Raiffeisen BANK

Client inspired banking

SEMI-ANNUAL REPORT 2020

Contents

Comments on the Consolidated Results of Raiffeisenbank Group

for the first half of 2020

In the recent months, the Covid-19 pandemic put us in an unprecedented situation where we mostly focused on protecting the health of our clients and staff, which has remained our long-term priority since then. Our efforts of the past few months were particularly aimed at presenting and explaining the ways our clients can administer their finance in the comfort of their homes. Thanks to earlier investments in the bank's infrastructure, 95 % of activities are available to our clients remotely via internet or mobile banking.

Our corporate business also made a great leap forward in terms of digitalization. Electronic signatures and databoxes are now used in communications with clients on a massive scale. We put an emphasis on both comfort and security. That is also why we are glad that we have successfully completed the modernization of our ATM network. Currently, we are the local market's only bank to have all branch offices equipped with deposit ATMs; moreover, 100% of our ATMs offer contactless transactions. We must also stress out the increased security of online payments using RB Key, currently the most secure authentication method for online payments.

Despite all this positive information, the truth remains that the situation is truly challenging. The generally difficult situation is reflected in the net profits reaching CZK 1.5 billion for the first 6 months of 2020, which marks a 53% drop compared to the year before. On the other hand, the results show that more than ever, clients tend to keep their available funds in traditional financial institutions where they feel a high level safety. The 17.8% increase in client deposits serves a proof to this fact. Also, the volume of loans provided to clients added 3.6% year on year, with a high demand for mortgage loans. As of 30 June 2020, total assets of the bank reached 415 billion crowns, adding 12% year on year.

Detailed information on economic results for the first half of 2020

Net profit and revenue

Consolidated net profit of the Group for the first six months of 2020 reached CZK 1,499 million, an amount 53.0% lower compared against the same figure of the last year. The Group's total operating revenue dropped 12.7% year on year. Net interest revenue of the Group reached CZK 4.3 billion, an amount 4.0% down compared with the same period of the last year. The decline is particularly due to decreased market rates as a result of monetary easing associated with the COVID-19 pandemic. Net revenue from fees dropped 2.4% over the year, reaching CZK 1.6 billion.

Net loss from the Group's financial operations amounted to CZK 212 million. In the year-on-year comparison, the loss from financial operations is higher by CZK 129 million, mainly due to the current situation at financial markets caused by the COVID-19 epidemic.

Costs

The Group's operating cost including personnel cost, general operating cost and depreciation of tangible and intangible assets added 2.6% year-on-year, totalling CZK 3.6 billion. The increase is mostly due to higher amortisation/depreciation of intangible and tangible assets and a higher contribution to the crisis resolution fund.

Risk management

The Group continues to maintain a very sound loan portfolio. Impairment losses on financial instruments reach CZK 550 million. Compared annually, impairment losses added CZK 1.0 billion, particularly due to worse macroeconomic prospects relating to the COVID-19 pandemic.

Deposits and loans

Total assets of the Group reached CZK 415.6 billion, adding 12.0% year on year. The volume of loans provided to the Group's clients annually grew by 3.6% to CZK 252.5 billion. The growth is seen in both corporate and household finance (the latter mostly consisting of mortgage loans). The volume of deposits accepted from the Group's clients annually grew by 17.8% to CZK 319.4 billion. Much alike loans, growing deposits are driven by both businesses and households.

Capital

The Group's equity as at the end of the first half of 2020 amounted to CZK 35.6 billion, rising from CZK 34.4 billion as at 31 December 2019. The Group capital adequacy ratio as at 30 June 2020 reached 19.00%. In April 2020, the Bank's general meeting resolved to distribute the profits from the individual financial statements for 2019 amounting to CZK 4,188 million. With regard to the stabilization measures announced by the Czech National Bank on 16 March 2020 in relation to the COVID-19 pandemic, it was resolved to not disburse any dividend to the shareholders from the profits for

2019. The amount of CZK 4,188 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 2020

- In January 2020, Raiffeisenbank unveiled its new price plans for current and business accounts. Now, a current account can be maintained free of any charges and free of any conditions.

- New business clients meeting simple conditions are offered a free POS terminal. The PAX D220 terminal is currently a piece of state-of-the-art technology in payment card acquiring. Despite being of the size of a mobile telephone, it enables all types of payments. With an integrated EET application, it is also a solution for complying with the statutory obligations of maintaining an electronic revenue register.

- In the first half of the year, Raiffeisenbank further improved its mobile banking. The new release brought various new features and functionalities, such as payment card upload to Apple Pay directly from the banking application, a chat platform, or an opportunity to change the client's contact details or request a new debit card. Also, the bank now added a communications centre, extensive document folder and RB exchange office that lets customers benefit from favourable transfers between the currency folders of their accounts.

- Raiffeisenbank completed the extensive modernization of its ATM network. All ATMs all over the Czech Republic are 100% contactless; deposit ATMs are installed at every branch office.

- In compliance with the PSD2 regulation, Raiffeisenbank implemented strong customer authentication using RB klíč, a custom application that also enables online payment confirmations using fingerprints or Face ID.

Expected development of the economy in the second half of 2020

The Czech economy of the first half of 2020 was struck by the COVID-19 crisis. The bottom of the decline can be defined easily. Important economic indicators reached the rock bottom in April: industrial production (-35.2% year to year comparison), retail sales (-21.4% year to year comparison), new car sales and registrations (-53.4% year to year comparison), foreign trade balance (-26.9 billion CZK). The end of lockdown brought a recovery of the economic activities in the Czech Republic and abroad. However, concerns associated with the second wave of the pandemics result in uncertainty about the development of the economy in the second half of the year. Most recent economic figures already indicate a slowdown. Recovery of the industry is faltering as the volume of new contracts saw another decline, most probably reflecting deferred investments. The situation in retail improves, but consumer confidence has lost some of its optimism of the second quarter. Development of the Czech economy in the second half of 2020 will particularly depend on developments in local and foreign demand and possible scenarios for imposing new economic restrictions. Economic recovery seems to slow down abroad as well. Particularly weakening demand in Germany imposes a risk for the Czech export industry. The Eurozone as a whole is threatened by gradually expiring state support programmes. Businesses will lack extra funds to maintain jobs and pay their liabilities, which might turn into a rise in unemployment and a higher number of corporate bankruptcies.

The unemployment rate in the Czech Republic stays stable at 3.8%. However, the full impact of the COVID-19 crisis on the job market is blocked by the government's Antivirus programme. Thus, some jobs will be at risk once the programme ends. Following a decline in the second quarter, the average real wage should return to growth in the second half of the year.

