



Consolidated Financial Statements

for the year ended 31 December 2019

prepared in accordance with the International Financial Reporting Standards
as adopted by the European Union

and Independent Auditor's Report

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Independent Auditor's Report

To the Shareholder, Supervisory Board, and Board of Directors of
Československá obchodná banka, a.s.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Československá obchodná banka, a.s. and its subsidiaries (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 17 March 2020.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

To the best of our knowledge and belief, we declare that non-audit services that we have provided are in accordance with the applicable law and regulations in the Slovak Republic and that we have not provided non-audit services that are prohibited under Regulation (EU) No. 537/2014.

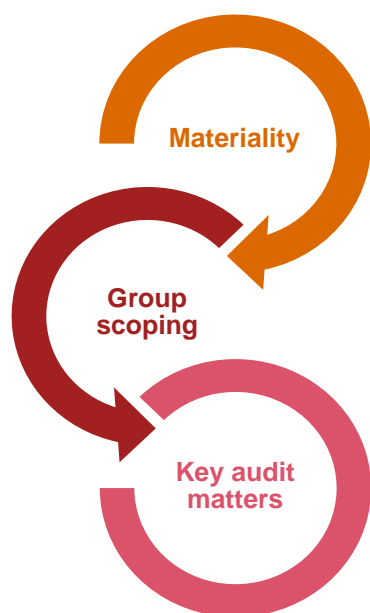
The non-audit services that we have provided to the Group, in the period from 1 January 2019 to 31 December 2019 are disclosed in Note 31 to the consolidated financial statements.

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The firm's ID No. (IČO): 35 739 347.

Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.
The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.

Our audit approach



Overview

Overall group materiality is EUR 6.5 million which represents approximately 1% of consolidated net assets.

We focused our audit work on Československá obchodná banka, a.s., which is the most significant consolidated entity. We also performed audit of financial information over ČSOB Leasing, a.s., which we consider material in the context of consolidation.

These two entities represent approximately 99% of the Group's total assets at 31 December 2019 and 98% of the Group's profit for the year then ended.

The audit of the expected credit losses required our significant attention given the nature of this estimate and its significance to the consolidated financial statements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

The qualitative considerations and assessment of the overall impact of the misstatements, which relate to reclassification within the primary statements or within the notes to the consolidated financial statements might be considered not material even if they are quantitatively in excess of the materiality thresholds disclosed below.

Overall Group materiality	EUR 6.5 million
How we determined it	We based the materiality on consolidated net assets.
Rationale for the materiality benchmark applied	Bank's capital is an important indicator to many users of the financial statements and shareholder return is also commonly expressed relative to the amount of the bank's capital, that is, as a return on equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Expected credit losses estimate</p> <p>As explained in Note 14 to the consolidated financial statements, management estimated expected credit losses for financial assets at EUR 143.764 thousand.</p> <p>The carrying value of financial assets at amortised cost may be misstated if individual or collective expected credit losses are not appropriately identified and estimated. The estimates required for calculation of expected credit losses are significant estimates, as explained in more detail in Note 2.2 <i>Significant accounting judgements and estimates</i> of the consolidated financial statements.</p> <p>Significant management judgement is involved in the identification of significant increase of credit risk or default; the estimation of impairment including estimates of future cash flows incorporating the impact of forward looking macroeconomic information; valuation and recoverability of collateral; implementation of comprehensive credit models.</p> <p>We consider this estimate as a key audit matter due to the significance of the expected credit loss allowances and related impairment losses for the year.</p>	<p>We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans.</p> <p>We tested design and operating effectiveness of IT general controls, including access to programs and data, program changes and computer operations related to quantification of expected credit losses.</p> <p>We verified that models used for accurate quantification of expected credit losses are in line with requirements of IFRS 9. We assessed the underlying models including the forward looking information incorporated in these models. On a sample basis, we tested and evaluated their consistent application during the year, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Group to estimate expected credit losses for loans that share similar credit risk characteristics.</p> <p>A sample of individually significant loan exposures was examined, in order to test accuracy of expected credit losses calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows by comparing them to historical performance of the customer and expected future performance as well as assessment of external and internal valuations of underlying collaterals while comparing them to values used by management in the impairment quantification.</p>

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed. We performed our audit work on Československá obchodná banka, a.s. and performed audit of financial information of ČSOB Leasing, a.s, which we consider material in the context of consolidation. Československá obchodná banka, a.s. and ČSOB Leasing, a.s. as standalone reporting units represent approximately 99% of the Group's total assets as at 31 December 2019 and 98% of the Group's net result for the period.

Reporting on other information in the annual report

Management is responsible for the annual report prepared in accordance with the Slovak Act on Accounting No. 431/2002 as amended (hereafter the "Accounting Act"), the Slovak Act on Stock Exchanges No. 429/2002 as amended and the Slovak Act on Securities and Investment Services No. 566/2001 as amended. The annual report comprises (a) the consolidated financial statements, (b) the separate financial statements and (c) other information. Management has not prepared the annual report by the date of our audit report.

Our opinion on the consolidated financial statements does not cover the separate financial statements and the other information.

When the annual report becomes available to us, our responsibility will be to read the other information identified above and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the annual report, we will also consider whether it includes the disclosures required by the applicable legislation, when it becomes available to us. This will include checking the consistency of the annual report with the consolidated financial statements, and whether the annual report has been prepared in accordance with the applicable legislation.

In addition, our updated report will either state that we have nothing to report in respect of the above, or will describe any material misstatements we identified in the annual report based on our knowledge and understanding of the Group and its environment, which we obtained during our audit.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Reporting on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group on 27 May 2016. Our appointment has been renewed annually by shareholders resolution representing a total period of uninterrupted engagement appointment of four years.



