiffeisenbank a.s., Prague
Payment Card Agreement	11/12/2002	Raiffeisenbank a.s., Prague
Contract for Lease of Non-residential Premises – Prague, Hájkova street	1/9/2005	KONEVOVA s.r.o., Prague
Amendment No. 1	1/2/2006	
Amendment No. 2	27/3/2007	
Amendment No. 3	3/5/2010	
Amendment No. 4	1/7/2011	
Amendment No. 5	29/9/2011	
Amendment No. 6	31/12/2018	
Agreement to Buy or Sell Securities, to Settle Trades with Securities, and to Administer Securities Including Annexes No. 1–5	10/4/2007	Raiffeisenbank a.s., Prague
Amendment No. 1	25/9/2013	
Agreement on the Provision of Commercial, Administrative, and Technical Consultancy Services	15/1/2008	Raiffeisen Bausparkassen Holding GmbH, Vienna
Framework Contract – Preferential Financing for Employees	13/6/2011	Raiffeisen – Leasing, s.r.o.
Amendment No. 1	8/8/2011	
Confidentiality and Personal Data Processing Agreement	29/9/2011	Raiffeisenbank a.s., Prague
Agreement on the Lease of Non-Residential Premises, Parking Stalls, and Flats	1/1/2012	KONEVOVA s.r.o., Prague
Treasury Master Agreement	29/2/2012	Raiffeisenbank a.s., Prague
Confidentiality and Personal Data Processing Agreement and Some Additional Arrangements	5/4/2012	Raiffeisenbank a.s., Prague
Direct Banking Service Agreement	15/11/2013	Raiffeisenbank a.s., Prague
Agreement to Provide X-business Internet Banking Services	3/2/2015	Raiffeisenbank a.s., Prague
Framework Agreement	26/1/2016	Raiffeisen Bank International AG, Vienna
Service Level Agreement	26/1/2016	Raiffeisen Bank International AG, Vienna
Debit Card Agreement	18/1/2017	Raiffeisenbank a.s., Prague
Personal Data Processing Verification Agreement pursuant to Article 28 of the GDPR	21/5/2018	Raiffeisen Bank International AG, Vienna
Service Level Agreement	7/9/2018	Raiffeisen Bank International AG, Vienna
Sales Representation Agreement	24/9/2018	Raiffeisenbank a.s., Prague
Annex No. 1	24/9/2018	
Amendment No. 1	31/1/2019	
Amendment No. 2	13/5/2019	
Amendment No. 3	14/5/2019	
Amendment No. 4	24/10/2019	
Amendment No. 5	3/1/2020	
Amendment No. 6	28/2/2020	
Amendment No. 7	18/3/2020	

Contract	Closing date	Counterparty
Amendment No. 8	20/8/2020	
Service Level Agreement	2/10/2018	Raiffeisen Bank International AG, Vienna
Tip Brokerage Agreement	10/10/2018	
Amendment No. 1	30/4/2019	Raiffeisenbank a.s., Prague
Amendment No. 2	18/11/2019	
Contract for the Provision of Call Centre Services	12/11/2018	Raiffeisenbank a.s., Prague
Debit Card Agreement	26/11/2018	Raiffeisenbank a.s., Prague
Cooperation Contract S/2019/00126	29/3/2019	Raiffeisenbank a.s., Prague
Debit Card Agreement	17/7/2019	Raiffeisenbank a.s., Prague
Subordinate loan contract	23/10/2019	Raiffeisen Bausparkassen Holding GmbH, Vienna
Amendment No. 1	5/12/2019	
Insurance Participation Agreement	4/12/2019	Raiffeisenbank a.s., Prague
Debit Card Agreement	17/12/2019	Raiffeisenbank a.s., Prague
Contract for the Lease of Business Premises	4/2/2020	KONEVOVA s.r.o., Prague
Debit Card Agreement	26/6/2020	Raiffeisenbank a.s., Prague
Debit Card Agreement	10/7/2020	Raiffeisenbank a.s., Prague
Debit Card Agreement	10/7/2020	Raiffeisenbank a.s., Prague
Cooperation Contract S/2020/00099	5/8/2020	Raiffeisenbank a.s., Prague
Cooperation Contract S/2020/00191	15/10/2020	Raiffeisenbank a.s., Prague
Confidentiality Agreement CDR10722	21/10/2020	Raiffeisenbank a.s., Prague
Confidentiality Agreement CDR11028	23/11/2020	Raiffeisenbank a.s., Prague
Agreement on Personal Data Processing CDR11031	23/11/2020	Raiffeisenbank a.s., Prague

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

Paid shares in profit and shares in equity: No shares in profit were paid out by the Reporting Party during the accounting period.

