



Raiffeisen
BANK

SEMI-ANNUAL REPORT 2021

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Comments on the Consolidated Results of Raiffeisenbank Group for the first half of 2021

The first half of 2021 we can describe as 'acquisitions'. In early February, we announced the signing of RBI Group's deal to buy 100% of Equa bank's stock. An agreement to buy Akcenta, a Czech payment institution, was signed afterwards. Last, but not least, we agreed on an exclusive cooperation with ING. We are convinced that we will make full use of our experience gained earlier during the mergers with eBanka, Citibank's retail business and ZUNO to successfully finalize all three transactions.

Our efforts in the second quarter of the year were focused on attending former ING clients who joined our bank. At this moment, the number of clients transferred to our portfolio exceeds our original plans. Also, in terms of products, more than 60% of deposits and 90% of investments already passed the transfer process. According to feedback, our new clients particularly appreciate the extensive range of products we offer.

Of the other positive news, we have to mention our substantial progress in digitalization, where more than 25 percent of credit drawdown requests from corporate clients were submitted digitally via online banking. We are thus very well on the track towards our goal set for this year, consisting of digital processing of 40 percent of all credit drawdown requests. Last but not least, it should be noted that we are also successful in acquiring new SME clients, recognizing a 17% growth on a year-to-year basis.

All these figures serve a proof to our great dedication and commitment to achieving the goals for 2021.

It is a pleasure to see that Raiffeisenbank enjoys such a strong shareholder support in all its activities and that the Czech Republic is one of the key markets chosen by RBI for further growth.

Detailed information on economic results for the first half of 2021

Net profit and revenue

Consolidated net profit of the Group for the first six months of 2021 reached CZK 2 039 million, an amount 36.0% higher compared against the same figure of the last year. The Group's total operating revenue added 2.8% year on year.

Net interest revenue of the Group reached CZK 3.9 billion, an amount 9.1% down compared with the same period of the last year. The drop is particularly due to market interest rate movements in connection with the coronavirus pandemic. Net revenue from fees added 17.4% over the year, reaching CZK 1.8 billion.

Loss from the Group's financial operations reached CZK 9 million, which stands for a CZK 202 million improvement compared with the first half of 2020.

Costs

The Group's operating cost including personnel cost, general operating cost and depreciation of tangible and intangible assets added 7.6% year-on-year, totalling CZK 3.9 billion. The increase is primarily due to the inclusion of Raiffeisen stavební spořitelna a.s. in the consolidated group as of 1 December 2020.

Risk management

The Group continues to maintain a very sound loan portfolio. Losses from non-performing loans and other debts dropped CZK 917 million in absolute numbers year on year. This positive result is caused by releases in both the household and corporate segment. The result for the first six months of 2020 was affected by significant provisioning in connection with the COVID-19 pandemic.

Deposits and loans

Total assets of the Group reached CZK 585.4 billion, adding 21.4% over the six months ending June 2021. The volume of loans provided to the Group's clients grew over the first half of 2021 by 1.1% to CZK 302.1 billion. The growth was particularly seen in household lending. The volume of deposits accepted from the Group's clients added 19.0% compared against the end of 2020, totalling CZK 479.3 billion. The growth is particularly driven by increasing balances of current accounts held by both households and companies.

Capital

The Group's equity as at the end of the first half of 2021 amounted to 43.6 billion crowns, rising from CZK 36.8 billion as at 31 December 2020. The Group capital adequacy ratio as at 30 June 2021 reached 21.79%. In April 2021, the Bank's general meeting resolved to distribute the profits from the individual financial statements for 2020 amounting to CZK 2 140 million. No dividends were disbursed in the first half of 2021. The amount of CZK 2 140 million was transferred to the Bank's retained earnings. The increase of the Bank's retained earnings had a positive impact on the Group's capital adequacy ratio.

Rating

The long-term rating is A3, assigned by Moody's Investors Service on 7 June 2019. The short-term rating is Prime-1 with a stable outlook.

Major events of the first half of 2021

Acquisitions

- In February, Raiffeisen Bank International AG (RBI) reached an agreement to acquire a Czech payment institution - Akcenta CZ a.s. (Akcenta). According to the draft ownership structure, RBI acquired 70 percent of Akcenta and the remaining 30% stake was acquired by Raiffeisenbank a.s.
- RBI Group signed an agreement to buy 100% of the stock of Equa bank (Equa bank a.s. and Equa Sales and Distribution s.r.o.) from AnaCap Financial Partners (AnaCap) through Raiffeisenbank a.s.
- After more than 20 years of successful history on the local market, ING ends all its retail banking activities in the Czech Republic. In line with its good repute of an institution respecting a high standard of customer service, ING agreed on an exclusive cooperation with Raiffeisenbank to provide ING clients with such service and to add value to their funds.

Products

- Collaborating with Barclays Bank Ireland PLC, Crédit Agricole Corporate and Investment Bank and Raiffeisen Bank International AG, Raiffeisenbank successfully issued its first international MREL-eligible green bond denominated in EUR. The transaction was the first public issue of its type in the Czech Republic and so far it is the largest green bond issue from a financial institution in Central and Eastern Europe (CEE).

Digitalization

- In early March, Raiffeisenbank's internet banking launched a new feature letting the bank's clients display an overview of the building savings products they hold with Raiffeisen stavební spořitelna. In April, the feature was expanded to include a list of transactions and became available in mobile banking, too.
- The new version of Raiffeisenbank's mobile banking unveiled several new functionalities in the spring of 2021. These particularly include online opening of a current account or the opportunity to upload debit and credit cards to Google Pay and Apple Pay immediately after taking out the cards without having to wait for delivery of the plastic ones. Last but not least, Mobilní eKonto integrates the functions of Raiffeisenbank's stand-alone application RB klíč.

CSR

- As part of its collaboration with Kapka naděje foundation, Raiffeisenbank donated furniture to the paediatric trauma department of the Bulovka teaching hospital. The donation particularly consists of a robust seating set that the bank recovered from the closed Raiffeisenbank lounge at Prague's Václav Havel Airport, starting a new life for the set this way.

Employees

- On Friday, 21 May, as part of the European Diversity Day, Raiffeisenbank signed the Diversity Charter. By attaching the signature of its CEO Igor Vida, the bank joined more than 7,000 employers and institutions across Europe committed to promoting a tolerant and inclusive work environment.

Expected development of the economy in the second half of 2021

According to more precise estimates published by the Czech Statistical Office, domestic gross product in the second quarter of 2021 added 1.0% on a quarterly basis instead of the originally estimated 0.6%; the annual dynamics thus reached 8.3%. Despite the review, results of the Czech economy were rather disappointing as the market and the Czech National Bank considered growth around 9%. According to structural data, the main drivers behind the economic growth were household consumption and stock building. For the second half of the year, household demand, stock building and consequently fixed capital investments are expected to remain the major contributors. Economic recovery in the third quarter was boosted by easing pandemic restrictions, which should be also reflected in faster quarterly growth dynamics. The currently greatest obstacles preventing further acceleration are supply-related issues due to lacking production inputs across industries, failing to satisfy the strong demand. This fact increases the volume of work in progress, which, however, will support economic growth in the upcoming months along with the gradually debottlenecking supply chains. Thus, for the full year of 2021 we expect GDP to grow at the rate of 3.7%. However, the unconvincing figures for the first half of the year represent a risk of a downward correction of this forecast. Our forecast assumes a repeated mild worsening of the epidemic in the Czechia this autumn, however not requiring lockdowns of the economy.

The Czech labour market coped with the pandemic well beyond expectations. Today, it already approaches the situation before the outbreak, showing signs of overheating. With a registered unemployment rate at 3.6%, the Czech Republic ranks again among countries keeping the lowest unemployment rates in the European Union as well as within OECD. Also, the market registers a record high of vacancies that fail to be filled due to a structural mismatch. Given the continued absence of a significant part of foreign labour, one can expect rather shortage in labour than in jobs. This will further drive the pressure on growing Czech salaries, which will intensify over the remaining months of the year.

Following its temporary focus on supporting the economy struck by the pandemic, the Czech National Bank returned to the standard mode of inflation targeting and, in view of the accelerating price dynamics on both the local and global scale, it will now proceed with further monetary tightening. In our opinion, the basic interest rate will reach 1.50% by the end of this year and will grow further in 2022. This development

combined with the globally retreating pandemic will also boost the Czech crown, which is to gradually appreciate and end the year around EUR/CZK 25.20.

