Semi-Annual Financial Report as at 30 June 2020

Overview

Raiffeisen Bank International (RBI)

Monetary values in € million	2020	2019	Change
Income statement	**1/1-30/6**	**1/1-30/6[1]**	
Net interest income	1,706	1,664	2.5%
Net fee and commission income	840	839	0.0%
General administrative expenses	(1,474)	(1,497)	(1.6)%
Operating result	1,216	1,009	20.6%
Impairment losses on financial assets	(312)	(12)	>500.0%
Profit/loss before tax	566	834	(32.2)%
Profit/loss after tax	420	643	(34.6)%
Consolidated profit/loss	368	571	(35.5)%
Statement of financial position	**30/6**	**31/12**	
Loans to banks	9,202	9,435	(2.5)%
Loans to customers	93,876	91,204	2.9%
Deposits from banks	30,720	23,607	30.1%
Deposits from customers	98,686	96,214	2.6%
Equity	13,655	13,765	(0.8)%
Total assets	163,761	152,200	7.6%
Key ratios	**1/1-30/6**	**1/1-30/6[1]**	
Return on equity before tax	8.4%	13.5%	(5.0) PP
Return on equity after tax	6.3%	10.3%	(4.0) PP
Consolidated return on equity	5.9%	10.1%	(4.3) PP
Cost/income ratio	54.8%	59.7%	(5.0) PP
Return on assets before tax	0.72%	1.14%	(0.42) PP
Net interest margin (average interest-bearing assets)	2.31%	2.42%	(0.11) PP
Provisioning ratio (average loans to customers)	0.67%	0.02%	0.65 PP
Bank-specific information	**30/6**	**31/12**	
NPE ratio	1.9%	2.1%	(0.2) PP
NPE coverage ratio	63.3%	61.0%	2.4 PP
Total risk-weighted assets (RWA)	80,490	77,966	3.2%
Common equity tier 1 ratio[2]	13.2%	13.9%	(0.7) PP
Tier 1 ratio[2]	14.6%	15.4%	(0.7) PP
Total capital ratio[2]	17.5%	17.9%	(0.4) PP
Stock data	**1/1-30/6**	**1/1-30/6**	
Earnings per share in €	1.03	1.64	(37.6)%
Closing price in € (30/6)	15.86	20.63	(23.1)%
High (closing price) in €	22.92	24.31	(5.7)%
Low (closing price) in €	11.25	18.69	(39.8)%
Number of shares in million (30/6)	328.94	328.94	0.0%
Market capitalization in € million (30/6)	5,217	6,786	(23.1)%
Resources	**30/6**	**31/12**	
Employees as at reporting date (full-time equivalents)	46,386	46,873	(1.0)%
Business outlets	1,982	2,040	(2.8)%
Customers in million	16.7	16.7	0.0%

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.
2 Fully loaded - including result

In this report RBI denotes the RBI Group. If RBI AG is used it denotes Raiffeisen Bank International AG.

Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts. The ratios referenced in this report are defined in the consolidated financial statements under key figures.

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RBI in the capital markets

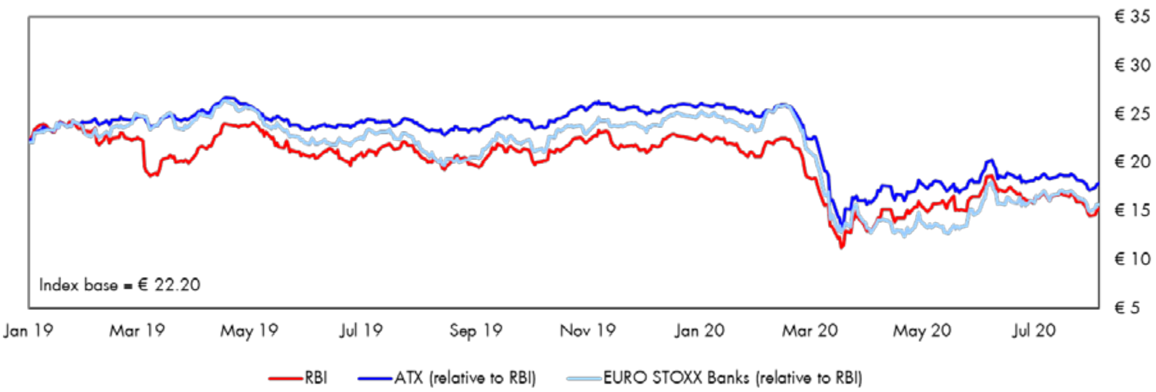
Performance of RBI stock

Following historic declines in equity markets in the first quarter in the wake of the rapid spread of the COVID-19 pandemic, a broadly-based recovery began in the middle of March which continued until the end of the second quarter. While stock prices did not reach the same levels as prior to the outbreak, losses which had been incurred in the interim were significantly reduced. Key factors included the marked reduction in the growth rate of new COVID-19 cases and the subsequent gradual easing of economic lockdown restrictions. Extensive fiscal support and assistance programs, as well as expansionary monetary policy measures on the part of central banks worldwide, also contributed to increases in the prices of many asset classes in the second quarter that were the strongest seen for several decades. Although the negative economic repercussions from the lockdown will not be fully prevented as a result, these actions nevertheless led to a reduction in volatility and reassured market participants.

Against this backdrop, RBI stock increased 19 per cent over the second quarter of 2020 and closed at € 15.86 on 30 June 2020. The EURO STOXX Banks index and the Austrian ATX stock index rose by 16 per cent and 12 per cent respectively over the same period.

From the end of the quarter until the editorial deadline for this report on 5 August, RBI's stock declined 3.5 per cent and closed at € 15.31.

Price performance since 1 January 2019 compared to ATX and EURO STOXX Banks



Active capital market communication

On 14 May 2020, RBI reported the results for the first quarter and hosted a conference call with around 330 participants. As restrictions continued to apply to gatherings in Austria at that point, the usual meetings in which the quarterly results are discussed in person with members of the press, investors and analysts in Vienna, were also conducted through conference calls or web conferences.

Conference calls and investor presentations are available online at www.rbinternational.com → Investors → Presentations & Webcasts.

The aim of RBI's Investor Relations activities is to ensure a high level of transparency for market participants, through use of flexible and innovative formats, in what is a new situation for all stakeholders. The normally numerous opportunities to obtain information in personal meetings during roadshows and conferences were impacted by measures related to the COVID-19 pandemic. All meetings in the second quarter, including the otherwise usual international bank conferences with analysts and equity and debt investors, were therefore again conducted through conference calls or web conferences. This practice has been employed since the publication of the 2019 Annual Report in mid-March and will be maintained until further notice for the protection of employees and other meeting participants.

The major topics covered in the discussions were the impact of COVID-19 on RBI's business as well as on risk costs in particular. However, questions relating to the capital position and planned dividend distribution were also discussed.

At the end of the second quarter of 2020, a total of 21 equity analysts and 22 debt analysts provided investment recommendations on RBI. Consequently, RBI remained the Austrian company with the largest number of analyst teams regularly reporting on it.

Tier 2 capital issuance

On 9 June 2020, RBI issued a € 500 million subordinated tier 2 benchmark bond with a maturity of 12 years (non-callable for the first 7 years) and a coupon of 2.875 per cent, corresponding to a spread of 315 basis points over mid-swaps.

Strong demand from institutional investors led to a significant level of over-subscription, with an order volume in excess of € 1 billion. The successful transaction has a positive impact on RBI's tier 2 and total capital ratio in terms of the regulatory capital requirements.

Shareholder structure

The regional Raiffeisen banks continue to hold approximately 58.8 per cent of RBI's shares, with 41.2 per cent in free float. The shareholder base is well diversified due to the broad geographic spread and various investment objectives. The institutional investors are primarily from North America and Europe and increasingly from Asia and Australia. These include sovereign wealth funds and supranational organizations, which offer stability due to their preferred long-term investment strategies. RBI's shareholders also include a large number of Austrian private investors.

Stock data and details

RBI stock has been listed on the Vienna Stock Exchange since 25 April 2005.

Share price (closing) as at 30 June 2020	€ 15.86
High/low (closing share prices) in the second quarter 2020	€ 18.64/€ 12.93
Earnings per share from 1 January to 30 June 2020	€ 1.03
Book value per share as at 30 June 2020	€ 35.59
Market capitalization as at 30 June 2020	€ 5.2 billion
Average daily trading volume (single count) in the second quarter 2020	803,407 shares
Free float as at 30 June 2020	approximately 41.2%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 30 June 2020	328,939,621

Rating details

Rating	Moody's Investors Service	Standard & Poor's
Long-term rating	A3	A-
Outlook	stable	negative
Short-term rating	P- 2	A- 2
Subordinated (Tier 2)	Baa3	BBB
Additional Tier 1	Ba3(hyb)	BB+
Junior Subordinated (Legacy Tier 1)	Ba3	BB+

Financial Calendar 2020

9 October 2020*	Record Date Annual General Meeting
20 October 2020*	Annual General Meeting
28 October 2020*	Ex-Dividend Date
29 October 2020*	Record Date Dividends
29 October 2020	Start of Quiet Period
30 October 2020*	Dividend Payment Date
12 November 2020	Third Quarter Report, Conference Call

* The postponement of the Annual General Meeting was also referenced in the ad hoc announcement on 8 April

Contact for equity and debt investors

Email: ir@rbinternational.com
Internet: www.rbinternational.com → Investors
Telephone: +43 1 71 707 2089

Raiffeisen Bank International AG
Group Investor Relations
Am Stadtpark 9
1030 Vienna, Austria

Group management report

Market development

Economic and financial market developments in 2020 are being shaped by the global spread of COVID-19 and the accompanying restrictions to contain the pandemic. The constraints placed on business activities have led to an unprecedented recession. The reduction in Gross Domestic Product (GDP) was more immediate and larger than in past economic downturns and was concentrated in the first half of the year in Europe, North America and Asia. In addition to a sharp decline in investment and export demand, there was also a steep drop in private consumption. In contrast to previous recessions, a strong contraction was also seen on the supply side in the provision of services across a large part of the service sector, primarily in travel and leisure activities, as well as services involving personal contact. The easing of business restrictions led to a bounce in economic activity. However, given the ongoing spread of COVID-19, the speed and scale of the expected recovery in the second half of the year and going into next year are subject to a high degree of uncertainty. In Western Europe in particular, after an initial bounce there was a marked levelling off of growth which should continue until a medical solution becomes available (expected from the second quarter of 2021). Additionally, the COVID-19 crisis could also have medium-term negative consequences. GDP in most countries affected is expected to still not have reached pre-crisis levels by the end of 2021.

For the euro area, a reduction in GDP of around 8.1 per cent compared to the prior year is forecast for 2020 (2021: increase of 4.3 per cent). State support programs are mitigating the rise in the unemployment rate and loss of income. The extensive fiscal countermeasures are leading to high budget deficits in all countries. Price volatility in the oil market will impact the inflation rate in 2020. The decline in energy prices reduced the inflation rate in the first half of the year, with the low point likely to have been reached in May. In the second half of the year, the inflation rate is expected to trend upwards and average around 0.5 per cent for the year as a whole.

The ECB has taken extensive measures in response to the COVID-19 crisis. The existing Asset Purchase Program (APP) of € 20 billion per month was increased by a total amount of € 120 billion until the end of 2020. As part of an additional purchase program, the Pandemic Emergency Purchase Programme (PEPP), it is planned to purchase bonds in an amount of € 1,350 billion by June 2021. Furthermore, new refinancing operations were put in place and the conditions of the existing ones were improved. All in all, it was possible to avoid disruptions in the financial system and secure a supply of credit on favorable terms to both the public and private sectors.

In the US, the Fed is signaling a long period of supportive monetary policy in order to accelerate the economic recovery. In response to the COVID-19 crisis, key rates were rapidly reduced to just above zero per cent, an unlimited asset purchase program was initiated, and numerous loan and purchase programs were established to provide liquidity to the real economy and financial sector. Although economic indicators in the US have occasionally surprised on the upside to date, the renewed rapid increase in the number of COVID-19 cases increases the risks to the recovery, which is still in its early stages.

After the economic trough was reached in Austria around the beginning of April, economic activity began to pick up with the implementation of easing measures. However, following an initial rebound, the process of further economic normalization is expected to level off, with GDP not recovering to the end-2019 level until the beginning of 2023. For 2020 as a whole, it is anticipated that the economic freefall in the first half of the year along with the expected turnaround in the third quarter and subsequent levelling off will result in a 7.2 per cent reduction in GDP (2021: increase of 3.5 per cent).

The countries in the Central Europe (CE) region, in particular Hungary, Slovakia and the Czech Republic, were able to effectively contain the spread of COVID-19 in the spring. There have been rising cases observed from the middle of July, but these are being addressed with lighter or more targeted restrictions. It is nevertheless expected that GDP in the region will contract by 4.8 per cent in 2020, due to the restrictions implemented in spring, compared to growth of 3.7 per cent in 2019 (2021: increase of 4.2 per cent). The Czech Republic (6.0 per cent reduction) and Slovakia (6.0 per cent reduction) are likely to be more strongly affected, while the recessions in Hungary (3.5 per cent reduction) and Poland (4.5 per cent reduction) are expected to be milder than the average for the region. In contrast to Western Europe, the anticipated GDP contractions in CE are not historically unprecedented but are comparable with the downturn seen in the financial crisis (2009), with the exception of Poland. The demand-side composition of the expected recession (sharp fall in private consumption) is also not a new experience in CE, unlike in Western Europe.

In the Southeastern Europe (SEE) region, it is anticipated that real GDP will decline 5.6 per cent in 2020. The recession will be deeper than average in Croatia. A decline of approximately 8.5 per cent is forecast for the country due to the greater significance of the tourism sector. The SEE region has also seen rising cases since the beginning of July, however a return to the severe restrictions seen in spring should be avoided. Inflation should lose some momentum and is expected to be at an average of 2.1 per cent for 2020 as a whole. The countries in the region will receive assistance and loans from the EU Next Generation program.

In particular, Bulgaria, Croatia and Romania should receive relatively extensive support. Additionally, participation in the Exchange Rate Mechanism II and the potential future introduction of the euro is a positive development for Bulgaria and Croatia.

The Eastern Europe (EE) region comprises Russia, Ukraine and Belarus. With the COVID-19 pandemic and a combined oil price shock, a deep recession estimated at 5.0 per cent is expected in 2020, with a recovery of 2.8 per cent in 2021. The Russian government decided on comparatively limited supportive measures for the economy by international standards. Russia is however in the favorable position of having a sound budgetary policy with low levels of government debt and substantial fiscal reserves from surpluses in prior years. Additionally, the oil price and the ruble partially recovered in the second quarter and the COVID-19 cases are slowly declining again. However, imposition of further US sanctions still cannot be fully excluded. Ukraine is dependent on external assistance from the IMF and other partners. An agreed support package from the IMF is having a stabilizing effect. For Ukraine an economic downturn of 6.3 per cent is forecast for 2020, followed by a 3.8 per cent recovery in 2021. In Belarus fewer lockdown measures were taken in comparison with other countries, which may result in a lower direct economic impact from the pandemic. Furthermore, the COVID-19 rate of infection has eased considerably. However, Belarus is negatively affected by the recession in Russia. These factors, together with fiscal and external trade weakness, lead to the expectation of a recession in Belarus of 4.5 per cent in 2020.

Annual real GDP growth compared to the previous year

Region/country	2018	2019	2020e	2021f
Czech Republic	2.9	2.3	(6.0)	4.1
Hungary	5.1	4.9	(3.5)	4.0
Poland	5.4	4.2	(4.5)	4.2
Slovakia	4.0	2.3	(6.0)	5.0
Central Europe	**4.5**	**3.7**	**(4.8)**	**4.2**
Albania	4.1	2.2	(6.5)	5.0
Bosnia and Herzegovina	3.7	2.6	(5.2)	3.0
Bulgaria	3.1	3.4	(6.0)	4.0
Croatia	2.7	2.9	(8.5)	3.0
Kosovo	3.8	4.2	(5.5)	5.0
Romania	4.0	4.1	(5.0)	4.2
Serbia	4.4	4.2	(4.0)	4.5
Southeastern Europe	**3.7**	**3.7**	**(5.6)**	**4.0**
Belarus	3.1	1.2	(4.5)	1.5
Russia	2.3	1.3	(4.9)	2.8
Ukraine	3.3	3.2	(6.3)	3.8
Eastern Europe	**2.4**	**1.5**	**(5.0)**	**2.8**
Austria	**2.4**	**1.6**	**(7.2)**	**3.5**
Germany	**1.5**	**0.6**	**(5.9)**	**3.7**
Euro area	**1.9**	**1.3**	**(8.1)**	**4.3**

Source: Raiffeisen Research - the above data is based on the analysts' estimates (base case scenario) from the beginning of August 2020; subsequent revisions may be made for prior years (e: estimate; f: forecast)

Significant events in the reporting period

Severe impact from the COVID-19 pandemic

The economic shutdown caused by the COVID-19 pandemic in March 2020 has caused unprecedented economic repercussions to date. In rapid succession, countries where RBI is active imposed restrictions to limit the transmission of COVID-19. In order to alleviate the economic consequences caused by such restrictions, policy interventions were enacted to assist individuals, households and businesses, as well as provide temporary supervisory relief measures for banks. Stabilization measures which affect RBI include payment moratoriums, direct government assistance programs and subsidies to mitigate the economic impact, as well as restrictions on cross-border capital movements and dividend payments.

The measures introduced by many governments in March 2020 in order to restrict contact led to a lockdown of national economies. Around the middle of May 2020, most of the countries in which RBI operates began a gradual, controlled reopening.

Due to the large-scale global recession, RBI anticipates a significant decline in profit for the current financial year. As a direct consequence in the first half of the year, additional expected impairment losses of around € 158 million were posted in excess of the ECL model. These were post-model adjustments to estimates of the expected credit losses. The adjustments were necessary as the models do not fully capture the speed of the changes and the severity of the pandemic's economic effects. Individual sectors such as tourism (including leisure facilities), aviation (including freight traffic), extraction and processing of oil and natural gas, as well as the automotive industry, have been hardest hit. Further information on the development in net provisioning for impairment losses can be found in the notes to the interim consolidated financial statements.

In addition to the significantly higher net provisioning for impairment losses, impairments on equity investments and goodwill amounting to approximately € 106 million were recognized due to changed medium-term planning parameters. Loan modifications due to payment moratoriums in an amount of minus € 16 million were recorded through profit/loss. Further information can be found in the notes to the interim consolidated financial statements.

Payment moratoriums

Many of RBI's markets saw the introduction of various moratoriums that can essentially be summarized as payment moratoriums. Borrowers are granted a temporary deferral of obligations to make principal repayments as well as payments for interest and fees. The payment moratoriums are structured differently depending on local legislation or the regulatory guidelines in the respective banking sector. Borrowers in some countries (such as Austria, Croatia and Romania) can choose whether to make use of a payment moratorium, while those in other countries (such as Hungary and Serbia) are automatically granted payment moratoriums. Countries have implemented different approaches to both the duration of the payment moratorium (between three and nine months), and to the capitalization of interest during the moratorium period (with or without compound interest). At the end of the first half of the year, € 8.5 billion of loans were subject to a moratorium.

A change in payment plans may lead to a net present value loss on an individual loan contract, which is generally recognized in the other result of RBI as a one-off adjustment to the gross carrying amount resulting from an immaterial modification of the contract. At the end of the first half of the year, minus € 16 million was reflected in the result in this respect. Further effects can be expected in subsequent reporting periods.

Direct government programs

To counter the economic downturn caused by the COVID-19 pandemic, many countries adopted various support measures for the economy and to protect jobs. The measures include various forms of direct financial support for individuals, households and businesses, as well as bridge loans extended by banks and guaranteed by governments to ensure that companies have sufficient liquidity during the COVID-19 pandemic.

Restrictions on capital movements and dividend payments

In order to strengthen the capital base of banks and financial institutions during the COVID-19 pandemic, many countries have introduced restrictions on dividend payments for the financial years 2019 and 2020, either through recommendations from supervisory authorities or through enacted legislation for the duration of the COVID-19 pandemic.

Regulatory relief

In the context of the COVID-19 pandemic, both the ECB and the EBA enacted regulatory relief measures to enable banks supervised by the ECB to continue to play their central role in providing financing to households and businesses. The ECB will explicitly allow banks under its supervision to operate below the levels defined by the Pillar 2 guidance, the capital conservation buffer and the liquidity coverage ratio. Banks will also be allowed to use other capital instruments in addition to common equity tier 1 capital to meet capital requirements. This particular measure would originally not have come into force until the beginning of 2021 as part of the implementation of CRD V (Capital Requirements Directive). Furthermore, the ECB is of the opinion that these measures should be supported by an appropriate relaxation of the countercyclical capital buffer by the national supervisory authorities. The EBA also expects consistent application of the rules regarding the definition of default, forbearance and IFRS 9, and calls for the use of the full flexibility provided for in the regulations. In its view, the moratoriums introduced by the different countries do not automatically lead to a classification as forborne or defaulted, nor to a stage migration in the IFRS 9 ECL model.

Bank levy in Slovakia

In June 2020, the Slovakian government decided to abolish the bank levy for the second half of 2020. In 2020, RBI paid € 26 million in bank levies in Slovakia (previous year's period: € 12 million).

Earnings and financial performance

The COVID-19 pandemic has caused turmoil on the financial markets since the end of February and led to restrictions in both the private domain and the economic environment. The pandemic has also weighed on the business activities of RBI and its customers, with direct and indirect consequences for the performance of the bank's business. Governments and central banks have reacted by taking various measures to mitigate the adverse effects on companies and consumers.

Overall, it was a highly dynamic start to the 2020 financial year for RBI. The expansion of business volumes in previous periods also led to continued growth in core revenues. However, declines in fee and commission income were recorded in the second quarter as a result of the lockdown measures, while interest income also suffered on account of key rate cuts in some markets.

Operating income improved, posting an increase of € 184 million. This was primarily attributable to the net trading income and fair value result (up € 141 million due to valuation losses in the previous year), as well as a € 42 million rise in net interest income stemming from higher volumes. The recession caused by the COVID-19 pandemic was most noticeably reflected by impairment losses on financial assets, which reached € 312 million compared to a very modest level of € 12 million in the previous year.

Consolidated profit declined € 203 million year-on-year to € 368 million. The result was negatively impacted by direct and indirect effects of the COVID-19 crisis. These are reflected in credit risk costs (particularly stage migration in the ECL calculation) as well as modification results relating to payment moratoriums and impairments on investments and goodwill.

in € million	1/1-30/6/2020	1/1-30/6/2019[1]	Change	
Net interest income	1,706	1,664	42	2.5%
Dividend income	15	24	(9)	(38.9)%
Current income from investments in associates	22	37	(15)	(39.8)%
Net fee and commission income	840	839	0	0.0%
Net trading income and fair value result	62	(79)	141	–
Net gains/losses from hedge accounting	4	0	4	–
Other net operating income	42	21	21	96.9%
Operating income	**2,690**	**2,506**	**184**	**7.3%**
Staff expenses	(808)	(789)	(19)	2.4%
Other administrative expenses	(476)	(524)	48	(9.2)%
Depreciation	(190)	(184)	(6)	3.4%
General administrative expenses	**(1,474)**	**(1,497)**	**23**	**(1.6)%**
Operating result	**1,216**	**1,009**	**207**	**20.6%**
Other result	(173)	(33)	(140)	425.9%
Levies and special governmental measures	(166)	(130)	(36)	27.4%
Impairment losses on financial assets	(312)	(12)	(300)	>500.0%
Profit/loss before tax	**566**	**834**	**(268)**	**(32.2)%**
Income taxes	(145)	(191)	45	(23.8)%
Profit/loss after tax	**420**	**643**	**(223)**	**(34.6)%**
Profit attributable to non-controlling interests	(52)	(72)	20	(27.4)%
Consolidated profit/loss	**368**	**571**	**(203)**	**(35.5)%**

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Operating income

Operating income was up 7 per cent year-on-year, or € 184 million, to € 2,690 million. The Group's average interest-bearing assets also rose 7 per cent, reflecting increases in the lending business and short-term investments – especially at head office. Overall, net interest income rose € 42 million to € 1,706 million. The net interest margin decreased 11 basis points to 2.31 per cent. This decline was largely attributable to interest rate cuts related to COVID-19 in many of the Group's countries and an increased volume of short-term investments. Current income from investments in associates fell € 15 million year-on-year to € 22 million, primarily as a result of proceeds realized from a disposal at Raiffeisen Informatik GmbH & Co KG in the same period of the previous year. Net fee and commission income was more or less unchanged at € 840 million, with reductions in volumes due to COVID-19, above all in clearing, settlement and payment services, offset by growth in asset management. The net trading income and fair value result improved € 141 million to € 62 million. The main factors behind the increase were valuation results from certificates issued (up € 57 million) due to changes in interest rates and credit spreads, which had led to valuation losses in the previous year. Valuation losses relating to a building society portfolio also influenced the same period of the previous year. Other net operating income increased € 21 million year-on-year, primarily due to the release of an € 18 million provision for litigation in Slovakia.

General administrative expenses

General administrative expenses declined € 23 million year-on-year to € 1,474 million. At the same time, staff expenses posted a slight increase of 2 per cent, or € 19 million, to € 808 million, largely as a result of salary adjustments (primarily in Russia, Ukraine and Romania). The average headcount decreased by 392 full-time equivalents year-on-year to 46,799. Other administrative expenses were down € 48 million to € 476 million. This reduction was mainly driven by a decrease in IT expenses at head office (€ 9 million), as well as lower deposit insurance fees in Russia (€ 6 million) and Romania (€ 6 million). Other expense items also declined. Depreciation of tangible and intangible fixed assets rose 3 per cent, or € 6 million. The number of business outlets fell 123 year-on-year to 1,982, mainly reflecting optimization measures in Ukraine (down 46), Russia (down 32) and Romania (down 25).

Other result

The other result came to minus € 173 million in the reporting period, down from minus € 33 million in the same period of the previous year. The decline was largely driven by impairments on investments in companies valued at equity in the amount of € 77 million (up € 70 million). The impairments primarily related to investments in UNIQA Insurance Group AG, LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG and Prva stavebna sporitelna a.s. and were mainly attributable to deteriorating economic prospects as a result of the pandemic. Moreover, a goodwill impairment of € 27 million was recorded for Raiffeisen Kapitalanlage-Gesellschaft due to a revision of the medium-term plan in response to the pandemic. In addition, credit-linked and portfolio-based provisions for litigation of € 42 million (up € 38 million) were allocated, thereof € 18 million in Poland, € 17 million in Romania and € 8 million in Croatia. Net modification losses rose € 21 million to € 23 million, of which € 16 million was attributable to COVID-19 measures such as temporary payment moratoriums and restructuring in Romania, the Czech Republic, Hungary and Ukraine. In contrast, a € 23 million provision for German property transfer tax was recorded in the same period of the previous year.

Levies and special governmental measures

The expenses for levies and special governmental measures increased € 36 million to € 166 million. Bank levies rose € 15 million mainly as a result of the bank levy in Slovakia being doubled, while contributions to the bank resolution fund also increased at head office, in Bulgaria and Romania.

Impairment losses on financial assets

There was a significant increase of € 300 million in impairment losses on financial assets to € 312 million in the reporting period, compared to a very low level of € 12 million in the comparable period of the previous year. This included additional expected risk costs beyond the ECL model of around € 158 million, of which € 123 million related to non-financial corporations and € 35 million to households.

Impairments of € 202 million (increase of € 168 million) were allocated in the first half of 2020 due to migration from stage 1 to stage 2. This mainly impacted the following industries as well as customers working in these industries: tourism, automotive, air travel, oil & gas, real estate and consumer goods. This resulted in impairments of € 115 million on loans to households, mainly in Russia (€ 27 million), Romania (€ 24 million) and Poland (€ 12 million), and of € 82 million on loans to non-financial corporations, particularly in Slovakia (€ 13 million) and Austria (€ 12 million).

In stage 3 (defaulted loans), net impairments of € 141 million were allocated (previous year: net release of € 13 million). This included € 88 million for households, mainly in Russia (€ 36 million) and Romania (€ 16 million), as well as € 55 million for non-financial corporations, predominantly in Austria (€ 28 million), Russia (€ 16 million) and Slovakia (€ 16 million).

At 1.9 per cent, the NPE ratio was down 0.2 percentage points from the year-end level, mainly due to the increased lending volume. The NPE coverage ratio improved 2.4 percentage points to 63.3 per cent as a result of the additional impairments.

Income taxes

Income taxes fell € 45 million to € 145 million, primarily on account of lower net income. The tax rate increased 3 percentage points to 26 per cent, driven largely by the negative profit contribution from head office due to the aforementioned impairments.

Quarterly results

in € million	Q2/2019[1]	Q3/2019[1]	Q4/2019	Q1/2020	Q2/2020
Net interest income	840	866	881	881	825
Dividend income	14	2	5	6	8
Current income from investments in associates	13	14	120	(9)	31
Net fee and commission income	437	468	489	448	392
Net trading income and fair value result	(27)	(8)	70	37	25
Net gains/losses from hedge accounting	(6)	(7)	10	12	(8)
Other net operating income	21	(8)	65	29	12
Operating income	**1,293**	**1,327**	**1,642**	**1,405**	**1,286**
Staff expenses	(410)	(392)	(429)	(402)	(405)
Other administrative expenses	(267)	(260)	(310)	(259)	(218)
Depreciation	(95)	(96)	(109)	(94)	(96)
General administrative expenses	**(773)**	**(748)**	**(848)**	**(755)**	**(719)**
Operating result	**520**	**580**	**794**	**650**	**567**
Other result	(7)	(35)	(151)	(82)	(91)
Levies and special governmental measures	(17)	(11)	(21)	(128)	(38)
Impairment losses on financial assets	(2)	(68)	(154)	(153)	(158)
Profit/loss before tax	**494**	**465**	**468**	**286**	**279**
Income taxes	(110)	(124)	(88)	(79)	(66)
Profit/loss after tax	**384**	**341**	**380**	**207**	**213**
Profit attributable to non-controlling interests	(39)	(38)	(27)	(31)	(21)
Consolidated profit/loss	**345**	**303**	**353**	**177**	**192**

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Development of the second quarter of 2020 compared to the first quarter of 2020

Operating income

Net interest income declined € 57 million quarter-on-quarter to € 825 million. The development in the second quarter was heavily influenced by the COVID-19 pandemic. The sharpest decline was recorded in the Czech Republic at € 20 million. This was largely attributable to lower interest income from repo business and customer loans due to key interest rate reductions. In Russia, net interest income decreased € 14 million as a result of slightly lower volumes and interest rate adjustments. Reduced interest income from repo business also led to a decline of € 9 million at head office. Net interest income was down € 3 million in both Ukraine and Belarus, primarily as a result of lower market interest rates. In Romania, lower loan volumes led to a € 3 million decrease in net interest income. The net interest margin was down 22 basis points to 2.21 per cent, mainly as a result of negative margin developments in many of the Group's countries due to rate cuts relating to COVID-19.

In the first quarter of 2020, current income from investments in associates was negative at minus € 9 million owing to the valuation of a listed equity interest (SoftwareOne) at Raiffeisen Informatik GmbH & Co KG. However, the share price recovery and partial disposal of shares in SoftwareOne generated a positive result in the second quarter.

Net fee and commission income declined 13 per cent compared to the first quarter, or € 56 million, to € 392 million as a result of the lockdown measures. This was mainly driven by a € 21 million decrease to € 77 million in the foreign exchange business due to volume and margin-related falls in revenues, particularly in Russia, the Czech Republic, Romania, Hungary, Belarus and Croatia.

Net income from the loan and guarantee business declined € 8 million to € 44 million, mainly due to higher income at head office in the first quarter. Net income from clearing, settlement and payment services was also down € 7 million to € 161 million as a result of the COVID-19 pandemic in almost all countries. Net income from custody, from the securities business and from customer resources distributed but not managed each posted a decrease of € 4 million quarter-on-quarter.

The net trading income and fair value result fell € 12 million quarter-on-quarter to € 25 million. The previous quarter was significantly impacted by market volatility relating to the spread of COVID-19, leading to gains on certificates issued, largely due to credit spread changes, and losses on the valuation of debt securities. Most market values recovered in the second quarter, with offsetting effects in the form of a € 79 million decrease in the valuation of certificates issued and a € 91 million increase in debt securities held for trading. This was also associated with negative changes in the valuation of derivatives. Net gains/losses from hedge accounting amounted to minus € 8 million in the second quarter (first quarter: € 12 million). Despite the dynamic interest rate environment, there continues to be a high level of hedge efficiency.

Other net operating income fell € 17 million quarter-on-quarter to € 12 million, largely due to the release of a provision for litigation in Slovakia (€ 18 million) in the first quarter.

General administrative expenses

General administrative expenses declined € 36 million quarter-on-quarter to € 719 million. Other administrative expenses decreased € 41 million compared to the previous quarter to € 218 million. These declines mainly stemmed from lower deposit insurance fees (€ 25 million). While deposit insurance fees must be booked in the first quarter for the entire year (€ 18 million) in some countries, the amount booked quarterly in Russia fell € 8 million due to governmental support measures relating to the COVID-19 pandemic.

Other result

The other result declined € 9 million quarter-on-quarter to minus € 91 million. This was primarily driven by a further € 27 million rise in credit-linked and portfolio-based provisions for litigation in the second quarter (previous quarter: € 16 million). The corresponding provisions increased € 17 million in Romania and € 10 million in Poland in the second quarter. In the first quarter, these rose € 8 million in Croatia and € 8 million in Poland. Impairments on investments in associates also rose € 21 million to € 49 million in the second quarter and primarily related to investments in UNIQA Insurance Group AG. Net modification losses increased € 4 million. This is in contrast to a partial goodwill impairment in the amount of € 27 million recorded for Raiffeisen Kapitalanlage-Gesellschaft in the first quarter.

Levies and special governmental measures

The expenses for levies and special governmental measures are largely recorded in the first quarter for the full year (€ 106 million), which resulted in a decline of € 90 million to € 38 million. Bank levies amounted to € 19 million in the second quarter of 2020 (previous quarter: € 73 million). A one-off payment of € 41 million was booked at head office in the first quarter. This was the fourth and last of the annual payments that were required to be posted in their entirety in the first quarter in accordance with the applicable regulations (IFRIC 21). In Hungary, the bank levy for the full year of € 13 million was also recognized in the first quarter of 2020. Similarly, contributions to the bank resolution fund in the amount of € 55 million for the full year were reported in the first quarter. A further payment of € 20 million was booked in the second quarter due to an adjustment to contributions, primarily at head office as well as in Bulgaria.

Impairment losses on financial assets

Impairment losses on financial assets were € 5 million above the level of the previous quarter at € 158 million. In the first quarter of 2020, this included additional expected risk costs beyond the ECL model amounting to € 96 million, in the second quarter this was € 62 million, of which € 55 million related to non-financial corporations (previous quarter: € 67 million) and € 7 million related to households (previous quarter: € 29 million).

Income taxes

Income taxes fell € 13 million compared to the previous quarter to € 66 million. The tax rate decreased 4 percentage points to 24 per cent, primarily as a result of valuation losses relating to COVID-19 in the first quarter.

Consolidated profit

At € 192 million, consolidated profit was € 15 million above the previous quarter's level. In contrast, the operating result declined € 83 million, driven by a significant reduction in core revenues. At the same time, expenses for bank levies and contributions to the bank resolution fund fell € 90 million as these are largely booked in the first quarter.

Statement of financial position

Since the beginning of the year, total assets rose 8 per cent, or € 11,562 million, to € 163,761 million. In contrast, currency movements – affected by depreciation pressure on many CEE currencies as a result of the crisis, especially the Belarusian ruble (down 15 per cent), the Russian ruble (down 14 per cent), the Ukrainian hryvnia (down 12 per cent), the Hungarian forint (down 8 per cent) and the Czech koruna (down 5 per cent) – led to a decline in total assets of almost 2 per cent or € 3,008 million. On a currency-adjusted basis, total assets grew € 14,570 million or more than 9 per cent.

Assets

in € million	30/6/2020	31/12/2019	Change	
Loans to banks	9,202	9,435	(233)	(2.5)%
Loans to customers	93,876	91,204	2,672	2.9%
Securities	22,309	19,538	2,771	14.2%
Cash and other assets	38,374	32,022	6,352	19.8%
Total	**163,761**	**152,200**	**11,562**	**7.6%**

Loans to customers grew 3 per cent, or € 2,672 million, to € 93,876 million, despite strong currency depreciation. The highest growth was recorded at head office (up € 3,504 million, or 14 per cent, to € 28,799 million), primarily driven by loans to non-financial corporations (€ 1,617 million growth, principally from standard loans and export financing), as well as project and real estate financing (up € 863 million), with the remainder of the growth being attributable to other short-term lending. Russia and the Czech Republic, on the other hand, saw a decline in loans to customers as a result of currency depreciation, but still experienced lending growth on a local currency basis. In Russia, loans to customers fell € 869 million to € 10,475 million due to currency effects. In local currency, however, there was an increase of approximately 10 per cent in loans to non-financial corporations, while loans to households fell slightly in local currency terms. Loans to customers in the Czech Republic declined € 316 million, or 3 per cent, to € 11,556 million due to currency movements, but on a local currency basis growth was recorded in loans to both households and non-financial corporations.

Securities, which mainly consists of debt securities increased € 2,771 million to € 22,309 million, mostly at Group head office (up € 2,180 million), in Slovakia (up € 685 million) and in the Czech Republic (up € 672 million), while there was a € 650 million decline in Russia.

Cash and other assets saw a marked increase of € 6,352 million to € 38,374 million since the beginning of the year. Cash balances increased € 6,192 million to € 30,481 million, primarily driven by head office, where cash holdings increased € 6,030 million mainly in the form of repo transactions, balances held at the Austrian National Bank and cash. The Group's strong liquidity position enables it to respond quickly in times of crisis, especially in the event that market-sensitive sources of refinancing become unavailable.

