



**Raiffeisen Bank
International**

Member of RBI Group

Semi-Annual Financial Report as at 30 June 2021

Overview

Raiffeisen Bank International (RBI)			
Monetary values in € million	2021	2020	Change
Income statement	1/1-30/6	1/1-30/6	
Net interest income	1,571	1,706	(7.9)%
Net fee and commission income	932	840	11.1%
General administrative expenses	(1,427)	(1,451)	(1.7)%
Operating result	1,214	1,269	(4.3)%
Impairment losses on financial assets	(110)	(312)	(64.8)%
Profit/loss before tax	870	566	53.7%
Profit/loss after tax	674	420	60.2%
Consolidated profit/loss	612	368	66.1%
Statement of financial position	30/6	31/12	
Loans to banks	15,983	11,952	33.7%
Loans to customers	94,052	90,671	3.7%
Deposits from banks	36,730	29,121	26.1%
Deposits from customers	108,808	102,112	6.6%
Equity	14,892	14,288	4.2%
Total assets	181,700	165,959	9.5%
Key ratios	1/1-30/6	1/1-30/6	
Return on equity before tax	12.2%	8.4%	3.8 PP
Return on equity after tax	9.5%	6.3%	3.2 PP
Consolidated return on equity	9.6%	5.9%	3.7 PP
Cost/income ratio	54.0%	53.3%	0.7 PP
Cost/income ratio (incl. compulsory contributions)	60.1%	61.4%	(1.3) PP
Return on assets before tax	1.01%	0.72%	0.29 PP
Net interest margin (average interest-bearing assets)	1.93%	2.31%	(0.38) PP
Provisioning ratio (average loans to customers)	0.23%	0.67%	(0.44) PP
Bank-specific information	30/6	31/12	
NPE ratio	1.7%	1.9%	(0.1) PP
NPE coverage ratio	60.3%	61.5%	(1.2) PP
Total risk-weighted assets (RWA)	84,899	78,864	7.7%
Common equity tier 1 ratio ¹	13.3%	13.6%	(0.3) PP
Tier 1 ratio ¹	15.2%	15.7%	(0.5) PP
Total capital ratio ¹	18.1%	18.4%	(0.3) PP
Stock data	1/1-30/6	1/1-30/6	
Earnings per share in €	1.72	1.03	67.6%
Closing price in € (30/6)	19.10	15.86	20.4%
High (closing prices) in €	20.74	22.92	(9.5)%
Low (closing prices) in €	16.17	11.25	43.7%
Number of shares in million (30/6)	328.94	328.94	0.0%
Market capitalization in € million (30/6)	6,283	5,217	20.4%
Dividend per share in €	0.48	-	-
Resources	30/6	31/12	
Employees as at reporting date (full-time equivalents)	44,968	45,414	(1.0)%
Business outlets	1,788	1,857	(3.7)%
Customers in million	17.7	17.2	3.2%

¹ Fully loaded - including result

From 1 January 2021, the income statement has been slightly adjusted (previous year's figures were adapted). Further details can be found in the notes under changes to the income statement. 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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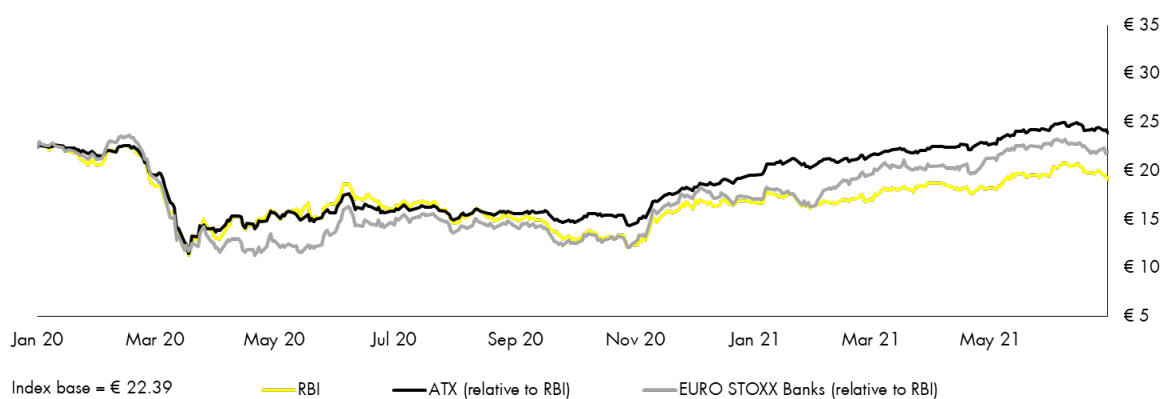
RBI in the capital markets

Performance of RBI stock

International stock markets continued their upward trend in the second quarter with further new all-time highs for many indices. Supportive economic data, brightening early indicators and positive news from companies led to a continued good mood among investors. This was bolstered by the flattening of infection rates in the US and most European countries as well as from progress made in COVID-19 vaccination programs.

Although fears of rising inflation, which had begun in the first quarter, did not completely evaporate, investors increasingly held the belief that the rises in prices were more of a pandemic-related effect rather than signs of the beginning of a more persistent spiral of inflation. In the US, the rising inflation rate was combined with higher economic growth. As a result, the US Federal Reserve has recently hinted at a possibly earlier-than-initially-expected winding down of bond purchases, which would signal a change to the extremely relaxed monetary policy. Despite this, bond yields initially did not rise and the mood on bond markets remained tense.

Against this backdrop, RBI's share price increased 2 per cent in the second quarter of 2021 and closed at € 19.10 on 30 June 2021. During the same period, EURO STOXX Banks was up 6 per cent and the Austrian stock index (ATX) gained 8 per cent.



Capital market communication

Following publication of the results for the first quarter on 7 May 2021, RBI held a conference call with around 180 participants. Due to the ongoing restrictions in Austria on gatherings, the usual in-person meetings in Vienna, in which the annual results are discussed with members of the press, as well as investors and analysts, were conducted via conference calls or video conferences.

The webcasts and investor presentations can be found online under www.rbinternational.com → Investors → Presentations & Webcasts.

The typically numerous roadshow and investor conference events also continued to be conducted online. In the second quarter of 2021, members of RBI's Management Board and IR team participated in 11 such events. In addition, analysts, equity and debt investors were offered personal meetings via telephone or video conference with the CEO/CRO and Investor Relations.

Recurring topics in the second quarter of 2021 were the impact of the COVID-19 pandemic on RBI business, further growth in the Group, as well as the development of risk costs.

A total of 21 equity analysts and 22 debt analysts (as at 30 June 2021) provide investment recommendations on RBI.

Tier 2 green bond issuance

On 10 June 2021, RBI successfully placed its first subordinated green bond with a volume of € 500 million. This marks RBI's third benchmark green bond. The new issue comes with a 12-year maturity and an issuer call after 7 years, and offers a 1.375 per cent coupon, equivalent to 160 basis points over 7-year mid swap rate.

The proceeds from the bond will be used to finance environmentally friendly housing and commercial real estate, green transportation, as well as renewable energy, energy efficiency and water management projects in Central and Eastern Europe.

Shareholder structure

The regional Raiffeisen banks continue to hold approximately 58.8 per cent of RBI's shares, with the remaining 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	
Share price (closing) on 30 June 2021	€ 19.10
High/low (closing share price) in the second quarter 2021	€ 20.74/€ 17.63
Earnings per share from 1 January to 30 June 2021	€ 1.72
Book value per share as at 30 June 2021	€ 37.52
Market capitalization as at 30 June 2021	€ 6.3 billion
Average daily trading volume (single count) in the second quarter 2021	473,878 shares
Number of shares issued as at 30 June 2021	328,939,621

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+

Interim group management report

Market development

As infection rates were falling and progress was being made in vaccination programs, this led to a gradual easing of restrictions on business activities in many European countries at the beginning of the year. Industries which were most impacted by the restrictions (service providers) should be a major driver of the economic recovery over the course of 2021. Many countries may already reach pre-pandemic GDP levels by the end of 2021. On the other hand, coronavirus variants of concern continue to pose a risk to the economy, especially following the summer months, which could lead to renewed restrictions or a reversal of easing already planned. Full lockdowns should however be able to be avoided.

There was a renewed decline in GDP growth in the euro area over the winter period 2020/21 (fourth quarter of 2020 and first quarter of 2021), albeit less pronounced than at the beginning of 2020. With significant declines in infection rates, many euro area countries started to gradually ease lockdown measures after the first quarter. Significant economic surveys are now signaling a strong upward trend for the coming quarters. Following the recession in 2020 (GDP decline of 6.7 per cent), economic output is expected to increase by 4.5 per cent for 2021 as a whole, compared to the year prior. Inflation was strongly impacted in 2020 (0.3 per cent p.a.) by restrictions on business activities (and the resulting effect on certain goods and services), as well as the marked decline in the oil price in early 2020. The subsequent increase in energy prices, however, led to the inflation rate significantly increasing year-on-year to around the two per cent level at the beginning of 2021. While the inflationary effect of the oil price (up year-on-year) has already peaked, several one-off effects as a result of the pandemic are expected in summer which should propel the inflation rate upwards and keep the rate high until the end of the year (annual mean: 1.7 per cent p.a.). In the medium term, inflation should again near the European Central Bank (ECB) target rate of 2 per cent p.a., yet still be above the rate in the period between the financial crisis and the coronavirus crisis.

The ECB aims to ensure that financing conditions are favorable in the euro area for the long period through a set of measures. The upward drift in yields on long-dated government bonds was in focus for the central bank at the beginning of 2021. At their monetary policy meeting in March, they decided on countering rising yields with increased bond purchases. This relates to an initiative within the range of measures already decided upon, whereby the existing flexibility provided by the asset purchase program PEPP (Pandemic Emergency Purchase Programme) will be utilized. The publication of the results of its strategy review in July (including the symmetry of its 2 per cent target inflation rate), did not lead to any changes to the short or medium-term monetary policy outlook. The expectation therefore remains, that there will not be an abrupt end to the PEPP at the beginning of 2022.

In the US, the Federal Reserve (Fed) has started to set foot in the direction of normalization of its monetary policy. Nevertheless, a rapid moving away from the expansive monetary policy with key rates almost at zero and monthly bond purchases is not to be expected. With pandemic-related economic risks starting to abate – due to the progress of the vaccination program, strong economic momentum as well as rising inflation – the Fed is starting to discuss a reduction (tapering) of monthly bond purchases. A tapering announcement is expected to still occur this year, as long as the economic recovery continues the trend as is largely expected. According to statements from the Fed, the first key rate hike will only take place once there is full employment, the rate of inflation has reached the 2 per cent target, and once there is the prospect of inflation moderately overshooting for some time. Such a scenario is unlikely to occur in 2021 or 2022.

As in other regions, the Austrian economy was much less impacted by the renewed lockdown measures in the winter period 2020/21, than it was at the beginning of 2020. Nonetheless, the economic slump in the winter period of 2020/21 was more pronounced than for the euro area as a whole. This was mainly due to the hotel and restaurant industries, as they recorded similar levels of reduced added value as in the first lockdown in 2020. This was countered by the better-than-expected trend in the industrial and construction sectors, as well as corporate investment demand. The extensive easing of restrictions in May 2021, should provide significant upswing in the summer months, albeit less dynamic than for the euro area due to the strong decline in the winter period of 2020/21. However, due to the unfavorable starting position (fourth quarter of 2020/first quarter of 2021), GDP growth for 2021 as a whole is expected to reach at least 3.5 per cent (2020: decline of 6.3 per cent), which is below growth for the euro area. Conversely, GDP growth of 5.0 per cent is expected for the Austrian economy in 2022 as a whole, a faster rate than forecast for the euro area.

The countries of Central Europe (CE) reported real GDP growth of 0.7 per cent on average in the first quarter of 2021, compared to the quarter prior. Diverging trends were observed among the countries, however. At the beginning of the year, economic output declined in the Czech Republic and Slovakia by 0.3 per cent and 2.0 per cent, respectively, quarter-on-quarter. The strict COVID-19 measures have impacted private consumption in both countries. In contrast, the economy was on an upward trend in the first quarter in Poland, Hungary and Slovenia. Overall, the economic recovery in the CE region is expected to outpace that of the euro area, which is also due to the smaller contribution to GDP from service providers and the relatively higher importance of the industrial sector, which was barely impacted by the lockdowns between autumn of 2020 and spring of 2021. On average, GDP growth of around 4.6 per cent and 5.1 per cent is expected in 2021 and 2022, respectively (2020: decline of 4.0 per cent). The

main drivers are expected to be export demand, private consumption, as well as investment. Further momentum should come from EU programs (NGEU recovery fund and the SURE program), as well as from national monetary policy.

The surprisingly robust economic trend seen in the Southeastern Europe (SEE) region in the fourth quarter of 2020, was also visible in the first quarter of 2021 (3.1 per cent quarter-on-quarter). This meant that the pre-pandemic GDP level (fourth quarter of 2019) had again been reached. For the entire 2021 year, an increase in economic output of 6.2 per cent is expected for the region, followed by less pronounced but still dynamic growth of 4.5 per cent in 2022. Positive impulses this year and next, are expected to predominantly come from personal consumption and export demand, and also from tourism revenues. Another key factor for the recovery will be investment activity, which will also be fueled by fiscal support measures such as EU programs (NGEU). Romania is expected to report the highest GDP growth in 2021 (7.5 per cent). The country should profit from a reinvigorated service providers sector, whereas in Serbia (growth of 6.5 per cent), the expansive monetary policy is a particularly supportive factor. However, as the region is less advanced in their vaccination programs, this could pose a risk.

Despite the increases in commodity and energy prices and a relatively lesser impact of the pandemic on the economies of the countries of Eastern Europe (EE), the region did not record a strong economic recovery in the fourth quarter of 2020 and first quarter of 2021, even with consumer spending and industrial production continuing their upward trend in Ukraine and Russia. Consumption and industry should equally support the recovery in the region in the coming quarters, however at a lower rate than expected in CE/SEE. Pre-pandemic GDP levels are therefore not likely to be reached before both of those regions. At the same time, however, upside risk is seen for the commodity-driven economies of Russia and Ukraine. Should commodity prices increase, the GDP growth for the entire EE region could be somewhat higher than the current conservative forecasts of 2.4 per cent for 2021, and of 1.5 per cent for 2022. As a result of uncertainties relating to sanctions, the economic recovery in Belarus might stall in the second half of 2021.

Annual real GDP growth compared to the previous year (in per cent)

Region/country	2019	2020	2021 ^e	2022 ^f
Czech Republic	3.0	(5.8)	3.7	4.4
Hungary	4.6	(5.2)	6.0	5.5
Poland	4.7	(2.7)	4.5	5.3
Slovakia	2.5	(4.8)	5.0	5.0
Central Europe	4.0	(4.0)	4.6	5.1
Albania	2.1	(4.0)	5.7	4.4
Bosnia and Herzegovina	2.8	(4.6)	3.8	3.6
Bulgaria	3.7	(4.2)	3.0	4.0
Croatia	2.9	(8.0)	5.1	4.9
Kosovo	4.8	(2.7)	6.1	5.5
Romania	4.1	(3.9)	7.5	4.7
Serbia	4.2	(1.1)	6.5	4.0
Southeastern Europe	3.8	(4.1)	6.2	4.5
Belarus	1.3	(0.9)	0.5	2.0
Russia	2.0	(3.0)	2.3	1.3
Ukraine	3.2	(4.0)	3.8	3.5
Eastern Europe	2.1	(3.0)	2.4	1.5
Austria	1.4	(6.3)	3.5	5.0
Euro area	1.3	(6.7)	4.5	4.0

Source: Raiffeisen Research - the above data is based on the analysts' estimates (base case scenario) from the beginning of July 2021; subsequent revisions may be made for prior years (e: estimate; f: forecast)

CEE banking sector

The first signs of an economic recovery for CEE banks in the first half of 2021, was seen in the normalization of credit extensions, albeit predominantly in the retail customer segment. In the second quarter of 2021, the increase in loans being granted came not only from mortgage lending but also from an upturn in consumer finance (predominantly in Ukraine, Russia, and Hungary). In contrast, corporate loan volumes continued to be subject to a level of fluctuation in CE/SEE, a substantial upturn would require higher demand for long-term investment loans. Against this backdrop, the banks in CE/SEE remained (overly) liquid, with the average loan/deposit ratio at under 80 per cent. An increase in economic output in Europe and a reduction in restrictions on business activities are a good indicator for loan growth in the second half of 2021, even if the Delta variant of concern could pose a burden. In this environment, a recovery of banks' profitability over the course of 2021 is anticipated, mainly due to lower risk costs and largely stable asset quality in the region. In the longer term, the accumulated stock of Stage 2 loans (including COVID-restructured loans) should be kept in focus, as this could lead to additional risk cost requirements. As expected, banks' net interest margins were impacted by the pandemic, though stabilization is likely as several central banks in CEE have already started to phase out monetary stimuli (Russia, Ukraine, Belarus, Hungary, Czech Republic) and further central banks in the region should follow in 2021/2022.

Significant events in the reporting period

Raiffeisenbank a.s. (Czech Republic) signs referral agreement with ING on re-contracting of Czech retail customers

In February 2021, RBI's Czech subsidiary, Raiffeisenbank a.s. (RBCZ), signed a referral agreement with ING Bank N.V. (ING) on the re-contracting of ING's Czech retail customers, which occurred in the second quarter following approval by the Czech Office for Protection of the Competition.

Earnings and financial performance

The positive earnings trend from the first quarter continued in the second quarter. Consolidated profit substantially increased by 66 per cent to € 612 million year-on-year. An expansion of business volumes, primarily in short-term lending, allowed for a stabilization of net interest income, which had been impacted by key interest rate cuts and currency devaluations. While net interest income showed the beginning of a positive trend in the second quarter, net fee and commission income already regained its pre-pandemic level with an increase of 11 per cent. The increase in consolidated profit was also due to significantly lower loan loss provisions, which at € 110 million were € 202 million down on the comparable period. Reversals of impairment losses on equity investments and lower expenses for governmental measures and compulsory contributions also had a positive impact on profit.

In addition to the ongoing low interest rate environment, the income statement continues to be impacted by currency movements due to the COVID-19 pandemic. Following strong devaluation pressure on numerous CEE currencies in the financial year 2020, the first half of 2021 saw a slight appreciation trend. However, the average exchange rates of the Russian ruble and the Ukrainian hryvnia were still both 17 per cent and the US dollar 9 per cent below the respective level of the year prior.

in € million	1/1-30/6/2021	1/1-30/6/2020 ¹	Change	
Net interest income	1,571	1,706	(135)	(7.9)%
Dividend income	32	15	17	117.9%
Current income from investments in associates	21	22	(1)	(2.3)%
Net fee and commission income	932	840	93	11.1%
Net trading income and fair value result	32	62	(31)	(49.2)%
Net gains/losses from hedge accounting	(1)	4	(5)	-
Other net operating income	55	72	(17)	(23.6)%
Operating income	2,641	2,720	(79)	(2.9)%
Staff expenses	(776)	(808)	32	(4.0)%
Other administrative expenses	(456)	(453)	(3)	0.7%
Depreciation	(195)	(190)	(5)	2.5%
General administrative expenses	(1,427)	(1,451)	24	(1.7)%
Operating result	1,214	1,269	(55)	(4.3)%
Other result	(74)	(172)	98	(56.8)%
Governmental measures and compulsory contributions	(161)	(220)	59	(26.9)%
Impairment losses on financial assets	(110)	(312)	202	(64.8)%
Profit/loss before tax	870	566	304	53.7%
Income taxes	(196)	(145)	(51)	34.9%
Profit/loss after tax	674	420	253	60.2%
Profit attributable to non-controlling interests	(62)	(52)	(10)	19.0%
Consolidated profit/loss	612	368	243	66.1%

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

Group average interest-bearing assets rose 10 per cent, mainly due to increases in short-term investments of excess liquidity. Net interest income nevertheless decreased € 135 million to € 1,571 million as a result of interest rate cuts in numerous Group countries as well as due to currency devaluations, in particular in Russia and Ukraine. The net interest margin narrowed 38 basis points to 1.93 per cent.

Despite currency devaluations in Eastern Europe, net fee and commission income increased € 93 million to € 932 million, primarily due to increased transactions in clearing, settlement and payment services and in foreign exchange business during the reporting period following COVID-19-related restrictions in the previous year. The largest increase was recorded at head office, with further increases on a currency-adjusted basis in Russia, Romania, Hungary, and the Czech Republic.

Net trading income and the fair value result decreased € 31 million to € 32 million, mainly due to a decline of € 38 million in Russia as a result of interest rate-related valuation losses on government bonds and foreign exchange derivatives.

Other net operating income decreased € 17 million year-on-year, largely due to the release of a provision for litigation in Slovakia in the comparable period (€ 18 million). Derecognition of the AVAL brand resulted in a loss of € 8 million following a change in strategic focus.

General administrative expenses

General administrative expenses were down 2 per cent year-on-year, or € 24 million, to € 1,427 million. Currency movements resulted in a € 54 million reduction. The average headcount decreased 1,594 full-time equivalents year-on-year to 45,205, primarily in the Ukraine (down 805) due to branch closures, as well as in Slovakia (down 271) and Russia (down 170). Staff expenses fell € 32 million to € 776 million, mainly due to currency effects, branch closures and the lower headcount.

Other administrative expenses increased, despite currency devaluations, to € 456 million. This increase was mainly driven by higher legal, advisory and consulting expenses (up € 13 million) at head office and in Poland. Currency effects and, in various markets, lower office space expenses because of the COVID-19 pandemic reduced expenses. Depreciation and amortization of tangible and intangible fixed assets rose slightly, increasing 3 per cent or € 5 million to € 195 million. The number of business outlets fell 194 to 1,788 year-on-year. The largest declines were in Ukraine (down 60), Romania (down 46), Slovakia (down 24), and Russia (down 23).