The first six months of this year in the banking sector were marked by credit expansion in both the corporate and retail segment. Over the first half of the year, non-financial firms draw CZK 342.5 billion in new loans, which almost doubles the figures for the first halves of the last two years. Loan growth is still promoted by favourably low interest rates and particularly by recovered trade following the cancelled anti-coronavirus restrictions. The structure of corporate loans shows a gradually decelerating growth of facilities covering temporary shortages of resources, growing credits for the replenishment of depleted stocks, as well as moderation in the decline of investment loans. This trend is expected to persist in the second half of the year. In the area of loans provided to citizens, mortgage loans play the key role. The aggregate volume of mortgage loans added 5.5% over the first six months of the year, mainly due to unusually high values of new loans. Virtually each month of this year set a new record. Brand new mortgage loans provided over the first half of the year reached CZK 200.4 billion, which figure already exceeds the volume for the full year of 2019 and approaches the yearly highs of 2020 and 2018. It is certain that this year will mark a new record. Most likely, the annual production of new mortgage loans will approach the level of CZK 300 billion. Again, low interest rates and their expected growth play a role and moved many clients to speed up their decision to take out a mortgage loan on the currently more favourable terms. High prices of real estates are also involved in this situation and are reflected in the average loan amount. The average rose from CZK 2.5 million in 2019 to today's CZK 3.2 million. Another effect of the coronavirus shock is the high level of savings left on bank accounts as an impact of deferred consumption and investments. Since the start of the crisis, non-financial firms have increased their savings by CZK 161 billion, while over the same period of the recent years their deposits added CZK 40 billion on average. After deducting deferred instalments as part of the credit moratorium, excessive savings of companies are estimated at CZK 108 billion. In respect of citizens, the total sum of deposits rose by CZK 433 billion; excessive savings thus reach approximately CZK 187 billion. These are huge amounts of available funds that might support domestic consumption and investments. However, it must be taken into account that these funds will be released very slowly and in the long term.

Sources: Czech Statistical Office, Czech National Bank,
Economic research of Raiffeisenbank a.s.

Outlook for the rest of 2021

Raiffeisenbank will further focus on offering attractive products and services for both retail and corporate clients. Full attention will be paid to expanding digitalization of our services and further improvements to the quality of service and comfort of use of our products, many of which can be taken out entirely online already today.

We are preparing to launch our autumn marketing campaigns to support new client acquisitions and implementation of technological innovations. We are connected to bank identity which brings further expansion of our services for clients. In 2022, we plan to offer interconnection of our services with BankID.

Health of our employees stands firm among our top priorities. We will maintain our employee benefits in the form of COVID-19 and flu vaccinations provided in cooperation with healthcare facilities near our headquarters in Prague, Olomouc and Teplice as well as in other regions.

With a view of the preparations for our merger with Equa bank in the upcoming year, we will focus on internal process activities to be able at the time of the actual amalgamation to provide the clients of both banks with the high quality and modern services they expect.

The bank's half-yearly report is available at www.rb.cz/o-nas/o-spolecnosti/vysledky-hospodareni/pololetni-zpravy.

Raiffeisenbank a.s.

Interim Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2021.

Components of the Interim Consolidated Financial Statements:

- Interim Consolidated Statement of Comprehensive Income
- Interim Consolidated Statement of Financial Position
- Interim Consolidated Statement of Changes in Equity
- Interim Consolidated Cash Flow Statement
- Notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Comprehensive Income For the Period Ended 30 June 2021

CZK million	Note	30. 6. 2021	30. 6. 2020 restated
Interest income and similar income calculated using the effective interest rate method	8	5,102	5,244
Other interest income	8	478	472
Interest expense and similar expense	8	(1,661)	(1,407)
Net interest income		3,919	4,309
Fee and commission income	9	2,311	1,999
Fee and commission expense	9	(472)	(432)
Net fee and commission income		1,839	1,567
Net gain/(loss) on financial operations		(9)	(212)
Net gain on financial assets other than held for trading mandatorily measured at fair value in profit or loss		11	(1)
Net gain/(loss) from hedge accounting		2	(17)
Dividend income		1	-
Impairment gains/ (losses) on financial instruments		367	(550)
Gains/(losses) from derecognition of financial assets measured at amortised cost		8	6
Personnel expenses		(1,739)	(1,717)
General operating expenses	10	(1,398)	(1,197)
Depreciation/amortisation of property and equipment and intangible assets		(718)	(668)
Other operating income		443	538
Other operating expenses		(176)	(329)
Gains/(losses) from non-current assets and disposal groups		(1)	-
Operating profit		2,549	1,730
Share in income of associated companies	12	1	-
Profit before tax		2,550	1,730
Income tax		(511)	(231)
Net profit for the year attributable to:		2,039	1,499
- shareholders of the parent company		2,039	1,499
Other comprehensive income			
Items that will not be reclassified to profit or loss in future:			
Gains/(losses) from remeasurement of equity securities at FVOCI		-	(47)
Deferred tax relating to items that will not be reclassified to profit or loss in following periods		-	-
Items that will be reclassified to profit or loss in future:			
Cash flow hedge		(67)	11
Deferred tax relating to items that will be reclassified to profit or loss in following periods		13	(2)
Total other comprehensive income attributable to:		(54)	(38)
- shareholders of the parent company		(54)	(38)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,985	1,461
- shareholders of the parent company		1,985	1,461

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statement of Financial Position

As at 30 June 2021

CZK million	Note	30. 6. 2021	31. 12. 2020
ASSETS			
Cash in hand and other cash equivalents	15	9,567	5,852
Financial assets held for trading		2,512	3,746
Derivatives held for trading		1,898	2,063
Securities held for trading		614	1,683
Non-trading financial assets mandatorily at fair value through profit or loss		542	532
Financial assets measured at FVOCI		17	1
Financial assets at amortised cost	11	540,193	445,336
Loans and advances to banks	11	197,977	107,619
Loans and advances to customers	11	302,131	298,759
Debt securities	11	40,085	38,958
Finance leases		7,849	8,091
Change in fair value of portfolio-remeasured items (loans and advances to customers and debt securities)	11	(519)	1,253
Hedging derivatives with positive fair value		1,725	2,030
Tax receivables		398	598
Deferred tax asset		6	6
Equity investments in associated companies	12	94	-
Intangible assets		3,257	3,247
Property and equipment		3,874	4,098
Investment property		319	323
Other assets		15,527	6,887
TOTAL ASSETS		585,361	482,000
LIABILITIES AND EQUITY			
Financial liabilities held for trading		1,902	2,616
Derivatives held for trading		1,902	2,616
Financial liabilities at amortised cost		535,295	436,469
Deposits from banks	13	28,212	12,201
Deposits from customers	13	479,264	402,776
Debt securities issued	13	7,246	13,053
Subordinated liabilities and bonds	13	15,057	4,561
Other financial liabilities	13	5,516	3,878
Fair value remeasurement of portfolio-remeasured items (deposits from customers)	13	(1,868)	262
Hedging derivatives with negative fair value		3,224	3,209
Provisions	14	1,029	1,172
Current tax liability		71	26
Deferred tax liability		330	337
Other liabilities		1,826	1,095
TOTAL LIABILITIES		541,809	445,186
EQUITY			
Attributable to shareholders of the Group		43,552	36,814
Share capital		15,461	11,061
Reserve fund		825	825
Fair value reserve		(10)	44
Retained earnings		20,406	18,491
Other equity instruments		4,831	4,169
Profit for the year		2,039	2,224
TOTAL EQUITY		43,552	36,814
TOTAL LIABILITIES AND EQUITY		585,361	482,000

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statement of Changes in Equity For the Period Ended 30 June 2021

