



**Raiffeisen
Bank**

**Semi-Annual
Financial Report**
as at 30 June 2023



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➤ Commentary on the Consolidated Results of the Raiffeisenbank Group for the First Half of the Year 2023

Raiffeisenbank had a successful first half of 2023, celebrating 30 years of operations in the Czech Republic. 30 years ago, we started as a bank with 39 members of staff and together we acquired our first client. Today, we rank among the local market's four largest banking groups in terms of the number of both clients and employees. Above all, we are also one of the fastest growing financial groups in Czechia, attaining top customer satisfaction levels.

Following the successfully completed merger with Equa bank in late 2022, the first half of 2023 at Raiffeisenbank was marked with a rapid development of online services and a focus on customer satisfaction and further growth. These efforts fruited in a number of innovations prepared and tested in cooperation with our clients. Our improved online services let all our clients keep a convenient view of their monthly income and expenses, easily find their card details including information about cards saved with online retailers, or quickly take out additional products online, including term deposits. Today, all Raiffeisenbank clients can enjoy all the benefits of Raiffeisen investice, one of the market's most user-friendly yet most comprehensive investment applications. Increasingly used for banking and other services, the banking identity from Raiffeisenbank is now available to Czech nationals as well as foreigners from EU states.

Our innovations unveiled in the first half of 2023 and prepared for the upcoming months receive very positive feedback from our clients. This fact is reflected both in growing customer satisfaction and in the clients' willingness to take part in the development of further innovations in online services. Raiffeisenbank aims at offering top-quality and intuitive services making people's lives easier, especially in the online world, and strives to be the leading banking group in Central Europe in this regard. Today, more than 92% of our clients use our services online, which makes the digitalization of banking services our priority. Also, digitalization paved the way to Raiffeisenbank for 150 thousand new clients who started using our services during the first six months of the year, setting a new record in customer acquisition. Half of the new clients now come to Raiffeisenbank and take out their first products entirely online.

Digitalization is seen as key in other areas as well. It became the basis for making the lives of our employees easier and one of the key pillars in our new sustainability strategy presented in the first half of 2023. However, our sustainability strategy extends to many other areas. In January 2023, we presented a 500 million EUR sustainable bond issue as the first product of this type in all Central and Eastern Europe. The revenues exclusively serve to finance environmentally and socially beneficial activities. As part of our sustainability development efforts, we also launched ESG investment certificates, responsible mortgage loans for the financing of energy-efficient buildings on better terms or a corporate PV financing product.

Digitalization at Raiffeisenbank is primarily seen as a way to make the lives of our clients, employees and the public easier. Digitalization of banking services also heavily relies on continuous innovation. For this reason, we have recently joined the Czech Fintech Association. The membership gives us new opportunities for cooperation with leading fintech firms and a way to share know-how from Czechia and abroad. Also, it lets us support the growth of Czech companies bringing digital innovations to the world of finance and beyond.

We are grateful for how our work is appreciated by Raiffeisenbank clients, employees and partners, not only in the first half of 2023. Positive perception of Raiffeisenbank is reflected in increasing customer satisfaction, strengthening of the Raiffeisenbank brand on the Czech market, growing volumes of deposits and loans as well as in exceptional results in the acquisition of new clients. We would like to take this opportunity to sincerely thank all our clients, employees and partners. We kindly appreciate all your support.

➤ Detailed Information on Economic Results for the First Half of 2023

Net Profit and Income

The consolidated net profit of the Group for the first half of 2023 reached CZK 3.327 billion, which is a year-on-year decrease of 10.5%. The Group's total operating revenues fell year-on-year by 2.5%.

The Group's net interest income reached CZK 7.4 billion, which is a decrease of 4.3% compared to the same period last year. This decline is mainly due to paying higher interest to clients, especially on savings accounts. Net income from fees fell year-on-year by 2.2% to CZK 2.4 billion. The decrease was due to the lower collection of current account maintenance fees.

The loss from the Group's financial operations amounted to CZK 251 million, which is a reduction of CZK 206 million compared to the first half of 2022.

Costs

The Group's operating costs, which include employee costs, general operating costs, and depreciation of tangible and intangible assets, decreased year-on-year by 3.9% to CZK 5.1 billion. Employee costs increased by 2.0% year-on-year to CZK 2.2 billion. General operating costs amounted to CZK 1.9 billion for the first half of the year, which is a decrease of 5.0%. Depreciation of tangible and intangible assets decreased by 12.8% to CZK 1.0 billion due to a revision of the depreciation plans for intangible assets.

Risk Management

The Group continues to maintain a very high-quality loan portfolio. Impairment losses on loans and other receivables in absolute value increased by CZK 15 million year-on-year.

Assets

The Group's total assets reached CZK 725.3 billion, which is an increase of 8.8% for the six-month period up to June 2023. Financial assets at amortised cost increased by 9.8% to CZK 676.8 billion. Of this amount, the volume of loans provided to the Group's clients increased by 1.8% to CZK 420.2 billion in the first half of 2023, with growth occurring both on the household side in the form of mortgages and consumer loans and on the corporate side with project loans. Loans and advances to banks increased by 12.3% to CZK 179.8 billion.

Liabilities

The Group's total liabilities reached CZK 667.9 billion, which is an increase of 9.1% compared to the end of 2022. Financial liabilities at amortised cost increased by 9.9% to CZK 655.7 billion. Of this amount, the volume of deposits received from clients increased by 7.4% to CZK 590.7 billion. Growth is driven by increasing balances on savings accounts and time deposits, both on the part of households and companies. Deposits from banks increased by 76.4% to CZK 18.8 billion.

Capital

The Group's equity amounted to CZK 57.4 billion at the end of the first half of the year, compared to CZK 54.1 billion as at 31 December 2022. The Group's capital adequacy at the end of the first half of 2023 reached 20.19%. At the end of March 2023, the Bank's General Meeting decided not to pay dividends to shareholders from the profit in the individual financial statements for the year 2022, which reached CZK 7.54 billion. This amount, CZK 7.54 billion, was transferred to the Bank's retained earnings. The increase in the Bank's retained earnings had a positive impact on the Group's capital adequacy. In June, the Group entered into its third synthetic securitisation worth CZK 22.8 billion (EUR 960 million). At the level of CET1 capital, this resulted in a strengthening of the ratio of common equity to risk-weighted assets by approximately 51 basis points.

Rating

On 19 July 2023, the rating agency Moody's Investors Service assigned a long-term rating of A3. The short-term rating is at the level of Prime-2, and the outlook is stable

➤ Major Events During the First Half of 2023

Products and Services

In the first half of 2023, Raiffeisenbank became the frontrunner in the sale of current accounts. Thanks to a strong marketing campaign, the CHYTRÝ account with a reward of 6x CZK 500 became the best-selling account on the Czech market. This was significantly aided by the strengthening of digital acquisition thanks to the successful implementation of a simple way to verify new clients – the BankiD service. After the successful integration of Equa bank at the end of 2022, we also managed to further strengthen our market share in consumer lending. We have already become number two on the Czech market in this sphere. As for investment, we have successfully launched the new Raiffeisen Investment application, which allows clients to easily trade investment instruments completely online.

Corporate Banking

In the corporate segment relating to digitalisation, we have introduced the option for clients and partners to download statements in PDF and data formats automatically, i.e. without the need to log into Internet banking, and to **connect the current list of exchange rates to their software**.

As another initiated priority, we have set up **digitalisation for documentation and signatures**, selecting the Client Data form as the first pilot document, which clients can now sign via the Internet or mobile banking using RBox. This form serves primarily as a copy of the client's identity document, confirmation of the client's data, including contact details, as well as a declaration of the client's tax residency, consents to the processing of personal data, etc.

In the area of self-service, 10% of clients opened accounts in the first half of 2023 completely online via Internet banking. In addition, clients very commonly use the creation of an additional currency component for their existing account, which thanks to its uniqueness on the market, replaces the necessity of opening another account in a foreign currency.

Clients are increasingly using the option of changing the persons authorised to use accounts via Internet banking. Over 66% of such changes were made in this way in the SEMM segment. In Large Corporates, this option is not used much at the moment, so we will focus on this segment to increase the use of this option. In the corporate segment, 45% of authorisation changes are carried out digitally.

In the area of drawing down credit products, we hold a stable 80% of all guarantees via digital means for bank guarantees and 85% of all drawdowns for standard credit products completely online, with a slight tendency to increase.

Internet banking use among clients in the SEMM segment is 90% and in the LC segment 60%, and these numbers continue to increase thanks to the elimination of xBusiness. In order to promote the transition of clients, we are trying to improve Internet banking with functionality relevant to the MultiCash world, i.e. for the most demanding clients.

Corporate clients, i.e. the most demanding clients, always need quality support in the event of a question or problem, which is why we have launched new service support for Internet banking.

ESG

Raiffeisenbank proudly and actively adheres to the principles of responsible banking. We are aware of the great responsibility we have as a bank in the process of the green transition and its financing. We want to actively build a responsible future and **assist our clients on their path to sustainability**. In the first half of the year, we managed to implement many projects that develop the principles of responsible banking, and we also introduced new banking products that save clients' money and the environment.

Let's start with ESG activities for our clients. We have expanded the offer of ESG investment instruments – funds and investment certificates – that clients can manage themselves in our own mobile investment application. We continue to expand our ESG services for companies. We are intensifying ESG consulting services, where in addition to services related to

Sustainable Finance, we are constantly expanding the network of our partners so that we are able to guide our clients through a transformation that plays a crucial role in shaping the future of the Czech economy. We also introduced a new sustainable product for corporate clients – Financing of energy savings, and in May, we followed up with a new product for households – Responsible Mortgage (a mortgage with an advantageous interest rate for energy-efficient real estate).