Other result

The other result amounted to minus € 74 million in the reporting period, compared to minus € 172 million in the comparable period. In the reporting period, good business performance and rising stock market prices of listed equity investments resulted in € 65 million in reversals of impairment losses on investments in associates valued at equity (UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG). This compared to impairment losses of € 77 million in the previous year's period due to the deteriorating economic outlook as a result of the pandemic. A goodwill impairment of € 27 million was also recognized in the previous year's period on Raiffeisen Kapitalanlage-Gesellschaft to reflect the revised medium-term plan due to the pandemic. The previous year's period also saw net modification losses of € 22 million due to the introduction of loan repayment moratoriums; these losses amounted to € 5 million in the reporting period. On the expense side, credit-linked and portfolio-based provisions for litigation were allocated in the amount of € 118 million (an increase of € 75 million), mainly for pending litigation in Poland (€ 105 million) in connection with mortgage loans which are denominated in foreign currencies or indexed to a foreign currency. The € 87 million increase in the allocation of credit-linked provisions in Poland was the result of changes in the parameters of the model calculation.

Governmental measures and compulsory contributions

Governmental measures and compulsory contributions decreased € 59 million to € 161 million. Bank levies declined € 66 million to € 26 million. This reduction mainly related to the discontinuation of the special bank levy in Austria (previous year's period: € 41 million) – that was introduced in 2016, totaled € 163 million for RBI, and was booked in four tranches from 2017 to 2020 – and to the abolition of the bank levy in Slovakia (previous year's period: € 26 million). Deposit insurance fees increased € 6 million – mainly in Slovakia and at head office – to € 60 million.

Impairment losses on financial assets

Impairment losses on financial assets in the amount of € 110 million were recognized in the reporting period, compared with € 312 million in the previous year's period. This includes risk costs related to COVID-19 – post-model adjustments and adjustments to macroeconomic data – in the amount of € 25 million in the reporting period (€ 37 million in net allocations of provisions relating to non-financial corporations and € 12 million in net releases of provisions relating to households) and € 158 million in the comparable period (€ 123 million relating to non-financial corporations and € 36 million relating to households). Provisions were mainly recognized for the hotel, office and retail real estate sectors and for project finance.

In stage 1 and stage 2, net impairments of € 37 million were recognized in the reporting period (previous year's period: € 190 million), including a net € 58 million relating to loans to non-financial corporations, mainly in Austria (€ 29 million) and Belarus (€ 26 million). A net release of € 24 million was recognized for loans to households, mainly in the Czech Republic (€ 16 million) and Slovakia (€ 11 million). For defaulted loans (stage 3), net impairments of € 71 million were recognized in the reporting period (previous year's period: net € 141 million). Of this, € 70 million related to households, primarily in Russia (€ 24 million), Romania (€ 10 million), Slovakia (€ 7 million), Bulgaria and Croatia (€ 5 million each). A net release of € 7 million related to non-financial corporations and new provisioning of € 7 million to other financial corporations.

The NPE ratio was slightly down with a decrease of 0.1 percentage points on the end of the year to 1.7 per cent, mainly due to an increase in deposits at central banks, while the NPE coverage ratio was down 1.2 percentage points to 60.3 per cent.

Income taxes

Income taxes increased € 51 million to € 196 million, whereas the tax rate fell 3.1 percentage points to 22.5 per cent. This was mainly due to an improved earnings contribution from head office.

Quarterly results

in € million	Q2/2020 ¹	Q3/2020 ¹	Q4/2020 ¹	Q1/2021	Q2/2021
Net interest income	825	770	765	767	804
Dividend income	8	4	3	5	27
Current income from investments in associates	31	22	(3)	16	6
Net fee and commission income	392	433	466	434	499
Net trading income and fair value result	25	33	(2)	5	27
Net gains/losses from hedge accounting	(8)	3	(8)	6	(7)
Other net operating income	26	21	25	28	27
Operating income	1,299	1,286	1,247	1,259	1,382
Staff expenses	(405)	(367)	(391)	(382)	(394)
Other administrative expenses	(218)	(221)	(276)	(213)	(243)
Depreciation	(96)	(97)	(110)	(97)	(98)
General administrative expenses	(719)	(685)	(777)	(692)	(735)
Operating result	580	601	470	567	647
Other result	(90)	(38)	5	(38)	(37)
Governmental measures and compulsory contributions	(53)	(24)	(28)	(130)	(31)
Impairment losses on financial assets	(158)	(185)	(133)	(79)	(31)
Profit/loss before tax	279	354	314	321	549
Income taxes	(66)	(95)	(84)	(78)	(118)
Profit/loss after tax	213	259	230	243	430
Profit attributable to non-controlling interests	(21)	(29)	(25)	(28)	(34)
Consolidated profit/loss	192	230	205	216	396

¹ Previous year's 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 2021 compared to the first quarter of 2021

Consolidated profit rose 83 per cent quarter-on-quarter to € 396 million. Much of the rise was attributable to an increase of € 123 million in operating income, mainly in net fee and commission income and net interest income. Profit also grew as a result of lower expenses for governmental measures and compulsory contributions as well as another significant decrease in loan loss provisions.

Net interest income was up € 37 million to € 804 million. The largest increase, of € 12 million, resulted from lower refinancing costs at head office. Russia reported a volume-related increase of € 10 million in net interest income. In Ukraine, higher volumes also generated a € 7 million increase in net interest income. The net interest margin was 1.92 per cent in the second quarter (previous quarter: 1.94 per cent). Dividend income was up € 22 million due to higher dividend income from affiliated companies and equity investments. Net fee and commission income rose 15 per cent, or € 65 million, to € 499 million. This was driven by higher volumes and a seasonal increase in revenue from clearing, settlement and payment services and the foreign exchange business in nearly all countries, particularly Russia, following COVID-19-related restrictions in the previous quarter.

General administrative expenses increased € 42 million quarter-on-quarter to € 735 million. Staff expenses rose € 12 million to € 394 million, while other administrative expenses increased € 29 million to € 243 million. The main increases were in Romania (€ 5 million), the Czech Republic and Russia (€ 3 million each) for staff expenses, and at head office (€ 16 million), as well as in Russia and Romania (€ 4 million each) for other administrative expenses.

The other result remained unchanged from the previous quarter. In the second quarter, it contained reversals of impairment losses on investments in associates valued at equity of € 64 million and allocations to credit-linked and portfolio-based provisions for litigation of € 85 million (thereof € 77 million for Poland). Governmental measures and compulsory contributions amounted to € 31 million in the second quarter of 2021, compared to € 130 million in the first quarter of 2021, as these mostly have to be posted in their entirety in the first quarter in accordance with the underlying provisions (IFRIC 21).

The decrease in impairment losses on financial assets of € 47 million was attributable to head office (€ 79 million) and Slovakia (€ 10 million). These decreases were offset by higher risk costs in Belarus (up € 24 million) due to the new EU sanctions and in Romania (up € 11 million).

Statement of financial position

Since the beginning of the year, total assets rose 9 per cent, or € 15,741 million, to € 181,700 million. Currency movements – which trended slightly upward in the reporting period due mainly to the Russian ruble appreciating 5 per cent and the US dollar appreciating 3 per cent – resulted in an increase of 1 per cent.

Assets

in € million	30/6/2021	31/12/2020	Change	
Loans to banks	15,983	11,952	4,030	33.7%
Loans to customers	94,052	90,671	3,381	3.7%
Securities	23,155	22,162	994	4.5%
Cash and other assets	48,510	41,174	7,336	17.8%
Total	181,700	165,959	15,741	9.5%

The increase in loans to banks mainly occurred in the Czech Republic (up € 3,659 million), due to higher volume in repurchase agreements with the Czech National Bank, and in Hungary (up € 912 million). The increase in Hungary was largely attributable to short-term deposits at the Hungarian National Bank.

The nearly 4 per cent increase in customer loans reported in the first half-year – supported by the appreciation of several currencies (e.g. US dollar, Russian ruble) – mainly resulted from loans to non-financial corporations (up € 1,880 million to € 46,830 million, in the lending business and in short-term lending), and to households (up € 1,630 million to € 35,998 million, especially in mortgages and personal loans). The largest increases occurred in Russia (up € 1,039 million), the Czech Republic (up € 474 million) and Ukraine (up € 368 million).

Securities increased in Russia due in particular to the investment of liquidity (up net € 282 million), particularly in US treasury bonds, while securities in Romania rose € 185 million, mainly in government bonds denominated in local currency.

The significant increase in cash was also attributable to the investment of liquidity – primarily deposits at national banks – at head office (up € 4,361 million) and in Slovakia (up € 3,013 million).

Equity and liabilities

in € million	30/6/2021	31/12/2020	Change	
Deposits from banks	36,730	29,121	7,609	26.1%
Deposits from customers	108,808	102,112	6,696	6.6%
Debt securities issued and other liabilities	21,269	20,438	831	4.1%
Equity	14,892	14,288	604	4.2%
Total	181,700	165,959	15,741	9.5%

The Group's funding from banks increased significantly with respect to short-term deposits and repo transactions at head office and as a result of new borrowings under the TLTRO III program in Slovakia and also at head office.

The € 6,696 million, or 7 per cent, increase in deposits from customers was primarily driven by short-term deposits from households (up € 5,137 million to € 55,184 million) and non-financial corporations (up € 1,501 million to € 41,164 million). The largest gains in deposits were reported in the Czech Republic (up € 3,421 million, including € 2,829 million from households), Russia (up € 1,009 million), Hungary (up € 674 million), Slovakia (up € 567 million) and Ukraine (up € 490 million). Some of the increase in the Czech Republic came from assuming the ING portfolio of € 1.8 billion.

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 rose € 604 million from the start of the year to € 14,892 million.

In April 2021, the Annual General Meeting approved a dividend payment of € 0.48 per share for 2020. This amounted to a total dividend distribution of € 158 million.

Total comprehensive income increased € 879 million to € 781 million and comprised profit after tax of € 674 million and other comprehensive income of € 107 million. Currency movements since the beginning of the year had a positive impact of € 193 million following a negative impact of € 591 million in the previous year. The 5 per cent appreciation of the Russian ruble led to a positive contribution of € 91 million, the 3 per cent appreciation of the Czech koruna contributed € 53 million and the 7 per cent appreciation of the Ukrainian hryvnia resulted in income of € 31 million. This was partly offset by a valuation loss of € 56 million from the hedge of net investments, primarily in Russian rubles.

Capital attributable to non-controlling interests rose € 105 million. This was primarily due to the proportion of total comprehensive income attributable to non-controlling interests of € 77 million and a capital increase of € 43 million in the Czech Republic. Dividend payments, in contrast, reduced the amount by € 37 million – mainly in Ukraine and Slovakia.

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

Common equity tier 1 (CET1) after deductions amounted to € 11,296 million, representing a € 534 million increase compared to the 2020 year-end figure. The main driver of the increase is the half-year profit. The proposed dividend for 2020 of € 0.48 per share was approved by the Annual General Meeting on 22 April 2021 and has already been paid. The Management Board will consider an additional dividend payment once the ECB recommendation to suspend or limit dividend payments is withdrawn. Consequently, the dividend of € 1.00 per share originally proposed for 2019 remains deducted from CET1 until further notice. Tier 1 capital after deductions increased € 454 million to € 12,943 million. The increase was mainly due to the interim profit and the reduction in additional tier 1 capital (AT1) that is allocated to minority interests. Tier 2 capital rose € 330 million to € 2,431 million. The reason for the rise was a new issue of € 500 million, minus the reduced regulatory eligibility of outstanding issues (due to the regulatory amortization in the last five years of the maturity period). Total capital amounted to € 15,374 million, representing an increase of € 784 million compared to the 2020 year-end figure.

Total risk-weighted assets (RWA) increased € 6,035 million from the end of 2020 to € 84,899 million. The major reasons for organic growth were new loan business as well as business developments at head office. Inorganic growth was driven by both rating downgrades in the credit business as well as by increases in market risk caused by an increase in the multiplier in the internal model. An increase in operational risk, largely attributable to the rise in internal and external loss data in the Advanced Measurement Approach (AMA model), also led to an increase in risk-weighted assets.

This resulted in a (fully loaded) CET 1 ratio of 13.3 per cent (down 0.3 percentage points), whereby the dividend originally proposed for 2019 remains deducted with an effect of 0.4 percentage points on the ratio, a tier 1 ratio of 15.2 per cent (down 0.5 percentage points) and a total capital ratio of 18.1 per cent (down 0.3 percentage points).

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

For further information on events after the reporting date, please refer to the interim consolidated financial statements.

Outlook

New lending accelerated in the second quarter and we now expect mid- to high single digit percentage loan growth for 2021 (excluding Equa bank).

Barring renewed lockdowns, the provisioning ratio for 2021 is expected to be around 50 basis points.

We remain committed to a cost/income ratio of around 55 per cent – possibly as soon as 2022 depending on the speed of the recovery.

We expect the consolidated return on equity to improve in 2021, and we target 11 per cent in the medium term.

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 and country performance

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. For further information on segmentation, please refer to the chapter segment reporting in the interim consolidated financial statements as well as the RBI website (www.rbiinternational.com → Investors → Reports → Data in XLSM format).

Central Europe

in € million	1/1-30/6 2021	1/1-30/6 2020 ¹	Change	Q2/2021	Q1/2021	Change
Net interest income	376	413	(9.0)%	192	184	4.0%
Dividend income	9	2	271.0%	9	0	>500.0%
Current income from investments in associates	3	2	93.7%	1	2	(54.0)%
Net fee and commission income	227	203	11.8%	119	107	11.0%
Net trading income and fair value result	3	7	(51.8)%	4	0	-
Net gains/losses from hedge accounting	(1)	0	143.8%	0	(1)	-
Other net operating income	12	38	(67.9)%	9	3	190.1%
Operating income	629	664	(5.2)%	334	296	13.0%
General administrative expenses	(349)	(347)	0.4%	(179)	(170)	5.1%
Operating result	281	317	(11.5)%	155	125	23.8%
Other result	(108)	(25)	328.0%	(80)	(29)	178.8%
Governmental measures and compulsory contributions	(49)	(67)	(27.2)%	(3)	(45)	(92.8)%
Impairment losses on financial assets	1	(91)	-	9	(8)	-
Profit/loss before tax	124	133	(6.8)%	81	43	89.9%
Income taxes	(47)	(29)	62.8%	(29)	(18)	59.3%
Profit/loss after tax	77	105	(26.0)%	53	25	112.1%
Return on equity before tax	7.1%	7.9%	(0.8) PP	9.2%	5.0%	4.3 PP
Return on equity after tax	4.4%	6.2%	(1.8) PP	6.0%	2.9%	3.1 PP
Net interest margin (average interest-bearing assets)	1.56%	2.01%	(0.46) PP	1.51%	1.61%	(0.10) PP
Cost/income ratio	55.4%	52.3%	3.1 PP	53.5%	57.6%	(4.1) PP

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

The main reason for the year-on-year decline in profit after tax, was the reduction in net interest income due to lower market interest rates, above all in the Czech Republic. This also significantly affected the net interest margin. In contrast, net fee and commission income was up € 24 million due to higher income in Slovakia, the Czech Republic and Hungary. Other net operating income was down largely as a result of the release of a provision for litigation in Slovakia in the comparable period of the previous year (€ 18 million). Credit-linked and portfolio-based provisions for litigation had a negative impact on the other result in Poland of € 105 million (up € 87 million). The decrease in governmental measures and compulsory contributions was due to the abolition of the bank levy in Slovakia in July 2020. The lower risk costs were attributable to post-model adjustments and adjustments to macro-economic data, which led to a net release of € 16 million in the reporting period versus new allocations of € 57 million in the same period of the previous year, as well as rating improvements and releases due to repayments.

in € million	Poland		Slovakia	
	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹
Net interest income	6	8	138	147
Dividend income	0	0	0	0
Current income from investments in associates	0	0	3	2
Net fee and commission income	1	1	82	72
Net trading income and fair value result	1	0	4	9
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	(5)	0	1	20
Operating income	3	9	228	248
General administrative expenses	(13)	(10)	(109)	(110)
Operating result	(10)	(1)	119	139
Other result	(105)	(18)	0	0
Governmental measures and compulsory contributions	(2)	(3)	(10)	(31)
Impairment losses on financial assets	(4)	(10)	(5)	(48)
Profit/loss before tax	(122)	(31)	104	60
Income taxes	0	0	(23)	(12)
Profit/loss after tax	(122)	(31)	81	48

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		Hungary	
	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹
Net interest income	151	183	81	75
Dividend income	2	0	7	2
Net fee and commission income	69	62	75	68
Net trading income and fair value result	1	(8)	(3)	6
Net gains/losses from hedge accounting	0	(1)	(1)	0
Other net operating income	10	11	4	2
Operating income	234	247	162	154
General administrative expenses	(132)	(133)	(95)	(94)
Operating result	102	114	68	60
Other result	(1)	(4)	(3)	(4)
Governmental measures and compulsory contributions	(16)	(14)	(20)	(19)
Impairment losses on financial assets	14	(26)	(5)	(8)
Profit/loss before tax	100	70	40	28
Income taxes	(19)	(10)	(5)	(6)
Profit/loss after tax	80	61	36	22

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

Southeastern Europe

in € million	1/1-30/6 2021	1/1-30/6 2020 ¹	Change	Q2/2021	Q1/2021	Change
Net interest income	417	430	(3.2)%	208	208	0.0%
Dividend income	5	3	71.4%	5	0	>500.0%
Net fee and commission income	205	180	14.1%	110	95	16.7%
Net trading income and fair value result	15	18	(18.8)%	9	6	50.7%
Net gains/losses from hedge accounting	0	0	-	0	0	(77.7)%
Other net operating income	9	5	77.7%	5	4	31.4%
Operating income	650	636	2.2%	337	313	7.9%
General administrative expenses	(327)	(332)	(1.5)%	(170)	(157)	8.1%
Operating result	323	304	6.4%	168	156	7.7%
Other result	(15)	(28)	(45.2)%	(12)	(4)	229.3%
Governmental measures and compulsory contributions	(29)	(38)	(23.5)%	(4)	(25)	(82.2)%
Impairment losses on financial assets	(31)	(99)	(68.7)%	(21)	(10)	107.3%
Profit/loss before tax	248	139	78.7%	130	117	11.3%
Income taxes	(39)	(24)	63.8%	(23)	(16)	48.1%
Profit/loss after tax	209	115	81.8%	107	102	5.7%
Return on equity before tax	14.1%	8.4%	5.7 PP	14.9%	13.2%	1.7 PP
Return on equity after tax	11.9%	7.0%	5.0 PP	12.3%	11.4%	0.8 PP
Net interest margin (average interest-bearing assets)	2.99%	3.38%	(0.39) PP	2.95%	3.01%	(0.06) PP
Cost/income ratio	50.3%	52.2%	(1.9) PP	50.3%	50.2%	0.1 PP

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

Profit after tax rose € 94 million, year-on-year, largely reflecting the strong decline in risk costs. At € 31 million, these were € 68 million lower than in the same period of the previous year, mainly as a result of developments in Romania, Croatia, Albania, and Bulgaria. The drivers were considerably lower post-model adjustments (€ 13 million versus € 52 million in the prior-year period), rating improvements and releases due to repayments. Net operating income also increased, mainly as a consequence of the € 25 million, or 14 per cent, increase in net fee and commission income, which mostly reflected increased transactions in clearing, settlement and payment services and foreign exchange business following COVID-19-induced restrictions in the comparable prior-year period. The other result improved due to a reduction of € 14 million in allocations to credit-linked and portfolio-based provisions for litigation in Romania.

in € million	Albania		Bosnia and Herzegovina		Bulgaria	
	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹
Net interest income	26	27	30	32	58	58
Dividend income	2	0	0	1	2	2
Net fee and commission income	7	6	22	19	28	24
Net trading income and fair value result	1	4	1	1	1	1
Other net operating income	(1)	0	1	0	0	0
Operating income	36	36	55	53	90	84
General administrative expenses	(19)	(20)	(24)	(25)	(44)	(44)
Operating result	18	17	31	28	45	41
Other result	0	0	(3)	0	0	0
Governmental measures and compulsory contributions	(3)	(3)	(3)	(2)	(6)	(15)
Impairment losses on financial assets	6	(5)	(7)	(11)	(9)	(19)
Profit/loss before tax	20	9	19	15	30	7
Income taxes	(3)	(1)	(2)	(2)	(3)	(1)
Profit/loss after tax	17	8	17	12	27	6

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	Croatia		Romania		Serbia	
	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹
Net interest income	56	59	180	189	42	43
Dividend income	0	0	0	0	0	0
Net fee and commission income	33	29	82	74	26	23
Net trading income and fair value result	3	(3)	6	12	2	4
Other net operating income	2	2	0	(3)	5	6
Operating income	94	87	269	272	75	75
General administrative expenses	(52)	(56)	(140)	(139)	(34)	(34)
Operating result	43	31	129	133	41	41
Other result	(10)	(7)	(3)	(21)	0	0
Governmental measures and compulsory contributions	(3)	(5)	(10)	(9)	(4)	(3)
Impairment losses on financial assets	(2)	(14)	(14)	(37)	(3)	(7)
Profit/loss before tax	28	5	102	65	35	30
Income taxes	(5)	(2)	(20)	(12)	(4)	(4)
Profit/loss after tax	23	3	82	52	31	27

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 2021	1/1-30/6 2020 ¹	Change	Q2/2021	Q1/2021	Change
Net interest income	488	576	(15.3)%	254	234	8.7%
Dividend income	1	0	>500.0%	0	0	6.9%
Current income from investments in associates	1	0	-	1	1	(39.4)%
Net fee and commission income	241	247	(2.2)%	135	106	27.2%
Net trading income and fair value result	(3)	38	-	(5)	3	-
Net gains/losses from hedge accounting	2	0	-	0	2	(80.0)%
Other net operating income	(8)	(5)	77.8%	(9)	1	-
Operating income	722	855	(15.6)%	376	346	8.6%
General administrative expenses	(288)	(312)	(7.8)%	(147)	(140)	4.9%
Operating result	434	544	(20.1)%	228	206	11.0%
Other result	(7)	(9)	(24.1)%	(1)	(6)	(88.1)%
Governmental measures and compulsory contributions	(22)	(22)	2.3%	(11)	(11)	3.1%
Impairment losses on financial assets	(48)	(85)	(43.0)%	(39)	(9)	318.5%
Profit/loss before tax	357	428	(16.6)%	177	180	(1.3)%
Income taxes	(82)	(90)	(8.9)%	(44)	(38)	15.0%
Profit/loss after tax	275	338	(18.7)%	133	141	(5.6)%
Return on equity before tax	27.9%	28.1%	(0.2) PP	27.7%	27.1%	0.6 PP
Return on equity after tax	21.5%	22.2%	(0.7) PP	20.9%	21.3%	(0.5) PP
Net interest margin (average interest-bearing assets)	4.99%	5.52%	(0.53) PP	5.03%	4.86%	0.17 PP
Cost/income ratio	39.8%	36.5%	3.4 PP	39.2%	40.5%	(1.4) PP