CZK million	Equity attributable to shareholders of the Group						
	Share capital	Reserve fund	Fair value reserve	Retained earnings	Other equity instruments	Profit for the year	Total equity
At 1 January 2020	11,061	694	372	14,114	3,383	4,731	34,355
Payment of coupon on other equity instruments	-	-	-	(211)	-	-	(211)
Allocation to retained earnings	-	-	-	4,731	-	(4,731)	-
Net profit for the year	-	-	-	-	-	1,499	1,499
Other comprehensive income, net	-	-	(38)	-	-	-	(38)
Total comprehensive income for the year	-	-	(38)	-	-	1,499	1,461
At 30 June 2020	11,061	694	334	18,634	3,383	1,499	35,605
At 1 January 2021	11,061	825	44	18,491	4,169	2,224	36,814
Increase in capital	4,400	-	-	-	-	-	4,400
Increase in other equity instruments	-	-	-	-	662	-	662
Payment of coupon on other equity instruments	-	-	-	(255)	-	-	(255)
Allocation to retained earnings	-	-	-	2,224	-	(2,224)	-
Changes in the consolidated group	-	-	-	(54)	-	-	(54)
Net profit for the year	-	-	-	-	-	2,039	2,039
Other comprehensive income, net	-	-	(54)	-	-	-	(54)
Total comprehensive income for the year	-	-	(54)	-	-	2,039	1,985
At 30 June 2021	15,461	825	(10)	20,406	4,831	2,039	43,552

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Cash Flow Statement For the Period since 1 January 2021 till 30 June 2021

(CZK million)	1.1.–30.6.2021	1.1.–30.6.2020
Profit before tax	2,550	1,730
Adjustments for non-cash transactions		
(Release)/ creation of loss allowances and provisions for credit risks	(367)	550
Depreciation/amortisation of property and equipment and intangible assets	718	668
Loss on the impairment of tangible and intangible assets	-	1
(Release)/ creation of other provisions	(158)	(225)
Change in fair value of derivatives	(295)	1,151
Unrealised losses/(gains) on remeasurement of securities	9	-
Loss/(gain) on the sale of property and equipment and intangible assets	(8)	-
Change in the remeasurement of hedged items upon fair value hedge	(358)	(1,154)
Share in profit from associated companies	(1)	-
Remeasurement of foreign currency positions	(537)	1,749
Other non-monetary changes	1,641	(1,144)
Operating profit before changes in operating assets and liabilities	3,194	3,326
Operating cash flow		
(Increase)/decrease in operating assets		
Mandatory minimum provisions with CNB	(7,846)	349
Loans and advances to banks	(90,352)	(8,317)
Loans and advances to customers	(4,763)	(2,616)
Debt securities at amortised cost	(1,101)	(18,530)
Securities held for trading	1,080	(1,604)
Non-trading financial assets mandatorily at fair value through profit or loss	-	(124)
Finance leases	242	160
Other assets	(791)	(1,244)
Increase/(decrease) in operating liabilities		
Deposits from banks	16,303	5,049
Deposits from customers	76,419	26,372
Other financial liabilities	1,902	483
Other liabilities	734	602
Net operating cash flow before tax	(4,979)	3,906
Income tax paid	(528)	(575)
Net operating cash flow	(5,507)	3,331
Cash flows from investing activities		
Sale/(acquisition) of equity investments	(147)	-
Acquisition of financial assets at FVOCI	(16)	-
Acquisition of property and equipment and intangible assets	(532)	(633)
Proceeds from sale of non-current assets	11	-
Dividends received	1	-
Net cash flow from investing activity	(683)	(633)
Cash flows from financing activities		
Dividends paid and paid coupons on other equity instruments	(255)	(211)
Increase in share capital	4,400	-
Increase in other equity instruments	662	-
Subordinated debt securities issued	10,559	-
Repayment of debt securities issued	(5,531)	(37)
Drawing of subordinated debt	315	-
Lease liabilities	(162)	(182)
Net cash flow from financing activities	9,988	(430)
Net (decrease)/increase in cash and cash equivalents	3,798	2,268
Cash and cash equivalents at the beginning of the period	5,852	11,209
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the period	(83)	135
Cash and cash equivalents at the end of the period	9,567	13,612
Interests received	5,548	5,720
Interests paid	(1,569)	(1,377)

The accompanying notes are an integral part of these interim consolidated financial statements.

Reconciliation of Liabilities Arising from Funding, Including Changes Arising from Cash Flows and Non-Cash Changes

	At 1 January 2021	Cash flows		Non-cash changes		At 30 June 2021
		Inflow	Outflow	Remeasurement of foreign currency positions	Other non- monetary changes	
Subordinated debt	4,561	315	-	(124)	-	4,752
Subordinated debt securities issued	-	10,559	-	(263)	9	10,305

	At 1 January 2020	Cash flows		Non-cash changes		At 30 June 2020
		Inflow	Outflow	Remeasurement of foreign currency positions	Other non- monetary changes	
Subordinated debt	3,309	-	-	173	-	3,482

Notes to the Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2021.

1. PARENT COMPANY CORPORATE DETAILS

Raiffeisenbank a.s. (henceforth the "Bank"), with its registered office address at Hvězdova 1716/2b, Prague 4, 140 78, Corporate ID 49240901, was founded as a joint stock company in the Czech Republic. The Bank was registered in the Register of Companies held at the Municipal Court in Prague on 25 June 1993, Volume B, File 2051.

Principal activities of the Bank according to the bank license granted by the Czech National Bank:

- Acceptance of deposits from the general public;
- Provision of credit;
- Investing in securities on its own account;
- Finance leasing – at present, the Bank does not carry out this activity directly;
- Payments and clearing;
- Issuance of payment facilities;
- Issuance of guarantees;
- Opening of letters of credit;
- Collection services;
- Provision of investment services:
- Principal investment services under Section 4 (2) (a) – (h) of Act No. 256/2004 Coll., as amended;
- Additional investment services under Section 4 (3) (a) – (f) of Act No. 256/2004 Coll., as amended ;
- Issuance of mortgage bonds;
- Financial brokerage;
- Depository activities;
- Foreign exchange services (foreign currency purchases);
- Provision of banking information,
- Proprietary or client-oriented trading with foreign currency assets;
- Rental of safe-deposit boxes;
- Activities directly relating to the activities listed in the bank license; and
- Mediation of an additional pension savings program

In addition to the license to pursue bank operations, the Bank:

- was granted a securities broker licence; and
- has been listed by the Ministry of Finance of the Czech Republic as a limited insurance provider since 20 July 2005.

Performance or provision of the Bank's activities and services were not restricted nor suspended by the Czech National Bank.

Both Bank and Group have to comply with regulatory requirements stated by Czech National Bank or European Union. Such requirements are limits and other restrictions related to capital adequacy, loans and off-balance sheet credit exposure classifications, credit risk in connection with Bank and Group clients, liquidity, interest rate risk and FX position of the Bank and the Group.

2. SHAREHOLDERS OF THE BANK

Name, address	Voting power in %	
	30. 6. 2021	31. 12. 2020
Raiffeisen CEE Region Holding GmbH, Am Stadtpark 9, Vienna, Austria	75%	75%
RLB OÖ Sektorholding GmbH, Europaplatz 1 a, 4020 Linz, Austria	25%	25%

The equity interests of the shareholders equal their share in the voting power. All shareholders have a special relation to the Bank in terms of Section 19 of Banking Act No. 21/1992 Coll., as amended.

The ultimate parent company of the Bank is Raiffeisen Bank International AG, Austria.

3. BASIS OF PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements, which include the interim accounting reports of the Bank and its subsidiary companies, were prepared in compliance with IAS 34 – Interim Financial Reporting.

The interim consolidated financial statements were prepared on the accrual principle, i.e. the transactions and other facts were recognized upon their occurrence and posted in the interim consolidated financial statements in the time period to which they apply, and the principle of continuity of the Group.

This interim consolidated financial statements were prepared based on measurement at acquisition cost, except for financial assets and financial liabilities that were measured at fair value through profit or loss (e.g. financial derivatives held for trading, securities held for trading), financial assets at fair value through other comprehensive income, hedging derivatives and hedges items upon fair value hedge. Assets held for sale were measured at fair value decreased by expenses related to sale, in case that had been lower than its book value.

The presentation of the interim consolidated financial statements in compliance with IFRS require that the management of the Group make qualified estimates that have an impact on reported assets, equity and liabilities as well as on contingent assets and liabilities as of the date of preparation of the interim consolidated financial statement as well as on expenses and revenues in the given accounting period. These estimates, which specifically relate to the determination of fair values of financial instruments (where no public market exists), valuation of intangible assets, impairment of assets and provisions, are based on the information available at the balance sheet date.