PricewaterhouseCoopers Slovensko, s.r.o.

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SKAU licence No. 161



Mgr. Martin Gallovič
UDVA licence No. 1180

Bratislava, 23 March 2020

Note

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

Československá obchodná banka, a.s.

Consolidated Financial Statements for the year ended 31 December 2019


prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

Consolidated Statement of Financial Position at 31 December 2019

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR '000)	Note	31 Dec 2019	31 Dec 2018 reclassified
Assets			
Cash, balances with central bank and other demand deposits with banks	3	301,231	240,235
Financial assets at fair value through profit or loss	4	32,272	133,740
Non-trading financial assets mandatorily at fair value through profit or loss		850	-
Financial assets at fair value through other comprehensive income	5	165,464	184,578
Loans and receivables from financial institutions at amortised cost	6	48,938	36,516
Loans and receivables from customers at amortised cost	7	7,512,511	7,115,588
Debt securities at amortised cost	8	1,698,702	1,820,495
<i>of which: pledged as collateral</i>	8, 16	208,675	186,390
Current income tax asset	32	1,106	2,109
Deferred income tax asset	32	17,061	19,000
Property and equipment	9	175,961	167,732
Intangible assets	10	27,605	12,956
Right of use assets	11	38,393	n/a *
Assets held for sale	12	857	-
Other assets	13	29,569	23,275
Total assets		10,050,520	9,756,224
Liabilities and equity			
Financial liabilities at fair value through profit or loss	15	93,848	57,158
Amounts owed to financial institutions at amortised cost	16	1,071,467	1,033,956
Amounts owed to customers at amortised cost	17	6,380,539	6,278,268
Debt securities issued at amortised cost	18	1,425,049	1,372,128
Subordinated debt	19	87,551	87,551
Lease liability		37,779	n/a
Provisions	20, 22	6,547	8,537
Current income tax liability	32	162	140
Deferred income tax liability	32	48	-
Other liabilities	21	72,536	64,731
Liabilities		9,175,526	8,902,469
Share capital	23.1	295,015	295,015
Share premium	23.2	484,726	484,726
Reserve funds	23.3	59,003	59,003
Revaluation reserve on Financial assets at fair value through other comprehensive income and cash flow hedge	23.4	12,639	8,927
Other revaluation reserve	23.5	(216,162)	(216,162)
Retained earnings		169,088	148,266
Net profit for the year		70,685	73,980
Equity	23	874,994	853,755
Total liabilities and equity		10,050,520	9,756,224


Juraj Ebringer
Chief Officer for Retail and private banking


Ján Lučan
Chief Officer for Financial management,
legal and central services

The notes from number 1 to 42 form an integral part of these Consolidated Financial Statements.

* n/a – not applicable

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR '000)	Note	31 Dec 2019	31 Dec 2018
Interest income		226,197	229,837
Similar interest income		460	2,078
Interest expense		(25,038)	(24,560)
Similar interest expense		(816)	(853)
Net interest income	25	200,803	206,502
Fee and commission income		88,833	82,157
Fee and commission expense		(12,406)	(12,677)
Net fee and commission income	26	76,427	69,480
Net trading result and exchange differences	27	3,828	6,096
Net realized result from financial assets at fair value through other comprehensive income	5	1,132	(12)
Net realized result from financial instruments measured at amortised cost	8	2,721	1,048
Dividend income		53	42
Income from operating lease	28	28,185	22,797
Expense from operating lease	28	(25,211)	(20,695)
Other operating result	29	3,382	762
Total income		291,320	286,020
Personnel expenses	30	(86,569)	(82,301)
Depreciation and amortisation	9, 10, 11	(16,204)	(13,534)
Other operating expenses	31	(88,682)	(90,220)
Operating expenses		(191,455)	(186,055)
Impairment losses and Provisions for off-balance sheet risks	14	(10,352)	(3,463)
Profit for the year before tax		89,513	96,502
Income tax expense	32	(18,828)	(22,522)
Net profit for the year attributable to owners of the parent		70,685	73,980
Other comprehensive income/ (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Debt securities at fair value through other comprehensive income	23.4	(94)	(3,152)
Income tax relating to items that may be reclassified subsequently to profit or loss	23.4	20	659
<i>Items that cannot be reclassified subsequently to profit or loss</i>			
Equity instruments at fair value through other comprehensive income	23.4	4,793	2,140
Income tax relating to items that cannot be reclassified subsequently to profit or loss	23.4	(1,007)	(449)
Other comprehensive income/ (loss) for the year, net of tax		3,712	(802)
Total comprehensive income for the year attributable to owners of the parent		74,397	73,178

The notes from number 1 to 42 form an integral part of these Consolidated Financial Statements.

Československá obchodná banka, a.s.