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

As in the previous year, profit after tax was affected by currency volatility (the Belarusian ruble depreciated by 21 per cent year-on-year, and both the Russian ruble and Ukrainian hryvnia by 17 per cent). In Russia, the decline in net interest income was driven primarily by currency depreciation and interest rate cuts. The currency-related reduction in net fee and commission income was almost completely offset by higher volumes. Net trading income and fair value result also declined due to the valuation of bonds and derivatives, mainly in Russia. General administrative expenses were up on a local currency basis due to, on the one hand, salary adjustments in Russia and Ukraine, and on the other, higher advertising and communication expenses. Risk costs were € 37 million lower than in the comparable period of the previous year and included a net release of € 13 million relating to post-model adjustments and adjustments to macroeconomic data (prior-year period: allocation of € 34 million). In contrast, Belarus posted impairment losses of € 27 million as a consequence of EU sanctions.

in € million	Belarus		Russia		Ukraine	
	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹	1/1-30/6 2021	1/1-30/6 2020 ¹
Net interest income	37	46	336	399	115	130
Dividend income	0	0	0	0	1	0
Current income from investments in associates	0	0	1	0	0	0
Net fee and commission income	28	29	174	175	39	43
Net trading income and fair value result	4	6	(14)	24	7	8
Net gains/losses from hedge accounting	0	0	2	0	0	0
Other net operating income	2	0	(3)	(5)	(8)	1
Operating income	71	80	497	593	154	182
General administrative expenses	(30)	(34)	(185)	(203)	(73)	(75)
Operating result	42	46	311	391	81	106
Other result	0	0	(5)	(2)	(1)	(6)
Governmental measures and compulsory contributions	(2)	(2)	(17)	(16)	(4)	(3)
Impairment losses on financial assets	(28)	(14)	(22)	(62)	1	(8)
Profit/loss before tax	12	30	267	310	78	88
Income taxes	(9)	(8)	(58)	(66)	(15)	(16)
Profit/loss after tax	3	22	209	244	62	72

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

Group Corporates & Markets

in € million	1/1-30/6 2021	1/1-30/6 2020 ¹	Change	Q2/2021	Q1/2021	Change
Net interest income	283	311	(9.0)%	151	132	14.8%
Dividend income	3	7	(59.0)%	1	2	(44.2)%
Current income from investments in associates	2	2	(15.4)%	1	1	(47.3)%
Net fee and commission income	252	200	26.1%	133	119	12.1%
Net trading income and fair value result	44	46	(5.9)%	30	14	111.5%
Net gains/losses from hedge accounting	1	(2)	-	(1)	2	-
Other net operating income	64	48	33.1%	32	32	(1.8)%
Operating income	648	613	5.9%	346	302	14.7%
General administrative expenses	(338)	(332)	1.9%	(174)	(165)	5.6%
Operating result	310	280	10.6%	173	137	25.5%
Other result	2	(5)	-	0	2	-
Governmental measures and compulsory contributions	(25)	(19)	34.9%	(8)	(18)	(56.6)%
Impairment losses on financial assets	(33)	(33)	2.4%	20	(53)	-
Profit/loss before tax	253	225	12.6%	184	69	169.2%
Income taxes	(60)	(51)	17.7%	(39)	(21)	82.1%
Profit/loss after tax	193	174	11.2%	146	47	208.5%
Return on equity before tax	13.8%	13.3%	0.5 PP	20.1%	7.4%	12.7 PP
Return on equity after tax	10.5%	10.3%	0.2 PP	15.9%	5.1%	10.7 PP
Net interest margin (average interest-bearing assets)	1.05%	1.16%	(0.11) PP	1.13%	0.97%	0.16 PP
Cost/income ratio	52.2%	54.2%	(2.0) PP	50.2%	54.5%	(4.3) PP

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

The increase in profit after tax was mainly due to the € 36 million rise in operating income, while general administrative expenses increased just € 6 million. The main driver of the improvement in operating income was a significant rise in net fee and commission income, resulting primarily from loan and guarantee business, clearing, settlement and payment services, investment banking at head office, and from higher income from investment fund management. The decline in net interest income was attributable to lower interest rates on US dollar and euro overnight deposits and derivatives held for hedge purposes.

Corporate Center

in € million	1/1-30/6 2021	1/1-30/6 2020 ¹	Change	Q2/2021	Q1/2021	Change
Net interest income	(17)	(37)	(53.0)%	(12)	(5)	132.5%
Dividend income	607	93	>500.0%	534	74	>500.0%
Current income from investments in associates	15	17	(12.3)%	3	12	(70.8)%
Net fee and commission income	12	13	(1.8)%	3	9	(60.7)%
Net trading income and fair value result	(17)	(37)	(55.0)%	(12)	(4)	196.0%
Net gains/losses from hedge accounting	(2)	0	>500.0%	(2)	0	-
Other net operating income	48	54	(11.4)%	27	21	24.5%
Operating income	647	104	>500.0%	541	107	407.6%
General administrative expenses	(194)	(195)	(0.5)%	(102)	(92)	10.1%
Operating result	453	(91)	-	439	14	>500.0%
Other result	56	(122)	-	57	(1)	-
Governmental measures and compulsory contributions	(36)	(74)	(52.3)%	(5)	(31)	(85.3)%
Impairment losses on financial assets	0	(2)	(82.8)%	2	(2)	-
Profit/loss before tax	473	(291)	-	493	(20)	-
Income taxes	25	47	(46.5)%	10	15	(32.1)%
Profit/loss after tax	498	(243)	-	504	(5)	-

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

The year-on-year increase in profit after tax was driven primarily by a € 514 million rise in intra-Group dividend income. Net trading income and fair value result was up mainly as a result of an improvement in the valuation result for derivatives. The other result improved due to reversals of impairment losses of € 66 million on investments in associates valued at equity after impairment losses of € 78 million on investments in associates valued at equity and a € 27 million goodwill impairment relating to Raiffeisen Kapitalanlage-Gesellschaft were recognized in the previous year. The reduction in expenses for governmental measures and compulsory contributions was largely due to the final payment of the special bank levy in Austria in the previous year (€ 41 million).

Interim consolidated financial statements

(Condensed interim report as at 30 June 2021)

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 44,968 employees serve about 17.7 million clients at 1,788 business outlets located mostly in CEE.

Since the company's shares are traded on a regulated market as defined in § 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 § 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 § 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 2021 was reviewed by the certified auditor Deloitte Audit Wirtschaftsprüfungs GmbH.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2021	1/1-30/6/2020 ¹
Net interest income	[1]	1,571	1,706
Interest income according to effective interest method		1,807	2,079
Interest income other		304	335
Interest expenses		(541)	(707)
Dividend income	[2]	32	15
Current income from investments in associates	[3]	21	22
Net fee and commission income	[4]	932	840
Fee and commission income		1,330	1,222
Fee and commission expenses		(397)	(382)
Net trading income and fair value result	[5]	32	62
Net gains/losses from hedge accounting	[6]	(1)	4
Other net operating income	[7]	55	72
Operating income		2,641	2,720
Staff expenses		(776)	(808)
Other administrative expenses		(456)	(453)
Depreciation		(195)	(190)
General administrative expenses	[8]	(1,427)	(1,451)
Operating result		1,214	1,269
Other result	[9]	(74)	(172)
Governmental measures and compulsory contributions	[10]	(161)	(220)
Impairment losses on financial assets	[11]	(110)	(312)
Profit/loss before tax		870	566
Income taxes	[12]	(196)	(145)
Profit/loss after tax		674	420
Profit attributable to non-controlling interests		(62)	(52)
Consolidated profit/loss		612	368

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	1/1-30/6/2021	1/1-30/6/2020
Consolidated profit/loss	612	368
Dividend claim on additional tier 1	(46)	(31)
Profit/loss attributable to ordinary shares	566	337
Average number of ordinary shares outstanding in million	329	329
Earnings per share in €	1.72	1.03

As there were no conversion rights or options outstanding, a dilution of earnings per share did not occur.

Other comprehensive income and total comprehensive income

in € million	Notes	1/1-30/6/2021	1/1-30/6/2020
Profit/loss after tax		674	420
Items which are not reclassified to profit or loss		(12)	16
Remeasurements of defined benefit plans	[28]	7	7
Fair value changes of equity instruments	[15]	3	(11)
Fair value changes due to changes in credit risk of financial liabilities	[25]	(1)	33
Share of other comprehensive income from companies valued at equity	[20]	(21)	(13)
Deferred taxes on items which are not reclassified to profit or loss	[22, 29]	0	1
Items that may be reclassified subsequently to profit or loss		119	(535)
Exchange differences		193	(591)
Hedge of net investments in foreign operations	[19, 27]	(56)	72
Adaptions to the cash flow hedge reserve	[19, 27]	(5)	2
Fair value changes of financial assets	[15]	(19)	(19)
Share of other comprehensive income from companies valued at equity	[20]	3	(1)
Deferred taxes on items which may be reclassified to profit or loss	[22, 29]	4	1
Other comprehensive income		107	(519)
Total comprehensive income		781	(99)
Profit attributable to non-controlling interests		(77)	(13)
hereof income statement		(62)	(52)
hereof other comprehensive income		(15)	39
Profit/loss attributable to owners of the parent		704	(112)

Statement of financial position

Assets in € million	Notes	30/6/2021	31/12/2020
Cash, cash balances at central banks and other demand deposits	[13]	41,586	33,660
Financial assets - amortized cost	[14]	124,763	116,596
Financial assets - fair value through other comprehensive income	[15, 32]	5,303	4,769
Non-trading financial assets - mandatorily fair value through profit/loss	[16, 32]	879	822
Financial assets - designated fair value through profit/loss	[17, 32]	335	457
Financial assets - held for trading	[18, 32]	3,872	4,400
Hedge accounting	[19]	320	563
Investments in subsidiaries and associates	[20]	935	1,002
Tangible fixed assets	[21]	1,642	1,684
Intangible fixed assets	[21]	776	763
Current tax assets	[22]	90	87
Deferred tax assets	[22]	109	121
Other assets	[23]	1,089	1,035
Total		181,700	165,959

Equity and liabilities in € million	Notes	30/6/2021	31/12/2020
Financial liabilities - amortized cost	[24]	157,170	141,735
Financial liabilities - designated fair value through profit/loss	[25, 32]	1,434	1,507
Financial liabilities - held for trading	[26, 32]	5,524	5,980
Hedge accounting	[27]	290	421
Provisions for liabilities and charges	[28]	1,157	1,061
Current tax liabilities	[29]	60	77
Deferred tax liabilities	[29]	39	37
Other liabilities	[30]	1,133	853
Equity	[31]	14,892	14,288
Consolidated equity		12,342	11,835
Non-controlling interests		926	820
Additional tier 1		1,625	1,633
Total		181,700	165,959

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 1/1/2021	1,002	4,992	9,234	(3,394)	11,835	820	1,633	14,288
Capital increases/decreases	0	0	0	0	0	48	0	48
Allocation dividend - AT1	0	0	(46)	0	(46)	0	46	0
Dividend payments	0	0	(158)	0	(158)	(37)	(46)	(240)
Own shares	0	0	0	0	0	0	(8)	(8)
Other changes	0	0	7	0	7	18	0	24
Total comprehensive income	0	0	612	92	704	77	0	781
Equity as at 30/6/2021	1,002	4,992	9,649	(3,301)	12,342	926	1,625	14,892

Equity as at 1/1/2020	1,002	4,992	8,443	(2,620)	11,817	811	1,137	13,765
Capital increases/decreases	0	0	0	0	0	0	0	0
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

Statement of cash flows

in € million	Notes	1/1-30/6/2021	1/1-30/6/2020 ¹
Cash, cash balances at central banks and other demand deposits as at 1/1	[13]	33,660	24,289
Operating activities:			
Profit/loss before tax		870	566
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]	196	218
Net provisioning for liabilities and charges and impairment losses on financial assets	[7, 11]	228	342
Gains/losses from the measurement and derecognition of assets and liabilities	[5, 9]	20	(42)
Income from investments in associates	[3]	(21)	(22)
Other adjustments (net) ²		(1,492)	(1,567)
Subtotal		(200)	(505)
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Financial assets - amortized cost	[14]	(6,560)	(4,689)
Financial assets - fair value through other comprehensive income	[15, 32]	(508)	(555)
Non-trading financial assets - mandatorily fair value through profit/loss	[16, 32]	(50)	(103)
Financial assets - designated fair value through profit/loss	[17, 32]	122	1,315
Financial assets - held for trading	[18, 32]	327	(72)
Other assets	[23]	(47)	198
Financial liabilities - amortized cost	[24]	14,135	13,124
Financial liabilities - designated fair value through profit/loss	[25, 32]	(57)	(103)
Financial liabilities - held for trading	[26, 32]	(229)	181
Provisions for liabilities and charges	[28]	(126)	(122)
Other liabilities	[30]	185	112
Interest received	[1]	1,970	2,368
Interest paid	[1]	(496)	(728)
Dividends received	[2]	165	72
Income taxes paid	[12]	(172)	(166)
Net cash from operating activities		8,458	10,326

¹ Previous year figures adjusted due to the disclosure of cash outflows for leases in net cash from financing activities

² Other adjustments (net) 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.

in € million	1/1-30/6/2021	1/1-30/6/2020 ¹
Investing activities:		
Cash and cash equivalents from purchase and disposal of subsidiaries	106	(1)
Payments for purchase of:		
Investment securities and shares [14, 15, 16, 17, 20]	(1,800)	(5,324)
Tangible and intangible fixed assets [21]	(147)	(156)
Subsidiaries	(19)	0
Proceeds from sale of:		
Investment securities and shares [14, 15, 16, 17, 20]	1,075	1,431
Tangible and intangible fixed assets [21]	17	61
Subsidiaries [9]	0	0
Net cash from investing activities	(768)	(3,989)
Financing activities:		
Capital increases	0	0
Capital decreases	(8)	(5)
Inflows subordinated financial liabilities [24, 25]	411	496
Outflows subordinated financial liabilities [24, 25]	0	(310)
Cash flows for leases	(29)	(29)
Dividend payments	(221)	(37)
Changes in non-controlling interests	48	0
Net cash from financing activities	201	115
Effect of exchange rate changes	35	(261)
Cash, cash balances at central banks and other demand deposits as at 30/6	41,586	30,481

¹ Previous year figures adjusted due to the disclosure of cash outflows for leases in net cash from financing activities.

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 m.b.H., 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.

1/1-30/6/2021 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	376	417	488	283
Dividend income	9	5	1	3
Current income from investments in associates	3	0	1	2
Net fee and commission income	227	205	241	252
Net trading income and fair value result	3	15	(3)	44
Net gains/losses from hedge accounting	(1)	0	2	1
Other net operating income	12	9	(8)	64
Operating income	629	650	722	648
General administrative expenses	(349)	(327)	(288)	(338)
Operating result	281	323	434	310
Other result	(108)	(15)	(7)	2
Governmental measures and compulsory contributions	(49)	(29)	(22)	(25)
Impairment losses on financial assets	1	(31)	(48)	(33)
Profit/loss before tax	124	248	357	253
Income taxes	(47)	(39)	(82)	(60)
Profit/loss after tax	77	209	275	193
Profit attributable to non-controlling interests	(37)	0	(20)	(5)
Profit/loss after deduction of non-controlling interests	41	209	255	188
Return on equity before tax	7.1%	14.1%	27.9%	13.8%
Return on equity after tax	4.4%	11.9%	21.5%	10.5%
Net interest margin (average interest-bearing assets)	1.56%	2.99%	4.99%	1.05%
Cost/income ratio	55.4%	50.3%	39.8%	52.2%
Loan/deposit ratio	79.7%	67.0%	74.4%	134.7%
Provisioning ratio (average loans to customers)	(0.01)%	0.37%	0.78%	0.19%
NPE ratio	1.8%	2.7%	2.0%	1.6%
NPE coverage ratio	56.8%	68.3%	60.6%	56.5%
Assets	54,079	31,131	22,271	56,739
Total risk-weighted assets (RWA)	20,246	16,547	14,663	28,707
Equity	3,656	3,413	2,368	3,633
Loans to customers	30,258	16,750	12,986	34,911
Deposits from customers	39,054	25,166	17,697	28,516
Business outlets	352	818	598	20
Employees as at reporting date (full-time equivalents)	9,238	13,754	16,966	3,216
Customers in million	3.0	5.3	7.5	1.9

1/1-30/6/2021			
in € million	Corporate Center	Reconciliation	Total
Net interest income	(17)	24	1,571
Dividend income	607	(593)	32
Current income from investments in associates	15	0	21
Net fee and commission income	12	(4)	932
Net trading income and fair value result	(17)	(11)	32
Net gains/losses from hedge accounting	(2)	(1)	(1)
Other net operating income	48	(70)	55
Operating income	647	(655)	2,641
General administrative expenses	(194)	69	(1,427)
Operating result	453	(587)	1,214
Other result	56	(1)	(74)
Governmental measures and compulsory contributions	(36)	0	(161)
Impairment losses on financial assets	0	3	(110)
Profit/loss before tax	473	(585)	870
Income taxes	25	6	(196)
Profit/loss after tax	498	(579)	674
Profit attributable to non-controlling interests	0	0	(62)
Profit/loss after deduction of non-controlling interests	498	(579)	612
Return on equity before tax	-	-	12.2%
Return on equity after tax	-	-	9.5%
Net interest margin (average interest-bearing assets)	-	-	1.93%
Cost/income ratio	-	-	54.0%
Loan/deposit ratio	-	-	86.0%
Provisioning ratio (average loans to customers)	-	-	0.23%
NPE ratio	-	-	1.7%
NPE coverage ratio	-	-	60.3%
Assets	41,772	(24,292)	181,700
Total risk-weighted assets (RWA)	14,594	(9,858)	84,899
Equity	7,326	(5,503)	14,892
Loans to customers	777	(1,631)	94,052
Deposits from customers	1,330	(2,954)	108,808
Business outlets	-	-	1,788
Employees as at reporting date (full-time equivalents)	1,794	-	44,968
Customers in million	0.0	-	17.7

1/1-30/6/2020 ¹ 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	38	5	(5)	48
Operating income	664	636	855	613
General administrative expenses	(347)	(332)	(312)	(332)
Operating result	317	304	544	280
Other result	(25)	(28)	(9)	(5)
Governmental measures and compulsory contributions	(67)	(38)	(22)	(19)
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	52.3%	52.2%	36.5%	54.2%
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 Previous-year figures adapted due to changed allocation. Further details can be found in the notes under changes to the income statement.

1/1-30/6/2020¹ 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	54	(69)	72
Operating income	104	(152)	2,720
General administrative expenses	(195)	67	(1,451)
Operating result	(91)	(84)	1,269
Other result	(122)	17	(172)
Governmental measures and compulsory contributions	(74)	0	(220)
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	-	-	53.3%
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 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). For the preparation of the interim consolidated financial statements, the same accounting policies are applied as described in detail in the annual consolidated financial statements. Furthermore, the interim consolidated financial statements also consider the requirements in accordance with IAS 34 regarding the form and content of interim financial reporting. Information on cyclical expenses and income is addressed in the management report.

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.

Changes to the income statement

For the purpose of a transparent presentation of the regulatory induced levies, deposit insurance fees amounting to € 60 million (previous-year period: € 54 million), previously shown in other administrative expenses, are disclosed in the item governmental measures and compulsory contributions as of 1 January 2021. Other non-income related taxes totalling € 32 million (previous-year period: € 31 million), previously shown in other net operating income, are disclosed in the item other administrative expenses. In analogy with the non-substantial modification results, gains/losses from derecognition due to substantial modification of contract terms amounting to minus € 1 million (previous-year period: € 1 million), previously shown in other net operating income, are disclosed in the item other result. The figures of the previous-year period were adapted.

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 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. The modification gains or losses are 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 item (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). However, RBI continues 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 Annual Report 2020, in the notes to financial instruments and in the risk report.

Country	Moratorium	Type	Description
Albania	expired end of August 2020	–	–
Belarus	no moratorium	–	–
Bosnia and Herzegovina	expired end of December 2020	–	–
Bulgaria	until year-end 2021	opt-in	principal, interest
Kosovo	until end of August 2021	opt-out	principal, interest
Croatia	until year-end 2021	opt-in	principal, interest
Austria	expired in January 2021	opt-in	principal, interest
Romania	expired end of March 2021	opt-in	principal, interest
Russia	expired end of September 2020	–	–
Serbia	until end of October 2021	opt-out/opt-in	principal, interest
Slovakia	extended until end of pandemic	opt-in	principal, interest
Czech Republic	expired end of October 2020	–	–
Ukraine	no moratorium	–	–
Hungary	extended until September 2021	opt-in	principal, interest, fees

Bulgaria, Croatia and Serbia: New moratorium agreements are no longer possible.

Direct government programs

Numerous support measures in the form of direct financial assistance to individuals, households, and companies in different specifications to mitigate the negative economic effects of the COVID-19 pandemic were limited in time and mostly expired over the course of the second quarter.

The participation of RBI in the TLTRO III programs (Targeted Longer-Term Refinancing Operations) of the European Central Bank was continued with increased volumes in the reporting period to generate additional liquidity buffers.

Based on an analysis of observable conditions for comparably collateralized refinancing sources available on the market the bank concluded that the conditions for the TLTRO III programs do not represent a substantial advantage to the market. The financial liabilities of the TLTRO III program are recognized and measured as financial instruments in accordance with IFRS 9 as the TLTRO instruments are seen as a separate market which is organized by the ECB in context of its money market policy.