Effects of the COVID-19 pandemics on the consolidated interim financial statements

The outbreak of the COVID-19 pandemics in Europe in February 2020 had an impact on the operational and strategic objectives of the Group. In connection with the pandemics and the declared state of emergency all over the territory of the Czech Republic lasting from 5 October 2020 until 11 April 2021, the Group continued with various measures to protect the health of its employees and clients.

The Group enabled long-term work from home for nearly all its members of staff. Also, the Group optimizes the layout and number of workplaces in the Group's premises in combination with the support for long-term work from home for most employees.

The Group continues to provide loans to clients from all segments. The Group enables clients to handle the vast majority of banking operations remotely without the need to visit a branch.

The Group continued to offer credit facilities for corporates and businesses under the COVID guarantee programmes operated by Českomoravská záruční a rozvojová banka (ČMZRB), COVID III being the most extensive programme.

According to IFRS 9, the loan moratorium results in modification of the contractual cash flows of a financial asset. The Group evaluated this modification as an immaterial modification of the financial assets that does not result in derecognition of the original financial asset. The modification gain or loss equals to the difference between the gross book value of the loan before modification and the net current value of the cash flows of the modified financial asset discounted at the original effective interest rate. The Group recognized the modification loss in the consolidated statement of comprehensive income under "Other operating cost". As at 30 June 2021, the modification loss caused by COVID-19 effects amounted to CZ 0 million while as at 30 June 2020: CZK 97 million.

In accordance with the EBA guidance, granting a private or public moratorium to a client is not automatically considered an indicator of a significant increase of credit risk leading to worse exposure staging. On the other hand, it may result in worse staging of the client based on individual assessment as part of extraordinary or regular monitoring or annual assessment renewal. The Group's exposures under a public or private moratorium are reported as forbore exposures, however without automatically worsening the risk category. When evaluating significant increases of credit risk the Group continues to apply a set of qualitative, quantitative and additional criteria.

The Group regularly monitors the development of clients under loan repayment moratoria to (i) support the clients with targeted selected measures, (ii) set up the recovery personnel capacities for the anticipated wave of defaults after the end of the moratoria, (iii) estimate the future impacts on the profit and loss statement on a regular basis. The work and activities performed particularly consist of i) the dynamic monitoring of risk indicators, ii) client surveys, iii) the reasonable sizing of and seniority in expert teams focused on loan restructuring in the retail and corporate segments.

The Group closely monitors the sectors that are most affected by the COVID-19 pandemic (automotive industry, hotels and tourism, hospitality and entertainment, transport, etc.). Rules applicable to the assessment of risk categories were adjusted in respect of retail clients in these sectors, whereas in the corporate segment, individual assessments were used. The Group deems that the expected credit risk in these industries is included in the forward-looking components and in the staging algorithm used in IFRS 9 models; thus, the Group does not apply any additional portfolio adjustments to selected industries beyond the framework of the applicable IFRS 9 methodology.

Forward looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. RBI has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

In addition to the base economic scenario, Raiffeisen Research also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured. RBI has concluded that three scenarios appropriately captured non-linearity. Expert judgment on idiosyncratic risks has also been applied in this process on the level of Raiffeisen Research in coordination with RBI Group risk management, resulting in selective adjustments to the optimistic and pessimistic scenarios. In case of a potential negative or positive forecast bias of selected macroeconomic indicators a potential bias correction might be performed on a single country level. In this respect, all possible outcomes that are presented by each individual scenario are taken into account. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss (ECL) model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The RBI Group considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within the RBI Group's different portfolios.

The most significant assumptions used as a starting point for the expected credit loss estimates at year-end 2020 are shown below (Source: Raiffeisen Research, April 2021):

Real GDP	Scenario	2021	2022	2023
Czech Republic	Optimistic	4.5%	7.1%	4.0%
	Base	2.6%	5.5%	2.8%
	Pesimistic	(0.3)%	3.0%	1.0%
Unemployment	Scenario	2021	2022	2023
Czech Republic	Optimistic	3.5%	3.3%	3.0%
	Base	4.6%	4.3%	3.7%
	Pesimistic	6.1%	5.7%	4.7%
Long-term bond rate	Scenario	2021	2022	2023
Czech Republic	Optimistic	0.9%	1.3%	1.8%
	Base	1.5%	1.8%	2.2%
	Pesimistic	3.2%	3.3%	3.2%

Going concern assumption

These consolidated interim financial statements are prepared by following the principle of the accounting entity continuing as a going concern as the Group's management believes that the Group has sufficient resources required to continue in its business in the foreseeable future. This belief of the Group's management is based on an extensive range of information and analyses relating to the current and future development of the economic environment including possible scenarios and their impacts on the Group's profitability, liquidity and capital adequacy, while there is no significant uncertainty relating to events or circumstances that might crucially challenge the Group's ability to continue as a going concern.

The provided data have not been audited.

All data are in millions of Czech Crowns (CZK) unless stated otherwise. The numbers in parenthesis are negative numbers.

4. ACCOUNTING POLICIES

Significant Accounting Policies and Principles

For the preparation of interim consolidated financial statements have been used the same accounting policies and principles, methods of calculation and estimates as for consolidated financial statements for the year ended 31 December 2020 except for those that relate to new standards effective for the first time for periods beginning on 1 January 2021, and will be adopted in the 2021 annual consolidated financial statements.

5. NEWLY APPLIED IFRS STANDARDS

(a) Newly applied standards and interpretations the application of which had a significant impact on the consolidated financial statements

In 2021, the Group did not start using any standards and interpretations which would have a significant impact on the interim consolidated financial statements.

(b) Newly Applied Standards and Interpretations the Application of which Had No Significant Impact on the Interim Consolidated Financial Statements

During the year 2021, the following standards, interpretations and amended standards issued by the IASB and adopted by the EU took effect:

- **Interest Rate Benchmark Reform – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** (effective for annual periods beginning on or after 1 January 2021).

Impact of IBOR reform on hedge accounting

The reform of interbank offered rates (IBOR) means that for main reference rates such as PRIBOR, LIBOR and EURIBOR, the methodology of setting is changed, and some of them may entirely ceased to exist. At the same time, new alternatives arise or are more often used e. g. €STR for EUR, SOFR for USD, and SONIA for GBP.

The main impacts of the change in reference rates on the Group include the effect on the measurement of financial instruments, the necessity of the identification of and subsequent changes in contractual documentation which is based on the rates being terminated, and technical solutions of the implementation of this change in the individual transaction systems of the Group. The Group takes into account various possible scenarios of the implementation with respect to the complexity arising from the form in which the new standards for setting reference rates for individual currencies will be adopted. A working group in the Group is in charge of an impact analysis of this reform, including its effects on products, processes, changes in contractual documentation and overall system implementation of this change. This working group regularly reports to the management of the Group on the status of overall readiness.

The Group has exposures in hedge accounting denominated in CZK, EUR and USD.

CZK million	PRIBOR (in CZK)	EURIBOR (in EUR)	LIBOR (in USD)
Exposure due to hedge accounting	209,282	1,707	479

The reference rates PRIBOR and EURIBOR have already been reformed. They meet the requirements of the regulation and have been approved as authorised reference rates; their termination and its impact on hedge accounting is not expected. The change of EONIA to €STR has been evaluated as immaterial for hedging effectiveness as the Group has no hedging derivatives with such reference rates.

The expected cessation of USD-LIBOR bears the highest risk for the Group as the final solution of the new market standard for the USD reference rate is not known. Therefore it is currently not possible to estimate precisely the overall financial impact of this change on the hedge accounting of the Group.

- **Amendments IFRS 4** - Extension of the Temporary Exemption from Applying IFRS 9 (effective for annual periods beginning on or after 1 January 2021).

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

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

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

- **Amendment to IAS 1 - Presentation of Financial Statements** - Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2023);
- **Amendment to IAS 16 - Property, Plant and Equipment** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- **Amendment to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets** - Onerous Contracts - Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendment to IFRS 3 - Business Combination** - Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 17 - Insurance Contracts** (effective for annual periods beginning on or after 1 January 2023 ; to be applied prospectively. Earlier application is permitted.);
- **Annual improvements to IFRS (cycle 2018 - 2020)** - improvements to IFRS 1, IFRS 9, IFRS 16 a IAS 41 (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 16 Leases** - Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021);
- **Amendments to IAS 1 Presentation of Financial Statements** - IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 10 a IAS 28 (2018 - 2020)** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the European Commission has decided to postpone the approval indefinitely);
- **Amendments to IAS 12 Income Taxes** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).