Equity and liabilities

in € million	30/6/2020	31/12/2019	Change	
Deposits from banks	30,720	23,607	7,113	30.1%
Deposits from customers	98,686	96,214	2,473	2.6%
Debt securities issued and other liabilities	20,700	18,614	2,086	11.2%
Equity	13,655	13,765	(110)	(0.8)%
Total	**163,761**	**152,200**	**11,562**	**7.6%**

The Group's funding from banks, which mainly relates to short-term deposits and repo transactions at head office, rose 30 per cent, or € 7,113 million, to € 30,720 million.

Deposits from customers grew 3 per cent (€ 2,473 million) to € 98,686 million, despite strong currency depreciation. The largest increases were at head office (up € 1,358 million or 6 per cent, mainly driven by short term deposits from non-financial corporations), in Romania (up € 455 million or 6 per cent, mainly driven by deposits from households) and in the Czech Republic (up € 377 million despite strong currency depreciation, primarily due to deposits from governments). In contrast, Russia experienced a currency-related 8 per cent, or € 1,144 million, decline in deposits from customers.

The € 2,086 million increase in debt securities and other liabilities to € 20,700 million stemmed mainly from head office (up € 1,826 million) through the issuance of new bonds (increase of € 1,133 million) and higher negative market values of derivatives (increase of € 469 million).

For information relating to funding, please refer to the risk report section in the interim consolidated financial statements.

Equity on the statement of financial position

Equity including capital attributable to non-controlling interests declined € 110 million to € 13,655 million since the beginning of the year. The decline was primarily the result of total comprehensive income of minus € 99 million for the reporting period.

The total comprehensive income of € 99 million comprised profit after tax of € 420 million and other comprehensive income of minus € 519 million. Currency movements since the beginning of the year led to a negative impact of € 591 million. The 14 per cent depreciation of the Russian ruble with a negative impact of € 316 million, the 5 per cent depreciation of the Czech koruna with a negative impact of € 83 million, the 12 per cent depreciation of the Ukrainian hryvnia with a negative impact of € 61 million, the 8 per cent depreciation of the Hungarian forint with a negative impact of € 55 million and the 15 per cent depreciation of the Belarusian ruble with a negative impact of € 51 million, were partially offset by a positive valuation result of € 72 million primarily from the hedge against the net investment in the Russian subsidiary.

The Management Board passed a resolution on 4 February 2020 to propose a dividend payment of € 1.00 per share for the 2019 financial year to the Annual General Meeting. This would amount to a maximum total dividend payment of € 329 million. In line with the European Central Bank's recommendation on dividend payments issued at the end of March and given the uncertainties caused by COVID-19, the dividend proposal for the 2019 financial year may be reviewed once visibility improves with respect to the financial implications of COVID-19.

Total capital pursuant to the CRR/Austrian Banking Act (BWG)

As at 30 June 2020, common equity tier 1 (CET1) after deductions amounted to € 10,640 million, representing a € 222 million reduction compared to the 2019 year-end figure. Material factors behind the reduction were currency movements directly recognized in equity. Tier 1 capital after deductions declined € 212 million to € 11,879 million, mainly as a result of the reduction in CET1. Tier 2 capital rose € 330 million to € 2,270 million. The increase was driven by the issuance of a bond in June, while the regulatory amortization of outstanding issues had an offsetting effect. Total capital amounted to € 14,149 million, representing an increase of € 118 million compared to the 2019 year-end figure.

Total risk-weighted assets (RWA) increased € 2,524 million from the end of 2019 to € 80,490 million. The major reasons for the increase were new loan business, as well as business developments at head office, and in Russia, Serbia, and the Czech Republic. The (organic) growth was partly offset by negative currency effects, especially from the Russian ruble, the Ukrainian hryvnia, and the Czech koruna. An increase in market risk, driven by the rise in volatility caused by the COVID-19 pandemic, as well as the increase in operating risk due to ongoing legal disputes in connection with the CHF loans also contributed to an increase in RWA. On a fully loaded basis and including the half-year result, this resulted in a CET1 ratio of 13.2 per cent, a tier 1 ratio of 14.6 per cent and a total capital ratio of 17.5 per cent.

Risk management

For further information on risk management, please refer to the risk report in the interim consolidated financial statements.

Events after the reporting date

Issuance of € 500 million additional tier 1 capital in July

In July, RBI placed € 500 million of perpetual additional tier 1 capital (AT1). This marks RBI's third AT1 issuance since 2017 and further optimizes its capital structure and its compliance with Pillar 1 and Pillar 2 capital requirements. Furthermore, RBI's buffer to the MDA trigger level improves to 2.38 per cent (based on figures as at 31 March 2020 with inclusion of this AT1 issuance as well as an RBI tier 2 issuance in June). It has a coupon of 6.00 per cent p.a. until December 2026, which will be reset thereafter.

Outlook

We expect modest loan growth in 2020.

The provisioning ratio for FY 2020 is currently expected to be around 75 basis points, depending on the length and severity of disruption.

We aim to achieve a cost/income ratio of around 55 per cent in the medium term and are evaluating how the current circumstances will impact the ratio in 2021.

In the medium term we target a consolidated return on equity of approximately 11 per cent. As of today, and based on our best estimates, we expect a consolidated return on equity in the mid-single digits for 2020.

We confirm our CET1 ratio target of around 13 per cent for the medium term.

Based on this target we intend to distribute between 20 and 50 per cent of consolidated profit.

Segment report

Segmentation principles

Segment reporting at RBI is based on the current organizational structure pursuant to IFRS 8. A cash generating unit within the Group is a country. The Group's markets are thereby consolidated into regional segments comprising countries with comparable economic profiles and similar long-term economic growth expectations.

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia, and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets (business booked in Austria): operating business at head office divided into subsegments: Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG), as well as specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH, Valida Group (pension fund business) and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung. Furthermore, companies valued at equity with banking activities are allocated to this segment.
- Corporate Center: central control functions at head office (e.g. Treasury) and other Group units (equity investments and joint service providers), minority interests as well as non-banking companies valued at equity.

The following changes to the segmentation were applied from the first quarter 2020, in order to align the segments more closely with internal management:

- Joint service providers have been allocated to the Corporate Center segment. These were previously allocated to the regional segments.

- Furthermore, the following companies valued at equity have been allocated to the Group Corporates & Markets segment: NOTARTREUHANDBANK AG, Oesterreichische Kontrollbank AG, EMCOM Beteiligungs GmbH, Posojilnica Bank e-Gen. These were previously allocated to the Corporate Center segment.

These effects have not been adapted in the prior periods due to immateriality.

As of the first quarter 2020, the calculation of equity in the segments is based on the equity shown in the statement of financial position. Previously, equity was calculated according to regulatory capital requirements. The prior periods (equity as well as return on equity) have been adapted accordingly.

Central Europe

in € million	1/1-30/6 2020	1/1-30/6 2019[1]	Change	Q2/2020	Q1/2020	Change
Net interest income	413	419	(1.4)%	196	217	(9.6)%
Dividend income	2	4	(40.6)%	2	0	>500.0%
Current income from investments in associates	2	2	(37.1)%	0	1	(86.0)%
Net fee and commission income	203	218	(7.1)%	94	108	(12.7)%
Net trading income and fair value result	7	0	–	9	(2)	–
Net gains/losses from hedge accounting	0	0	401.1%	(3)	3	–
Other net operating income	14	(3)	–	(3)	17	–
Operating income	**641**	**641**	**0.0%**	**296**	**344**	**(13.9)%**
General administrative expenses	(330)	(351)	(6.2)%	(156)	(174)	(10.4)%
Operating result	**311**	**289**	**7.6%**	**141**	**170**	**(17.5)%**
Other result	(25)	1	–	(14)	(12)	18.9%
Levies and special governmental measures	(61)	(45)	36.6%	(15)	(46)	(67.4)%
Impairment losses on financial assets	(91)	33	–	(41)	(50)	(18.3)%
Profit/loss before tax	**133**	**278**	**(52.0)%**	**71**	**63**	**13.2%**
Income taxes	(29)	(47)	(38.1)%	(13)	(15)	(13.8)%
Profit/loss after tax	**105**	**231**	**(54.8)%**	**57**	**47**	**22.0%**
Return on equity before tax	7.9%	17.4%	(9.5) PP	8.4%	7.4%	1.0 PP
Return on equity after tax	6.2%	14.4%	(8.3) PP	6.8%	5.6%	1.2 PP
Net interest margin (average interest-bearing assets)	2.01%	2.14%	(0.13) PP	1.91%	2.13%	(0.22) PP
Cost/income ratio	51.4%	54.9%	(3.4) PP	52.5%	50.5%	2.0 PP
Loan/deposit ratio	95.8%	102.9%	(7.1) PP	95.8%	99.7%	(3.9) PP
Provisioning ratio (average loans to customers)	0.62%	(0.23)%	0.85 PP	0.56%	0.68%	(0.12) PP
NPE ratio	2.1%	2.5%	(0.4) PP	2.1%	2.2%	(0.1) PP
NPE coverage ratio	63.3%	57.2%	6.1 PP	63.3%	62.8%	0.6 PP
Assets	43,599	41,350	5.4%	43,599	41,422	5.3%
Total risk-weighted assets (RWA)	21,065	21,761	(3.2)%	21,065	21,505	(2.0)%
Equity	3,367	3,142	7.1%	3,367	3,336	0.9%
Loans to customers	29,615	29,022	2.0%	29,615	29,334	1.0%
Deposits from customers	32,617	30,399	7.3%	32,617	31,192	4.6%
Business outlets	378	391	(3.3)%	378	392	(3.6)%
Employees as at reporting date (full-time equivalents)	9,299	9,895	(6.0)%	9,299	9,704	(4.2)%
Customers in million	2.8	2.6	6.1%	2.8	2.8	(0.2)%

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Segment performance

Profit after tax in the Central Europe segment fell € 127 million year-on-year to € 105 million, mainly due to higher impairment losses resulting from COVID-19. The decrease in profit after tax amounted to € 67 million in the Czech Republic, € 31 million in Hungary and € 21 million in Slovakia.

Operating income

Net interest income declined 1 per cent year-on-year, or € 6 million, to € 413 million. This mainly reflected a decrease of € 12 million in net interest income in the Czech Republic because of lower interest income from repo transactions and customer loans as a result of changes in key interest rates. In contrast, in Hungary, higher lending volumes led to a € 4 million rise in net interest income . In Slovakia, net interest income increased € 2 million, also due to higher volumes. The segment's net interest margin declined 13 basis points to 2.01 per cent, primarily driven by a reduction of 23 basis points in the margin in the Czech Republic.

Net fee and commission income decreased € 15 million year-on-year to € 203 million. Net fee and commission income in Slovakia declined primarily as a result of a change in the segment allocation of a Group unit, while in Hungary – mainly as a result of volume- and margin-related decreases in clearing, settlement and payment services and in the foreign exchange business – there was a decline of € 6 million to € 68 million.

The net trading income and fair value result rose € 8 million year-on-year, mainly as a consequence of higher income from debt securities and derivatives in Slovakia and Hungary.

Other net operating income improved € 17 million, largely due to the release of a provision for litigation in Slovakia (€ 18 million).

General administrative expenses

General administrative expenses decreased € 22 million year-on-year to € 330 million, primarily as a result of a change in the segment allocation of a Group unit (down € 9 million) and lower staff and advertising expenses in Slovakia due to the COVID-19 pandemic.

The average number of employees in the segment fell 232 to 9,569, also due to a change in the segment allocation of a Group unit (down 158) and developments in the Czech Republic (down 50). The cost/income ratio improved by 3.4 percentage points year-on-year to 51.4 per cent.

Other result

The other result came to minus € 25 million, compared to a positive amount of € 1 million in the same period of the previous year. The change was mainly driven by an increase of € 18 million in credit-linked and portfolio-based provisions for litigation related to mortgage loans denominated in or linked to a foreign currency in Poland. The provision was adjusted in response to changes in the statistical assumptions underlying the calculation model. In addition, net modification losses of € 8 million were booked in Hungary and the Czech Republic due to COVID-19 measures. These related to customer loan payment holidays of six and nine months decreed by government.

Levies and special governmental measures

The expense for levies and special governmental measures rose € 16 million year-on-year to € 61 million. The increase of € 14 million in bank levies to € 41 million was caused by the doubling of the bank levy in Slovakia. At the end of June, the bank levy in Slovakia was abolished for the second half of 2020. In Hungary, the € 13 million expense for the bank levy was booked in the first quarter for the entire year, as in the previous year. Contributions to the resolution fund, which were largely recognized in full at the start of the year, grew € 3 million to € 20 million. There were higher contributions in the Czech Republic, Slovakia and Hungary.

Impairment losses on financial assets

Impairment losses on financial assets amounted to € 91 million in the reporting period, following a net release of € 33 million in the comparable period of the previous year, with the majority of the allocations in the first half of the year being related to COVID-19 impairments.

Impairments of € 61 million (increase of € 62 million) were allocated in the first half of 2020 due to migration from stage 1 to stage 2. The increase was mainly due to consideration of the worsening economic outlook resulting from the COVID-19 pandemic and the related impact on the respective industries and persons working within those industries among RBI customers. This included impairments of € 28 million on loans to households, mainly in Poland (€ 12 million) and Slovakia (€ 7 million), as well as € 32 million on loans to non-financial corporations, mainly in Slovakia (€ 13 million), Hungary (€ 9 million) and the Czech Republic (€ 8 million). In stage 3 (defaulted loans), net impairments of € 34 million were allocated (previous year: net release of € 4 million), of which € 26 million related to non-financial corporations, particularly in Slovakia (€ 16 million) and the Czech Republic (€ 8 million), and € 8 million to households.

The NPE ratio was 2.1 per cent as at 30 June 2020 (down 0.4 percentage points year-on-year). The NPE coverage ratio improved 6.1 percentage points to 63.3 per cent.

Income taxes

Income taxes decreased € 18 million year-on-year to € 29 million. Tax expense declined € 11 million in the Czech Republic and € 5 million in Slovakia due to lower earnings. The increase in the income tax rate of 5 percentage points to 22 per cent was largely driven by Hungary.

Detailed results of individual countries:

in € million	Poland 1/1-30/6 2020	Poland 1/1-30/6 2019[1]	Slovakia 1/1-30/6 2020	Slovakia 1/1-30/6 2019[1]
Net interest income	8	7	147	145
Dividend income	0	0	0	0
Current income from investments in associates	0	0	2	2
Net fee and commission income	1	1	72	78
Net trading income and fair value result	0	1	9	2
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	0	(1)	20	1
Operating income	**9**	**9**	**248**	**229**
General administrative expenses	(10)	(10)	(110)	(126)
Operating result	**(1)**	**(1)**	**138**	**102**
Other result	(18)	(1)	0	0
Levies and special governmental measures	(3)	(3)	(30)	(16)
Impairment losses on financial assets	(10)	(15)	(48)	0
Profit/loss before tax	**(31)**	**(21)**	**60**	**86**
Income taxes	0	(1)	(12)	(17)
Profit/loss after tax	**(31)**	**(22)**	**48**	**68**
Return on equity before tax	–	–	9.1%	14.2%
Return on equity after tax	–	–	7.3%	11.3%
Net interest margin (average interest-bearing assets)	0.53%	0.45%	2.10%	2.25%
Cost/income ratio	–	–	44.3%	55.2%
Loan/deposit ratio	–	–	96.7%	102.1%
Provisioning ratio (average loans to customers)	0.68%	0.99%	0.86%	0.01%
NPE ratio	7.4%	11.1%	1.7%	1.7%
NPE coverage ratio	70.7%	50.6%	68.9%	68.9%
Assets	2,920	3,197	14,939	13,930
Total risk-weighted assets (RWA)	3,491	3,872	6,271	6,158
Equity	–	–	1,355	1,277
Loans to customers	2,839	3,050	11,154	10,589
Deposits from customers	14	24	12,126	11,485
Business outlets	1	1	177	181
Employees as at reporting date (full-time equivalents)	232	218	3,728	4,034
Customers in million	0.0	0.0	1.0	0.9

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

in € million	Czech Republic 1/1-30/6 2020	1/1-30/6 2019	Hungary 1/1-30/6 2020	1/1-30/6 2019
Net interest income	183	195	75	71
Dividend income	0	2	2	2
Net fee and commission income	62	65	68	74
Net trading income and fair value result	(8)	(3)	6	0
Net gains/losses from hedge accounting	(1)	0	0	0
Other net operating income	11	16	(21)	(24)
Operating income	**247**	**275**	**131**	**123**
General administrative expenses	(137)	(138)	(73)	(77)
Operating result	**110**	**137**	**58**	**46**
Other result	(4)	2	(4)	0
Levies and special governmental measures	(11)	(9)	(17)	(17)
Impairment losses on financial assets	(26)	18	(8)	30
Profit/loss before tax	**70**	**149**	**28**	**60**
Income taxes	(10)	(21)	(6)	(7)
Profit/loss after tax	**61**	**127**	**22**	**53**
Return on equity before tax	9.7%	22.9%	8.4%	17.7%
Return on equity after tax	8.3%	19.6%	6.6%	15.7%
Net interest margin (average interest-bearing assets)	2.15%	2.38%	1.96%	1.96%
Cost/income ratio	55.4%	50.1%	55.6%	62.4%
Loan/deposit ratio	82.6%	89.1%	72.9%	76.8%
Provisioning ratio (average loans to customers)	0.45%	(0.31)%	0.42%	(1.72)%
NPE ratio	1.3%	1.3%	2.2%	2.5%
NPE coverage ratio	59.5%	61.2%	54.1%	55.4%
Assets	18,176	17,260	7,925	7,586
Total risk-weighted assets (RWA)	7,703	8,002	3,564	3,663
Equity	1,480	1,408	663	715
Loans to customers	11,556	11,629	4,053	3,736
Deposits from customers	14,483	13,239	5,994	5,650
Business outlets	127	137	72	71
Employees as at reporting date (full-time equivalents)	3,252	3,434	2,078	2,199
Customers in million	1.2	1.2	0.5	0.5

Southeastern Europe

in € million	1/1-30/6 2020	1/1-30/6 2019[1]	Change	Q2/2020	Q1/2020	Change
Net interest income	430	425	1.2%	211	219	(3.4)%
Dividend income	3	7	(61.6)%	2	1	173.9%
Net fee and commission income	180	201	(10.8)%	83	97	(14.7)%
Net trading income and fair value result	18	15	24.6%	10	8	32.2%
Net gains/losses from hedge accounting	0	0	(90.0)%	0	0	–
Other net operating income	4	(5)	–	2	2	(14.2)%
Operating income	**634**	**642**	**(1.3)%**	**308**	**326**	**(5.5)%**
General administrative expenses	(351)	(353)	(0.6)%	(172)	(179)	(3.7)%
Operating result	**284**	**290**	**(2.0)%**	**136**	**148**	**(7.8)%**
Other result	(28)	(6)	335.5%	(17)	(11)	50.6%
Levies and special governmental measures	(18)	(16)	12.3%	(3)	(15)	(82.6)%
Impairment losses on financial assets	(99)	(12)	>500.0%	(48)	(51)	(6.2)%
Profit/loss before tax	**139**	**256**	**(45.8)%**	**69**	**70**	**(2.0)%**
Income taxes	(24)	(37)	(35.8)%	(13)	(11)	17.1%
Profit/loss after tax	**115**	**219**	**(47.4)%**	**56**	**59**	**(5.5)%**
Return on equity before tax	8.4%	16.6%	(8.2) PP	8.3%	8.5%	(0.2) PP
Return on equity after tax	7.0%	14.2%	(7.2) PP	6.8%	7.2%	(0.4) PP
Net interest margin (average interest-bearing assets)	3.38%	3.61%	(0.23) PP	3.27%	3.48%	(0.21) PP
Cost/income ratio	55.3%	54.9%	0.3 PP	55.8%	54.7%	1.1 PP
Loan/deposit ratio	70.8%	75.1%	(4.2) PP	70.8%	72.4%	(1.6) PP
Provisioning ratio (average loans to customers)	1.24%	0.15%	1.09 PP	1.21%	1.27%	(0.07) PP
NPE ratio	2.9%	3.3%	(0.5) PP	2.9%	2.8%	0.1 PP
NPE coverage ratio	70.0%	64.5%	5.5 PP	70.0%	70.2%	(0.2) PP
Assets	28,094	25,664	9.5%	28,094	28,000	0.3%
Total risk-weighted assets (RWA)	16,417	15,263	7.6%	16,417	16,521	(0.6)%
Equity	3,300	2,907	13.5%	3,300	3,276	0.8%
Loans to customers	15,998	15,091	6.0%	15,998	16,259	(1.6)%
Deposits from customers	22,582	20,288	11.3%	22,582	22,547	0.2%
Business outlets	892	920	(3.0)%	892	893	(0.1)%
Employees as at reporting date (full-time equivalents)	14,448	14,542	(0.6)%	14,448	14,469	(0.1)%
Customers in million	5.4	5.3	1.7%	5.4	5.3	2.5%

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Segment performance

The Southeastern Europe segment's profit after tax declined 47 per cent, or € 104 million, year-on-year to € 115 million. This was principally due to an increase of € 87 million in risk costs, caused mainly by migration between Stage 1 and Stage 2 as a result of COVID-19 (€ 78 million) and the increase of € 22 million in credit-related provisions for litigation on a portfolio basis in Romania and Croatia.

Operating income

Net interest income was up 1 per cent, or € 5 million, year-on-year to € 430 million. The strongest growth was seen in Romania, which reported a volume-based increase of € 6 million. In Bulgaria, higher volumes were also responsible for a € 3 million rise in net interest income. In Bosnia and Herzegovina, net interest income was down € 2 million, due to lower interest income from customer loans. All other countries in the segment reported little change in net interest income. The segment's net interest margin was down 23 basis points to 3.38 per cent. This was attributable primarily to a reduction of 71 basis points in the margin in Serbia due to changes in key interest rates.

Dividend income fell € 4 million to € 3 million due to lower payments in Bulgaria and Romania.

Net fee and commission income was down € 22 million year-on-year to € 180 million. Mainly as a result of COVID-19 measures, Romania and Croatia reported reductions in fee and commission income of € 10 million and € 4 million, respectively, in clearing, settlement and payment services, and foreign exchange business. Lower margins led to a fall of € 3 million in net fee and commission income in Bulgaria, primarily in clearing, settlement and payment services.

Net trading income and the fair value result increased € 4 million year-on-year to € 18 million. Decreases from bonds were more than offset by higher income from derivatives and currency translation.

Other net operating income improved € 9 million to € 4 million, largely reflecting a provision recognized in the previous year for litigation in connection with state subsidies for building society savings in Romania (€ 10 million).

General administrative expenses

General administrative expenses were down slightly by 1 per cent, or € 2 million, year-on-year to € 351 million. Staff expenses were up 3 per cent, or € 4 million, to € 163 million, driven mainly by salary adjustments in Romania. Other administrative expenses decreased € 9 million to € 129 million due to lower deposit insurance fees in Romania (down € 6 million). The average number of employees fell 118 to 14,476, above all as a result of branch closures in Romania and optimization programs in Croatia. The number of business outlets in the segment was down 28 year-on-year to 892, which primarily reflected closures in Romania. The cost/income ratio increased from 54.9 to 55.3 per cent.

Other result

The other result declined € 22 million to minus € 28 million. The main drivers were credit-linked and portfolio-based provisions for litigation of € 25 million (up € 22 million). This included a further € 17 million added to the provision in Romania for proceedings with the consumer protection authority regarding the alleged misuse of credit clauses. In Croatia, the provision recognized in connection with Swiss franc loans was raised by € 8 million. In addition, net modification losses of € 3 million due to COVID-19 measures – a temporary deferral of payments until year-end 2020 – were recognized, above all in Romania.

Levies and special governmental measures

Expenses for levies and special governmental measures rose € 2 million year-on-year to € 18 million. The increase resulted from higher contributions to the resolution funds in Bulgaria and Romania.

Impairment losses on financial assets

Impairment losses on financial assets amounted to € 99 million in the reporting period – predominantly COVID-19 related – compared to € 12 million in the same period of the previous year.

Impairments of € 78 million were allocated in the first half of 2020 (increase of € 64 million) due to migration from stage 1 to stage 2. Forward-looking information and forecasts relating to the COVID-19 pandemic impact on industries and persons working in those industries in RBI's customer portfolio were included. The impairments totaled € 53 million for loans to households, mainly in Romania (€ 24 million), Bulgaria (€ 9 million) and Croatia (€ 8 million), as well as € 25 million for loans to non-financial corporations, again in Romania (€ 8 million) and Bulgaria (€ 6 million). In stage 3 (defaulted loans), there were net impairments of € 26 million allocated (previous year's period: net release of € 8 million); of which € 41 million related to loans to households, predominantly in Romania (€ 16 million), Croatia (€ 7 million), as well as in Bulgaria and Bosnia and Herzegovina (€ 6 million each). In contrast, there was a net release totaling € 15 million for loans to non-financial corporations, of which € 5 million and € 4 million related to Romania and Bulgaria respectively.

The NPE ratio declined 0.5 percentage points year-on-year to 2.9 per cent. The NPE coverage ratio was up 5.5 percentage points to 70.0 per cent.

Income taxes

Income taxes decreased € 13 million to € 24 million, mainly reflecting the lower result. In contrast, the tax rate increased 3 percentage points to 17 per cent as a result of non-deductible expenses in Romania and Bosnia and Herzegovina.

Detailed results of individual countries:

in € million	Albania 1/1-30/6 2020	Albania 1/1-30/6 2019	Bosnia and Herzegovina 1/1-30/6 2020	Bosnia and Herzegovina 1/1-30/6 2019	Bulgaria 1/1-30/6 2020	Bulgaria 1/1-30/6 2019
Net interest income	27	29	32	34	58	55
Dividend income	0	0	1	1	2	3
Net fee and commission income	6	8	19	20	24	27
Net trading income and fair value result	4	1	1	1	1	1
Other net operating income	(1)	1	0	0	0	2
Operating income	**36**	**39**	**53**	**56**	**84**	**89**
General administrative expenses	(21)	(22)	(27)	(27)	(49)	(47)
Operating result	**15**	**18**	**26**	**29**	**34**	**42**
Other result	0	0	0	0	0	0
Levies and special governmental measures	(1)	(1)	0	0	(9)	(5)
Impairment losses on financial assets	(5)	5	(11)	(1)	(19)	4
Profit/loss before tax	**9**	**21**	**15**	**29**	**7**	**41**
Income taxes	(1)	(3)	(2)	(2)	(1)	(4)
Profit/loss after tax	**8**	**18**	**12**	**26**	**6**	**37**
Return on equity before tax	7.9%	19.4%	9.9%	19.8%	3.0%	18.2%
Return on equity after tax	6.6%	16.6%	8.4%	18.2%	2.7%	16.5%
Net interest margin (average interest-bearing assets)	3.10%	3.33%	3.02%	3.32%	2.56%	2.77%
Cost/income ratio	59.4%	54.9%	51.3%	48.0%	59.0%	52.8%
Loan/deposit ratio	49.0%	51.6%	73.6%	77.4%	76.4%	84.4%
Provisioning ratio (average loans to customers)	1.28%	(1.30)%	1.70%	0.09%	1.23%	(0.33)%
NPE ratio	5.6%	6.1%	4.3%	3.5%	1.7%	1.9%
NPE coverage ratio	72.2%	74.1%	79.3%	81.7%	63.2%	69.3%
Assets	1,828	1,815	2,472	2,437	4,871	4,235
Total risk-weighted assets (RWA)	1,353	1,320	2,022	1,908	2,593	2,322
Equity	234	241	307	287	470	438
Loans to customers	741	753	1,338	1,351	3,003	2,781
Deposits from customers	1,561	1,517	1,960	1,856	3,982	3,337
Business outlets	78	78	103	103	147	147
Employees as at reporting date (full-time equivalents)	1,238	1,248	1,296	1,376	2,612	2,622
Customers in million	0.5	0.4	0.4	0.4	0.6	0.6

in € million	Croatia 1/1-30/6 2020	1/1-30/6 2019[1]	Romania 1/1-30/6 2020	1/1-30/6 2019[1]	Serbia 1/1-30/6 2020	1/1-30/6 2019
Net interest income	59	60	189	182	43	44
Dividend income	0	1	0	2	0	0
Net fee and commission income	29	33	74	84	23	25
Net trading income and fair value result	(3)	3	12	4	4	4
Other net operating income	2	2	(3)	(13)	5	2
Operating income	**87**	**99**	**272**	**259**	**74**	**74**
General administrative expenses	(59)	(60)	(142)	(144)	(37)	(39)
Operating result	**28**	**39**	**130**	**115**	**38**	**35**
Other result	(7)	(5)	(21)	(2)	0	0
Levies and special governmental measures	(2)	(2)	(6)	(4)	0	(3)
Impairment losses on financial assets	(14)	3	(37)	(24)	(7)	2
Profit/loss before tax	**5**	**35**	**65**	**85**	**30**	**34**
Income taxes	(2)	(8)	(12)	(14)	(4)	(4)
Profit/loss after tax	**3**	**27**	**52**	**71**	**27**	**29**
Return on equity before tax	1.6%	11.1%	12.9%	19.6%	11.6%	13.2%
Return on equity after tax	1.0%	8.6%	10.4%	16.4%	10.1%	11.5%
Net interest margin (average interest-bearing assets)	2.59%	2.73%	4.24%	4.42%	3.17%	3.88%
Cost/income ratio	67.5%	60.4%	52.1%	55.5%	49.2%	52.7%
Loan/deposit ratio	70.5%	67.9%	69.6%	77.7%	72.9%	72.6%
Provisioning ratio (average loans to customers)	1.08%	(0.25)%	1.28%	0.87%	0.91%	(0.31)%
NPE ratio	3.1%	4.0%	2.9%	3.5%	1.7%	2.1%
NPE coverage ratio	70.0%	71.3%	67.1%	48.2%	75.4%	75.5%
Assets	5,082	4,820	9,695	8,762	3,096	2,609
Total risk-weighted assets (RWA)	2,678	2,556	4,909	4,743	2,117	1,715
Equity	664	655	1,052	889	552	496
Loans to customers	2,725	2,442	5,748	5,691	1,730	1,398
Deposits from customers	3,746	3,654	8,046	7,179	2,425	1,979
Business outlets	75	78	354	378	88	88
Employees as at reporting date (full-time equivalents)	1,853	1,861	5,047	5,008	1,556	1,571
Customers in million	0.5	0.5	2.2	2.2	0.9	0.8

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Eastern Europe

in € million	1/1-30/6 2020	1/1-30/6 2019	Change	Q2/2020	Q1/2020	Change
Net interest income	576	531	8.5%	278	298	(6.8)%
Dividend income	0	1	(97.4)%	0	0	>500.0%
Net fee and commission income	247	240	2.9%	118	129	(8.7)%
Net trading income and fair value result	38	28	35.3%	8	30	(74.3)%
Net gains/losses from hedge accounting	0	0	–	0	0	–
Other net operating income	(8)	3	–	(5)	(3)	100.7%
Operating income	**852**	**803**	**6.1%**	**398**	**454**	**(12.5)%**
General administrative expenses	(329)	(329)	0.0%	(155)	(174)	(11.1)%
Operating result	**523**	**474**	**10.3%**	**243**	**280**	**(13.4)%**
Other result	(10)	1	–	(8)	(2)	331.4%
Impairment losses on financial assets	(85)	(12)	>500.0%	(59)	(26)	122.9%
Profit/loss before tax	**428**	**462**	**(7.4)%**	**176**	**252**	**(30.1)%**
Income taxes	(90)	(97)	(7.7)%	(37)	(53)	(29.2)%
Profit/loss after tax	**338**	**365**	**(7.4)%**	**139**	**199**	**(30.3)%**
Return on equity before tax	28.1%	35.5%	(7.4) PP	23.1%	32.6%	(9.5) PP
Return on equity after tax	22.2%	28.0%	(5.8) PP	18.2%	25.8%	(7.6) PP
Net interest margin (average interest-bearing assets)	5.52%	5.76%	(0.24) PP	5.48%	5.59%	(0.11) PP
Cost/income ratio	38.6%	41.0%	(2.4) PP	39.0%	38.4%	0.6 PP
Loan/deposit ratio	79.2%	84.9%	(5.7) PP	79.2%	76.1%	3.1 PP
Provisioning ratio (average loans to customers)	1.25%	0.18%	1.07 PP	1.83%	0.75%	1.08 PP
NPE ratio	2.4%	2.5%	0.0 PP	2.4%	2.1%	0.3 PP
NPE coverage ratio	57.5%	58.7%	(1.2) PP	57.5%	55.6%	1.9 PP
Assets	21,625	20,996	3.0%	21,625	21,987	(1.6)%
Total risk-weighted assets (RWA)	14,326	14,003	2.3%	14,326	13,489	6.2%
Equity	2,961	2,603	13.8%	2,961	2,772	6.8%
Loans to customers	13,219	13,261	(0.3)%	13,219	12,756	3.6%
Deposits from customers	16,779	15,843	5.9%	16,779	17,105	(1.9)%
Business outlets	690	771	(10.5)%	690	693	(0.4)%
Employees as at reporting date (full-time equivalents)	17,928	18,661	(3.9)%	17,928	17,995	(0.4)%
Customers in million	6.6	6.5	1.9%	6.6	6.8	(2.0)%

Segment performance

The segment's profit after tax declined € 27 million, or 7 per cent, year-on-year to € 338 million. While operating income was up, largely as a result of a volume-related increase in interest income, the other result was lower and increased impairment losses on financial assets were recognized due to COVID-19. As in the previous year, the Eastern Europe segment was affected by currency volatility in the reporting period. The average exchange rate of the Ukrainian hryvnia appreciated 6 per cent, while the Belarusian ruble and Russian ruble depreciated 7 per cent and 4 per cent respectively. In contrast, the reporting date exchange rates were down compared to the beginning of 2020 due to reductions in key interest rates and oil price volatility (Belarusian ruble 15 per cent, Russian ruble 14 per cent, Ukrainian hryvnia 12 per cent).

Operating income

Net interest income in the Eastern Europe segment increased 8 per cent, or € 45 million, year-on-year to € 576 million. The largest rise was reported in Russia (up € 34 million), reflecting lower interest rate expenses for the refinancing of the trading portfolio and higher lending volumes. In Ukraine, net interest income was also up € 13 million as a result of higher volumes of loans to households, as well as currency movements. In Belarus, net interest income fell € 2 million due to higher refinancing costs in local currency. The segment's net interest margin declined 24 basis points year-on-year to 5.52 per cent, reflecting the negative margin development in Ukraine as a result of numerous interest rate cuts.

Net fee and commission income was likewise up 3 per cent, or € 7 million, to € 247 million. In Russia, higher volumes in asset management were largely responsible for the increase of € 9 million to € 175 million. Belarus also reported a volume-based rise of € 2 million in foreign exchange business to € 29 million, while Ukraine posted a decline, largely as a result of a change in the segment allocation of a Group unit.

The net trading income and fair value result also rose from € 28 million in the comparable period of the previous year to € 38 million in the reporting period. Belarus and Ukraine reported increases of € 5 million and € 3 million, respectively, above all due to a higher net gain on currency translation.

Other net operating income was down € 11 million to minus € 8 million, reflecting provisions for litigation in Russia and derecognition of financial assets in the comparable period of the previous year.

General administrative expenses

The segment's general administrative expenses were unchanged year-on-year at € 329 million. The average number of employees decreased 734 to 18,028, which was driven mainly by branch closures in Ukraine (down 46) and Russia (down 32). In addition, the change in the segment allocation of a Group unit led to a decline in the average number of employees (down 276). Staff expenses were up 6 per cent, or € 12 million, to € 194 million due to salary adjustments in Russia and Ukraine. Other administrative expenses declined 8 per cent, or € 8 million, to € 94 million. Lower deposit insurance fees in Russia (€ 6 million) as a consequence of governmental support measures in connection with the COVID-19 pandemic were mainly responsible for the decrease. Depreciation was down from € 45 million to € 41 million. The cost/income ratio improved from 41.0 per cent to 38.6 per cent.

Other result

The other result was minus € 10 million in the reporting period (comparable period of the prior year: € 1 million). This was due primarily to the effects of modifications to contractual terms (€ 9 million), of which Ukraine accounted for € 7 million in connection with COVID-19 measures (€ 3 million, mainly for households) and restructuring measures for several large corporate customers.

Impairment losses on financial assets

Impairment losses on financial assets amounted to € 85 million in the reporting period – predominantly COVID-19 related – compared to a very low level of € 12 million in the previous year's period.

Impairments of € 45 million (increase of € 26 million) were allocated in the first half of 2020 due to migration from stage 1 to stage 2. The increase was mainly due to consideration of the worsening macroeconomic outlook. Impairments on loans to households amounted to € 32 million, mainly in Russia (€ 27 million), and to € 13 million on loans to non-financial corporations, of which € 6 million was in Russia and € 4 million in Belarus. In stage 3 (defaulted loans), there were net impairments of € 55 million (previous year's period: € 5 million), of which € 39 million related to loans to households, predominantly in Russia (€ 36 million), and € 15 million related to loans to non-financial corporations, with Russia contributing € 16 million and Ukraine a net release of € 2 million.

The NPE ratio was 2.4 per cent as at 30 June 2020. The NPE coverage ratio declined by 1.2 percentage points year-on-year to 57.5 per cent.

Income taxes

Income taxes were down € 7 million to € 90 million due to lower profit, while the tax rate remained constant at 21 per cent.