At the bank level, we have devoted ourselves to the following activities and projects that promote the principles of sustainability. In January, we issued our own sustainable bonds for EUR 500 million, which means a commitment to allocate this amount exclusively for the financing of environmentally and socially sustainable projects. We are now offering our employees a fully paid volunteering day and birthday as part of the development of one of our internal sustainability tools – fair employer. In the first half of the year, we issued almost a quarter of a million (244,620) payment cards made from recycled plastic. We have defined our own **Sustainability Strategy**, which was approved by the bank’s board of directors and summarises Raiffeisenbank’s position on responsible banking and ESG issues. In H1 2023, we continued to develop our cooperation with universities, especially with the University of Chemistry and Technology, Prague (Sustainability Management) and the Czech University of Life Sciences Prague (a full-semester student project to prepare a new ESG retail product, including the design for a communication strategy). The bank’s representatives actively participated in a number of ESG educational events and conferences, for example: Non-financial Reporting, Innovations in the Field of Non-financial Reporting – CSRD and ESRS, Sustainability in Financial Institutions, UPI 2023 Sustainable Business Forum: “Sustainability in Partnership”, and many more. In May, we became a partner of the two most important ESG conferences held in Prague: **CEE Sustainable Summit**, which is one of the most important events in the CEE region, and **Sustainable Future**, the largest Czech conference on the topic of sustainability. Raiffeisenbank is also actively expanding the group of partner institutions it cooperates with as a part of developing and promoting the idea of responsible banking. Hence in H1 2023, we became members of the Society for Ethics in Economics, Business, and Governance.

Sustainability Strategy in Raiffeisenbank:



More details relating to the Sustainability Strategy are available here: [Corporate Social Responsibility | Raiffeisenbank \(rb.cz\)](https://www.raiffeisenbank.cz/csr)

What We Have Managed to Accomplish in the Area of ESG and Sustainability

Raiffeisenbank, as the first financial institution in the Czech Republic and the CEE region, issued the first green bond in 2021 (EUR 350 million) and followed this with a sustainable bond (EUR 500 million) in January 2023. The proceeds from both issues are allocated only to finance sustainable and social projects (e.g. green buildings, renewable energy sources, green mobility, the circular economy, water management, sustainable agriculture and forestry, affordable housing, and others). We created an ESG business team for corporate clients to support responsible financing and ESG consulting, we established a working group on the topic of sustainability (Responsible Banking Steering Group), we introduced at the bank the role of Sustainability Officer, we started ESG training seminars for our employees and clients, and we defined our own Sustainability Strategy. We have expanded our banking services with new sustainable products, we are developing diversity and fair remuneration, we have been supporting financial literacy for many years, and together with our employees, we contribute to charitable and cultural projects.

Awards Received

In this year's 15th **EMEA Finance Banking Awards**, we received **the Best Foreign Bank in the Czech Republic** award. Winning this award reflects our exceptional commitment to clients and the business skills we have demonstrated in achieving high levels of customer satisfaction and excellent financial results.

As in previous years, Raiffeisenbank took home this year an award in 21st edition of the prestigious Zlatá koruna competition, the oldest award competition on the Czech market. The expert panel of judges awarded Raiffeisenbank third place in the new category **Zelená koruna for the product Financing of ENERGY SAVINGS – a comprehensive one-stop solution**.

The Security Team of the Czech Raiffeisenbank received the Denis Cronin Award in the area of information security.

The prize has been awarded every year since 2016 to one member of the Raiffeisen group based on results and is a "traveling award" (the physical award is loaned to the winner for a year). Raiffeisenbank is the only member of the Raiffeisen Group to receive the award for a second time.

The prize is awarded by RBI based on the results achieved by a member of the Raiffeisen group in a specific year, and which are the subject of periodic comparisons and reporting within the group. This relates to the implementation of security measures in connection with group findings in the area of information security (Focus Findings, Security Control Assessment, Vulnerabilities, and Treatments). Last year, the Czech RB managed to close a large number of open Focus Findings and was thus included among the winners of the group.

In the **IT Project of the Year** competition, organised by the Czech Association of Information Technology Managers (CACIO), we received the **Jiří Polák Award** for an innovative, courageous, and very successful approach to adapting new technologies in a live environment. The award went to the project Creating a Test Environment for the purpose of Client Migration – Test environment in the Exadata Cloud, which was created for migrating Equa bank clients to Raiffeisenbank's systems.

At the end of February, we won an award in the **Mastercard Awards in the category of Premium Card Issuer** for the largest increase in the volume of transactions at merchants carried out with premium cards.

Mastercard awarded a total of 14 annual Mastercard Awards to Czech banks and other payment institutions. The panel of judges evaluated in particular their innovative activities in the field of digitalisation, client care, and projects geared to simplifying and securing the Czech payment sector.

Digitalization

The first half of 2023 saw a massive increase in the number of new clients who took full advantage of the digital process to join the bank. At the end of 2022/beginning of 2023, the digital process was enhanced with the option of using the Banking Identity service for identity verification and meeting legal requirements for remote client identification. This verification preference has been selected by more than two thirds of the digitally acquired clients and shortens the entire account opening process by one third. The bank has also devoted itself to developing mobile banking and introduced a number of innovations and improvements, such as displaying debit and credit card data, displaying statements for entrepreneurs, or the possibility of setting up time deposits. Clients may now use the option of renewing mobile banking or RB keys remotely using biometric verification without the need to visit a branch office. In the area of security, adding cards to Google Pay and Apple Pay wallets has been modified in order to minimize any potential misuse, and the bank has also introduced limits for online transactions in internet and mobile banking.

In cyber security, Raiffeisenbank realizes further investments in state-of-the-art technology and procedures. Some of the more important measures include the following:

- > Implementation of an advanced fraud detection and prevention system
- > Initiatives aimed at increasing awareness of cyber security among clients
- > Regular information provided to clients about online risks and advice regarding protection against such risks

These measures and efforts let Raiffeisenbank maximize the security of its clients and their funds. The bank updates its security measures on a regular basis to follow the latest trends.

Employees

1. TOP Employers

University students selected us as one of the TOP Employers of the year. This year, over 11,700 university students participated in the survey, according to which we rank among the top three employers in the field of Banking & Investment. TOP Employers is a project of the Association of Students and Graduates, which takes place among students of Czech universities. It is organised in cooperation with the prestigious research agency GFK, universities, student organisations, and corporate partners. The aim of the survey is to provide to university students unique data on who are the TOP Employers and where future graduates should apply for a job. In addition, it indicates to companies how they can become a preferred employer.

2. Randstad Employer Brand Research

Raiffeisenbank was ranked 3rd in the prestigious independent survey of the TOP 10 most attractive employers in the field of banking & insurance. Randstad Employer Brand Research is an independent survey that takes place in 32 countries around the world and provides interesting insight into what motivates employees the most and what is important to them when choosing an employer. This survey evaluates attributes such as attractiveness, reputation of the employer, career growth opportunities, remote work, salary and benefits, workplace atmosphere, job duties, or alignment with personal values. 2023 was already the 6th year of the survey in the Czech Republic.

3. Volunteer Day

Since January 2023, we have organised Volunteer Day, a day that our employees can use to help a non-profit organisation during working hours. This is one fully paid day per year, in which they can participate in volunteer assistance either as an individual or with their colleagues. The external partner of this activity is the organisation Byznys pro společnost. We as a bank have been cooperating with them for a long time and, due to the excellent experience with them, we will continue in this activity. The organisation selects for us suitable volunteer work and contractually arranges cooperation with selected non-profit organisations. Employees can choose from dozens of offers throughout the Czech Republic: from helping with the restoration of the Upper Castle, making cards for children, SW testing, translations, helping in the lizard or butterfly paradise, working in the zoo or the Troy castle and many others. Activities vary throughout the year.

4. Equal Pay Day

This year, we decided for the second time to become a partner of the Equal Pay Day work experience conference, which has a fourteen-year tradition in the Czech Republic. The aim of this event is to draw the public's attention to the principles of fair remuneration, inequality in the remuneration of men and women, but also providing space for expert discussions on economic and social topics.

Kamila Makhmudova, Member of the Board of Directors, and **Helena Horská**, Chief Economist, represented Raiffeisenbank at the conference, with **Michaela Hrušková**, Head of Guarantees & Documentary Business, and **Yvona Tošnerová**, Member of the Board of Directors of Raiffeisen stavební spořitelna participating in the mentoring part. We have been partners of the conference and mentoring days for the second year. Cooperation with the international organisation Business Professional Women, which is behind the whole event, makes sense for several reasons. The first of these is the opportunity to share experiences and approaches from individual companies, as well as networking on topics that are not only related to equal pay. Through our partnership, we also supported development opportunities for almost 1,200 mentees who participated in two-day mentoring with experienced mentors.

5. Empowerment Leadership Programme

One of Raiffeisenbank's key areas directly linked to our current strategic plans is empowerment. This is also why a development programme is currently underway, which is tailored to our leaders and is focused on the topic of empowerment. On this basis, our leaders should encourage their people to accept responsibility and not be afraid to make decisions, to try new things, and to be willing to get involved. There are several ways in the development programme for leaders to understand the principles of Empowerment and effectively apply them to their teams. A key activity, supported and carried out by the Board of Directors, is three days of workshops that will provide our leaders with a deep understanding of the topic, its significance, and its essence. They can also use individual forms of coaching, recommended literature, or participation in follow-up meetings for graduates of the programme (Let's Talk Leadership).

6. Hackathon for Students

At the end of March, we organised our first ever non-bank hackathon for the students of the University of Economics. For two days, groups of young student enthusiasts exchanged the school premises for a creative co-working environment where they attempted to figure out what mobile banking of the future should look like. All in all, approximately 45 students from different years of study and faculties participated. They created together 10 four- or five-member teams whose ideas were evaluated by a panel of both internal and external judges. The goal was to create a prototype of something that clients would value in a mobile app and that would make their lives easier in a few years.