Consolidated Financial Statements for the year ended 31 December 2019

prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR '000)	Share capital	Share premium	Reserve funds	Revaluation reserve on Financial assets at fair value through other comprehensive income	Revaluation reserve on cash flow hedge	Other revaluation reserve	Retained earnings	Total
Equity as at 1 January 2018	295,015	484,726	49,601	9,386	343	(216,162)	157,668	780,577
Total comprehensive income/ (loss) for the year	-	-	-	(802)	-	-	73,980	73,178
Net profit for the year	-	-	-	-	-	-	73,980	73,980
Other comprehensive loss for the year, net of tax	-	-	-	(802)	-	-	-	(802)
Profit distribution – reserve funds	-	-	9,402	-	-	-	(9,402)	-
Equity as at 31 December 2018	295,015	484,726	59,003	8,584	343	(216,162)	222,246	853,755
Equity as at 1 January 2019	295,015	484,726	59,003	8,584	343	(216,162)	222,246	853,755
Total comprehensive income for the year	-	-	-	3,712	-	-	70,685	74,397
Net profit for the year	-	-	-	-	-	-	70,685	70,685
Other comprehensive income for the year, net of tax	-	-	-	3,712	-	-	-	3,712
Dividend paid	-	-	-	-	-	-	(53,158)	(53,158)
Equity as at 31 December 2019	295,015	484,726	59,003	12,296	343	(216,162)	239,773	874,994

The notes from number 1 to 42 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2019

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR '000)	Note	31 Dec 2019	31 Dec 2018 reclassified
Profit for the year before tax		89,513	96,502
<i>Adjustments for</i>			
Impairment losses and Provisions		10,174	5,339
Depreciation and amortisation		30,335	24,387
Expenses related to short-term, low value lease and variable expenses related to leases		1,391	n/a
Loss on disposal of property and equipment, intangible assets		469	325
Dividend income		(53)	(42)
Unrealized gains from financial instruments		(238)	(1,684)
Interest expense and Similar interest expense		25,854	25,413
Interest income and Similar interest income		(226,657)	(231,915)
Cash flow on operations before changes in operating assets and liabilities		(69,212)	(81,675)
<i>Changes in operating assets and liabilities</i>			
Financial assets at fair value through profit or loss		125,620	(96,798)
Financial assets at fair value through other comprehensive income		23,663	13,070
Loans and receivables from financial institutions at amortised cost		(8,606)	(21,205)
Loans and receivables from customers at amortised cost		(403,759)	(571,420)
Change in property and equipment for operating lease and other assets *		(17,271)	(22,067)
Financial liabilities at fair value through profit or loss		4,956	(26,152)
Amounts owed to financial institutions at amortised cost		35,816	188,520
Amounts owed to customers at amortised cost		103,714	227,679
Provisions		(79)	(3,202)
Other liabilities		6,345	16,471
Cash flow on operations before interest and taxes		(198,813)	(376,779)
Interest received		234,522	237,087
Interest paid		(26,194)	(27,215)
Payments for the interest portion of the lease liability		(292)	n/a
Payments related to short-term, low value lease and variable payments related to leases		(1,391)	n/a
Income taxes paid		(16,803)	(15,271)
Net cash flow on operating activities		(8,971)	(182,178)
<i>Cash flow from investing activities</i>			
Debt securities at amortised cost acquisition		(167,376)	(192,516)
Debt securities at amortised cost repayment		281,500	145,840
Dividends received		53	42
Purchase of property and equipment, intangible assets		(35,271)	(13,455)
Proceeds from sale of property and equipment, intangible assets		1	607
Net cash flow from/ (on) investing activities		78,907	(59,482)
<i>Cash flow from financing activities</i>			
Proceeds from issue of Debt securities issued at amortised cost	40	258,799	521,885
Repayment of Debt securities issued at amortised cost	40	(205,826)	(434,611)
Dividend paid		(53,158)	-
Payments for the principal portion of the lease liability	40	(4,945)	n/a
Net cash flow from/ (on) financing activities		(5,130)	87,274
Net change in cash and cash equivalents		64,806	(154,386)
Cash and cash equivalents at the beginning of year	41	240,709	395,095
Cash and cash equivalents at the end of year	41	305,515	240,709
Net change in cash and cash equivalents		64,806	(154,386)

* classification of operating lease in accordance with IAS 7.14 and IAS 16.68A

The notes from number 1 to 42 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 Introduction

Československá obchodná banka, a.s., ("ČSOB Bank"), is a universal commercial bank conducting its operations in the Slovak Republic. As at 31 December 2019, ČSOB Bank had 126 branches (31 December 2018: 131 branches).

Československá obchodná banka, a.s., is a universal commercial bank with its business name Československá obchodná banka, a.s., and registered office at Žižkova 11, 811 02 Bratislava, identification number 36 854 140, legal entity identifier code ("LEI code") 52990096Q5LMCH1WU462.

ČSOB Bank is a part of the group of KBC Bank NV, with its registered office at Havenlaan 2, 1080 Brussels, Belgium ("KBC"). The Consolidated Financial Statements of this immediate parent company are deposited at Nationale Bank van België NV, Balanscentrale, de Berlaimontlaan 14, 1000 Brussels, Belgium.

The ultimate parent and controlling company of ČSOB Bank is KBC GROUP NV ("KBC Group"), with its registered seat at Havenlaan 2, 1080 Brussels, Belgium. The Consolidated Financial Statements of the ultimate parent company are deposited at the same place, Nationale Bank van België NV, Balanscentrale, de Berlaimontlaan 14, 1000 Brussels, Belgium.

The main aim of KBC is to ensure that ČSOB Bank is a strong independent economic subject with equal rights, position and responsibilities as other entities within the KBC Group in Europe. ČSOB Bank provides a wide range of financial and banking services for retail, small and medium-sized entrepreneurs, corporate and private banking domestic and foreign customers in both local and foreign currencies.

These financial statements comprise of financial statements of ČSOB Bank and its subsidiaries, which are all wholly owned ("ČSOB Group").

ČSOB Bank has the following subsidiaries within its group ("ČSOB Group") as at 31 December 2019 and 31 December 2018:

- ČSOB stavebná sporiteľňa, a.s. ("ČSOB stav. sporiteľňa");
- ČSOB Leasing, a.s. and its subsidiary ("ČSOB Leasing Group");
- Nadácia ČSOB (non-consolidated);
- ČSOB Real, s. r. o.;
- ČSOB Advisory, s.r.o. (non-consolidated).