Detailed results of the individual countries:

in € million	Belarus 1/1-30/6 2020	Belarus 1/1-30/6 2019	Russia 1/1-30/6 2020	Russia 1/1-30/6 2019	Ukraine 1/1-30/6 2020	Ukraine 1/1-30/6 2019
Net interest income	46	49	399	365	130	117
Dividend income	0	0	0	1	0	0
Net fee and commission income	29	27	175	167	43	46
Net trading income and fair value result	6	1	24	22	8	5
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	(1)	(2)	(8)	3	1	2
Operating income	**79**	**74**	**590**	**558**	**182**	**171**
General administrative expenses	(35)	(35)	(216)	(216)	(78)	(78)
Operating result	**44**	**39**	**375**	**342**	**104**	**93**
Other result	0	0	(2)	(1)	(7)	2
Impairment losses on financial assets	(14)	0	(62)	(18)	(8)	6
Profit/loss before tax	**30**	**39**	**310**	**323**	**88**	**101**
Income taxes	(8)	(10)	(66)	(70)	(16)	(18)
Profit/loss after tax	**22**	**28**	**244**	**254**	**72**	**83**
Return on equity before tax	16.9%	21.9%	27.0%	33.9%	38.1%	53.7%
Return on equity after tax	12.2%	16.1%	21.3%	26.6%	31.2%	44.3%
Net interest margin (average interest-bearing assets)	4.75%	5.65%	4.94%	5.00%	9.40%	11.11%
Cost/income ratio	44.4%	47.3%	36.5%	38.7%	43.0%	45.8%
Loan/deposit ratio	82.3%	91.7%	83.6%	85.2%	57.0%	78.8%
Provisioning ratio (average loans to customers)	2.30%	(0.14)%	1.16%	0.38%	1.02%	(0.79)%
NPE ratio	1.6%	2.0%	2.2%	1.9%	4.1%	6.6%
NPE coverage ratio	81.9%	81.2%	54.0%	51.9%	60.5%	65.8%
Assets	2,133	1,986	16,243	16,434	3,251	2,579
Total risk-weighted assets (RWA)	1,679	1,734	9,694	9,804	2,953	2,466
Equity	343	390	2,451	2,193	506	384
Loans to customers	1,254	1,218	10,475	10,454	1,490	1,590
Deposits from customers	1,571	1,415	12,552	12,405	2,656	2,024
Business outlets	83	87	154	185	453	499
Employees as at reporting date (full-time equivalents)	1,723	1,768	8,970	9,083	7,235	7,810
Customers in million	0.8	0.8	3.3	3.2	2.5	2.5

Group Corporates & Markets

in € million	1/1-30/6 2020	1/1-30/6 2019[1]	Change	Q2/2020	Q1/2020	Change
Net interest income	311	295	5.4%	160	151	5.7%
Dividend income	7	14	(51.4)%	5	2	134.7%
Current income from investments in associates	2	0	>500.0%	1	2	(58.6)%
Net fee and commission income	200	180	11.0%	96	104	(8.3)%
Net trading income and fair value result	46	0	–	59	(13)	–
Net gains/losses from hedge accounting	(2)	1	–	(1)	(1)	(30.5)%
Other net operating income	47	59	(20.5)%	20	27	(25.8)%
Operating income	**611**	**549**	**11.3%**	**339**	**272**	**24.6%**
General administrative expenses	(337)	(343)	(1.8)%	(167)	(170)	(1.8)%
Operating result	**274**	**206**	**33.2%**	**172**	**102**	**68.3%**
Other result	(5)	3	–	(3)	(1)	159.4%
Levies and special governmental measures	(13)	(10)	20.1%	(5)	(7)	(24.6)%
Impairment losses on financial assets	(33)	(21)	55.3%	(8)	(25)	(67.6)%
Profit/loss before tax	**225**	**178**	**26.5%**	**155**	**69**	**124.8%**
Income taxes	(51)	(37)	39.0%	(36)	(15)	140.7%
Profit/loss after tax	**174**	**141**	**23.3%**	**119**	**54**	**120.4%**
Return on equity before tax	13.3%	12.5%	0.8 PP	18.4%	8.2%	10.2 PP
Return on equity after tax	10.3%	9.9%	0.4 PP	14.1%	6.5%	7.7 PP
Net interest margin (average interest-bearing assets)	1.16%	1.28%	(0.11) PP	1.16%	1.17%	0.00 PP
Cost/income ratio	55.1%	62.5%	(7.4) PP	49.3%	62.5%	(13.2) PP
Loan/deposit ratio	139.0%	164.0%	(24.9) PP	139.0%	151.5%	(12.5) PP
Provisioning ratio (average loans to customers)	0.21%	0.35%	(0.14) PP	0.10%	0.32%	(0.22) PP
NPE ratio	1.6%	1.9%	(0.4) PP	1.6%	1.7%	(0.1) PP
NPE coverage ratio	60.6%	55.9%	4.7 PP	60.6%	58.6%	2.0 PP
Assets	61,256	53,454	14.6%	61,256	56,228	8.9%
Total risk-weighted assets (RWA)	27,841	23,037	20.9%	27,841	26,215	6.2%
Equity	3,419	3,029	12.9%	3,419	3,413	0.2%
Loans to customers	33,611	28,841	16.5%	33,611	31,766	5.8%
Deposits from customers	28,192	23,466	20.1%	28,192	29,054	(3.0)%
Business outlets	22	23	(4.3)%	22	22	0.0%
Employees as at reporting date (full-time equivalents)	3,048	2,877	5.9%	3,048	2,995	1.8%
Customers in million	2.0	2.0	(1.7)%	2.0	2.0	(0.4)%

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Segment performance

Profit in the Group Corporates & Markets segment rose € 33 million year-on-year to € 174 million. Operating income was up € 62 million, while taxes increased € 14 million and impairment losses on financial assets rose € 12 million due to COVID-19.

The Group Corporates & Markets segment encompasses RBI's operating business booked in Austria. The contributions to profit come from the corporate customer and markets business of head office, with further significant contributions from the Austrian specialized financial institution subsidiaries.

Main profit contributions by sub-segment:

in € million	1/1-30/6 2020	1/1-30/6 2019	Change	Q2/2020	Q1/2020	Change
Corporates Vienna	89	75	18.8%	49	40	20.9%
Markets Vienna	45	41	10.3%	46	(1)	–
Specialized financial institution subsidiaries and other	40	25	57.9%	25	15	69.8%
Profit/loss after tax	**174**	**141**	**23.3%**	**119**	**54**	**120.4%**

Operating income

Net interest income was up 5 per cent, or € 16 million, year-on-year to € 311 million, mainly due to a volume-related increase in long-term lending in the Corporates Vienna sub-segment. The segment's net interest margin decreased 11 basis points to 1.16 per cent as a consequence of lower market interest rates combined with an increase in average interest-bearing assets.

Dividend income decreased € 7 million, mainly due to higher dividend payments in the previous year's period from unconsolidated subsidiaries and associates not valued at equity.

Net fee and commission income increased 11 per cent, or € 20 million, to € 200 million. Higher fee and commission income was recorded at head office primarily in cash management and corporate lending, in the institutional investor business and in investment banking. There was also a volume-related increase in income from investment fund management.

The net trading income and fair value result improved € 47 million year-on-year. This included a € 41 million valuation gain from a building society portfolio that had generated a loss in the comparable period. Results from fixed income securities trading also increased. Improved results were generated in proprietary trading as a result of higher volatility because of COVID-19.

Other net operating income decreased € 12 million to € 47 million, partly due to higher income from residential construction in the Raiffeisen Leasing Group and to the sale of Schuldschein loans in the previous year's period.

General administrative expenses

General administrative expenses dropped 2 per cent, or € 6 million, to € 337 million, mainly as a result of lower IT expenses at head office. It was also driven by lower advertising expenses, security expenses and travel expenses at head office, principally because of the COVID-19 pandemic. Due to increased operating income, the segment's cost/income ratio improved to 55.1 per cent.

Other result

The other result came to minus € 5 million in the reporting period, compared to a positive figure of € 3 million in the comparable period. This was mainly due to a € 6 million positive result from the disposal of Group assets in the previous year's period.

Impairment losses on financial assets

Impairment losses on financial assets increased € 12 million year-on-year to € 33 million. The higher risk costs mainly occurred at head office. Impairments of € 19 million were allocated in the first half of 2020 due to migration from stage 1 to stage 2. In stage 3, impairments totaling € 27 million resulted from the default of some corporate customers.

The NPE ratio was 1.6 per cent as at 30 June 2020; the NPE coverage ratio stood at 60.6 per cent.

Income taxes

Tax expense rose € 14 million in the reporting period to € 51 million. The tax rate was 23 per cent (comparable period: 21 percent).

Corporate Center

in € million	1/1-30/6 2020	1/1-30/6 2019[1]	Change	Q2/2020	Q1/2020	Change
Net interest income	(37)	(30)	21.2%	(29)	(8)	260.8%
Dividend income	93	689	(86.5)%	75	18	317.0%
Current income from investments in associates	17	34	(48.7)%	30	(12)	–
Net fee and commission income	13	1	>500.0%	3	10	(72.9)%
Net trading income and fair value result	(37)	(63)	(41.5)%	(21)	(16)	29.9%
Net gains/losses from hedge accounting	0	5	–	(3)	3	–
Other net operating income	53	39	36.2%	32	21	55.1%
Operating income	**103**	**674**	**(84.7)%**	**87**	**16**	**461.4%**
General administrative expenses	(194)	(184)	5.9%	(102)	(92)	10.9%
Operating result	**(91)**	**491**	**–**	**(15)**	**(77)**	**(80.8)%**
Other result	(122)	3	–	(66)	(56)	17.0%
Levies and special governmental measures	(74)	(59)	25.8%	(15)	(59)	(74.4)%
Impairment losses on financial assets	(2)	(3)	(25.4)%	(1)	(1)	(11.3)%
Profit/loss before tax	**(291)**	**432**	**–**	**(97)**	**(194)**	**(49.9)%**
Income taxes	47	27	77.6%	32	16	102.0%
Profit/loss after tax	**(243)**	**458**	**–**	**(65)**	**(178)**	**(63.2)%**
Assets	36,141	33,375	8.3%	36,141	36,352	(0.6)%
Total risk-weighted assets (RWA)	13,143	14,455	(9.1)%	13,143	13,361	(1.6)%
Equity	6,790	6,481	4.8%	6,790	6,757	0.5%
Loans to customers	3,809	4,756	(19.9)%	3,809	4,537	(16.0)%
Deposits from customers	2,203	4,077	(46.0)%	2,203	1,317	67.3%
Business outlets	–	–	–	–	–	–
Employees as at reporting date (full-time equivalents)	1,663	1,206	37.9%	1,663	1,597	4.1%
Customers in million	0.0	0.0	157.0%	0.0	0.0	(0.5)%

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Segment performance

This segment essentially comprises net income from the Group head office's management functions and other Group units. Its results are therefore generally more volatile, with the vast majority relating to intra-Group transactions and consequently having no impact on consolidated profit. The € 712 million profit decrease in the reporting period mainly related to higher intra-Group dividend income in the comparable period and to impairments on associates.

Operating income

The segment's net interest income decreased € 6 million year-on-year to minus € 37 million. The reduction was due in particular to lower investment income from excess liquidity and lower income from intra-Group lending.

Dividend income, which comes mainly from Group units belonging to other segments and which is therefore of an intra-Group nature, decreased € 596 million to € 93 million. To strengthen the equity base of credit and financial institutions in connection with COVID-19, restrictions on dividend distributions have been introduced in many countries either through recommendations issued by supervisory authorities or by law.

Current income from investments in associates was down € 16 million to € 17 million. The decrease mainly relates to proceeds from a sale at Raiffeisen Informatik GmbH & Co KG in the previous year's period.

Net fee and commission income improved € 12 million to € 13 million, primarily because of a change in the segment allocation of several Group units.

Net trading income and the fair value result likewise improved € 26 million year-on-year to minus € 37 million, mostly driven by changes in the valuation of derivatives.

Other net operating income increased € 14 million to € 53 million due to the change in the segment allocation of several Group units.

General administrative expenses

General administrative expenses increased 6 per cent, or € 11 million, to € 194 million. This was mainly attributable to a € 7 million increase in other administrative expenses and a € 3 million increase in staff expenses, primarily caused by the change in the segment allocation of several Group units.

Other result

The other result declined € 136 million year-on-year to minus € 122 million. This was mainly due to impairments on associates in the amount of € 78 million (an increase of € 71 million), largely relating to the investments in UNIQA Insurance Group AG, LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG and Prva stavebna sporitelna a.s., mainly because of the poorer economic outlook due to COVID-19. In addition, it was necessary to recognize a € 27 million goodwill impairment on Raiffeisen Kapitalanlage-Gesellschaft, with the revision of the medium-term plan due to the COVID-19 pandemic leading to a partial reduction in goodwill.

Levies and expenses from special governmental measures

The expense for levies and special governmental measures reported in the segment increased € 15 million to € 74 million. At € 44 million, the expenses for bank levies remained almost unchanged compared to the same period of the previous year. The last installment of the € 163 million one-off payment for the Austrian bank levy, which was spread over four years, was paid in the reporting period. The one-off payment (€ 41 million in the reporting period) is allocated to the Corporate Center segment. In accordance with accounting standards, the expenses for bank levies for the entire year were booked in the first quarter. The head office contributions to the resolution fund allocated to the segment amounted to € 30 million.

Income taxes

Tax income of € 47 million was posted in the reporting period, compared to income of € 27 million in the same period of the previous year.

Interim consolidated financial statements

(Condensed interim report as at 30 June 2020)

Company

Raiffeisen Bank International AG (RBI AG) is registered in the commercial register of the Commercial Court of Vienna under FN 122119m. Its address is Am Stadtpark 9, 1030 Vienna.

RBI's home market consists of Austria, where it does business as a leading commercial and investment bank, as well as Central and Eastern Europe (CEE). Subsidiary banks cover 13 markets in the region. The Group also contains many other financial service companies specializing in sectors such as leasing, clearing, settlement and payment services and asset management. In total, RBI's 46,386 employees serve about 16.7 million clients at 1,982 business outlets located mostly in CEE.

Since the company's shares are traded on a regulated market as defined in Section 1 (2) of the Austrian Stock Market Act (BörseG) (prime market of the Vienna Stock Exchange) and numerous RBI AG issues are listed on a regulated market in the EU, RBI AG is required by Section 59a of the Austrian Banking Act (BWG) to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). The eight regional Raiffeisen banks are core shareholders that collectively hold approximately 58.8 per cent of the shares, with the remaining shares in free float.

As a credit institution within the meaning of Section 1 of the Austrian Banking Act, RBI AG is subject to regulatory supervision by the Financial Market Authority located at Otto-Wagner-Platz 5, A-1090 Vienna (www.fma.gv.at) and the European Central Bank located at Sonnemannstraße 22, D-60314 Frankfurt am Main (www.bankingsupervision.europa.eu).

The condensed interim report as at 30 June 2020 was reviewed by the certified auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2020	1/1-30/6/2019[1]
Net interest income	[1]	1,706	1,664
Interest income according to effective interest method		2,079	2,148
Interest income other		335	324
Interest expenses		(707)	(807)
Dividend income	[2]	15	24
Current income from investments in associates	[3]	22	37
Net fee and commission income	[4]	840	839
Fee and commission income		1,222	1,220
Fee and commission expenses		(382)	(381)
Net trading income and fair value result	[5]	62	(79)
Net gains/losses from hedge accounting	[6]	4	0
Other net operating income	[7]	42	21
Operating income		**2,690**	**2,506**
Staff expenses		(808)	(789)
Other administrative expenses		(476)	(524)
Depreciation		(190)	(184)
General administrative expenses	**[8]**	**(1,474)**	**(1,497)**
Operating result		**1,216**	**1,009**
Other result	[9]	(173)	(33)
Levies and special governmental measures	[10]	(166)	(130)
Impairment losses on financial assets	[11]	(312)	(12)
Profit/loss before tax		**566**	**834**
Income taxes	[12]	(145)	(191)
Profit/loss after tax		**420**	**643**
Profit attributable to non-controlling interests		(52)	(72)
Consolidated profit/loss		**368**	**571**

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Earnings per share

in € million	1/1-30/6/2020	1/1-30/6/2019
Consolidated profit/loss	368	571
Dividend claim on additional tier 1	(31)	(31)
Profit/loss attributable to ordinary shares	**337**	**540**
Average number of ordinary shares outstanding in million	329	329
Earnings per share in €	**1.03**	**1.64**

As there were no conversion rights or options outstanding, a dilution of earnings per share did not occur. The dividend on additional tier 1 capital is calculated; the effective payment is based on the decision of the Board at the respective payment date.

Other comprehensive income and total comprehensive income

in € million	Notes	1/1-30/6/2020	1/1-30/6/2019
Profit/loss after tax		**420**	**643**
Items which are not reclassified to profit or loss		**16**	**(10)**
Remeasurements of defined benefit plans	[28]	7	(11)
Fair value changes of equity instruments	[15]	(11)	14
Fair value changes due to changes in credit risk of financial liabilities	[25]	33	(18)
Share of other comprehensive income from companies valued at equity	[20]	(13)	8
Deferred taxes on items which are not reclassified to profit or loss	[22, 29]	1	(3)
Items that may be reclassified subsequently to profit or loss		**(535)**	**248**
Exchange differences		(591)	250
Hedge of net investments in foreign operations	[19, 27]	72	(40)
Adaptions to the cash flow hedge reserve	[19, 27]	2	5
Fair value changes of financial assets	[15]	(19)	36
Share of other comprehensive income from companies valued at equity	[20]	(1)	1
Deferred taxes on items which may be reclassified to profit or loss	[22, 29]	1	(5)
Other comprehensive income		**(519)**	**238**
Total comprehensive income		**(99)**	**881**
Profit attributable to non-controlling interests		(13)	(86)
hereof income statement		(52)	(72)
hereof other comprehensive income		39	(14)
Profit/loss attributable to owners of the parent		**(112)**	**795**

Currency developments have had a negative effect of € 591 million on total comprehensive income since the beginning of the year. The devaluation of the Russian ruble of 14 per cent led to a negative contribution of € 316 million, the Czech koruna of 5 per cent led to minus € 83 million, the Ukrainian hryvnia of 12 per cent to minus € 61 million, the Hungarian forint of 8 per cent to minus € 55 million and the Belarusian ruble of 15 per cent to minus € 51 million. Set against this was a hedge of net investments mostly in the Russian subsidiary bank, which resulted in a positive valuation result of € 72 million.

Statement of financial position

Assets in € million	Notes	30/6/2020	31/12/2019
Cash, cash balances at central banks and other demand deposits	[13]	30,481	24,289
Financial assets - amortized cost	[14]	116,328	110,285
Financial assets - fair value through other comprehensive income	[15, 32]	5,233	4,781
Non-trading financial assets - mandatorily fair value through profit/loss	[16, 32]	810	776
Financial assets - designated fair value through profit/loss	[17, 32]	941	2,276
Financial assets - held for trading	[18, 32]	4,675	4,182
Hedge accounting	[19]	565	397
Investments in subsidiaries and associates	[20]	936	1,107
Tangible fixed assets	[21]	1,782	1,829
Intangible fixed assets	[21]	719	757
Current tax assets	[22]	130	61
Deferred tax assets	[22]	90	144
Other assets	[23]	1,071	1,315
Total		**163,761**	**152,200**

Equity and liabilities in € million	Notes	30/6/2020	31/12/2019
Financial liabilities - amortized cost	[24]	139,641	128,764
Financial liabilities - designated fair value through profit/loss	[25, 32]	1,655	1,843
Financial liabilities - held for trading	[26, 32]	6,042	5,789
Hedge accounting	[27]	519	246
Provisions for liabilities and charges	[28]	1,013	1,083
Current tax liabilities	[29]	28	31
Deferred tax liabilities	[29]	44	38
Other liabilities	[30]	1,164	641
Equity	[31]	13,655	13,765
Consolidated equity		11,708	11,817
Non-controlling interests		816	811
Additional tier 1		1,131	1,137
Total		**163,761**	**152,200**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2020	**1,002**	**4,992**	**8,443**	**(2,620)**	**11,817**	**811**	**1,137**	**13,765**
Allocation dividend - AT1	0	0	(31)	0	(31)	0	31	0
Dividend payments	0	0	0	0	0	(6)	(31)	(37)
Own shares	0	0	0	0	0	0	(5)	(5)
Other changes	0	0	33	0	33	(2)	0	31
Total comprehensive income	0	0	368	(480)	(112)	13	0	(99)
Equity as at 30/6/2020	**1,002**	**4,992**	**8,814**	**(3,100)**	**11,708**	**816**	**1,131**	**13,655**

in € million	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2019	**1,002**	**4,992**	**7,587**	**(2,994)**	**10,587**	**701**	**1,125**	**12,413**
Allocation dividend - AT1	0	0	(31)	0	(31)	0	31	0
Dividend payments	0	0	(306)	0	(306)	(56)	(31)	(394)
Own shares	0	0	0	0	0	0	11	11
Other changes	0	0	7	0	8	1	0	8
Total comprehensive income	0	0	571	224	795	86	0	881
Equity as at 30/6/2019	**1,002**	**4,992**	**7,829**	**(2,770)**	**11,053**	**731**	**1,136**	**12,920**

Statement of cash flows

in € million	Notes	1/1-30/6/2020	1/1-30/6/2019[2]
Cash, cash balances at central banks and other demand deposits as at 1/1	**[13]**	**24,289**	**22,557**
Operating activities:			
Profit/loss before tax		566	834
Adjustments for the reconciliation of profit/loss after tax to the cash flow from operating activities:			
Depreciation, amortization, impairment and reversal of impairment on non-financial assets	[8, 9]	218	186
Net provisioning for liabilities and charges and impairment losses on financial assets	[7, 11]	342	24
Gains/losses from the measurement and derecognition of assets and liabilities	[9]	(42)	350
Income from investments in associates	[3]	(22)	(37)
Other adjustments (net)[1]		(1,567)	(1,560)
Subtotal		**(505)**	**(202)**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Financial assets - amortized cost	[14]	(4,689)	(5,043)
Financial assets - fair value through other comprehensive income	[15, 32]	(555)	998
Non-trading financial assets - mandatorily fair value through profit/loss	[16, 32]	(103)	28
Financial assets - designated fair value through profit/loss	[17, 32]	1,315	(67)
Financial assets - held for trading	[18, 32]	(72)	87
Other assets	[23]	198	(108)
Financial liabilities - amortized cost	[24]	13,095	5,649
Financial liabilities - designated fair value through profit/loss	[25, 32]	(103)	(51)
Financial liabilities - held for trading	[26, 32]	181	198
Provisions for liabilities and charges	[28]	(122)	(120)
Other liabilities	[30]	112	(6)
Interest received	[1]	2,368	2,151
Interest paid	[1]	(728)	(722)
Dividends received	[2]	72	64
Income taxes paid	[12]	(166)	(216)
Net cash from operating activities		**10,297**	**2,640**

1 Other (net) adjustments mainly include the deduction of net interest income and dividend income; the corresponding cash flows are shown under the items interest received, interest paid and dividends received.
2 Previous-year figures adapted due to changed allocation

in € million		1/1-30/6/2020	1/1-30/6/2019[1]
Investing activities:			
Cash and cash equivalents from disposal of subsidiaries		(1)	(26)
Payments for purchase of:			
Investment securities and shares	[14, 15, 16, 17, 20]	(5,324)	(3,082)
Tangible and intangible fixed assets	[21]	(156)	(188)
Subsidiaries		0	0
Proceeds from sale of:			
Investment securities and shares	[14, 15, 16, 17, 20]	1,431	1,818
Tangible and intangible fixed assets	[21]	61	38
Subsidiaries	[9]	0	0
Net cash from investing activities		**(3,989)**	**(1,440)**
Financing activities:			
Capital increases/decreases		(5)	11
Inflows subordinated financial liabilities	[24, 25]	496	8
Outflows subordinated financial liabilities	[24, 25]	(310)	(225)
Dividend payments		(37)	(394)
Net cash from financing activities		**144**	**(600)**
Effect of exchange rate changes		(261)	108
Cash, cash balances at central banks and other demand deposits as at 30/6		**30,481**	**23,265**

1 Previous-year figures adapted due to changed allocation

Segment reporting

As a rule, internal management reporting at RBI is based on the current organizational structure. This matrix structure means that each member of the Management Board is responsible both for individual countries and for specific business activities (country and functional responsibility model). A cash generating unit within the Group is a country. The presentation of the countries includes not only subsidiary banks, but all operating units of RBI in the respective countries (such as leasing companies). Accordingly, the RBI management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability, which is why these reporting criteria are an essential component in the decision-making process. Thus, the division into segments was also undertaken in accordance with IFRS 8. The reconciliation contains mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments.

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia, and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets (business booked in Austria): Operating business at head office divided into subsegments: Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG), as well as specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH, Valida Group (pension fund business) and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung. Furthermore, companies with banking activities valued at equity are allocated to this segment.
- Corporate Center: Central group management functions at head office (e.g. treasury) and other group units (participation companies and joint service companies), minority interests as well as companies with non-banking activities valued at equity.

The following changes to the segmentation were applied from the first quarter 2020, in order to align the segments more closely with internal management:

- Joint service providers have been allocated to the Corporate Center segment. These were previously allocated to the regional segments.

- Furthermore, the following companies valued at equity have been allocated to the Group Corporates & Markets segment: NOTARTREUHANDBANK AG, Oesterreichische Kontrollbank AG, EMCOM Beteiligungs GmbH, Posojilnica Bank e-Gen. These were previously allocated to the Corporate Center segment.

These effects have not been adapted in the prior periods due to immateriality.

As of the first quarter 2020, the calculation of equity in the segments is based on the equity shown in the statement of financial position. Previously, equity was calculated according to regulatory capital requirements. The prior periods (equity as well as return on equity) have been adapted accordingly.

Segment performance

1/1-30/6/2020 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	413	430	576	311
Dividend income	2	3	0	7
Current income from investments in associates	2	0	0	2
Net fee and commission income	203	180	247	200
Net trading income and fair value result	7	18	38	46
Net gains/losses from hedge accounting	0	0	0	(2)
Other net operating income	14	4	(8)	47
Operating income	**641**	**634**	**852**	**611**
General administrative expenses	(330)	(351)	(329)	(337)
Operating result	**311**	**284**	**523**	**274**
Other result	(25)	(28)	(10)	(5)
Levies and special governmental measures	(61)	(18)	0	(13)
Impairment losses on financial assets	(91)	(99)	(85)	(33)
Profit/loss before tax	**133**	**139**	**428**	**225**
Income taxes	(29)	(24)	(90)	(51)
Profit/loss after tax	**105**	**115**	**338**	**174**
Profit attributable to non-controlling interests	(24)	0	(25)	(4)
Profit/loss after deduction of non-controlling interests	**81**	**115**	**313**	**170**

Return on equity before tax	7.9%	8.4%	28.1%	13.3%
Return on equity after tax	6.2%	7.0%	22.2%	10.3%
Net interest margin (average interest-bearing assets)	2.01%	3.38%	5.52%	1.16%
Cost/income ratio	51.4%	55.3%	38.6%	55.1%
Loan/deposit ratio	95.8%	70.8%	79.2%	139.0%
Provisioning ratio (average loans to customers)	0.62%	1.24%	1.25%	0.21%
NPE ratio	2.1%	2.9%	2.4%	1.6%
NPE coverage ratio	63.3%	70.0%	57.5%	60.6%
Assets	43,599	28,094	21,625	61,256
Total risk-weighted assets (RWA)	21,065	16,417	14,326	27,841
Equity	3,367	3,300	2,961	3,419
Loans to customers	29,615	15,998	13,219	33,611
Deposits from customers	32,617	22,582	16,779	28,192
Business outlets	378	892	690	22
Employees as at reporting date (full-time equivalents)	9,299	14,448	17,928	3,048
Customers in million	2.8	5.4	6.6	2.0

1/1-30/6/2020 in € million	Corporate Center	Reconciliation	Total
Net interest income	(37)	12	1,706
Dividend income	93	(91)	15
Current income from investments in associates	17	1	22
Net fee and commission income	13	(1)	840
Net trading income and fair value result	(37)	(10)	62
Net gains/losses from hedge accounting	0	7	4
Other net operating income	53	(68)	42
Operating income	**103**	**(151)**	**2,690**
General administrative expenses	(194)	67	(1,474)
Operating result	**(91)**	**(84)**	**1,216**
Other result	(122)	17	(173)
Levies and special governmental measures	(74)	0	(166)
Impairment losses on financial assets	(2)	(1)	(312)
Profit/loss before tax	**(291)**	**(68)**	**566**
Income taxes	47	1	(145)
Profit/loss after tax	**(243)**	**(67)**	**420**
Profit attributable to non-controlling interests	0	0	(52)
Profit/loss after deduction of non-controlling interests	**(243)**	**(67)**	**368**
Return on equity before tax	-	-	8.4%
Return on equity after tax	-	-	6.3%
Net interest margin (average interest-bearing assets)	-	-	2.31%
Cost/income ratio	-	-	54.8%
Loan/deposit ratio	-	-	94.9%
Provisioning ratio (average loans to customers)	-	-	0.67%
NPE ratio	-	-	1.9%
NPE coverage ratio	-	-	63.3%
Assets	36,141	(26,953)	163,761
Total risk-weighted assets (RWA)	13,143	(12,302)	80,490
Equity	6,790	(6,182)	13,655
Loans to customers	3,809	(2,376)	93,876
Deposits from customers	2,203	(3,687)	98,686
Business outlets	-	-	1,982
Employees as at reporting date (full-time equivalents)	1,663	-	46,386
Customers in million	0.0	-	16.7

1/1-30/6/2019 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	419	425	531	295
Dividend income	4	7	1	14
Current income from investments in associates	2	0	0	0
Net fee and commission income	218	201	240	180
Net trading income and fair value result	0	15	28	0
Net gains/losses from hedge accounting	0	0	0	1
Other net operating income	(3)	(5)	3	59
Operating income	**641**	**642**	**803**	**549**
General administrative expenses	(351)	(353)	(329)	(343)
Operating result	**289**	**290**	**474**	**206**
Other result	1	(6)	1	3
Levies and special governmental measures	(45)	(16)	0	(10)
Impairment losses on financial assets	33	(12)	(12)	(21)
Profit/loss before tax	**278**	**256**	**462**	**178**
Income taxes	(47)	(37)	(97)	(37)
Profit/loss after tax	**231**	**219**	**365**	**141**
Profit attributable to non-controlling interests	(39)	4	(28)	(2)
Profit/loss after deduction of non-controlling interests	**192**	**223**	**337**	**139**

Return on equity before tax	17.4%	16.6%	35.5%	12.5%
Return on equity after tax	14.4%	14.2%	28.0%	9.9%
Net interest margin (average interest-bearing assets)	2.14%	3.61%	5.76%	1.28%
Cost/income ratio	54.9%	54.9%	41.0%	62.5%
Loan/deposit ratio	102.9%	75.1%	84.9%	164.0%
Provisioning ratio (average loans to customers)	(0.23)%	0.15%	0.18%	0.35%
NPE ratio	2.5%	3.3%	2.5%	1.9%
NPE coverage ratio	57.2%	64.5%	58.7%	55.9%
Assets	41,350	25,664	20,996	53,454
Total risk-weighted assets (RWA)	21,761	15,263	14,003	23,037
Equity	3,142	2,907	2,603	3,029
Loans to customers	29,022	15,091	13,261	28,841
Deposits from customers	30,399	20,288	15,843	23,466
Business outlets	391	920	771	23
Employees as at reporting date (full-time equivalents)	9,895	14,542	18,661	2,877
Customers in million	2.6	5.3	6.5	2.0

Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

1/1-30/6/2019 in € million	Corporate Center	Reconciliation	Total
Net interest income	(30)	24	1,664
Dividend income	689	(692)	24
Current income from investments in associates	34	0	37
Net fee and commission income	1	0	839
Net trading income and fair value result	(63)	(58)	(79)
Net gains/losses from hedge accounting	5	(5)	0
Other net operating income	39	(72)	21
Operating income	**674**	**(804)**	**2,506**
General administrative expenses	(184)	63	(1,497)
Operating result	**491**	**(741)**	**1,009**
Other result	3	(34)	(33)
Levies and special governmental measures	(59)	0	(130)
Impairment losses on financial assets	(3)	4	(12)
Profit/loss before tax	**432**	**(771)**	**834**
Income taxes	27	0	(191)
Profit/loss after tax	**458**	**(771)**	**643**
Profit attributable to non-controlling interests	0	(6)	(72)
Profit/loss after deduction of non-controlling interests	**458**	**(777)**	**571**
Return on equity before tax	–	–	13.5%
Return on equity after tax	–	–	10.3%
Net interest margin (average interest-bearing assets)	–	–	2.42%
Cost/income ratio	–	–	59.7%
Loan/deposit ratio	–	–	102.9%
Provisioning ratio (average loans to customers)	–	–	0.02%
NPE ratio	–	–	2.3%
NPE coverage ratio	–	–	59.0%
Assets	33,375	(26,210)	148,630
Total risk-weighted assets (RWA)	14,455	(12,900)	75,620
Equity	6,481	(5,242)	12,920
Loans to customers	4,756	(2,461)	88,508
Deposits from customers	4,077	(3,912)	90,161
Business outlets	–	–	2,105
Employees as at reporting date (full-time equivalents)	1,206	–	47,181
Customers in million	0.0	–	16.4

Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Notes

Principles underlying the consolidated financial statements

The condensed interim consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC).

Some IFRS disclosures made outside the notes form an integral part of the consolidated financial statements. These are mainly explanations on net income from segments, which are included in the notes on segment reporting. In addition to the disclosures pursuant to IFRS 7 which are included in the notes, the risk report section especially contains detailed information on credit risk, concentration risk, market risk and liquidity risk. This information is presented in accordance with IFRS 8 Operating Segments and IFRS 7 Financial Instruments Disclosures.

Changes to the income statement

The current income from investments in associates of € 22 million (previous-year period: € 37 million), which was previously included in the other result, is now presented as a separate item. The credit-linked and portfolio-based provisions for litigation of minus € 42 million (previous-year period: minus € 4 million), which were previously reported under other net operating income, are now included in the other result.

Critical accounting judgments and key sources of estimation uncertainty

If estimates or assessments are necessary for accounting and measurement under IAS/IFRS, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely from the current perspective. This primarily affects impairment losses in the credit business, the fair value and impairment of financial instruments, deferred taxes, provisions for pensions and pension-related liabilities, provisions for litigations as well as the calculations used to determine the recoverability of goodwill and the intangible assets capitalized in the course of the initial consolidation. The actual amount recognized may differ from the estimated values.

Accounting policies related to COVID-19

Payment moratoriums

Many of RBI's markets saw the introduction of various moratoriums that can essentially be described as payment moratoriums. Borrowers receive temporary extensions to make payments toward principal, interest and fees. The payment moratoriums are structured differently depending on local legislation. Borrowers in some countries can choose whether to make use of a payment moratorium, while those in other countries are automatically granted payment moratoriums. There are also differences in how the various countries regulate the payment extensions (between three and nine months) and the capitalization of interest (compound interest) during the payment-free periods.

According to IFRS 9, changes in payment plans may result in a loss in present value under an individual loan contract, which can generally be accounted for in RBI's income statement by making a one-time adjustment to the gross carrying amount as a non-substantial modification to the contract. This was done in the first half-year by including minus € 16 million in the income statement. The modification gain or loss is equal to the difference between the gross carrying amount prior to the modification and the net present value of the cash flows of the modified asset, discounted at the original effective interest rate. The income statement shows the modification gain or loss under (9) Other result in the row entitled net modification gains/losses.

Payment moratoriums are not considered to automatically trigger a significant increase in credit risk (SICR). RBI will instead continue to apply its defined assessment criteria consisting of qualitative information and quantitative thresholds. More details on the estimation of expected credit losses (ECL) related to the COVID-19 pandemic are described in the notes to financial instruments and the risk report.

Country	Moratorium	Type	Description
Albania	until end of August 2020	opt-in	principal, interest
Belarus	no moratorium	–	–
Bosnia and Herzegovina	6 months	opt-in	principal, interest
Bulgaria	6 months or until year-end 2020	opt-in	principal, interest
Kosovo	until 31 August 2021	opt-out	principal, interest
Croatia	3 to 6 months, up to 12 months for tourismn	–	principal, interest
Austria	3 months	opt-in	principal, interest
Romania	until year-end 2020	opt-in	principal, interest
Russia	6 months for affected industries	opt-in	principal, interest
Serbia	3 months	opt-out	principal, interest
Slovakia	up to 9 months	opt-in	principal, interest
Czech Republic	3 months or 6 months	opt-in	principal, interest
Ukraine	no moratorium	–	–
Hungary	until year-end 2020	opt-out	principal, interest, fees

Direct government programs

To counter the economic downturn caused by the COVID-19 pandemic, many countries have prepared and, in some cases, already adopted various economic support measures to protect jobs. The measures include various forms of direct financial support for individuals, households and companies as well as bridge loans extended by banks and guaranteed by governments to ensure that companies have sufficient liquidity during the COVID-19 pandemic. These measures are also in preparation in several countries where RBI operates.

It is RBI's view that the recognition of a financial guarantee generally depends on whether or not the financial guarantee is an integral contractual component of the financial asset. RBI considers guarantees assumed at the start of the guaranteed financial assets to be integral contractual components of the financial asset. The financial guarantees granted under direct government programs generally apply to new bridge financing and are therefore treated as integral contractual components.

None of the circumstances covered by IAS 20 in this connection occurred at RBI since all government grants benefited the customer directly.

In addition to the aforementioned support measures, RBI also took part in the European Central Bank's TLTRO II and III programs (Targeted Longer-Term Refinancing Operations) in order to build up an additional liquidity buffer.