In prompt response to the economic drop caused by the pandemics, the Czech National Bank decreased the basic interest rate down to 0.25%. Despite the local swift inflation, it seems that any tightening of monetary conditions is not yet on the agenda. On the contrary, their easing would now be possible only if applying unconventional monetary policy instruments, which lacks any grounds for the time being. Thus, in our opinion the central bank will not proceed with any changes in the foreseeable future. This fact will be also reflected in development of the price of the Czech crown that has notably weakened during the hot phase of the pandemics and now only recovers from the losses at a slow pace. Save for a dramatic worsening of the pandemics, we expect the Czech crown to gradually strengthen to reach below EUR/CZK 26.00. However, it is unlikely to return to the values attained before the pandemics, mostly due to the smaller interest rate differential between Czechia and the Eurozone.

The banking industry also faced a great deal of changes and extraordinary events in the first six months of the year. The loan moratorium played an essential role; nearly 348 thousand bank clients took advantage of the moratorium, deferring instalments worth CZK 21 billion in total. Following a major drop in the months of the most severe restrictive measures, demand for loans recovered very fast and the banking sector returns to normal, step by step. Mortgage loans saw the fastest recovery, boosted by decreased interests rates, eased regulatory rules for new loans, as well as tax relief applied to real estate purchases. Owing to this, the volume of newly granted mortgage loans for the first half of 2020 reached CZK 112.3 billion, an amount 27.3% up compared against the first six months of 2019. With the conditions persisting until the end of the year without any dramatic growth of the price of real properties, the mortgage loan market is about to set a new record. Consumer loans responded in a much more sensitive way; their recovery at the end of the first half of the year was not sufficient to offset the crisis drop. The figure attributable to consumer loans for the first six months of the year is thus 16% lower than the same figure for 2019. Halting of the economy disrupted the very promising start of the year in the segment of corporate loans. This fact resulted in a 5.2% decline in new corporate loans compared against the first half of 2019. On the other hand, businesses as well as citizens have been notably increasing their savings held in bank deposits since the start of the year; compared annually, both segments added approximately 10%. This can be understood as the outcome of deferred consumption due to the uncertainty of future development that remains very difficult to foresee. Given the current conditions, the second half of the year can be expected to see stable development in loans, slight decline in savings in connection with recovering consumption, as well as an increasing number of non-performing loans, deferred by the loan moratorium. The banking sector is already being prepared for the things to come by means of increased provisioning and reserves; thus, lower profits across the industry compared against the recent years can be expected.

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

Outlook for the rest of 2020

Raiffeisenbank will further focus on offering attractive products and services for both retail and corporate clients. We are getting ready for the launch of autumn marketing campaigns to support new client acquisitions, implementation of technological innovations relating to the EU requirements for stronger security of online payments and more mobile and internet banking innovations.

Our positive experience with working from home and the need for cost management with regard to the economic impacts of the crisis made us decide to surrender a part of our premises at the head office in Prague. Working from home had no negative impact on individual performance indicators; also, our employees responded in a survey that they are very satisfied with the opportunity to work from home and want us to maintain the possibility.

In addition, we decided to generally take the crisis as an opportunity to move our operations and corporate culture towards more confidence and freedom. Having increased flexibility and the opportunity to work from home in mind, we are launching technological instruments to support such flexibility of work in terms of time and space and we are innovating our premises to suit better the new teamwork needs.

The bank's half-year report is available at www.rb.cz/en/obligatory-published-information/annual-reports

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 2020.

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 2020

CZK million	Note	30. 6. 2020	30. 6. 2019 restated
Interest income and similar income calculated using the effective interest rate method	8	6,560	6,597
Other interest income	8	1,401	1,365
Interest expense and similar expense	8	(3,652)	(3,475)
Net interest income		**4,309**	**4,487**
Fee and commission income	9	1,999	2,062
Fee and commission expense	9	(432)	(456)
Net fee and commission income		**1,567**	**1,606**
Net gain/(loss) on financial operations		(212)	(83)
Net gain/(loss) from hedge accounting		(17)	1
Dividend income		–	31
Impairment gains/(losses) on financial instruments		(550)	453
Gains/(losses) from derecognition of financial assets measured at amortised cost		6	–
Personnel expenses		(1,717)	(1,723)
General operating expenses	10	(1,197)	(1,182)
Depreciation/amortisation of property and equipment and intangible assets		(668)	(587)
Other operating income		538	885
Other operating expenses		(329)	(213)
Operating profit		**1,730**	**3,675**
Share in income of joint ventures	12	–	4
Profit before tax		**1,730**	**3,679**
Income tax		**(231)**	**(489)**
Net profit for the year attributable to:		**1,499**	**3,190**
– shareholders of the parent company		**1,499**	**3,190**
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)	55
Deferred tax relating to items that will not be reclassified to profit or loss in following periods		–	(10)
Items that will be reclassified to profit or loss in future:			
Cash flow hedge		11	117
Deferred tax relating to items that will be reclassified to profit or loss in following periods		(2)	(22)
Total other comprehensive income attributable to:		**(38)**	**140**
– shareholders of the parent company		(38)	140
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,461	3,330
– shareholders of the parent company		**1,461**	**3,330**