Nadácia ČSOB is not consolidated because ČSOB Group does not have sufficient exposure to variable returns of this entity. As a non-profit organisation, net assets of Nadácia ČSOB are designated for non-profit or charitable purposes, it cannot pay dividends, nor can it transfer net assets to ČSOB Group upon liquidation due to restrictions in Slovak legislation.

ČSOB Advisory, s.r.o. is not consolidated due to insignificant impact on consolidated figures.

As at 31 December 2019 and as at 31 December 2018, the Chief Executive Officer and Chairman of ČSOB Bank's Board of Directors was Daniel Kollár. Other members of the Board of Directors were: Juraj Ebringer, Ľuboš Ondrejko, Branislav Straka, Marcela Výbošťová, Ján Lučan and Evert Vandenbussche.

The Chairman of the Supervisory Board as at 31 December 2019 and 31 December 2018 was Luc Popelier. The members of the Supervisory Board were Peter Leška and Ladislav Mejzlík.

2 Significant accounting principles and methods

2.1 Basic accounting principles

ČSOB Bank's Consolidated Financial Statements for the year ended 31 December 2019 ("Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and Act No 431/2002 Coll. on Accounting. ČSOB Bank also prepares Separate Financial Statements for ČSOB Bank in accordance with the International Financial Reporting Standards as adopted by the EU and Act No 431/2002 Coll. on Accounting.

ČSOB Bank prepared and issued Separate and Consolidated Financial Statements for the year ended 31 December 2019 on 17 March 2020.

Separate and Consolidated Financial Statements for the preceding accounting period (as at 31 December 2018) were approved and authorized for issue on 19 March 2019.

These Consolidated Financial Statements have been prepared under the going-concern assumption that ČSOB Group will continue in operation for the foreseeable future, using the historical cost method except as modified by revaluations of Financial assets at fair value through other comprehensive income and Financial assets and Financial liabilities at fair value through profit or loss.

Balances in brackets represent negative amounts. The presentation currency in the Consolidated Financial Statements is the Euro ("EUR") and the amounts are rounded to thousands of EUR, unless stated otherwise.

2.1.1 Basis of Consolidation

The Consolidated Financial Statements present the accounts and results of ČSOB Bank and its controlled companies. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the acquisition date up to the date when control is lost over the subsidiary. All intra-group balances and transactions, including unrealized intra-group profits or losses, are eliminated on consolidation. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by ČSOB Bank.

A Subsidiary Undertakings

A subsidiary is a subject controlled by ČSOB Bank (parent company). ČSOB Bank controls an entity if, and only if, ČSOB Bank has all the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect the amount of the entity's return.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date such control commenced or up to the date control ceased.

2.2 Significant accounting judgments and estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of certain significant accounting estimates. While applying ČSOB Group's accounting methods, management has also made other judgments in addition to those involving estimates which have a significant impact on the amounts recognized in the Consolidated Financial Statements. The most significant judgments and estimates are as follows.

2.2.1 Business model assessment

The business model assessment is relevant for the purposes of classification and measurement of the debt securities held within portfolios "Financial assets at amortised cost" ("AC") and "Financial assets at fair value through other comprehensive income" ("FVOCI"). In performing the business model assessment, ČSOB Group reviews the objective of a business model within which an asset is held at a portfolio level, as this best reflects the way the business is managed, and information is provided to management. The considered information includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining an interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the financial assets in a portfolio is evaluated and reported to the Board of Directors of ČSOB Group;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how ČSOB Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are classified within portfolio Financial assets at fair value through profit or loss ("FVPL").

2.2.2 Assessment whether contractual cashflows are solely payments of principal and interest (SPPI)

ČSOB Group assesses whether contractual cash flows are solely payments of principal and interest from the principal amount outstanding. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, ČSOB Group reviews the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in a way that it would not meet the definition of principal and interest. In making the assessment, ČSOB Group considers mainly:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit ČSOB Group's claim to cash flows from specified assets;
- features that modify consideration of the time value of money.

2.2.3 Impairment of financial assets

ČSOB Group assesses financial assets, which are subject to impairment at the reporting date and evaluates the impairment loss that is to be recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Special assessment of management is necessary for estimation of amount and timing of future cash flows and of stages of the financial assets, which have a direct impact on the calculation of impairment. These estimates are determined based on expectations, which are influenced by many factors. Actual outcomes may thus differ from the estimates. For more information, refer to note 2.10, 14 and 37.2.

The model for impairment of financial assets is called the Expected Credit Loss model ("ECL"), which means that all financial assets at initial recognition, unless they are already credit impaired, carry an amount of impairments.

Calculating ECL requires significant judgments on different aspects for example, but not limited to, the borrowers' financial position and repayment capabilities, the value and recoverability of collaterals, forward looking and macroeconomic information. ČSOB Group applies neutral and free from bias approach when dealing with uncertainties and making decisions based on significant judgments. The ECL of a financial asset is calculated in a way that reflects:

- an unbiased, probability weighted amount, which is determined by using different possible outcomes;
- the time value of money; and
- adequate and demonstrable information, available at the reporting date, about past events, current conditions and forecasted economic conditions and macroeconomic factors.

ČSOB Group creates individual impairment for individually significant loans and portfolio impairment for those loans which are not individually significant or where no impairment was identified based on an individual assessment.