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

6. COMPANIES INCLUDED IN THE CONSOLIDATION

As of 30 June 2021, the Group comprised the following entities:

Company	The Bank's effective holding		Indirect holding through	Consolidation method in 2021	Registered office
	in % 2021	in % 2020			
Raiffeisen investiční společnost a.s.	100%	100%	-	Full method	Praha
Raiffeisen stavební spořitelna a.s.	100%	100%	-	Full method	Praha
Konevova s.r.o.	100%	100%	Raiffeisen stavební spořitelna a.s.	Full method	Praha
Raiffeisen - Leasing, s.r.o.	100%	100%	-	Full method	Praha
Raiffeisen FinCorp, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Appolon Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Luna Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
RLRE Carina Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Orchideus Property, s. r. o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Viktor Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Hestia Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Janus Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Raiffeisen Direct Investments CZ s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
RDI Management s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 1 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 3 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 4 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 5 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 6 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
Akcenta CZ a.s.	30%	-	-	Equity method	Praha

On 1 June 2021 the Group purchased 30% share in Akcenta CZ a.s., which has been consolidated using the equity method. Details of assets and liabilities of this company the date of acquisition are given in the following overview.

CZK million	Book values as at date of inclusion into consolidation group	
		Akcenta CZ a.s.
Cash and cash equivalents		2,723
Financial assets held for trading		206
Financial assets at amortised cost		48
Income tax receivable		5
Other assets		8
Investments in subsidiaries		16
Intangible assets		141
Property, plant and equipment		22
Financial liabilities held for trading		(153)
Financial liabilities at amortised cost		(2,578)
Provisions		(13)
Other liabilities		(115)
Fair value of the identifiable net assets		310
Fair value of the Group's share in the identifiable net assets		93
Acquisition price of investment		147
Goodwill		54
Cash inflow/outflow from acquisition		(147)

As of 30.6.2021, the Group did not include in its consolidation following companies due to its immateriality: Aglaia Property, s.r.o., Ananke Property, s.r.o., Argos Property, s.r.o., Beroe Property, s.r.o., Dero Property, s.r.o., Eudore Property, s.r.o., Hefaiistos Property, s.r.o., Ianira Property, s.r.o., Kalyпсо Property, s.r.o., Létó Property, s.r.o., Médea Property, s.r.o., Pherusa Property, s.r.o., Plutos Property, s.r.o., Raiffeisen Broker, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., RLRE Ypsilon Property, s.r.o., Sky Solar Distribuce s.r.o., Thaumás Property, s.r.o., Thoe Property, s.r.o., Akcenta Logistic a.s., Akcenta DE GmbH, Nerudova Property s.r.o., True Finance s.r.o.

Companies Cranto Property, s.r.o., Ligea Property, s.r.o. a Theseus Property, s.r.o. were excluded from the consolidation group during the first six months of 2021. These companies ceased to meet the criteria of International Financial Reporting Standards for being included in the consolidated group since, based on concluded contracts, Raiffeisen - Leasing, s.r.o. does not have the power to control and manage relevant activities of these entities; these entities are not the controlled entities, jointly controlled entities, or associates.

With the exception of the above mentioned changes the structure of the Consolidation Group is the same as the structure as of 31 December 2020.

7. SIGNIFICANT EVENTS IN 2021

Acquisition of ING's clients

In February 2021 the management of the Group signed a referral agreement with ING on the re-contracting of ING's customers. The agreement was approved by the Czech Office for Protection of the Competition in March 2021.

Increase of capital

In connection with the acquisition of a 100% share in Equa bank a.s. and Equa Sales and Distribution s.r.o., the Bank's share capital was increased by CZK 4,400 million, the Bank's other equity instruments were increased by EUR 26 million and the Bank's subordinated debt was increased by EUR 12 million in May 2021.

Profit for 2020 distribution and dividend payment

Shareholders on the regular general meeting of the Bank in April 2021 agreed on distribution of the profit from individual financial statement for year 2020 in the amount of CZK 2,140 million. No dividend was paid during the first six months of 2021. Amount of CZK 2,140 million was transferred into Bank's retained earnings. From Bank's retained earnings coupon in amount CZK 255 million was paid to the holders of AT1 capital investment certificates.

8. NET INTEREST INCOME

CZK million	30. 6. 2021	30. 6. 2020
Interest income and similar income calculated using the effective interest rate method		
Financial assets measured at amortised cost	4,680	4,731
from debt securities	303	167
from loans and advances to banks	238	684
from loans and advances to customers	4,139	3,880
Non-trading financial assets mandatorily at fair value through profit or loss	3	2
from debt securities	3	2
Negative interest on financial liabilities at amortised cost	25	10
Hedging interest rate derivatives	394	501
Interest income and similar income calculated using the effective interest rate method	5,102	5,244
Other interest income		
Finance leases	99	117
Financial assets held for trading	379	355
Derivatives held for trading	378	354
of which derivatives in the bank's portfolio	2	2
Debt securities	1	1
Other interest income	478	472
Interest expense		
Financial liabilities held for trading	(332)	(299)
Derivatives held for trading	(332)	(299)
of which derivatives in the bank's portfolio	(1)	(7)
Financial liabilities at amortised cost	(823)	(690)
from deposits from banks	(16)	(96)
from deposits from customers	(689)	(497)
from securities issued	(31)	(33)
from subordinated liabilities	(87)	(64)
From lease liabilities	(11)	(14)
Hedging interest rate derivatives	(491)	(401)
Negative interest on financial assets at amortised cost	(4)	(3)
Total interest expense and similar expense	(1,661)	(1,407)
Net interest income	3,919	4,309

The Group changed the reporting of derivatives from the original presentation of interest rate and cross-currency swaps in interest income and expenses to the net interest income or expense method of presentation.

The items "Interest income and similar income calculated using the effective interest rate method" - "Hedging interest rate derivatives" and "Interest expense" - "Hedging interest rate derivatives" comprise net interest income on hedging financial derivatives upon a cash flow hedge of CZK 17 million (2020: CZK 25 million), net interest income from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK (404) million (2020: CZK 276 million), net interest expense on hedging financial derivatives upon a fair value hedge of term deposits the portfolio of current and savings accounts of CZK 290 million (2020: CZK (201) million).

9. NET FEE AND COMMISSION INCOME

CZK million	30. 6. 2021	30. 6. 2020
Fee and commission income arising from		
Securities transactions	65	61
Clearing and settlement	14	11
Asset management	21	33
Administration, custody and safekeeping of values	20	30
Payment services	861	732
Product distribution for customers	153	85
Administration of credits	120	88
Provided guarantees	72	73
Fund management and distribution of units	180	150
Foreign exchange operations	749	706
Other	56	30
Total fee and commission income	2,311	1,999
Fee and commission expense arising from		
Clearing and settlement	(32)	(23)
Administration, custody and safekeeping of values	(2)	(1)
Payment services	(298)	(321)
Received guarantees	(7)	(7)
Product distribution for customers	(55)	-
Other	(78)	(80)
Total fee and commission expense	(472)	(432)
Net fee and commission income	1,839	1,567

10. GENERAL ADMINISTRATIVE EXPENSES

CZK million	30. 6. 2021	30. 6. 2020
Rent, repairs and other office management services	(72)	(117)
Marketing expenses	(232)	(207)
Costs of legal and advisory services	(235)	(179)
IT support costs	(297)	(244)
Deposit and transaction insurance	(74)	(62)
Telecommunication, postal and other services	(33)	(43)
Security costs	(26)	(26)
Training costs	(9)	(7)
Office equipment	(15)	(11)
Travel costs	(4)	(5)
Company cars expenses	(5)	(5)
Contribution to the crisis resolution fund	(338)	(273)
Other administrative expenses	(58)	(18)
Total	(1,398)	(1,197)