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

Interim Consolidated Statement of Financial Position As at 30 June 2020

CZK million	Note	30. 6. 2020	31. 12. 2019
ASSETS			
Cash in hand, balances with central banks and other demand deposits		16,189	14,135
Financial assets held for trading		4,797	1,769
Derivatives held for trading		3,072	1,675
Securities held for trading		1,725	94
Non-trading financial assets mandatorily at fair value through profit or loss		127	–
Financial assets measured at FVOCI		687	735
Financial assets at amortised cost	11	377,710	345,278
Loans and advances to banks	11	95,537	87,242
Loans and advances to customers	11	252,515	247,157
of which: change in fair value of hedged items		*(1)*	*(1)*
Debt securities	11	29,658	10,879
Change in fair value of portfolio-remeasured items (loans and advances to customers and debt securities)	11	3,003	(1,153)
Hedging derivatives with positive fair value		2,616	2,546
Tax receivables		284	28
Deferred tax asset		9	11
Other assets		2,769	1,526
Equity investments in joint ventures	12	–	–
Intangible assets		2,905	2,773
Property and equipment		4,019	4,164
Investment property		466	414
TOTAL ASSETS		**415,581**	**372,226**
LIABILITIES AND EQUITY			
Financial liabilities held for trading		2,995	1,799
Derivatives held for trading		2,995	1,799
Financial liabilities at amortised cost		368,373	332,171
Deposits from banks	13	27,724	21,961
Deposits from customers	13	319,417	290,188
of which: change in fair value of hedged items	13	18	42
Debt securities issued	13	13,265	12,692
of which: change in fair value of hedged items	*13*	–	–
Subordinated liabilities and bonds	13	3,482	3,309
Other financial liabilities	13	4,485	4,021
Fair value remeasurement of portfolio-remeasured items (deposits from customers)	13	1,756	(1,270)
Hedging derivatives with negative fair value		4,065	2,667
Provisions	14	918	1,122
Current tax liability		4	178
Deferred tax liability		232	173
Other liabilities		1,633	1,031
TOTAL LIABILITIES		**379,976**	**337,871**
EQUITY			
Attributable to shareholders of the Group		35,605	34,355
Share capital		11,061	11,061
Reserve fund		694	694
Fair value reserve		334	372
Retained earnings		18,634	14,114
Other equity instruments		3,383	3,383
Profit for the year		1,499	4,731
TOTAL EQUITY		**35,605**	**34,355**
TOTAL LIABILITIES AND EQUITY		**415,581**	**372,226**

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 2020

	Equity attributable to shareholders of the Group						
CZK million	Share capital	Reserve fund	Fair value reserve	Retained earnings	Other equity instruments	Profit for the year	Total equity
At 1 January 2019	**11,061**	**694**	**263**	**11,452**	**2,615**	**3,815**	**29,900**
Dividends	–	–	–	–	–	(975)	**(975)**
Allocation to retained earnings	–	–	–	2,840	–	(2,840)	**–**
Payment of coupon on other equity instruments	–	–	–	(177)	–	–	**(177)**
Sale of a joint venture	–	–	–	(36)	–	–	**(36)**
Changes in the consolidated group	–	–	–	109	–	–	**109**
Net profit for the year	–	–	–	–	–	3,190	**3,190**
Other comprehensive income, net	–	–	140	–	–	–	**140**
Total comprehensive income for the year	**–**	**–**	**140**	**–**	**–**	**3,190**	**3,330**
At 30 June 2019	**11,061**	**694**	**403**	**14,188**	**2,615**	**3,190**	**32,151**
At 1 January 2020	**11,061**	**694**	**372**	**14,114**	**3,383**	**4,731**	**34,355**
Dividends	–	–	–	–	–	–	**–**
Allocation to retained earnings	–	–	–	4,731	–	(4,731)	**–**
Payment of coupon on other equity instruments	–	–	–	(211)	–	–	**(211)**
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**

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

Interim Consolidated Cash Flow Statement For the Period since 1 January 2020 till 30 June 2020

(CZK million)	1. 1. – 30. 6. 2020	1. 1. – 30. 6. 2019
Profit before tax	**1,730**	**3,679**
Adjustments for non-cash transactions		
(Release)/ creation of loss allowances and provisions for credit risks	550	(453)
Depreciation/amortisation of property and equipment and intangible assets	668	587
Loss on the impairment of tangible and intangible assets	1	–
(Release)/ creation of other provisions	(225)	(325)
Change in fair value of derivatives	1,151	169
Unrealised losses/(gains) on remeasurement of securities	–	1
Loss/(gain) on the sale of property and equipment and intangible assets	–	(2)
Gain on the sale of subsidiaries and joint ventures	–	(116)
Change in the remeasurement of hedged items upon fair value hedge	(1,154)	239
Share in profit from joint ventures	–	(4)
Remeasurement of foreign currency positions	1,749	(393)
Other non-monetary changes	(984)	(122)
Operating profit before changes in operating assets and liabilities	***3,486***	***3,260***
Operating cash flow		
(Increase)/decrease in operating assets		
Mandatory minimum provisions with CNB	349	(4,947)
Loans and advances to banks	(8,317)	9,234
Loans and advances to customers	(2,616)	(7,217)
Debt securities at amortised cost	(18,530)	(4,003)
Securities held for trading	(1,604)	157
Non-trading financial assets mandatorily at fair value through profit or loss	(124)	–
Other assets	(1,244)	(314)
Increase/(decrease) in operating liabilities		
Deposits from banks	5,049	(6,860)
Deposits from customers	26,372	668
Other financial liabilities	483	(437)
Other liabilities	602	1,221
Net operating cash flow before tax	**3,906**	**(9,238)**
Income tax paid	(575)	(417)
Net operating cash flow	***3,331***	***(9,655)***
Cash flows from investing activities		
Sale/(acquisition) of equity investments	–	144
Acquisition of property and equipment and intangible assets	(633)	(555)
Proceeds from sale of non-current assets	–	2
Dividends received	–	31
Net cash flow from investing activity	***(633)***	***(378)***
Cash flows from financing activities		
Dividends paid and paid coupons on other equity instruments	(211)	(1,152)
Debt securities issued	–	5,829
Repayment of debt securities issued	(37)	–
Drawing of subordinated debt	–	772
Lease liabilities	(182)	41
Net cash flow from financing activities	***(430)***	***5,490***
Net (decrease)/increase in cash and cash equivalents	**2,268**	**(4,543)**
Cash and cash equivalents at the beginning of the period (note 15)	11,209	10,290
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the period	135	–
Cash and cash equivalents at the end of the period (note 15)	**13,612**	**5,747**

Interests received	7,965	8,410
Interests paid	(3,622)	(3,375)

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

		Cash flows		Non-cash changes		
	At 1 January 2020	Inflow	Outflow	Remeasure-ment of for-eign currency positions	Other non-monetary changes	At 30 June 2020
Debt securities issued	12,692	–	(37)	610	–	13,265
Subordinated debt	3,309	–	–	173	–	3,482

		Cash flows		Non-cash changes		
	At 1 January 2019	Inflow	Outflow	Remeasure-ment of for-eign currency positions	Other non-monetary changes	At 30 June 2019
Debt securities issued	19,600	5,829	–	(252)	–	25,177
Subordinated debt	2,577	772	–	–	(36)	3,313

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 2020.

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;
- Depositary 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. 2020	Voting power in % 31. 12. 2019
Raiffeisen CEE Region Holding GmbH, Am Stadtpark 9, Vienna, Austria	75%	75%
RLB OÖ Sektorholding GmbH, Europaplatz 1a, 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.