ČSOB Group considers three different forward looking macro-economic scenarios with different weights in the calculation of ECL. A sensitivity analysis on the impact of these multiple economic scenarios on IFRS 9 collectively calculated ECL, by calculating the delta between the probability weighted outcome (which is booked) and the base case scenario, shows a higher probability weighted ECL for the year-end 2019 0.47% (31 December 2018 of 0.20%) versus the base case scenario ECL. Singling out only the portfolios for which there are statistical macroeconomic dependencies, the impact amounts to 2.36% (31 December 2018: 1.76%).

2.3 Foreign currencies

The EUR is the currency of the primary economic environment in which ČSOB Group operates (functional currency).

Foreign currency transactions are translated into the functional currency at the exchange rates of the European Central Bank ("ECB") prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net trading result and exchange differences".

2.4 Financial instruments – accounting for recognition and derecognition

All financial instruments are measured initially at their fair value and in case of financial assets at amortised cost and financial liabilities at fair value through other comprehensive income the fair value is increased by transaction costs, and in case of financial liabilities at amortised cost the fair value is decreased by transaction costs.

Financial assets and liabilities are recognized in the Consolidated Statement of Financial Position when ČSOB Group becomes a party to the contractual provisions of the financial instrument, except for “regular way” purchases and sales of financial assets.

A financial asset is derecognized from the Consolidated Statement of Financial Position when the contractual rights to the cash flows from the financial asset expire or are transferred and the transfer qualifies for derecognition. A transfer requires that ČSOB Group either:

- a) has transferred the contractual rights to receive the asset's cash flows; or
- b) has retained the contractual rights to receive the asset's cash flows but has assumed a contractual obligation to pay those cash flows to a third party.

After a transfer, ČSOB Group assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, ČSOB Group assesses whether it has retained control of the asset. If it has not retained control, the asset is derecognised. Where ČSOB Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

When there is a change in the contractual terms and conditions during the lifetime of a financial asset, then ČSOB Group assesses whether the new terms are substantially different to the original terms (e.g. in case of refinancing/ consolidation of existing facilities, in case the changes made to the interest rate is assessed as significant, in case of change in borrower which impacts significantly the PD of the facility, in case ČSOB Group's right to the cash flows of the original loan have expired or after court's decision when new terms are agreed). When the terms are substantially different then the transaction is accounted for as financial asset derecognition, which requires derecognizing the existing financial asset and recognizing a new financial asset based on the revised terms. Conversely, when ČSOB Group assesses that the terms are not substantially different, the transaction is accounted for as financial asset modification. Modification gains and losses are recognised in the Consolidated Statement of profit or Loss and Other Comprehensive Income.

A write-off is a direct reduction of the gross carrying amount of a financial asset when ČSOB Group has no reasonable expectations of recovering the financial asset on its entirety or a portion thereof (loans are deemed to be uncollectible, the client has died and there are no assets to cover the debts, the bankruptcy proceeding was closed, the costs for court proceedings and legal fees are higher than possible recovered amount). ČSOB Group's write-off policies reflect different aspects of local law and fiscal policies. A write-off constitutes a derecognition event. Write-offs do not constitute a debt forgiveness and ČSOB Group retains its legally enforceable rights towards the borrower until the official legal proceedings have concluded otherwise.

A financial liability is derecognized from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expires.

ČSOB Group derecognizes the original financial liability and recognizes a new one, when there was a substantial change of contractual terms and conditions of the original financial liability. In assessing whether contractual terms are different, ČSOB Group compares the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, and the discounted present value of the remaining cash flows of the original financial liability. If the difference is more than 10%, ČSOB Group derecognizes the original financial liability and recognizes a new one.

A “regular way” purchase or sale of a financial asset is one in which delivery of the asset is made within the timeframe generally established by regulation or within the convention of the market. For all categories of financial assets, ČSOB Group recognizes “regular way” purchases and sales using settlement date accounting. In settlement date accounting, a financial asset is recognized or derecognized in the Consolidated Statement of Financial Position on the date it is physically transferred to or from ČSOB Group (“settlement date”). For Financial assets at fair value through profit or loss or through other comprehensive income, fair value movements between “trade date” and “settlement date” in connection with purchases and sales are recognized under “Net trading result and exchange differences” for Financial assets at fair value through profit or loss; and eventually under “Revaluation reserve on Financial assets at fair value through other comprehensive income”. At the settlement date, the resultant financial asset or liability is recognized in the Consolidated Statement of Financial Position at fair value of paid or received consideration.

2.5 Financial instruments – classification, initial and subsequent measurement

2.5.1 Financial assets

Financial assets at amortised cost are measured initially at fair value plus transaction costs directly attributable to their acquisition. Financial assets at fair value through profit or loss, Non-trading financial assets mandatorily at fair value through profit or loss and Financial assets at fair value through other comprehensive income are measured initially at fair value.

Classification of financial assets is different for debt and equity instruments, therefore an assessment of the contractual terms of the instruments is made on initial recognition of a financial asset, to classify it as an equity or debt instrument. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets. To satisfy this condition, ČSOB Group reviews whether the instrument includes no contractual obligation for the issuer to deliver cash or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

All instruments which do not meet the criteria of equity instruments are classified as debt instruments by ČSOB Group.

A Financial assets – debt instruments

Classification and subsequent measurement of the debt instruments depends on the business model, within which the financial assets are held, and on the characteristics of the contractual cash flows of the financial assets.

ČSOB Group classifies debt instruments within the following portfolios:

- Financial assets at fair value through profit or loss (FVPL);
- Financial assets at fair value through other comprehensive income (FVOCI);
- Financial assets at amortised cost (AC).

a) Financial assets at fair value through profit or loss (FVPL)

Portfolio consists of three sub-categories:

- financial assets held for trading (HFT);
- financial assets classified at fair value through profit or loss at initial recognition (FVPL); and
- non-trading financial assets mandatorily at fair value through profit or loss (MFVPL).