The Hackathon is an ideal chance to see how Generation Z views the field of digital banking. In addition, it is a nice opportunity for us to build awareness of Raiffeisenbank among the younger generation and the opportunity to test this format for the first time in history on the premises of the school where we are currently starting to collaborate with two faculties.

7. Hall of Fame for the #FinŽeny Project

The #FinŽeny project presented the second year of the Hall of Fame. 27 new women have been added to the unique group of the most long-term influential Czech bankers, economists, managers, finance directors and other long-term influential women from the finance sector, **who are among the most visible and most influential personalities of the financial world in the Czech Republic**. The aim of this review is to acknowledge women who leave a significant mark in the Czech financial sector. Together with last year's laureates, there are already 80 exceptional female experts in the Hall of Fame.

Our colleague **Kamila Makhmudova**, a member of the Board of Directors of Raiffeisenbank, **was also admitted to the 2023 Hall of Fame among the most influential women in the Czech financial world**. Congratulations. She was thus placed alongside the already awarded colleagues, Helena Horská and Yvona Tošnerová.

8. Interbank Football and Volleyball Tournament

In May, the 1st interbank tournament was held, organised by UniCredit Bank at the Podolský sports arena. The proceeds from the tournament went to support the Special Olympics worldwide movement, which organises sporting activities for children and adults with mental disabilities.

In the first contest with UniCredit Bank, Česká spořitelna and ČSOB, we took 1st place in the soccer tournament and 2nd and 3rd place in the beach volleyball tournament.

Our colleagues from the Hypocenter and external mortgages represented Raiffeisenbank in the second interbank sports match referred to as "The most comfortable beach volleyball tournament".

➤ Anticipated Economic Development in the Second Half of 2023

According to data from the Czech Statistical Office (CSO), the Czech **economy** stagnated in the first quarter of this year, and recovery will likely only be gradual in the second quarter. Household consumption is recovering more slowly, and industrial demand is decreasing. A more restrictive monetary and fiscal policy will also adversely affect the performance of the economy. All of these factors constitute grounds for a more cautious outlook that reflects the reduction of our GDP growth forecast for this year to +0.5% (from 0.9%), and also the forecast for 2024 to +2.9% (from 3.3%). The GDP structure will be affected by household consumption, which will only gradually recover, and by creating or rather drawing on inventories. On the contrary, company and government investments could slowly increase with the help of European funds. Government consumption may have a slightly positive effect this year, but in the following years, its impact will be close to zero or even negative in view of the planned fiscal consolidation. As for **inflation**, the year-on-year rate in June fell back to single-digit values (to 9.7%), according to CSO data, for the first time since the beginning of 2022. The decline should continue throughout the summer. However, there will be another sharp increase in October due to the lower comparative base caused by last year's austerity tariff, and the annual average should thus remain close to 11%, with inflation around 8% at the end of this year and a more significant decline only in January 2024. The risks of higher and longer-lasting inflation area are triggered mainly by the tight labour market and the associated wage pressures of employees. The rapid decline in energy prices on world markets and subdued household demand reflected in the decline in retail sales have instead an anti-inflationary effect. We expect inflation to remain elevated even during 2024 with an average rate near 3.7%.

Despite the difficult economic situation in which the Czech Republic found itself, the domestic **labour market** remains strong. Last year, the share of unemployed reached 3.4%, according to the Ministry of Labour and Social Affairs, and according to our estimate, the result for 2023 will be only slightly higher. This confirms that employers are willing to keep their workforce even at times when such a decision may not be profitable, as they realise how difficult it is to get employees back during a period of growth. Thus, the domestic labour market has not been plagued for a long time by a lack of vacancies, but rather by a lack of people. Although the influx of refugees from Ukraine has filled some of the vacancies, there has not been a major turnaround and, with the exception of January this year, the ratio of jobs to job seekers remains above 1. For the entire year of 2023, we expect the share of unemployed to be 3.7% on average, and it may be only slightly higher in 2024. Therefore, wage growth will also remain strong. In the first quarter, the average wage increased nominally by 8.6%, and in the rest of the year, growth is likely to be around 10%. In view of declining inflation, the real average wages of domestic employees may increase slightly in the second half of this year.

The world's main central banks are slowly approaching the end of their rate-tightening cycle, but rate cuts are more of a question for 2024. Thus, after an earlier start with rate increases, the **Czech National Bank** (CNB) could overtake the Fed, the ECB, or the BoE by reducing rates earlier. Due to the almost year-long stability of rates, the current bank board has decided to concentrate its efforts on a strong exchange rate for the Czech crown, which it had objectively succeeded in doing considering past developments. It has also adjusted its current communication to this situation, rejecting any discussion regarding a possible reduction and sticking to an alternative scenario counting on the stability of rates until the end of this year. Even so, we expect the CNB to resort to the first rate cut this year against the background of faster-declining inflation and slower-than-expected wage dynamics, and after its December meeting, we expect the base rate to be at a level of 6.5%. The CNB will continue to gradually reduce rates over the course of next year. At the end of 2024, our forecast assumes a base rate of 4.5%, which would correspond to an average rate-cut tempo of 25bb at each meeting next year.

For the banking sector, the beginning of this year did not bring any significant change to the current development trends. As we predicted at the end of last year, the growth of deposits gained momentum, especially in the corporate sector. The annual growth rate of deposits for non-financial enterprises accelerated to 9.9%; deposits for private individuals added 5.8% year-on-year. The logical consequence of this development is an additional increase in excess deposits, i.e. deposits above the trend of the pre-Covid year 2019. The savings accumulated during the Covid lockdowns are not decreasing. On the contrary, thanks also to the support of higher interest rates, they continue to swell. At the end of the first quarter, the total amount of excess deposits reached approximately CZK 408 billion. An increase in deposits can also be expected in the following quarters of this year, with corporate deposits exhibiting a higher tempo.

Although the mortgage market experienced a slight recovery during the first spring months of this year, the total volume of new mortgages in the first quarter reached only CZK 25 billion, which is 66% less than last year. The average interest rate has stabilised at around 6%, and it can be assumed that it will not increase further. The CNB's decision to abolish the DSTI limit, i.e. the debt service-to-income ratio, with effect from July 2023 is also a prospect for faster mortgage market growth. Consumer loans remain a surprise. The monthly volume of new transactions is increasing again this year, despite the fact that the

average interest rate remains relatively high at 9.7%. On the other hand, loans in the corporate sector are running out of steam. In the first quarter of this year, 39% fewer new corporate loans were granted than last year. Euro loans no longer make up for the ongoing decline in crown loans (-56% y/y), as we could see during the course of last year. Nevertheless, the share of foreign currency corporate loans, of which 95% are euro loans, is at the highest level in history, i.e. 47%.

Sources: Czech Statistical Office, Ministry of Labour and Social Affairs, Czech National Bank, Bloomberg, Raiffeisenbank a.s. Economic Research

Outlook up to the End of 2023

In the long term, Raiffeisenbank's efforts are aimed at making the lives of its clients easier. Keeping this in mind, we will further simplify our products and services to improve their comprehensibility and availability, particularly in the digital environment. At Raiffeisenbank, digitalization of banking services relies on direct cooperation with clients in terms of the development and testing of our services and products. We will launch more innovations suitable for the general public, such as the Pay to Phone service. Successful and secure use of artificial intelligence for an easier life in the world of finance will receive a great deal of attention.

We will also maintain our focus on increasing the satisfaction of Raiffeisenbank's existing clients and on acquiring new. Corporate social responsibility and sustainability towards our clients, employees and the public stand firm among our priorities.

The Bank's Semi-Annual Financial Report is available at

<https://www.rb.cz/en/obligatory-published-information/annual-reports>

Raiffeisenbank a.s.

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2023

Components of the Interim Consolidated Financial Statements:

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

Interim Consolidated Statement of Comprehensive Income For the Period Ended 30 June 2023

CZK million	Note	30. 6. 2023	30. 6. 2022
Interest income and similar income calculated using the effective interest rate method	8	19,477	12,809
Other interest income	8	1,544	1,107
Interest expense and similar expense	8	(13,612)	(6,171)
Net interest income		7,409	7,745
Fee and commission income	9	3,055	3,066
Fee and commission expense	9	(686)	(643)
Net fee and commission income		2,369	2,423
Net gain/(loss) on financial operations		(251)	(457)
Net gain/(loss) on financial assets other than held for trading mandatorily measured at fair value in profit or loss		4	(34)
Net gain/(loss) from hedge accounting		(60)	(5)
Dividend income		1	1
Impairment gains/(losses) on credit and off-balance sheet Exposures		(445)	(430)
Gains/(losses) from derecognition of financial assets measured at amortised cost		8	1
Personnel expenses		(2,191)	(2,148)
General operating expenses	10	(1,875)	(1,974)
Depreciation/amortisation of property and equipment and intangible assets		(1,011)	(1,159)
Other operating income		530	449
Other operating expenses		(214)	(116)
Gains/(losses) on the sale of subsidiaries and associated companies	11	-	196
Gains/(losses) from non-current assets and disposal groups		-	9
Operating profit		4,274	4,501
Share of the income from associated companies	14	5	16
Profit before tax		4,279	4,517
Income tax		(952)	(798)
Net profit for the year attributable to:		3,327	3,719
- shareholders of the parent company		3,327	3,719
- non-controlling interests		-	-
Other comprehensive income			
Items that will not be reclassified to profit or loss in future:			
Gains/(losses) from remeasurement of equity securities at FVOCI		11	-
Deferred tax relating to items that will not be reclassified to profit or loss in following periods		(2)	-
Items that will be reclassified to profit or loss in future:			
Cash flow hedge		345	(559)
Deferred tax relating to items that will be reclassified to profit or loss in following periods		(102)	106
Total other comprehensive income attributable to:		252	(453)
- shareholders of the parent company		252	(453)
- non-controlling interest		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,579	3,266