The following table shows the change in the full year macro-economic estimates for the years 2020, 2021 and 2022 from one quarter to the next. Due to the current high degree of uncertainty, caused by the COVID 19 pandemic, the short-term negative estimates are considered reasonable and supportable. Long-term estimates assume economic recovery as a result of the economic support and relief measures on a national and supranational level. The macro-economic forecasts are used either directly in the calculation of expected credit losses or as guidance for post-model adjustments. The estimates were based on the latest information available when the expected credit losses were calculated (Source: Raiffeisen Research). As a result, the assumptions for the Czech Republic and key ratios are presented below.

		Full Year 2020 forecast			Full Year 2021 forecast			Full Year 2022 forecast		
Real GDP	Scenario	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change
Czech Republic	Optimistic	3.0%	(5.8)%	(8.8) PP	2.9%	7.7%	4.8 PP	3.1%	3.7%	0.6 PP
	Base	2.0%	(7.6)%	(9.6) PP	1.8%	6.6%	4.8 PP	2.2%	2.9%	0.7 PP
	Pesimistic	0.1%	(10.2)%	(10.3) PP	(0.6)%	5.0%	5.6 PP	0.2%	1.9%	1.7 PP

Unemploy-ment	Scenario	Full Year 2020 forecast Q4 2019	Q2 2020	Change	Full Year 2021 forecast Q4 2019	Q2 2020	Change	Full Year 2022 forecast Q4 2019	Q2 2020	Change
Czech Republic	Optimistic	2.3%	3.4%	1.1 PP	2.5%	4.9%	2.4 PP	3.0%	3.7%	0.7 PP
	Base	3.1%	4.8%	1.7 PP	3.5%	5.7%	2.2 PP	3.8%	4.3%	0.5 PP
	Pesimistic	4.7%	7.1%	2.4 PP	5.5%	7.1%	1.6 PP	5.4%	5.2%	(0.2) PP

Lifetime bond rate	Scenario	Full Year 2020 forecast Q4 2019	Q2 2020	Change	Full Year 2021 forecast Q4 2019	Q2 2020	Change	Full Year 2022 forecast Q4 2019	Q2 2020	Change
Czech Republic	Optimistic	(0.1)%	(0.4)%	(0.3) PP	0.0%	(0.2)%	(0.2) PP	0.8%	0.3%	(0.5) PP
	Base	1.0%	1.0%	0.0 PP	1.3%	0.7%	(0.6) PP	1.8%	0.9%	(0.9) PP
	Pesimistic	2.8%	3.9%	1.1 PP	3.4%	2.4%	(1.0) PP	3.6%	2.0%	(1.6) PP

The weightings assigned to each scenario at quarter end are as follows: 25% optimistic, 50% and 25% pessimistic scenarios.

Post-model adjustments and collective staging

Post-model adjustments to expected credit loss allowance estimates are adjustments which are used in circumstances where exist-ing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model tech-niques might not capture all relevant risk factors due to transient circumstances, insufficient time to appropriately incorporate relevant new information into the rating or re-segmentation of portfolios and when individual lending exposures within a group of lending exposures react to factors or events differently than initially expected. The emergence of new macroeconomic, microeco-nomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parame-ters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general Raiffeisen Bank International Group units use post-model adjustments to allowances for expected credit losses only as an interim solution. In order to reduce the potential for bias post-model adjustments are of a temporary nature and in general valid for no longer than one to two years. All material adjustments are authorized by the Group Risk Committee (GRC). From an accounting point of view all post-model adjustments are based on collective assessment, but do not necessarily result in a change in expected credit losses between the stages.

COVID-19 related post-model adjustments come from the collective impact on the tourism and related industries as well as automobile, air travel, oil and gas, real estate and some consumer goods industries as a result of the demand shock, supply chain disruptions and the containment measures. The adjustments were necessary as models cannot fully capture the speed of change and the depth of the economic impact of the virus. Going forward it might take some time until a complete picture of the impact of COVID-19 and subsequent measures on individual customers emerges. The related post-model adjustments involve qualitative assessment of exposures for the expected significant increase in credit risk and their subsequent transfer from Stage 1 to Stage 2.

For retail customer exposure post-model adjustments are necessary in order to compensate for the reduced ability of the macro models to cope with the drastic change of forecasts compared to pre-COVID-19 times, i.e. forecasts with a drastic decline and subsequent recovery. The respective macro-economic models were mostly able to catch the recovery part of the forecast, without fully taking into account the preceding worsening trend. This together with the impact of the public and private moratoriums on the behavioral data used for determining the credit rating led to the conclusion that the current IFRS 9 model setup does not fully reflect the depth and speed of economic forecasts on loss expectations. The related post-model adjustments involve qualitative assessment of exposures for expected significant increase in credit risk and their subsequent transfer from Stage 1 to Stage 2. The criteria for the identification of such exposures were predominantly based on the above listed industries of activities (for SME) and employment industries (for households) and further refined, where relevant, with information related to the application of the specific moratorium measures.

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.

Effects of the COVID-19 pandemics on the consolidated interim financial statements of the Group for the period ending 30 June 2020 is described in Chapter 7.

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 2019 except for those that relate to new standards effective for the first time for periods beginning on 1 January 2020, and will be adopted in the 2020 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 Interim Consolidated Financial Statements

In 2020, the Group did not apply any new standards and interpretations, the use of 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 2020, the following standards, interpretations and amended standards issued by the IASB and adopted by the EU took effect:

- **Amendment to IFRS Conceptual Framework** – (effective for annual periods beginning on or after 1 January 2020);
- **Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of materiality (effective for annual periods beginning on or after 1 January 2020);
- **Amendment to IFRS 9 Financial Instruments, IAS 39 Financial Instruments a IFRS 7 Financial Instruments: Disclosures** – Interest Rate Benchmark Reform; (effective for annual periods beginning on or after 1 January 2020);
- **Amendment to IFRS 3 – Business Combination** – Definition of a Business (effective for annual periods beginning on or after 1 January 2020).

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 (effective for annual periods beginning on or after 1 January 2022);

- **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);

- **Amendment to IFRS 16 – Leasing** – Covid–19–Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020);

- **IFRS 17 – Insurance Contracts** (effective for annual periods beginning on or after 1 January 2023 ; to be applied prospectively. Earlier application is permitted.);

- **Amendment to IFRS 4 – Insurance Contracts** (effective for annual periods beginning on or after 1 January 2023);

- **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).