Goodwill impairment test

All goodwill is tested each year with respect to its future economic benefits based on cash-generating units. An impairment test is conducted as of the balance sheet date if indications of possible impairment arise in the course of the financial year. In the first quarter of 2020, the COVID-19 pandemic produced a significant negative change in the economic environment in which the subsidiaries operate. This indication triggered an impairment test on 31 March 2020 for goodwill that arose on first consolidation. Raiffeisen Kapitalanlage-Gesellschaft's medium-term plan was revised in response to the pandemic, resulting in a goodwill impairment of € 27 million. Also see (9) Other result and (21) Tangible fixed assets and intangible fixed assets in the notes.

Application of new and revised standards

Amendment to IFRS Conceptual Framework (effective date: 1 January 2020)

The new Conceptual Framework includes revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation and disclosures. The new Conceptual Framework does not constitute a substantial revision of the document, as was originally intended when the project was first taken up in 2004. Instead, the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with. The revised Conceptual Framework is not the subject of an endorsement process.

Amendment to IFRS 3 (Definition of a Business; effective date: 1 January 2020)

The narrow scope amendments to IFRS 3 aim to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The issue arose from the fact that the accounting requirements for goodwill, acquisition costs and deferred tax differ on the acquisition of a business and on the acquisition of a group of assets. The application of these amendments did not have any impact on the consolidated financial statements of RBI.

Amendments to IAS 1 and IAS 8 (Definition of Materiality; effective date: 1 January 2020)

The International Accounting Standards Board (IASB) issued a revised definition of materiality (Amendments to IAS 1 and IAS 8) to align the various definitions used in the Conceptual Framework and the standards themselves. The application of these amendments did not have any impact on the consolidated financial statements of RBI.

Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform; effective date: 1 January 2020)

The amendments primarily relate to certain simplifications regarding hedge accounting requirements and are mandatory for all hedging relationships affected by the interest rate benchmark reform. They also require additional disclosures about the extent to which the entities' hedging relationships are affected by the amendments. The changes are effective for reporting periods beginning on or after 1 January 2020.

Standards and interpretations issued but not yet effective

Amendment to IAS 1 (Classification of Liabilities as Current or Non-current; effective date: 1 January 2022)

The amendments to IAS 1 aim to clarify the criteria used to classify liabilities as current or non-current. In the future, the classification of liabilities should be solely based on rights that are in existence at the end of the reporting period. The amendments also contain additional guidance for interpreting the right to defer settlement by at least twelve months and make clear what constitutes settlement.

Amendment to IAS 16 (Property, Plant and Equipment – Proceeds before Intended Use; effective date: 1 January 2022)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. Directly attributable costs include the costs of testing whether an asset is functioning properly.

Amendment to IAS 37 (Onerous Contracts – Cost of Fulfilling a Contract; effective date: 1 January 2022)

The changes specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendment to IFRS 3 (Reference to the Conceptual Framework; effective 1 January 2022)

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. The amendments also include two additions: For transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer is required to apply IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

Amendment to IFRS 16 (Covid-19-Related Rent Concessions; effective date: 1 June 2020)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession (e.g. rent-free periods or temporary rent reductions) is a lease modification. Lessees that apply the exemption must account for COVID-19-related rent concessions as if they were not lease modifications. The amendment applies to rent concessions that reduce rent payments due on or before 30 June 2021. This amendment is still in the endorsement process. It is expected to be adopted into European law in the third quarter of 2020.

IFRS 17 (Insurance Contracts; effective date: 1 January 2023)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that entities provide relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect of insurance contracts on an entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The impact on the Group is still being analyzed and exclusively relates to UNIQA Insurance Group AG, Vienna, which is measured and_accounted for using the equity method in the RBI consolidated financial statements. The standard has not yet been incorporated by the EU into European law.

IFRS 4 (Insurance Contracts; effective date: 1 January 2023)

The amendments also published on 25 June 2020 extend the period during which certain insurance companies are temporarily exempted from IFRS 9 so that these entities can apply IAS 39 for annual periods beginning before 1 January 2023.

Annual improvements to IFRS – 2018-2020 cycle (effective date: 1 January 2022)

Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

Currencies

	2020		2019	
	As at	Average	As at	Average
Rates in units per €	**30/6**	**1/1-30/6**	**31/12**	**1/1-30/6**
Albanian lek (ALL)	124.210	123.981	121.710	123.914
Belarusian ruble (BYN)	2.712	2.577	2.368	2.397
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.571	7.531	7.440	7.418
Czech koruna (CZK)	26.740	26.297	25.408	25.687
Hungarian forint (HUF)	356.580	346.171	330.530	320.653
Polish zloty (PLN)	4.456	4.410	4.257	4.286
Romanian leu (RON)	4.840	4.819	4.783	4.733
Russian ruble (RUB)	79.630	76.831	69.956	74.212
Serbian dinar (RSD)	117.500	117.500	117.430	118.010
Ukrainian hryvnia (UAH)	29.882	28.670	26.592	30.570
US dollar (USD)	1.120	1.106	1.123	1.133

Consolidated group

	Fully consolidated	
Number of units	**30/6/2020**	**31/12/2019**
As at beginning of period	**209**	**226**
Included for the first time in the financial period	5	4
Merged in the financial period	(1)	(4)
Excluded in the financial period	(3)	(17)
As at end of period	**210**	**209**

A holding company, a company operating in the payment transfer business, a company active in providing IT services and two asset management companies were included for the first time. In the reporting period, two companies engaged in leasing and insurance broker business were excluded from the consolidated group due to immateriality. One leasing company was sold, one leasing company was merged into another.

Notes to the income statement

(1) Net interest income

in € million	1/1-30/6/2020	1/1-30/6/2019
Interest income according to effective interest method	**2,079**	**2,148**
Financial assets - fair value through other comprehensive income	39	85
Financial assets - amortized cost	2,040	2,063
Interest income other	**335**	**324**
Financial assets - held for trading	169	207
Non-trading financial assets - mandatorily fair value through profit/loss	15	7
Financial assets - designated fair value through profit/loss	11	17
Derivatives – hedge accounting, interest rate risk	93	60
Other assets	5	7
Interest income on financial liabilities	41	25
Interest expenses	**(707)**	**(807)**
Financial liabilities - amortized cost	(455)	(474)
Financial liabilities - held for trading	(131)	(233)
Financial liabilities - designated fair value through profit/loss	(27)	(32)
Derivatives – hedge accounting, interest rate risk	(71)	(37)
Other liabilities	(4)	(2)
Interest expenses on financial assets	(19)	(30)
Total	**1,706**	**1,664**

Net interest income included interest income of € 235 million (previous-year period: € 316 million) from marked-to-market financial assets, and interest expenses of € 158 million (previous-year period: € 265 million) from marked-to-market financial liabilities.

in € million	1/1-30/6/2020	1/1-30/6/2019
Net interest income	1,706	1,664
Average interest-bearing assets	147,735	137,835
Net interest margin in per cent	**2.31%**	**2.42%**

Net interest income increased € 42 million to € 1,706 million. Russia posted the largest increase at € 34 million due to lower interest expenses on trading portfolio and higher customer loan volumes. In Ukraine, the appreciation of the Ukrainian hryvnia and higher loan volumes to households led to an increase in net interest income of € 13 million. At head office, net interest income was up € 10 million mainly due to increased income from negative interest rates. In Romania, higher loan volumes to households led to an increase in net interest income of € 6 million. The Czech Republic reported the largest decrease with net interest income down € 12 million due to lower interest income from repo transactions and customer loans.

(2) Dividend income

in € million	1/1-30/6/2020	1/1-30/6/2019
Financial assets - held for trading	0	1
Financial assets - fair value through other comprehensive income	8	11
Investments in subsidiaries and associates	6	12
Total	**15**	**24**

Dividend income fell € 9 million to € 15 million. The largest drop was seen in the item investments in subsidiaries and associates, which includes dividend income from subsidiaries not fully consolidated and associates not valued at equity. Lower income from Bulgaria and Raiffeisen Kapitalanlage-Gesellschaft were mainly responsible for the decrease. In the Czech Republic and Russia, there were no dividends for financial assets - fair value through other comprehensive income in the reporting year. In the previous year, distributions were made.

(3) Current income from investments in associates

in € million	1/1-30/6/2020	1/1-30/6/2019
Current income from investments in associates	22	37

The decrease resulted from Raiffeisen Informatik GmbH & Co KG, whose current income (plus € 3 million, decrease of € 16 million) was impacted by the performance of a listed investment (SoftwareOne) in the previous year. UNIQA Insurance Group AG also contributed to the reduced profit (plus € 6 million, decrease of € 6 million). In contrast, LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG made a positive contribution of € 7 million (comparable period: € 1 million).

(4) Net fee and commission income

in € million	1/1-30/6/2020	1/1-30/6/2019
Clearing, settlement and payment services	329	344
Loan and guarantee business	97	101
Securities	34	31
Asset management	127	107
Custody	29	25
Customer resources distributed but not managed	20	24
Foreign exchange business	175	178
Other	29	29
Total	**840**	**839**

Net fee and commission income remained almost unchanged at € 840 million compared with the same period last year. Thereby net income from asset management increased € 20 million to € 127 million due to higher volumes in Russia, at Raiffeisen Kapitalanlage-Gesellschaft as well as in Valida Group. In contrast net income from clearing, settlement and payment services reduced by € 15 million to € 329 million largely due to the COVID-19 measures imposed and the resulting lower level of customer activity in almost all countries, most notably in Romania, Hungary and Croatia. In addition, the change of legal regulations led to a decline in income in the Czech Republic, while Bulgaria recorded a margin-driven decline. Net income from customer resources distributed but not managed decreased € 4 million to € 20 million due to lower volumes in Russia, Croatia and Romania.

in € million	1/1-30/6/2020	1/1-30/6/2019
Fee and commission income	**1,222**	**1,220**
Clearing, settlement and payment services	542	572
Clearing and settlement	137	126
Credit cards	53	54
Debit cards and other card payments	116	125
Other payment services	235	267
Loan and guarantee business	111	116
Securities	63	54
Asset management	191	160
Custody	37	32
Customer resources distributed but not managed	34	38
Foreign exchange business	189	193
Other	55	54
Fee and commission expenses	**(382)**	**(381)**
Clearing, settlement and payment services	(213)	(228)
Clearing and settlement	(65)	(57)
Credit cards	(31)	(32)
Debit cards and other card payments	(55)	(54)
Other payment services	(62)	(84)
Loan and guarantee business	(13)	(14)
Securities	(29)	(23)
Asset management	(64)	(54)
Custody	(8)	(7)
Customer resources distributed but not managed	(14)	(14)
Foreign exchange business	(14)	(16)
Other	(27)	(25)
Total	**840**	**839**

(5) Net trading income and fair value result

in € million	1/1-30/6/2020	1/1-30/6/2019
Net gains/losses on financial assets and liabilities - held for trading	**149**	**(388)**
Derivatives	279	(391)
Equity instruments	(117)	(2)
Debt securities	24	22
Loans and advances	5	5
Short positions	(5)	(6)
Deposits	(40)	(19)
Debt securities issued	0	0
Other financial liabilities	2	3
Net gains/losses on non-trading financial assets - mandatorily fair value through profit or loss	**3**	**5**
Equity instruments	0	0
Debt securities	(4)	6
Loans and advances	7	0
Net gain/losses on financial assets and liabilities - designated fair value through profit/loss	**(9)**	**32**
Debt securities	(2)	40
Deposits	(2)	(2)
Debt securities issued	(5)	(6)
Exchange differences, net	**(80)**	**272**
Total	**62**	**(79)**

Net trading income was up € 141 million year-on-year. This was mainly due to positive valuation effects in the item derivatives. In the comparable period of the previous year, valuation losses on the interest rate risk of certificates issued had a direct effect on net gains/losses from derivatives. In that connection, economic hedges for interest rate risk were entered into in the second half of 2019. As a result, valuation losses in the reporting period were almost entirely neutralized. Together with a rise in credit spreads in the wake of the spread of COVID-19, this resulted in an increase of € 57 million. A further positive change of € 41 million related to the valuation of a building society portfolio, as it created a loss in the comparable period of the previous year, but was embedded into a hedge accounting relationship according to IAS 39 in the second quarter of 2019, which led to the valuation changes being largely neutralized from then on. In addition, head office reported a positive change of € 38 million, mainly in connection with the valuation of derivatives and loans and advances valued at fair value.

In total, gains of € 279 million were recognized on derivatives in the reporting period in net gains/losses on financial assets and liabilities – held for trading (prior-year period: losses of € 391 million). Derivatives are used above all to hedge interest rate and currency risks. These losses were partly offset by (net) currency translation losses of € 80 million (prior-year period: gain of € 272 million), mostly relating to changes in the Russian ruble exchange rate.

Negative changes of € 115 million were reported in equity instruments held for trading. This was mainly caused by market distortion in the wake of the spread of COVID-19. The equity instruments are mostly embedded in hedging relationships, resulting in the loss being offset by a profit in the derivatives item.

The deposits held for trading were mainly affected by losses on spot transactions in Russia. The losses were incurred in connection with the hedging of foreign currency transactions with customers; corresponding commission income is included in net fee and commission income. Opposite valuations or realized net gains/losses on the foreign exchange derivatives that are used in this connection and held for economic hedge purposes are included in the derivatives item.

The changes of minus € 42 million in debt securities issued – designated fair value through profit/loss were primarily caused by interest-rate-induced valuation changes at head office. These changes are set against opposite valuations of derivatives held for economic hedge purposes that are included in the net gains/losses on financial assets and liabilities – held for trading item.

(6) Net gains/losses from hedge accounting

in € million	1/1-30/6/2020	1/1-30/6/2019
Fair value changes of the hedging instruments	(106)	25
Fair value changes of the hedged items attributable to the hedged risk	109	(25)
Ineffectiveness of cash flow hedge recognized in profit or loss	1	0
Total	**4**	**0**

Net gains/losses from hedge accounting amounted to € 4 million in the reporting period (comparable period: € 0 million). Despite the dynamic interest environment, there is still a high level of hedge efficiency.

The fair value changes of hedging instruments (minus € 106 million compared to €25 million in the comparable period) and the fair value changes of the hedged items attributable to the hedged risk (€ 109 million compared to minus € 25 million in the comparable period) were mainly attributable to Raiffeisen Bausparkasse Gesellschaft m.b.H., the Czech Republic and Russia.

At Raiffeisen Bausparkasse Gesellschaft m.b.H., portfolio hedge accounting was introduced in the second quarter of 2019. The fair value changes of hedging instruments covered two quarters of minus € 63 million in 2020 and on quarter of minus € 43 million in 2019. The negative valuation effects of the hedging instruments were recognized in net trading income of Raiffeisen Bausparkasse m.b.H in the first quarter of 2019, as hedging at the start of the year was still economic and not under IAS 39 hedge accounting. The further devaluation of the hedging instruments in the first half of 2020 was attributable to the negative trend in long-term interest rates.

Key interest rates in the Czech Republic, which had risen in 2019 against the backdrop of strong economic activity, fell as a result of COVID-19. The fair value changes of the hedging instruments therefore amounted to minus € 44 million in the reporting year (comparable period: € 11 million).

In addition, the fair value change of a portfolio hedge, which was introduced in Russia in the first quarter of 2020, amounted to minus € 12 million.

(7) Other net operating income

in € million	1/1-30/6/2020	1/1-30/6/2019[1]
Gains/losses on derecognition of financial assets and liabilities - not measured at fair value through profit/loss	1	7
Gains/losses on derecognition of non-financial assets held for sale	1	0
Net income arising from non-banking activities	15	14
Net income from additional leasing services	8	0
Net income from insurance contracts	0	(3)
Net rental income from investment property incl. operating lease (real estate)	25	35
Net expense from allocation and release of other provisions	12	(6)
Other non-income related taxes	(31)	(33)
Sundry operating income/expenses	11	9
Total	**42**	**21**

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

Other net operating income increased € 21 million year-on-year mainly relating to a provision release for a legal case in Slovakia (€ 18 million).

(8) General administrative expenses

in € million	1/1-30/6/2020	1/1-30/6/2019
Staff expenses	(808)	(789)
Other administrative expenses	(476)	(524)
Depreciation of tangible and intangible fixed assets	(190)	(184)
Total	**(1,474)**	**(1,497)**

General administrative expenses decreased € 23 million year-on-year to € 1,474 million. Exchange rate developments led to an € 18 million reduction in general administrative expenses in the reporting period, mainly due to a 4 per cent depreciation of the Russian ruble and an 8 per cent depreciation of the Hungarian forint (on average over the period).

Staff expenses

in € million	1/1-30/6/2020	1/1-30/6/2019
Wages and salaries	(615)	(600)
Social security costs and staff-related taxes	(141)	(137)
Other voluntary social expenses	(21)	(21)
Sundry staff expenses	(31)	(30)
Total	**(808)**	**(789)**

Staff expenses were up 2 per cent, or € 19 million, to € 808 million, while the average headcount fell slightly year-on-year by 392 full-time equivalents to 46,799 employees. The increase in staff expenses resulted mainly from the salary adjustments made in the previous year, above all in Russia, Ukraine and Romania.

Other administrative expenses

in € million	1/1-30/6/2020	1/1-30/6/2019[1]
Office space expenses	(52)	(58)
IT expenses	(150)	(157)
Legal, advisory and consulting expenses	(48)	(52)
Advertising, PR and promotional expenses	(46)	(58)
Communication expenses	(31)	(27)
Office supplies	(12)	(13)
Car expenses	(5)	(6)
Deposit insurance fees	(54)	(66)
Security expenses	(18)	(23)
Traveling expenses	(3)	(8)
Training expenses for staff	(6)	(10)
Sundry administrative expenses	(50)	(48)
Total	**(476)**	**(524)**

1 Previous-year figures adapted due to changed allocation.

Other administrative expenses were down € 48 million to € 476 million. The reduction was driven primarily by lower IT expenses at head office (€ 9 million) and lower deposit insurance fees in Russia (€ 6 million) and Romania (€ 6 million). Advertising expenses decreased at head office (€ 6 million) and in Slovakia (€ 3 million) mainly as a result of the COVID-19 pandemic. Decreases were also reported in office space expenses (€ 5 million), security expenses (€ 5 million) and traveling expenses (€ 4 million).

Other administrative expenses included € 7 million for short-term leases and € 2 million for leases of low-value assets in accordance with IFRS 16.

Deposit insurance fees decreased € 12 million, whereby the reduction in Russia is from a temporary measure in support of financial institutions during the pandemic. Due to the compensation payout for Commerzialbank Mattersburg im Burgenland AG and Anglo Austrian AAB AG depositors from the deposit insurance scheme (Einlagensicherung AUSTRIA Ges.m.b.H.) and the resulting reduction in scheme funds, RBI expects higher contribution payments to ensure the statutory target level for the deposit insurance scheme. The amount will be distributed over the period until 2024.

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/6/2020	1/1-30/6/2019
Tangible fixed assets	(113)	(109)
hereof right-of-use assets	(41)	(41)
Intangible fixed assets	(77)	(75)
Total	**(190)**	**(184)**

Depreciation of tangible and intangible fixed assets rose 3 per cent or € 6 million. Head office and the Czech Republic reported the largest increases (€ 3 million each).

(9) Other result

in € million	1/1-30/6/2020	1/1-30/6/2019[1]
Net modification gains/losses	**(23)**	**(2)**
Financial assets - amortized cost	(23)	(2)
Impairment or reversal of impairment on investments in subsidiaries and associates	**(79)**	**(6)**
Impairment on non-financial assets	**(28)**	**(2)**
Goodwill	(27)	0
Other	(1)	(2)
Result from non-current assets and disposal groups classified as held for sale and deconsolidation	**(1)**	**5**
Net income from non-current assets and disposal groups classified as held for sale	0	2
Result of deconsolidations	(1)	3
Tax expenses not attributable to the business activity	**0**	**(23)**
Credit-linked and portfolio-based provisions for litigation	**(42)**	**(4)**
Total	**(173)**	**(33)**

1 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

In the reporting period, losses from modification of contract conditions amounted to € 23 million, of which € 16 million resulted from COVID-19 measures (payment moratoriums, i.e. the borrowers are granted a deferred payment for up to nine months or until end of year, and restructuring measures), mainly in Hungary, Romania, in the Czech Republic and in Ukraine.

Impairment on investments in subsidiaries and associates increased € 72 million to € 79 million. The increase of € 70 million concerned impairment on investments in associates, especially on shares in UNIQA Insurance Group AG, LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG and Prva stavebna sporitelna a.s., mainly caused by the worse economic outlook due to the pandemic.

Impairment on non-financial assets were up € 26 million to € 28 million. In the reporting period, the goodwill of Raiffeisen Kapitalanlage-Gesellschaft was impaired by € 27 million. The impairment was related to the poorer economic outlook caused by the COVID-19 pandemic, which on the statement of financial position side reduced the expected volume growth of Raiffeisen Kapitalanlage-Gesellschaft in future years and thus the profit expectations due to the associated decline in the achievable fee and commission income. Raiffeisen Kapitalanlage-Gesellschaft's reduced growth and profit prospects were accompanied by a reduction in the return on equity expected in the future.

In the previous year, a provision of € 23 million for property transfer taxes in Germany was created. This resulted from changes in the ownership structures in previous years. These are connected with the merger between Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and purchases of shares in Raiffeisen Leasing Group in 2012 and 2013.

In the reporting period, credit-linked and portfolio-based provisions for litigation were increased by € 42 million. The provision in Romania regarding proceedings with the Consumer Protection Authority related to an alleged misuse of credit terms was increased by further € 17 million. In Poland and Croatia, provisions for pending legal issues relating to mortgage loans denominated or linked to foreign currencies of € 18 million and € 8 million, respectively, were built. The increase in Poland was driven by a deterioration in the Swiss franc/Polish zloty exchange rate, a decrease in the discount rate used to calculate the provision and changes in the statistical assumptions of the model.

(10) Levies and special governmental measures

in € million	1/1-30/6/2020	1/1-30/6/2019
Bank levies	(92)	(77)
Profit/loss from banking business due to governmental measures	0	(4)
Resolution fund	(74)	(50)
Total	**(166)**	**(130)**

Most of the expense for bank levies was already booked in the first quarter for the entire year. This affects head office with a one-off payment of € 41 million and Hungary with € 13 million. Current payments affect Slovakia in the amount of € 26 million (comparable period: € 12 million), Austria and Poland. The increase in Slovakia was due to a doubling of bank levies (increase from 0.2 per cent to 0.4 per cent of the assessment basis). The bank levy in Slovakia for the second half of 2020 was abolished at the end of June.

Contributions to the resolution fund, most of which were recognized at the beginning of the year, increased € 24 million to € 74 million. The increase resulted from higher contributions primarily at head office, in Bulgaria, Romania and in the Czech Republic.

(11) Impairment losses on financial assets

in € million	1/1-30/6/2020	1/1-30/6/2019
Loans and advances	(327)	(4)
Debt securities	(5)	1
Loan commitments, financial guarantees and other commitments given	20	(8)
Total	**(312)**	**(12)**

Impairments on loans and advances and debt securities amounted to € 332 million in the first half-year (up € 329 million), including loans to non-financial corporations in the amount of € 167 million and to households (€ 150 million). This was offset by a reversal of loan commitments, financial guarantees and other commitments of € 20 million (decrease of € 28 million).

In the first half of 2020, COVID-19 caused impairments of € 158 million, with non-financial corporations accounting for € 123 million and households for € 35 million. The increase in net provisioning was primarily due to post-model adjustments (€ 90 million) and adjustments to forward looking information (€ 68 million).

Additional impairments in the amount of € 202 million (up € 168 million) were allocated in the first half-year due to the migration from stage 1 to stage 2. The sectors most affected were tourism, automotive, air travel, oil & gas, real estate and consumer goods. This resulted in higher impairments on loans to households (€ 115 million), predominantly in Russia (€ 27 million), Romania (€ 24 million) and Poland (€ 12 million), as well as on loans to non-financial corporations (€ 82 million), primarily in Austria (€ 12 million) and Slovakia (€ 13 million).

In stage 3 (defaulted loans), net impairments of € 141 million were allocated (previous year: net release of € 13 million). This included € 88 million for households, primarily in Russia (€ 36 million) and Romania (€ 16 million), as well as € 55 million for non-financial corporations, predominantly in Austria (€ 28 million), Russia (€ 16 million) and Slovakia (€ 16 million).

(12) Income taxes

in € million	1/1-30/6/2020	1/1-30/6/2019
Current income taxes	(85)	(250)
Austria	(1)	(10)
Foreign	(84)	(240)
Deferred taxes	(61)	59
Total	**(145)**	**(191)**

The € 45 million reduction in income taxes was attributable to lower profits in all countries, mainly to decreases of € 11 million in the Czech Republic, € 6 million in Croatia, and € 5 million in Russia. In addition, withholding tax at head office was € 9 million higher in the previous year due to dividend income from Russia and Ukraine.

The effective tax rate rose 2.8 percentage points to 25.7 per cent. The increase was the result of head office's lower earnings contribution, primarily due to non-deductible impairments on companies valued at equity and an impairment on the goodwill of Raiffeisen Kapitalanlage-Gesellschaft.

Notes to the statement of financial position

(13) Cash, cash balances at central banks and other demand deposits

in € million	30/6/2020	31/12/2019
Cash in hand	5,858	4,528
Balances at central banks	15,436	14,395
Other demand deposits at banks	9,187	5,366
Total	**30,481**	**24,289**

The increase in balances at central banks was primarily due to deposits made for liquidity management purposes and the minimum reserve. The minimum reserve, which is not freely available, amounted to € 226 million on the reporting date (31/12/2019: € 283 million).

The large increase in the item other demand deposits at banks was largely driven by head office, which experienced a short-term rise in cash holdings following the increase in long-term funding and utilization of the TLTRO III program.

This item also included € 342 million (31/12/2019: € 157 million) in cash securities, mainly for borrowed securities.

(14) Financial assets - amortized cost

	30/6/2020			31/12/2019		
in € million	Gross carrying amount	Accumulated impairment	Carrying amount	Gross carrying amount	Accumulated impairment	Carrying amount
Debt securities	**13,641**	**(12)**	**13,630**	**9,981**	**(8)**	**9,973**
Central banks	461	0	461	1,497	0	1,497
General governments	10,432	(5)	10,427	6,454	(2)	6,452
Banks	1,871	0	1,871	1,097	0	1,097
Other financial corporations	666	(5)	661	558	(3)	555
Non-financial corporations	211	(1)	210	376	(3)	373
Loans and advances	**105,241**	**(2,542)**	**102,698**	**102,626**	**(2,314)**	**100,312**
Central banks	5,205	0	5,205	4,602	0	4,602
General governments	1,619	(4)	1,615	1,196	(5)	1,191
Banks	4,000	(3)	3,997	4,837	(4)	4,833
Other financial corporations	11,329	(47)	11,282	9,838	(43)	9,795
Non-financial corporations	48,232	(1,321)	46,912	46,470	(1,179)	45,291
Households	34,856	(1,169)	33,688	35,682	(1,082)	34,600
Total	**118,882**	**(2,554)**	**116,328**	**112,607**	**(2,322)**	**110,285**

The carrying amount of financial assets - amortized cost rose € 6,043 million compared to year-end 2019. The increase in debt securities (up € 3,657 million) mainly resulted from purchases of government bonds at head office and in Slovakia and the Czech Republic, while there were sales of central bank debt securities in Russia. The loan book increased € 2,387 million as well despite large currency depreciations. The rise in non-financial corporations (up € 1,621 million) was primarily attributable to head office and was largely the result of standard loans, export finance, project finance and real estate finance.

This increase and the rise in short-term lending (up € 1,678 million) made up for the decrease in loans and advances to households (down € 912 million). Loans and advances declined the most in Russia (down € 566 million), largely due to currency factors, and in the Czech Republic (down € 231 million), although the Czech Republic recorded an increase in local currency terms.

(15) Financial assets - fair value through other comprehensive income

	30/6/2020			31/12/2019		
in € million	Gross carrying amount[1]	Accumulated impairment	Carrying amount	Gross carrying amount[1]	Accumulated impairment	Carrying amount
Equity instruments	**204**	**–**	**204**	**229**	**–**	**229**
Banks	16	–	16	26	–	26
Other financial corporations	113	–	113	130	–	130
Non-financial corporations	75	–	75	72	–	72
Debt securities	**5,032**	**(3)**	**5,028**	**4,555**	**(3)**	**4,553**
General governments	3,750	(3)	3,747	3,093	(2)	3,091
Banks	1,048	0	1,048	1,176	0	1,176
Other financial corporations	88	0	88	142	0	142
Non-financial corporations	146	0	146	145	0	145
Total	**5,236**	**(3)**	**5,233**	**4,784**	**(3)**	**4,781**

1 Gross carrying amount is defined according to FINREP Annex V 1.34(b).

The carrying amount of financial assets – fair value through other comprehensive income increased € 452 million compared to year-end 2019. The increase was mainly due to a rise in debt securities in Romania, at head office and in Russia, although offsetting effects arose from the sale of a portion of the portfolio in Slovakia and sales of debt securities in Hungary and Croatia. Changes in the measurements of equity instruments due to COVID-19 had a negative impact.

(16) Non-trading financial assets - mandatorily fair value through profit/loss

in € million	30/6/2020	31/12/2019
Equity instruments	**3**	**1**
Other financial corporations	3	1
Debt securities	**428**	**447**
General governments	281	239
Banks	19	20
Other financial corporations	121	187
Non-financial corporations	6	1
Loans and advances	**380**	**327**
General governments	2	3
Other financial corporations	38	48
Non-financial corporations	107	83
Households	232	193
Total	**810**	**776**

The increase of € 34 million in the item non-trading financial assets - mandatorily fair value through profit/loss was largely due to an increase in the government-sponsored lending program for young families in Hungary and in debt securities in Russia. The increase was reduced by fund sales of Valida Group and Raiffeisen Bausparkasse.

(17) Financial assets - designated fair value through profit/loss

in € million	30/6/2020	31/12/2019
Debt securities	**941**	**2,276**
General governments	731	1,903
Banks	93	259
Other financial corporations	0	0
Non-financial corporations	116	114
Total	**941**	**2,276**

The decline in the item financial assets - designated fair value through profit/loss resulted from the optimization of the securities portfolio at head office.

(18) Financial assets - held for trading

in € million	30/6/2020	31/12/2019
Derivatives	**2,395**	**1,894**
Interest rate contracts	1,603	1,245
Equity contracts	130	180
Foreign exchange rate and gold contracts	650	458
Credit contracts	10	5
Commodities	2	5
Other	1	1
Equity instruments	**199**	**427**
Banks	20	104
Other financial corporations	69	111
Non-financial corporations	111	211
Debt securities	**2,080**	**1,861**
Central banks	0	7
General governments	1,473	1,049
Banks	338	511
Other financial corporations	148	179
Non-financial corporations	121	115
Total	**4,675**	**4,182**

Securities under financial assets - held for trading provided as collateral, which the recipient is entitled to sell or pledge, amounted to € 98 million (31/12/2019: € 126 million).

Details on derivatives are shown under (44) Derivative financial instruments.

(19) Hedge accounting

in € million	30/6/2020	31/12/2019
Positive fair values of derivatives in micro fair value hedge	**168**	**278**
Interest rate contracts	163	270
Foreign exchange rate and gold contracts	5	8
Positive fair values of derivatives in micro cash flow hedge	**1**	**5**
Interest rate contracts	1	5
Positive fair values of derivatives in net investment hedge	**3**	**0**
Positive fair values of derivatives in portfolio hedge	**168**	**119**
Cash flow hedge	36	7
Fair value hedge	131	112
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk	**226**	**(5)**
Total	**565**	**397**

The positive fair values of derivative financial instruments in micro fair value hedge decreased to € 168 million (31/12/2019: € 278 million). This change was mainly driven by the loss in value of interest rate contracts at head office caused by the reduction in long-term interest rates.

The carrying amount of the item fair value adjustments of the hedged items in portfolio hedge of interest rate risk increased € 231 million compared to year-end 2019. This increase was primarily the result of the further increase in value of the loans and advances in the portfolio hedge of Raiffeisen Bausparkasse Gesellschaft m.b.H., the decrease in interest rates in the Czech Republic for fixed-rate loans in portfolio fair value hedges and the introduction of a portfolio hedge at the Russian subsidiary bank.

(20) Investments in subsidiaries and associates

in € million	30/6/2020	31/12/2019
Investments in affiliated companies	227	270
Investments in associates valued at equity	709	836
Total	**936**	**1,107**

Investments in associates valued at equity are as follows:

in € million	Share in % 30/6/2020	Carrying amount 30/6/2020	Carrying amount 31/12/2019
card complete Service Bank AG, Vienna (AT)	25.0%	13	14
EMCOM Beteiligungs GmbH, Vienna (AT)	33.6%	7	7
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	33.1%	164	197
NOTARTREUHANDBANK AG, Vienna (AT)	26.0%	11	11
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	8.1%	48	48
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	31.3%	11	11
Posojilnica Bank eGen, Klagenfurt (AT)	49.5%	10	13
Prva stavebna sporitelna a.s., Bratislava (SK)	32.5%	34	44
Raiffeisen Informatik GmbH & Co KG, Vienna (AT)	47.6%	117	147
Raiffeisen-Leasing Management GmbH, Vienna (AT)	50.0%	14	13
UNIQA Insurance Group AG, Vienna (AT)	10.9%	280	331
Total		**709**	**836**

Significant influence over UNIQA Insurance Group AG, Vienna, exists as a result of a syndicate agreement with the other core shareholders that governs the right to appoint members of the Supervisory Board, among other things. Significant influence over Oesterreichische Kontrollbank AG, Vienna, exists as a result of two permanent positions on the Supervisory Board.

(21) Tangible and intangible fixed assets

in € million	30/6/2020	31/12/2019
Tangible fixed assets	**1,782**	**1,829**
Land and buildings used by the group for own purpose	578	609
Office furniture, equipment and other tangible fixed assets	321	330
Investment property	314	301
Other leased assets (operating lease)	95	133
Right-of-use assets	476	456
Intangible fixed assets	**719**	**757**
Software	629	636
Goodwill	72	101
Brand	9	10
Customer relationships	2	3
Other intangible fixed assets	7	7
Total	**2,502**	**2,586**

The decline in tangible fixed assets is primarily the result of exchange rate effects, particularly with respect to the Russian ruble, Ukrainian hyrvnia and Czech koruna. In the reporting period, € 90 million was invested in software (30/6/2019: € 79 million).

In 2020, the COVID-19 pandemic produced a major negative change in the economic environment in which our subsidiaries operate. Raiffeisen Kapitalanlage-Gesellschaft’s medium-range plan was revised in response to the pandemic, which resulted in a goodwill impairment of € 27 million. The goodwill of Raiffeisenbank a.s., Prague, was also tested for impairment. The fair value was found to be above the carrying amount.

(22) Tax assets

in € million	30/6/2020	31/12/2019
Current tax assets	130	61
Deferred tax assets	90	144
Temporary tax claims	77	127
Loss carry forwards	14	17
Total	**220**	**205**

(23) Other assets

in € million	30/6/2020	31/12/2019
Prepayments and other deferrals	436	459
Merchandise inventory and suspense accounts for services rendered not yet charged out	271	287
Non-current assets and disposal groups classified as held for sale	4	21
Other assets	360	549
Total	**1,071**	**1,315**

Merchandise inventory and suspense accounts for services rendered not yet charged out included property under construction or not yet sold of Raiffeisen Leasing Group in Austria and Italy of € 155 million (31/12/2019: € 137 million).

(24) Financial liabilities - amortized cost

The following table provides a breakdown of deposits from banks and customers by product and a breakdown of debt securities issued:

in € million	30/6/2020	31/12/2019
Deposits from banks	**30,686**	**23,582**
Current accounts/overnight deposits	12,929	10,864
Deposits with agreed maturity	14,678	11,731
Repurchase agreements	3,080	987
Deposits from customers	**98,391**	**95,911**
Current accounts/overnight deposits	69,601	64,760
Deposits with agreed maturity	28,674	31,071
Repurchase agreements	117	79
Debt securities issued	**10,018**	**8,780**
Certificates of deposits	0	1
Covered bonds	1,256	1,321
Other debt securities issued	8,762	7,457
hereof convertible compound financial instruments	996	1,070
hereof non-convertible	7,766	6,387
Other financial liabilities	**545**	**492**
Total	**139,641**	**128,764**
hereof subordinated financial liabilities	3,022	2,726
hereof lease liabilities	480	453

The total change in deposits from banks is largely concentrated at head office. Current accounts/overnight deposits rose € 2,294 million, including € 894 million that were attributable to higher deposits at the regional Raiffeisen banks. The exact opposite trend was experienced in Russia, where this position decreased € 229 million due mainly to smaller volumes. Deposits with agreed maturity rose € 2,536 million at head office. The increase was largely driven by participation in the TLTRO III program (Targeted Longer-Term Refinancing Operations) that the European Central Bank has employed to help companies and households maintain long-term access to bank loans amid the current economic turmoil and heightened uncertainty. Sale and repurchase agreements at head office increased € 2,312 million compared to year-end.

As in the first quarter, deposits from customers revealed a clear preference for short-term deposits. Current accounts/overnight deposits recorded particularly steep rises in Russia (up € 1,468 million) and the Czech Republic (up € 1,243 million). However, the overall volume-driven increase was diminished by countervailing exchange rate effects. Other large increases in current accounts/overnight deposits were booked in Slovakia (up € 429 million), Romania (up € 385 million) and Ukraine (up € 320 million).

The situation for deposits with agreed maturity is more complex. Increases at head office (up € 1,849 million) were offset by declines, particularly in Russia (down € 2,612 million) and the Czech Republic (down € 866 million).