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

Interim Consolidated Statement of Financial Position As at 30 June 2023

CZK million	Note	30. 6. 2023	31. 12. 2022
ASSETS			
Cash in hand and other cash equivalents	17	12,087	13,902
Financial assets held for trading		6,752	7,710
Derivatives held for trading		6,502	7,548
Securities held for trading		250	162
Non-trading financial assets mandatorily at fair value through profit or loss		194	194
Financial assets measured at FVOCI		121	101
Financial assets at amortised cost	12	676,813	616,396
Loans and advances to banks	12	179,802	160,048
Loans and advances to customers	12	420,160	412,736
Debt securities	12	76,851	43,612
Finance leases	13	7,948	8,097
Fair value remeasurement of portfolio-remeasured items	12	(4,543)	(5,755)
Hedging derivatives with positive fair value		6,237	7,347
Tax receivables		10	29
Deferred tax asset		22	27
Equity investments in associated companies	14	118	113
Intangible assets		5,664	5,868
Property and equipment		3,474	3,464
Investment property		254	257
Other assets		10,132	8,632
TOTAL ASSETS		725,283	666,382
LIABILITIES AND EQUITY			
Financial liabilities held for trading		5,732	7,968
Derivatives held for trading		5,732	7,968
Financial liabilities at amortised cost		655,711	596,589
Deposits from banks	15	18,823	10,669
Deposits from customers	15	590,669	550,061
Debt securities issued	15	34,528	24,553
Subordinated liabilities and bonds	15	5,122	5,162
Other financial liabilities	15	6,569	6,144
Fair value remeasurement of portfolio-remeasured items	15	(11,646)	(14,354)
Hedging derivatives with negative fair value		14,296	17,658
Provisions	16	1,279	1,384
Current tax liability		167	1,166
Deferred tax liability		523	354
Other liabilities		1,806	1,472
TOTAL LIABILITIES		667,868	612,237
EQUITY			
Attributable to shareholders of the Group		15,461	15,461
Reserve fund		824	824
Fair value reserve		(413)	(665)
Retained earnings		33,385	24,890
Other equity instruments		4,831	4,831
Profit for the year		3,327	8,804
TOTAL EQUITY		57,415	54,145
TOTAL LIABILITIES AND EQUITY		725,283	666,382

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

Interim Consolidated Statement of Changes in Equity For the Period Ended 30 June 2023

Equity attributable to shareholders of the Group								
CZK million	Share capital	Other capital funds	Reservefund	Fair value reserve	Retained earnings	Other equity instruments	Net profit for the year	Total equity
At 1 January 2022	15,461	113	825	(378)	20,303	4,831	4,770	45,925
Payment of coupon on other equity instruments	-	-	-	-	(296)	-	-	(296)
Allocation to retained earnings	-	-	-	-	4,770	-	(4,770)	-
Changes in the consolidated group	-	(113)	(1)	-	113	-	-	(1)
Net profit for the year	-	-	-	-	-	-	3,719	3,719
Other comprehensive income, net	-	-	-	(453)	-	-	-	(453)
Total comprehensive income for the year	-	-	-	(453)	-	-	3,719	3,266
At 30 June 2022	15,461	-	824	(831)	24,890	4,831	3,719	48,894
At 1 January 2023	15,461	-	824	(665)	24,890	4,831	8,804	54,145
Payment of coupon on other equity instruments	-	-	-	-	(309)	-	-	(309)
Allocation to retained earnings	-	-	-	-	8,804	-	(8,804)	-
Changes in the consolidated group	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	3,327	3,327
Other comprehensive income, net	-	-	-	252	-	-	-	252
Total comprehensive income for the year	-	-	-	252	-	-	3,327	3,579
At 30 June 2023	15,461	-	824	(413)	33,385	4,831	3,327	57,415

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

Interim Consolidated Cash Flow Statement

For the Period since 1 January 2023 till 30 June 2023

(CZK million)	1. 1. – 30. 6. 2023	1. 1. – 30. 6. 2022
Profit before tax	4,279	4,517
Adjustments for non-cash transactions		
(Release)/ creation of loss allowances and provisions for credit risks	445	430
Depreciation/amortisation of property and equipment and intangible assets	1,011	1,159
(Release)/ creation of other provisions	(298)	(202)
Change in fair value of derivatives	(3,097)	2,480
Unrealised losses/(gains) on remeasurement of securities	(3)	34
Loss/(gain) on the sale of property and equipment and intangible assets	(18)	(50)
Gain on the sale of subsidiaries and associated companies	–	(196)
Change in the remeasurement of hedged items upon fair value hedge	1,496	(3,651)
Share in profit from associated companies	(5)	(16)
Remeasurement of foreign currency positions	(491)	1,107
Other non-monetary changes	216	(132)
Operating profit before changes in operating assets and liabilities	3,535	5,480
Operating cash flow		
(Increase)/decrease in operating assets		
Mandatory minimum provisions with CNB	(1,482)	527
Loans and advances to banks	(19,485)	36,488
Loans and advances to customers	(8,985)	(31,702)
Debt securities at amortised cost	(32,818)	(3,621)
Securities held for trading	(90)	(8)
Non-trading financial assets mandatorily at fair value through profit or loss	–	225
Finance leases	149	(140)
Other assets	(18)	1,945
Increase/(decrease) in operating liabilities		
Deposits from banks	8,241	4,491
Deposits from customers	42,342	(7,894)
Other financial liabilities	462	3,118
Other liabilities	334	1,278
Net operating cash flow before tax	(7,815)	10,187
Income tax paid	(1,815)	(636)
Net operating cash flow	(9,630)	9,551
Cash flows from investing activities		
Sale of equity investments	–	472
Acquisition of financial assets at FVOCI	–	(5)
Acquisition of property and equipment and intangible assets	(653)	(758)
Proceeds from sale of non-current assets	46	115
Dividends received	1	1
Net cash flow from investing activity	(606)	(175)
Cash flows from financing activities		
Dividends paid and paid coupons on other equity instruments	(309)	(296)
Debt securities issued	12,022	–
Repayment of debt securities issued	(2,907)	–
Repayment of subordinated deposits	–	(168)
Lease liabilities	(191)	(192)
Net cash flow from financing activities	8,615	(656)
Net (decrease)/increase in cash and cash equivalents	(1,621)	8,720
Cash and cash equivalents at the beginning of the period	13,902	9,461
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the period	(194)	19
Cash and cash equivalents at the end of the period	12,087	18,200
Interests received	20,171	13,620
Interests paid	(14,407)	(5,874)

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

Notes to the Interim Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2023.

1. Parent company corporate details

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

The Bank, together with its subsidiaries and associates, forms the Raiffeisenbank a.s. Financial Group ("the Group"). The Bank is the parent company of the Group.

Principal activities of the Group:

- > acceptance of deposits from the public;
- > provision of loans;
- > investing in securities on its own account;
- > payments and clearing;
- > issuance and maintenance of payment facilities;
- > provision of guarantees;
- > opening of letters of credit;
- > direct debit services;
- > provision of investment services
 - principal investment services under Section 4 (2) (a), (b), (c), (d), (e), (g), and (h) of Act No. 256/2004 Coll., as amended;
 - additional investment services under Section 4 (3) (a) – (f) of Act No. 256/2004 Coll., as amended;
- > administration of investment and participation funds;
- > issuance of mortgage bonds;
- > financial brokerage;
- > depositary activities;
- > foreign exchange services (foreign currency purchases);
- > provision of banking information;
- > proprietary or client-oriented trading with foreign currency assets;
- > rental of safe-deposit boxes;
- > activities directly relating to the activities listed in the banking licence;
- > mediation of supplementary pension schemes;
- > lease of movable and immovable assets;
- > building society savings operation;
- > provision of loans to participants in building society savings;
- > provision of guarantees for building society savings loans.

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

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

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

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

2. Shareholders of the Bank

Name, address	Voting power in %	
	30. 6. 2023	31. 12. 2022
Raiffeisen CEE Region Holding GmbH, Am Stadtpark 9, Vienna, Austria	75%	75%
RLB OÖ Sektorholding GmbH, Europaplatz 1a, 4020 Linz, Austria	25%	25%

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

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

3. Basis of Preparation of the Interim Consolidated Financial Statements

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

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

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

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

Impact of the Russian invasion of Ukraine on the interim consolidated financial statements

The current political and economic situation in Ukraine may lead to increased global economic uncertainty, increased price and exchange rate fluctuations, additional potential disruptions in the supply of energy raw materials, and a potential decline in global economic growth. All economic activities of the Group and its clients with respect to entities from Russia and Ukraine have been limited historically. The credit ratings of certain clients exposed to these risks have already been updated to reflect expected credit risk provisions and reserves. All exposures to these risky countries continue to be thoroughly monitored and managed by the Group.

As at the date of drawing up and approving these interim consolidated financial statements, the Group's management has assessed the current political and economic situation and the current and planned measures of the Czech Government, the Czech National Bank, and the European Commission that could have a negative impact on the Group. Based on the assessment of the current situation and various scenarios of development, on the basis of public information available as at the date of approval of these interim consolidated financial statements, the Group's management does not expect the economic impact of this situation on the Group to significantly affect the Group's liquidity and capital position and the quality of the Group's assets, and thus at this time, no significant uncertainty in connection with these events has arisen that could fundamentally cast doubt on the Group's ability to continue as a going concern.

Currently, due to the uncertainty of the subsequent development of the ongoing conflict, it is difficult to quantify the potential impact on the Group's economic results in the following period. The overall subsequent economic impact on the Group and its clients who have economic ties to this geographical region will depend mainly on the duration of the war and also on the intensity of political and economic measures and restrictions in connection with this situation.