The Group decided not to apply these standards, amendments and interpretations before their effective dates. 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 2020, the Group comprised the following entities:

Company	The Bank's effective holding in % 2020	The Bank's effective holding in % 2019	Indirect holding through	Consolidation method in 2020	Registered office
Raiffeisen investiční společnost a.s.	100%	100%	–	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
Gaia 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

As of 30 June 2020, the Group included Janus Property, s.r.o. in consolidation using the full method.

As of 30 June 2020, 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., Cranto Property, s.r.o., Demeter Property, s.r.o, Dero Property, s.r.o., Folos Property, s.r.o., Hefaistos Property, s.r.o., Hermes Property, s.r.o., Kalypso Property, s.r.o., Létó Property, s.r.o., Ligea Property, s.r.o., Médea Property, s.r.o., Plutos Property, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., RLRE Ypsilon Property, s.r.o., Sky Solar Distribuce s.r.o., Thaumas Property, s.r.o., Theseus Property, s.r.o.

Companies Fidurock Residential a.s. a Kétó Property, s.r.o. were excluded from the consolidation group during the first six months of 2020. 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, and Raiffeisen – Leasing, s.r.o. is not exposed to risks relating to the entities; consequently, 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 2019.

7. SIGNIFICANT EVENTS IN 2020

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 12 March 2020 until 17 May 2020, the Group adopted various measures to protect the health of its employees and clients. The measures have been subject to regular monitoring and reviews since then.

In the course of March, the Group started to offer suspension of credit repayment for up to one year, applicable to private individuals, entrepreneurs as well as businesses. On 1 April 2020, the Czech government passed a bill on selected measures in the field of repayment of loans in relation to the COVID-19 pandemic, which allowed for introducing a loan moratorium. Clients of the Group who applied for the government moratorium were granted deferral of instalments according to the law, i.e. until 31 July or 31 October 2020. As at 30 June, the resulting impact of the two moratoria is more than 21 thousand approved applications with the total loan amount of 40.4 billion CZK, of which households account for 16.8 billion and corporate clients for 23.6 billion CZK.

The Group launched its offer of 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.

Also, the Group continues to provide loans to clients in all segments. Clients are able to deal with a vast majority of their banking operations in a remote regime without having to visit a branch office.

Furthermore, the Group introduced a set of measures to protect the health of its employees and clients. One of such measures concerns increased supplies of necessary hygiene products for the Group's offices. The Group enabled long-term work from home for nearly all its members of staff. This required implementation of the necessary communication means and securing of all required technical measures allowing for this regime of work in the long term. 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 COVID-19 pandemics accelerated the strategic priorities in connection with the optimizing of the Group's branch network. In line with the IAS 36 and IFRS 16 requirements, the Group assessed the indicators of possible impairment of these assets. The Group identified significant impairment in respect of 7 leased branch offices reported as rights of use. These branch offices were closed as of 30 June 2020. As at the date of these interim financial statements, the book value of these rights of use were zero and the impairment of the right of use amounting to 8.5 million CZK is recognized in the consolidated statement of comprehensive income under *"Other operating cost"*. Leasing liabilities arising out of the lease agreements are still recognized by the Group in the consolidated statement of financial position under "*Other financial liabilities*".

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 2020, the modification loss caused by COVID-19 effects amounted to 97 million CZK.

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 forborne 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. In connection with the COVID pandemic, the Group created provisions in the amount of 387.7 million CZK.

The Group regularly monitors development of the clients under loan repayment moratoria in order to (i) support the clients with targeted selected measures, (ii) set up the recovery personnel capacities for the anticipated wave of defaults in the course of Q4 2020, (iii) estimate the future impacts on the profit and loss statement on a regular basis. The work and activities performed particularly consist of i) dynamic monitoring of risk indicators, ii) client surveys, iii) reasonable sizing of and seniority in expert teams focused on loan restructuring in retail and corporate segments.

The Group closely monitors the sectors that are most struck by effects of the COVID-19 pandemics (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. In corporate segments, individual assessment was used to review the entire portfolio in the affected segments and to evaluate the risk associated with particular clients under different stress scenarios of effects of the pandemics. The Group deems that the anticipated 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.

For the time being, the economic outlook remains uncertain due to the risk of the second wave of the COVID-19 pandemics. Following evaluation of the current situation and possible scenarios of future development, the Group's management expects the Group's business in 2020 to remain profitable; the economic results for 2020 will be sufficient to cover the Group's capital needs and there is no significant uncertainty relating to events or circumstances that might crucially challenge the Group's ability to continue as a going concern.

Profit for 2019 distribution and dividend payment

Shareholders on the regular general meeting of the Bank in April 2020 agreed on distribution of the profit from individual financial statemet for year 2019 in the amount of CZK 4,188 million. Following the Czech National Banks´s measures to mitigate the impacts of the situation caused by the coronavirus epidemic adopted on 16 March 2020 the Group decided to withold dividend payment to its shareholders from profit for year 2019. Amount of CZK 4,188 million was transferred into Bank's retained earnings. From Bank's retained earnings coupon in amount CZK 211 million was paid to the holders of AT1 capital investment certificates.

8. NET INTEREST INCOME

CZK million	30. 6. 2020	30. 6. 2019
Interest income and similar income calculated using the effective interest rate method		
Financial assets measured at amortised cost	**4,848**	**5,125**
from debt securities	167	105
from loans and advances to banks	684	903
from loans and advances to customers	3,997	4,117
Non-trading financial assets mandatorily at fair value through profit or loss	**2**	**–**
from debt securities	2	–
Negative interest on financial liabilities at amortised cost	**10**	**8**
Hedging interest rate derivatives	**1,700**	**1,464**
Interest income and similar income calculated using the effective interest rate method	**6,560**	**6,597**
Other interest income		
Financial assets held for trading	**1,401**	**1,365**
Derivatives held for trading	1,400	1,364
of which derivatives in the bank´s portfolio	*2*	*51*
Debt securities	1	1
Other interest income	**1,401**	**1,365**
Interest expense		
Financial liabilities held for trading	**(1,344)**	**(1,258)**
Derivatives held for trading	(1,344)	(1,258)
of which derivatives in the bank´s portfolio	*(7)*	*(14)*
Financial liabilities at amortised cost	**(691)**	**(678)**
from deposits from banks	(96)	(141)
from deposits from customers	(498)	(434)
from securities issued	(33)	(55)
from subordinated liabilities	(64)	(48)
From lease liabilities	**(14)**	**(15)**
Hedging interest rate derivatives	**(1,600)**	**(1,522)**
Negative interest on financial assets at amortised cost	**(3)**	**(2)**
Total interest expense and similar expense	**(3,652)**	**(3,475)**
Net interest income	**4,309**	**4,487**

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 25 million (2019: CZK (106) million), net interest income from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK 276 million (2019: CZK 375 million), net interest expense on hedging financial derivatives upon a fair value hedge of term deposits and the portfolio of current and savings accounts of CZK (201) million (2019: CZK (327) million).