Deposits from banks and customers by asset classes:

in € million	30/6/2020	31/12/2019
Central banks	5,458	2,462
General governments	3,284	3,171
Banks	25,228	21,120
Other financial corporations	9,862	10,929
Non-financial corporations	37,171	34,849
Households	48,075	46,961
Total	**129,077**	**119,493**

Deposits from central banks rose at head office in particular (up € 2,487 million) due to participation in TLTRO III (Targeted Longer-Term Refinancing Operations). Deposits from general governments rose € 274 million at head office and € 293 million in the Czech Republic. In contrast, Russia recorded a decline of € 368 million because, among other reasons, a Federal Treasury deposit matured in February 2020.

The change in deposits from banks mainly resulted from an increase in overnight deposits and sale and repurchase agreements at head office (up € 4,654 million) and volume- and exchange rate-related declines in Russia (down € 601 million). This shift was amplified by declines in deposits with agreed maturity.

The story was very different for deposits from non-financial corporations. In this case, head office contributed heavily to the increase (up € 2,323 million). Russia, in contrast, recorded a decrease of € 732 million due to currency effects.

Deposits from households (up € 1,114 million) carried on the trend from the first quarter. The largest gains were reported in Romania (up € 536 million) and Slovakia (up € 283 million). In Russia, large gains in local currency terms were offset by exchange rate effects, resulting in stagnation.

(25) Financial liabilities - designated fair value through profit/loss

in € million	30/6/2020	31/12/2019
Deposits from banks	**34**	**25**
Deposits with agreed maturity	34	25
Deposits from customers	**295**	**303**
Deposits with agreed maturity	295	303
Debt securities issued	**1,327**	**1,515**
Other debt securities issued	1,327	1,515
hereof convertible compound financial instruments	9	10
hereof non-convertible	1,317	1,505
Total	**1,655**	**1,843**
hereof subordinated financial liabilities	303	405

The carrying amount of the designated liabilities was € 327 million (31/12/2019: € 395 million) higher than the amount contractually required to be paid at maturity. There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

(26) Financial liabilities - held for trading

in € million	30/6/2020	31/12/2019
Derivatives	**2,365**	**1,934**
Interest rate contracts	1,251	1,060
Equity contracts	404	185
Foreign exchange rate and gold contracts	609	584
Credit contracts	17	18
Commodities	2	0
Other	82	86
Short positions	**458**	**361**
Equity instruments	78	75
Debt securities	380	285
Debt securities issued	**3,220**	**3,495**
Hybrid contracts	3,077	3,210
Other debt securities issued	142	285
hereof convertible compound financial instruments	142	285
Total	**6,042**	**5,789**

Details on derivatives are shown under (44) Derivative financial instruments.

(27) Hedge accounting

in € million	30/6/2020	31/12/2019
Negative fair values of derivatives in micro fair value hedge	**46**	**41**
Interest rate contracts	46	41
Negative fair values of derivatives in micro cash flow hedge	**1**	**4**
Interest rate contracts	1	4
Negative fair values of derivatives in net investment hedge	**5**	**7**
Negative fair values of derivatives in portfolio hedge	**384**	**231**
Cash flow hedge	6	2
Fair value hedge	378	228
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk	**83**	**(36)**
Total	**519**	**246**

Negative fair values of derivatives in portfolio hedge amounted to € 384 million (31/12/2019: € 231 million). The increase is largely due to a portfolio hedge at Raiffeisen Bausparkasse Gesellschaft m.b.H. due to falling interest rates, higher volumes and a drastic reduction in interest rates in the Czech Republic.

The item fair value adjustments of the hedged items in portfolio hedge of interest rate risk increased € 119 million from year-end 2019, from minus € 36 million to € 83 million. This was mainly due to the fair value development of the hedged liabilities in portfolio hedges of Raiffeisenbank a.s., Prague, amid a decline in interest rates, particularly for hedged customer deposits in Czech koruna.

(28) Provisions for liabilities and charges

in € million	30/6/2020	31/12/2019
Provisions for off-balance sheet items	**147**	**173**
Other commitments and guarantees according to IFRS 9	143	161
Other commitments and guarantees according to IAS 37	4	12
Provisions for staff	**454**	**500**
Pensions and other post employment defined benefit obligations	197	204
Other long-term employee benefits	54	42
Bonus payments	132	192
Provisions for overdue vacations	67	56
Termination benefits	4	6
Other provisions	**413**	**410**
Pending legal issues and tax litigation	232	222
Restructuring	20	26
Onerous contracts	67	66
Other provisions	94	96
Total	**1,013**	**1,083**

Provisions decreased € 70 million to € 1,013 million. This decline was primarily attributable to bonus payments of € 60 million. Provisions for pending legal issues and tax litigation decreased following the release of a provision of € 18 million in Slovakia. In contrast, increases were recorded in connection with pending proceedings regarding Swiss franc loans in Poland (up € 17 million to € 65 million) and Croatia (up € 7 million to € 29 million) and for the pending proceedings with the consumer protection agency in Romania (up € 17 million to € 38 million).

(29) Tax liabilities

in € million	30/6/2020	31/12/2019
Current tax liabilities	28	31
Deferred tax liabilities	44	38
Total	**72**	**69**

(30) Other liabilities

in € million	30/6/2020	31/12/2019
Liabilities from insurance activities	131	0
Deferred income and accrued expenses	427	440
Sundry liabilities	606	201
Total	**1,164**	**641**

The increase in sundry liabilities was mainly attributable to transactions related to clearing, settlement and payment services that had not cleared as at the reporting date.

(31) Equity

in € million	30/6/2020	31/12/2019
Consolidated equity	11,708	11,817
Subscribed capital	1,002	1,002
Capital reserves	4,992	4,992
Retained earnings	8,814	8,443
hereof consolidated profit/loss	368	1,227
Cumulative other comprehensive income	(3,100)	(2,620)
Non-controlling interests	816	811
Additional tier 1	1,131	1,137
Total	**13,655**	**13,765**

As at 30 June 2020, subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003 million. After deduction of 322,204 own shares, the stated subscribed capital totaled € 1,002 million.

RBI's equity including capital attributable to non-controlling interests declined € 110 million to € 13,655 million from the beginning of the year. The decrease was chiefly the result of the total comprehensive income for the period of minus € 99 million.

The Management Board decided on 4 February 2020 to propose a dividend of € 1.00 per share for the 2019 financial year to the Annual General Meeting. This would correspond to a maximum dividend payout of € 329 million. Given the recommendation that the European Central Bank made at the end of March regarding dividend distributions and the uncertainties produced by COVID-19, the dividend proposal for the 2019 financial year could be revisited as soon as the financial impacts of COVID-19 have become clearer.

Notes to financial instruments

(32) Fair value of financial instruments

Fair value of financial instruments reported at fair value:

Assets	30/6/2020			31/12/2019		
in € million	Level I	Level II	Level III	Level I	Level II	Level III
Financial assets - held for trading	**1,882**	**2,793**	**0**	**1,910**	**2,272**	**0**
Derivatives	55	2,340	0	29	1,866	0
Equity instruments	199	0	0	420	7	0
Debt securities	1,627	453	0	1,462	399	0
Non-trading financial assets - mandatorily fair value through profit/loss	**331**	**98**	**381**	**394**	**54**	**328**
Equity instruments	3	0	0	1	0	0
Debt securities	328	98	1	393	54	1
Loans and advances	0	0	380	0	0	327
Financial assets - designated fair value through profit/loss	**899**	**42**	**0**	**2,231**	**45**	**0**
Debt securities	899	42	0	2,231	45	0
Financial assets - fair value through other comprehensive income	**4,310**	**783**	**140**	**3,912**	**681**	**188**
Equity instruments	1	63	140	2	82	145
Debt securities	4,309	720	0	3,911	600	42
Hedge accounting	**0**	**339**	**0**	**0**	**402**	**0**

Liabilities	30/6/2020			31/12/2019		
in € million	Level I	Level II	Level III	Level I	Level II	Level III
Financial liabilities - held for trading	**500**	**5,542**	**0**	**405**	**5,377**	**7**
Derivatives	47	2,318	0	17	1,916	0
Short positions	453	4	0	359	2	0
Debt securities issued	0	3,220	0	29	3,458	7
Financial liabilities - designated fair value through profit/loss	**0**	**1,655**	**0**	**0**	**1,843**	**0**
Deposits	0	329	0	0	328	0
Debt securities issued	0	1,327	0	0	1,515	0
Hedge accounting	**0**	**436**	**0**	**0**	**282**	**0**

Fair value hierarchy

Level I

Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date (IFRS 13.76).

Level II

Level II financial instruments are financial instruments measured using valuation techniques based on observable market data, the fair value of which can be determined from similar financial instruments traded on active markets or valuation techniques whose input parameters are directly or indirectly observable (IFRS 13.81 ff).

Level III

Level III inputs are input factors which are unobservable for the asset or liability (IFRS 13.86). The fair value is calculated using valuation techniques.

Movements between Level I and Level II

There were no material transfers between Level I and Level II compared to the end of the year.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value cannot be calculated based on observable market data and are therefore subject to a measurement model that is based on inputs that are not observable on a market. Financial instruments in this category have a value component which is unobservable directly or indirectly on the market and which has a material impact on the fair value.

Assets in € million	As at 1/1/2020	Change in consolidated group	Exchange differences	Additions	Disposals
Financial assets - held for trading	0	0	0	33	(32)
Non-trading financial assets - mandatorily fair value through profit/loss	328	0	(12)	76	(16)
Financial assets - designated fair value through profit/loss	0	0	0	0	0
Financial assets - fair value through other comprehensive income	188	0	(1)	13	(59)
Total	**516**	**0**	**(13)**	**122**	**(107)**

Assets in € million	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/6/2020
Financial assets - held for trading	0	0	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	4	0	0	0	381
Financial assets - designated fair value through profit/loss	0	0	0	0	0
Financial assets - fair value through other comprehensive income	0	(1)	0	0	140
Total	**5**	**(1)**	**0**	**0**	**521**

Liabilities in € million	As at 1/1/2020	Change in consolidated group	Exchange differences	Additions	Disposals
Financial liabilities - held for trading	7	0	0	0	0
Total	**7**	**0**	**0**	**0**	**0**

Liabilities in € million	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/6/2020
Financial liabilities - held for trading	0	0	0	(7)	0
Total	**0**	**0**	**0**	**(7)**	**0**

Qualitative information for the valuation of financial instruments in Level III

Assets 30/6/2020	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - held for trading	**0**			
Treasury bills, fixed coupon bonds	0	Discounted cash flow method	All base rate of last auction (interest rate curve)	0.69 - 1.86%
Forward foreign exchange contracts	0	Discounted cash flow method	Interest rate curve	10 - 30%
Loans	0	Discounted cash flow method	Discount spread, credit spread range (CDS curves)	-
Non-trading financial assets - mandatorily fair value through profit/loss	**381**			
Other interests	0	Simplified net present value method Expert opinion	-	-
Bonds, notes and other non fixed-interest securities	1	Net Asset Value Expert opinion	Haircuts Price	20 - 50%
Loans	380	Retail: Discounted cash flow method (incl. prepayment option, withdrawal option etc.) Non Retail: Discounted cash flow method/Financial option pricing (Black-Scholes (shifted) model; Hull-White model)	Discount spread (new business) Funding curves (for liquidity costs) Credit risk premium (CDS curves)	1.44 - 3.74% over all currencies (0.25) - 2.82% over all currencies 0.03 -18.29% (depending on the rating: from AA to CCC)
Financial assets - designated fair value through profit/loss	**0**			
Fixed coupon bonds	0	Discounted cash flow method (incl. expert opinion)	Price cap Price	-
Financial assets - fair value through other comprehensive income	**140**			
Other interests	39	Dividend discount model Simplified income approach DCF method	Credit spread Cash flow Discount rate Dividends Beta factor	-
Other interests	49	Adjusted net asset value	Adjusted equity	-
Other interests	51	Market comparable companies Transaction price Valuation report (expert judgement) Cost minus impairment	EV/Sales EV/EBIT P/E P/B	-
Total	**521**			

1 Values stated at 0 contain fair values of less than half a million euros.

Liabilities 30/6/2020	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial liabilities - held for trading	**0**			
Forward foreign exchange contracts	0	Discounted cash flow method	Interest rate curve	10 - 30%
Total	**0**			

1 Values stated at 0 contain fair values of less than half a million euros.

Fair value of financial instruments not reported at fair value

The financial instruments in the following table are not managed on a fair value basis and are therefore not measured at fair value in the statement of financial position. For these instruments the fair value is calculated only for the purposes of providing information in the notes, and has no impact on the consolidated statement of financial position or on the consolidated income statement.

30/6/2020 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash, cash balances at central banks and other demand deposits	**0**	**30,481**	**0**	**30,481**	**30,481**	**0**
Financial assets - amortized cost	**11,661**	**1,371**	**106,779**	**119,812**	**116,328**	**3,484**
Debt securities	11,661	1,371	867	13,900	13,630	270
Loans and advances	0	0	105,912	105,912	102,698	3,214
Liabilities						
Financial liabilities - amortized cost	**0**	**9,653**	**129,810**	**139,464**	**139,160**	**303**
Deposits from banks and customers[1]	0	0	128,832	128,832	128,597	235
Debt securities issued	0	9,653	433	10,087	10,018	69
Other financial liabilities	0	0	545	545	545	0

1 Not including lease liabilities in accordance with IFRS 7
Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

31/12/2019 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash, cash balances at central banks and other demand deposits	**0**	**24,289**	**0**	**24,289**	**24,289**	**0**
Financial assets - amortized cost	**8,123**	**1,147**	**104,807**	**114,077**	**110,285**	**3,792**
Debt securities	8,123	1,147	878	10,148	9,973	174
Loans and advances	0	0	103,930	103,930	100,312	3,618
Liabilities						
Financial liabilities - amortized cost	**0**	**8,645**	**120,445**	**129,090**	**128,311**	**779**
Deposits from banks and customers[1]	0	0	119,544	119,544	119,040	505
Debt securities issued	0	8,645	409	9,054	8,780	274
Other financial liabilities	0	0	492	492	492	0

1 Not including lease liabilities in accordance with IFRS 7
Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

(33) Loan commitments, financial guarantees and other commitments

in € million	30/6/2020	31/12/2019
Loan commitments given	33,391	35,136
Financial guarantees given	7,384	7,909
Other commitments given	3,116	3,298
Total	**43,892**	**46,342**
Provisions for off-balance sheet items according to IFRS 9	(143)	(161)

In addition to the provisions for off-balance sheet items according to IFRS 9 shown here, provisions for other commitments and guarantees in accordance with IAS 37 were allocated in the amount of € 4 million (31/12/2019: € 12 million).

(34) Credit quality analysis

The credit quality analysis of financial assets is a point in time assessment of the probability of default of the assets. It should be noted that for financial assets in stages 1 and 2, due to the relative nature of significant increase in credit risk it is not necessarily the case that Stage 2 assets have a lower credit rating than Stage 1 assets, although this is normally the case. The following list provides a description of the grouping of assets by probability of default:

- Excellent are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or no probability of default (PD range 0.0000 - 0.0300 per cent).
- Strong are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default (PD range 0.0300 - 0.1878 per cent).
- Good are exposures which demonstrate a good capacity to meet financial commitments, with low default risk (PD range 0.1878 - 1.1735 per cent).
- Satisfactory are exposures which require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk (PD range 1.1735 - 7.3344 per cent).
- Substandard are exposures which require varying degrees of special attention and default risk is of greater concern (PD range 7.3344 - 100.0 per cent).
- Credit-impaired are exposures which have been assessed as impaired (PD range 100.0 per cent).

Carrying amounts of financial assets – amortized cost by rating categories and stages:

30/6/2020 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	21,627	1,265	0	22,892
Strong	27,008	5,134	0	32,142
Good	24,269	10,673	0	34,942
Satisfactory	11,908	8,648	0	20,556
Substandard	831	1,951	0	2,782
Credit impaired	0	0	2,848	2,848
Unrated	2,308	407	5	2,720
Gross carrying amount	**87,952**	**28,078**	**2,853**	**118,882**
Accumulated impairment	(161)	(543)	(1,851)	(2,554)
Carrying amount	**87,791**	**27,535**	**1,002**	**116,328**

31/12/2019 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	12,748	507	0	13,255
Strong	30,092	3,807	0	33,899
Good	32,970	3,487	0	36,456
Satisfactory	17,851	3,199	0	21,050
Substandard	1,006	1,276	0	2,282
Credit impaired	0	0	2,864	2,864
Unrated	2,573	227	0	2,801
Gross carrying amount	**97,240**	**12,504**	**2,864**	**112,607**
Accumulated impairment	(183)	(342)	(1,798)	(2,322)
Carrying amount	**97,057**	**12,162**	**1,066**	**110,285**

The category unrated includes financial assets for households for whom no ratings are available. The rating is therefore based on qualitative factors. These are mainly a portfolio of mortgage loans to households in the Czech Republic.

Carrying amounts of financial assets – fair value through other comprehensive income, excluding equity instruments, by rating categories and stages:

30/6/2020 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	1,736	0	0	1,736
Strong	2,799	57	0	2,855
Good	204	35	0	240
Satisfactory	146	14	0	160
Substandard	0	0	0	0
Credit impaired	0	0	0	0
Unrated	40	0	0	40
Gross carrying amount[1]	**4,925**	**106**	**0**	**5,032**
Accumulated impairment	(3)	(1)	0	(3)
Carrying amount	**4,923**	**106**	**0**	**5,028**

1 Gross carrying amount is defined according to FINREP Annex V 1.34(b).

31/12/2019 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	1,122	0	0	1,122
Strong	3,030	0	0	3,030
Good	125	94	0	219
Satisfactory	139	13	0	152
Substandard	0	0	0	0
Credit impaired	0	0	0	0
Unrated	31	0	0	31
Gross carrying amount[1]	**4,448**	**107**	**0**	**4,555**
Accumulated impairment	(1)	(1)	0	(3)
Carrying amount	**4,447**	**106**	**0**	**4,553**

1 Gross carrying amount is defined according to FINREP Annex V 1.34(b).

Nominal values of off-balance-sheet commitments by rating categories and stages:

30/6/2020 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	1,700	299	0	1,999
Strong	15,320	2,158	0	17,478
Good	12,684	4,381	0	17,065
Satisfactory	4,076	2,143	0	6,219
Substandard	136	324	0	461
Credit impaired	0	0	249	249
Unrated	368	52	0	420
Nominal amount	**34,285**	**9,357**	**250**	**43,892**
Provisions for off-balance sheet items according to IFRS 9	(37)	(50)	(55)	(143)
Nominal amount after provisions	**34,247**	**9,307**	**194**	**43,749**

31/12/2019 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	2,971	185	0	3,155
Strong	16,688	1,301	0	17,989
Good	15,371	1,280	0	16,651
Satisfactory	6,869	548	0	7,418
Substandard	185	154	0	339
Credit impaired	0	0	326	326
Unrated	427	37	0	464
Nominal amount	**42,511**	**3,505**	**326**	**46,342**
Provisions for off-balance sheet items according to IFRS 9	(44)	(30)	(87)	(161)
Nominal amount after provisions	**42,467**	**3,475**	**239**	**46,182**

The category unrated includes off-balance sheet commitments for households for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows an analysis of the default risk from derivative transactions, most of which are OTC contracts. Default risk can be minimized by the use of settlement houses and collateral in most cases.

30/6/2020	Nominal amount	Fair value	
in € million		Assets	Liabilities
OTC products	**228,094**	**2,655**	**(2,652)**
Interest rate contracts	174,695	1,934	(1,683)
Equity contracts	3,316	77	(357)
Foreign exchange rate and gold contracts	50,083	643	(612)
Products traded on stock exchange	**2,228**	**67**	**(48)**
Interest rate contracts	96	0	0
Equity contracts	901	53	(47)
Foreign exchange rate and gold contracts	1,231	15	(2)
Other - Credit contracts, commodities and other contracts	**2,608**	**13**	**(100)**
Total	**232,929**	**2,735**	**(2,801)**

31/12/2019	Nominal amount	Fair value	
in € million		Assets	Liabilities
OTC products	**220,664**	**2,258**	**(2,089)**
Interest rate contracts	164,571	1,639	(1,336)
Equity contracts	3,572	156	(170)
Foreign exchange rate and gold contracts	52,521	464	(584)
Products traded on stock exchange	**3,127**	**26**	**(23)**
Interest rate contracts	206	0	0
Equity contracts	1,549	24	(15)
Foreign exchange rate and gold contracts	1,371	2	(7)
Other - Credit contracts, commodities and other contracts	**2,286**	**12**	**(104)**
Total	**226,077**	**2,297**	**(2,216)**

(35) Collateral and maximum exposure to credit risk

The following table contains details of the maximum exposure from financial assets not subject to impairment and the financial assets subject to impairment and reconciles these with the loans and advances not held for trading which are the basis of the collateral disclosures below:

30/6/2020	Maximum exposure to credit risk		
in € million	Not subject to impairment	Subject to impairment	hereof loans and advances non-trading as well as loan commitments, financial guarantees and other commitments
Financial assets - amortized cost	0	118,882	105,241
Financial assets - fair value through other comprehensive income[1]	0	5,032	0
Non-trading financial assets - mandatorily fair value through profit/loss	807	0	380
Financial assets - designated fair value through profit/loss	941	0	0
Financial assets - held for trading	4,476	0	0
On-balance	**6,224**	**123,914**	**105,621**
Loan commitments, financial guarantees and other commitments	0	43,892	43,892
Total	**6,224**	**167,805**	**149,512**

1 Gross carrying amount is defined according to FINREP Annex V 1.34(b).

31/12/2019	Maximum exposure to credit risk		
in € million	Not subject to impairment	Subject to impairment	hereof loans and advances non-trading as well as loan commitments, financial guarantees and other commitments
Financial assets - amortized cost	0	112,607	102,626
Financial assets - fair value through other comprehensive income[1]	0	4,555	0
Non-trading financial assets - mandatorily fair value through profit/loss	775	0	327
Financial assets - designated fair value through profit/loss	2,276	0	0
Financial assets - held for trading	3,756	0	0
On-balance	**6,806**	**117,162**	**102,953**
Loan commitments, financial guarantees and other commitments	0	46,342	46,342
Total	**6,806**	**163,505**	**149,295**

1 Gross carrying amount is defined according to FINREP Annex V 1.34(b).

RBI employs a range of policies to mitigate credit risk, the most common of which is the acceptance of collateral for loans and advances provided. The eligibility of collateral is defined on a RBI Group basis to ensure uniform standards of collateral evaluation. A valuation of collateral is performed during the credit approval process. This is then reviewed periodically using various validation processes. The main types of collateral which are accepted in RBI Group are residential and commercial real estate collateral, financial collateral, guarantees and moveable goods. Long-term financing is generally secured, while revolving credit facilities are generally unsecured. Debt securities are mainly unsecured, and derivatives can be secured by cash or master netting agreements.

RBI Group's policies regarding obtaining collateral have not been significantly changed during the reporting period; however, they are updated on a yearly basis. In some countries, governments have announced measures to guarantee the borrowing of otherwise financially healthy companies and households which are impacted by the COVID-19 pandemic. Government guarantees relating to COVID-19 are reflected in the calculation of expected credit losses for loans to the extent that legislation has been substantively enacted and it is clear that the individual borrowers have a claim to the guarantees.

It should be noted that the collateral values shown in the tables are capped at the maximum value of the gross carrying amount of the financial asset. The following table shows loans and receivables categorized as financial assets at amortized cost and as financial assets at fair value through other comprehensive income:

30/6/2020 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	5,205	165	5,040
General governments	1,621	655	966
Banks	4,000	2,179	1,821
Other financial corporations	11,367	5,435	5,932
Non-financial corporations	48,340	21,822	26,518
Households	35,088	21,998	13,091
Commitments/guarantees issued	43,892	7,741	36,150
Total	**149,512**	**59,994**	**89,518**

31/12/2019 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	4,602	172	4,430
General governments	1,199	531	668
Banks	4,837	2,356	2,481
Other financial corporations	9,887	4,813	5,073
Non-financial corporations	46,553	22,461	24,093
Households	35,874	22,407	13,468
Commitments/guarantees issued	46,342	8,114	38,228
Total	**149,295**	**60,854**	**88,442**

(36) Forward looking information

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 key countries and ratios are presented below.

Real GDP		**Full-Year 2020f**			**Full-Year 2021f**			**Full-Year 2022f**		
	Scenario	**Q4 2019**	**Q2 2020**	**Change**	**Q4 2019**	**Q2 2020**	**Change**	**Q4 2019**	**Q2 2020**	**Change**
Bulgaria	Optimistic	3.6%	(4.1)%	(7.7) PP	4.2%	5.1%	0.9 PP	3.6%	3.8%	0.1 PP
	Base	2.5%	(6.0)%	(8.5) PP	2.9%	4.0%	1.1 PP	2.5%	3.0%	0.5 PP
	Pessimistic	0.7%	(8.6)%	(9.2) PP	0.7%	2.5%	1.7 PP	0.7%	2.0%	1.3 PP
Croatia	Optimistic	3.4%	(6.6)%	(10.0) PP	2.9%	4.1%	1.3 PP	2.7%	3.3%	0.6 PP
	Base	2.5%	(8.5)%	(11.0) PP	1.8%	3.0%	1.2 PP	1.8%	2.5%	0.7 PP
	Pessimistic	0.0%	(11.9)%	(11.8) PP	(1.2)%	1.0%	2.2 PP	(0.7)%	1.2%	1.9 PP
Austria	Optimistic	1.3%	(6.2)%	(7.5) PP	2.0%	6.5%	4.5 PP	1.7%	1.8%	0.1 PP
	Base	0.8%	(7.2)%	(8.0) PP	1.4%	5.9%	4.5 PP	1.2%	1.4%	0.2 PP
	Pessimistic	(0.5)%	(8.8)%	(8.4) PP	(0.1)%	4.9%	5.0 PP	(0.1)%	0.7%	0.8 PP
Poland	Optimistic	3.7%	(3.7)%	(7.4) PP	3.6%	4.7%	1.0 PP	3.1%	2.2%	(0.9) PP
	Base	3.3%	(4.5)%	(7.8) PP	3.2%	4.2%	1.0 PP	2.7%	1.9%	(0.8) PP
	Pessimistic	1.9%	(6.4)%	(8.3) PP	1.5%	3.1%	1.5 PP	1.3%	1.1%	(0.2) PP
Russia	Optimistic	3.1%	(2.8)%	(5.9) PP	3.1%	4.0%	1.0 PP	2.8%	2.1%	(0.7) PP
	Base	1.6%	(4.9)%	(6.5) PP	1.3%	2.8%	1.5 PP	1.3%	1.3%	0.0 PP
	Pessimistic	(1.3)%	(9.3)%	(8.0) PP	(2.2)%	0.1%	2.3 PP	(1.6)%	(0.5)%	1.1 PP
Romania	Optimistic	4.2%	(4.4)%	(8.7) PP	3.5%	6.0%	2.6 PP	3.5%	4.5%	1.0 PP
	Base	3.0%	(7.0)%	(10.0) PP	2.0%	4.5%	2.5 PP	2.3%	3.5%	1.3 PP
	Pessimistic	0.1%	(10.7)%	(10.8) PP	(1.5)%	2.3%	3.7 PP	(0.6)%	2.0%	2.7 PP
Slovakia	Optimistic	3.6%	(3.2)%	(6.8) PP	4.4%	6.7%	2.3 PP	4.1%	3.6%	(0.4) PP
	Base	2.0%	(6.0)%	(8.0) PP	2.5%	5.0%	2.5 PP	2.5%	2.5%	0.0 PP
	Pessimistic	0.1%	(8.6)%	(8.7) PP	0.2%	3.5%	3.3 PP	0.6%	1.5%	0.9 PP
Czech Republic	Optimistic	3.0%	(5.8)%	(8.7) PP	2.9%	7.7%	4.8 PP	3.1%	3.7%	0.5 PP
	Base	2.0%	(7.6)%	(9.6) PP	1.8%	6.6%	4.8 PP	2.2%	2.9%	0.8 PP
	Pessimistic	0.1%	(10.2)%	(10.3) PP	(0.6)%	5.0%	5.6 PP	0.2%	1.9%	1.7 PP
Hungary	Optimistic	3.3%	(2.4)%	(5.7) PP	3.8%	5.7%	1.9 PP	4.1%	4.1%	0.0 PP
	Base	2.8%	(3.5)%	(6.3) PP	3.2%	5.0%	1.8 PP	3.6%	3.6%	0.0 PP
	Pessimistic	0.2%	(7.0)%	(7.2) PP	0.1%	2.9%	2.8 PP	1.0%	2.2%	1.2 PP

Unemployment		Full-Year 2020f			Full-Year 2021f			Full-Year 2022f		
	Scenario	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change
Bulgaria	Optimistic	2.7%	3.3%	0.5 PP	2.7%	3.4%	0.7 PP	4.2%	3.3%	(0.9) PP
	Base	5.5%	7.5%	2.0 PP	6.0%	5.9%	(0.1) PP	7.0%	5.0%	(2.0) PP
	Pessimistic	9.2%	12.9%	3.7 PP	10.4%	9.1%	(1.3) PP	10.7%	7.2%	(3.6) PP
Croatia	Optimistic	5.5%	9.6%	4.1 PP	5.0%	9.4%	4.4 PP	5.6%	7.6%	2.0 PP
	Base	6.6%	11.8%	5.2 PP	6.3%	10.7%	4.4 PP	6.7%	8.5%	1.8 PP
	Pessimistic	9.9%	16.1%	6.3 PP	10.2%	13.3%	3.1 PP	10.0%	10.2%	0.3 PP
Austria	Optimistic	4.5%	5.9%	1.4 PP	4.5%	5.3%	0.9 PP	4.9%	5.3%	0.4 PP
	Base	4.8%	6.4%	1.6 PP	4.8%	5.6%	0.8 PP	5.2%	5.5%	0.3 PP
	Pessimistic	5.4%	7.3%	1.9 PP	5.6%	6.2%	0.6 PP	5.8%	5.9%	0.0 PP
Poland	Optimistic	4.0%	6.0%	1.9 PP	4.3%	6.1%	1.8 PP	4.8%	5.4%	0.6 PP
	Base	5.7%	8.6%	2.9 PP	6.3%	7.7%	1.4 PP	6.5%	6.5%	0.0 PP
	Pessimistic	9.2%	13.7%	4.5 PP	10.5%	10.7%	0.2 PP	10.0%	8.5%	(1.5) PP
Russia	Optimistic	3.5%	4.7%	1.2 PP	3.2%	4.0%	0.8 PP	3.4%	4.3%	0.9 PP
	Base	4.7%	6.5%	1.8 PP	4.7%	5.1%	0.4 PP	4.6%	5.0%	0.4 PP
	Pessimistic	6.2%	8.8%	2.6 PP	6.5%	6.5%	0.0 PP	6.1%	5.9%	(0.2) PP
Romania	Optimistic	3.5%	5.4%	1.8 PP	3.9%	6.9%	2.9 PP	4.8%	5.4%	0.6 PP
	Base	4.1%	6.2%	2.2 PP	4.6%	7.4%	2.8 PP	5.3%	5.7%	0.4 PP
	Pessimistic	5.3%	8.0%	2.7 PP	6.1%	8.5%	2.4 PP	6.6%	6.4%	(0.1) PP
Slovakia	Optimistic	2.7%	3.8%	1.1 PP	2.2%	4.1%	1.9 PP	2.2%	4.6%	2.3 PP
	Base	5.1%	7.5%	2.5 PP	5.0%	6.3%	1.3 PP	4.5%	6.0%	1.5 PP
	Pessimistic	8.3%	12.2%	3.8 PP	8.9%	9.1%	0.1 PP	7.8%	7.9%	0.1 PP
Czech Republic	Optimistic	2.3%	3.4%	1.1 PP	2.5%	4.9%	2.4 PP	3.0%	3.7%	0.8 PP
	Base	3.1%	4.8%	1.7 PP	3.5%	5.7%	2.2 PP	3.8%	4.3%	0.5 PP
	Pessimistic	4.7%	7.1%	2.3 PP	5.5%	7.1%	1.6 PP	5.4%	5.2%	(0.2) PP
Hungary	Optimistic	2.8%	4.8%	2.0 PP	2.7%	5.1%	2.3 PP	2.7%	4.6%	1.9 PP
	Base	3.6%	6.2%	2.6 PP	3.7%	5.9%	2.2 PP	3.5%	5.2%	1.7 PP
	Pessimistic	5.7%	9.1%	3.4 PP	6.2%	7.6%	1.4 PP	5.6%	6.4%	0.8 PP

Lifetime bond rate		Full-Year 2020f			Full-Year 2021f			Full-Year 2022f		
	Scenario	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change
Bulgaria	Optimistic	0.1%	(0.5)%	(0.7) PP	0.4%	0.2%	(0.3) PP	0.5%	0.7%	0.1 PP
	Base	0.7%	0.0%	(0.7) PP	1.1%	0.5%	(0.6) PP	1.1%	0.9%	(0.2) PP
	Pessimistic	2.9%	3.6%	0.7 PP	3.8%	2.7%	(1.1) PP	3.3%	2.4%	(1.0) PP
Croatia	Optimistic	0.0%	1.0%	1.0 PP	0.0%	0.9%	0.9 PP	0.7%	1.0%	0.3 PP
	Base	0.4%	1.2%	0.8 PP	0.6%	1.1%	0.5 PP	1.1%	1.1%	0.0 PP
	Pessimistic	2.2%	4.3%	2.1 PP	2.7%	2.9%	0.2 PP	2.9%	2.3%	(0.6) PP
Austria	Optimistic	(1.0)%	(0.9)%	0.1 PP	(0.7)%	(0.5)%	0.1 PP	0.1%	(0.3)%	(0.4) PP
	Base	(0.4)%	(0.2)%	0.2 PP	0.1%	(0.1)%	(0.2) PP	0.8%	0.0%	(0.8) PP
	Pessimistic	1.6%	2.7%	1.2 PP	2.4%	1.6%	(0.8) PP	2.7%	1.2%	(1.5) PP
Poland	Optimistic	1.5%	1.1%	(0.4) PP	1.7%	1.4%	(0.3) PP	2.1%	2.2%	0.0 PP
	Base	2.2%	1.7%	(0.5) PP	2.5%	1.7%	(0.8) PP	2.8%	2.4%	(0.4) PP
	Pessimistic	3.7%	4.4%	0.7 PP	4.4%	3.4%	(1.0) PP	4.4%	3.5%	(0.9) PP
Russia	Optimistic	5.8%	4.8%	(0.9) PP	5.7%	5.4%	(0.2) PP	6.1%	5.5%	(0.6) PP
	Base	6.9%	6.4%	(0.5) PP	7.0%	6.4%	(0.7) PP	7.3%	6.1%	(1.1) PP
	Pessimistic	9.4%	10.3%	0.9 PP	10.0%	8.7%	(1.3) PP	9.7%	7.7%	(2.1) PP
Romania	Optimistic	2.8%	2.9%	0.0 PP	2.7%	3.4%	0.7 PP	2.9%	3.8%	1.0 PP
	Base	4.3%	5.0%	0.7 PP	4.5%	4.7%	0.2 PP	4.3%	4.7%	0.4 PP
	Pessimistic	5.3%	6.6%	1.3 PP	5.7%	5.6%	(0.1) PP	5.3%	5.3%	0.0 PP
Slovakia	Optimistic	(0.8)%	(0.4)%	0.4 PP	(0.5)%	(0.3)%	0.2 PP	0.3%	(0.1)%	(0.3) PP
	Base	(0.1)%	0.3%	0.4 PP	0.3%	0.1%	(0.2) PP	1.0%	0.2%	(0.8) PP
	Pessimistic	1.7%	3.4%	1.7 PP	2.5%	2.0%	(0.5) PP	2.8%	1.5%	(1.4) PP
Czech Republic	Optimistic	(0.1)%	(0.4)%	(0.3) PP	0.0%	(0.2)%	(0.2) PP	0.8%	0.3%	(0.4) PP
	Base	1.0%	1.0%	0.0 PP	1.3%	0.7%	(0.6) PP	1.8%	0.9%	(1.0) PP
	Pessimistic	2.8%	3.9%	1.1 PP	3.4%	2.4%	(1.0) PP	3.6%	2.0%	(1.6) PP
Hungary	Optimistic	1.9%	2.0%	0.1 PP	1.8%	2.2%	0.4 PP	2.3%	2.5%	0.2 PP
	Base	2.6%	2.7%	0.1 PP	2.7%	2.7%	0.0 PP	3.0%	2.8%	(0.2) PP
	Pessimistic	5.1%	6.7%	1.7 PP	5.6%	5.1%	(0.5) PP	5.5%	4.4%	(1.1) PP

Real estate prices		Full-Year 2020f			Full-Year 2021f			Full-Year 2022f		
	Scenario	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change	Q4 2019	Q2 2020	Change
Bulgaria	Optimistic	9.1%	9.7%	0.7 PP	9.5%	10.0%	0.6 PP	6.6%	6.2%	(0.4) PP
	Base	5.2%	1.0%	(4.2) PP	4.8%	4.8%	0.0 PP	2.7%	2.7%	0.0 PP
	Pessimistic	1.3%	(6.8)%	(8.1) PP	0.1%	0.1%	0.0 PP	(1.2)%	(0.4)%	0.8 PP
Croatia	Optimistic	14.0%	7.3%	(6.7) PP	13.5%	7.4%	(6.2) PP	9.5%	3.8%	(5.7) PP
	Base	6.2%	2.0%	(4.2) PP	4.2%	4.2%	0.0 PP	1.7%	1.7%	0.0 PP
	Pessimistic	(1.6)%	(2.7)%	(1.1) PP	(5.1)%	1.4%	6.5 PP	(6.1)%	(0.2)%	5.9 PP
Austria	Optimistic	5.3%	3.1%	(2.2) PP	5.2%	2.7%	(2.5) PP	4.3%	2.0%	(2.3) PP
	Base	2.2%	1.0%	(1.2) PP	1.4%	1.4%	0.0 PP	1.2%	1.2%	0.0 PP
	Pessimistic	(0.9)%	(0.9)%	0.1 PP	(2.4)%	0.3%	2.6 PP	(1.9)%	0.4%	2.4 PP
Poland	Optimistic	6.0%	4.3%	(1.7) PP	5.5%	2.9%	(2.7) PP	4.9%	2.4%	(2.5) PP
	Base	2.6%	2.0%	(0.6) PP	1.5%	1.5%	0.0 PP	1.5%	1.5%	0.0 PP
	Pessimistic	(0.8)%	0.0%	0.7 PP	(2.5)%	0.3%	2.8 PP	(1.9)%	0.7%	2.6 PP
Russia	Optimistic	7.8%	7.4%	(0.4) PP	7.9%	6.8%	(1.1) PP	5.4%	4.0%	(1.5) PP
	Base	4.2%	2.0%	(2.2) PP	3.5%	3.5%	0.0 PP	1.8%	1.8%	0.0 PP
	Pessimistic	0.6%	(3.4)%	(4.0) PP	(0.9)%	0.2%	1.1 PP	(1.8)%	(0.4)%	1.5 PP
Romania	Optimistic	6.4%	5.2%	(1.2) PP	6.5%	5.3%	(1.2) PP	5.5%	4.1%	(1.4) PP
	Base	3.3%	1.0%	(2.3) PP	2.8%	2.8%	0.0 PP	2.4%	2.4%	0.0 PP
	Pessimistic	0.2%	(2.7)%	(2.9) PP	(0.9)%	0.6%	1.5 PP	(0.7)%	0.9%	1.6 PP
Slovakia	Optimistic	7.0%	9.0%	2.0 PP	6.8%	7.4%	0.6 PP	5.8%	5.4%	(0.4) PP
	Base	3.0%	0.0%	(3.0) PP	2.0%	2.0%	0.0 PP	1.8%	1.8%	0.0 PP
	Pessimistic	(2.3)%	(8.0)%	(5.7) PP	(4.4)%	(2.8)%	1.6 PP	(3.5)%	(1.4)%	2.1 PP
Czech Republic	Optimistic	8.1%	4.3%	(3.9) PP	6.7%	5.8%	(0.9) PP	4.6%	3.5%	(1.1) PP
	Base	5.7%	1.0%	(4.7) PP	3.8%	3.8%	0.0 PP	2.2%	2.2%	0.0 PP
	Pessimistic	2.3%	(1.9)%	(4.2) PP	(0.2)%	2.1%	2.3 PP	(1.2)%	1.0%	2.2 PP
Hungary	Optimistic	7.5%	6.1%	(1.4) PP	8.0%	6.6%	(1.5) PP	6.7%	4.9%	(1.7) PP
	Base	3.7%	1.0%	(2.7) PP	3.5%	3.5%	0.0 PP	2.9%	2.9%	0.0 PP
	Pessimistic	(0.1)%	(3.5)%	(3.5) PP	(1.0)%	0.8%	1.8 PP	(0.9)%	1.1%	2.0 PP

The weightings assigned to each scenario at quarter end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent 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 existing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model techniques 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, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general RBI 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.