From the beginning of the conflict, the Group has continuously analysed the impact of this conflict on its non-retail portfolio. Immediately after the outbreak of the conflict, direct exposures were examined, where direct territorial and political risk was identified. Potential losses are substantially minimized by the security provided by credit export insurance companies with a high-quality risk profile. Additional assessment of the portfolio of exposures took place with a focus on supply chains, payments originating from conflict-affected countries, sectors economically connected to the affected areas in the form of portfolio identification of exposures, and subsequent individual assessment. No further risk exposures have arisen since the beginning of the conflict. By reducing existing exposures, the resulting impact gradually decreased to 0.8% on the total non-retail portfolio. The Group further actively manages and reduces this impact, which is assessed as immaterial.

Due to the ongoing conflict the negative impact of this situation on the economic environment in which the Group operates, as well as the negative impact on the Group's financial condition and performance in the medium term, cannot be ruled out. The Group's management monitors and manages the situation thoroughly on an ongoing basis and is ready to take appropriate measures accounting for current developments. These potential future measures of the Group for the changing situation may be primarily in the areas of accounting estimates and methods of calculating provisions and reserves for credit risk according to the IFRS 9 standard.

Forward looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group Raiffeisen Bank International (further as "RBI") has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

In addition to the base economic scenario, Raiffeisen Research also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured.

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

The most significant assumptions used as a starting point for the expected credit loss estimates at year-end 2020 are shown below (Source: Raiffeisen Research, May 2023):

Real GDP	Scenario	2023	2024	2025
	Optimistic	1.9%	4.8%	3.4%
Czech Republic	Base	0.9%	3.3%	2.9%
	Pesimistic	(0.8)%	0.7%	2.0%

Unemployment	Scenario	2023	2024	2025
	Optimistic	3.5%	3.5%	3.4%
Czech Republic	Base	3.7%	3.8%	3.5%
	Pesimistic	4.2%	4.5%	3.7%

Long-term bond rate	Scenario	2023	2024	2025
	Optimistic	3.9%	2.5%	2.9%
Czech Republic	Base	4.9%	4.0%	3.4%
	Pesimistic	6.7%	6.7%	4.3%

Inflation	Scenario	2023	2024	2025
	Optimistic	9.8%	1.5%	1.7%
Czech Republic	Base	11.3%	3.7%	2.4%
	Pesimistic	12.4%	5.3%	2.9%

The weightings assigned to each scenario at the end of the reporting year end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios.

Management overlays within the meaning of IFRS 9

In situations where the existing input parameters, assumptions and modelling do not cover all relevant risk factors, post-model adjustments and additional risk factors are the most important types of management overlays within the meaning of IFRS 9. These are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model techniques might not capture all relevant risk factors due to transient circumstances, insufficient time to appropriately incorporate relevant new information into the rating or re-segmentation of portfolios, and situations when individual lending exposures within a group of lending exposures react to factors or events differently than initially expected.

For both corporate and retail exposures, other risk factors were taken into account. The other risk factors are the special risk factors for the non-retail segment; for the retail segment, they are post-model adjustments, i.e. the holistic approach. The adjustments applicable for the periods ending 30.6.2023 and 31.12.2022 are presented in the table below and are broken down by the respective categories.

30. 6. 2023 – Accumulated impairment (Stage 1 and 2)

CZK million	Modelled ECL	Other risk factors		Post-model adjustments		Total
		Macroeconomic risk		Macroeconomic risk		
Retail exposures	1,484	–	–	811	–	2,295
Non-retail exposures	713	827	–	–	–	1,540
Total	2,197	827	–	811	–	3,835

31. 12. 2022 – Accumulated impairment (Stage 1 and 2)

CZK million	Modelled ECL	Other risk factors		Post-model adjustments		Total
		Covid-19	Other	Covid-19	Other	
Retail exposures	1,487	–	–	–	676	2,163
Non-retail exposures	687	53	559	–	–	1,299
Total	2,174	53	559	–	676	3,462

Post-model adjustments (retail exposures)

In 2020, the COVID-19 pandemic necessitated post-model and in-model adjustments, as the ECL models did not fully capture the speed of the changes and the depth of the economic effects of the virus. These risks have already passed and therefore post-modelling adjustments in connection with the Covid-19 pandemic are not currently used.

In light of concerns about the impending risk of a steep increase in interest rates, which would above all affect mortgages at the time of interest rate refixation, the principle of moving mortgage contracts from Stage 1 to Stage 2 is in place depending on the estimated increase in DSTI (Debt Service to Income) at the time of refixing compared to the accepted increase at the time the contract was granted. In practice, this means that a contract is moved to Stage 2 if the DSTI predicted on the basis of the estimated macro-economic interest rate trend at the time of the next loan refixation exceeds the DSTI threshold accepted at the time of the loan (this accepted threshold is determined on the basis of a non-linear logarithmic increase in DSTI with an inverse proportion – a lower absolute increase is accepted for a high DSTI than for a low DSTI). Given the distribution of the mortgage portfolio until the next refixation, the post-model volume is most sensitive to the level of interest rates estimated for refixations that will take place in 3 years or more.

In May 2023, a logic was introduced for retail exposures taking into account a model for the non-retail segment, which is based on the identification of relevant sectors that may be affected by adverse macroeconomic factors in the coming months. On the basis of this logic, the contracts of those clients who are employed in the relevant risk sectors or conduct business in them as entrepreneurs are moved to Stage 2.

Post-model adjustments are reversed either when the risks have materialised and the claims concerned have been moved to Stage 3 or when the expected risks have not materialised. In relation to COVID-19, this meant the recovery of debt-free contracts that were older more than six months from the end of the moratorium. In the context of risky industries, this means labeling the relevant industry as non-risky. In relation to the holistic approach to the expected rise in interest rates, this means the recovery of contracts where the predicted DSTI at the time of the next refixation falls below the accepted DSTI increase at the time of the loan. The respective contracts will either naturally default by this time or will not be considered for post-model adjustments once the recovery conditions have been met because increased credit risk will be reversed.

Special risk factors (non-retail exposures)

In 2022, the Group took into account the following special risk factors: impact of rising energy and fuel prices, increasing building material prices and base interest rates, supply chain disruptions and a market crisis reflecting the development of the PMI (Purchasing Manager Index). For corporate customers, additional expected credit loss effects have been built into the modelled expected credit losses by means of an industry matrix, country specifics or, if necessary, by means of other special risk factors. On top of the existing country-specific view, the Group uses an industry-based differentiation to further modulate risk parameters. This industry matrix combines a short-term state of the industry within the economic cycle and the expected development over the medium term.

In this context, in 2023 the Group also took into account the following other risk factors: inflation, especially for sectors where reduced purchasing power is expected (entertainment industry, restaurants, airlines, textiles, retail, commercial printing and media), rising prices of energy and input materials and commodities (construction, metallurgy, automotive, capital goods and furniture industry), the risk of gas shortages due to the ongoing conflict in the Republic of Ukraine, including the risk of subsequent sanctions (gas industry, chemicals, fertilizers and glass production). Due to the already very low risk of the Covid-19 pandemic, its effects on the other risk factors for 2023 are omitted.

As of 31 December 2022, 27 of the total industries monitored have been included in the model. In identified industries where the expected default is greater than three times the current default probability, 19 industries were re-classified from Stage 1 to Stage 2. For the remaining industries, the potential loss is calculated based on the expert expected default probability of the relevant industry in Stage 1. For each sector, a probability of 5% is used for a lower probability of default and 10% for a higher probability.

As of June 30, 2023, based on the update, 27 of the total 189 monitored industries were included in the model. For the identified sector, where the expected default is greater than three times the current probability of failure, 18 sectors were reclassified from Stage 1 to Stage 2. The real estate portfolio of non-retail clients, specifically the residential housing segment, is newly included in the modeling, due to long-term market overvaluation of real estate prices, and this portfolio is classified with regard to future macroeconomic development to Stage 2. For the remaining industries, any loss is calculated based on the expert expected probability of failure of the respective industry in the classification Stage 1. For a lower probability of failure, a probability of 5% is used for individual industries and for a higher probability of 10%.

Going concern assumption

These consolidated interim financial statements are prepared by following the principle of the accounting entity continuing as a going concern as the Group's management believes that the Group has sufficient resources required to continue in its business in the foreseeable future. This belief of the Group's management is based on an extensive range of information and analyses relating to the current and future development of the economic environment including possible scenarios and their

impacts on the Group's profitability, liquidity and capital adequacy, while there is no significant uncertainty relating to events or circumstances that might crucially challenge the Group's ability to continue as a going concern.

The provided data have not been audited.

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

4. Accounting Policies

Significant Accounting Policies and Principles

For the preparation of interim consolidated financial statements have been used the same accounting policies and principles, methods of calculation and estimates as for consolidated financial statements for the year ended 31 December 2022 except for those that relate to new standards effective for the first time for periods beginning on 1 January 2023, and will be adopted in the 2023 annual consolidated financial statements.

5. Newly Applied IFRS Standards

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

In 2023, the Group did not start using any standards and interpretations which would have a significant impact on the interim consolidated financial statements.

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

During the year 2023, the following standards, interpretations and amended standards issued by the IASB and adopted by the EU took effect:

- **IFRS 17 Insurance Contracts** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 Presentation of Financial Statements** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 Income Taxes** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).

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

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

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

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 16 Leases** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **Amendment to IAS 1 Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IAS 1 Presentation of Financial Statements** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments** – Disclosures – Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 12 Income Taxes** – International Tax Reform – Pillar Two Model Rules (effective for annual periods beginning on or after 1 January 2023).