At the reporting date the volume of long-term financial transactions out of the TLTRO III program of the ECB which was included under note (24) Financial liabilities – amortized cost under liabilities to banks amounted to about € 8,439 million. It increased by € 2,765 million in comparison to the amount as at 31 December 2020.

The interest rate of TLTRO III depends on the development of a benchmark loan portfolio, while using two comparative periods. The TLTRO conditions foresee a reduction of the interest rate, if the banks reach certain lending thresholds. The achievement of the thresholds is ongoingly monitored. In RBI, interest for the reporting period is accrued over the total period in line with the effective interest method. At initial recognition the original effective interest rate is determined under consideration of the agreements in the contract and the judgement, if the criteria for the reduced interest rates will be fulfilled. The more likely scenario is used as basis for deriving the original effective interest rate, whereby RBI at the date of initial recognition assumed, that the requirements for claiming the so-called COVID bonus for the Special Interest Period I (SIRP I, from 24 June 2020 to 23 June 2021) will not be met and, consequently, insofar no interest accrual was considered in the year-end reporting.

At the very end of the observation period, due to the achievement of the bonus criteria in the reference period (March 2020 to March 2021) the estimated contractual cash flows were revised and the accrual of the bonus over the total term of the funding was adjusted accordingly, whereby part of the accrual relating to the previous periods is fully recognized in profit or loss in the current net interest income.

This results in negative interest from the TLTRO programs of approximately € 38.6 million reported in net interest income in the current financial year, including € 4.4 million due to the catch-up effect for the bonus relating to the previous year of the SIRP I interest period. The tranches for the SIRP II bonus are not yet included in the results because from today's perspective it is unlikely that the conditions for claiming the so-called COVID bonus will be met.

Application of new and revised standards

Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – phase 2; effective date: 1 January 2021)

The current IBOR reform will replace existing reference rates (IBORs: Interbank Offered Rates) with alternative risk-free rates. IBORs are used to set interest rates on a wide range of financial products and contracts. Based on a recommendation of the FSB (Financial Stability Board), these interest rates were subjected to an extensive analysis and a reform of the relevant IBORs was initiated. For the Eurozone this implies, that the underlying calculation method of the EURIBOR has been reformed and that the EONIA (Euro Over Night Index Average) will be replaced by the newly developed €STR (Euro Short-Term Rate). Regarding the LIBOR interest rates, there will be a replacement of the existing interest rates by alternative interest rates. In this context, the USD LIBOR and the GBP LIBOR, among others, are replaced by the interest rates SOFR (Secured Overnight Financing Rate) and SONIA (Sterling Overnight Index Average). It is currently assumed that both EONIA and most LIBOR interest rates will no longer be available from 1 January 2022 onwards. Regarding USD LIBOR, interest rates on terms 1W and 2M will also be replaced on 1 January 2022, while all other terms are expected to be available until 30 June 2023. There is currently no fixed timeframe for the replacement of the reformed EURIBOR. It can be assumed that there will be no replacement in the immediate future.

The amendments of the Interest Rate Benchmark Reform – phase 2 address the impact on financial reporting of circumstances where a reference interest rate is replaced by another reference interest rate. In this context, the amendments provide practical reliefs for modifications that are directly attributable to the IBOR reform and are carried out on an economically equivalent basis. Appropriate modifications can be recognized in the financial statements by adjusting the effective interest rate. In addition, the amendments also relate to hedge accounting. Based on these reliefs, adjustments relating to the IBOR reform do not result in the termination of the recognition of an existing hedging relationship in the financial statements. Hedging relationships as well as the corresponding documentations are rather changed to reflect the new conditions. The adjustments are applicable for reporting periods beginning on or after 1 January 2021.

Coordinated by Group Treasury, each affected Group unit has been preparing for the reform since 2020 in order to ensure a smooth transition to the new risk-free interest. This is carried out in specific local projects or is coordinated in the ongoing operations of the affected local departments, mostly treasury, risk management, customer management, accounting and legal. Management and supervisory board members are regularly informed about the progress of the relevant processes and the associated risks. Currently, the focus is particularly on the replacement of LIBOR interest rates.

The Group has IBOR-related positions particularly in the field of derivatives, which are mainly held for hedging purposes, as well as in loans and deposits, bonds and its own issues. For the purpose of preparing the transition, information on the date and methods of the transition were analyzed and necessary adjustments to contracts, systems and processes were identified. The most relevant inherent risks in this context include strategic business risks, legal risks, operational risks, model risks, accounting risks and IT risks.

Market developments and risks related to the IBOR reform will be carefully monitored continuously. So far, there have been no material effects on the financial and earnings position of the Group.

Amendments to IFRS 17 and IFRS 4 (Extension of the Temporary Exemption from Applying IFRS 9; effective date: 1 January 2021)

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

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

The amendments grant lessees an exemption from assessing whether rental concessions conceded due to the Covid-19 pandemic (e.g. rent-free periods or temporary rent reductions) constitute a lease modification. If the exemption is claimed, the rental concessions must be recognised as if no amendment to the lease contract is made. The amendments initially were applied to rental concessions that reduce rental fees payable on or before 30 June 2021. In the meantime, this period has been extended until 30 June 2022. The adoption into European law occurred on 9 October 2020. These reliefs are not applied in RBI as a lessee.

Apart from these changes there were no significant changes in the Group's accounting policies compared to the Annual Report 2020.

Standards and interpretations not yet applicable

Information on this can be seen in the Annual Report 2020, chapter recognition and measurement principles.

Currencies

Rates in units per €	2021		2020	
	As at 30/6	Average 1/1-30/6	As at 31/12	Average 1/1-30/6
Albanian lek (ALL)	122.610	123.259	123.710	123.981
Belarusian ruble (BYN)	3.008	3.113	3.205	2.577
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)	7.491	7.545	7.552	7.531
Czech koruna (CZK)	25.488	25.918	26.242	26.297
Hungarian forint (HUF)	351.680	358.019	363.890	346.171
Polish zloty (PLN)	4.520	4.547	4.560	4.410
Romanian leu (RON)	4.928	4.902	4.868	4.819
Russian ruble (RUB)	86.773	89.910	91.467	76.831
Serbian dinar (RSD)	117.680	117.574	117.480	117.500
Ukrainian hryvnia (UAH)	32.392	33.525	34.756	28.670
US dollar (USD)	1.188	1.206	1.227	1.106

Consolidated group

Number of units	Fully consolidated	
	30/6/2021	31/12/2020
As at beginning of period	209	209
Included for the first time in the financial period	2	6
Merged in the financial period	0	(1)
Excluded in the financial period	(3)	(5)
As at end of period	208	209

In the reporting period, one company operating in the leasing business and one active in payment services business (acquisition Akcenta) were included for the first time. Two companies engaged in real estate business and one in leasing business were excluded from the consolidated group due to immateriality.

Business combinations

Acquisition Akcenta

The formal closing for the takeover of a 100 per cent share of Akcenta CZ a.s. – 70 per cent share taken over by Raiffeisen Bank International AG, Vienna, and 30 per cent share by Raiffeisenbank a.s., Prague – took place on 1 June 2021. Akcenta was included in the consolidated group as at 30 June 2021. At the time of preparing these consolidated financial statements, the

necessary market valuations and other calculations had not yet been finalized, so that the initial consolidation was based on the preliminary prepared opening balance according to IFRS 3.45. The final total consideration transferred depends on the certified equity in the closing balance of Akcenta.

Akcenta CZ a.s. is a Czech foreign currency and payment services provider. Akcenta offers foreign currency, payment and trading services for small and medium-sized entities in the Czech Republic, Slovakia, Hungary, Poland, Romania and Germany. The company services about 43,000 customers, more than 20,000 of them in the Czech Republic. In 2020, the company carried out customer transactions with a total volume of almost € 7 billion. At the time of initial consolidation, total assets amounted to € 126 million. The equity was at € 12 million. Akcenta will cooperate closely with the existing foreign currency and payment services business of the Group. This approach enables to utilize synergies while ensuring at the same time Akcenta's flexibility and growth dynamic and increasing market share.

The following table shows the total consideration transferred for the acquisition of Akcenta and the assets and liabilities recognized at the acquisition date:

in € million	1/6/2021
Cash, cash balances at central banks and other demand deposits	108
Financial assets - amortized cost	2
Financial assets - held for trading	8
Investments in subsidiaries and associates	1
Tangible fixed assets	1
Intangible fixed assets	6
Current tax assets	0
Deferred tax assets	0
Other assets	0
Assets	126
Financial liabilities - amortized cost	103
Financial liabilities - held for trading	6
Provisions for liabilities and charges	1
Other liabilities	5
Total identifiable net assets	12
Non-controlling interests	0
Net assets after non-controlling interests	12
Total consideration transferred	19
Goodwill	6

in € million	1/6/2021
Cost of acquisition	(19)
Liquid funds	108
Cash flow for the acquisition	90

In the course of the preliminary purchase price allocation according to IFRS 3, Akcenta's existing customer relationships were identified as a separately recognized intangible asset. The acquisition costs of the existing customer relationships amounted to € 4 million, the amortization period was set at seven years. Furthermore, in the course of the preliminary purchase price allocation Akcenta's brand name was identified as separately recognized intangible asset. The acquisition costs of the brand totalled € 0.5 million. Additionally, in the course of the purchase price allocation a goodwill of € 6.5 million was recognized.

Notes to the income statement

(1) Net interest income

in € million	1/1-30/6/2021	1/1-30/6/2020
Interest income according to effective interest method	1,807	2,079
Financial assets - fair value through other comprehensive income	47	39
Financial assets - amortized cost	1,760	2,040
Interest income other	304	335
Financial assets - held for trading	58	169
Non-trading financial assets - mandatorily fair value through profit/loss	10	15
Financial assets - designated fair value through profit/loss	4	11
Derivatives - hedge accounting, interest rate risk	140	93
Other assets	4	5
Interest income on financial liabilities	89	41
Interest expenses	(541)	(707)
Financial liabilities - amortized cost	(333)	(455)
Financial liabilities - held for trading	(31)	(131)
Financial liabilities - designated fair value through profit/loss	(22)	(27)
Derivatives - hedge accounting, interest rate risk	(114)	(71)
Other liabilities	(4)	(4)
Interest expenses on financial assets	(36)	(19)
Total	1,571	1,706

Net interest income decreased € 135 million to € 1,571 million as a result of interest rate cuts in numerous Group countries and of currency depreciations, in particular in Russia and Ukraine.

in € million	1/1-30/6/2021	1/1-30/6/2020
Net interest income	1,571	1,706
Average interest-bearing assets	162,419	147,735
Net interest margin	1.93%	2.31%

The net interest margin declined by 38 basis points to 1.93 per cent. Group average interest-bearing assets rose 10 per cent, mainly due to increases in short-term investments of excess liquidity.

(2) Dividend income

in € million	1/1-30/6/2021	1/1-30/6/2020
Financial assets - held for trading	0	0
Financial assets - fair value through other comprehensive income	8	8
Investments in subsidiaries and associates	23	6
Total	32	15

(3) Current income from investments in associates

in € million	1/1-30/6/2021	1/1-30/6/2020
Current income from investments in associates	21	22

(4) Net fee and commission income

in € million	1/1-30/6/2021	1/1-30/6/2020
Clearing, settlement and payment services	362	329
Loan and guarantee business	107	97
Securities	42	34
Asset management	135	127
Custody	40	29
Customer resources distributed but not managed	29	20
Foreign exchange business	196	175
Other	22	29
Total	932	840

Net fee and commission income rose by € 93 million to € 932 million despite currency devaluations in Eastern Europe, primarily due to increased transactions in clearing, settlement and payment services and foreign exchange business in the reporting period after COVID-19-related restrictions in the previous year. The largest increase was recorded at head office, with further currency-adjusted growth in Russia, Romania, Hungary, and the Czech Republic.

in € million	1/1-30/6/2021	1/1-30/6/2020
Fee and commission income	1,330	1,222
Clearing, settlement and payment services	576	542
Clearing and settlement	141	137
Credit cards	55	53
Debit cards and other card payments	130	116
Other payment services	249	235
Loan and guarantee business	125	111
Securities	70	63
Asset management	206	191
Custody	47	37
Customer resources distributed but not managed	46	34
Foreign exchange business	209	189
Other	51	55
Fee and commission expenses	(397)	(382)
Clearing, settlement and payment services	(214)	(213)
Clearing and settlement	(67)	(65)
Credit cards	(31)	(31)
Debit cards and other card payments	(54)	(55)
Other payment services	(63)	(62)
Loan and guarantee business	(18)	(13)
Securities	(28)	(29)
Asset management	(71)	(64)
Custody	(7)	(8)
Customer resources distributed but not managed	(17)	(14)
Foreign exchange business	(13)	(14)
Other	(29)	(27)
Total	932	840

(5) Net trading income and fair value result

in € million	1/1-30/6/2021	1/1-30/6/2020
Net gains/losses on financial assets and liabilities - held for trading	(91)	149
Derivatives	(72)	279
Equity instruments	42	(117)
Debt securities	(17)	24
Loans and advances	4	5
Short positions	5	(5)
Deposits	(49)	(40)
Debt securities issued	(1)	0
Other financial liabilities	(4)	2
Net gains/losses on non-trading financial assets - mandatorily fair value through profit or loss	4	3
Equity instruments	0	0
Debt securities	2	(4)
Loans and advances	2	7
Net gain/losses on financial assets and liabilities - designated fair value through profit/loss	19	(9)
Debt securities	0	(2)
Deposits	0	(2)
Debt securities issued	18	(5)
Exchange differences, net	100	(80)
Total	32	62

Net trading income and fair value result decreased € 31 million to € 32 million. The decrease mainly resulted from a negative change of € 38 million in Russia due to interest rate-related valuation losses on government bonds and currency derivatives.

In total, losses of € 72 million were recognized on derivatives in the reporting period in net gains/losses on financial assets and liabilities - held for trading (prior-year period: € 279 million). Derivatives are particularly used to hedge interest rate and currency risks. These results are offset by opposing gains from currency translation net of € 100 million (prior-year period: loss of € 80 million) which are mainly caused by the exchange rate development of the Russian ruble.

In the reporting period, a gain was reported in equity instruments held for trading while the result was strongly negative in the prior-year period (COVID-19 pandemic). The equity instruments are mostly embedded in hedging relationships, for which reason positive changes of the equity instruments were offset by decreases in the derivative instruments.

(6) Net gains/losses from hedge accounting

in € million	1/1-30/6/2021	1/1-30/6/2020
Fair value changes of the hedging instruments	63	(106)
Fair value changes of the hedged items attributable to the hedged risk	(66)	109
Ineffectiveness of cash flow hedge recognized in profit or loss	1	1
Total	(1)	4

(7) Other net operating income

in € million	1/1-30/6/2021	1/1-30/6/2020 ¹
Income	79	122
Expenses	(50)	(76)
Total	28	45

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	1/1-30/6/2021	1/1-30/6/2020 ¹
Gains/losses on derecognition of not modified financial assets and liabilities - not measured at fair value through profit/loss	9	0
Gains/losses on derecognition of non-financial assets held for sale	(5)	1
Net income arising from non-banking activities	8	15
Net income from additional leasing services	10	8
Net rental income from investment property incl. operating lease (real estate)	23	25
Net expense from allocation and release of other provisions	(1)	12
Other operating income/expenses	10	11
Total	55	72

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

(8) General administrative expenses

in € million	1/1-30/6/2021	1/1-30/6/2020 ¹
Staff expenses	(776)	(808)
Other administrative expenses	(456)	(453)
Depreciation of tangible and intangible fixed assets	(195)	(190)
Total	(1,427)	(1,451)

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

Staff expenses

in € million	1/1-30/6/2021	1/1-30/6/2020
Wages and salaries	(596)	(615)
Social security costs and staff-related taxes	(143)	(141)
Other voluntary social expenses	(20)	(21)
Sundry staff expenses	(16)	(31)
Total	(776)	(808)

Other administrative expenses

in € million	1/1-30/6/2021	1/1-30/6/2020 ¹
Office space expenses	(45)	(52)
IT expenses	(151)	(150)
Legal, advisory and consulting expenses	(61)	(48)
Advertising, PR and promotional expenses	(48)	(46)
Communication expenses	(32)	(31)
Office supplies	(9)	(12)
Car expenses	(4)	(5)
Security expenses	(14)	(18)
Traveling expenses	(2)	(3)
Training expenses for staff	(5)	(6)
Other non-income related taxes	(32)	(31)
Sundry administrative expenses	(53)	(50)
Total	(456)	(453)
hereof expenses for short-term leases	(6)	(7)
hereof expenses for low-value assets	(2)	(2)

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

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/6/2021	1/1-30/6/2020
Tangible fixed assets	(113)	(113)
hereof right-of-use assets	(40)	(41)
Intangible fixed assets	(82)	(77)
Total	(195)	(190)

(9) Other result

in € million	1/1-30/6/2021	1/1-30/6/2020 ¹
Net modification gains/losses	(5)	(22)
Gains/losses from changes in present value of non-substantially modified contracts	(4)	(23)
Gains/losses from derecognition due to substantial modification of contract terms	(1)	1
Impairment or reversal of impairment on investments in subsidiaries and associates	54	(79)
Impairment on non-financial assets	(1)	(28)
Goodwill	0	(27)
Other	(1)	(1)
Result from non-current assets and disposal groups classified as held for sale and deconsolidation	(5)	(1)
Net income from non-current assets and disposal groups classified as held for sale	0	0
Result of deconsolidations	(5)	(1)
Tax expenses not attributable to the business activity	0	0
Credit-linked and portfolio-based provisions for litigation	(118)	(42)
Total	(74)	(172)

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, reversals of impairment on investments in companies valued at equity of net € 65 million were recognized. The reversal of impairment on investments in UNIQA Insurance Group AG, Vienna (€ 35 million) was based on the positive development of the share price and the good business performance, and in LEIPNIK-LUNDENBURGER INVEST Beteiligungs GmbH, Vienna (€ 31 million) due to increasing share prices of listed participations.

Allocations to credit-linked and portfolio-based provisions for litigation mainly resulted from pending legal proceedings in Poland (€ 105 million) in connection with mortgage loans denominated in foreign currencies or linked to a foreign currency. The increase in Poland of € 87 million was due to parameter changes in the model calculation.

(10) Governmental measures and compulsory contributions

in € million	1/1-30/6/2021	1/1-30/6/2020 ¹
Governmental measures	(26)	(92)
Bank levies	(26)	(92)
Compulsory contributions	(135)	(128)
Resolution fund	(75)	(74)
Deposit insurance fees	(60)	(54)
Total	(161)	(220)

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

(11) Impairment losses on financial assets

in € million	1/1-30/6/2021	1/1-30/6/2020
Loans and advances	(108)	(327)
Debt securities	1	(5)
Loan commitments, financial guarantees and other commitments given	(2)	20
Total	(110)	(312)

(12) Income taxes

in € million	1/1-30/6/2021	1/1-30/6/2020
Current income taxes	(178)	(85)
Austria	(32)	(1)
Foreign	(146)	(84)
Deferred taxes	(18)	(61)
Total	(196)	(145)
Tax rate	22.5%	25.7%

The 3.1 percentage point reduction in the effective tax rate was due to the improved earnings contribution from head office, primarily due to impairments on investments in companies valued at equity and impairment on the goodwill of Raiffeisen Kapitalanlage-Gesellschaft in the prior-year period.

Notes to the statement of financial position**(13) Cash, cash balances at central banks and other demand deposits**

in € million	30/6/2021	31/12/2020
Cash in hand	5,778	5,674
Balances at central banks	28,343	21,648
Other demand deposits at banks	7,465	6,338
Total	41,586	33,660

The increase in balances at central banks was primarily due to deposits made for liquidity management purposes. The minimum reserve, which is not freely available, amounted to € 251 million on the reporting date (31/12/2020: € 235 million).

(14) Financial assets - amortized cost

in € million	30/6/2021			31/12/2020		
	Gross carrying amount	Accumulated impairment	Carrying amount	Gross carrying amount	Accumulated impairment	Carrying amount
Debt securities	15,174	(12)	15,162	14,383	(12)	14,371
Central banks	584	0	584	1,213	0	1,213
General governments	11,472	(5)	11,467	10,566	(6)	10,559
Banks	1,997	0	1,996	1,761	0	1,761
Other financial corporations	493	(5)	489	597	(5)	592
Non-financial corporations	628	(2)	626	246	(1)	246
Loans and advances	112,227	(2,627)	109,601	104,780	(2,555)	102,225
Central banks	11,332	0	11,332	6,762	0	6,762
General governments	1,801	(2)	1,798	2,116	(4)	2,112
Banks	4,653	(3)	4,649	5,192	(4)	5,189
Other financial corporations	9,475	(86)	9,388	9,277	(73)	9,205
Non-financial corporations	48,105	(1,357)	46,748	46,170	(1,314)	44,856
Households	36,863	(1,177)	35,685	35,262	(1,161)	34,101
Total	127,401	(2,639)	124,763	119,163	(2,567)	116,596

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

in € million	30/6/2021			31/12/2020		
	Gross carrying amount ¹	Accumulated impairment	Carrying amount	Gross carrying amount ¹	Accumulated impairment	Carrying amount
Equity instruments	153	–	153	157	–	157
Banks	15	–	15	15	–	15
Other financial corporations	74	–	74	80	–	80
Non-financial corporations	64	–	64	62	–	62
Debt securities	5,154	(4)	5,151	4,616	(4)	4,612
General governments	3,922	(3)	3,919	3,205	(3)	3,202
Banks	934	0	934	917	0	917
Other financial corporations	123	0	123	303	0	303
Non-financial corporations	175	(1)	174	191	(1)	190
Total	5,307	(4)	5,303	4,773	(4)	4,769

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

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

in € million	30/6/2021	31/12/2020
Equity instruments	1	1
Other financial corporations	1	1
Non-financial corporations	0	0
Debt securities	444	422
General governments	299	275
Banks	12	18
Other financial corporations	124	115
Non-financial corporations	9	14
Loans and advances	433	398
General governments	2	2
Banks	2	2
Other financial corporations	35	34
Non-financial corporations	83	95
Households	312	266
Total	879	822

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

in € million	30/6/2021	31/12/2020
Debt securities	335	457
General governments	167	295
Banks	33	31
Other financial corporations	0	0
Non-financial corporations	136	131
Total	335	457

(18) Financial assets - held for trading

in € million	30/6/2021	31/12/2020
Derivatives	1,810	2,102
Interest rate contracts	1,148	1,342
Equity contracts	196	134
Foreign exchange rate and gold contracts	438	612
Credit contracts	19	11
Commodities	2	3
Other	7	0
Equity instruments	366	227
Banks	29	26
Other financial corporations	97	85
Non-financial corporations	239	116
Debt securities	1,696	2,071
General governments	1,220	1,568
Banks	265	260
Other financial corporations	115	109
Non-financial corporations	97	134
Total	3,872	4,400

(19) Hedge accounting

in € million	30/6/2021	31/12/2020
Positive fair values of derivatives in micro fair value hedge	204	212
Interest rate contracts	204	210
Foreign exchange rate and gold contracts	0	2
Positive fair values of derivatives in net investment hedge	0	39
Positive fair values of derivatives in portfolio hedge	154	152
Cash flow hedge	17	24
Fair value hedge	137	128
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk	(38)	161
Total	320	563

The decrease in the item fair value adjustments of the hedged items in portfolio hedge of interest rate risk is mainly due to interest rate and exchange rate-related valuation effects in the Czech Republic, Russia and at Raiffeisen Bausparkasse Österreich Gesellschaft m.b.H.