9. NET FEE AND COMMISSION INCOME

CZK million	30. 6. 2020	30. 6. 2019
Fee and commission income arising from		
Securities transactions	61	47
Clearing and settlement	11	37
Asset management	33	15
Administration, custody and safekeeping of values	30	25
Payment services	732	860
Product distribution for customers	85	67
Administration of credits	88	111
Provided guarantees	73	67
Fund management and distribution of units	150	125
Foreign exchange operations	706	689
Other	30	19
Total fee and commission income	**1,999**	**2,062**
Fee and commission expense arising from		
Clearing and settlement	(23)	(34)
Administration, custody and safekeeping of values	(1)	(1)
Payment services	(321)	(348)
Received guarantees	(7)	(4)
Other	(80)	(69)
Total fee and commission expense	**(432)**	**(456)**
Net fee and commission income	**1,567**	**1,606**

The Group changed the presentation of foreign exchange operations in consolidated statement of comprehensive income from the item *„Net gain/(loss) on financial operations"* to the item *„Net fee and commission income"*.

10. GENERAL ADMINISTRATIVE EXPENSES

CZK million	30. 6. 2020	30. 6. 2019
Rent, repairs and other office management services	(117)	(74)
Marketing expenses	(207)	(234)
Costs of legal and advisory services	(179)	(236)
IT support costs	(244)	(232)
Deposit and transaction insurance	(62)	(54)
Telecommunication, postal and other services	(43)	(38)
Security costs	(26)	(26)
Training costs	(7)	(15)
Office equipment	(11)	(12)
Travel costs	(5)	(12)
Company cars expenses	(5)	(6)
Contribution to the crisis resolution fund	(273)	(222)
Other administrative expenses	(18)	(21)
Total	**(1,197)**	**(1,182)**

11. FINANCIAL ASSETS AT AMORTISED COST

(a) Financial Assets at Amortised Cost by Segment

	30. 6. 2020				
CZK million	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities					
Government institutions	28,085	–	–	–	**28,085**
Non-financial entities	1,141	446	–	–	**1,587**
Debt securities, gross	**29,226**	**446**	**–**	**–**	**29,672**
Loss allowances	(4)	(10)	–	–	**(14)**
Debt securities, net	**29,222**	**436**	**–**	**–**	**29,658**
Loans and advances to banks					
Central banks	94,005	–	–	–	**94,005**
Credit institutions	1,266	266	–	–	**1,532**
Loans and advances to banks – gross	**95,271**	**266**	**–**	**–**	**95,537**
Loss allowances	–	–	–	–	**–**
Loans and advances to banks – net	**95,271**	**266**	**–**	**–**	**95,537**
Loans and advances to customers					
Government institutions	961	387	–	–	**1,348**
Other financial institutions	11,021	1,839	2	–	**12,862**
Non-financial entities	69,142	48,419	2,464	88	**120,113**
Households	83,086	36,722	2,514	228	**122,550**
Loans and advances to customers – gross	**164,210**	**87,367**	**4,980**	**316**	**256,873**
Loss allowances	(229)	(1,184)	(2,973)	28	**(4,358)**
Loans and advances to customers – net	**163,981**	**86,183**	**2,007**	**344**	**252,515**
Total financial assets at amortised cost	**288,474**	**86,885**	**2,007**	**344**	**377,710**

	31. 12. 2019				
CZK million	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities					
Government institutions	9,476	–	–	–	**9,476**
Non-financial entities	1,407	–	–	–	**1,407**
Debt securities, gross	**10,883**	**–**	**–**	**–**	**10,883**
Loss allowances	(4)	–	–	–	**(4)**
Debt securities, net	**10,879**	**–**	**–**	**–**	**10,879**
Loans and advances to banks					
Central banks	86,140	–	–	–	**86,140**
Credit institutions	1,102	–	–	–	**1,102**
Loans and advances to banks – gross	**87,242**	**–**	**–**	**–**	**87,242**
Loss allowances	–	–	–	–	**–**
Loans and advances to banks – net	**87,242**	**–**	**–**	**–**	**87,242**
Loans and advances to customers					
Government institutions	1,515	1	–	–	**1,516**
Other financial institutions	9,528	256	2	–	**9,786**
Non-financial entities	107,036	9,106	2,062	109	**118,313**
Households	81,086	37,650	2,543	227	**121,506**
Loans and advances to customers – gross	**199,165**	**47,013**	**4,607**	**336**	**251,121**
Loss allowances	(282)	(796)	(2,913)	27	**(3,964)**
Loans and advances to customers – net	**198,883**	**46,217**	**1,694**	**363**	**247,157**
Total financial assets at amortised cost	**297,004**	**46,217**	**1,694**	**363**	**345,278**

(b) Financial Assets at Amortised Cost by Category

CZK million	30. 6. 2020	31. 12. 2019
Debt securities		
Debt securities	29,672	10,883
Debt securities, gross	**29,672**	**10,883**
Loss allowances	(14)	(4)
Debt securities, net	**29,658**	**10,879**
Loans and advances to banks		
Term deposits	1,266	1,096
Factoring	266	6
Reverse repo transactions with Czech National Bank	94,005	86,140
Loans and advances to banks – gross	**95,537**	**87,242**
Loss allowances	–	–
Loans and advances to banks – net	**95,537**	**87,242**
Loans and advances to customers		
Loans and advances from current accounts	3,438	3,983
Term loans	142,132	135,513
Mortgage loans	95,966	95,243
Finance lease	8,595	8,741
Reverse repo transactions	491	91
Credit card receivables	3,233	3,698
Factoring	3,018	3,852
Loans and advances to customers – gross	**256,873**	**251,121**
Loss allowances	(4,358)	(3,964)
Loans and advances to customers – net	**252,515**	**247,157**
Total financial assets at amortised cost	**377,710**	**345,278**

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 2020 was CZK: 3 003 million (as of 31 December 2019: CZK (1,153) million).