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

6. Companies Included in the Consolidation

As of 30 June 2023, the Group comprised the following entities:

Company	The Bank's effective holding			Consolidation method in 2023	Registered office
	in % 2023	in % 2022	Indirect holding through		
Equa Sales & Distribution s.r.o. v likvidaci	–	100%	–	–	Praha
Raiffeisen investiční společnost a.s.	100%	100%	–	Full method	Praha
Raiffeisen stavební spořitelna a.s.	100%	100%	–	Full method	Praha
Raiffeisen – Leasing, s.r.o.	100%	100%	–	Full method	Praha
Raiffeisen FinCorp, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Appolon Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Luna Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
RLRE Carina Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Orchideus Property, s. r. o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Viktor Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Hestia Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Pronoe Property s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Raiffeisen Direct Investments CZ s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
RDI Management s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 1 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 3 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 4 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 5 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 6 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
Akcenta CZ a.s.	30%	30%	–	Equity method	Praha

In May 2023 the company Equa Sales & Distribution s.r.o. v likvidaci was liquidated.

As of 30 June 2023, the Group included Pronoe Property, s.r.o. into consolidation using the full method.

As of 30 June 2023, the Group did not include in its consolidation following companies due to its immateriality: Agave Property, s.r.o., Ananké Property, s.r.o., Antiopa Property, s.r.o., Clio Property, s.r.o., Doris Property, s.r.o., Dota Property, s.r.o., Ephyra Property, s.r.o., Epifron Property, s.r.o., Erginos Property, s.r.o., Fallopia Property, s.r.o., Fortunella Property, s.r.o., Frixos Property, s.r.o., Charis Property, s.r.o., Kalypso Property, s.r.o., Karpó Property, s.r.o., Kybelé Property, s.r.o., Létó Property, s.r.o., Lité Property, s.r.o., Médea Property, s.r.o., Nefelé Property, s.r.o., Proteus Property, s.r.o., Raiffeisen Broker, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., RLRE Ypsilon Property, s.r.o., Sky Solar Distribuce s.r.o., Thallos Property, s.r.o., Uniola Property, s.r.o., the same applies to the following associated companies: Akcenta Logistic a.s. v likvidaci, Akcenta DE GmbH, Nerudova Property s.r.o., Akcenta Digital s.r.o.

Companies GEONE Holešovice Two s.r.o. v likvidaci, Eleos Property, s.r.o. Pásithea Property, s.r.o. were excluded from the consolidation group during the first six months of 2023. These companies ceased to meet the criteria of International Financial Reporting Standards for being included in the consolidated group since, based on concluded contracts, Raiffeisen – Leasing, s.r.o. does not have the power to control and manage relevant activities of these entities; these entities are not the controlled entities, jointly controlled entities, or associates.

With the exception of the above mentioned changes the structure of the Consolidation Group is the same as the structure as of 31 December 2022.

7. Significant Events in 2023

Profit for 2022 distribution and dividend payment

Shareholders on the regular general meeting of the Bank in March 2023 agreed on distribution of the profit from individual financial statement for year 2022 in the amount of CZK 7,541 million. No dividend was paid to the Bank's shareholders during the first six months of 2023. The Bank's profit for the year 2022 in the amount of CZK 7,541 million was transferred into the Bank's retained earnings. From Bank's retained earnings coupon in amount CZK 309 million was paid to the holders of AT1 capital investment certificates.

Securitization Roof RBCZ 2023

In June 2023, the Group completed its third synthetic securitization, Roof RBCZ 2023, worth EUR 960 million. In synthetic securitization, the Group transfers part of the credit risk associated with the loan portfolio to institutional investors. However, the loans in the synthetic securitization of the portfolio continue to remain owned and managed by the Group. Synthetic securitization thus has no effect on the Group's relations with its customers. The securitized portfolio consists of corporate loans that were provided mainly to Czech companies and was divided into three risk tranches: junior, mezzanine and senior. The credit risk related to the mezzanine tranche was transferred to institutional investors who provided the Group with a portfolio guarantee to secure the credit risk of the mezzanine tranche. The group retained the credit risk of the junior and senior tranches. The expected termination of this portfolio guarantee is in December 2026. The costs for the received portfolio guarantee are divided by the Group into the interest part, which is reported under the item "Interest expense and similar expense" and the fee part, which the Group reports under the item "Fees and commission expense". Thanks to this transaction, the Group's CET1 capital ratio is strengthened by 51 basis points.

8. Net Interest Income

CZK million	30. 6. 2023	30. 6. 2022
Interest income and similar income calculated using the effective interest rate method		
Financial assets measured at amortised cost	17,124	11,537
from debt securities	932	344
from loans and advances to banks	6,366	4,294
from loans and advances to customers	9,826	6,899
Non-trading financial assets mandatorily at fair value through profit or loss	3	3
from debt securities	3	3
Negative interest on financial liabilities at amortised cost	-	26
Other assets	373	259
Hedging interest rate derivatives	1,977	984
Interest income and similar income calculated using the effective interest rate method	19,477	12,809
Other interest income		
Finance leases	114	91
Financial assets held for trading	1,430	1,016
Derivatives held for trading	1,425	1,015
of which derivatives in the bank's portfolio	5	10
Debt securities	5	1
Other interest income	1,544	1,107
Interest expense		
Financial liabilities held for trading	(1,521)	(1,002)
Derivatives held for trading	(1,521)	(1,002)
of which derivatives in the bank's portfolio	(17)	(2)
Financial liabilities at amortised cost	(8,577)	(3,527)
from deposits from banks	(318)	(336)
from deposits from customers	(7,344)	(2,955)
from securities issued	(776)	(142)
from subordinated liabilities	(139)	(94)
From lease liabilities	(13)	(14)
Hedging interest rate derivatives	(3,501)	(1,603)
Negative interest on financial assets at amortised cost	-	(25)
Total interest expense and similar expense	(13,612)	(6,171)
Net interest income	7,409	7,745

The items "Interest income and similar income calculated using the effective interest rate method" – "Hedging interest rate derivatives" and "Interest expense" – "Hedging interest rate derivatives" comprise net interest expense from hedging financial derivatives upon a cash flow hedge of CZK (182) million (2022: net interest expense of CZK (79) million), net interest income from hedging financial derivatives upon a fair value hedge of mortgage and corporate loans of CZK 1,739 million (2022: net interest income of CZK 875 million), net interest income from hedging financial derivatives upon a fair value hedge of the debt securities portfolio measured at amortised cost of CZK 420 million (2022: net interest income of CZK 189 million), net interest expense from hedging financial derivatives upon a fair value hedge the portfolio of current and savings accounts of

CZK (3,337) million (2022: net interest expense of CZK (1,623) million), and net interest expense from hedging financial derivatives upon a fair value hedge of the portfolio of securities issued measured at amortised cost in the total amount of CZK (164) million (2022: net interest income of CZK 19 million).

9. Net Fee and Commission Income

CZK million	30. 6. 2023	30. 6. 2022
Fee and commission income arising from		
Securities transactions	56	68
Clearing and settlement	2	2
Asset management	15	38
Administration, custody and safekeeping of values	34	25
Payment services	1,078	909
Product distribution for customers	226	233
Loan administration	61	92
Provided guarantees	113	93
Fund management and distribution of investment certificates	256	235
Customer foreign currency operations	1,162	1,243
Other	52	128
Total fee and commission income	3,055	3,066
Fee and commission expense arising from		
Clearing and settlement	(36)	(33)
Administration, custody and safekeeping of values	(32)	(33)
Payment services	(456)	(432)
Received guarantees	(10)	(12)
Product distribution for customers	(67)	(56)
Other	(85)	(77)
Total fee and commission expense	(686)	(643)
Net fee and commission income	2,369	2,423

10. General Administrative Expenses

CZK million	30. 6. 2023	30. 6. 2022
Rent, repairs and other office management services	(132)	(109)
Marketing expenses	(328)	(300)
Costs of legal and advisory services	(231)	(343)
IT support costs	(450)	(497)
Deposit and transaction insurance	(174)	(146)
Telecommunication, postal and other services	(40)	(39)
Security costs	(28)	(30)
Training costs	(22)	(10)
Office equipment	(13)	(15)
Travel costs	(13)	(10)
Fuel	(8)	(8)
Contribution to the crisis resolution fund	(381)	(390)
Other administrative expenses	(55)	(77)
Total	(1,875)	(1,974)

11. Gains/(losses) on the Sale of Subsidiaries and Associated Companies

(a) Disposals for the year 2023

In the first half of 2023, no company was sold outside the Group.

(b) Disposals for the year 2022

In June 2022 the company Konevova, s.r.o. was sold.

CZK million	Book value as of the disposal date
Value of investment as of the disposal date	264
Selling price of the equity investment	460
Profit/(loss) arising from the disposal	196
Cash inflow arising from the disposal	472

12. Financial Assets at Amortised Cost

(a) Financial Assets at Amortised Cost by Segment

CZK million	30. 6. 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities					
Credit institutions	202	991	-	-	1,993
Government institutions	68,452	-	-	-	68,452
Other financial institutions	1,612	733	-	-	2,345
Non-financial entities	4,150	767	-	-	4,917
Debt securities, gross	74,416	2,491	-	-	76,907
Loss allowances	(8)	(48)	-	-	(56)
Debt securities, net	74,408	2,443	-	-	76,851
Loans and advances to banks					
Central banks	178,243	-	-	-	178,243
Credit institutions	894	666	-	-	1,560
Loans and advances to banks – gross	179,137	666	-	-	179,803
Loss allowances	-	(1)	-	-	(1)
Loans and advances to banks – net	179,137	665	-	-	179,802
Loans and advances to customers					
Government institutions	420	4	-	-	424
Other financial institutions	15,808	7,401	117	-	23,326
Non-financial entities	105,526	45,316	1,893	129	152,864
Households	131,939	113,018	3,362	485	248,804
Loans and advances to customers – gross	253,693	165,739	5,372	614	425,418
Loss allowances	(803)	(2,259)	(2,455)	259	(5,258)
Loans and advances to customers – net	252,890	163,480	2,917	873	420,160
Total financial assets at amortised cost	506,435	166,588	2,917	873	676,813