(20) Investments in subsidiaries and associates

in € million	30/6/2021	31/12/2020
Investments in affiliated companies	246	254
Investments in associates valued at equity	689	748
Total	935	1,002

The decline in the item investments in associates valued at equity was due to an increased payout by Raiffeisen Informatik GmbH & Co KG resulting from the sale of a listed participation (SoftwareONE) and the associated reduction in the carrying amount.

(21) Tangible and intangible fixed assets

in € million	30/6/2021	31/12/2020
Tangible fixed assets	1,642	1,684
Land and buildings used by the group for own purpose	501	531
Office furniture, equipment and other tangible fixed assets	326	327
Investment property	299	290
Other leased assets (operating lease)	88	90
Right-of-use assets	428	447
Intangible fixed assets	776	763
Software	682	674
Goodwill	81	73
Brand	0	8
Customer relationships	5	1
Other intangible fixed assets	9	6
Total	2,419	2,447

(22) Tax assets

in € million	30/6/2021	31/12/2020
Current tax assets	90	87
Deferred tax assets	109	121
Temporary tax claims	98	108
Loss carry forwards	11	13
Total	199	208

(23) Other assets

in € million	30/6/2021	31/12/2020
Prepayments and other deferrals	426	419
Merchandise inventory and suspense accounts for services rendered not yet charged out	232	168
Non-current assets and disposal groups classified as held for sale	33	22
Other assets	398	425
Total	1,089	1,035

(24) Financial liabilities - amortized cost

in € million	30/6/2021	31/12/2020
Deposits from banks	36,683	29,073
Current accounts/overnight deposits	14,696	12,709
Deposits with agreed maturity	18,913	15,782
Repurchase agreements	3,074	583
Deposits from customers	108,594	101,881
Current accounts/overnight deposits	84,547	76,197
Deposits with agreed maturity	23,840	25,564
Repurchase agreements	207	121
Debt securities issued	10,856	10,346
Covered bonds	1,214	1,246
Hybrid contracts	0	0
Other debt securities issued	9,641	9,100
hereof convertible compound financial instruments	1,216	910
hereof non-convertible	8,426	8,189
Other financial liabilities	1,038	434
Total	157,170	141,735
hereof subordinated financial liabilities	3,467	3,005
hereof lease liabilities	435	454

Deposits from banks and customers by asset classes:

in € million	30/6/2021	31/12/2020
Central banks	9,524	7,115
General governments	2,163	2,463
Banks	27,158	21,959
Other financial corporations	10,092	9,726
Non-financial corporations	41,155	39,645
Households	55,184	50,047
Total	145,277	130,955

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

in € million	30/6/2021	31/12/2020
Deposits from banks	47	48
Deposits with agreed maturity	47	48
Deposits from customers	214	231
Deposits with agreed maturity	214	231
Debt securities issued	1,173	1,228
Hybrid contracts	4	3
Other debt securities issued	1,169	1,226
hereof convertible compound financial instruments	0	4
hereof non-convertible	1,169	1,221
Total	1,434	1,507
hereof subordinated financial liabilities	231	228

(26) Financial liabilities - held for trading

in € million	30/6/2021	31/12/2020
Derivatives	1,603	2,057
Interest rate contracts	958	1,128
Equity contracts	151	227
Foreign exchange rate and gold contracts	422	603
Credit contracts	22	18
Commodities	2	0
Other	49	80
Short positions	238	501
Equity instruments	7	97
Debt securities	231	404
Debt securities issued	3,682	3,422
Hybrid contracts	3,559	3,332
Other debt securities issued	123	90
hereof convertible compound financial instruments	123	90
Other financial liabilities	1	0
Total	5,524	5,980

(27) Hedge accounting

in € million	30/6/2021	31/12/2020
Negative fair values of derivatives in micro fair value hedge	37	43
Interest rate contracts	37	43
Negative fair values of derivatives in micro cash flow hedge	1	1
Interest rate contracts	1	1
Negative fair values of derivatives in net investment hedge	43	9
Negative fair values of derivatives in portfolio hedge	316	344
Cash flow hedge	8	7
Fair value hedge	308	338
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk	(108)	24
Total	290	421

The decrease in the item fair value adjustments of the hedged items in portfolio hedge of interest rate risk is mainly due to interest rate and exchange rate-related valuation effects in the Czech Republic and Hungary.

(28) Provisions for liabilities and charges

in € million	30/6/2021	31/12/2020
Provisions for off-balance sheet items	179	176
Other commitments and guarantees according to IFRS 9	177	174
Other commitments and guarantees according to IAS 37	1	1
Provisions for staff	463	478
Pensions and other post employment defined benefit obligations	196	204
Other long-term employee benefits	64	59
Bonus payments	127	153
Provisions for overdue vacations	73	58
Termination benefits	3	4
Other provisions	515	407
Pending legal issues and tax litigation	348	247
Restructuring	13	18
Onerous contracts	61	62
Other provisions	92	80
Total	1,157	1,061

The increase in the item pending legal issues and tax litigation of € 101 million was mainly due to allocations to credit-linked and portfolio-based provisions for litigation in connection with consumer mortgage loans denominated in foreign currencies or indexed to a foreign currency, particularly in Poland.

(29) Tax liabilities

in € million	30/6/2021	31/12/2020
Current tax liabilities	60	77
Deferred tax liabilities	39	37
Total	100	114

(30) Other liabilities

in € million	30/6/2021	31/12/2020
Liabilities from insurance activities	195	176
Deferred income and accrued expenses	478	440
Sundry liabilities	460	238
Total	1,133	853

(31) Equity

in € million	30/6/2021	31/12/2020
Consolidated equity	12,342	11,835
Subscribed capital	1,002	1,002
Capital reserves	4,992	4,992
Retained earnings	9,649	9,234
hereof consolidated profit/loss	612	804
Cumulative other comprehensive income	(3,301)	(3,394)
Non-controlling interests	926	820
Additional tier 1	1,625	1,633
Total	14,892	14,288

As at 30 June 2021, subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003 million. After deducting 322,204 own shares, the stated subscribed capital totaled € 1,002 million.

Notes to financial instruments

(32) Fair value of financial instruments

Fair value of financial instruments reported at fair value:

Assets in € million	30/6/2021			31/12/2020		
	Level I	Level II	Level III	Level I	Level II	Level III
Financial assets - held for trading	1,671	2,201	0	1,852	2,548	0
Derivatives	30	1,779	0	18	2,083	0
Equity instruments	366	0	0	227	0	0
Debt securities	1,275	421	0	1,607	464	0
Non-trading financial assets - mandatorily fair value through profit/loss	287	155	437	287	134	401
Equity instruments	1	0	0	1	0	0
Debt securities	286	154	4	286	134	3
Loans and advances	0	0	433	0	0	398
Financial assets - designated fair value through profit/loss	279	35	21	406	37	14
Debt securities	279	35	21	406	37	14
Financial assets - fair value through other comprehensive income	4,180	924	199	3,568	1,067	134
Equity instruments	11	6	135	5	18	134
Debt securities	4,168	918	64	3,563	1,049	0
Hedge accounting	0	358	0	0	403	0

Liabilities in € million	30/6/2021			31/12/2020		
	Level I	Level II	Level III	Level I	Level II	Level III
Financial liabilities - held for trading	251	5,273	0	495	5,485	0
Derivatives	26	1,577	0	15	2,042	0
Short positions	224	14	0	481	21	0
Debt securities issued	0	3,682	0	0	3,422	0
Financial liabilities - designated fair value through profit/loss	0	1,434	0	0	1,507	0
Deposits	0	261	0	0	278	0
Debt securities issued	0	1,173	0	0	1,228	0
Hedge accounting	0	397	0	0	397	0

Movements between Level I and Level II

An examination is carried out for each financial instrument to determine whether quoted market prices are available on an active market. For financial instruments classified as Level I, the fair value valuation is based directly on quoted prices for identical financial instruments on active markets. A financial instrument is assigned to Level I only in the case of ongoing pricing based on transactions that take place with adequate frequency and adequate volumes.

If a market value is used and the market cannot be considered as an active market in view of its restricted liquidity, the underlying financial instrument is assigned to Level II. Financial instruments for which no market prices are available are measured by using market data such as yield curves, credit spreads and implicit volatilities as reproducible, observable market parameters.

Securities with a volume of € 24 million were measured using the BVAL value (Bloomberg Evaluation), which is a derived price, instead of the BGN value (Bloomberg Generic Price). These securities were then reclassified from Level I to 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. The total portfolio of Level III assets grew € 109 million net in the reporting period. This was mainly driven by net growth in holdings of municipal bonds in the measurement category of financial assets - fair value through other comprehensive income in the amount of € 65 million. In addition, loans subject to mandatory fair value recognition posted net growth of € 31 million. Another € 7 million are based on exchange rate fluctuations.

Assets in € million	As at 1/1/2021	Change in consolidated group	Exchange differences	Additions	Disposals
Financial assets - held for trading	0	0	0	8	(8)
Non-trading financial assets - mandatorily fair value through profit/loss	401	0	3	63	(29)
Financial assets - designated fair value through profit/loss	14	0	0	2	0
Financial assets - fair value through other comprehensive income	134	0	0	2	(4)
Total	549	0	3	75	(41)

Assets in € million	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/6/2021
Financial assets - held for trading	0	0	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	437
Financial assets - designated fair value through profit/loss	5	0	0	0	21
Financial assets - fair value through other comprehensive income	0	3	64	0	199
Total	5	3	64	0	658

Liabilities in € million	As at 1/1/2021	Change in consolidated group	Exchange differences	Additions	Disposals
Financial liabilities - held for trading	0	0	0	0	0
Total	0	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 30/6/2021
Financial liabilities - held for trading	0	0	0	0	0
Total	0	0	0	0	0

Qualitative information for the valuation of financial instruments in Level III

Assets 30/6/2021	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	DCF method	All base rate of last auction (interest rate curve)	0.71 - 1.44%
Forward foreign exchange contracts	0	DCF method	Interest rate curve	10 - 30%
Loans	0	DCF method	Discount spread, credit spread range (CDS curves)	-
Non-trading financial assets - mandatorily fair value through profit/loss	437			
Other interests	0	Simplified net present value method Expert opinion	-	-
Bonds, notes and other non fixed-interest securities	4	Net asset value Expert opinion	Haircuts Price	20 - 50% -
Loans	433	Retail: DCF method (incl. prepayment option, withdrawal option etc.) Non-Retail: DCF 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)	1.45 - 4.53% over all currencies (0.15) -1.53% over all currencies 0.07 - 9.62% (depending on the rating: from AA to CCC)
Financial assets - designated fair value through profit/loss	21			
Fixed coupon bonds	21	Net asset value Expert opinion	Price	-
Financial assets - fair value through other comprehensive income	199			
Other interests	36	Dividend discount model Simplified income approach DCF method	Credit spread Cash flow Discount rate Dividends Beta factor	-
Other interests	44	Adjusted net asset value	Adjusted equity	-
Other interests	55	Market comparable companies Transaction price Valuation report (expert judgement) Cost minus impairment	EV/Sales EV/EBIT P/E P/B	-
Municipal bonds	64	DCF method	Discount spread	-
Total	658			

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

Liabilities 30/6/2021	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	DCF 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.

30/6/2021 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	41,586	0	41,586	41,586	0
Financial assets - amortized cost	12,849	1,522	111,608	125,979	124,763	1,216
Debt securities	12,849	1,522	906	15,277	15,162	115
Loans and advances	0	0	110,702	110,702	109,601	1,101
Liabilities						
Financial liabilities - amortized cost	0	10,591	146,328	156,919	156,736	183
Deposits from banks and customers ¹	0	0	144,587	144,587	144,842	(255)
Debt securities issued	0	10,591	703	11,294	10,856	439
Other financial liabilities	0	0	1,038	1,038	1,038	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

31/12/2020 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	33,660	0	33,660	33,660	0
Financial assets - amortized cost	12,516	1,461	105,529	119,505	116,596	2,909
Debt securities	12,516	1,461	669	14,646	14,371	275
Loans and advances	0	0	104,859	104,859	102,225	2,634
Liabilities						
Financial liabilities - amortized cost	0	10,232	131,523	141,755	141,281	473
Deposits from banks and customers ¹	0	0	130,685	130,685	130,501	184
Debt securities issued	0	10,232	403	10,636	10,346	289
Other financial liabilities	0	0	434	434	434	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	30/6/2021	31/12/2020
Loan commitments given	37,550	34,803
Financial guarantees given	7,296	7,228
Other commitments given	4,384	3,656
Total	49,230	45,687
Provisions for off-balance sheet items according to IFRS 9	(177)	(174)

(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 $0.0000 \leq 0.0300$ per cent).
- Strong are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default (PD range $0.0300 \leq 0.1878$ per cent).
- Good are exposures which demonstrate a good capacity to meet financial commitments, with low default risk (PD range $0.1878 \leq 1.1735$ 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 $1.1735 \leq 7.3344$ per cent).
- Substandard are exposures which require varying degrees of special attention, with default risk 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:

30/6/2021	Stage 1	Stage 2	Stage 3	POCI	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
Excellent	18,271	2,100	0	2	20,373
Strong	31,737	2,027	0	1	33,765
Good	35,478	6,126	0	9	41,612
Satisfactory	14,798	6,018	0	27	20,843
Substandard	1,913	2,393	0	9	4,314
Credit impaired	0	0	2,691	265	2,956
Not rated	3,228	290	16	4	3,538
Gross carrying amount	105,425	18,953	2,707	317	127,401
Accumulated impairment	(194)	(663)	(1,672)	(110)	(2,639)
Carrying amount	105,230	18,290	1,036	207	124,763

31/12/2020	Stage 1	Stage 2	Stage 3	POCI	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
Excellent	21,357	1,308	0	3	22,667
Strong	22,822	3,346	0	1	26,170
Good	33,331	7,661	0	6	40,998
Satisfactory	14,091	6,549	0	23	20,663
Substandard	747	1,931	0	13	2,691
Credit impaired	0	0	2,582	273	2,856
Not rated	2,635	467	16	2	3,119
Gross carrying amount	94,983	21,262	2,598	321	119,163
Accumulated impairment	(185)	(629)	(1,633)	(119)	(2,567)
Carrying amount	94,797	20,633	964	202	116,596

The category not rated includes financial assets for households for which 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:

30/6/2021	Stage 1	Stage 2	Stage 3	POCI	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
Excellent	1,379	0	0	0	1,379
Strong	2,463	29	0	0	2,493
Good	942	11	0	0	953
Satisfactory	223	27	0	0	249
Substandard	47	0	0	0	47
Credit impaired	0	0	0	0	0
Not rated	33	0	0	0	33
Gross carrying amount¹	5,087	67	0	0	5,154
Accumulated impairment	(3)	(1)	0	0	(4)
Carrying amount	5,085	66	0	0	5,151

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

31/12/2020	Stage 1	Stage 2	Stage 3	POCI	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
Excellent	1,315	0	0	0	1,315
Strong	2,776	0	0	0	2,776
Good	234	11	0	0	245
Satisfactory	223	35	0	0	259
Substandard	0	0	0	0	0
Credit impaired	0	0	0	0	0
Not rated	22	0	0	0	22
Gross carrying amount¹	4,570	46	0	0	4,616
Accumulated impairment	(3)	(1)	0	0	(4)
Carrying amount	4,567	45	0	0	4,612

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:

30/6/2021	Stage 1	Stage 2	Stage 3	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	
Excellent	1,534	184	0	1,719
Strong	17,338	1,244	0	18,583
Good	17,818	2,657	0	20,475
Satisfactory	5,474	1,581	0	7,056
Substandard	122	256	0	379
Credit impaired	0	0	225	225
Not rated	663	131	1	795
Nominal amount	42,950	6,054	226	49,230
Provisions for off-balance sheet items according to IFRS 9	(50)	(61)	(66)	(177)
Nominal amount after provisions	42,900	5,993	160	49,053

31/12/2020	Stage 1	Stage 2	Stage 3	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	
Excellent	1,661	275	0	1,935
Strong	13,406	1,069	0	14,475
Good	17,333	3,762	0	21,094
Satisfactory	5,112	1,639	0	6,751
Substandard	205	317	0	521
Credit impaired	0	0	255	255
Not rated	531	122	0	654
Nominal amount	38,248	7,183	255	45,687
Provisions for off-balance sheet items according to IFRS 9	(45)	(59)	(71)	(174)
Nominal amount after provisions	38,203	7,125	185	45,512

The category not rated includes off-balance sheet commitments for households in the Czech Republic for which no ratings are available. The rating is therefore based on qualitative factors.

(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:

30/6/2021		Maximum exposure to credit risk	
in € million	Not subject to impairment standards	Subject to impairment standards	hereof loans and advances non-trading as well as loan commitments, financial guarantees and other commitments
Financial assets - amortized cost	0	127,401	112,227
Financial assets - fair value through other comprehensive income ¹	0	5,154	0
Non-trading financial assets - mandatorily fair value through profit/loss	878	0	433
Financial assets - designated fair value through profit/loss	335	0	0
Financial assets - held for trading	3,506	0	0
On-balance	4,719	132,556	112,661
Loan commitments, financial guarantees and other commitments	0	49,230	49,230
Total	4,719	181,786	161,891

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

31/12/2020		Maximum exposure to credit risk	
in € million	Not subject to impairment standards	Subject to impairment standards	hereof loans and advances non-trading as well as loan commitments, financial guarantees and other commitments
Financial assets - amortized cost	0	119,163	104,780
Financial assets - fair value through other comprehensive income ¹	0	4,616	0
Non-trading financial assets - mandatorily fair value through profit/loss	821	0	398
Financial assets - designated fair value through profit/loss	457	0	0
Financial assets - held for trading	4,173	0	0
On-balance	5,451	123,779	105,178
Loan commitments, financial guarantees and other commitments	0	45,687	45,687
Total	5,451	169,466	150,865

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 an 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 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. Collateral from the leasing business is also included in the following tables. Items shown in cash and cash equivalents are considered to have negligible credit risk. The Group directives regarding obtaining collateral were not significantly changed during the reporting period; however, they are updated on a yearly basis.

It should be noted that the collateral values shown in the tables are capped at the respective exposure. The following tables show non-trading loans and advances as well as loan commitments, financial guarantees and other commitments that are subject to impairment:

30/6/2021 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	11,332	302	11,030
General governments	1,803	684	1,118
Banks	4,654	1,877	2,777
Other financial corporations	9,510	4,817	4,692
Non-financial corporations	48,188	22,225	25,963
Households	37,175	24,222	12,953
Loan commitments, financial guarantees and other commitments	49,230	7,291	41,939
Total	161,891	61,419	100,472

31/12/2020 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	6,762	318	6,444
General governments	2,118	703	1,416
Banks	5,194	2,545	2,649
Other financial corporations	9,311	4,836	4,475
Non-financial corporations	46,265	20,471	25,793
Households	35,528	22,695	12,833
Loan commitments, financial guarantees and other commitments	45,687	6,805	38,882
Total	150,865	58,373	92,492

(36) Forward looking information

The most important macroeconomic assumptions for the key countries used in estimating expected credit losses at quarter-end are presented below (source: Raiffeisen Research, April 2021).