12. EQUITY INVESTMENTS IN JOINT VENTURES

CZK million	30. 6. 2020	31. 12. 2019
Opening balance	**–**	**46**
Additions	–	–
Increase/(decrease) in net assets of joint ventures	–	–
Disposals	–	–
Sale of a joint venture	–	(46)
Closing balance	**–**	**–**

13. FINANCIAL LIABILITIES AT AMORTISED COSTS

(a) Deposits from Banks

CZK million	30. 6. 2020	31. 12. 2019
Current accounts/One-day deposits	3,419	651
Term deposits of banks	20,005	16,910
Repo transactions	4,300	4,400
Total	**27,724**	**21,961**

(b) Deposits from Customers

Analysis of deposits from customers by type

CZK million	30. 6. 2020	31. 12. 2019
Current accounts/One-day deposits	305,561	257,938
Term deposits	8,342	25,033
Deposits with notice	5,496	7,175
Change in the fair value of hedged items upon fair value hedging	18	42
Total	**319,417**	**290,188**

Analysis of deposits from customers by sector

CZK million	30. 6. 2020	31. 12. 2019
Government sector	17,179	8,847
Other financial institutions	12,900	12,634
Non-financial entities	110,421	101,749
Households	178,917	166,958
Total	**319,417**	**290,188**

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 2020 was CZK: 1,756 million (as of 31 December 2019: CZK (1,270) million).

(c) Debt Securities Issued

Analysis of issued debt securities by type

CZK million	30. 6. 2020	31. 12. 2019
Mortgage bonds	13,265	12,672
Deposit certificates and depository bills of exchange	–	20
Total	**13,265**	**12,692**

Analysis of mortgage bonds

CZK million							
				Nominal value		Net carrying amount	
Issue date	Maturity date	ISIN code	Currency	30. 6. 2020	31. 12. 2019	30. 6. 2020	31. 12. 2019
5.11.2014	5.11.2019	XS1132335248	EUR	–	–	–	–
8.3.2017	8.3.2021	XS1574150261	EUR	5,616	5,336	5,620	5,352
8.3.2017	8.3.2023	XS1574150857	EUR	3,209	3,049	3,273	3,132
8.3.2017	8.3.2024	XS1574151236	EUR	4,278	4,066	4,372	4,188
8.3.2017	8.4.2022	XS1574149842	EUR	–	–	–	–
Total				**13,103**	**12,451**	**13,265**	**12,672**

(d) Subordinated Liabilities and Bonds

Subordinated debt

CZK million	30. 6. 2020	31. 12. 2019
Raiffeisen Bank International AG (parent company)	2,612	2,482
Raiffeisenlandesbank Oberösterreich AG	870	827
Total	**3,482**	**3,309**

(e) Other Financial Liabilities

CZK million	30. 6. 2020	31. 12. 2019
Liabilities from securities trading	125	87
Liabilities from non-banking activities	119	197
Settlement and suspense clearing accounts	2,333	1,809
Lease liabilities	1,908	1,928
Total	**4,485**	**4,021**

14. PROVISIONS

CZK million	30. 6. 2020	31. 12. 2019
Provisions for commitments and financial guarantees provided	**425**	**404**
Other provisions	**493**	**718**
Provision for legal disputes	9	10
Provision for outstanding vacation days	10	24
Payroll provisions	396	589
Provision for restructuring	9	10
Other	69	85
Total	**918**	**1,122**

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

CZK million	30. 6. 2020	31. 12. 2019
Stage 1	125	147
Stage 2	155	45
Stage 3	145	212
POCI	–	–
Total	**425**	**404**

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. 2019	**1**	**21**	**507**	**15**	**268**	**812**
Creation of provisions	9	19	589		55	**672**
Use of provisions	–	(16)	(434)	(4)	(38)	**(492)**
Release of redundant provisions	–	–	(73)	(1)	(200)	**(274)**
31. 12. 2019	**10**	**24**	**589**	**10**	**85**	**718**
Creation of provisions	–	1	396	–	11	**408**
Use of provisions	–	–	(586)	(1)	(2)	**(589)**
Release of redundant provisions	(1)	(15)	(3)	–	(25)	**(44)**
30. 6. 2020	**9**	**10**	**396**	**9**	**69**	**493**

"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

Cash and cash equivalents at the end of the year as shown in the statement of cash flows are composed of the following asset balances:

CZK million	30. 6. 2020	31.12.2019
Cash and other cash values, balances with central banks and mandatory minimum provisions	10,581	12,277
Mandatory minimum provisions	(2,577)	(2,926)
Other demand deposits	5,608	1,858
Total cash and cash equivalents	**13,612**	**11,209**

16. CONTINGENT LIABILITIES

(a) Legal disputes

The Group conducted a review of legal disputes outstanding against it as at 30 June 2020. 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 2020 in the aggregate amount of CZK 9 million (as of 31 December 2019: CZK 10 million).

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

CZK million	30. 6. 2020	31. 12. 2019
Banks		
Commitments provided (irrevocable)	7	–
Guarantees provided	307	248
Letters of credit issued	66	106
Total	**380**	**354**
Customers		
Commitments provided (irrevocable)	33,746	31,348
Provided guarantees	14,888	15,400
Letters of credit issued	345	162
Total	**48,979**	**46,910**
Total	**49,359**	**47,264**

(c) Revocable credit commitments and guarantee commitments

CZK million	30. 6. 2020	31. 12. 2019
Banks	2,461	1,927
Customers	63,015	59,701
Total	**65,476**	**61,628**

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. 2020 CZK million	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand, balances with central banks and other demand deposits	–	–	16,189	16,189	16,189	–
Loans and advances to banks*	–	–	95,537	95,537	95,537	–
Loans and advances to customers*	–	–	258,098	258,098	252,515	5,583
Debt securities at amortised cost*	30,519	–	804	31,323	29,658	1,665
Liabilities						
Deposits from banks	–	–	27,735	27,735	27,724	11
Deposits from customers	–	–	319,447	319,447	319,417	30
Debt securities issued	–	–	13,589	13,589	13,265	324
Subordinated liabilities and bonds	–	–	3,581	3,581	3,482	99
Other financial liabilities**	–	–	2,577	2,577	2,577	–

*including loss allowances
**without lease liabilities

31. 12. 2019 CZK million	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand, balances with central banks and other demand deposits	–	–	14,135	14,135	14,135	–
Loans and advances to banks*	–	–	87,242	87,242	87,242	–
Loans and advances to customers*	–	–	253,228	253,228	247,157	6,071
Debt securities at amortised cost*	10,300	–	845	11,145	10,879	266
Liabilities						
Deposits from banks	–	–	21,977	21,977	21,961	16
Deposits from customers	–	–	290,182	290,182	290,188	(6)
Debt securities issued	–	–	12,981	12,981	12,692	289
Subordinated liabilities and bonds	–	–	3,489	3,489	3,309	180
Other financial liabilities**	–	–	2,093	2,093	2,093	–