CZK million	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities					
Credit institutions	1,167	-	-	-	1,167
Government institutions	35,010	-	-	-	35,010
Other financial institutions	1,724	724	-	-	2,448
Non-financial entities	4,431	601	-	-	5,032
Debt securities, gross	42,332	1,325	-	-	43,657
Loss allowances	(6)	(39)	-	-	(45)
Debt securities, net	42,326	1,286	-	-	43,612
Loans and advances to banks					
Central banks	158,505	-	-	-	158,505
Credit institutions	1,537	7	-	-	1,544
Loans and advances to banks – gross	160,042	7	-	-	160,049
Loss allowances	(1)	-	-	-	(1)
Loans and advances to banks – net	160,041	7	-	-	160,048
Loans and advances to customers					
Government institutions	497	5	-	-	502
Other financial institutions	19,873	3,023	151	-	23,047
Non-financial entities	113,170	34,220	1,877	174	149,441
Households	175,683	65,689	3,117	500	244,990
Loans and advances to customers – gross	309,223	102,938	5,145	674	417,980
Loss allowances	(1,043)	(1,866)	(2,597)	262	(5,244)
Loans and advances to customers – net	308,180	101,072	2,548	936	412,736
Total financial assets at amortised cost	510,547	102,365	2,548	936	616,396

(b) Financial Assets at Amortised Cost by Category

CZK million	30. 6. 2023	31. 12. 2022
Debt securities		
Debt securities	76,907	43,657
Debt securities, gross	76,907	43,657
Loss allowances	(56)	(45)
Debt securities, net	76,851	43,612
Loans and advances to banks		
Term deposits	1,559	1,537
Factoring	1	7
Reverse repo transactions with Czech National Bank	178,243	158,505
Loans and advances to banks – gross	179,803	160,049
Loss allowances	(1)	(1)
Loans and advances to banks – net	179,802	160,048
Loans and advances to customers		
Loans and advances from current accounts	2,158	2,333
Term loans	240,737	232,305
Mortgage loans	174,005	173,870
Reverse repo transactions	976	1,777
Credit card receivables	3,267	3,295
Factoring	4,275	4,400
Loans and advances to customers – gross	425,418	417,980
Loss allowances	(5,258)	(5,244)
Loans and advances to customers – net	420,160	412,736
Total financial assets at amortised cost	676,813	616,396

The Group applies hedge accounting upon the fair value hedge of the portfolio of receivables from mortgage and corporate loans and debt securities measured at amortised costs. The remeasurement of the hedged items as of 30 June 2023 was CZK: (4,543) million (as of 31 December 2022: CZK (5,755) million).

13. Finance Lease

CZK million	30. 6. 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Government institutions	2	2	-	-	4
Other financial institutions	11	-	-	-	11
Non-financial entities	5,672	2,033	48	-	7,753
Households	260	9	4	-	273
Finance lease – gross	5,945	2,044	52	-	8,041
Loss allowances	(23)	(38)	(32)	-	(93)
Finance lease – net	5,922	2,006	20	-	7,948

CZK million	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Government institutions	3	-	-	-	3
Other financial institutions	8	-	-	-	8
Non-financial entities	6,389	1,440	71	-	7,900
Households	262	18	5	-	285
Finance lease – gross	6,662	1,458	76	-	8,196
Loss allowances	(20)	(32)	(47)	-	(99)
Finance lease – net	6,642	1,426	29	-	8,097

14. Equity Investments in Associates

CZK million	30. 6. 2023	31. 12. 2022
Opening balance	113	102
Additions	-	-
Increase/(decrease) in net assets of associates	5	11
Disposals	-	-
Closing balance	118	113

15. Financial Liabilities at Amortised Costs

(a) Deposits from Banks

CZK million	30. 6. 2023	31. 12. 2022
Current accounts/One-day deposits	524	638
Term deposits of banks	6,100	5,059
Repo transactions	12,199	4,972
Total	18,823	10,669

(b) Deposits from Customers

Analysis of deposits from customers by type

CZK million	30. 6. 2023	31. 12. 2022
Current accounts/One-day deposits	386,052	385,370
Term deposits	157,962	139,751
Deposits with notice	22,110	24,940
Repo transactions	24,545	-
Total	590,669	550,061

Analysis of deposits from customers by sector

CZK million	30. 6. 2023	31. 12. 2022
Government sector	40,093	10,700
Other financial institutions	20,408	18,847
Non-financial entities	143,887	144,671
Households	386,281	375,843
Total	590,669	550,061

The Group applies hedge accounting upon the fair value hedge of the current and savings accounts portfolio and debt securities issued. The remeasurement of the hedged items as of 30 June 2023 was CZK: (11,646) million (as of 31 December 2022: CZK (14,354) million).

(c) Debt Securities Issued

Analysis of issued debt securities by type

CZK million	30. 6. 2023	31. 12. 2022
Mortgage bonds	5,335	8,361
Senior non-preferred bonds	29,193	16,192
Total	34,528	24,553

Analysis of mortgage bonds

CZK million				Nominal value		Net carrying amount	
Issue date	Maturity date	ISIN code	Currency	30. 6. 2023	31. 12. 2022	30. 6. 2023	31. 12. 2022
8.3.2017	8.3.2023	XS1574150857	EUR	-	7,235	-	2,918
8.3.2017	8.3.2024	XS1574151236	EUR	7,119	7,235	3,823	3,917
19. 3. 2020	19.3. 2025	CZ0002006893	CZK	1,500	1,500	1,512	1,526
15.7.2020	15.7.2030	CZ0002007057	CZK	41,000	41,000	-	-
15.11.2021	15.11.2031	XS2406886973	EUR	11,865	12,058	-	-
Total				61,484	69,028	5,335	8,361

During the first half of 2023, mortgage bond XS1574150857 issued by the Group reached its maturity. Mortgage bonds XS2406886973 and CZ0002007057 remains completely in the Group's own books. Mortgage bond XS1574151236 remain partially in the Group's own books.

Analysis of senior non-preferred bonds

CZK million							
Issue date	Maturity date	ISIN code	Currency	Nominal value		Net carrying amount	
				30. 6. 2023	31. 12. 2022	30. 6. 2023	31. 12. 2022
18.03.2021	22.03.2026	XS2321749355	CZK	2,690	2,680	2,740	2,740
09.06.2021	09.06.2028	XS2348241048	EUR	8,305	8,381	8,244	8,429
20.09.2022	20.09.2027	XS2534984120	CZK	1,961	1,303	1,981	1,326
20.09.2022	20.09.2027	XS2534985283	CZK	1,232	1,019	1,252	1,043
28.11.2022	28.11.2027	XS2559478693	CZK	2,635	2,634	2,760	2,654
19.01.2023	19.01.2026	XS2577033553	EUR	11,865	-	12,216	-
Total				28,688	16,017	29,193	16,192

During the first half of 2023, the Group issued one issue of senior non-preferred bonds that are subordinated to other preferred bonds and MREL eligible.

International bond XS2577033553, admitted to trading on the Luxembourg Stock Exchange and denominated in EUR, may only be sold to eligible counterparties and was offered mainly to investor on the international market. It has a maturity of three years and an embedded call option for the Group for early repayment in nominal value after two years from the issue date. The bond has been assigned a baa2 rating by Moody's.

(d) Subordinated Liabilities and Bonds

Subordinated debt

CZK million			30. 6. 2023	31. 12. 2022
Raiffeisen Bank International AG (parent company)			3,107	3,156
Raiffeisenlandesbank Oberösterreich AG			1,036	1,052
Raiffeisen Bausparkassen Holding GmbH			310	302
Total			4,453	4,510

Subordinated deposits

CZK million		30. 6. 2023	31. 12. 2022
Households		40	41
Total		40	41

Subordinated Debt Securities Issued

CZK million							
Issue date	Maturity date	ISIN code	Currency	Nominal value		Net carrying amount	
				30. 6. 2023	31. 12. 2022	30. 6. 2023	31. 12. 2022
26. 9. 2017	26. 9. 2027	CZ0003704595	CZK	300	300	321	309
16. 9. 2019	18. 9. 2029	CZ0003704900	CZK	300	300	308	302
Total				600	600	629	611

(e) Other Financial Liabilities

CZK million			30. 6. 2023	31. 12. 2022
Liabilities from securities trading			317	62
Liabilities from non-banking activities			432	559
Settlement and suspense clearing accounts			4,713	4,379
Lease liabilities			1,107	1,144
Total			6,569	6,144

16. Provisions

CZK million	30. 6. 2023	31. 12. 2022
Provisions for commitments and financial guarantees provided	706	512
Other provisions	573	872
Provision for legal disputes	13	14
Provisions for payroll bonuses	464	732
Provision for restructuring	–	36
Other	96	90
Total	1,279	1,384

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

CZK million	30. 6. 2023	31. 12. 2022
Stage 1	132	145
Stage 2	524	310
Stage 3	50	57
POCI	–	–
Total	706	512

Overview of other provisions

CZK million	Provisions for legal disputes	Provisions for payroll bonuses	Provision for restructuring	Other provisions	Total
1. 1. 2022	14	632	153	86	885
Creation of provisions	–	732	–	33	765
Use of provisions	–	(589)	(96)	(16)	(701)
Release of redundant provisions	–	(43)	(21)	(13)	(77)
31. 12. 2022	14	732	36	90	872
Creation of provisions	–	464	–	22	486
Use of provisions	–	(643)	(36)	(5)	(684)
Release of redundant provisions	(1)	(89)	–	(11)	(101)
30. 6. 2023	13	464	–	96	573

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

17. Cash and Cash Equivalents

CZK million	30. 6. 2022	31. 12. 2022
Cash in hand and other cash equivalents	2,859	2,645
Balances with central banks (including one-day deposits)	448	531
Other demand deposits	8,780	10,726
Total cash and cash equivalents	12,087	13,902

18. Contingent Liabilities

(a) Legal disputes

The Group conducted a review of legal disputes outstanding against it as at 30 June 2023. Pursuant to the review of individual legal disputes in terms of the risk of potential losses and the probability of payment, the Group recognised a provision for significant litigations of 30 June 2023 in the aggregate amount of CZK 13 million (as of 31 December 2022: CZK 14 million).