		Real GDP			Unemployment		
		2021	2022	2023	2021	2022	2023
Bulgaria	Optimistic	4.9%	5.7%	5.5%	2.2%	2.4%	2.8%
	Base	3.0%	4.0%	4.3%	5.0%	4.8%	4.5%
	Pessimistic	0.2%	1.6%	2.5%	8.8%	8.1%	6.9%
Croatia	Optimistic	7.4%	5.0%	3.9%	5.2%	5.1%	5.3%
	Base	5.1%	3.0%	2.5%	7.2%	6.8%	6.5%
	Pessimistic	1.8%	0.1%	0.4%	10.0%	9.2%	8.2%
Austria	Optimistic	4.7%	6.0%	2.9%	4.8%	4.6%	4.5%
	Base	3.5%	5.0%	2.2%	5.2%	4.9%	4.8%
	Pessimistic	1.8%	3.5%	1.1%	5.5%	5.4%	5.4%
Poland	Optimistic	4.8%	5.4%	4.7%	3.3%	3.5%	3.5%
	Base	3.7%	4.4%	4.0%	6.1%	5.9%	5.2%
	Pessimistic	2.0%	2.9%	3.0%	10.0%	9.3%	7.6%
Russia	Optimistic	5.4%	4.0%	3.4%	4.1%	4.1%	4.0%
	Base	2.3%	1.3%	1.5%	5.1%	5.0%	4.6%
	Pessimistic	(0.9)%	(0.9)%	(0.5)%	7.2%	6.8%	5.9%
Romania	Optimistic	7.9%	6.9%	6.2%	5.1%	5.2%	4.7%
	Base	5.2%	4.5%	4.5%	5.9%	5.8%	5.1%
	Pessimistic	1.2%	1.0%	2.0%	7.4%	7.1%	6.1%
Slovakia	Optimistic	7.4%	5.5%	4.0%	4.8%	4.1%	4.1%
	Base	5.0%	3.5%	2.5%	7.4%	6.3%	5.7%
	Pessimistic	1.6%	0.5%	0.4%	10.8%	9.3%	7.9%
Czech Republic	Optimistic	4.5%	7.1%	4.0%	3.5%	3.3%	3.0%
	Base	2.6%	5.5%	2.8%	4.6%	4.3%	3.7%
	Pessimistic	(0.3)%	3.0%	1.0%	6.1%	5.7%	4.7%
Hungary	Optimistic	7.0%	7.3%	5.3%	3.1%	3.2%	3.4%
	Base	5.0%	5.5%	4.0%	4.7%	4.5%	4.3%
	Pessimistic	2.0%	2.9%	2.1%	6.8%	6.4%	5.7%

		Long-term bond rate			Real estate prices		
		2021	2022	2023	2021	2022	2023
Bulgaria	Optimistic	(0.5)%	(0.4)%	(0.3)%	10.4%	9.1%	7.5%
	Base	0.1%	0.2%	0.2%	4.0%	3.5%	3.5%
	Pessimistic	1.9%	1.8%	1.3%	(1.7)%	(1.5)%	(0.1)%
Croatia	Optimistic	0.1%	0.2%	0.3%	9.4%	6.5%	6.0%
	Base	0.7%	0.7%	0.7%	5.4%	3.0%	3.5%
	Pessimistic	2.1%	2.0%	1.6%	1.8%	(0.1)%	1.3%
Austria	Optimistic	(0.7)%	(0.5)%	(0.3)%	9.1%	5.4%	4.5%
	Base	(0.1)%	0.0%	0.1%	7.5%	4.0%	3.5%
	Pessimistic	1.0%	1.0%	0.7%	6.1%	2.8%	2.6%
Poland	Optimistic	0.9%	1.2%	1.6%	10.0%	6.2%	5.6%
	Base	1.4%	1.6%	1.9%	7.5%	4.0%	4.0%
	Pessimistic	2.8%	2.8%	2.8%	5.3%	2.1%	2.6%
Russia	Optimistic	6.2%	6.5%	6.7%	9.6%	7.6%	6.6%
	Base	7.0%	7.2%	7.3%	5.5%	4.0%	4.0%
	Pessimistic	9.3%	9.2%	8.7%	1.4%	0.4%	1.4%
Romania	Optimistic	2.0%	2.5%	3.0%	7.2%	6.3%	5.5%
	Base	3.2%	3.5%	3.8%	4.0%	3.5%	3.5%
	Pessimistic	4.3%	4.4%	4.4%	1.2%	1.0%	1.7%
Slovakia	Optimistic	(0.8)%	(0.4)%	(0.2)%	13.1%	9.3%	7.6%
	Base	(0.2)%	0.0%	0.2%	6.5%	3.5%	3.5%
	Pessimistic	1.4%	1.4%	1.2%	0.6%	(1.6)%	(0.2)%
Czech Republic	Optimistic	0.9%	1.3%	1.8%	9.2%	6.3%	5.7%
	Base	1.5%	1.8%	2.2%	6.5%	4.0%	4.0%
	Pessimistic	3.2%	3.3%	3.2%	4.1%	1.9%	2.5%
Hungary	Optimistic	1.8%	1.9%	2.3%	8.7%	7.7%	6.6%
	Base	2.5%	2.6%	2.8%	4.5%	4.0%	4.0%
	Pessimistic	4.5%	4.3%	4.0%	0.7%	0.7%	1.6%

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

Post-model adjustments to expected credit loss allowance are adjustments which are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. This may be due to transient circumstances or insufficient time to appropriately incorporate relevant new information into the rating. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters or 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, post-model adjustments only constitute an interim solution at RBI. 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 shifts in expected credit losses between the stages.

Due to the complexity of the expected credit loss calculation and the dependent variables, the table below represents a best estimate of the post-model adjustments included in the stage 1 and stage 2 cumulative expected credit losses (on-balance and off-balance sheet items).

30/6/2021 in € million	Modelled ECL		Post-model adjustments				Total	
	COVID-19 related		Other		Total			
Central banks	0	0	0.0%	0	0.0%	0	0.0%	0
General governments	8	1	6.9%	1	7.9%	1	14.8%	9
Banks	1	0	1.3%	0	0.0%	0	1.3%	1
Other financial corporations	53	0	0.0%	0	0.0%	0	0.0%	53
Non-financial corporations	290	229	79.0%	5	1.6%	233	80.6%	523
Households	349	25	7.2%	13	3.6%	38	10.8%	386
Total	700	254	36.4%	18	2.5%	272	38.9%	972

31/12/2020 in € million	Modelled ECL		Post-model adjustments				Total	
	COVID-19 related		Other		Total			
Central banks	0	0	0.0%	0	0.0%	0	0.0%	0
General governments	10	2	16.6%	0	0.0%	2	16.6%	12
Banks	1	0	1.9%	0	0.0%	0	1.9%	1
Other financial corporations	46	0	0.0%	0	0.0%	0	0.0%	46
Non-financial corporations	209	203	97.1%	44	20.9%	246	118.1%	455
Households	334	56	16.8%	18	5.3%	74	22.0%	408
Total	601	261	43.4%	61	10.2%	322	53.6%	922

The COVID-19 pandemic necessitated post-model adjustments, as the ECL models do not fully capture the speed of the changes and the depth of the economic effects of the virus (e.g. the collapse in GDP in the second quarter of 2020 following the outbreak of the pandemic and the measures taken by governments to tackle it). COVID-19 related post-model adjustments reflected the collective impact on the sectors that were especially hard hit by the pandemic: tourism, hotels, further related industries as well as automotive, air travel, oil and gas, real estate and some consumer goods industries. The effects were due to demand shock, supply chain disruptions and crisis containment measures. The related post-model adjustments involve a qualitative assessment of exposures for the 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 (for SMEs) and employment industries (for households) and further refined, where relevant, with information related to the application of the specific moratorium measures. As the adjustments to the expected credit losses are temporary and designed to adequately reflect the current risk situation of customers, it will take some time before a complete picture of the impact of COVID-19 and subsequent measures on individual customers emerges.

Other adjustments

An additional impairment of € 70 million for impacts in Russia and Belarus for expected credit losses in connection with sanctions is included in the modelled expected credit losses. For year-end 2020 these risks were included in the column other post-model adjustments.

The full-year 2021 gross domestic product (GDP) growth numbers used in the calculation have been adjusted downwards due to the fact that GDP in the second quarter 2021 was particularly strong as a result of the catch-up effect from last year. This can be justified on the grounds that government countermeasures were not fully reflected in the GDP numbers last year and hence the dip and subsequent increase do not reflect a real boom compared to historic growth figures. The assumption made on that basis is that the probabilities of default (PDs) over this period have not been overly affected by GDP growth and hence it would be inappropriate to change the PDs to reflect the full calculated GDP changes.

(37) Credit risk volume by stages

Gross carrying amount of financial assets - amortized cost by counterparties and stages:

in € million	30/6/2021				31/12/2020			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Central banks	11,912	4	0	0	7,972	4	0	0
General governments	12,554	717	2	0	11,916	764	2	0
Banks	6,478	167	4	0	6,829	122	3	0
Other financial corporations	8,397	1,455	95	21	8,346	1,431	88	10
Non-financial corporations	38,015	9,077	1,477	163	33,576	11,196	1,469	175
Households	28,068	7,532	1,130	133	26,343	7,746	1,037	136
Total	105,425	18,953	2,707	317	94,983	21,262	2,598	321

Accumulated impairment of financial assets - amortized cost by counterparties and stages:

in € million	30/6/2021				31/12/2020			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Central banks	0	0	0	0	0	0	0	0
General governments	(4)	(2)	(1)	0	(6)	(3)	(2)	0
Banks	0	0	(3)	0	(1)	0	(3)	0
Other financial corporations	(7)	(40)	(39)	(4)	(6)	(36)	(32)	(4)
Non-financial corporations	(91)	(342)	(860)	(67)	(88)	(282)	(871)	(74)
Households	(92)	(279)	(768)	(39)	(85)	(309)	(725)	(42)
Total	(194)	(663)	(1,672)	(110)	(185)	(629)	(1,633)	(119)

ECL coverage ratio of financial assets - amortized cost by counterparties and stages:

	30/6/2021				31/12/2020			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Central banks	0.0%	0.2%	–	–	0.0%	0.0%	100.0%	–
General governments	0.0%	0.3%	97.1%	0.0%	0.1%	0.4%	97.8%	0.0%
Banks	0.0%	0.1%	78.2%	–	0.0%	0.1%	98.8%	–
Other financial corporations	0.1%	2.7%	41.4%	21.0%	0.1%	2.5%	36.8%	41.8%
Non-financial corporations	0.2%	3.8%	58.2%	41.3%	0.3%	2.5%	59.3%	42.1%
Households	0.3%	3.7%	68.0%	29.0%	0.3%	4.0%	70.0%	30.6%
Total	0.2%	3.5%	61.7%	34.8%	0.2%	3.0%	62.9%	37.2%

Loan commitments, financial guarantees and other commitments by counterparties and stages:

30/6/2021									
in € million	Nominal amount			Provisions for off-balance sheet items according to IFRS 9			ECL Coverage Ratio		
	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	404	4	0	0	0	0	0.0%	0.0%	–
Banks	2,238	73	0	0	0	0	0.0%	0.0%	–
Other financial corporations	5,691	271	13	(3)	(3)	(1)	0.0%	1.1%	8.8%
Non-financial corporations	30,274	4,839	199	(39)	(51)	(55)	0.1%	1.1%	27.4%
Households	4,343	868	14	(8)	(7)	(10)	0.2%	0.9%	72.1%
Total	42,950	6,054	226	(50)	(61)	(66)	0.1%	1.0%	29.1%

31/12/2020									
in € million	Nominal amount			Provisions for off-balance sheet items according to IFRS 9			ECL Coverage Ratio		
	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	377	2	0	0	0	0	0.0%	0.3%	–
Banks	1,994	108	0	0	0	0	0.0%	0.0%	–
Other financial corporations	4,991	264	11	(2)	(3)	(1)	0.0%	1.1%	9.4%
Non-financial corporations	27,257	5,742	232	(36)	(49)	(60)	0.1%	0.8%	26.0%
Households	3,629	1,068	12	(7)	(7)	(9)	0.2%	0.7%	75.3%
Total	38,248	7,183	255	(45)	(59)	(71)	0.1%	0.8%	27.7%

The following table shows the gross carrying amounts and impairments 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:

30/6/2021 in € million	Gross carrying amount		Impairment		ECL Coverage Ratio	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
Movement from 12-month ECL to lifetime ECL	(4,461)	4,461	(22)	160	0.5%	3.6%
Central banks	0	0	0	0	-	-
General governments	(98)	98	(2)	2	2.5%	2.1%
Banks	(174)	174	0	0	0.0%	0.0%
Other financial corporations	(186)	186	0	1	0.1%	0.4%
Non-financial corporations	(1,369)	1,369	(11)	48	0.8%	3.5%
Households	(2,634)	2,634	(8)	108	0.3%	4.1%
Movement from lifetime ECL to 12-month ECL	5,060	(5,060)	13	(102)	0.3%	2.0%
Central banks	0	0	0	0	-	-
General governments	129	(129)	0	(1)	0.0%	0.9%
Banks	58	(58)	0	0	0.0%	0.1%
Other financial corporations	201	(201)	1	(2)	0.3%	0.8%
Non-financial corporations	2,525	(2,525)	6	(33)	0.2%	1.3%
Households	2,147	(2,147)	6	(67)	0.3%	3.1%

31/12/2020 in € million	Gross carrying amount		Impairment		ECL Coverage Ratio	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
Movement from 12-month ECL to lifetime ECL	(11,302)	11,302	(41)	508	0.4%	4.5%
Central banks	0	0	0	0	-	-
General governments	(77)	77	0	0	0.1%	0.6%
Banks	(100)	100	0	0	0.0%	0.1%
Other financial corporations	(462)	462	(2)	24	0.5%	5.3%
Non-financial corporations	(6,551)	6,551	(22)	227	0.3%	3.5%
Households	(4,113)	4,113	(17)	255	0.4%	6.2%
Movement from lifetime ECL to 12-month ECL	3,309	(3,309)	9	(69)	0.3%	2.1%
Central banks	0	0	0	0	-	-
General governments	251	(251)	1	(2)	0.3%	0.8%
Banks	16	(16)	0	0	0.0%	0.0%
Other financial corporations	155	(155)	0	0	0.0%	0.3%
Non-financial corporations	1,322	(1,322)	3	(16)	0.2%	1.2%
Households	1,565	(1,565)	5	(51)	0.3%	3.2%

(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	POCI Lifetime ECL	Total
As at 1/1/2021	188	630	1,633	119	2,572
Increases due to origination and acquisition	52	37	24	0	113
Decreases due to derecognition	(19)	(37)	(113)	(14)	(183)
Changes due to change in credit risk (net)	(27)	31	178	5	188
Changes due to modifications without derecognition (net)	0	0	0	0	0
Decrease due to write-offs	0	0	(56)	(3)	(59)
Changes due to model/risk parameters	0	0	0	0	0
Change in consolidated group	0	0	0	0	0
Foreign exchange and other	3	3	4	3	13
As at 30/6/2021	197	664	1,672	110	2,643

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

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 1/1/2021	45	59	71	174
Increases due to origination and acquisition	22	9	3	33
Decreases due to derecognition	(6)	(6)	(7)	(19)
Changes due to change in credit risk (net)	(12)	(1)	(1)	(15)
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	1	1	1	3
As at 30/6/2021	50	61	66	177

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

Impairments and provisions by asset classes:

30/6/2021	Stage 1	Stage 2	Stage 3	POCI	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
Loans and debt securities	197	664	1,672	110	2,642
General governments	6	2	1	0	10
Banks	1	0	3	0	4
Other financial corporations	7	40	39	4	91
Non-financial corporations	91	343	860	67	1,360
Households	92	279	768	39	1,177
Cash, cash balances at central banks and other demand deposits	0	0	0	0	0
Loan commitments, financial guarantees and other commitments given	50	61	66	0	177
Total	247	725	1,737	110	2,820

31/12/2020	Stage 1	Stage 2	Stage 3	POCI	Total
in € million	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	
Loans and debt securities	188	630	1,633	119	2,572
Central banks	0	0	0	0	0
General governments	9	3	2	0	14
Banks	1	0	3	0	4
Other financial corporations	6	36	32	4	77
Non-financial corporations	88	283	871	74	1,316
Households	85	309	725	42	1,161
Cash, cash balances at central banks and other demand deposits	0	0	0	0	0
Loan commitments, financial guarantees and other commitments given	45	59	71	0	174
Total	233	689	1,704	119	2,746

(39) 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 development of the net modification effect from minus € 41 million to minus € 4 million is mainly due to the phasing out of COVID-19 measures in countries in which RBI operates. Because interest unpaid due to payment moratoriums permitted under the legislative measures is not allowed to result in compound interest, the gross carrying amount of the affected loans has been reduced from the end of March 2020, which led to net modification losses.

The share of modification losses relating to COVID-19 measures in the year 2020 amounted to minus € 29 million. In contrast, modification losses stemming from COVID-19 measures in the first half-year of 2021 totaled less than minus € 1 million.

30/6/2021 in € million	Stage 1	Stage 2	Stage 3	POCI	Total
Net modifications gains/losses of financial assets	0	(3)	(1)	0	(4)
Amortized cost before the modification of financial assets	1,952	768	9	(1)	2,728
Gross carrying amount of modified assets as of 31/12, which moved to Stage 1 during the year	–	18	0	0	18

31/12/2020 in € million	Stage 1	Stage 2	Stage 3	POCI	Total
Net modifications gains/losses of financial assets	(26)	(13)	(2)	0	(41)
Amortized cost before the modification of financial assets	4,144	2,194	277	56	6,670
Gross carrying amount of modified assets as of 31/12, which moved to Stage 1 during the year	–	25	0	0	25

(40) Transferred assets

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

30/6/2021		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	15	0	15	15	0	15	
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0	
Financial assets - designated fair value through profit/loss	32	0	32	32	0	32	
Financial assets - fair value through other comprehensive income	108	0	108	108	0	108	
Financial assets - amortized cost	1,982	0	1,982	1,854	0	1,854	
Total	2,136	0	2,136	2,008	0	2,008	

31/12/2020		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	8	0	8	8	0	8	
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	155	0	155	153	0	153	
Financial assets - amortized cost	126	0	126	122	0	122	
Total	289	0	289	283	0	283	

(41) Assets pledged as collateral and received financial assets

Significant restrictions regarding the access or use of assets:

in € million	30/6/2021		31/12/2020	
	Pledged	Otherwise restricted with liabilities	Pledged	Otherwise restricted with liabilities
Financial assets - held for trading	103	0	54	0
Non-trading financial assets - mandatorily fair value through profit/loss	16	0	16	0
Financial assets - designated fair value through profit/loss	41	0	47	0
Financial assets - fair value through other comprehensive income	618	4	436	3
Financial assets - amortized cost	18,111	749	13,976	855
Total	18,889	753	14,528	858

The Group received collateral 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	30/6/2021	31/12/2020
Securities and other financial assets accepted as collateral which can be sold or repledged	16,373	14,310
hereof which have been sold or repledged	2,845	2,086

(42) Derivative financial instruments

In the derivatives portfolio, RBI makes off-setting of fair value adjustments to cover changes in counterparty risk (credit and debit value adjustments). 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 using settlement houses and collateral in most cases.

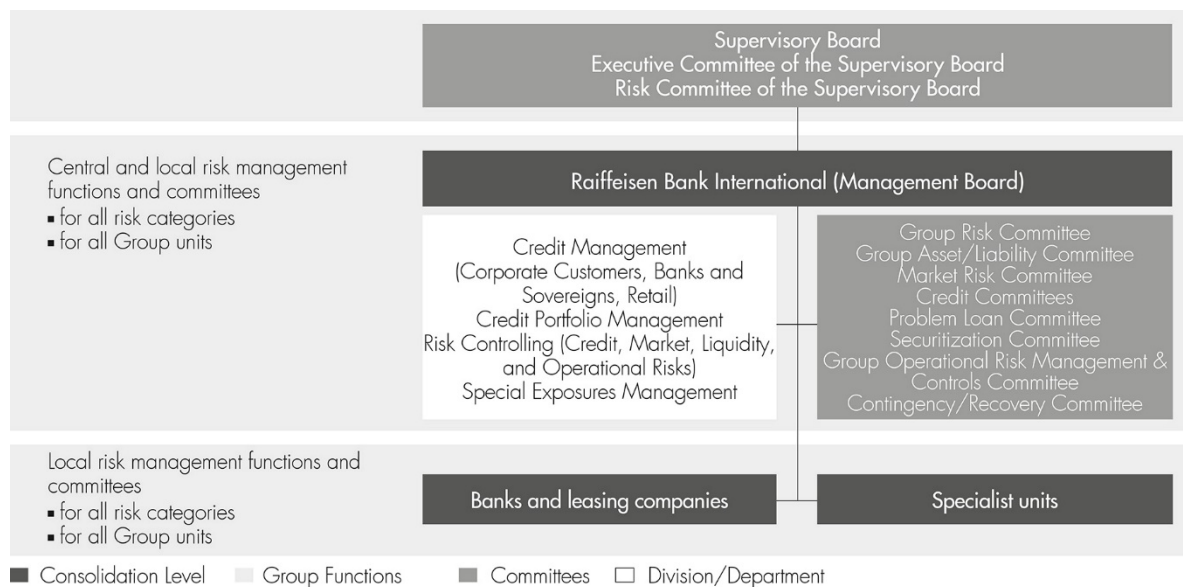
30/6/2021 in € million	Nominal amount	Fair value	
		Assets	Liabilities
Trading book	170,969	1,647	(1,550)
Interest rate contracts	119,074	996	(913)
Equity contracts	4,174	196	(151)
Foreign exchange rate and gold contracts	44,787	428	(419)
Credit contracts	1,783	18	(16)
Commodities	87	2	(2)
Other	1,065	7	(49)
Banking book	14,644	163	(53)
Interest rate contracts	11,287	152	(45)
Foreign exchange rate and gold contracts	3,076	10	(3)
Credit contracts	282	1	(5)
Hedging instruments	39,858	358	(397)
Interest rate contracts	38,371	358	(354)
Foreign exchange rate and gold contracts	1,488	0	(43)
Total	225,472	2,168	(2,000)
OTC products	220,228	2,101	(1,902)
Products traded on stock exchange	2,027	39	(26)

31/12/2020 in € million	Nominal amount	Fair value	
		Assets	Liabilities
Trading book	165,077	1,845	(1,912)
Interest rate contracts	115,381	1,117	(1,006)
Equity contracts	4,152	134	(227)
Foreign exchange rate and gold contracts	43,486	580	(589)
Credit contracts	793	10	(9)
Commodities	91	3	0
Other	1,174	0	(80)
Banking book	21,995	257	(145)
Interest rate contracts	16,023	225	(122)
Foreign exchange rate and gold contracts	5,591	31	(14)
Credit contracts	380	1	(9)
Hedging instruments	37,410	403	(397)
Interest rate contracts	35,675	362	(388)
Foreign exchange rate and gold contracts	1,735	41	(9)
Total	224,481	2,505	(2,454)
OTC products	220,432	2,462	(2,340)
Products traded on stock exchange	1,610	29	(16)

Risk report

Active risk management is a core competency of RBI. 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. Particularly, in addition to legal and regulatory requirements, it considers 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 2020 Annual Report, pages 196 ff.