11. FINANCIAL ASSETS AT AMORTISED COST

(a) Financial Assets at Amortised Cost by Segment

CZK million	30. 6. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities					
Credit institutions	201	-	-	-	201
Government institutions	36,746	-	-	-	36,746
Other financial institutions	925	-	-	-	925
Non-financial entities	2,220	-	-	-	2,220
Debt securities, gross	40,092	-	-	-	40,092
Loss allowances	(7)	-	-	-	(7)
Debt securities, net	40,085	-	-	-	40,085
Loans and advances to banks					
Central banks	196,792	-	-	-	196,792
Credit institutions	1,185	-	-	-	1,185
Loans and advances to banks – gross	197,977	-	-	-	197,977
Loss allowances	-	-	-	-	-
Loans and advances to banks – net	197,977	-	-	-	197,977
Loans and advances to customers					
Government institutions	856	15	-	-	871
Other financial institutions	13,554	636	124	-	14,314
Non-financial entities	88,751	22,999	3,150	73	114,973
Households	146,654	26,131	4,177	263	177,225
Loans and advances to customers – gross	249,815	49,781	7,451	336	307,383
Loss allowances	(595)	(1,220)	(3,492)	55	(5,252)
Loans and advances to customers – net	249,220	48,561	3,959	391	302,131
Total financial assets at amortised cost	487,282	48,561	3,959	391	540,193

CZK million	31. 12. 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities					
Credit institutions	205	-	-	-	205
Government institutions	36,788	-	-	-	36,788
Other financial institutions	167	-	-	-	167
Non-financial entities	1,807	-	-	-	1,807
Debt securities, gross	38,967	-	-	-	38,967
Loss allowances	(9)	-	-	-	(9)
Debt securities, net	38,958	-	-	-	38,958
Loans and advances to banks					
Central banks	106,637	-	-	-	106,637
Credit institutions	982	-	-	-	982
Loans and advances to banks – gross	107,619	-	-	-	107,619
Loss allowances	-	-	-	-	-
Loans and advances to banks – net	107,619	-	-	-	107,619
Loans and advances to customers					
Government institutions	934	72	-	-	1,006
Other financial institutions	13,047	215	136	-	13,398
Non-financial entities	80,826	31,314	2,753	89	114,982
Households	132,565	38,736	3,719	275	175,295
Loans and advances to customers – gross	227,372	70,337	6,608	364	304,681
Loss allowances	(587)	(1,722)	(3,649)	36	(5,922)
Loans and advances to customers – net	226,785	68,615	2,959	400	298,759
Total financial assets at amortised cost	373,362	68,615	2,959	400	445,336

(b) Financial Assets at Amortised Cost by Category

CZK million	30. 6. 2021	31. 12. 2020
Debt securities		
Debt securities	40,092	38,967
Debt securities, gross	40,092	38,967
Loss allowances	(7)	(9)
Debt securities, net	40,085	38,958
Loans and advances to banks		
Term deposits	1,164	966
Factoring	21	16
Reverse repo transactions with Czech National Bank	196,792	106,637
Loans and advances to banks – gross	197,977	107,619
Loss allowances	-	-
Loans and advances to banks – net	197,977	107,619
Loans and advances to customers		
Loans and advances from current accounts	2,518	2,770
Term loans	163,334	163,363
Mortgage loans	132,148	129,487
Reverse repo transactions	1,594	260
Credit card receivables	2,905	3,077
Factoring	4,884	5,724
Loans and advances to customers – gross	307,383	304,681
Loss allowances	(5,252)	(5,922)
Loans and advances to customers – net	302,131	298,759
Total financial assets at amortised cost	540,193	445,336

The Group applies hedge accounting upon the fair value hedge of the current and savings accounts portfolio and debt securities. The remeasurement of the hedged items as of 30 June 2021 was CZK: (519) million (as of 31 December 2020: CZK 1,253 million).

12. EQUITY INVESTMENTS IN ASSOCIATES

CZK million	30. 6. 2021	31. 12. 2020
Opening balance	-	-
Additions	93	-
Increase/(decrease) in net assets of associates	1	-
Disposals	-	-
Closing balance	94	-

The item „Additions“ represents a purchase of equity investment in the company Akcenta CZ a.s. as of 1 June 2021.

13. FINANCIAL LIABILITIES AT AMORTISED COSTS

(a) Deposits from Banks

CZK million	30. 6. 2021	31. 12. 2020
Current accounts/One-day deposits	4,332	1,148
Term deposits of banks	16,302	8,454
Repo transactions	7,578	2,599
Total	28,212	12,201

(b) Deposits from Customers

Analysis of deposits from customers by type

CZK million	30. 6. 2021	31. 12. 2020
Current accounts/One-day deposits	415,754	336,583
Term deposits	34,252	36,278
Deposits with notice	29,258	29,915
Total	479,264	402,776

Analysis of deposits from customers by sector

CZK million	30. 6. 2021	31. 12. 2020
Government sector	11,399	8,398
Other financial institutions	8,143	7,768
Non-financial entities	134,132	125,617
Households	325,590	260,993
Total	479,264	402,776

The Group applies hedge accounting upon the fair value hedge of the current and savings accounts portfolio and term deposits.

The remeasurement of the hedged items as of 30 June 2021 was CZK: (1,868) million (as of 31 December 2020: CZK 262 million).

(c) Debt Securities Issued

Analysis of issued debt securities by type

CZK million	30. 6. 2021	31. 12. 2020
Mortgage bonds	7,246	13,053
Total	7,246	13,053

Analysis of mortgage bonds

CZK million							
Issue date	Maturity date	ISIN code	Currency	Nominal value		Net carrying amount	
				30. 6. 2021	31. 12. 2020	30. 6. 2021	31. 12. 2020
8. 3. 2017	8. 3. 2021	XS1574150261	EUR	-	5,511	-	5,532
8. 3. 2017	8. 3. 2023	XS1574150857	EUR	3,058	3,149	3,100	3,216
8. 3. 2017	8. 3. 2024	XS1574151236	EUR	4,078	4,199	4,146	4,305
8. 3. 2017	8. 4. 2022	XS1574149842	EUR	-	-	-	-
15. 7. 2020	15. 7. 2030	CZ0002007057	CZK	-	-	-	-
Total				7,136	12,859	7,246	13,053

(d) Subordinated Liabilities and Bonds

Subordinated debt

CZK million	30. 6. 2021	31. 12. 2020
Raiffeisen Bank International AG (parent company)	3,331	3,194
Raiffeisenlandesbank Oberösterreich AG	1,111	1,065
Raiffeisen Bausparkassen Holding GmbH	310	302
Total	4,752	4,561

Subordinated Debt Securities Issued

mil. Kč							
Issue date	Maturity date	ISIN code	Currency	Nominal value		Net carrying amount	
				30. 6. 2021	31. 12. 2020	30. 6. 2021	31. 12. 2020
22. 3. 2021	22. 3. 2026	XS2321749355	CZK	1,469	-	1,463	-
9. 6. 2021	9. 6. 2028	XS2348241048	EUR	8,920	-	8,842	-
Total				10,389	-	10,305	-

During the first half of 2021, the Group issued 2 issues of senior non-preferential bonds, which are subordinated to other preferential bonds and at the same time MREL eligible.

The international bond XS2348241048, admitted to trading on the Luxembourg Stock Exchange and denominated in EUR, was issued as a green bond in cooperation with Barclays Bank Ireland PLC, Crédit Agricole Corporate and Investment Bank and Raiffeisen Bank International AG. Its maturity is 7 years and it contains an embedded call option for early redemption after 6 years from the date of issue. The bond was rated Baa3 by Moody's.

The bond XS2321749355, admitted to trading on the Luxembourg Stock Exchange and denominated in CZK, can also be sold to non-professional clients and was offered mainly to investors on the domestic market. Its maturity is 5 years and it contains an embedded call option for early redemption after 4 years from the date of issue. This bond was not assigned a rating.