*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 2020:

Financial instruments at fair value

CZK million	Fair Value at 30. 6. 2020			Fair Value at 31. 12. 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives	–	3,072	–	–	1,675	–
Securities held for trading	1,725	–	–	93	–	1
	127	–	–	–	–	–
Positive fair value of hedging derivatives	–	2,616	–	–	2,546	–
Financial assets at FVOCI	–	–	687	–	–	735
Total	**1,852**	**5,688**	**687**	**93**	**4,221**	**736**

CZK million	Fair Value at 30. 6. 2020			Fair Value at 31. 12. 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	–	2,995	–	–	1,799	–
Negative fair value of hedging derivatives	–	4,065	–	–	2,667	–
Total	**–**	**7,060**	**–**	**–**	**4,466**	**–**

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)

2020

CZK million	Financial assets held for trading (debt securities)	Financial assets at FVOCI	Total
Balance at 1.1.2020	**1**	**735**	**736**
Transfer to Level 3	–	–	**–**
Purchases	–	–	**–**
Comprehensive income/(loss)	–	(48)	**(48)**
– in the income statement	–	–	**–**
– in equity	–	(48)	**(48)**
Sales/settlement	(1)	–	**(1)**
Transfer from Level 3	–	–	**–**
Balance at 30.6.2020	**–**	**687**	**687**

2019

CZK million	Financial assets held for trading (debt securities)	Financial assets at FVOCI	Total
Balance at 1.1.2019	**–**	**629**	**629**
Transfer to Level 3	–	–	**–**
Purchases	1	–	**1**
Comprehensive income/(loss)	–	106	**106**
– in the income statement	–	–	**–**
– in equity	–	106	**106**
Sales/settlement	–	–	**–**
Transfer from Level 3	–	–	**–**
Balance at 31.12.2019	**1**	**735**	**736**

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 Raiffeisen stavební spořitelna, a.s. of CZK 440 million (2019: CZK 496 million) and the Group's membership in Visa Inc. association of CZK 246 million (2019: CZK 238 million).

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 and 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. 2020 CZK million	Corporate entities	Retail cus- tomers	Treasury	Other	Reconcilia- tion to the statement of comprehen- sive income	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/(loss) from financial operations	(6)	–	(205)	(1)	–	**(212)**
Net gain/(loss) 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 joint ventures	–	–	–	–	–	**–**
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	**129,716**	**132,423**	**139,657**	**13,785**	**–**	**415,581**
Total liabilities	**111,307**	**208,429**	**51,481**	**8,399**	**–**	**379,976**

At 30. 6. 2019 CZK million	Corporate entities	Retail cus- tomers	Treasury	Other	Reconcilia- tion to the statement of comprehen- sive income	Total
Income statement:						
Net interest income	1,384	2,656	145	333	(31)	**4,487**
Net fee and commission income	618	1,011	(23)	–	–	**1,606**
Net gain/(loss) on financial operations	(8)	–	(143)	68	–	**(83)**
Net gain/(loss) from hedge accounting	–	–	1	–	–	**1**
Impairment gains/(losses) on financial instruments	103	350	–	–	–	**453**
Gains/(losses) arising from derecognition of financial assets measured at amortised cost	–	–	–	–	–	**–**
Other operating expenses	(770)	(2,032)	(121)	103	–	**(2,820)**
Dividend income	–	–	–	–	31	**31**
Share in income of joint ventures	–	–	–	–	4	**4**
Profit before tax	**1,327**	**1,985**	**(141)**	**504**	**4**	**3,679**
Income tax	(170)	(240)	27	(106)	–	**(489)**
Profit after tax	**1,157**	**1,745**	**(114)**	**398**	**4**	**3,190**
Assets and liabilities:						
Total assets	**121,200**	**128,680**	**108,066**	**13,253**	**–**	**371,199**
Total liabilities	**92,591**	**184,159**	**53,363**	**8,935**	**–**	**339,048**

19. RELATED PARTY TRANSACTIONS

Balance sheet items

CZK million At 30. 6. 2020	Parent company and Entities with significant influence over the Group	Other	Total
Receivables	2,998	276	**3,274**
Payables	8,401	14,324	**22,725**
Subordinated debt	2,612	870	**3,482**
Guarantees issued	86	77	**163**
Guarantees received	199	1,656	**1,855**
CZK million At 31. 12. 2019	**Parent company and Entities with significant influence over the Group**	**Other**	**Total**
Receivables	997	208	**1,205**
Payables	3,953	22,736	**26,689**
Subordinated debt	2,482	827	**3,309**
Guarantees issued	86	92	**178**
Guarantees received	243	1,462	**1,705**

Profit and loss items

CZK million At 30. 6. 2020	Parent company and Entities with significant influence over the Group	Other	Total
Interest income	2,314	8	**2,322**
Interest expense	(2,313)	(124)	**(2,437)**
Fee and commission income	11	12	**23**
Fee and commission expense	(5)	(49)	**(54)**
Dividend income	–	–	**–**
Net gain/(loss) on financial operations	394	(22)	**372**
Net gain/(loss) from hedge accounting	(733)	–	**(733)**
CZK million AT 30. 6. 2019	**Parent company and Entities with significant influence over the Group**	**Other**	**Total**
Interest income	1,935	5	**1,940**
Interest expense	(2,013)	(137)	**(2,150)**
Fee and commission income	10	14	**24**
Fee and commission expense	(3)	(28)	**(31)**
Dividend income	–	31	**31**
Net gain/(loss) on financial operations	(155)	18	**(137)**
Net gain/(loss) from hedge accounting	428	–	**428**

20. SUBSEQUENT EVENTS

On 9 September 2020 Group´s management decided on the sale of companies Gaia Property, s.r.o. and Hermes Property, s.r.o. outside the Group.

On 9 September 2020 Group´s management decided on increase of subordinated debt by EUR 32 mil. and on new issue of AT1 capital investment certificates in the amount of EUR 30 mil.

On 9 September 2020 Group´s management decided on purchase of 90% share in the company Raiffeisen stavební spořitelna a.s.

No further events that would have a material impact on the interim consolidated financial statements for the period ended 30 June 2020 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 2020 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 22 September 2020.

Igor Vida
Chairman of the Board of Directors
Raiffeisenbank a.s.

Tomáš Jelínek
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