Financial assets held for trading consist of:

- trading derivatives (refer to note 34); and
- financial instruments held for trading other than derivatives.

Debt instruments must be classified within the FVPL portfolio when:

- they are not held within business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, or alternatively;
- their contractual terms do not meet SPPI test. Otherwise these instruments would be held within the business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In the portfolio of non-trading financial assets mandatorily at fair value through profit or loss, ČSOB Group classified an intragroup receivable from KBC Bank NV based on the contract between ČSOB Group and KBC Bank NV implementing Global Trading concept in ČSOB Group. Under Global Trading, ČSOB Group executes trading activities and via a back-to-back transaction to KBC Bank NV transfers market risk to KBC Bank NV. The realised gains from trading activities under Global Trading executed in the name of KBC Bank NV belong to ČSOB Group and are reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net trading result and exchange differences". KBC Bank NV bears any potential loss.

Financial assets at fair value through profit or loss are recognized in the Consolidated Statement of Financial Position at fair value. Gains and losses resulting from changes in fair value are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net trading result and exchange differences" in the period, in which they occurred. Interest income/expense is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Similar interest income"/ "Similar interest expense" in case of the banking book or under "Net trading result and exchange differences" in case of trading book (trading assets).

b) Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income are financial assets held within a business model whose objective is to hold assets to collect contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding, as well as to sell financial assets. The assessment of classification must be applied to the debt instrument as a whole.

These financial assets are measured at fair value through other comprehensive income in the Consolidated Statement of Financial Position. Unrealized gains and losses resulting from changes in fair value of these financial assets are recognized in other comprehensive income.

In case that the financial asset is derecognized, the unrealized gain or loss is derecognized from other comprehensive income and recognized under "Net realized result from Financial assets at fair value through other comprehensive income" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Interest income from financial assets calculated based on effective interest rate method are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Interest income". For the impairment of assets held within this portfolio see note 2.10.

c) Financial assets at amortised cost (AC)

Financial assets at amortised cost are non-derivative debt financial assets held within a business model whose objective is to hold assets to collect contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at amortised cost based on effective interest rate method in the Consolidated Statement of Financial Position. Amortised cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gross carrying amount (GCA) of a financial asset is defined as the amount at which the financial assets is measured at initial recognition minus the principal repayment plus the cumulative amortisation using the effective interest method (including on impaired exposures – so-called reserved interest) before adjusting for any impairment losses. Penalty interests of impaired financial asset are not part of GCA. Reserved interest is defined as the contractual interest on financial assets which are likely to remain unpaid.

The amortisation is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under “Interest income”. The losses arising from the impairment of such investments are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under “Impairment losses and Provisions for off-balance sheet risks”. See note 2.10.

d) Reclassification

Financial assets are not reclassified after their initial recognition, except in the case when ČSOB Group changes its business model for managing financial assets, which could occur only when ČSOB Group begins or ceases to perform an activity that is significant to its operations. The reclassification takes place from the start of the first reporting period following the change.

B Financial assets – equity instruments

Equity instruments are measured at fair value in the Consolidated Statement of Financial Position. In limited conditions, acquisition costs can be an appropriate measure of fair value for the unquoted equity instruments.

The basic measurement portfolio of equity instruments is FVPL. However, ČSOB Group can make an irrevocable decision that subsequent changes in fair value (including exchange rate differences) are recognized in other comprehensive income within portfolio FVOCI. In case of sale or disposal of instrument held within FVOCI portfolio, the amounts recognized in other comprehensive income are not transferred to the Consolidated Statement of Profit or Loss. The only exception applies to the dividend income which is recognized in the Consolidated Statement of Profit or Loss.

Expected credit losses are not recognized for equity instruments.

2.5.2 Financial liabilities

ČSOB Group classifies financial liabilities in the following portfolios:

- Financial liabilities at fair value through profit or loss (FVPL);
- Financial liabilities at amortised cost (AC).

A Financial liabilities at fair value through profit or loss (FVPL)

This portfolio consists of two sub-portfolios:

- Financial liabilities held for trading (“HFT”). Within this sub-portfolio, all derivatives ČSOB Group entered are held;
- Financial liabilities classified at fair value through profit or loss at initial recognition (“FVPL”). Within this sub-portfolio, financial liabilities can be classified if they meet at least one of the following criteria:
 - o classification eliminates or significantly reduces a measurement inconsistency of assets and liabilities, or inconsistency of recognizing the gains and losses from revaluation differences of assets and liabilities;
 - o the liabilities represent a group of financial liabilities, which are managed and evaluated based on their fair value and in accordance with a documented risk management or investment strategy;
 - o financial liabilities contain embedded derivatives; excluding the cases when these embedded derivatives do not modify the contractual cash flow in a significant manner, or they could not be recognized separately.

After initial recognition, the financial instruments cannot be reclassified to or from this portfolio.

Financial liabilities at fair value through profit or loss are recognized in the Consolidated Statement of Financial Position at fair value. Gains and losses resulting from fair value revaluation are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under “Net trading result and exchange differences” in the period, in which they occur. Interest income/expense is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under “Similar interest income”/ “Similar interest expense” in case of the banking book or under “Net trading result and exchange differences” in case of trading book (trading liabilities).

B Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities, where the substance of the contractual terms results in ČSOB Group having an obligation either to deliver cash or another financial asset to the counterparty of this instrument.