Due to the complexity of the expected credit loss calculation, and the dependency of variables on one another, the table below represents a best estimate of the included post-model-adjustments in the accumulated expected credit loss amounts in Stage 1 and 2 (balance sheet items and off-balance sheet items).

30/6/2020	Modelled ECL	Post-model adjustments						Total
in € million		COVID-19 related		Other		Total		
Central banks	0	0	0.0%	0	0.0%	0	0.0%	0
General governments	10	0	0.0%	0	(0.8)%	0	(0.8)%	10
Banks	1	0	0.0%	0	0.0%	0	0.0%	1
Other financial corporations	28	0	0.0%	0	0.0%	0	0.0%	28
Non-financial corporations	276	45	16.1%	45	16.5%	90	32.6%	366
Households	324	46	14.1%	20	6.2%	66	20.3%	389
Total	**639**	**90**	**14.1%**	**65**	**10.2%**	**156**	**24.3%**	**794**

The post-model adjustments resulted in additional Stage 1 and 2 provisions of € 156 million (31/12/2019: € 93 million), of which € 90 million are COVID-19 related.

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.

The majority of other post-model adjustments related to higher expected credit losses on Russian corporate exposures for covering possible losses related to potential future sanctions. It also includes slightly higher expected defaults on mortgage loans due to government-imposed interest rate clauses for retail customers in the Czech Republic and foreign-currency lending to retail customers due to consumer protection initiatives in Romania. In the reporting year, further model adjustments were made for Croatia as a result of changed market expectations regarding the debt-to-income ratio.

Sensitivity analysis

The most significant assumptions affecting the sensitivity of the expected credit loss allowance are as follows:

- Gross domestic product (all portfolios)
- Unemployment rate (all portfolios)
- Long term government bond rate (non-retail portfolios especially)
- Real estate prices (retail portfolios especially)

The table below provides a comparison between the reported accumulated impairment for expected credit losses for financial assets in stages 1 and 2 (weighted by 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios) and then each scenario weighted by 100 per cent on their own. The optimistic and pessimistic scenarios do not reflect extreme cases, but the average of the scenarios which are distributed in these cases. This information is provided for illustrative purposes.

30/6/2020 in € million	30/6/2020 (25/50/25%)	100% Optimistic	100% Base	100% Pessimistic
Austria	134	122	129	150
Russia	112	95	107	138
Romania	94	81	92	113
Czech Republic	76	72	75	81
Slovakia	67	59	66	79
Poland	66	64	66	70
Croatia	48	43	45	58
Bulgaria	46	42	45	53
Hungary	40	37	39	45
Other	112	95	106	140
Accumulated impairment (Stage 1 and 2)	**794**	**708**	**769**	**925**

31/12/2019 in € million	31/12/2019 (25/50/25%)	100% Optimistic	100% Base	100% Pessimistic
Austria	103	93	99	112
Russia	102	86	101	119
Romania	71	61	72	81
Czech Republic	58	52	55	68
Slovakia	48	41	47	56
Poland	50	46	49	54
Croatia	38	35	39	38
Bulgaria	28	26	28	33
Hungary	26	22	26	30
Other	77	66	76	90
Accumulated impairment (Stage 1 and 2)	**601**	**528**	**592**	**681**

(37) Credit risk volume by stages

RBI's credit portfolio is well diversified in terms of type of customer, geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high. The following table shows the financial assets – amortized cost based on the respective counterparties and stages. Here, RBI's focus was on non-financial corporations and households:

30/6/2020	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	5,649	17	0	0	0	0	0.0%	0.3%	–
General governments	11,236	813	2	(6)	(1)	(2)	0.0%	0.1%	98.4%
Banks	5,691	178	2	0	0	(2)	0.0%	0.1%	100.0%
Other financial corporations	10,276	1,661	58	(6)	(19)	(27)	0.1%	1.1%	47.2%
Non-financial corporations	29,658	17,117	1,669	(75)	(220)	(1,026)	0.3%	1.3%	61.5%
Households	25,443	8,291	1,122	(73)	(303)	(793)	0.3%	3.6%	70.7%
hereof mortgage	13,405	4,313	365	(15)	(122)	(223)	0.1%	2.8%	61.2%
Total	**87,952**	**28,078**	**2,853**	**(161)**	**(543)**	**(1,851)**	**0.2%**	**1.9%**	**64.9%**

31/12/2019	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	6,095	4	0	0	0	0	0.0%	0.0%	-
General governments	7,229	419	2	(2)	(2)	(2)	0.0%	0.5%	98.6%
Banks	5,873	57	4	0	0	(4)	0.0%	0.1%	100.0%
Other financial corporations	9,324	1,009	64	(7)	(7)	(33)	0.1%	0.7%	51.3%
Non-financial corporations	40,319	4,827	1,700	(87)	(99)	(996)	0.2%	2.1%	58.6%
Households	28,400	6,188	1,094	(86)	(233)	(763)	0.3%	3.8%	69.8%
hereof mortgage	13,984	3,823	437	(17)	(109)	(276)	0.1%	2.8%	63.3%
Total	**97,240**	**12,504**	**2,864**	**(183)**	**(342)**	**(1,798)**	**0.2%**	**2.7%**	**62.8%**

The following table shows the contingent liabilities and other off-balance sheet commitments by counterparties and stages. Here, RBI's focus was on non-financial corporations:

30/6/2020	Nominal amount			Provisions for off-balance sheet items according to IFRS 9			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	0	0	0	0	0	0	0.2%	–	–
General governments	364	9	0	0	0	0	–	0.1%	–
Banks	1,907	111	0	0	0	0	–	0.1%	–
Other financial corporations	4,970	261	10	(2)	(2)	(1)	0.0%	–	5.1%
Non-financial corporations	23,416	7,887	230	(28)	(42)	(48)	0.1%	0.5%	20.8%
Households	3,628	1,089	9	(7)	(6)	(7)	0.2%	0.6%	74.1%
Total	**34,285**	**9,357**	**250**	**(37)**	**(50)**	**(55)**	**0.1%**	**0.5%**	**22.2%**

31/12/2019	Nominal amount			Provisions for off-balance sheet items according to IFRS 9			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	0	0	0	0	0	0	0.1%	–	–
General governments	369	18	0	0	0	0	0.0%	1.6%	–
Banks	3,071	8	0	0	0	0	0.0%	0.1%	–
Other financial corporations	4,068	215	9	(4)	(1)	(1)	0.1%	0.3%	6.5%
Non-financial corporations	31,235	2,262	307	(32)	(25)	(79)	0.1%	1.1%	25.8%
Households	3,769	1,003	10	(7)	(5)	(7)	0.2%	0.5%	70.5%
Total	**42,511**	**3,505**	**326**	**(44)**	**(30)**	**(87)**	**0.1%**	**0.9%**	**26.6%**

The following table shows the gross carrying amount and impairment of the financial assets – amortized cost and financial assets – fair value through other comprehensive income that have moved in the reporting period from expected twelve-month losses (Stage 1) to expected lifetime losses (Stages 2 and 3) or vice versa:

30/6/2020	Gross carrying amount		Impairment		ECL Coverage Ratio	
in € million	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL
Movement from 12 month ECL to lifetime ECL	**(15,775)**	**15,775**	**(53)**	**312**	**0.3%**	**2.0%**
Central banks	(13)	13	0	0	0.0%	0.0%
General governments	(175)	175	0	0	0.0%	0.1%
Banks	(69)	69	0	0	0.0%	0.1%
Other financial corporations	(643)	643	(1)	8	0.2%	1.2%
Non-financial corporations	(10,446)	10,446	(29)	118	0.3%	1.1%
Households	(4,429)	4,429	(23)	186	0.5%	4.2%
Movement from lifetime ECL to 12 month ECL	**2,753**	**(2,753)**	**9**	**(65)**	**0.3%**	**2.4%**
Central banks	0	0	0	0	–	–
General governments	259	(259)	1	(2)	0.3%	0.6%
Banks	23	(23)	0	0	0.0%	0.0%
Other financial corporations	98	(98)	0	0	0.0%	0.2%
Non-financial corporations	833	(833)	3	(11)	0.4%	1.3%
Households	1,540	(1,540)	5	(52)	0.3%	3.4%

The increase in expected credit losses in the first half of 2020 arising from the movement from 12 month ECL to lifetime ECL was € 258 million (1/1-31/12/2019: € 270 million). The decrease in expected credit losses in the first half of 2020 arising from the movement from lifetime ECL to 12 month ECL was € 56 million (1/1-31/12/2019: € 102 million).

Under IFRS 9, issuers must assess at each reporting date whether the credit risk on a financial instrument has significantly increased since initial recognition. In response to the spread of COVID-19 on world markets, national governments have taken and continue to take a wide range of measures to prevent transmission of the virus and have decided economic support and assistance measures for households and businesses in order to surmount the economic impacts of the outbreak.

These assistance measures include payment holidays on loans, overdrafts and mortgages, loan guarantees and other forms of support for individual businesses or specific industries. For the purposes of assessment, it is not automatically assumed that these measures result in a significant increase in credit risk as the existing criteria are considered robust as indicators of a significant increase in credit risk. In addition, the rebuttable presumption of 30 days past due has not been rebutted. The existing criteria for assessment are set out in the 2019 Annual Report.

31/12/2019	Gross carrying amount		Impairment		ECL Coverage Ratio	
in € million	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL
Movement from 12 month ECL to lifetime ECL	**(4,454)**	**4,454**	**(32)**	**301**	**0.7%**	**6.8%**
Central banks	0	0	0	0	–	–
General governments	(86)	86	0	2	0.4%	2.4%
Banks	(10)	10	0	0	0.0%	0.0%
Other financial corporations	(138)	138	0	1	0.0%	0.5%
Non-financial corporations	(1,690)	1,690	(8)	66	0.4%	3.9%
Households	(2,530)	2,530	(24)	232	0.9%	9.2%
Movement from lifetime ECL to 12 month ECL	**3,249**	**(3,249)**	**44**	**(146)**	**1.3%**	**4.5%**
Central banks	0	0	0	0	–	–
General governments	175	(175)	0	0	0.0%	0.1%
Banks	159	(159)	0	0	0.0%	0.0%
Other financial corporations	206	(206)	0	0	0.0%	0.2%
Non-financial corporations	1,095	(1,095)	8	(27)	0.8%	2.5%
Households	1,613	(1,613)	35	(118)	2.2%	7.3%

(38) Development of impairments

Development of impairments on loans and bonds in the measurement categories of financial assets – amortized cost and financial assets – fair value through other comprehensive income:

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2020	**184**	**343**	**1,798**	**2,325**
Increases due to origination and acquisition	39	26	30	95
Decreases due to derecognition	(14)	(23)	(95)	(133)
Changes due to change in credit risk (net)	(40)	208	225	392
Changes due to modifications without derecognition (net)	0	0	2	2
Decrease due to write-offs	0	0	(56)	(56)
Changes due to model/risk parameters	0	2	(3)	(2)
Change in consolidated group	0	0	0	0
Foreign exchange and other	(6)	(11)	(48)	(65)
As at 30/6/2020	**163**	**543**	**1,851**	**2,557**

The change in the reporting period amounted to € 232 million. It was largely due to migrations between Stage 1 and Stage 2 and additional net allocations in Stage 3.

The impairments are mainly assignable to Stage 2 and Stage 3 and result from loans to non-financial corporations and households, primarily in Central and Southeastern Europe.

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2019	**171**	**333**	**1,986**	**2,490**
Increases due to origination and acquisition	49	21	36	106
Decreases due to derecognition	(16)	(28)	(182)	(227)
Changes due to change in credit risk (net)	(28)	15	123	99
Changes due to modifications without derecognition (net)	0	0	3	3
Decrease due to write-offs	0	(1)	(111)	(112)
Changes due to model/risk parameters	0	0	0	0
Change in consolidated group	0	0	14	14
Foreign exchange and other	4	7	23	34
As at 30/6/2019	**179**	**347**	**1,892**	**2,417**

Development of provisions for loan commitments, financial guarantees and other commitments given:

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2020	**44**	**30**	**87**	**161**
Increases due to origination and acquisition	15	7	4	26
Decreases due to derecognition	(6)	(3)	(18)	(27)
Changes due to change in credit risk (net)	(13)	17	(15)	(11)
Decrease due to write-offs	0	0	0	0
Changes due to model/risk parameters	0	0	0	0
Change in consolidated group	0	0	0	0
Foreign exchange and other	(3)	(1)	(2)	(7)
As at 30/6/2020	**37**	**50**	**55**	**143**

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2019	**37**	**32**	**57**	**126**
Increases due to origination and acquisition	16	4	2	21
Decreases due to derecognition	(7)	(3)	(9)	(19)
Changes due to change in credit risk (net)	(10)	(3)	21	9
Decrease due to write-offs	0	0	0	0
Changes due to model/risk parameters	0	0	0	0
Change in consolidated group	0	0	0	0
Foreign exchange and other	2	1	0	3
As at 30/6/2019	**37**	**31**	**71**	**139**

Impairments and provisions by asset classes:

30/6/2020 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	**163**	**543**	**1,851**	**2,557**
Central banks	0	0	0	0
General governments	8	2	2	12
Banks	0	0	2	3
Other financial corporations	6	19	27	52
Non-financial corporations	75	220	1,026	1,322
Households	73	303	793	1,169
Loan commitments, financial guarantees and other commitments given	**37**	**50**	**55**	**143**
Total	**201**	**594**	**1,906**	**2,700**

31/12/2019 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	**184**	**343**	**1,798**	**2,325**
Central banks	0	0	0	0
General governments	3	3	2	8
Banks	0	0	4	4
Other financial corporations	7	7	33	47
Non-financial corporations	87	99	996	1,183
Households	86	233	763	1,082
Loan commitments, financial guarantees and other commitments given	**44**	**30**	**87**	**161**
Total	**228**	**373**	**1,885**	**2,485**

(39) Past due status

Overdue claims and bonds in the measurement categories amortized cost and fair value through other comprehensive income:

30/6/2020	Carrying amount								
	Past due assets without significant increase in credit risk since initial recognition (Stage 1)			Past due assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past due credit-impaired assets (Stage 3)		
in € million	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days
General governments	0	0	0	0	0	0	0	0	0
Banks	0	0	0	0	0	0	0	0	0
Other financial corporations	11	0	0	1	0	0	0	0	0
Non-financial corporations	307	1	1	266	121	42	26	33	191
Households	290	6	2	222	80	7	27	25	155
Total	**608**	**6**	**3**	**489**	**201**	**49**	**53**	**58**	**345**

The assets more than 90 days past due shown in Stage 1 and Stage 2 resulted from loans and advances and debt securities viewed as immaterial under CRR 178 and thus still classified as performing exposure. Overdue loans have decreased since year end due to several non-financial corporations, especially at head office, in the Czech Republic and Ukraine, becoming current during the reporting year and the reset of days past due for customers affected by the moratoriums.

31/12/2019	Carrying amount								
	Past due assets without significant increase in credit risk since initial recognition (Stage 1)			Past due assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past due credit-impaired assets (Stage 3)		
in € million	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days
General governments	0	0	0	2	0	0	0	0	0
Banks	0	0	0	0	0	0	0	0	0
Other financial corporations	4	0	0	0	0	0	0	0	0
Non-financial corporations	689	15	1	114	68	0	37	17	181
Households	380	7	0	405	83	2	37	35	147
Total	**1,072**	**22**	**1**	**521**	**152**	**3**	**73**	**53**	**329**

(40) Modified assets

Changes in contractual cashflows of financial assets are examined on the basis of qualitative and quantitative criteria to determine whether the modifications are substantial or non-substantial.

If the modifications are substantial, the existing asset is derecognized and a new financial instrument is recognized (including new classification and new stage allocation for impairment purposes). Non-substantial modifications do not lead to derecognition, but to an adjustment to the gross carrying amount through profit and loss.

The year to date change from minus € 2 million to minus € 23 million is mainly due to the introduction of COVID-19 measures in countries in which RBI operates as of the end of March 2020. Because interest unpaid due to payment holidays permitted under the legislative measures is not allowed to result in compound interest, the gross carrying amount of the affected loans has been reduced, and this led to net modification losses.

The share of modification losses relating to COVID-19 measures amounts to minus € 16 million.

30/6/2020 **in € million**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net modifications gains/losses	(12)	(9)	(2)	**(23)**
Gross carrying amount before modifications of financial assets	2,786	2,936	168	**5,890**
Gross carrying amount of modified assets, which moved to Stage 1 during the year	–	148	2	**150**

31/12/2019 **in € million**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net modifications gains/losses	(3)	0	1	**(2)**
Gross carrying amount before modifications of financial assets	1,832	171	52	**2,055**
Gross carrying amount of modified assets, which moved to Stage 1 during the year	–	21	0	**21**

(41) Offsetting of financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position or not.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

Some of the agreements are not set-off in the statement of financial position. This is because they create, for the parties to the agreement, a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The Group receives and gives collaterals in the form of cash and marketable securities.

30/6/2020	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial assets	recognized financial liabilities set-off	recognized financial assets	Financial instruments	Cash collateral received	
Derivatives (enforceable)	5,101	2,685	2,416	1,506	111	798
Repurchase, securities lending and similar agreements (legally enforceable)	14,850	0	14,850	14,751	0	99
Total	**19,951**	**2,685**	**17,266**	**16,257**	**111**	**898**

30/6/2020	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial liabilities	recognized financial assets set-off	recognized financial liabilities	Financial instruments	Cash collateral received	
Derivatives (enforceable)	5,225	2,685	2,541	1,416	330	795
Reverse repurchase, securities lending and similar agreements (legally enforceable)	3,077	0	3,077	3,055	0	23
Total	**8,303**	**2,685**	**5,618**	**4,471**	**330**	**817**

31/12/2019	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial assets	recognized financial liabilities set-off	recognized financial assets	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,963	1,866	2,096	1,247	139	711
Repurchase, securities lending and similar agreements (legally enforceable)	11,142	0	11,142	11,100	0	42
Total	**15,105**	**1,866**	**13,239**	**12,347**	**139**	**753**

31/12/2019	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial liabilities	recognized financial assets set-off	recognized financial liabilities	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,891	1,866	2,025	1,153	148	724
Reverse repurchase, securities lending and similar agreements (legally enforceable)	795	0	795	780	0	15
Total	**4,687**	**1,866**	**2,820**	**1,933**	**148**	**740**

RBI Group has unissued covered bonds, for which its own loans have been pledged. In cases where these unissued covered bonds are used as collateral at central banks, these assets are not listed in the transferred assets table. Currently € 2.5 billion of these bonds are used as collateral at central banks.

(42) Transferred assets

Carrying amounts of financial assets which have been transferred but not derecognized:

30/6/2020	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Financial assets - held for trading	29	0	29	29	0	29
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0
Financial assets - designated fair value through profit/loss	0	0	0	0	0	0
Financial assets - fair value through other comprehensive income	97	0	97	94	0	94
Financial assets - amortized cost	869	0	869	866	0	866
Total	**995**	**0**	**995**	**988**	**0**	**988**

31/12/2019	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Financial assets - held for trading	87	0	87	85	0	85
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0
Financial assets - designated fair value through profit/loss	0	0	0	0	0	0
Financial assets - fair value through other comprehensive income	45	0	45	48	0	48
Financial assets - amortized cost	109	0	109	99	0	99
Total	**242**	**0**	**242**	**232**	**0**	**232**

(43) Assets pledged as collateral and received financial assets

Significant restrictions regarding the access or use of assets:

in € million	30/6/2020 Pledged	30/6/2020 Otherwise restricted with liabilities	31/12/2019 Pledged	31/12/2019 Otherwise restricted with liabilities
Financial assets - held for trading	101	0	129	0
Non-trading financial assets - mandatorily fair value through profit/loss	18	0	2	0
Financial assets - designated fair value through profit/loss	39	0	28	0
Financial assets - fair value through other comprehensive income	330	4	218	5
Financial assets - amortized cost	11,780	945	11,027	782
Total	**12,269**	**949**	**11,404**	**787**

The Group received collaterals which can be sold or repledged if no default occurs within the framework of reverse repurchase agreements, securities lending business, derivative and other transactions.

Securities and other financial assets accepted as collateral:

in € million	30/6/2020	31/12/2019
Securities and other financial assets accepted as collateral which can be sold or repledged	14,606	12,095
hereof which have been sold or repledged	3,860	2,365

(44) Derivative financial instruments

The following table shows an analysis of the counterparty credit exposures arising from derivative transactions which are mostly OTC. Counterparty credit risk can be minimized by the use of settlement houses and the use of collateral in most cases.

30/6/2020	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**177,825**	**1,976**	**(2,200)**
Interest rate contracts	125,184	1,268	(1,118)
Equity contracts	4,217	130	(404)
Foreign exchange rate and gold contracts	46,014	567	(586)
Credit contracts	1,114	8	(9)
Commodities	113	2	(2)
Other	1,183	1	(82)
Banking book	**25,952**	**419**	**(164)**
Interest rate contracts	21,602	334	(133)
Foreign exchange rate and gold contracts	4,152	83	(23)
Credit contracts	199	2	(8)
Hedging instruments	**29,153**	**339**	**(436)**
Interest rate contracts	28,004	332	(431)
Foreign exchange rate and gold contracts	1,148	8	(5)
Total	**232,929**	**2,735**	**(2,801)**
OTC products	228,094	2,655	(2,652)
Products traded on stock exchange	2,228	67	(48)

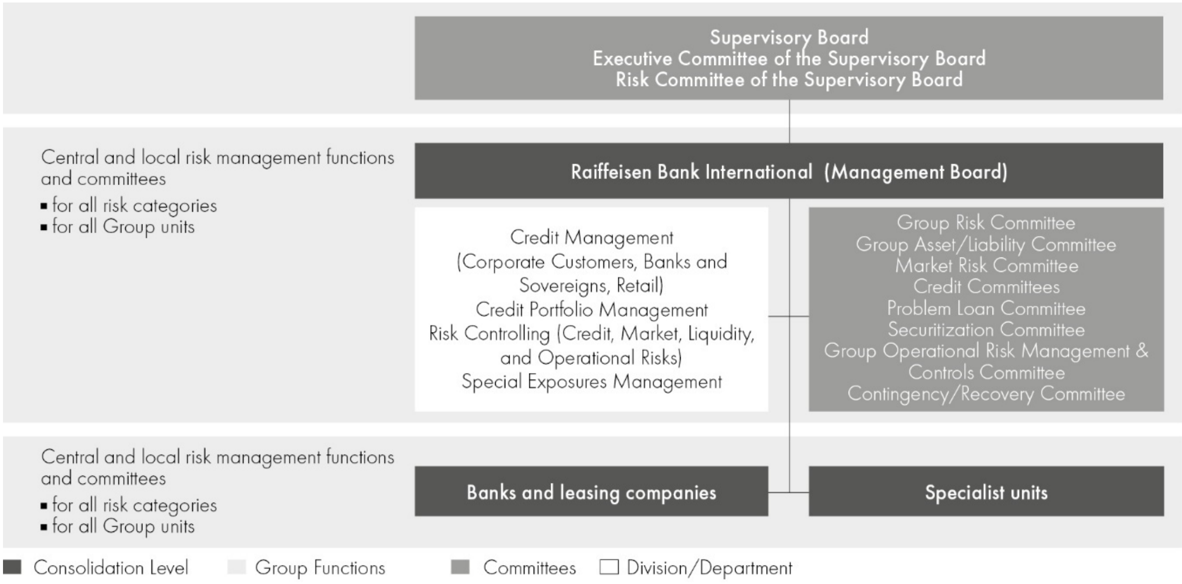
31/12/2019	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**176,548**	**1,664**	**(1,655)**
Interest rate contracts	121,992	1,041	(874)
Equity contracts	5,121	180	(185)
Foreign exchange rate and gold contracts	47,327	431	(499)
Credit contracts	745	5	(11)
Commodities	105	5	0
Other	1,258	1	(86)
Banking book	**22,882**	**230**	**(279)**
Interest rate contracts	16,674	203	(186)
Equity contracts	0	0	0
Foreign exchange rate and gold contracts	6,030	27	(85)
Credit contracts	179	0	(7)
Hedging instruments	**26,647**	**402**	**(282)**
Interest rate contracts	26,111	394	(275)
Foreign exchange rate and gold contracts	536	8	(7)
Total	**226,077**	**2,297**	**(2,216)**
OTC products	220,664	2,258	(2,089)
Products traded on stock exchange	3,127	26	(23)

Risk report

Active risk management is a core competency of the RBI Group. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale and complexity of the Group's business activities and the resulting risks. The figures below refer to the regulatory scope of consolidation pursuant to CRR. In terms of risk, the companies in the IFRS scope of consolidation that are not included therein are covered by the participation risk.

The principles and organization of risk management are disclosed in the relevant sections of the 2019 Annual Report, pages 178 ff.

(45) Organization of risk management



Economic perspective – economic capital approach

Economic capital constitutes a fundamental aspect of overall bank risk management. It defines the internal capital requirement for all material risk categories based on comparable models and thereby facilitates an aggregated view of the Group's risk profile. Economic capital is therefore an important instrument in Group risk management and is used for making risk-adjusted business decisions and in performance measurement. For this purpose, a business unit's profit is set in relation to the economic capital attributed to the unit (Return on risk-adjusted capital, RORAC).

Risk contribution of individual risk types to economic capital:

in € million	30/6/2020	Share	31/12/2019	Share
Credit risk corporate customers	1,826	23.6%	1,749	24.8%
Credit risk retail customers	1,635	21.1%	1,751	24.8%
Market risk	1,086	14.0%	633	9.0%
Participation risk	649	8.4%	727	10.3%
Macroeconomic risk	535	6.9%	557	7.9%
Operational risk	504	6.5%	454	6.4%
FX risk capital position	431	5.6%	229	3.2%
Owned property risk	274	3.5%	252	3.6%
Credit risk sovereigns	243	3.1%	210	3.0%
Credit risk banks	168	2.2%	148	2.1%
CVA risk	17	0.2%	18	0.3%
Liquidity risk	1	0.0%	0	0.0%
Risk buffer	368	4.8%	336	4.8%
Total	**7,738**	**100.0%**	**7,065**	**100.0%**

The increase in market risk and FX risk capital position compared to the end of 2019 was largely due to heightened market volatility as a result of COVID-19.

Regional allocation of economic capital according to Group unit domicile:

in € million	30/6/2020	Share	31/12/2019	Share
Austria	3,079	39.8%	2,822	39.9%
Eastern Europe	1,721	22.2%	1,489	21.1%
Central Europe	1,494	19.3%	1,318	18.7%
Southeastern Europe	1,443	18.6%	1,436	20.3%
Rest of World	0	0.0%	0	0.0%
Total	**7,738**	**100.0%**	**7,065**	**100.0%**

Since the end of 2019, the Group has used a confidence level of 99.90 per cent to calculate economic capital. In compliance with the ICAAP Directive published by the European Central Bank, the tier 2 capital will no longer be used to calculate the internal capital as of the end of 2019.

(46) Credit risk

Credit risk is the largest risk for the Group's business. Credit risk means the risk of suffering financial loss should any of the Group's customers or counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loans and advances to banks, loans and advances to customers, lending commitments and financial guarantees given. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures associated with trading activities, derivatives, settlement agreements and reverse repo transactions.

Reconciliation of figures from IFRS consolidated financial statements to total credit exposure (according to CRR)

The following table shows the reconciliation of items on the statement of financial position to the credit exposure (banking and trading book positions), which is used in portfolio management. It includes both exposures on and off the statement of financial position before the application of credit-conversion factors, and thus represents the total credit exposure. It is not reduced by the effects of credit risk mitigation such as guarantees or physical collateral, effects that are, however, considered in the total assessment of credit risk. The total credit exposure is used – if not explicitly stated otherwise – for referring to exposures in all subsequent tables in the risk report. The reasons for differences in the values used for internal portfolio management and for external financial accounting are the different scopes of consolidation (regulatory versus accounting rules according to IFRS) and differences in the classifications and presentation of exposure volumes.

in € million	30/6/2020	31/12/2019
Cash, cash balances at central banks and other demand deposits	24,623	19,761
Financial assets - amortized cost	118,882	112,607
Financial assets - fair value through other comprehensive income	5,032	4,555
Non-trading financial assets - mandatorily at fair value through profit / loss	810	776
Financial assets - designated fair value through profit/loss	941	2,276
Financial assets - held for trading	4,476	4,182
Hedge accounting	339	397
Current tax assets	130	61
Deferred tax assets	90	144
Other assets	800	1,028
Loan commitments given	33,391	35,136
Financial guarantees given	7,384	7,909
Other commitments given	3,116	3,298
Disclosure differences	(1,285)	(3,046)
Credit exposure[1]	**198,730**	**189,084**

1 Items on the statement of financial position contain only credit risk amounts

The detailed credit portfolio analysis shows the breakdown by rating category. Customer rating assessments are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organizational unit. The default probabilities assigned to individual rating grades are calculated separately for each asset class. As a consequence, the default probabilities relating to the same ordinal rating grade (e.g. good credit standing 4 for corporates and banks and good credit standing A3 for sovereigns) are not directly comparable between these asset classes.

Rating models in the non-retail asset classes – corporates and banks – are uniform in all Group units and rank creditworthiness in 27 grades. The rating models for sovereigns generally comprise ten grades, the exception being Austrian customers with 27 grades. For retail asset classes, country specific scorecards are developed based on uniform Group standards. Tools are used to produce and validate ratings (e.g. business valuation tools, rating and default database).

Credit exposure by asset classes (rating models):

in € million	30/6/2020	31/12/2019
Corporate customers	83,212	81,952
Project finance	7,323	7,212
Retail customers	41,209	42,185
Banks	26,472	21,978
Sovereigns	40,514	35,757
Total	**198,730**	**189,084**

RBI has implemented the corresponding regulatory requirements regarding moratoriums in the context of retail customers (private individuals, small and medium-sized entities). The customer ratings that are in the moratorium were frozen accordingly. For non-retail customers, in particular corporate customers, such regulations were not applied (even in the case of a moratorium). Rating downgrades were carried out if necessary from an economic and financial perspective.

Credit portfolio – Corporate customers

The following table shows the credit exposure according to internal corporate ratings (large corporates, mid-market and small corporates). For presentation purposes, the individual grades of the rating scale have been combined into nine main rating grades.

in € million		30/6/2020	Share	31/12/2019	Share
1	Minimal risk	5,110	6.1%	5,785	7.1%
2	Excellent credit standing	7,224	8.7%	11,877	14.5%
3	Very good credit standing	19,231	23.1%	13,834	16.9%
4	Good credit standing	18,281	22.0%	13,037	15.9%
5	Sound credit standing	14,850	17.8%	16,410	20.0%
6	Acceptable credit standing	11,250	13.5%	14,511	17.7%
7	Marginal credit standing	3,901	4.7%	3,853	4.7%
8	Weak credit standing/sub-standard	1,388	1.7%	766	0.9%
9	Very weak credit standing/doubtful	277	0.3%	316	0.4%
10	Default	1,422	1.7%	1,418	1.7%
NR	Not rated	278	0.3%	145	0.2%
Total		**83,212**	**100.0%**	**81,952**	**100.0%**

The credit exposure to corporate customers increased € 1,260 million to € 83,212 million compared to year-end 2019.

Credit exposure in the rating grades from good credit standing to minimal risk increased € 5,313 million, corresponding to a share of 59.9 per cent (31/12/2019: 54.4 per cent).

The € 675 million decline in rating grade 1 to € 5,110 million was due to a decline in credit financing in Russia and Great Britain, and to rating downgrades of Austrian and Dutch corporate customers to rating grade 2. The decline was offset by an increase in swap transactions in Great Britain. The € 4,653 million decline in rating grade 2 to € 7,224 million was attributable to facility and credit financing, and also to guarantees issued. This decline was mainly due to the rating downgrade of Austrian, German, French and Russian corporate customers to rating grade 3. Additionally, rating grade 3 recorded an increase in documentary credits in Switzerland and in Great Britain, as well as an increase in repo business in Great Britain. The € 5,244 million increase in rating grade 4 to € 18,281 million was due to credit and facility financing and also to rating downgrades in Bulgaria, Hungary, and Russia from rating grade 3. In addition, Russian, German and Austrian corporate customers recorded rating upgrades from rating grade 5. The € 3,261 million decline in rating grade 6 to € 11,250 million was mainly the result of rating shifts in the Czech Republic, Serbia, Austria and Germany, and of a decline in facility and credit financing.

The depreciation of the Russian ruble and the Ukrainian hryvnia also had a negative impact. The rating shift of German corporate customers was the main reason for the € 622 million increase in rating grade 8 to € 1,388 million.

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account. The breakdown of the bank's project finance exposure is shown in the table below:

in € million		30/6/2020	Share	31/12/2019	Share
6.1	Excellent project risk profile – very low risk	4,812	65.7%	5,367	74.4%
6.2	Good project risk profile – low risk	2,069	28.3%	1,310	18.2%
6.3	Acceptable project risk profile – average risk	81	1.1%	91	1.3%
6.4	Poor project risk profile – high risk	64	0.9%	82	1.1%
6.5	Default	298	4.1%	351	4.9%
NR	Not rated	0	0.0%	11	0.2%
Total		**7,323**	**100.0%**	**7,212**	**100.0%**

Credit exposure to project finance increased € 111 million to € 7,323 million as at 30 June 2020. The main reason for the rating shift from rating grade 6.1 to 6.2 was the introduction of a new rating model, which mainly affected Czech, Hungarian, Polish and Serbian customers. The rating shift was not due to rating downgrades. The depreciation of the Czech koruna, Hungarian forint and Polish zloty also had a negative impact.

At 94.0 per cent (31/12/2019: 92.6 per cent), the rating grades excellent project risk profile – very low risk and good project risk profile – low risk accounted for the majority of the portfolio. This mainly reflected the high level of collateralization in specialized lending transactions.

Breakdown by country of risk of the credit exposure for corporate customers and project finance structured by region, taking into account the guarantor:

in € million	30/6/2020	Share	31/12/2019	Share
Western Europe	22,488	24.8%	21,642	24.3%
Central Europe	19,701	21.8%	19,361	21.7%
Austria	17,824	19.7%	16,711	18.7%
Eastern Europe	14,726	16.3%	15,626	17.5%
Southeastern Europe	12,850	14.2%	12,819	14.4%
Asia	1,130	1.2%	1,122	1.3%
Other	1,816	2.0%	1,883	2.1%
Total	**90,535**	**100.0%**	**89,164**	**100.0%**

Credit exposure stood at € 90,535 million, € 1,371 million higher than at year-end 2019. The increase in Western Europe of € 846 million to € 22,488 million was due to credit financing and to repo business and swap transactions. The increase was partly offset by a decline in guarantees issued. Austria recorded a € 1,113 million increase to € 17,824 million as a result of credit financing. The decrease in Eastern Europe of € 900 million to € 14,726 million was mainly due to the depreciation of the Belarusian ruble, Russian ruble and Ukrainian hryvnia.