(e) Other Financial Liabilities

CZK million	30. 6. 2021	31. 12. 2020
Liabilities from securities trading	298	67
Liabilities from non-banking activities	582	344
Settlement and suspense clearing accounts	3,156	1,723
Lease liabilities	1,480	1,744
Total	5,516	3,878

14. PROVISIONS

CZK million	30. 6. 2021	31. 12. 2020
Provisions for commitments and financial guarantees provided	519	505
Other provisions	510	667
Provision for legal disputes	19	39
Provision for outstanding vacation days	13	31
Payroll provisions	408	514
Provision for restructuring	11	12
Other	59	71
Total	1,029	1,172

Breakdown of provisions for commitments and financial guarantees provided based on stages of impairment

CZK million	30. 6. 2021	31. 12. 2020
Stage 1	194	186
Stage 2	129	155
Stage 3	196	164
POCI	-	-
Total	519	505

Overview of other provisions

CZK million	Provisions for legal disputes	Provision for outstanding vacation days	Provisions for salary bonuses	Provision for restructuring	Other provisions	Total
1. 1. 2020	10	24	589	10	85	718
Creation of provisions	25	25	514	5	33	602
Use of provisions	(6)	(2)	(568)	(3)	(2)	(581)
Release of redundant provisions	(1)	(16)	(26)	-	(45)	(88)
Changes in the consolidated group	11	-	5	-	-	16
31. 12. 2020	39	31	514	12	71	667
Creation of provisions	-	6	408	-	-	414
Use of provisions	(19)	-	(493)	(1)	-	(513)
Release of redundant provisions	(1)	(24)	(21)	-	(12)	(58)
30. 6. 2021	19	13	408	11	59	510

“Other provisions” includes provisions for future potential payments arising from compensation for armed robberies, bonuses for customers, etc. For all types of other provisions, the Group assesses the risk and probability of performance. This item includes the effect of changes in foreign currency rates on provisions denominated in foreign currencies.

15. CASH AND CASH EQUIVALENTS

CZK million	30. 6. 2021	31.12.2020
Cash in hand and other cash equivalents	2,622	2,313
Balances with central banks (including one-day deposits)	3,384	497
Other demand deposits	3,561	3,042
Total cash and cash equivalents	9,567	5,852

16. CONTINGENT LIABILITIES

(a) Legal disputes

The Group conducted a review of legal disputes outstanding against it as at 30 June 2021. Pursuant to the review of individual legal disputes in terms of the risk of potential losses and the probability of payment, the Group recognised a provision for significant litigations of 30 June 2021 in the aggregate amount of CZK 19 million (as of 31 December 2020: CZK 39 million).

(b) Commitments and guarantees provided and letters of credit issued

CZK million	30. 6. 2021	31. 12. 2020
Banks		
Commitments provided (irrevocable)	-	-
Guarantees provided	647	618
Letters of credit issued	63	65
Total	710	683
Customers		
Commitments provided (irrevocable)	48,956	31,694
Provided guarantees	15,341	15,584
Letters of credit issued	554	422
Total	64,851	47,700
Total	65,561	48,383

(c) Revocable credit commitments and guarantee commitments

CZK million	30. 6. 2021	31. 12. 2020
Banks	3,137	2,185
Customers	65,352	76,265
Total	68,489	78,450

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair values of financial assets and liabilities that are not reported at fair value in the statement of financial position:

30. 06. 2021 CZK million	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand and other cash equivalents	-	-	9,567	9,567	9,567	-
Loans and advances to banks*	-	-	197,977	197,977	197,977	-
Loans and advances to customers*	-	-	305,504	305,504	302,131	3,373
Debt securities at amortised cost*	39,946	-	-	39,946	40,085	(139)
Liabilities						
Deposits from banks	-	-	28,217	28,217	28,212	5
Deposits from customers	-	-	479,399	479,399	479,264	135
Debt securities issued	-	-	7,408	7,408	7,246	162
Subordinated liabilities and bonds	-	-	15,335	15,335	15,057	278
Other financial liabilities**	-	-	4,035	4,035	4,035	-

*including loss allowances

**without lease liabilities

31. 12. 2020 CZK million	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand and other cash equivalents	-	-	5,852	5,852	5,852	-
Loans and advances to banks*	-	-	107,619	107,619	107,619	-
Loans and advances to customers*	-	-	299,856	299,856	298,759	1,097
Debt securities at amortised cost*	39,664	-	378	40,043	38,958	1,085
Liabilities						
Deposits from banks	-	-	12,204	12,204	12,201	3
Deposits from customers	-	-	402,838	402,838	402,776	62
Debt securities issued	-	-	13,350	13,350	13,053	297
Subordinated liabilities and bonds	-	-	4,869	4,869	4,561	308
Other financial liabilities**	-	-	2,133	2,133	2,133	-

*including loss allowances

**without lease liabilities

Following table shows financial instruments at fair value split by levels, used for calculation of their fair value as at 30 June 2021:

Financial instruments at fair value

CZK million	Fair Value at 30. 6. 2021			Fair Value at 31. 12. 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives	-	1,898	-	-	2,063	-
Securities held for trading	614	-	-	1,683	-	-
Positive fair value of hedging derivatives	-	1,725	-	-	2,030	-
Financial assets other than held for trading mandatorily reported at fair value in profit or loss	130	138	274	129	123	280
Financial assets at FVOCI	-	-	17	-	-	1
Total	744	3,761	291	1,812	4,216	281

CZK million	Fair Value at 30. 6. 2021			Fair Value at 31. 12. 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	-	1,902	-	-	2,616	-
Negative fair value of hedging derivatives	-	3,224	-	-	3,209	-
Total	-	5,126	-	-	5,825	-

Level 1 category is the category of financial instruments measured at fair value determined based on the price quoted on an active market.

Level 2 category is the category of financial instruments measured at fair value determined based on prices derived from market data. For financial derivatives, the fair values are determined based on discounted future cash flows that are estimated according to market interest rate and currency forward curves and contractual interest rates and currency rates according to individual contracts. The discount factor is derived from market rates. For securities at FVTPL, the fair value is calculated on the basis of discounted future cash flows. The discount factor is derived from market rates.

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

The reconciliation of financial instruments measured at fair value determined using the techniques based on the input information not built upon the data observable on the market (Level 3 instruments)

2021

CZK million	Financial assets held for trading (debt securities)	Financial assets other than held for trading mandatorily reported at fair value in profit or loss	Financial assets at FVOCI	Total
Balance at 1. 1. 2021	-	280	1	281
Transfer to Level 3	-	-	-	-
Purchases	-	-	16	16
Comprehensive income/(loss)	-	(6)	-	(6)
- in the income statement	-	(6)	-	(6)
- in equity	-	-	-	-
Sales/settlement/transfer	-	-	-	-
Transfer from Level 3	-	-	-	-
Balance at 30. 6. 2021	-	274	17	291

2020

CZK million	Financial assets held for trading (debt securities)	Financial assets other than held for trading mandatorily reported at fair value in profit or loss	Financial assets at FVOCI	Total
Balance at 1. 1. 2020	1	-	735	736
Transfer to Level 3	-	-	-	-
Purchases	-	280	-	280
Comprehensive income/(loss)	-	-	(333)	(333)
- in the income statement	-	-	-	-
- in equity	-	-	(333)	(333)
Sales/settlement/transfer	(1)	-	(401)	(402)
Transfer from Level 3	-	-	-	-
Balance at 31. 12. 2020	-	280	1	281

The Group measures financial assets held for trading and financial assets measured at using the technique of discounted future cash flows. This valuation method adjusts future amounts (i.e. cash flows, income and expense) to the present (discounted) value. The fair value is determined based on the value acquired from the current market expectation of the future value. In respect of securities that fall into the Level 3 category, the Group uses the discount factor for the calculation that is derived from the internal price for liquidity determined by the Group and concurrently reflects the credit risk of the security issuer. The price of the Group for liquidity and credit risk of the security issuer are inputs that are not observable from the data available on the market. The price of the Group for liquidity determined in the calculation is based on the resolution of the Group's ALCO Committee and reflects the level of available sources of the Group's financing and their price. In the event of a negative development of the Group's liquidity position or changes in the interbank market, the price for liquidity may increase and consequently the price of the financial instrument may decline. The credit risk of the issuer is determined based on the rating of the securities issuer in the Group's rating scale. If the issuer was attributed a worse rating, the price of the financial instrument could decline by 0-10 %.

The amount in Level 3, item "Financial assets at FVOCI" primarily comprises an investment in SWIFT of CZK 1 million (2020: CZK 1 million) and the Group's investment Bankovní identita a.s. of CZK 16 million (2020: CZK 0 million).