Financial liabilities are initially measured at fair value of the consideration received including transaction costs in the Consolidated Statement of Financial Position. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Interest expense".

2.5.3 Day 1 profit/ Day 1 loss

At initial recognition, ČSOB Group shall measure a financial asset or financial liability at its fair value, which is normally the transaction price. However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, ČSOB Group shall account for that instrument at that date as follows: when the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit/ day 1 loss) is reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net trading result and exchange differences". If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit/ day 1 loss is reserved and is released in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the life and until the maturity of the financial instrument.

2.6 Embedded derivatives

ČSOB Group occasionally purchases or issues financial instruments containing embedded derivatives. As the requirement for classification of a financial asset must be applied for the debt instrument, as well as when it is a hybrid instrument containing embedded derivative, the embedded derivative cannot be separated from the host contract. In this case, the entire financial instrument is assessed as a whole. When the contractual cash flows of the financial instrument as a whole represent cash flows other than principal and interest, then such financial instrument has to be categorized as financial instrument at fair value through profit or loss.

An embedded derivative into financial liability is separated from the host contract and carried separately at fair value if the economic characteristics of the derivative are not closely related to the economic characteristics of the host contract and the instrument as a whole is not classified as financial asset or financial liability at fair value through profit or loss. If a separate derivative does not qualify as a hedging derivative, it is classified as a trading derivative. When ČSOB Group cannot reliably separate the embedded derivative, the entire hybrid instrument is classified at fair value through profit or loss.

2.7 Hedging derivatives

ČSOB Group opted to use the IAS 39 hedge-accounting principles (in accordance with the EU carve-out version of IAS 39) and awaits further developments at the International Accounting Standards Board (IASB) regarding macro hedging.

Within ČSOB Group's strategy hedging derivatives are determined for hedging some risks and meet all criteria for the classification of hedging derivatives in compliance with IFRS. ČSOB Group's criteria for the application of hedge accounting include:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented at inception showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the hedging period;
- the hedge is highly effective on an ongoing basis. The hedge is considered to be highly effective if the changes in fair value attributable to the hedged risk during the period for which the hedge is designated are expected to offset the fair value changes of the hedging instrument in a range of 80% to 125% based on materiality threshold set at the beginning of the hedge contract depending on a basis point value ("BPV").

ČSOB Group uses instruments, designated as hedging instruments as cash flow hedges and fair value hedges to manage ČSOB Group's interest rate risk.

2.7.1 Fair value hedges

For designated and qualifying fair value hedges, changes in the fair value of hedging instruments are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net trading result and exchange differences" together with any changes in the fair value of the hedged items (assets or liabilities) that are attributable to the hedged risk. Interest income/interest expense of hedging instrument is presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income together with interest income/interest expense of hedged item. The positive fair value of hedging instruments and the revaluation of assets hedged is presented in the Consolidated Statement of Financial Position under "Other assets". Negative value of hedging instruments and revaluation of liability hedged items is presented under "Other liabilities". For an overview of hedging derivatives, see note 34.

Hedge accounting is discontinued, when ČSOB Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

2.7.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is initially recognized in other comprehensive income and accumulated in equity under "Revaluation reserve on cash flow hedge". The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net trading result and exchange differences". When the hedged cash flow affects the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the gain or loss on the hedging instrument is reclassified from other comprehensive income to the corresponding income or expense line in profit or loss. When the hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified from other comprehensive income to profit or loss when the hedged forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred from other comprehensive income to profit or loss.

2.8 Securities funded under repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ("repos") remain in the Consolidated Statement of Financial Position as assets. The corresponding cash received is recognized in the Consolidated Statement of Financial Position under "Financial liabilities at fair value through profit or loss", "Amounts owed to financial institutions at amortised cost" or "Amounts owed to customers at amortised cost" depending on the counterparty and reflecting the economic substance of the loan. The difference between the sale and repurchase prices is treated as "Interest expense"/ "Similar interest expense" and is accrued using the effective interest rate method in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the life of the agreement. When the counterparty has the right to sell or repledge the securities, ČSOB Group reports those securities in the Consolidated Statement of Financial Position under "of which: pledged as collateral".

Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognized in the Consolidated Statement of Financial Position. The corresponding cash paid is recognized in the Consolidated Statement of Financial Position under "Financial assets at fair value through profit or loss", "Loans and receivables from financial institutions at amortised cost" or "Loans and receivables from customers at amortised cost", depending on the counterparty and the economic substance of the loan. The difference between the purchase and resale prices is treated as "Interest income"/ "Similar interest income" and is accrued using the effective interest rate method in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the life of the agreement.

2.9 Fair value of financial instruments

The fair value of the financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by ČSOB Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Financial instruments classified as Financial assets and Financial liabilities at fair value through profit or loss or Financial assets at fair value through other comprehensive income are fair valued using the quoted market prices if a price is quoted in an active market. For financial instruments that are not traded in an active market, their fair values are estimated using pricing models, quoted prices of instruments with similar characteristics, or discounted cash flows. These fair value estimation techniques may be affected by assumptions made by ČSOB Group, including the discount rate, liquidity and credit spreads and estimates of future cash flows. See note 36.

2.10 Impairment of financial assets

ČSOB Group reviews the financial assets, which are subject to impairment, and re-evaluates the impairment losses at the end of each calendar month. Determining stage of a financial asset and estimating the volume and timing of future cash flows has direct impact on the impairment calculation.

ČSOB Group assesses impairment of financial assets on an individual basis for financial assets that are individually significant, and collectively for financial assets that are not individually significant. For the purposes of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics. If ČSOB Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them for impairment collectively. Assets that are assessed for impairment individually and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Financial assets that are subject to impairment are classified into three stages, namely Stage 1: Performing; Stage 2: Underperforming (where significant increase in credit risk since initial recognition occurs); and Stage 3: Non-performing or impaired (once an asset meets the definition of default).