Credit exposure to corporates and project finance by industry of the original customer:

in € million	30/6/2020	Share	31/12/2019	Share
Manufacturing	22,497	24.8%	22,502	25.2%
Wholesale and retail trade	19,967	22.1%	20,083	22.5%
Financial intermediation	10,445	11.5%	9,775	11.0%
Real estate	10,808	11.9%	9,858	11.1%
Construction	5,735	6.3%	5,767	6.5%
Freelance/technical services	1,939	2.1%	2,047	2.3%
Transport, storage and communication	3,569	3.9%	3,602	4.0%
Electricity, gas, steam and hot water supply	3,375	3.7%	3,441	3.9%
Other industries	12,199	13.5%	12,089	13.6%
Total	**90,535**	**100.0%**	**89,164**	**100.0%**

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers a two-fold scoring system is used, consisting of the initial and ad-hoc scoring based on customer data and of the behavioral scoring based on account data.

in € million	30/6/2020	Share	31/12/2019	Share
Retail customers – private individuals	38,250	92.8%	38,990	92.4%
Retail customers – small and medium-sized entities	2,959	7.2%	3,194	7.6%
Total	**41,209**	**100.0%**	**42,185**	**100.0%**

Credit exposure to retail customers according to internal rating:

in € million		30/6/2020	Share	31/12/2019	Share
0.5	Minimal risk	12,250	29.7%	12,314	29.2%
1.0	Excellent credit standing	6,667	16.2%	7,066	16.7%
1.5	Very good credit standing	5,672	13.8%	6,159	14.6%
2.0	Good credit standing	4,662	11.3%	4,891	11.6%
2.5	Sound credit standing	3,748	9.1%	3,287	7.8%
3.0	Acceptable credit standing	1,946	4.7%	1,789	4.2%
3.5	Marginal credit standing	927	2.2%	927	2.2%
4.0	Weak credit standing/sub-standard	453	1.1%	428	1.0%
4.5	Very weak credit standing/doubtful	535	1.3%	382	0.9%
5.0	Default	1,359	3.3%	1,353	3.2%
NR	Not rated	2,992	7.3%	3,588	8.5%
Total		**41,209**	**100.0%**	**42,185**	**100.0%**

As the customer ratings in the moratorium were frozen, there were minor rating shifts. As at 30 June 2020, about € 4 billion (total approved moratoriums) were in the retail portfolio (households and small and medium-sized entities) in a payment moratorium that meets EBA requirements. This corresponds to about 10 per cent of the total retail portfolio. In this regard, it should also be noted that some countries (Hungary, Serbia) have a so-called opt-out rule. This means that customers have to refuse the payment moratorium on their own initiative. In most countries there is a so-called opt-in rule. This means that customers have to apply for a payment moratorium.

It should also be noted that approximately 85 per cent of the moratoriums approved as at 30 June 2020 expire in the second half of the year according to the current status. At least, in some countries a statutory extension is possible or not excluded.

The credit exposure to retail customers decreased € 975 million to € 41,209 million compared to year-end 2019. The depreciation of the Russian ruble and the Czech koruna were mainly responsible for this decline.

Credit exposure to retail customers by segments:

30/6/2020 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,925	9,844	5,329	5,153
Retail customers – small and medium-sized entities	1,387	761	412	399
Total	**19,312**	**10,605**	**5,741**	**5,551**
hereof non-performing exposure	568	490	226	40

31.12.2019 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	18,295	9,748	5,987	4,961
Retail customers – small and medium-sized entities	1,499	799	491	406
Total	**19,793**	**10,546**	**6,478**	**5,367**
hereof non-performing exposure	655	455	183	36

Volume-related increases in mortgage loans in Central and Eastern Europe were offset by currency depreciations (especially the Russian ruble and Czech koruna), with the result that the credit exposure in Central Europe and Eastern Europe decreased € 481 million and € 737 million respectively. In addition, personal loans in Central and Eastern Europe declined due to the currency depreciations.

Breakdown of retail credit exposure by products:

in € million	30/6/2020	Share	31/12/2019	Share
Mortgage loans	24,501	59.5%	24,502	58.1%
Personal loans	8,976	21.8%	9,627	22.8%
Credit cards	3,450	8.4%	3,566	8.5%
SME financing	2,232	5.4%	2,290	5.4%
Overdraft	1,558	3.8%	1,676	4.0%
Car loans	491	1.2%	524	1.2%
Total	**41,209**	**100.0%**	**42,185**	**100.0%**

Credit portfolio – Banks

The following table shows the credit exposure by internal rating for banks (excluding central banks). Due to the small number of customers (or observable defaults), the default probabilities of individual rating grades in this asset class are calculated based on a combination of internal and external data.

in € million		30/6/2020	Share	31/12/2019	Share
1	Minimal risk	4,446	16.8%	3,484	15.9%
2	Excellent credit standing	7,421	28.0%	7,723	35.1%
3	Very good credit standing	7,349	27.8%	7,742	35.2%
4	Good credit standing	5,593	21.1%	1,913	8.7%
5	Sound credit standing	1,203	4.5%	658	3.0%
6	Acceptable credit standing	304	1.1%	267	1.2%
7	Marginal credit standing	118	0.4%	165	0.8%
8	Weak credit standing/sub-standard	11	0.0%	9	0.0%
9	Very weak credit standing/doubtful	18	0.1%	2	0.0%
10	Default	4	0.0%	4	0.0%
NR	Not rated	5	0.0%	12	0.1%
Total		**26,472**	**100.0%**	**21,978**	**100.0%**

The credit exposure amounted to € 26,472 million. Compared to year-end 2019, this was an increase of € 4,494 million.

Rating grade 1 increased € 962 million to € 4,446 million, primarily as a result of the bond portfolio and money market transactions of international organizations. The increase in rating grade 4 of € 3,680 million to € 5,593 million was due to an increase in the bond portfolio as well as to repo business and swap transactions in France. In addition, repo business in Spain and Germany increased, as did swap transactions in Germany. The increase in rating grade 4 was heightened by rating downgrades of French, German, Spanish and Russian banks from rating grade 3. The decrease in rating grade 3 was partly offset by both rating downgrades from rating grade 2 and an increase in credit and facility financing in Austria and the Czech Republic. The rating downgrade for an Italian bank was mainly responsible for the € 545 million increase in rating grade 5 to € 1,203 million.

Credit exposure to banks (excluding central banks) by products:

in € million	30/6/2020	Share	31/12/2019	Share
Repo	10,118	38.2%	7,353	33.5%
Loans and advances	5,468	20.7%	5,104	23.2%
Bonds	3,689	13.9%	3,497	15.9%
Money market	3,090	11.7%	2,149	9.8%
Derivatives	2,700	10.2%	2,466	11.2%
Other	1,407	5.3%	1,409	6.4%
Total	**26,472**	**100.0%**	**21,978**	**100.0%**

The increase in repo business resulted from France, Germany and Great Britain. The increase in loans and advances was attributable to France, Austria and the Czech Republic. Austria and international organizations were mainly responsible for the increase in money market transactions.

Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The credit exposure to sovereigns includes Local and Regional Government (LRG). The allocation of LRG-related customers to the respective internal rating category is based on the RBI Group's internal rating model for LRG.

The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating:

in € million		30/6/2020	Share	31/12/2019	Share
A1	Excellent credit standing	1,129	2.8%	898	2.5%
A2	Very good credit standing	16,279	40.2%	13,396	37.5%
A3	Good credit standing	9,911	24.5%	8,302	23.2%
B1	Sound credit standing	763	1.9%	532	1.5%
B2	Average credit standing	7,601	18.8%	7,826	21.9%
B3	Mediocre credit standing	2,478	6.1%	2,733	7.6%
B4	Weak credit standing	691	1.7%	665	1.9%
B5	Very weak credit standing	1,659	4.1%	1,392	3.9%
C	Doubtful/high default risk	0	0.0%	3	0.0%
D	Default	2	0.0%	2	0.0%
NR	Not rated	1	0.0%	8	0.0%
Total		**40,514**	**100.0%**	**35,757**	**100.0%**

Compared to year-end 2019, the credit exposure to sovereigns rose € 4,757 million to € 40,514 million.

Rating grade A2 recorded an increase of € 2,883 million to € 16,279 million as a result of deposits at the Austrian National Bank and the bond portfolio of Austria, Germany and France. Rating grade A3 recorded an increase of € 1,609 million to € 9,911 million due to an increase in the bond portfolio in the Czech Republic and Slovakia, and to rating upgrades in Germany and Ireland from rating grade B1. The increase was partly offset by a decline in the minimum reserve of the National Bank of Slovakia. Rating grades B2 and B3 reported various rating shifts. Croatia and Italy recorded rating downgrades from B2 to B3, while Hungary's rating improved from B3 to B2. Spain's rating improved from B2 to B1 and the bond portfolio of the Central Bank of Russia declined to rating grade B2.

Credit exposure to sovereigns (including central banks) by products:

in € million	30/6/2020	Share	31/12/2019	Share
Loans and advances	17,906	44.2%	16,089	45.0%
Bonds	16,867	41.6%	14,350	40.1%
Repo	3,722	9.2%	3,628	10.1%
Money market	1,859	4.6%	1,513	4.2%
Derivatives	88	0.2%	57	0.2%
Other	72	0.2%	121	0.3%
Total	**40,514**	**100.0%**	**35,757**	**100.0%**

Loans and advances recorded a € 1,817 million increase to € 17,906 million, mainly due to deposits at the Austrian National Bank. The increase was partly offset by reductions in the minimum reserve at the National Bank of Slovakia. Bonds recorded a € 2,517 million increase to € 16,867 million in France, Austria, the Czech Republic, Germany and Slovakia.

Due to an updating of the allocation between internal and external ratings, rating grade B4 and below was defined as non-investment grade. Non-investment grade credit exposure to sovereigns (rating B4 and below):

in € million	30/6/2020	Share	31/12/2019	Share
Ukraine	958	40.7%	696	33.7%
Albania	662	28.1%	638	30.8%
Bosnia and Herzegovina	416	17.7%	396	19.1%
Belarus	223	9.5%	245	11.8%
Other	94	4.0%	94	4.6%
Total	**2,353**	**100.0%**	**2,069**	**100.0%**

The non-investment grade credit exposure to sovereigns mainly comprised deposits of Group units at central banks in Central, Eastern, and Southeastern Europe. The deposits serve to fulfil the respective minimum reserve requirements and act as a vehicle for short-term investment of excess liquidity and are therefore inextricably linked with business activity in these countries.

The increase in Ukraine was attributable to the increase in money market transactions.

Non-performing exposure (NPE)

Since November 2019 RBI has been fully operating under the new default definition aligned with the CRR and the latest EBA requirements (EBA/GL/2016/07). The new default definition leads to changes in the IRB approach, forcing banks to adapt their models. These adjustments must be approved by the competent supervisory authorities before implementation (Delegated Regulation EU 529/2014). RBI is currently in the process of adjusting the models based on the new default definition. Due to the recent COVID-19 outbreak, RBI is also implementing the latest EBA guideline (EBA/GL/2020/02) on legislative and non-legislative moratoriums for loan payments applied in light of the COVID-19 crisis. This should support the Group units in providing the necessary relief measures to borrowers and mitigate the potential impact on the volumes of non-performing exposures with restructuring measures, forborne and defaulted/non-performing exposures and the income statement.

Non-performing exposure pursuant to the applicable definition contained in the Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures) issued by EBA:

	NPE		NPE ratio		NPE coverage ratio	
in € million	30/6/2020	31/12/2019	30/6/2020	31/12/2019	30/6/2020	31/12/2019
General governments	2	2	0.1%	0.2%	98.6%	98.8%
Banks	4	4	0.0%	0.0%	54.1%	100.0%
Other financial corporations	56	56	0.4%	0.5%	48.9%	58.7%
Non-financial corporations	1,700	1,734	3.7%	3.9%	60.4%	57.4%
Households	1,150	1,141	3.3%	3.2%	69.0%	66.8%
Loans and advances	**2,912**	**2,938**	**2.2%**	**2.4%**	**63.6%**	**61.2%**
Bonds	**11**	**11**	**0.1%**	**0.1%**	**-**	**-**
Total	**2,923**	**2,949**	**1.9%**	**2.1%**	**63.3%**	**61.0%**

Development of non-performing exposure by asset classes (excluding items off the statement of financial position):

in € million	As at 1/1/2020	Exchange rate	Additions	Disposals	As at 30/6/2020
General governments	2	0	2	(2)	2
Banks	4	0	0	0	4
Other financial corporations	56	0	0	0	56
Non-financial corporations	1,734	(29)	351	(357)	1,700
Households	1,141	(42)	275	(224)	1,150
Loans and advances (NPL)	**2,938**	**(71)**	**628**	**(583)**	**2,912**
Bonds	**11**	**0**	**0**	**(1)**	**11**
Total (NPE)	**2,949**	**(71)**	**628**	**(584)**	**2,923**

in € million	As at 1/1/2019	Exchange rate	Additions	Disposals	As at 31/12/2019
General governments	2	0	0	0	2
Banks	8	0	0	(5)	4
Other financial corporations	81	(1)	33	(58)	56
Non-financial corporations	2,080	30	588	(963)	1,734
Households	1,228	33	559	(679)	1,141
Loans and advances (NPL)	**3,400**	**62**	**1,181**	**(1,704)**	**2,938**
Bonds	**9**	**0**	**11**	**(9)**	**11**
Total (NPE)	**3,409**	**62**	**1,192**	**(1,713)**	**2,949**

The volume of non-performing exposure fell € 26 million. In organic terms, the volume increased € 44 million. In contrast, general currency movements led to a € 71 million reduction, primarily due to the depreciation of the Russian ruble and the Ukrainian hryvnia. Sales of non-performing loans worth € 51 million and the derecognition of commercially uncollectible loans in the amount of € 109 million were also recorded and mainly stemmed from Central Europe in the amount of € 82 million, Southeastern Europe in the amount of € 43 million and Eastern Europe in the amount of € 25 million and RBI AG in the amount of € 6 million. The NPE ratio based on total exposure decreased 0.2 percentage points to 1.9 per cent and the NPE coverage ratio increased 2.4 percentage points to 63.3 per cent.

Since the start of the year, non-financial corporations recorded a decline of € 34 million to € 1,700 million, mainly due to sales in Eastern Europe in a total amount of € 15 million and in Central Europe in an amount of € 13 million, while Southeastern Europe primarily recorded derecognitions in a total amount of € 14 million. The ratio of non-performing exposure to total credit exposure decreased 0.2 percentage points to 3.7 per cent, and the coverage ratio increased 2.9 percentage points to 60.4 per cent.

In the households portfolio, non-performing exposure increased € 9 million to € 1,150 million, mainly due to increases in Eastern Europe in an amount of € 41 million and in Southeastern Europe in an amount of € 30 million, offset by derecognitions in Central Europe in an amount of € 59 million. The ratio of the non-performing exposure to total credit exposure increased 0.1 percentage points to 3.3 per cent and the NPE coverage ratio increased 2.1 percentage points to 69.0 per cent. In the other financial corporations portfolio, the non-performing exposure was almost unchanged compared to the beginning of the year at € 56 million and the NPE coverage ratio stood at 48.9 per cent.

Share of non-performing exposure (NPE) by segments (excluding items off the statement of financial position):

	NPE		NPE ratio		NPE coverage ratio	
in € million	30/6/2020	31/12/2019	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Central Europe	881	989	2.1%	2.4%	63.3%	58.6%
Southeastern Europe	759	747	2.9%	3.0%	70.0%	69.9%
Eastern Europe	481	438	2.4%	2.0%	57.5%	60.0%
Group Corporates & Markets	797	771	1.6%	1.7%	60.6%	55.9%
Corporate Center	5	5	0.0%	0.0%	50.5%	47.0%
Total	**2,923**	**2,949**	**1.9%**	**2.1%**	**63.3%**	**61.0%**

In Central Europe, the non-performing exposure declined € 108 million to € 881 million, primarily due to derecognitions in Poland of € 41 million and in Hungary of € 11 million. The NPE ratio decreased 0.3 percentage points to 2.1 per cent, and the NPE coverage ratio increased 4.7 percentage points to 63.3 per cent.

In Southeastern Europe, non-performing exposure increased € 13 million to € 759 million, mainly driven by increases in the households segment of € 30 million, offset by derecognitions primarily in Romania of € 25 million. The NPE ratio fell 0.1 percentage points to 2.9 per cent, and the NPE coverage ratio remained almost unchanged since the start of the year at 70.0 per cent.

The Eastern Europe segment reported an increase in non-performing exposure of € 43 million to € 481 million due to Russia in a total amount of € 66 million, the households segment in an amount of € 37 million and non-financial corporations in an amount of € 29 million, partly offset by the depreciation of the Russian ruble. In contrast, Ukraine recorded a total decrease of € 23 million, primarily driven by the significant depreciation of the Ukrainian hryvnia and sales in the non-financial corporations segment of € 14 million. The ratio of non-performing exposure to credit exposure in Eastern Europe increased 0.4 percentage points to 2.4 per cent, and the NPE coverage ratio decreased 2.5 percentage points to 57.5 per cent.

The non-performing exposure in the Group Corporates & Markets segment increased € 26 million compared to the beginning of the year to € 797 million. In the reporting period, the non-performing exposure at RBI AG rose € 16 million, while at Raiffeisen Leasing Group it increased € 4 million. The NPE ratio remained almost unchanged compared to the beginning of the year at 1.6 per cent and the NPE coverage ratio increased 4.7 percentage points to 60.6 per cent compared to the start of the year.

Non-performing exposure with restructuring measures:

	Refinancing		Instruments with modified time and modified conditions		Total	
in € million	30/6/2020	31/12/2019	30/6/2020	31/12/2019	30/6/2020	31/12/2019
General governments	0	0	2	0	2	0
Banks	0	0	0	0	0	0
Other financial corporations	7	7	28	28	35	35
Non-financial corporations	33	35	844	864	876	899
Households[1]	11	16	249	254	259	271
Total	**50**	**58**	**1,122**	**1,147**	**1,172**	**1,205**

1 Adaptation of previous-year figures

The portfolio with accompanying restructuring measures reduced further in the first half of 2020.

Non-performing exposure with restructuring measures by segments:

in € million	30/6/2020	Share	31/12/2019[1]	Share
Central Europe	244	20.8%	275	22.8%
Southeastern Europe	272	23.2%	271	22.5%
Eastern Europe	192	16.3%	213	17.7%
Group Corporates & Markets	465	39.6%	446	37.0%
Total	**1,172**	**100.0%**	**1,205**	**100.0%**

1 Adaptation of previous-year figures

Concentration risk

The credit portfolio of the Group is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by way of limits and regular reporting. As a result, portfolio granularity is high.

The regional breakdown of the exposures reflects the broad diversification of credit business in the Group's European markets.

Breakdown of credit exposure across all asset classes by the country of risk, grouped by regions:

in € million	30/6/2020	Share	31/12/2019	Share
Central Europe	**51,946**	**26.1%**	**50,670**	**26.8%**
Czech Republic	21,945	11.0%	21,539	11.4%
Slovakia	17,228	8.7%	16,672	8.8%
Hungary	7,865	4.0%	7,338	3.9%
Poland	4,455	2.2%	4,728	2.5%
Other	452	0.2%	393	0.2%
Austria	**42,412**	**21.3%**	**38,381**	**20.3%**
Other European Union	**38,845**	**19.5%**	**32,837**	**17.4%**
Germany	11,944	6.0%	10,454	5.5%
Great Britain	9,619	4.8%	8,192	4.3%
France	6,064	3.1%	4,191	2.2%
Luxembourg	2,313	1.2%	2,339	1.2%
Spain	2,061	1.0%	1,990	1.1%
Netherlands	2,042	1.0%	1,308	0.7%
Italy	1,245	0.6%	1,305	0.7%
Other	3,557	1.8%	3,058	1.6%
Southeastern Europe	**30,876**	**15.5%**	**30,497**	**16.1%**
Romania	11,593	5.8%	11,581	6.1%
Croatia	5,335	2.7%	5,417	2.9%
Bulgaria	5,329	2.7%	5,247	2.8%
Serbia	3,710	1.9%	3,503	1.9%
Bosnia and Herzegovina	2,289	1.2%	2,262	1.2%
Albania	1,654	0.8%	1,600	0.8%
Other	966	0.5%	887	0.5%

in € million	30/6/2020	Share	31/12/2019	Share
Eastern Europe	**24,719**	**12.4%**	**27,455**	**14.5%**
Russia	19,050	9.6%	21,425	11.3%
Ukraine	3,407	1.7%	3,612	1.9%
Belarus	2,042	1.0%	2,184	1.2%
Other	220	0.1%	235	0.1%
North America	**3,022**	**1.5%**	**2,740**	**1.4%**
Switzerland	**2,402**	**1.2%**	**2,691**	**1.4%**
Asia	**2,334**	**1.2%**	**2,269**	**1.2%**
Rest of World	**2,173**	**1.1%**	**1,543**	**0.8%**
Total	**198,730**	**100.0%**	**189,084**	**100.0%**

Credit exposure across all asset classes increased € 9,646 million to € 198,730 million compared to year-end 2019. The € 1.276 million increase in Central Europe to € 51,946 million was mainly attributable to the bond portfolio and repo business in the Czech Republic, the bond portfolio and credit financing in Slovakia, and to credit financing and money market transactions in Hungary, The increase was offset by the depreciation of the Czech koruna, Hungarian forint, and the Polish zloty, and by the reduction in the minimum reserve of the National Bank of Slovakia. Austria recorded a € 4,031 million increase to € 42,412 million as a result of deposits at the Austrian National Bank, the bond portfolio, as well as credit financing. The € 6,008 million increase in the rest of the European Union to € 38,845 million was largely attributable to bonds and repo business in France, Germany and the Netherlands. In addition, credit financing in Germany increased, as did repo business and swap transactions in Great Britain. The decline in Russia was mainly responsible for the € 2,736 million decrease to € 24,719 million in Eastern Europe. In addition to the depreciation of the Russian ruble, repo transactions and the bond portfolio declined. The decrease in Eastern Europe was also exacerbated by the depreciation of the Ukrainian hryvnia and the Belarusian ruble.

Credit exposure across all asset classes by currencies:

in € million	30/6/2020	Share	31/12/2019	Share
Euro (EUR)	110,797	55.8%	100,663	53.2%
Czech koruna (CZK)	19,680	9.9%	19,376	10.2%
US dollar (USD)	19,641	9.9%	18,008	9.5%
Russian ruble (RUB)	14,550	7.3%	17,261	9.1%
Romanian leu (RON)	7,483	3.8%	7,509	4.0%
Hungarian forint (HUF)	6,126	3.1%	5,805	3.1%
Bulgarian lev (BGN)	3,348	1.7%	3,256	1.7%
Croatian kuna (HRK)	3,128	1.6%	3,086	1.6%
Swiss franc (CHF)	2,824	1.4%	2,917	1.5%
Ukrainian hryvnia (UAH)	2,804	1.4%	2,806	1.5%
Bosnian marka (BAM)	2,286	1.2%	2,251	1.2%
Serbian dinar (RSD)	1,670	0.8%	1,549	0.8%
Albanian lek (ALL)	1,149	0.6%	1,121	0.6%
Belarusian ruble (BYN)	1,104	0.6%	1,179	0.6%
Other foreign currencies	2,140	1.1%	2,298	1.2%
Total	**198,730**	**100.0%**	**189,084**	**100.0%**

The increase in euro exposure of € 10,134 million to € 110,797 million was due to deposits at the Austrian National Bank, the bond portfolio of the Republic of Austria and to credit financing. The decline in the Russian ruble was due to the currency depreciation.

The depreciation of the Czech koruna was more than offset by an increase in the bond portfolio. Increasing credit financing and repo business offset the depreciation of the US dollar. The depreciation of the Hungarian forint was more than offset by the increase in money market transactions.

Group's credit exposure based on original customer's industry classification:

in € million	30/6/2020	Share	31/12/2019	Share
Banking and insurance	56,179	28.3%	50,884	26.9%
Private households	38,381	19.3%	39,134	20.7%
Public administration and defense and social insurance institutions	17,740	8.9%	13,771	7.3%
Wholesale trade and commission trade (except car trading)	14,101	7.1%	14,806	7.8%
Other manufacturing	17,005	8.6%	16,565	8.8%
Real estate activities	10,994	5.5%	10,183	5.4%
Construction	6,119	3.1%	6,169	3.3%
Other business activities	2,234	1.1%	2,313	1.2%
Retail trade except repair of motor vehicles	5,729	2.9%	5,099	2.7%
Electricity, gas, steam and hot water supply	3,552	1.8%	3,684	1.9%
Manufacture of basic metals	2,822	1.4%	2,788	1.5%
Other transport	1,779	0.9%	1,764	0.9%
Land transport, transport via pipelines	2,227	1.1%	2,233	1.2%
Manufacture of food products and beverages	2,204	1.1%	2,451	1.3%
Manufacture of machinery and equipment	1,802	0.9%	1,864	1.0%
Sale of motor vehicles	1,204	0.6%	1,301	0.7%
Extraction of crude petroleum and natural gas	1,007	0.5%	1,103	0.6%
Other industries	13,651	6.9%	12,971	6.9%
Total	**198,730**	**100.0%**	**189,084**	**100.0%**

The impact of the COVID-19 crisis was felt most strongly in the tourism, automotive, air travel, oil and gas, real estate and consumer goods sectors.

(47) Market risk

Market risk management is based on figures from an internal model that calculates value-at-risk (VaR) for changes in the following risk factors: foreign exchange, interest rate changes, credit spreads, implied volatility, equity indices and base spreads. The Austrian Financial Market Authority approved this model so that it can be used for calculating total capital requirements for market risks.

The following table shows the VaR for overall market risk in the trading and banking book for each risk type. The main drivers of the VaR result are risks arising from equity positions held in foreign currencies, structural interest rate risks and credit spread risks in the bond books (frequently held as a liquidity reserve).

Total VaR 99% 1d in € million	VaR as at 30/6/2020	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2019
Currency risk	10	18	8	38	9
Interest rate risk	24	34	13	77	20
Credit spread risk	51	47	21	116	22
Share price risk	0	0	0	1	0
Vega risk	1	1	0	2	0
Basis risk	4	6	3	15	3
Total	52	62	27	138	31

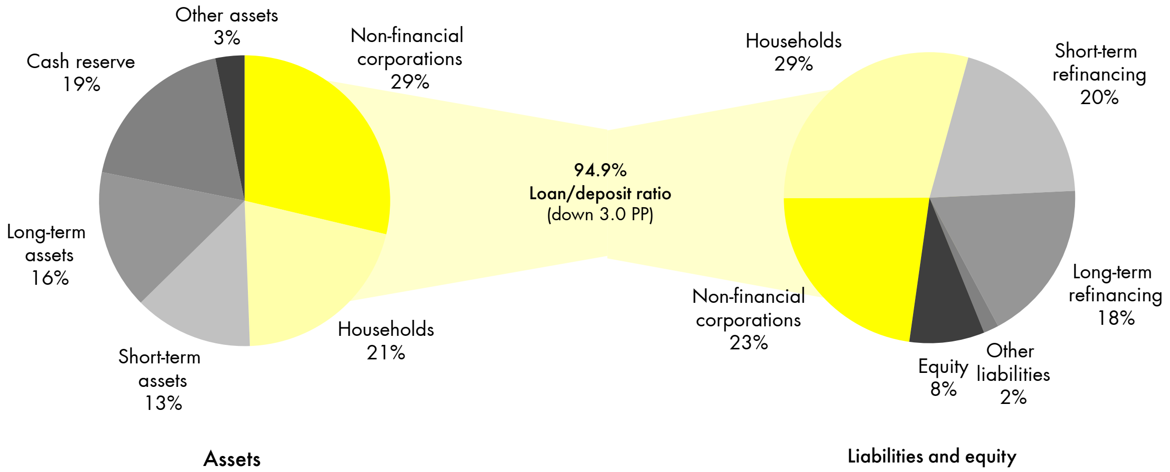
The rise in the VaR is largely attributable to the significant increase in credit spread risk in the euro financial sector as a result of COVID-19 and to the spread of Slovakian sovereign bonds. The increase in the interest rate risk was mainly driven by the yield curve for the Russian ruble in the first quarter of 2020. The VaR was also impaired by the increased currency risk primarily stemming from the negative trend in the Czech koruna.

The following measures are taken by market risk management in order to counter the COVID-19 crisis. Market trends and position changes for RBI AG and the Group units are monitored more intensely. In addition, trends on local markets are updated daily and risk management is actively controlled to be able to respond quickly to changes. The aim is to adapt limits to the risk appetite, close positions where necessary, build up liquidity buffers where market conditions are more favorable, and adapt models to local and global measures (moratoriums) where necessary.

(48) Liquidity management

Funding structure

The Group's funding structure is highly focused on retail business in Central and Eastern Europe. In addition, as a result of the Austrian Raiffeisen Banking Group's strong local market presence, the Group also benefits from funding through the Raiffeisen Landesbanken. Different funding sources are utilized in accordance with the principle of diversification. These include the issue of international bonds by RBI AG, the issue of local bonds by the Group units and the use of third-party financing loans (including supranationals). Partly due to tight country limits and partly due to beneficial pricing, the Group units also use interbank loans with third-party banks.



Liquidity position

The Going Concern report shows the structural liquidity position. It covers all material risk drivers which might affect the Group in a business as usual scenario. The results of the going concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates of the stability of customer deposits base, outflows from items off the statement of financial position and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

in € million	30/6/2020		31/12/2019	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	25,390	26,555	23,374	27,931
Liquidity ratio	150%	125%	146%	128%

Liquidity coverage ratio (LCR)

The short-term resilience of banks requires corresponding liquidity coverage in the form of a liquidity coverage ratio (LCR). They must ensure that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of expected inflows and outflows of funds and the HQLAs is based on regulatory guidelines. The regulatory LCR limit is 100 per cent.

in € million	30/6/2020	31/12/2019
Average liquid assets	**31,447**	**29,168**
Net outflows	**19,633**	**20,777**
Inflows	16,134	12,079
Outflows	35,767	32,856
Liquidity Coverage Ratio	**160%**	**140%**

Due to a significant increase in customer deposits within RBI, both the liquid assets and also the outflows of customer deposits have increased. The growth in inflows was mainly attributable to reverse repo transactions of RBI AG.

Net Stable Funding Ratio

The NSFR is defined as the ratio of available stable funding to required stable funding. The new regulatory requirements will come into force as of 28 June 2021 and the regulatory limit of 100 per cent must be met. Available stable funding is defined as the portion of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets and off-balance sheet positions. The RBI Group targets a balanced funding position.

in € million	30/6/2020	31/12/2019
Required stable funding	114,716	109,882
Available stable funding	129,438	122,986
Net Stable Funding Ratio	**113%**	**112%**

During the COVID-19 crisis a stable liquidity situation was observed within RBI. Generally speaking, the crisis confirmed RBI's strong liquidity position and the ability to respond quickly in the event of a lack of market-sensitive refinancing sources. The reporting frequency for significant reports was massively increased within a few days.

This shows that the infrastructure can be quickly adapted in times of crisis. An increase of around 10 per cent in drawn loan commitments was observed among corporate customers. No significant increase was recorded for drawn loan commitments among financial customers. On account of the strong brand name, the Group units have observed a significant increase in customer deposits since the start of the COVID-19 crisis. Term deposits of corporate customers have proven a strong source of refinancing during the crisis.

Other disclosures

(49) Pending legal issues

The RBI Group is involved in various legal, governmental or arbitration proceedings before various courts and governmental agencies mainly arising in the ordinary course of business and involving contractual, labor and other matters.

A provision is only recognized if there is a legal or constructive obligation as a result of a past event, payment is likely and the amount can be reliably estimated. A contingent liability that arises from a past event is disclosed unless payment is highly unlikely. A contingent asset that arises from a past event is reported if there is high probability of occurrence. In no instance in the description that follows is an amount stated in which, in accordance with IAS 37, this would be severely detrimental. In some cases, provisions are measured on a portfolio basis because this results in the obligation being estimated with greater reliability. RBI has grouped its provisions, contingent assets and contingent liabilities under the headings of consumer protection, banking business, regulatory enforcement and tax litigation.

Consumer protection

RBI faces customer lawsuits in connection with consumer protection matters. Most claims relate to terms of contract that are alleged to breach consumer protection or other laws. The legal risk associated with such claims is heightened by the danger of politically motivated legislation that increases the degree of unpredictability.

Croatia

In Croatia, following litigation initiated by a Croatian consumer association against Raiffeisenbank Austria, d.d., Croatia (RBHR) and other Croatian banks, two contractual clauses used in consumer loan agreements between 2003/2004 and 2008 were declared null and void: an interest change clause and a CHF index clause. The decision on the interest adjustment clause cannot be challenged any more. The decision on the nullity of the CHF index clause was confirmed by the Croatian Supreme Court but was challenged by RBHR at the Croatian Constitutional Court. A final decision by this court may have an impact on the relevant CHF index clause. However, based on the decisions already rendered on the nullity of the interest change clause and/or the CHF index clause, borrowers – subject to the statute of limitations – raise claims against RBHR already now. Given current legal uncertainties relating to the statute of limitations, the validity of the CHF index clause, the appropriate further procedures, the final outcome of the constitutional court challenge and the number of borrowers raising such claims, final quantification of the financial impact and the possible damage is not possible at this point of time as the final legal assessment of the loan agreement clauses has to be made in each individual case. In this connection, the provision recognized on a portfolio basis was increased to € 29 million based on updated parameters.

Poland

In Poland, a significant number of civil lawsuits are pending in relation to certain contractual stipulations connected with consumer mortgage loans denominated in or indexed to foreign currencies. As at end June 2020, the total amount in controversy amounted to approximately PLN 480 million (€ 108 million) and the number of such lawsuits is still increasing. In this connection, a Polish court requested the European Court of Justice (ECJ) for clarification whether certain clauses in these agreements breach European law and are unfair. The ECJ's preliminary ruling of 3 October 2019 does not answer whether the loan agreements are invalid in whole or part but merely gives interpretative guidance on the principles according to which the national courts must decide in each individual case. According to this, a loan agreement without unfair terms should remain valid provided that it is in conformity with national law.

If a loan agreement cannot remain valid without the unfair term, the entire contract would have to be annulled. If the annulment of the entire contract triggers material negative consequences for the borrower, the Polish courts can replace the unfair term by a valid term in accordance with national law. The consequences of the contract being annulled must be carefully examined so that the borrower can consider all potential negative consequences of annulment. However, the consequences of canceling an annulled loan agreement remain unclear and may be serious for the borrower, for example due to the obligation to repay the loan immediately including the costs of using the loan amount. It remains to be seen how the principles developed by the ECJ will be applied under national law on a case-by-case basis.

A significant increase of inflow of new cases has been observed since the beginning of 2020 which is caused by the ECJ preliminary ruling and intensified marketing activity of law firms acting on behalf of borrowers. Such increased inflow of new cases has not only been observed by the Issuer's Polish branch but by all banks handling currency loan portfolios in Poland.

Furthermore, Polish common courts decided to approach the ECJ with requests for a preliminary ruling in other three civil proceedings which could lead to the provision on further ECJ's clarifications and may influence on how court cases concerning currency loans are decided by national Polish courts. However, proceedings before the ECJ are currently at a very early stage. RBI is directly involved in one of these proceedings.

The impact assessment may also be influenced in relation to affected FX-indexed or FX-denominated loan agreements by the outcome of ongoing administrative proceedings concerning, inter alia, practice infringing the collective consumer interests and the classification of clauses in standard agreements as unfair, carried out by the President of the Office of Competition and Consumer Protection (UOKiK)against the Issuer's Polish branch.

Apart from the above, a number of further administrative proceedings in connection with FX-indexed or FX-denominated credit or loan agreements is currently carried out by the President of the UOKiK against the Issuer's Polish branch based on the alleged practice of infringement of collective consumer interests and the classification of clauses in standard agreements as unfair/abusive. Such proceedings may result in administrative fines imposed on the Issuer's Polish branch – and in case of appeals – in administrative court proceedings.

As the lawsuits have been filed by a number of customers, the provision is based on a statistical approach that takes into account both static data, where relevant, and expert opinions. Possible decision scenarios have been estimated together with the expected loss rates per scenario. The expected impact is based on loans from customers who have filed or indicated that they will file a lawsuit against the bank. To calculate the financial impact per scenario, the claim amount is multiplied by the estimated financial outflow in the scenario and the probability that the bank will ultimately have to pay compensation to the customer. An appropriate discount rate is applied to outflows that are not expected to arise within one year. The financial impacts of the individual scenarios are weighted on the basis of expert opinions. The resulting provision has been increased to € 65 million based on updated parameters.

Romania

In October 2017, the consumer protection authority (ANPC) has issued an order for the Issuer's Romanian network bank Raiffeisen Bank S.A., Bucharest, to stop its alleged practice of not informing its customers about future changes in the interest rate charged to the customers. The order does not imply any monetary restitution or payment from Raiffeisen Bank S.A., Bucharest. However, the possibility of any monetary restitution claims instigated by customers cannot be excluded. The Issuer's Romanian network bank Raiffeisen Bank S.A., Bucharest, has disputed this order, having also obtained a final stay of its enforcement pending a final solution. These proceedings are currently in the appeal phase, the first ruling on merits having been in favour of ANPC. Given current uncertainties, an exact quantification of the negative financial impact is not possible, however, the estimation of Raiffeisen Bank SA, Bucharest, based on the current known elements is that such impact is not expected to exceed € 20 million.