In 2020, the Group decided to change the presentation of Visa C. As at 31 December 2019, the Group presented Visa C in "Financial assets at fair value through other comprehensive income". The cumulative change in fair value in other comprehensive income from June 2016 to September 2020 was MUS\$ 6.1 and the fair value of Visa C was MUS\$ 10.5 in September 2020. In 2020, the Group changed the presentation of Visa C to debt financial instruments of MCZK 123, which are in 2020 reported in "Financial assets other than held for trading mandatorily measured at fair value in profit or loss". In connection with this change in the presentation of Visa C, the Group reported a revaluation of these stocks to fair value of MCZK 132 from June 2016 to December 2019 in the statement of changes in equity under "Retained earnings" and remeasurement of MCZK 55 from January 2020 to December 2020 in the statement of comprehensive income under "Net gain on financial assets other than held for trading mandatorily measured at fair value in profit or loss".

18. SEGMENT ANALYSIS

The base for the segment analysis according to IFRS 8 are internal reports of the Group which are based on management accounts and serve as the principal financial information for decision-making of the Group's management.

Management accounts are maintained on a margin basis. For this reason, the interest income and expense and fee and commission income and expense of individual operating segments are not reported separately, but on a net basis.

Operating segments are represented as follows:

- Corporate banking,
- Retail banking,
- Treasury and ALM,
- Other.

The Corporate banking segment involves transactions with corporate clients, public sector institutions and financial institutions.

The Retail banking segment generally includes all private individuals including VIP clients, individuals - entrepreneurs and the Group's own employees.

The Treasury and ALM segment includes interbank transactions, trading with financial instruments, securities.

The "Other" segment mainly includes equity investments and other non-interest bearing assets and liabilities of the Group that cannot be allocated to segments referred to above, i.e. capital, subordinated deposit, assets, other assets/liabilities, capital investments.

The Group monitors amounts of net interest income and net fee and commission income, net gain/(loss) from financial operations, movements in loss allowances, general operating expenses, income tax, and volume of client and non-client assets and liabilities by segment. Other items are not monitored by segment.

A predominant part of the Group's income is generated in the Czech Republic from transactions with customers who have their permanent residence or place of business in the Czech Republic or from trading with financial instruments issued by Czech entities. The income generated outside the Czech Republic is immaterial for the Group.

The Group has no customer or group of related parties for which income from transactions exceeds 10% of the Group's total income.

At 30. 6. 2021					Reconcilia- tion to the statement of comprehen- sive income	
CZK million	Corporate entities	Retail customers	Treasury	Other		Total
Income statement:						
Net interest income	1,182	2,463	289	(14)	(1)	3,919
Net fee and commission income	628	1,242	(10)	(21)	-	1,839
Net gain/(loss) from financial operations	9	-	(18)	-	-	(9)
Net gain on financial assets other than held for trading mandatorily measured at fair value in profit or loss	1	-	-	10	-	11
Net gain/ (loss) from hedge accounting	-	-	2	-	-	2
Impairment gains/ (losses) on financial instruments	73	288	2	4	-	367
Gains/ (losses) arising from derecognition of financial assets measured at amortised cost	8	-	-	-	-	8
Other operating expenses	(787)	(2,277)	(88)	(436)	-	(3,588)
Dividend income	-	-	-	-	1	1
Gains/(losses) from non-current assets and disposal groups	-	-	-	(1)	-	(1)
Share in income of associated companies	-	-	-	-	1	1
Profit before tax	1,114	1,716	177	(458)	1	2,550
Income tax	(186)	(245)	(6)	(74)	-	(511)
Profit after tax	928	1,471	171	(532)	1	2,039
Assets and liabilities:						
Total assets	98,247	190,901	275,867	20,346	-	585,361
Total liabilities	103,285	358,943	59,040	20,541	-	541,809

At 30. 6. 2020					Reconcilia- tion to the statement of comprehen- sive income	
CZK million	Corporate entities	Retail customers	Treasury	Other		Total
Income statement:						
Net interest income	1,368	2,506	146	289	-	4,309
Net fee and commission income	589	999	(14)	(7)	-	1,567
Net gain on financial operations	(5)	-	(205)	(1)	-	(211)
Net gain on financial assets other than held for trading mandatorily measured at fair value in profit or loss	(1)	-	-	-	-	(1)
Net gain from hedge accounting	-	-	(17)	-	-	(17)
Impairment gains/ (losses) on financial instruments	(373)	(177)	-	-	-	(550)
Gains/ (losses) arising from derecognition of financial assets measured at amortised cost	6	-	-	-	-	6
Other operating expenses	(787)	(2,283)	(105)	(198)	-	(3,373)
Dividend income	-	-	-	-	-	-
Share in income of associated companies	-	-	-	-	-	-
Profit before tax	797	1,045	(195)	83	-	1,730
Income tax	(88)	(130)	34	(47)	-	(231)
Profit after tax	709	915	(161)	36	-	1,499
Assets and liabilities:						
Total assets	107,420	132,423	161,953	13,785	-	415,581
Total liabilities	89,730	208,429	73,418	8,399	-	379,976

19. RELATED PARTY TRANSACTIONS

Balance sheet items

CZK million At 30. 6. 2021	Parent company and Entities with significant influence over the Group	Other	Total
Receivables	1,834	799	2,633
Payables	8,633	8,126	16,759
Subordinated debt	3,331	1,421	4,752
Guarantees issued	409	66	475
Guarantees received	174	2,138	2,312
CZK million At 31. 12. 2020	Parent company and Entities with significant influence over the Group	Other	Total
Receivables	1,895	687	2,582
Payables	3,846	14,213	18,059
Subordinated debt	3,194	1,367	4,561
Guarantees issued	401	81	482
Guarantees received	186	1,878	2,064

Profit and loss items

CZK million At 30. 6. 2021	Parent company and Entities with significant influence over the Group	Other	Total
Interest income	583	7	590
Interest expense	(749)	(22)	(771)
Fee and commission income	12	11	23
Fee and commission expense	(6)	(48)	(54)
Dividend income	-	-	-
Net profit or loss on financial operations	(9)	8	(1)
Net profit or loss from hedge accounting	(445)	-	(445)
CZK million AT 30. 6. 2020	Parent company and Entities with significant influence over the Group	Other	Total
Interest income	624	8	632
Interest expense	(623)	(124)	(747)
Fee and commission income	11	12	23
Fee and commission expense	(5)	(49)	(54)
Dividend income	-	-	-
Net profit or loss on financial operations	394	(22)	372
Net profit or loss from hedge accounting	(733)	-	(733)

20. SUBSEQUENT EVENTS

On 1 July 2021 RBI Group announced that it had successfully closed the acquisition of 100 per cent of the shares of Equa bank (Equa bank a.s. and Equa Sales and Distribution s.r.o.) from AnaCap Financial Partners (AnaCap) through Raiffeisenbank a.s.

The acquisition of Equa bank (around 499,000 customers) is part of RBI's strategy to expand its presence in selected markets. At the end of the second quarter of 2021, the preliminary balance sheet total of Equa bank was CZK 78 billion.

As of July 1, 2021, the transaction was settled and Equa bank shares were transferred. Preparations are currently underway for the legal merger of Raiffeisenbank and Equa bank, which is expected to be completed by the beginning of 2022. Until the legal merger of the two banks into one company, both banks act as separate brands with their own systems and service channels and there are no changes for employees or clients.

The calculation of the purchase price was determined using equity by means of an agreed price/book value multiplier. The payment of the purchase price was made based on estimated equity, the final determination of which was based on the figures as at 30 June 2021. As the acquisition occurred on 1 July 2021, the Group had not yet recognized any assets or assumed liabilities in its consolidated statement of financial position as at 30 June 2021. The figures provided above are the book value of the preliminary closing balance of the seller and not the fair value of the revalued assets and liabilities. As at the semi-annual financial statements on 30 June 2021, the valuation process had not been finished. The purchase price allocation is in process as of the date of issue this interim report. The Group will therefore report in accordance with IFRS 3 – Business Combination.

No further events that would have a material impact on the interim consolidated financial statements for the period ended 30 June 2021 occurred subsequent to the balance sheet date.

Persons responsible for the consolidated semi-annual report

We declare that to the best of our knowledge, the consolidated semi-annual report 2021 provides a true and fair view of the financial situation, business activity and financial results of the issuer and its consolidation group for the past accounting period as well as of the expected development of financial situation, business activity and financial results.

This consolidated semi-annual report has been authorized for issue on 21 September 2021.



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