(b) Loan commitments, financial guarantees and other commitments

CZK million	30. 6. 2022	31. 12. 2022
Loan commitments given	108,269	110,337
Financial guarantees given	6,147	6,046
Other commitments given	39,804	38,532
Total	154,220	154,915

19. Fair Values of Financial Assets and Liabilities

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

30. 06. 2023 CZK million	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand and other cash equivalents	12,087	–	–	12,087	12,087	–
Loans and advances to banks*	–	–	179,802	179,802	179,802	–
Loans and advances to customers*	–	–	406,656	406,656	420,160	(13,504)
Debt securities at amortised cost*	66,708	5,638	593	72,939	76,851	(3,912)
Liabilities						
Deposits from banks	–	–	18,910	18,910	18,823	87
Deposits from customers	–	–	590,768	590,768	590,669	99
Debt securities issued	–	–	32,209	32,209	34,528	(2,319)
Subordinated liabilities and bonds	–	–	4,647	4,647	5,122	(475)
Other financial liabilities**	–	–	5,462	5,462	5,462	–

*including loss allowances

**without lease liabilities

31. 12. 2022 CZK million	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand and other cash equivalents	13,902	–	–	13,902	13,902	–
Loans and advances to banks*	–	–	160,048	160,048	160,048	–
Loans and advances to customers*	–	–	397,898	397,898	412,736	(14,838)
Debt securities at amortised cost*	33,409	3,903	593	37,905	43,612	(5,707)
Liabilities						
Deposits from banks	–	–	10,402	10,402	10,669	(267)
Deposits from customers	–	–	550,214	550,214	550,061	153
Debt securities issued	–	–	22,240	22,240	24,553	(2,313)
Subordinated liabilities and bonds	–	–	4,758	4,758	5,162	(404)
Other financial liabilities**	–	–	5,000	5,000	5,000	–

*including loss allowances

**without lease liabilities

Following table shows financial instruments at fair value split by levels, used for calculation of their fair value as at 30 June 2023:

Financial instruments at fair value

CZK million	Fair Value at 30. 6. 2023			Fair Value at 31. 12. 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives	–	6,502	–	–	7,548	–
Securities held for trading	250	–	–	162	–	–
Positive fair value of hedging derivatives	–	6,237	–	–	7,347	–
Financial assets other than held for trading mandatorily reported at fair value in profit or loss	–	74	120	–	74	120
Financial assets at FVOCI	–	–	121	–	–	101
Total	250	12,813	241	162	14,969	221

CZK million	Fair Value at 30. 6. 2023			Fair Value at 31. 12. 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	–	5,732	–	–	7,968	–
Negative fair value of hedging derivatives	–	14,296	–	–	17,658	–
Total	–	20,028	–	–	25,626	–

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

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

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

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

2023

CZK million	Financial assets held for trading (debt securities)	Financial assets other than held for trading mandatorily reported at fair value in profit or loss	Financial assets at FVOCI	Total
Balance at 1. 1. 2023	-	120	101	221
Transfer to Level 3	-	-	-	-
Purchases	-	-	-	-
Comprehensive income/(loss)	-	-	-	-
- in the income statement	-	-	-	-
- in equity	-	-	20	20
Sales/settlement/transfer	-	-	-	-
Transfer from Level 3	-	-	-	-
Balance at 30. 6. 2023	-	120	121	241

2022

CZK million	Financial assets held for trading (debt securities)	Financial assets other than held for trading mandatorily reported at fair value in profit or loss	Financial assets at FVOCI	Total
Balance at 1. 1. 2022	-	242	20	262
Transfer to Level 3	-	120	-	120
Purchases	-	-	74	74
Comprehensive income/(loss)	-	-	-	-
- in the income statement	-	(17)	-	(17)
- in equity	-	-	7	7
Sales/settlement/transfer	-	(225)	-	(225)
Transfer from Level 3	-	-	-	-
Balance at 31. 12. 2022	-	120	101	221

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

The amount in Level 3, item "Financial assets at FVOCI" primarily comprises an investment in SWIFT of CZK 1 million (2022: CZK 1 million) and the Group's investment Bankovní identita a.s. of CZK 36 million (2022: CZK 23 million) and VISA of CZK 84 million (2022: CZK 76 million)

20. Segment Analysis

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

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

Operating segments are represented as follows:

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

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

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

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

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

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

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

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

At 30. 6. 2023 CZK million	Corporate entities	Retail customers	Treasury	Other	Reconciliation to the statement of comprehensive income	Total
Income statement:						
Net interest income	2,535	3,940	500	434	-	7,409
Net fee and commission income	778	1,637	(33)	(13)	-	2,369
Net gain/(loss) from financial operations	(3)	-	(247)	(1)	-	(251)
Net gain on financial assets other than held for trading mandatorily measured at fair value in profit or loss	1	-	-	3	-	4
Net gain/ (loss) from hedge accounting	-	-	(60)	-	-	(60)
Impairment gains/(losses) on credit and off-balance sheet exposures	(190)	(259)	2	2	-	(445)
Gains/ (losses) arising from derecognition of financial assets measured at amortised cost	7	-	-	1	-	8
Other operating expenses	(1,073)	(3,090)	(66)	(532)	-	(4,761)
Dividend income	-	-	-	1	-	1
Gains/(losses) on the sale of subsidiaries and associated companies	-	-	-	-	-	-
Gains/(losses) from non-current assets and disposal groups	-	-	-	-	-	-
Share in income of associated companies	-	-	-	5	-	5
Profit before tax	2,055	2,228	96	(100)	-	4,279
Income tax	(456)	(249)	(18)	(229)	-	(952)
Profit after tax	1,599	1,979	78	(329)	-	3,327
Assets and liabilities:						
Total assets	162,339	264,569	270,664	27,711	-	725,283
Total liabilities	145,951	421,230	59,414	41,273	-	667,868

At 30. 6. 2022 CZK million	Corporate entities	Retail customers	Treasury	Other	Reconciliation to the statement of comprehensive income	Total
Income statement:						
Net interest income	1,929	4,036	1,450	330	-	7,745
Net fee and commission income	885	1,567	(44)	15	-	2,423
Net gain/(loss) from financial operations	16	-	(464)	(9)	-	(457)
Net gain on financial assets other than held for trading mandatorily measured at fair value in profit or loss	(8)	-	-	(26)	-	(34)
Net gain/ (loss) from hedge accounting	-	-	(27)	22	-	(5)
Impairment gains/(losses) on credit and off-balance sheet exposures	(149)	(286)	-	5	-	(430)
Gains/ (losses) arising from derecognition of financial assets measured at amortised cost	-	-	-	1	-	1
Other operating expenses	(1,074)	(3,215)	(87)	(572)	-	(4,948)
Dividend income	-	-	-	1	-	1
Gains/(losses) on the sale of subsidiaries and associated companies	-	-	-	196	-	196
Gains/(losses) from non-current assets and disposal groups	-	-	-	9	-	9
Share in income of associated companies	-	-	-	16	-	16
Profit before tax	1,599	2,102	828	(12)	-	4,517
Income tax	(267)	(258)	(128)	(145)	-	(798)
Profit after tax	1,332	1,844	700	(157)	-	3,719
Assets and liabilities:						
Total assets	144,005	254,133	238,547	23,152	-	659,837
Total liabilities	101,535	412,700	73,411	23,297	-	610,943

21. Related Party Transactions

Balance sheet items

CZK million At 30. 6. 2023	Parent company and Entities with significant influence over the Group	Other	Total
Receivables	7,426	848	8,274
Payables	907	6,290	7,197
Subordinated debt	3,107	1,346	4,453
Guarantees issued	1,313	111	1,424
Guarantees received	149	2,865	3,014
CZK million At 31. 12. 2022	Parent company and Entities with significant influence over the Group	Other	Total
Receivables	9,568	1,157	10,725
Payables	1,319	5,718	7,037
Subordinated debt	3,156	1,354	4,510
Guarantees issued	577	111	688
Guarantees received	137	1,957	2,094

Profit and loss items

CZK million At 30. 6. 2023	Parent company and Entities with significant influence over the Group	Other	Total
Interest income	3,257	29	3,286
Interest expense	(4,489)	(115)	(4,604)
Fee and commission income	19	6	25
Fee and commission expense	(19)	(100)	(119)
Net profit or loss on financial operations	197	(81)	116
Net profit or loss from hedge accounting	1,351	-	1,351
CZK million At 30. 6. 2022	Parent company and Entities with significant influence over the Group	Other	Total
Interest income	1,628	24	1,652
Interest expense	(2,447)	(84)	(2,531)
Fee and commission income	20	9	29
Fee and commission expense	(6)	(65)	(71)
Net profit or loss on financial operations	2,133	(51)	2,082
Net profit or loss from hedge accounting	(3,541)	-	(3,541)

22. Subsequent Events

No events that would have a material impact on the interim consolidated financial statements for the period ended 30 June 2023 occurred subsequent to the balance sheet date.

Persons Responsible for the Consolidated Semi-Annual Financial Report

We declare that to the best of our knowledge, the consolidated semi-annual financial report 2023 provides a true and fair view of the assets, liabilities, financial situation and financial results of the issuer and its consolidation group. The report also includes a description of significant events that have occurred in the first six months of the 2023 accounting period and their impact on the interim consolidated financial statements and a description of the main risks and uncertainties for the remaining six months of the 2023 accounting period, as well as a description of related party transactions in the first six months of the 2023 accounting period that materially affected the results of the issuer or its consolidated group, and provides a true overview of this required information.

This consolidated semi-annual financial report has been authorized for issue on 18 September 2023.



Igor Vida

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Raiffeisenbank a.s.*



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