In July 2014, the ANCP had issued a decision applicable to Raiffeisen Bank S.A., Bucharest, asking the bank to stop the practice of including the credit management commission in the interest margin on the occasion of the restructuring of consumer loans. Although, provisions describing that method were included in the respective agreements, ANCP has the opinion that those provisions were not clear enough. Initially, the way how the ANCP decision should be implemented was not clear, however, after a dispute in court that was lost by Raiffeisen Bank S.A. in June 2020, it is now understood that the implementation would mean returning a portion of the interest rate to all consumers to whom such practice had been applied, at least for the period starting from July 2014 until either the point of time such borrowers entered into a new agreement on the interest rate or the point of time Raiffeisen Bank S.A. actually implements the court decision.

This also applies to originally affected loans that were repaid in the meantime. Given current uncertainties, at this stage, an exact quantification of the negative financial impact is not possible. However, initial estimates would suggest that negative effects of approximately € 17 million can be expected, which led to the recognition of a € 17 million provision for this item in the second quarter of 2020.

Banking business

RBI and its subsidiaries provide services for corporate customers that increase litigation risk at operating level. The most important cases are as follows:

Following the insolvency of Alpine Holding GmbH (Alpine) in 2013, a number of lawsuits were filed by retail investors in Austria against RBI and another bank in connection with a bond which had been issued by Alpine in 2012 in an aggregate principal amount of € 100 million. The claims against RBI, filed either directly, by investors or in a class action, amount to approximately € 10 million of value in dispute. Among other things, it is claimed that the banks acted as joint lead managers of the bond issue and were or at least should have been aware of the financial problems of Alpine at the time of the issue. Thus, they should have known that Alpine was not able to redeem the bonds as set forth in the terms and conditions of the bonds. It is alleged that the capital market prospectus in relation to the bond issue was misleading and incomplete and that the joint lead managers including RBI, which were also involved in the preparation of the prospectus, were aware of that fact.

Legal action has been filed against Raiffeisen Zentralbank (prior to the merger with RBI in 2010) and Raiffeisen Investment AG (RIAG) in New York. The claimant alleged that RBI, in its capacity as universal successor to Raiffeisen Zentralbank, had unlawfully paid USD 150 thousand (€ 137 thousand) on a bid bond and that RIAG had been involved in a fraud committed by the Serbian privatization agency resulting in a damage in the range of USD 31 million to USD 52 million (€ 28 million to € 47 million). At a later point in time, the alleged damage was reduced to USD 30.5 million (€ 27 million). According to RBI's assessment the claim is unfounded and very unlikely to succeed. In February 2014, the action was dismissed, and the plaintiff filed a motion for reconsideration with the court which has been pending for several years. The case was assigned to a new judge in 2018 and is now again pending in New York. RBI's assessment of the claim remains unchanged.

RBI was served with a lawsuit by the Romanian Ministry of Traffic against RBI and Banca de Export Import a Romaniei Eximbank SA (EximBank) regarding payment of € 10 million in May 2017. According to the lawsuit, in the year 2013, RBI issued a letter of credit on the amount of € 10 million for the benefit of the Romanian Ministry of Traffic at the request of a Romanian customer of Romanian Network Bank Raiffeisen Bank S.A., Bucharest, which is indirectly owned by RBI. EximBank acted as advising bank of RBI in Romania. The Romanian Ministry of Traffic had sent a payment request under the mentioned letter of credit in March 2014 which had been denied by RBI as having been received after termination date thereof. In April 2018, the lawsuit was rejected as unfounded by the court of first instance, which was confirmed by the Bucharest Court of Appeal in October 2019.

In May 2017, a subsidiary of RBI was sued for an amount of approximately € 12 million in Austria for breach of warranties under a share purchase agreement relating to a real estate company. The claimant, i.e. the purchaser under the share purchase agreement, alleges the breach of a warranty. More precisely, it alleges the defendant warranted that the company sold under the share purchase agreement had not waived potential rental payment increases to which it may have been entitled.

In December 2017, a French company filed a lawsuit at the commercial court in Warsaw against Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI, and RBI. The French company claimed damages from both banks in the aggregate amount of € 15.3 million alleging that RBPL failed to comply with duties of care when opening an account for a certain customer and executing money transfers through this account, and that RBI acted as a correspondent bank in this context and failed to comply with duties of care when doing so. As regards the lawsuit against RBI, the commercial court in Warsaw declined jurisdiction in May 2019. The decision was appealed. In the course of the sale of the core banking operations of RBPL by way of demerger to Bank BGZ BNP Paribas S.A. in 2018, the lawsuit against RBPL was allocated to Bank BGZ BNP Paribas S.A. However, RBI agreed to fully indemnify Bank BGZ BNP Paribas S.A. for any negative financial consequences in connection with said proceedings.

In June 2012, a client (the Slovak claimant) of Tatra banka, a.s. (Tatra banka) filed a petition for compensation of damage and lost profits in the amount of approximately € 71 million. The lawsuit is connected with certain credit facilities entered into between Tatra banka and the Slovak claimant. The Slovak claimant claims that Tatra banka breached its contractual obligations by refusing to execute payment orders from the Slovak claimant's accounts without cause and by not extending the maturity of facilities despite a previous promise to do so, which led to non-payment of the Slovak claimant's obligations towards its business partners and the termination of the Slovak claimant's business activities. In February 2016, the Slovak claimant filed a petition for increasing the claimed amount by € 50 million but the court refused this petition. A constitutional appeal was filed regarding this court's decision. The constitutional court refused this appeal and rejected the proposed increase of the claimed amount.

In December 2017, Tatra banka was delivered a new claim amounting to € 50 million, based on the same grounds as the petition from February 2016. This new claim was joined to the original claim. Thus, the Slovak claimant in this lawsuit demanded compensation of damage and lost profits in the amount of approximately € 121 million. In February 2018, the first-instance court rejected the petition in its entirety. The Slovak claimant, which by law is now the trustee in the Slovak claimant's bankruptcy proceedings, as the Slovak claimant has become bankrupt, launched an appeal against the rejection. In September 2018, the appellate court upheld the decision of the first-instance court and confirmed the rejection of the claim in full. In January 2019, the Slovak claimant filed an extraordinary appeal with the Supreme Court of the Slovak Republic but the extraordinary appeal was refused by the Supreme Court in April 2019. The Slovak claimant filed a constitutional appeal with respect to the Supreme Court ruling in July 2019. However, the constitutional court dismissed the appeal and the lawsuit has been closed.

Furthermore, a Cypriot company (the Cypriot claimant) filed a separate action for damages in the amount of approximately € 43.1 million. In January 2016, the Cypriot claimant filed a petition for increasing the claimed amount by € 84 million and the court approved this petition. It means that the total claimed amount in this lawsuit is approximately € 127 million. This lawsuit is related to the proceeding of the Slovak claimant above because the Cypriot claimant having filed the action had acquired the claim from a shareholder of the holding company of the Slovak claimant. The matter of the claim is the same as in the proceeding above. According to the Cypriot claimant, this had caused damage to the Slovak claimant and, thus, also to the shareholder of the holding company in the form of a loss of value of its shares. Subsequently, said shareholder assigned his claim to the Cypriot claimant. The Cypriot claimant claims that Tatra banka acted contrary to the good morals as well as contrary to fair business conduct and requires Tatra banka to pay part of its claims corresponding to the loss in value of the holding company's shares. In November 2019, the claim was rejected in its entirety. The Cypriot plaintiff appealed the judgement in January 2020.

Following an assignment of Tatra banka's receivable (approximately € 3.5 million) against a corporate customer to an assignee, two lawsuits in the total amount of approximately € 18.6 million were filed by the original shareholders of the corporate customer against Tatra banka. Their shares in the corporate customer had been pledged as security for a financing provided by Tatra banka to the corporate customer. The claims are claims for compensation of damages which were incurred by the original shareholders as a consequence of an alleged late notification of the assignment to the original shareholders, the fact that the assignee had realized the pledge over the shares and, thus, the original shareholders ceased to be the shareholders of the corporate customer as well as the fact that the assignee had realized a mortgage over real estates of the corporate customer (which had also been created as a security for the financing provided by Tatra banka to the corporate customer). The original shareholders claimed that the value of the corporate customer was € 18.6 million and that this amount would represent the damage incurred by them due to the assignment of Tatra banka's claim against the corporate customer. Subsequently, the original shareholders assigned their claims under the lawsuits mentioned above to a Panamanian company which is now the plaintiff. The plaintiff claims that Tatra banka had acted in contradiction of good faith principles and that it had breached an obligation arising from the Slovak Civil Code. In June 2019, the court entirely rejected the claim. The Cypriot Claimant filed an appeal against this first-instance judgement in January 2020.

In 2011, a client of Raiffeisenbank Austria, d.d., Croatia (RBHR) launched a claim for damages in the amount of approximately HRK 143.5 million (€ 19 million), alleging damages caused by an unjustified termination of the loan. In February 2014, the commercial court in Zagreb issued a judgment under which the claim was dismissed. The plaintiff launched an appeal, which remains pending. In the meantime, the plaintiff went through bankruptcy proceedings and the bankruptcy trustee has filed to the Commercial court a request for withdrawal of the claim. A ruling on the termination of the lawsuit against RBHR has not yet been issued by the Commercial court in Zagreb.

In 2015, a former client of RBHR launched a claim for damages in the amount of approximately HRK 181 million (€ 24 million) based on the allegation that RBHR had acted fraudulently by terminating loans, which had been granted for the financing of the client's hotel business, without justification. In previous court proceedings in respect of the termination of the loans as well as the enforcement over the real estate, all final judgments were in favor of RBHR. Several hearings were held and submissions exchanged. To date, no ruling was passed.

From 2014 onwards, a group of former clients of RBHR launched several claims for damages in the amount of approximately HRK 120.7 million (€ 16 million) based on the allegation that RBHR had acted fraudulently by terminating and collecting loans. In some of the court proceedings the final court decisions dismissed the claims in the amount of approximately HRK 20 million (€ 3 million).

In 2015, a former client of the Raiffeisenbank a.s. (RBCZ), launched a lawsuit against RBCZ claiming damages in the amount of approximately CZK 371 million (€ 14 million) based on the allegation that RBCZ caused damage to him by refusing to provide further financing to him. Owing to the non-payment of court fees by the claimant, a court ruling on dismissal of the lawsuit was issued but has been appealed by the claimant. In the meantime, the court has united two proceedings launched by the claimant against RBCZ and therefore the sued amount has increased to approximately CZK 494 million (€ 18 million).

After the first-instance court decision was revoked by the High Court and the claimant finally paid the court fee, the first-instance court was able to issue a verdict on the core matter of the dispute in which the court dismissed the claimant's claims in September 2019. The claimant has appealed that decision. In June 2020, the claim was dismissed by the appellate court. The decision is in legal force, however under certain circumstances, the plaintiff may still appeal to the Supreme Court.

In April 2018, Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI, obtained the lawsuit filed by a former client claiming an amount of approximately PLN 203 million (€ 45 million). According to the plaintiff's complaint, RBPL blocked the client's current overdraft credit account for six calendar days in 2014 without the formal justification. The plaintiff claimed that the blocking of the account resulted in losses and lost profits due to a periodic disruption of the client's financial liquidity, the inability to replace loan-based funding sources with financing streams originating from other sources on the blocked account, a reduction in inventory and merchant credits being made available and generally a resulting deterioration of the client's financial results and business reputation. RBPL contended that the blocking was legally justified and implemented upon the information obtained. In the course of the sale of the core banking operations of RBPL to Bank BGZ BNP Paribas S.A.), the lawsuit against RBPL was allocated to Bank BGZ BNP Paribas S.A. However, RBI remains commercially responsible for negative financial consequences in connection with said proceeding.

A German customer instructed RBI to issue guarantees in favor of a Polish legal entity and a Polish community (together the plaintiffs). RBI instructed RBPL to issue such guarantees in Poland and granted RBPL corresponding counter-guarantees. RBI itself had received a declaration from the German customer regarding complete indemnity. The plaintiffs demanded payment under the guarantees of Bank BGZ BNP Paribas SA (BNP), which is the legal successor to RBPL regarding those guarantees. BNP rejected the application on the grounds of abusive exercise of rights. In March 2019, a claim for payment of PLN 50 million (€ 11 million) plus interest was served on BNP by the plaintiffs through the Warsaw commercial court. RBI remains commercially responsible for negative financial consequences in connection with said proceedings and was invited by BNP to join the lawsuit in November 2019.

In July 2019, a former corporate customer (claimant) of RBI filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce, claiming from RBI payment of USD 25 million (€ 23 million) plus damages, interest and further costs. The dispute relates to a guarantee of a third party, which served as a security for a loan granted by RBI to the claimant in 1998. The claimant fell into arrears, whereupon RBI called in the guarantee. In 2015 a settlement was reached between RBI and the guarantor as to the claims of RBI under the guarantee. RBI applied all monies received from the guarantor towards payment by the claimant under the loan. In its request for arbitration, the claimant alleges (inter alia) that the settlement was detrimental to it, and that RBI would be obliged to transfer the monies received from the guarantor to the claimant. RBI takes the view that the claims raised by the claimant are baseless. In June 2020, the arbitral tribunal issued an award holding that it has no jurisdiction over the claims and disputes raised by Claimant. This arbitral award and the question of jurisdiction could still be challenged before English courts.

In February 2020, Raiffeisen-Leasing GmbH (RL) was served with a lawsuit in Austria for an amount of approximately € 43 million. The plaintiff claims damages alleging that RL had breached its obligations under a real estate development agreement. According to the assessment of RL and its lawyers, this claim is very unlikely to succeed, in particular given the fact that a similar claim of the plaintiff was rejected by the Austrian Supreme Court in a previous legal dispute. In this case already two applications for legal aid filed by the plaintiff have been rejected by the Commercial Court of Vienna because of malicious abuse of right.

A claim against RBI Leasing GmbH (RBIL) for damages in the original provisional amount of some € 70 thousand plus interest in August 2019 was increased in March 2020 to an amount of around € 16 million. The claimant argues that an object financed by RBIL was sold below market value after termination of the finance agreement, while he would have been able to obtain a considerably higher price. RBIL maintains that the financed property was offered to the claimant prior to conclusion of the final purchase agreement with the third party.

Regulatory enforcement

RBI and its subsidiaries are subject to numerous national and international regulatory authorities.

Following an audit review of the Romanian Court of Auditors regarding the activity of Aedificium Banca Pentru Locuinte S.A. (prior Raiffeisen Banca pentru Locuinte S.A. (RBL), a building society and subsidiary of Raiffeisen Bank S.A., Bucharest, the Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for payings of state premiums on savings by RBL had not been met. Thus, allegedly, such premiums may have to be repaid. Should RBL not succeed in reclaiming said amounts from its customers or providing satisfactory documentation, RBL may be held liable for the payment of such funds.

RBL has initiated a court dispute against the findings of the Romanian Court of Auditors and won over the most relevant alleged deficencies. The case is in appeal at the High Court of Cassation and Justice. Given current uncertainties, an exact quantification of the negative financial impact is not possible, however, repayment of premiums and potential penalty payments are not expected to exceed € 48 million. In this connection, a provision of € 10 million was recognized.

In March 2018, an administrative fine of € 2.7 million (which was calculated by reference to the annual consolidated turnover of RBI and constitutes 0.06 per cent of the last available annual consolidated turnover) was imposed on RBI in the course of administrative proceedings based on alleged non-compliance with formal documentation requirements relating to the know-your-customer principle. According to the interpretation of the Austrian Financial Market Authority (FMA), RBI had failed to comply with these administrative obligations in a few individual cases. FMA did not allege that any money laundering or other crime had occurred, or that there was any suspicion of, or any relation to, any criminal act. RBI took the view that it had duly complied with all due diligence obligations regarding know-your-customer requirements and appealed against the fining order in its entirety. The administrative court of first instance confirmed FMA's decision and – again - RBI appealed against this decision in its entirety. In December 2019, the Austrian Supreme Administrative Court (Verwaltungsgerichtshof) revoked the decision of the lower administrative instances and referred the case back to the administrative court of first instance.

In September 2018, two administrative fines of total PLN 55 million (€ 12 million) were imposed on RBPL in the course of administrative proceedings based on alleged non-performance of the duties as the depositary and liquidator of certain investment funds. RBPL as custodian of investment funds assumed the role as liquidator of certain funds in spring 2018. According to the interpretation of the Polish Financial Supervision Authority (PFSA) RBPL failed to comply with certain obligations in its function as depository bank and liquidator of the funds. In the course of the transactions related to the sale of RBPL, the responsibility for said administrative proceedings and related fines was assumed by RBI. RBI filed appeals against these fines in their entirety. In September 2019, in relation to the PLN 5 million (€ 1 million) fine regarding RBPL's duties as depositary bank, the Voivodship Administrative Court approved RBI's appeal and overturned the PFSA's decision entirely. However, the PFSA appealed such decision. In relation to the PLN 50 million (€ 11 million) fine regarding RBPL's function as liquidator, the Voivodship Administrative Court decided to dismiss the appeal and uphold the PFSA decision entirely. RBI has raised appeal to the Supreme Administrative Court because it takes the view that RBPL has duly complied with all its duties.

Tax litigation

RBI is or is expected to be involved in various tax audits, tax reviews and tax proceedings. RBI is involved in the following significant tax proceedings, among others:

In Germany, a tax review and tax proceedings led to or may lead to an extraordinary tax burden of approximately € 27 million. Additionally, late payment interest and penalty payments may be imposed.

In Romania, tax assessments by the Romanian tax authorities relating especially to loan sales could result in an extraordinary tax burden of approximately € 30 million plus about € 22 million in penalty payments.

In the vast majority of the aforementioned amounts, the decision of the respective tax authorities is or will be disputed.

(50) Related parties

The main companies exercising a significant influence are Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, as the largest single shareholder, and its parent company, Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna. Affiliated companies that are not consolidated due to immateriality are shown under affiliated companies.

Transactions with related parties are limited to banking business transactions that are carried out at fair market conditions. Moreover, members of the Management Board hold shares of RBI AG. Detailed information regarding this is published on the homepage of Raiffeisen Bank International.

30/6/2020 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Selected financial assets	**23**	**507**	**1,088**	**585**
Equity instruments	0	227	709	204
Debt securities	14	0	156	12
Loans and advances	9	281	223	368
Selected financial liabilities	**2,159**	**83**	**4,764**	**567**
Deposits	2,159	83	4,764	567
Debt securities issued	0	0	0	0
Other items	**161**	**24**	**816**	**121**
Loan commitments, financial guarantees and other commitments given	148	24	786	121
Loan commitments, financial guarantees and other commitments received	13	0	30	0

31/12/2019 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Selected financial assets	**9**	**558**	**1,146**	**669**
Equity instruments	0	270	836	229
Debt securities	6	0	56	12
Loans and advances	3	288	254	428
Selected financial liabilities	**2,134**	**94**	**4,375**	**528**
Deposits	2,134	94	4,375	528
Debt securities issued	0	0	0	0
Other items	**169**	**60**	**251**	**125**
Loan commitments, financial guarantees and other commitments given	162	60	222	125
Loan commitments, financial guarantees and other commitments received	7	0	30	0

1/1-30/6/2020 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	4	1	5	2
Interest expenses	(8)	0	(13)	(10)
Dividend income	0	6	0	5
Fee and commission income	3	3	6	3
Fee and commission expenses	(2)	0	(4)	(9)

1/1-30/6/2019 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	1	3	4	7
Interest expenses	(3)	(1)	(13)	(1)
Dividend income	2	9	0	2
Fee and commission income	2	3	5	3
Fee and commission expenses	(1)	(7)	(3)	(1)

(51) Average number of staff

Full-time equivalents	1/1-30/6/2020	1/1-30/6/2019
Salaried employees	46,171	46,583
Wage earners	628	608
Total	**46,799**	**47,191**

Regulatory information

Capital management and total capital according to CRR/CRD IV and Austrian Banking Act (BWG)

Based on an annually undertaken Supervisory Review and Evaluation Process (SREP), the ECB currently instructs RBI by way of an official notification to hold additional capital to cover risks which are not or not adequately covered under Pillar I. In April 2020, RBI received an official notification of a change in capital requirements that came into effect retroactively in March 2020. According to the changes, the Pillar 2 requirement, which previously consisted exclusively of common equity tier 1 capital (CET1), may now be met through the use of additional tier 1 (AT1) and tier 2 (T2) capital instruments in addition to common equity tier 1 capital (CET1).

The Pillar 2 requirement is calculated based on the bank's business model, risk management or capital situation, for example. In addition, the RBI Group is subject to the minimum requirements of the CRR and the combined buffer requirement. The combined buffer requirement for the RBI Group currently contains a capital conservation buffer, a systemic risk buffer and a countercyclical buffer. As at 30 June 2020, the CET1 requirement (including the combined buffer requirement) is 10.6 per cent for the RBI Group. A breach of the combined buffer requirement would induce measures such as constraints on dividend payments and coupon payments on certain capital instruments. The capital requirements applicable during the year were complied with, including an adequate buffer, on both a consolidated and individual basis.

As a rule, national supervisors are authorized to impose systemic risk buffers (up to 5 per cent) as well as additional capital add-ons for systemic banks (up to 3.5 per cent). In the event that systemic risk buffers as well as add-ons for systemic banks are imposed on a particular institution, only the higher of the two values is applicable. In September 2015, the Financial Market Stability Board (FMSB) of the FMA recommended a systemic risk buffer (SRB) for certain banks, including RBI. This came into force as of the beginning of 2016 through the FMA via the Capital Buffer Regulation. Since 2019, after a progressive increase, for RBI the SRB has been set at 2 per cent.

The establishment of a countercyclical buffer is also the responsibility of the national supervisors and results in a weighted average at the level of the RBI Group in order to curb excessive lending growth. This buffer was set at 0 per cent in Austria for the present time due to restrained lending growth. The buffer rates defined in other member states apply at the level of the RBI Group (based on a weighted calculation of averages). Further expected regulatory changes and developments are monitored, and included and analyzed in scenario calculations undertaken by Group Regulatory Affairs on an ongoing basis. Potential effects are taken into account in planning and governance, insofar as the extent and implementation are foreseeable.

In the context of the COVID-19 pandemic, both the ECB and the EBA enacted regulatory relief measures to enable banks supervised by the ECB to continue to play their central role in providing financing to households and businesses. The ECB will explicitly allow banks under its supervision to operate below the levels defined by the Pillar 2 guidance, the capital conservation buffer and the liquidity coverage ratio (LCR). Banks will also be allowed to use other capital instruments in addition to common equity tier 1 capital to meet capital requirements. This particular measure would have otherwise come into force at the beginning of 2021 as part of the implementation of CRD V (Capital Requirements Directive). Furthermore, the ECB is of the opinion that these measures should be supported by an appropriate relaxation of the countercyclical capital buffer by the national supervisory authorities.

Total capital

The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and other statutory provisions such as the Implementing Technical Standards (ITS) of the European Banking Authority (EBA).

As at 30 June 2020, common equity tier 1 (CET1) after deductions amounted to € 10,640 million, representing a € 222 million reduction compared to the 2019 year-end figure. Material factors behind the reduction were currency movements directly recognized in equity. Tier 1 capital after deductions declined € 212 million to € 11,879 million, mainly as a result of the reduction in CET1. Tier 2 capital rose € 330 million to € 2,270 million. The increase was driven by the issuance of a bond in June, while the regulatory amortization of outstanding issues had an offsetting effect. Total capital amounted to € 14,149 million, representing an increase of € 118 million compared to the 2019 year-end figure.

Total risk-weighted assets (RWA) increased € 2,524 million from the end of 2019 to € 80,490 million. The major reasons for the increase were new loan business, as well as business developments at head office, and in Russia, Serbia, and the Czech Republic. The (organic) growth was partly offset by negative currency effects, especially from the Russian ruble, the Ukrainian hryvnia, and the Czech koruna. An increase in market risk, driven by the rise in volatility caused by the COVID-19 pandemic, as well as the increase in operating risk due to ongoing legal disputes in connection with the CHF loans also contributed to an increase in RWA.

On a fully loaded basis and including the half-year result, this resulted in a CET1 ratio of 13.2 per cent, a tier 1 ratio of 14.6 per cent and a total capital ratio of 17.5 per cent.

in € million	30/6/2020	31/12/2019
Capital instruments and the related share premium accounts	5,974	5,974
Retained earnings	8,286	7,986
Accumulated other comprehensive income (and other reserves)	(3,358)	(2,801)
Minority interests (amount allowed in consolidated CET1)	487	499
Common equity tier 1 (CET1) capital before regulatory adjustments	**11,389**	**11,659**
Additional value adjustments (negative amount)	(59)	(55)
Intangible assets (net of related tax liability) (negative amount)	(722)	(762)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(13)	(16)
Fair value reserves related to gains or losses on cash flow hedges	(2)	(1)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	61	56
Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution opts for the deduction alternative	(13)	(18)
hereof: securitization positions (negative amount)	(13)	(18)
Total regulatory adjustments to common equity tier 1 (CET1)	**(749)**	**(797)**
Common equity tier 1 (CET1) capital	**10,640**	**10,862**
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	88	90
Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	1,151	1,139
Additional tier 1 (AT1) capital	**1,239**	**1,230**
Tier 1 capital (T1 = CET1 + AT1)	**11,879**	**12,092**
Capital instruments and the related share premium accounts	1,981	1,679
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	34	19
Credit risk adjustments	255	242
Tier 2 (T2) capital	**2,270**	**1,940**
Total capital (TC = T1 + T2)	**14,149**	**14,032**
Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	**80,490**	**77,966**
Total risk-weighted assets (RWA)	**80,490**	**77,966**

Total capital requirement and risk-weighted assets

in € million	30/6/2020		31/12/2019	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk-weighted assets (RWA)	**80,490**	**6,439**	**77,966**	**6,237**
Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**66,639**	**5,331**	**65,851**	**5,268**
Standardized approach (SA)	**23,946**	**1,916**	**25,281**	**2,023**
Exposure classes excluding securitization positions	23,946	1,916	25,281	2,023
Central governments or central banks	1,178	94	956	76
Regional governments or local authorities	104	8	101	8
Public sector entities	29	2	28	2
Institutions	235	19	227	18
Corporates	4,760	381	5,506	440
Retail	5,243	419	5,718	457
Secured by mortgages on immovable property	7,315	585	7,455	596
Exposure in default	430	34	479	38
Items associated with particular high risk	122	10	139	11
Covered bonds	13	1	13	1
Collective investments undertakings (CIU)	65	5	75	6
Equity	1,606	128	1,816	145
Other items	2,846	228	2,770	222
Internal ratings based approach (IRB)	**42,693**	**3,415**	**40,570**	**3,246**
IRB approaches when neither own estimates of LGD nor conversion factors are used	**35,645**	**2,852**	**33,561**	**2,685**
Central governments or central banks	1,995	160	1,817	145
Institutions	2,073	166	1,457	117
Corporates - SME	4,086	327	5,086	407
Corporates - Specialized lending	3,126	250	3,261	261
Corporates - Other	24,366	1,949	21,940	1,755
IRB approaches when own estimates of LGD and/or conversion factors are used	**6,665**	**533**	**6,547**	**524**
Retail - Secured by real estate SME	194	15	168	13
Retail - Secured by real estate non-SME	2,606	208	2,558	205
Retail - Qualifying revolving	282	23	296	24
Retail - Other SME	529	42	521	42
Retail - Other non-SME	3,055	244	3,004	240
Equity	383	31	462	37
Simple risk weight approach	0	0	0	0
Other equity exposure	0	0	0	0
PD/LGD approach	0	0	0	0

in € million	30/6/2020		31/12/2019	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk exposure amount for settlement/delivery	**8**	**1**	**44**	**4**
Settlement/delivery risk in the non-trading book	0	0	44	3
Settlement/delivery risk in the trading book	8	1	0	0
Total risk exposure amount for position, foreign exchange and commodities risk	**4,548**	**364**	**3,393**	**271**
Risk exposure amount for position, foreign exchange and commodities risks under standardized approaches (SA)	**2,227**	**178**	**2,108**	**169**
Traded debt instruments	1,757	141	1,651	132
Equity	178	14	158	13
Particular approach for position risk in CIUs	1	0	1	0
Foreign exchange	286	23	289	23
Commodities	5	0	8	1
Risk exposure amount for position, foreign exchange and commodities risks under internal models (IM)	**2,321**	**186**	**1,285**	**103**
Total risk exposure amount for operational risk	**8,516**	**681**	**7,802**	**624**
OpR standardized (STA) /alternative standardized (ASA) approaches	3,473	278	3,694	296
OpR advanced measurement approaches (AMA)	5,043	403	4,108	329
Total risk exposure amount for credit valuation adjustments	**206**	**17**	**223**	**18**
Standardized method	206	17	223	18
Other risk exposure amounts	**573**	**46**	**653**	**52**
of which risk-weighted exposure amounts for credit risk: securitization positions (revised securitization framework)	573	46	653	52

Capital ratios[1]

in per cent	30/6/2020	31/12/2019
Common equity tier 1	13.2%	13.9%
Tier 1 ratio	14.6%	15.4%
Total capital ratio	17.5%	17.9%

1 Fully loaded

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR and as at 30 June 2020 was not yet a mandatory quantitative requirement. Until then it serves for information only.

in € million	30/6/2020	31/12/2019
Leverage exposure	192,203	178,226
Tier 1	11,879	12,092
Leverage ratio[1]	**6.1%**	**6.7%**

1 Fully loaded

Key figures

Alternative Performance Measures (APM)

The Group uses alternative performance measures in its financial reporting, not defined by IFRS or CRR regulations, to describe RBI Group's financial position and performance. These should not be viewed in isolation, but treated as supplementary information.

For the purpose of the analysis and description of the performance and the financial position these ratios are commonly used within the financial industry. The special items used below to calculate some alternative performance measures arise from the nature of Group’s business, i.e. that of a universal banking group. However, it is to mention that the definitions mostly vary between companies. Please find the definitions of these ratios below.

Consolidated return on equity – Consolidated profit less dividend on additional tier 1 capital in relation to average consolidated equity (i.e. the equity attributable to the shareholders of RBI). Average consolidated equity is based on month-end figures excluding non-controlling interests and does not include current year profit.

Cost/income ratio is an economic metric and shows the company’s costs in relation to its income. The ratio gives a clear view of operational efficiency. Banks use the cost/income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions. General administrative expenses in relation to operating income are calculated for the cost/income ratio. General administrative expenses comprise staff expenses, other administrative expenses and depreciation/amortization of intangible and tangible fixed assets. Operating income comprises net interest income, dividend income, current income from investments in associates, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Effective tax rate (ETR) – Relation of income tax expense to profit before tax. The effective tax rate differs from the company´s jurisdictional tax rate due to many accounting factors and enables a better comparison among companies. The effective tax rate of a company is the average rate at which its pre-tax profits are taxed. It is calculated by dividing total tax expense (income taxes) by profit before tax. Total tax expense includes current income taxes and deferred taxes.

Loan/deposit ratio indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households.

Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries and associates, tangible fixed assets, intangible fixed assets, tax assets and other assets).

NPE – Non-performing exposure. It contains all non-performing loans and debt securities according to the applicable definition of the EBA document Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

NPL – Non-performing loans. It contains all non-performing loans according to the applicable definition of the EBA document Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

NPE ratio is an economic ratio to demonstrate the proportion of non-performing loans and debt securities in relation to the entire loan portfolio of customers and banks, and debt securities. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank’s credit risk management.

NPL ratio is an economic ratio to demonstrate the proportion of non-performing loans in relation to the entire loan portfolio to customers and banks. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank’s credit risk management.

NPE coverage ratio describes to which extent, non-performing loans and debt securities have been covered by impairments (Stage 3) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses on loans to customers and banks and on debt securities set in relation to non-performing loans to customers and banks and debt securities.

NPL coverage ratio describes to which extent non-performing loans have been covered by impairments (Stage 3) thus expressing also the ability of a bank to absorb losses from its NPL. It is calculated with impairment losses on loans to customers and banks set in relation to non-performing loans to customers and banks.

Operating result is used to describe the operative performance of a bank for the reporting period. It consists of operating income less general administrative expenses.

Operating income – They are primarily income components of the ongoing business operations (before impairment). It comprises net interest income, dividend income, current income from investments in associates, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Provisioning ratio is an indicator for development of risk costs and provisioning policy of an enterprise. It is computed by dividing impairment or reversal of impairment on financial assets (customer loans) by average customer loans (categories: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income).

Return on assets (ROA before/after tax) is a profitability ratio and measures how efficiently a company can manage its assets to produce profits during a period. It is computed by dividing profit before tax/after tax by average assets (based on total assets, average means the average of year-end figure and the relevant month´s figures).

Return on equity (ROE before/after tax) provides a profitability measure for both management and investors by expressing the profit for the period as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on equity demonstrates the profitability of the bank on the capital invested by its shareholders and thus the success of their investment. Return on equity is a useful measure to easily compare the profitability of a bank with other financial institutions. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

Return on risk-adjusted capital (RORAC) is a ratio of a risk-adjusted performance management and shows the yield on the risk-adjusted capital (economic capital). The return on risk-adjusted capital is computed by dividing consolidated profit by the risk-adjusted capital (i.e. average economic capital). This capital requirement is calculated within the economic capital model for credit, market and operational risk.

Total capital specific key figures

Common equity tier 1 ratio – Common equity tier 1 as a percentage of total risk-weighted assets (RWA) according to CRR/CRD IV regulation.

Leverage ratio – The ratio of tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRD IV.

Total risk-weighted assets (RWA) – Risk-weighted assets (credit risk, CVA risk) including market risk and operational risk.

Tier 1 ratio – Tier 1 capital to total risk-weighted assets (RWA).

Total capital ratio – Total capital as a percentage of total risk-weighted assets (RWA).

Events after the reporting date

Issuance of € 500 million additional tier 1 capital in July

In July, RBI placed € 500 million of perpetual additional tier 1 capital (AT1). This marks RBI's third AT1 issuance since 2017 and further optimizes its capital structure and its compliance with Pillar 1 and Pillar 2 capital requirements. Furthermore, RBI's buffer to the MDA trigger level improves to 2.38 per cent (based on figures as at 31 March 2020 with inclusion of this AT1 issuance as well as an RBI tier 2 issuance in June). It has a coupon of 6.00 per cent p.a. until December 2026, which will be reset thereafter.

Statement of all legal representatives

We confirm to the best of our knowledge that the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the semi-annual group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions.

Vienna, 5 August 2020

The Management Board

Johann Strobl

Chief Executive Officer responsible for Group Marketing, Active Credit Managment, Group Sustainability Management, Legal Services, Chairman's Office, Group Communications, Group Executive Office, Group Human Resources & Organisational Innovation, Group Internal Audit, Group Investor Relations, Group Planning & Finance, Group Subsidiaries & Equity Investments, Group Tax Management, Group Treasury and Group Strategy & Innovation

Andreas Gschwenter

Member of the Management Board responsible for Group Core IT, Group Data, Group Efficiency Management, Group IT Delivery, Group Procurement, Outsourcing & Cost Management, Group Security, Resilience & Portfolio Governance and Head Office Operations

Łukasz Januszewski

Member of the Management Board responsible for Group Capital Markets Corporate & Retail Sales, Group Capital Markets Trading & Institutional Sales, Group Investment Banking, Group Investor Services, Group MIB Business Management & IC Experience, Institutional Clients and Raiffeisen Research

Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Group Corporate Business Strategy & Steering, International Leasing Steering & Product Management and Trade Finance & Transaction Banking

Hannes Mösenbacher

Member of the Management Board responsible for Financial Institutions, Country & Portfolio Risk Management, Group Advanced Analytics, Group Compliance, Group Corporate Credit Management, Group Regulatory Affairs & Data Governance, Group Risk Controlling, Group Special Exposures Management, International Retail Risk Management and Sector Risk Controlling Services

Andrii Stepanenko

Member of the Management Board responsible for International Retail Business Management & Steering, International Mass Banking, Sales & Distribution, International Premium & Private Banking, International Retail CRM, International Retail Lending, International Retail Online Banking and International Small Business Banking

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the period from 1 January 2020 to 30 June 2020. These condensed interim consolidated financial statements comprise the consolidated statement of financial position as of 30 June 2020 and the consolidated statement of comprehensive income, the consolidated statements of cash flows and consolidated statement of changes in equity for the period from 1 January 2020 to 30 June 2020 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 125 par 3 Austrian Stock Exchange Act analog with § 275 par 2 of the Austrian Commerical Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the consolidated interim management report for the 6 month period ended 30 June 2020 and on management's statement in accordance with § 125 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 125 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 5 August 2020

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

[signed]

Rainer Hassler

Wirtschaftsprüfer
(Austrian Chartered Accountant)

Note: This report is a translation of the original report in German, which is solely valid. The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us.

Publication details/Disclaimer

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Group Investor Relations inquiries:
E-mail: ir@rbinternational.com
Internet: www.rbinternational.com → Investors
Phone: +43-1-71 707-2089

Group Communications inquiries:
E-mail: communications@rbinternational.com
Internet: www.rbinternational.com → Media
Phone: +43-1-71 707-1298

Disclaimer

The forecasts, plans and forward-looking statements contained in this report are based on the state of knowledge and assessments of Raiffeisen Bank International AG at the time of its preparation. Like all statements addressing the future, they are subject to known and unknown risks and uncertainties that could cause actual results to differ materially. No guarantees can therefore be given that the forecasts and targeted values or the forward-looking statements will actually materialize.

This report is for information purposes only and contains neither a recommendation to buy or sell nor an offer of sale or subscription to shares nor does it constitute an invitation to make an offer to sell shares.

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