2.4 BENEFITS AND DRAWBACKS ARISING FROM RELATIONS AMONG THE CONTROLLING AND CONTROLLED PARTIES STATED IN CHAPTER 2.1

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

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

2.5 CLOSING STATEMENT OF THE BOARD OF DIRECTORS

Having reviewed the legal relations between the Reporting Party and the related parties, we are certain that no harm was incurred by the Reporting Party in consequence of the contracts, other legal acts and/or other measures concluded, executed or adopted by the Reporting Party in the accounting period of 2020 in the interest or upon the impetus of any of the related parties.

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

Prague, 24 March, 2021

Raiffeisen stavební spořitelna a.s. Board of Directors:



Ing. Pavel Čejka, MBA



Ing. Jan Jeníček



Ing. Jiří Klumpar

3 INFORMATION ON CAPITAL

3.1 RECONCILIATION OF REGULATORY AND BOOK CAPITAL

The tables below summarize the composition of regulatory and book capital and of specific indicators as at 31 December, 2020 and 31 December, 2019, allowing thus full reconciliation of regulatory capital items with the institution's capital and balance sheet.

3.1.1 Regulatory capital

MCZK	31/12/2020	31/12/2019
Paid-up registered capital entered in the Commercial Register	650	650
Gains (losses) from revaluation of assets and liabilities	0	0
Retained earnings or accumulated losses from previous years	0	-160
Reserve funds	4,354	3,978
(-) Additional value adjustment according to prudent valuation principles (AVA)	0	0
(-) Intangible assets other than goodwill	-220	-215
(-) Deferred tax liabilities associated with other intangible assets	21	17
Total capital meeting the criteria for Tier 1	4,805	4,270
Total amount of Tier 2 capital	300	300
Capital relevant for calculation of limits for major exposures, for qualified interests, and the capital ratio	5,105	4,570

3.1.2 Equity

MCZK	31/12/2020	31/12/2019
Paid-up registered capital entered in the Commercial Register	650	650
Retained earnings from previous periods	0	-160
Current year profit	217	536
Gains (losses) from revaluation of assets and liabilities	0	0
Reserve funds	4,362	3,986
Total equity	5,229	5,012

3.2 CAPITAL REQUIREMENTS

MCZK	31/12/2020	31/12/2019
Exposure to central governments and central banks	2	0
Exposure to regional governments and local authorities	0	0
Exposures to institutions	18	47
Exposures to enterprises	32	67
Retail exposures	1,299	1,284
Exposures secured with real property	753	666
Defaulting exposures	29	37
Exposures in covered bonds	0	3
Exposures to shares	21	21
Exposures to other items	42	54
Total capital requirements for credit risk	2,196	2,179
Capital requirement pursuant to Title III, Chapter 2 of Regulation No. 2013/575/EU	177	164
Total capital requirements for operational risk	177	164
Total capital requirements	2,373	2,343

Raiffeisen stavební spořitelna a.s.

Koněvova 2747/99

130 45 Prague 3

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

Year of founding: 1993

Legal Status: Joint-stock company

Business ID: 49241257

Tax ID: CZ699003154 (effective since 1/1/2021; until 31/12/2020 the valid Tax ID was CZ49241257)

Bank details: IBAN CZ82 5500 0000 0010 0100 5369

Phone: 271 031 111

Data box ID: f6qr5pb

Internet: www.rsts.cz
www.svet-bydleni.cz
www.vicedomova.cz
[Facebook](#)
[Instagram](#)
[LinkedIn](#)

Email: rsts@rsts.cz

Info line: 800 112 211

Raiffeisen stavební spořitelna a.s.
Koněvova 2747/99, 130 45 Praha 3
www.rsts.cz



Raiffeisen
STAVEBNÍ SPOŘITELNA