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	30/6/2021	Share	31/12/2020	Share
Credit risk corporate customers	1,631	25.7%	1,807	29.5%
Credit risk retail customers	1,313	20.7%	1,315	21.5%
Participation risk	699	11.0%	737	12.1%
Market risk	595	9.4%	557	9.1%
Operational risk	445	7.0%	423	6.9%
Credit risk sovereigns	494	7.8%	276	4.5%
FX risk capital position	406	6.4%	261	4.3%
Owned property risk	283	4.4%	260	4.2%
Credit risk banks	162	2.5%	169	2.8%
CVA risk	21	0.3%	21	0.3%
Liquidity risk	1	0.0%	0	0.0%
Risk buffer	302	4.8%	291	4.8%
Total	6,350	100.0%	6,117	100.0%

Regional allocation of economic capital according to Group unit domicile:

in € million	30/6/2021	Share	31/12/2020	Share
Austria	2,567	40.4%	2,452	40.1%
Southeastern Europe	1,511	23.8%	1,357	22.2%
Central Europe	1,357	21.4%	1,237	20.2%
Eastern Europe	915	14.4%	1,070	17.5%
Rest of World	0	0.0%	0	0.0%
Total	6,350	100.0%	6,117	100.0%

As at 30 June 2021, both the volume and the composition of the economic capital remained largely stable compared to the previous quarter. The Group uses a confidence level of 99.90 per cent to calculate economic capital. Since year-end 2020, the macroeconomic risk has been deducted directly from the internal capital.

(43) 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 the second quarter of 2021, the standardized approach for counterparty risk (SA-CCR) was adopted, which significantly reduced credit exposure from a risk perspective. In the past, gross exposure (exposure at default (EAD) before OTC netting and collateral) was part of the risk exposure. Due to implementing these changes, both the calculation of exposure at default (EAD) after OTC netting and the consideration of collateral are already conducted in the market risk system, consistent with the measurement of derivative counterparty risk, and are therefore no longer part of exposure at default (EAD).

in € million	30/6/2021	31/12/2020
Cash, cash balances at central banks and other demand deposits	35,808	27,986
Financial assets - amortized cost	127,401	119,163
Financial assets - fair value through other comprehensive income	5,154	4,616
Non-trading financial assets - mandatorily at fair value through profit / loss	878	822
Financial assets - designated fair value through profit/loss	335	457
Financial assets - held for trading	3,506	4,173
Hedge accounting	320	563
Current tax assets	90	87
Deferred tax assets	109	121
Other assets	857	866
Loan commitments given	37,550	34,803
Financial guarantees given	7,296	7,228
Other commitments given	4,384	3,656
Disclosure differences	(6,515)	(1,815)
Credit exposure¹	217,175	202,727

¹ € 4,736 million of the disclosure differences are attributable to the implementation of SA-CCR.

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. However, a master scale is employed to ensure the comparability of rating levels across business segments.

Rating models in the non-retail asset classes – corporates, banks and sovereigns – are uniform in all Group units and rank credit-worthiness according to 27 grades on a master scale. 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 data-base).

Credit exposure by asset classes (rating models):

in € million	30/6/2021	31/12/2020
Corporate customers	83,758	81,650
Banks	21,318	23,339
Sovereigns	60,737	48,739
Project finance	7,520	7,339
Retail customers	43,842	41,659
Total	217,175	202,727

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	30/6/2021	Share	31/12/2020	Share
1 Minimal risk	2,046	2.4%	4,946	6.1%
2 Excellent credit standing	7,057	8.4%	7,037	8.6%
3 Very good credit standing	18,443	22.0%	16,792	20.6%
4 Good credit standing	20,595	24.6%	18,603	22.8%
5 Sound credit standing	16,410	19.6%	15,884	19.5%
6 Acceptable credit standing	11,171	13.3%	11,314	13.9%
7 Marginal credit standing	4,722	5.6%	4,091	5.0%
8 Weak credit standing/sub-standard	1,480	1.8%	1,167	1.4%
9 Very weak credit standing/doubtful	221	0.3%	240	0.3%
10 Default	1,369	1.6%	1,383	1.7%
NR Not rated	246	0.3%	195	0.2%
Total	83,758	100.0%	81,650	100.0%

The increase in the credit exposure resulted mainly from credit and facility financing as well as from documentary credits. Rating grades 3 and 4 recorded the largest increase, primarily due to Austria, Russia, Slovakia and Germany. In Russia, the development of the Russian ruble also had a positive effect. The reduction in rating grade 1 was principally the result of ratings migration into rating grade 2. At the same time, volumes decreased in rating grade 2.

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account.

in € million	30/6/2021	Share	31/12/2020	Share
6.1 Excellent project risk profile – very low risk	4,560	60.6%	4,536	61.8%
6.2 Good project risk profile – low risk	2,260	30.1%	2,294	31.3%
6.3 Acceptable project risk profile – average risk	351	4.7%	178	2.4%
6.4 Poor project risk profile – high risk	16	0.2%	11	0.1%
6.5 Default	332	4.4%	314	4.3%
NR Not rated	1	0.0%	6	0.1%
Total	7,520	100.0%	7,339	100.0%

Project financing volumes remained largely stable. Rating shifts occurred within the rating classes, in particular from rating grade 6.2 to rating grade 6.1 in Russia and Poland, and from rating grade 6.2 to rating grade 6.3 in Hungary.

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	30/6/2021	Share	31/12/2020	Share
Western Europe	22,277	21.9%	22,294	25.1%
Central Europe	19,989	19.7%	19,764	22.2%
Austria	18,014	14.2%	17,873	20.1%
Eastern Europe	15,073	24.4%	13,160	14.8%
Southeastern Europe	12,935	1.7%	12,978	14.6%
Asia	1,554	16.5%	1,360	1.5%
Other	1,436	1.6%	1,559	1.8%
Total	91,278	100.0%	88,990	100.0%

The distribution of credit exposure by country of risk remained largely stable. The increase in Eastern Europe was mainly the result of the increase in credit and facility financing and in guarantees issued in Russia (partly currency-related).

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

in € million	30/6/2021	Share	31/12/2020	Share
Manufacturing	23,784	26.1%	22,039	24.8%
Wholesale and retail trade	21,314	23.4%	19,879	22.3%
Real estate	11,430	12.5%	10,891	12.2%
Financial intermediation	7,504	8.2%	9,534	10.7%
Construction	5,395	5.9%	5,549	6.2%
Transport, storage and communication	3,938	4.3%	3,710	4.2%
Electricity, gas, steam and hot water supply	3,581	3.9%	3,635	4.1%
Freelance/technical services	2,252	2.5%	2,023	2.3%
Other industries	12,080	13.2%	11,730	13.2%
Total	91,278	100.0%	88,990	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	30/6/2021	Share	31/12/2020	Share
Retail customers – private individuals	40,712	92.3%	38,583	92.6%
Retail customers – small and medium-sized entities	3,130	7.7%	3,077	7.4%
Total	43,842	100.0%	41,659	100.0%

Credit exposure to retail customers according to internal rating:

in € million	30/6/2021	Share	31/12/2020	Share
0.5 Minimal risk	12,051	27.5%	12,369	29.7%
1.0 Excellent credit standing	8,382	19.1%	6,855	16.5%
1.5 Very good credit standing	7,831	17.9%	5,898	14.2%
2.0 Good credit standing	5,694	13.0%	4,817	11.6%
2.5 Sound credit standing	3,475	7.9%	3,571	8.6%
3.0 Acceptable credit standing	1,744	4.0%	1,840	4.4%
3.5 Marginal credit standing	771	1.8%	893	2.1%
4.0 Weak credit standing/sub-standard	398	0.9%	436	1.0%
4.5 Very weak credit standing/doubtful	411	0.9%	470	1.1%
5.0 Default	1,367	3.1%	1,351	3.2%
NR Not rated	1,717	3.9%	3,157	7.6%
Total	43,842	100.0%	41,659	100.0%

Credit exposure to retail customers by segments:

30/6/2021 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	19,161	10,076	5,405	6,069
Retail customers – small and medium-sized entities	1,598	1,250	281	0
Total	20,759	11,326	5,686	6,069
hereof non-performing exposure	617	494	224	22

31/12/2020 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	18,209	10,027	4,595	5,752
Retail customers – small and medium-sized entities	1,706	939	430	2
Total	19,915	10,966	5,025	5,753
hereof non-performing exposure	567	472	205	40

Breakdown of retail credit exposure by products:

in € million	30/6/2021	Share	31/12/2020	Share
Mortgage loans	26,545	60.5%	25,164	60.4%
Personal loans	9,738	22.2%	8,704	20.9%
Credit cards	3,445	7.9%	3,261	7.8%
SME financing	1,910	4.4%	2,518	6.0%
Overdraft	1,689	3.9%	1,526	3.7%
Car loans	516	1.2%	487	1.2%
Total	43,842	100.0%	41,659	100.0%

The credit exposure to retail customers increased 5 per cent in the first half-year of 2021, mainly due to an increase in personal loans and mortgage loans (partly currency-related due to the appreciation of the Russian ruble).

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	30/6/2021	Share	31/12/2020	Share
1 Minimal risk	3,165	14.8%	3,439	14.7%
2 Excellent credit standing	4,496	21.1%	3,076	13.2%
3 Very good credit standing	6,264	29.4%	7,692	33.0%
4 Good credit standing	5,015	23.5%	6,140	26.3%
5 Sound credit standing	1,829	8.6%	2,541	10.9%
6 Acceptable credit standing	307	1.4%	292	1.3%
7 Marginal credit standing	229	1.1%	139	0.6%
8 Weak credit standing/sub-standard	6	0.0%	12	0.1%
9 Very weak credit standing/doubtful	1	0.0%	1	0.0%
10 Default	3	0.0%	4	0.0%
NR Not rated	1	0.0%	1	0.0%
Total	21,318	100.0%	23,339	100.0%

The reduction in the credit exposure to banks was partly attributable to the implementation of SA-CCR. In addition, rating grades 3 and 4 experienced reductions, which were mainly attributable to repo and swap transactions in Great Britain, the Netherlands and France. The rise in rating grade 2 was mainly driven by repo transactions in Germany and Russia (partly currency-related) and to money market transactions in Austria.

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

in € million	30/6/2021	Share	31/12/2020	Share
Repo	8,423	39.5%	8,625	37.0%
Loans and advances	5,013	23.5%	4,942	21.2%
Bonds	3,853	18.1%	3,914	16.8%
Money market	1,864	8.7%	1,865	8.0%
Derivatives	610	2.9%	2,631	11.3%
Other	1,556	7.3%	1,361	5.8%
Total	21,318	100.0%	23,339	100.0%

While loans and receivables increased slightly, the decrease in credit exposure to banks is mainly attributable to derivatives in Austria, France and Great Britain.

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 governments. In the second quarter of 2021, a new sovereign rating model (approved by the ECB) was implemented, leading to a change in the rating distribution.

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

in € million	30/6/2021	Share	31.12.2020 ¹	Share
1 Excellent credit standing	34,541	56.9%	32,835	67.4%
2 Very good credit standing	14,372	23.7%	10,344	21.2%
3 Good credit standing	6,227	10.3%	3,088	6.3%
4 Sound credit standing	3,256	5.4%	0	0.0%
5 Average credit standing	1,078	1.8%	662	1.4%
6 Mediocre credit standing	85	0.1%	1,806	3.7%
7 Weak credit standing	1,176	1.9%	0	0.0%
8 Very weak credit standing	0	0.0%	1	0.0%
9 Doubtful/high default risk	0	0.0%	0	0.0%
10 Default	1	0.0%	2	0.0%
NR Not rated	0	0.0%	2	0.0%
Total	60,737	100.0%	48,739	100.0%

¹ A more granular rating scale (with 27 grades) was implemented for the sovereign rating model in May 2021. The prior period was adjusted for the new master scale (PD bands). The change in the rating distribution from the model adjustment occurred in the reporting period.

The increase in the credit exposure to sovereigns was mainly due to deposits at local national banks as well as repo transactions. The sovereign ratings of Belarus and Ukraine went down from rating grade 6 to rating grade 7.

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

in € million	30/6/2021	Share	31/12/2020	Share
Loans and advances	31,311	51.6%	24,187	49.6%
Bonds	17,746	29.2%	16,809	34.5%
Repo	7,842	12.9%	4,207	8.6%
Money market	3,741	6.2%	3,423	7.0%
Derivatives	23	0.0%	42	0.1%
Other	73	0.1%	71	0.1%
Total	60,737	100.0%	48,739	100.0%

Loans and advances were the main driver for the increase in the credit exposure to sovereigns, primarily as a result of deposits at the Austrian National Bank and the National Bank of Slovakia. Bonds in the USA, Austria and France also increased, offset by a decline in Spain and Russia, as well as repo transactions in the Czech Republic.

Non-investment grade credit exposure to sovereigns (rating 5 and below):

in € million	30/6/2021	Share	31/12/2020	Share
Ukraine	962	41.1%	1,073	43.4%
Albania	608	26.0%	635	25.7%
Bosnia and Herzegovina	464	19.8%	460	18.6%
Belarus	214	9.1%	207	8.4%
Other	93	4.0%	98	4.0%
Total	2,341	100.0%	2,472	100.0%

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 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 supported the Group units in providing the necessary relief measures to borrowers and contributed to the mitigation of the potential impact on the volumes of non-performing exposures with restructuring measures, defaulted and non-performing exposures and their impact on the income statement. This EBA guideline expired on 31 March 2021, since which time the standard forbearance and default approach has been applied in the Group.

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:

in € million	NPE		NPE ratio		NPE coverage ratio	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020	30/6/2021	31/12/2020
General governments	2	2	0.1%	0.1%	90.6%	91.6%
Banks	3	4	0.0%	0.0%	87.4%	76.7%
Other financial corporations	115	95	1.2%	0.8%	38.2%	38.1%
Non-financial corporations	1,631	1,627	3.4%	3.7%	56.8%	58.1%
Households	1,194	1,112	3.2%	3.1%	67.5%	69.0%
Loans and advances	2,945	2,840	2.0%	2.1%	60.5%	61.7%
Bonds	10	11	0.0%	0.1%	–	–
Total	2,955	2,851	1.7%	1.9%	60.3%	61.5%

At the end of the half-year reporting period, the volume of the non-performing exposure increased € 104 million to € 2,955 million. The organic increase was € 67 million, with the general currency trend resulting in a € 38 million increase, particularly caused by the appreciation of the Ukrainian hryvnia, the Russian ruble and the US dollar. The NPE ratio in relation to the total exposure sank 0.1 percentage points to 1.7 per cent, mainly positively influenced by an increase in deposits at central banks, while the NPE coverage ratio reduced 1.2 percentage points to 60.3 per cent.

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

in € million	As at 1/1/2021	Change in consolidated group	Exchange rate	Additions	Disposals	As at 30/6/2021
General governments	2	0	0	0	0	2
Banks	4	0	0	0	0	3
Other financial corporations	95	0	1	23	(4)	115
Non-financial corporations	1,627	0	17	219	(232)	1,631
Households	1,112	0	20	305	(243)	1,194
Loans and advances (NPL)	2,840	0	38	547	(480)	2,945
Bonds	11	0	0	0	0	10
Total (NPE)	2,851	0	38	547	(481)	2,955

in € million	As at 1/1/2020	Change in consolidated group	Exchange rate	Additions	Disposals	As at 31/12/2020
General governments	2	0	0	2	(2)	2
Banks	4	0	0	0	0	4
Other financial corporations	56	0	(2)	46	(5)	95
Non-financial corporations	1,734	(3)	(64)	639	(678)	1,627
Households	1,141	0	(67)	467	(429)	1,112
Loans and advances (NPL)	2,938	(3)	(133)	1,153	(1,115)	2,840
Bonds	11	0	0	0	(1)	11
Total (NPE)	2,949	(3)	(133)	1,154	(1,116)	2,851

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

in € million	NPE		NPE ratio		NPE coverage ratio	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020	30/6/2021	31/12/2020
Central Europe	971	858	1.8%	1.9%	56.8%	63.1%
Southeastern Europe	781	769	2.7%	2.8%	68.3%	70.8%
Eastern Europe	413	399	2.0%	2.1%	60.6%	57.0%
Group Corporates & Markets	789	821	1.6%	1.7%	56.5%	53.4%
Corporate Center	1	3	0.0%	0.0%	100.0%	21.4%
Total	2,955	2,851	1.7%	1.9%	60.3%	61.5%

At € 113 million, Central Europe was mainly responsible for the increase in the non-performing exposure to € 971 million, predominantly accounted for by Hungary (€ 87 million) and the Czech Republic (€ 34 million), mainly in the area of non-financial corporations and households. In contrast, the NPE ratio in relation to the total exposure fell slightly by 0.1 percentage points to 1.8 per cent, and the NPE coverage ratio declined 6.3 percentage points to 56.8 per cent.

The Eastern Europe segment also reported a slight € 14 million increase in the non-performing exposure to € 413 million, due to the € 14 million increase in Russia, mainly in households. The NPE ratio in relation to the total exposure remained almost unchanged compared to the year-end at 2.0 per cent, while the NPE coverage ratio increased 3.7 percentage points to 60.6 per cent.

Southeastern Europe reported a slight € 12 million increase in the non-performing exposure to € 781 million, the NPE ratio amounted to 2.7 per cent in the first half-year and the NPE coverage ratio 68.3 per cent.

The Group Corporates & Markets segment saw a € 33 million reduction in non-performing exposure to € 789 million, while the NPE ratio remained nearly unchanged versus year-end at 1.6 per cent, and the coverage ratio grew 3.1 percentage points to 56.5 per cent in the same timeframe.

Non-performing exposure with restructuring measures:

in € million	Refinancing		Instruments with modified time and modified conditions		Total	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020	30/6/2021	31/12/2020
General governments	0	0	1	2	1	2
Banks	0	0	0	0	0	0
Other financial corporations	0	0	71	40	71	40
Non-financial corporations	102	55	825	782	927	838
Households	18	8	482	276	500	284
Total	121	64	1,379	1,099	1,500	1,163

Non-performing exposure with restructuring measures by segments:

in € million	30/6/2021	Share	31/12/2020	Share
Central Europe	368	24.5%	229	19.7%
Southeastern Europe	290	19.3%	266	22.9%
Eastern Europe	345	23.0%	156	13.4%
Group Corporates & Markets	497	33.1%	512	44.0%
Total	1,500	100.0%	1,163	100.0%

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	30/6/2021	Share	31/12/2020 ¹	Share
Central Europe	63,526	29.3%	54,122	26.7%
Czech Republic	27,119	12.5%	22,382	11.0%
Slovakia	21,385	9.8%	18,069	8.9%
Hungary	10,196	4.7%	8,825	4.4%
Poland	4,299	2.0%	4,435	2.2%
Other	527	0.2%	411	0.2%
Austria	49,395	22.7%	46,696	23.0%
Western Europe	37,351	17.2%	38,581	19.0%
Germany	12,217	5.6%	10,968	5.4%
France	6,175	2.8%	5,902	2.9%
Great Britain	4,098	1.9%	8,063	4.0%
Switzerland	2,918	1.3%	2,611	1.3%
Luxembourg	1,988	0.9%	1,791	0.9%
Netherlands	1,777	0.8%	1,554	0.8%
Spain	1,646	0.8%	2,491	1.2%
Italy	1,533	0.7%	1,310	0.6%
Other	4,998	2.3%	3,890	1.9%
Southeastern Europe	33,230	15.3%	32,972	16.3%
Romania	12,646	5.8%	12,873	6.3%
Croatia	5,868	2.7%	5,749	2.8%
Bulgaria	5,772	2.7%	5,552	2.7%
Serbia	4,033	1.9%	3,876	1.9%
Bosnia and Herzegovina	2,281	1.1%	2,312	1.1%
Albania	1,593	0.7%	1,607	0.8%
Other	1,037	0.5%	1,003	0.5%
Eastern Europe	26,313	12.1%	23,294	11.5%
Russia	20,521	9.4%	18,092	8.9%
Ukraine	3,720	1.7%	3,165	1.6%
Belarus	1,818	0.8%	1,781	0.9%
Other	253	0.1%	257	0.1%
Asia	2,554	1.2%	2,327	1.1%
North America	2,880	1.3%	2,278	1.1%
Rest of World	1,927	0.9%	2,457	1.2%
Total	217,175	100.0%	202,727	100.0%

¹ Previous-year figures adapted due to changed allocation.

The largest increase was reported in Central Europe and was mainly due to higher deposits at the National Bank of Slovakia and at the Czech National Bank, and to increased Czech government bonds. In Austria, the credit exposure increased mainly due to higher deposits at the Austrian National Bank and to bonds and mortgage loans. In France, the increase was caused by repo business and bonds. Reduced repo business led to a reduction in the credit exposure in Great Britain. Russia reported an increase – also currency-related – in credit and facility financing and in money market and repo transactions. Mortgage loans and personal loans also increased. The rise in North America was attributable to an increase in the bond portfolio in the USA.

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

in € million	30/6/2021	Share	31/12/2020	Share
Banking and insurance	67,551	31.1%	60,676	29.9%
Private households	38,548	17.7%	38,702	19.1%
Public administration and defense and social insurance institutions	18,415	8.5%	17,561	8.7%
Other manufacturing	18,051	8.3%	17,017	8.4%
Wholesale trade and commission trade (except car trading)	15,765	7.3%	14,255	7.0%
Real estate activities	13,759	6.3%	11,065	5.5%
Construction	5,902	2.7%	5,980	2.9%
Retail trade except repair of motor vehicles	5,674	2.6%	5,560	2.7%
Electricity, gas, steam and hot water supply	3,645	1.7%	3,736	1.8%
Manufacture of basic metals	2,913	1.3%	2,435	1.2%
Other business activities	2,609	1.2%	2,334	1.2%
Land transport, transport via pipelines	2,552	1.2%	2,254	1.1%
Manufacture of food products and beverages	2,495	1.1%	2,261	1.1%
Other transport	1,972	0.9%	1,914	0.9%
Manufacture of machinery and equipment	1,782	0.8%	1,735	0.9%
Sale of motor vehicles	1,203	0.6%	1,210	0.6%
Extraction of crude petroleum and natural gas	1,085	0.5%	1,057	0.5%
Other industries	13,252	6.1%	12,975	6.4%
Total	217,175	100.0%	202,727	100.0%

(44) Market risk

Market risk management is based on a dual management approach. For the overall portfolio including the banking book, the model used is based on a historical simulation and is suitable for the longer-term management of market risk in the banking books (ALL model). For all market risks with a direct impact on the income statement, a model is used that forecasts short-term volatility well (IFRS P&L model). This model approach has been approved by the Austrian Financial Market Authority as an internal model for measuring the capital requirement for market risks in the trading book of the head office. Both models calculate value-at-risk figures for changes in the risk factors foreign currencies, interest rate development, credit spreads, implied volatility, equity indices and basis spreads. The table below presents an overview of the development of the main risk indicators under both models (ALL and IFRS P&L) for the second quarter.

Total VaR 99% in € million	VaR as at 30/6/2021	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2020
Model ALL total VaR (99%, 20d)	177	131	120	187	122
Model IFRS P&L total VaR (99%, 1d)	11	10	7	13	12

The table below shows the risk ratios of the two models (ALL and IFRS P&L) by risk type. Capital positions held in foreign currencies and open foreign exchange positions, structural interest rate risks, and spread risks from bond books (often held as liquidity buffers) are the main drivers of the VaR result.

VaR split in per cent	Model ALL total VaR (99%, 20d)		Model IFRS P&L total VaR (99%, 1d)	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
Currency risk	20.3%	16.2%	22.7%	40.8%
Interest rate risk	16.1%	20.3%	53.9%	45.5%
Credit spread risk	58.6%	50.2%	15.1%	3.7%
Basis risk	(0.2)%	1.8%	0.4%	1.5%
Share price risk	0.9%	2.0%	5.2%	4.8%
Vega risk	4.2%	9.4%	2.7%	3.6%

The increase in total VaR (model ALL) is due to a higher foreign currency volume in Czech koruna and Belarusian ruble as well as position changes in the Russian ruble and Hungarian forint (from short to long positions). In addition, the appreciation of the Czech koruna, the Hungarian forint and the Russian ruble all contributed to this development.

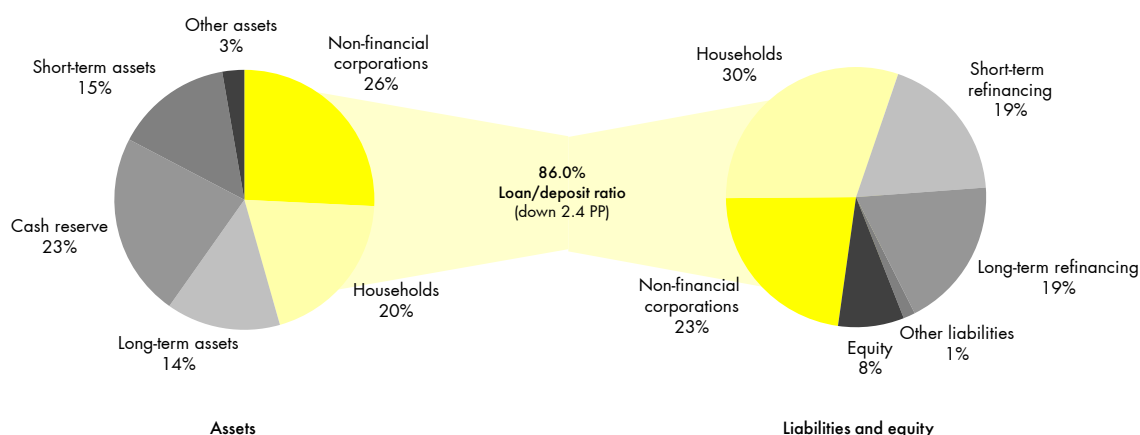
The P&L VaR (IFRS P&L model) remained stable. On the one hand, foreign currency risk led to a reduction. In addition, the increase in interest rate risk from an increased receiver position in Hungarian forints and euros was offset by an increased payer position in US dollars. The increase in credit spread risk is partly attributable to the higher volume of Russian government bonds.

Market risk management is based on daily monitoring of market movements and position changes for the head office and Group units. In addition, developments on the local markets are updated daily and risk management is actively managed in order to be able to react quickly to changes.

(45) 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 regional Raiffeisen banks. 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	30/6/2021		31/12/2020	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	37,908	45,904	32,947	35,528
Liquidity ratio	168%	146%	167%	137%

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	30/6/2021	31/12/2020
Average liquid assets	39,758	36,392
Net outflows	26,046	22,159
Inflows	14,369	13,756
Outflows	40,415	35,915
Liquidity Coverage Ratio in per cent	153%	164%

Both the average liquid assets and also the net outflows increased slightly; overall, the Group recorded a stable LCR result.

Net Stable Funding Ratio

The NSFR is defined as the ratio of available stable funding to required stable funding. The new regulatory requirements came into force on 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. RBI targets a balanced funding position.

in € million	30/6/2021	31/12/2020
Required stable funding	110,081	111,623
Available stable funding	150,676	136,811
Net Stable Funding Ratio in per cent	137%	123%

Other disclosures

(46) Pending legal issues

Various court, government or arbitration proceedings in which RBI is involved can be seen in the Annual Report 2020.

Consumer protection

There are no new findings in connection with consumer mortgage loans in Poland, a decision of the Supreme Court is expected in September. As at the end of June 2021, the total amount in dispute regarding certain contractual stipulations connected with consumer mortgage loans denominated in foreign currencies or indexed to a foreign currency was approximately PLN 1,288 million (€ 285 million). The resulting provision based on a statistical approach was increased to € 195 million (2020: € 89 million). The main uncertainties to calculate the provisions stem from a potentially higher number of lawsuits and an increase of likelihood of losing court cases. The sensitivity analysis shows that an increase in the number of complaints filed by 10 per cent would lead to an increase in provisions of 9.6 per cent. The weighting of the various scenarios also has an impact on the amount of the provisions. A negative legal decision for the bank can lead to a significant increase in the provision.

Banking business

In first quarter 2021 RBI learned about a claim filed against it by an Indonesian company in Jakarta already in November 2020. The amount of the alleged claim is approximately USD 129 million (€ 109 million) in material damages and USD 200 million (€ 168 million) in immaterial damages. An Indonesian law firm has been engaged and a court hearing is scheduled in front of the South Jakarta District Court.

In August 2019, RBI launched a claim for approximately € 44 million against a Cayman Islands incorporated parent company, several of its subsidiaries, and a former subsidiary (the Cayman Islands Defendants) in the Grand Court of the Cayman Islands, Financial Services Division (the CI Proceedings). In the CI Proceedings, RBI alleges that the Cayman Islands Defendants participated in transactions to defraud creditors and a fraudulent conspiracy to injure RBI, by dissipating assets so as to frustrate RBI's claims under a number of parent company guarantees. Furthermore, RBI alleges that said transfers were carried out at undervalue or without consideration between or among the Cayman Islands Defendants. In November 2019, some of the Cayman Islands Defendants filed a counterclaim in the amount of € 203 million against RBI in the course of the CI Proceedings. RBI considers that the counterclaim, which is based on documents that the Caymans Islands Defendants have refused to disclose to date, is entirely without merit. The CI Proceedings are on-going.

(47) 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 in RBI AG. Detailed information regarding this is published on the homepage of Raiffeisen Bank International.

30/6/2021	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
in € million				
Selected financial assets	65	502	1,111	574
Equity instruments	0	246	689	153
Debt securities	17	0	180	14
Loans and advances	48	256	241	408
Selected financial liabilities	2,145	99	4,460	1,257
Deposits	2,145	99	4,460	1,257
Debt securities issued	0	0	0	0
Other items	24	1	287	126
Loan commitments, financial guarantees and other commitments given	4	0	253	119
Loan commitments, financial guarantees and other commitments received	20	0	33	7

31/12/2020	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
in € million				
Selected financial assets	23	470	1,133	591
Equity instruments	0	254	748	157
Debt securities	14	0	162	14
Loans and advances	10	215	223	420
Selected financial liabilities	2,339	121	4,941	465
Deposits	2,339	120	4,941	465
Debt securities issued	0	1	0	0
Other items	153	3	319	127
Loan commitments, financial guarantees and other commitments given	135	3	291	127
Loan commitments, financial guarantees and other commitments received	18	0	29	0

1/1-30/6/2021	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
in € million				
Interest income	6	1	5	2
Interest expenses	(9)	0	(10)	0
Dividend income	0	9	136	3
Fee and commission income	4	3	7	3
Fee and commission expenses	0	0	(5)	(8)

1/1-30/6/2020	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
in € million				
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)

(48) Average number of staff

Full-time equivalents	1/1-30/6/2021	1/1-30/6/2020
Salaried employees	44,610	46,171
Wage earners	595	628
Total	45,205	46,799

(49) Other agreements

Institutional Protection Scheme (IPS)

On 21 December 2020, Raiffeisen Bank International AG, the regional Raiffeisen banks, and the Raiffeisen banks submitted applications to the FMA and the ECB to set up a new institutional protection scheme (Raiffeisen-IPS) consisting of RBI and its Austrian subsidiary banks, all regional Raiffeisen banks and the Raiffeisen banks and to join a cooperative under the name of Österreichische Raiffeisen-Sicherheitseinrichtung eGen for the purpose of statutory deposit protection and investor compensation as defined by the ESAEG. Contractual or statutory liability agreements have been concluded to protect the participating institutions from each other, and particularly ensure their liquidity and solvency if required.

This new Raiffeisen IPS was legally approved by the ECB on 12 May 2021 and the FMA on 18 May 2021. In addition, this new IPS was recognized by the FMA as a deposit guarantee and investor compensation system in accordance with ESAEG on 28 May 2021. The institutions of the Raiffeisen Banking Group will therefore withdraw from the Austrian deposit insurance (ESA) at the end of November 2021 in accordance with the statutory provisions on the ESAEG.

The previously existing institutional protection schemes at federal and state level (B-IPS, L-IPS) were dissolved in accordance with the notification for the Raiffeisen-IPS in June 2021 and their special assets were transferred to the new Raiffeisen-IPS. The Österreichische Raiffeisen-Sicherheitseinrichtung eGen (ÖRS, formerly Sektorrisiko eGen) will be responsible for the early risk identification and reporting for the Raiffeisen-IPS and will particularly manage the funds for the IPS and the fund for the statutory deposit protection. The Raiffeisen-IPS is controlled by the overall risk council, which is made up of representatives of the RBI, the regional Raiffeisen banks and representatives of the Raiffeisen banks. In performing its tasks, it is supported, among other things, by regional risk councils at the level of the federal states.

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 1.

The Pillar 2 requirement is calculated based on the bank's business model, risk management or capital situation, for example. The most recent official notification from the ECB specifies that the Pillar 2 requirement must be adhered to at the level of RBI (consolidated) and the level of RBI AG (unconsolidated). In addition, RBI is subject to the minimum requirements of the CRR and the combined buffer requirement. The combined buffer requirement for RBI currently contains a capital conservation buffer, a systemic risk buffer and a countercyclical buffer. As at 30 June 2021, the CET1 requirement (including the combined buffer requirement) is 10.4 per cent for RBI. 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 (including subsequent amendments). The SRB for RBI was set to 2 per cent as of 2019.

The establishment of a countercyclical buffer is also the responsibility of the national supervisors and results in a weighted average at the level of RBI 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 RBI (based on a weighted calculation of averages). Further expected regulatory changes and developments are monitored by and included and analyzed in scenario calculations undertaken by Group Regulatory Affairs on an ongoing basis. Potential effects are considered in planning and governance, insofar as the extent and implementation are foreseeable.

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).

in € million	30/6/2021	31/12/2020
Capital instruments and the related share premium accounts	5,994	5,974
Retained earnings	9,167	8,766
Accumulated other comprehensive income (and other reserves)	(3,749)	(3,788)
Minority interests (amount allowed in consolidated CET1)	461	421
Independently reviewed interim profits net of any foreseeable charge or dividend	413	0
Common equity tier 1 (CET1) capital before regulatory adjustments	12,285	11,374
Additional value adjustments (negative amount)	(74)	(58)
Deductions for new net provisioning	0	0
Intangible assets (net of related tax liability) (negative amount)	(584)	(585)
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)	(11)	(13)
Fair value reserves related to gains or losses on cash flow hedges	4	0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	56	54
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(20)	0
Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution opts for the deduction alternative	(10)	(11)
hereof: securitization positions (negative amount)	(10)	(11)
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(351)	0
Total regulatory adjustments to common equity tier 1 (CET1)	(989)	(612)
Common equity tier 1 (CET1) capital	11,296	10,762
Capital instruments and the related share premium accounts	1,669	0
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	44	88
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	(15)	1,639
Total regulatory adjustments to Additional Tier 1 (AT1) capital	(50)	0
Additional tier 1 (AT1) capital	1,648	1,727
Tier 1 capital (T1 = CET1 + AT1)	12,943	12,489
Capital instruments and the related share premium accounts	2,187	1,818
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	21	29
Credit risk adjustments	279	254
Total regulatory adjustments to Tier 2 (T2) capital	(56)	0
Tier 2 (T2) capital	2,431	2,101
Total capital (TC = T1 + T2)	15,374	14,590
Total risk-weighted assets (RWA)	84,899	78,864

Total capital requirement and risk-weighted assets

in € million	30/6/2021		31/12/2020	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk-weighted assets (RWA)	84,899	6,792	78,864	6,309
Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	70,048	5,604	65,094	5,208
Standardized approach (SA)	23,549	1,884	22,570	1,806
Exposure classes excluding securitization positions	23,549	1,884	22,570	1,806
Central governments or central banks	1,132	91	1,255	100
Regional governments or local authorities	100	8	103	8
Public sector entities	17	1	45	4
Institutions	253	20	274	22
Corporates	5,299	424	4,845	388
Retail	5,267	421	4,908	393
Secured by mortgages on immovable property	6,503	520	6,178	494
Exposure in default	351	28	364	29
Items associated with particular high risk	173	14	145	12
Covered bonds	11	1	11	1
Collective investments undertakings (CIU)	69	6	19	1
Equity	1,727	138	1,804	144
Other items	2,647	212	2,620	210
Internal ratings based approach (IRB)	46,499	3,720	42,524	3,402
IRB approaches when neither own estimates of LGD nor conversion factors are used	38,400	3,072	34,923	2,794
Central governments or central banks	2,394	192	1,827	146
Institutions	2,258	181	2,092	167
Corporates - SME	3,986	319	3,753	300
Corporates - Specialized lending	3,316	265	3,063	245
Corporates - Other	26,445	2,116	24,189	1,935
IRB approaches when own estimates of LGD and/or conversion factors are used	7,368	589	6,916	553
Retail - Secured by real estate SME	272	22	196	16
Retail - Secured by real estate non-SME	3,015	241	2,781	222
Retail - Qualifying revolving	287	23	280	22
Retail - Other SME	425	34	517	41
Retail - Other non-SME	3,369	270	3,143	251
Equity	459	37	439	35
Simple risk weight approach	0	0	0	0
Other equity exposure	0	0	0	0
PD/LGD approach	0	0	0	0
Other non-credit obligation assets	272	22	247	20

in € million	30/6/2021		31/12/2020	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk exposure amount for settlement/delivery	2	0	0	0
Settlement/delivery risk in the non-trading book	0	0	0	0
Settlement/delivery risk in the trading book	2	0	0	0
Total risk exposure amount for position, foreign exchange and commodities risk	6,096	488	5,007	401
Risk exposure amount for position, foreign exchange and commodities risks under standardized approaches (SA)	2,497	200	2,378	190
Traded debt instruments	1,979	158	1,935	155
Equity	190	15	166	13
Particular approach for position risk in CIUs	0	0	1	0
Foreign exchange	321	26	268	21
Commodities	6	1	8	1
Risk exposure amount for position, foreign exchange and commodities risks under internal models (IM)	3,599	288	2,629	210
Total risk exposure amount for operational risk	7,752	620	7,548	604
OpR standardized (STA) /alternative standardized (ASA) approaches	3,536	283	3,439	275
OpR advanced measurement approaches (AMA)	4,215	337	4,109	329
Total risk exposure amount for credit valuation adjustments	258	21	260	21
Standardized method	257	21	260	21
Other risk exposure amounts	744	60	954	76
of which risk-weighted exposure amounts for credit risk: securitization positions (revised securitization framework)	744	60	954	76

Capital ratios¹

in per cent	30/6/2021	31/12/2020
Common equity tier 1 ratio	13.3%	13.6%
Tier 1 ratio	15.2%	15.7%
Total capital ratio	18.1%	18.4%

¹ Fully loaded

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR and was not yet a mandatory quantitative requirement as at 30 June 2021. Until then it serves for information only.

in € million	30/6/2021	31/12/2020
Leverage exposure	213,977	193,910
Tier 1	12,943	12,489
Leverage ratio in per cent¹	6.0%	6.4%

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 (before impairment) 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.

Cost/income ratio (including compulsory contributions) – In this second variant of determining the cost/income ratio, the general administrative expenses also takes into account the expenses from the item governmental measures and compulsory contributions (bank levies, resolution fund and deposit insurance fees).

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 or total assets). 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 all exposures on and off the statement of financial position insofar as they are not deducted when determining the capital measurand. The calculation is 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).

List of abbreviations

BWG	Austrian Banking Act (Bankwesengesetz)
CE	Central Europe
CEE	Central and Eastern Europe
CET 1	Common Equity Tier 1
CRR	Capital Requirements Regulation
CDS	Credit Default Swap
DCF	Discounted Cash-Flow
EBA	European Banking Authority
ECL	Expected Credit Loss
EE	Eastern Europe
ECB	European Central Bank
ESAEG	Deposit Protection and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz)
FMA	Financial Market Authority
FMSB	Financial Market Stability Board
GDP	Gross Domestic Product
HQLA	High Quality Liquid Assets
IAS/IFRS	International Accounting Standards/International Financial Reporting Standards
IBOR	Interbank Offered Rate
IPS	Institutional Protection Scheme
IRB	Internal Ratings Based
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
NPE	Non-performing Exposure
NPL	Non-performing Loans
NSFR	Net Stable Funding Ratio
OTC	Over The Counter
PD	Past Due
PEPP	Pandemic Emergency Purchase Programme
POCI	Purchased or Originated Credit Impaired
RBI	Raiffeisen Bank International Group
RBI AG	Raiffeisen Bank International Aktiengesellschaft
RWA	Risk-Weighted Assets
RORAC	Return on Risk Adjusted Capital
SA	Standardized Approach
SA-CCR	Standardized Approach to Counterparty Credit Risk
SEE	Southeastern Europe
SICR	Significant Increase in Credit Risk
SRB	Systemic Risk Buffer
SREP	Supervisory Review and Evaluation Process
TLTRO	Targeted Longer-Term Refinancing Operations
VaR	Value-at-Risk

Events after the reporting date

Closing of Equa bank acquisition

On 1 July 2021, Raiffeisen Bank International AG (RBI) announced that it had successfully closed the acquisition of 100 per cent of the shares of Equa bank (Equa bank a.s. and Equa Sales and Distribution s.r.o.) from AnaCap Financial Partners (AnaCap), through its Czech subsidiary Raiffeisenbank a.s. The consolidation of Equa bank in the balance sheet of RBI will be reported as of the third quarter 2021, with an expected impact on RBI's CET1 ratio of around 30 basis points.

The acquisition of Equa bank (around 488,000 customers) is part of RBI's strategy to expand its presence in selected markets.

At the end of the second quarter of 2021, the preliminary balance sheet total of Equa bank was above € 3 billion, while Raiffeisenbank a.s. reported a balance sheet total of € 20.1 billion. The largest assumed balance-sheet items on the assets side are customer loans totaling around € 2 billion, cash, cash balances at central banks and other demand deposits of around € 0.8 billion. This compared to customer deposits on the equity and liabilities side totaling around € 2.7 billion. The preliminary equity as at 30 June 2021, amounted to around € 0.2 billion. From 1 January until 30 June 2021, Equa bank had net interest income of around € 42 million.

The calculation of the purchase price was determined using equity by means of an agreed price/book value multiplier. The payment of the purchase price was made based on estimated equity, the final determination of which was based on the figures as at 30 June 2021.

As the acquisition occurred on 1 July 2021, RBI had not yet recognized any assets or assumed liabilities in its balance sheet as at 30 June 2021. The figures provided above are the book value of the preliminary closing balance of the seller and not the fair value of the revalued assets and liabilities. As at the semi-annual financial statements on 30 June 2021, there was not sufficient data available to finalize the valuation. RBI will therefore report in accordance with IFRS 3.45, 46. The purchase price allocation is in process.

ECB lifts recommendation on dividend payments

On 23 July 2021, the ECB announced that its recommendation on the restriction of dividends for banks, which was issued during the COVID-19 crisis, will be lifted at the end of the third quarter. The ECB will assess the capital position and distribution plans of the banks individually in course of the regular supervisory process.

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, 27 July 2021

The Management Board



Johann Strobl

Chief Executive Officer responsible for Group Marketing, Active Credit Management, Group ESG & Sustainability Management, Legal Services, Chairman's Office, Group Communications, Group Executive Office, Group People & Organisational Innovation, Group Internal Audit, Group Investor Relations, Group Financial Reporting & Steering, Group Finance Task Force, Group Finance Services, Group Subsidiaries & Equity Investments, Group Tax Management, Group Treasury and Group Strategy



Andreas Gschwenter

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



Łukasz Januszewski

Member of the Management Board responsible for Group Capital Markets Corporates & 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 Mass Banking, Sales & Distribution, International Premium & Private Banking, International Retail CRM, International Retail Lending, International Retail Online Banking, International Retail Payments 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 2021 to 30 June 2021. These condensed interim consolidated financial statements comprise the statement of financial position as of 30 June 2021 and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period from 1 January 2021 to 30 June 2021 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 in connection with § 275 par 2 of the Austrian Commercial Code (UGB) and § 62a Austrian Banking Act (BWG).

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 do not present fairly, in all material respects the financial position of the group as of June 30, 2021 and of its financial performance and its cash flows for the period from 1 January to 30 June 2021 in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the interim group management report for the 6-month period ended 30 June 2021

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

Vienna, 28 July 2021

Deloitte Audit Wirtschaftsprüfungs GmbH

[signed]

Dr. Peter Bitzyk

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/Financial calendar/Disclaimer

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Financial calendar 2021

20 October 2021	Start of Quiet Period
3 November 2021	Third Quarter Report, Conference Call

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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