2.10.1 Definition of default

ČSOB Group uses the definition for defaulted financial assets which is used for internal risk management purposes and to be in line with guidance and standards of the financial industry regulators and to be in line with KBC Group definition of default. A financial asset is considered as defaulted if one or more of the following conditions are fulfilled:

- a significant deterioration in creditworthiness;
- the asset is flagged as a forbore asset in line with the internal policies for forbearance;
- ČSOB Group has filed for client's bankruptcy, the counterparty has filed for bankruptcy or sought similar protection measures;
- the credit facility towards the customer is terminated.

ČSOB Group applies a backstop for facilities that have at least 90 days past due status. In this context a backstop is used as a final control to ensure that all the financial assets that should have been designated as defaulted, are properly identified.

2.10.2 Expected credit loss model (ECL model) - general

A new model for recognition of impairment losses of financial assets, the expected credit loss model ("ECL model") model, is implemented under IFRS 9. The ECL model means that all financial assets at initial recognition, unless they are already credit impaired, carry an amount of impairments. Impairment losses are calculated based on 12-month ECL for Stage 1 and based on lifetime ECL for Stage 2 and Stage 3, according to the significance of credit risk increase of the financial assets in comparison to its initial recognition.

- The ECL model is applicable to the following financial assets:
- Financial assets measured at amortised cost ("AC");
- Debt instruments measured at fair value through the other comprehensive income ("FVOCI");
- Credit facilities issued but not drawn, financial guarantees given, and letters of credit given;
- Finance lease receivables;
- Trade and other receivables.

All financial assets at initial recognition, unless they are already credit impaired, are classified at Stage 1 and carry 12-month ECL. Once a significant increase in credit risk since initial recognition of the financial asset occurs or the borrower is impaired, the financial asset carries lifetime ECL. Once a significant increase in credit risk related to the financial asset since initial recognition occurs at the reporting date, the financial asset migrates from Stage 1 to Stage 2 and carries lifetime ECL. Once a financial asset meets the definition of default it migrates to Stage 3.

In line with IFRS 9, ČSOB Group uses a practical expedient for trade receivables. The ECL for trade receivable can be measured to an amount equal to the lifetime ECL. ČSOB Group applies this practical expedient for trade and other receivables.

Financial assets measured at amortised cost are recognized in the Consolidated Statement of Financial Position at their carrying amount being the gross carrying amount minus impairment losses. Impairment gains and losses are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

Debt instruments measured at fair value through other comprehensive income are recognized in the Consolidated Statement of Financial Position at their carrying amount being the fair value at the reporting date. Impairment loss is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

For contracts that include both a loan and an undrawn commitment and ČSOB Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan.

The expected credit losses on credit facilities issued but not drawn, financial guarantees given, and letters of credit given are recognized in the Consolidated Statement of Financial Position under "Provisions" and in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

2.10.3 Significant increase in credit risk since initial recognition

The significant increase in credit risk since initial recognition is assessed by all exposures that are subject to the general model for calculation of impairment losses. When assessing the significance of increase in credit risk, the change in risk of default of exposure is more important than change in the expected cash flows of financial asset. The assessment of a significant increase in credit risk is fully symmetrical, which means that exposure can be transferred to or returned to different stages over its lifetime, based on fulfilment or failure to meet the criteria for migration between stages. ČSOB Group uses a multi-tier approach (MTA).

A Multi-tier approach (MTA) – bond portfolio

For the bond portfolio the MTA consists of three tiers:

- low credit exception - bonds always carry 12-months ECL if they have a low credit risk at the reporting date (i.e. Stage 1). ČSOB Group uses the low credit risk exception for bonds which are graded as investment grade (note 37.2.1);
- internal rating (only applicable if the first tier is not met) - this is a relative assessment comparing the Probability of Default ("PD") at initial recognition to the PD at the reporting date. ČSOB Group makes the assessment on a facility level at each reporting period;
- management assessment - finally management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

If none of the triggers are hit the bond remains in stage 1. A financial asset is considered impaired (i.e. Stage 3) as soon as it meets the definition of default (note 2.10.1). The MTA is symmetrical, i.e. a bond that has migrated to Stage 2 or Stage 3 can return to Stage 2 or Stage 1 if the Tier that triggered the migration is not present in a subsequent reporting date.

B Multi-tier approach (MTA) – loan portfolio

For the loan portfolio ČSOB Group uses a five-tier approach. This MTA is a waterfall approach, i.e. if after assessing the first Tier, it doesn't result in migrating to Stage 2, then the second Tier is assessed and so on. At the end, if all Tiers are being assessed without triggering a migration to Stage 2, then the financial asset remains in Stage 1.

- internal rating - the internal rating is used as the main criterion for assessing the increase in credit risk. This is a relative assessment comparing the PD at initial recognition to the PD at the reporting date. ČSOB Group makes the assessment on a facility level at each reporting period,
- forbearance - forbore financial assets are always considered as Stage 2, unless they are already impaired. In the latter case, they migrate to Stage 3,
- days past due – a financial asset that is more than 30 days past due, migrates to Stage 2,
- internal rating backstop – ČSOB Group uses an absolute level of PD as a backstop for financial assets to migrate to Stage 2. This backstop corresponds to the highest PD (i.e. PD 9 based on ČSOB Group's internal rating) before a financial asset is considered to be impaired,
- management assessment - finally management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

A financial asset is considered impaired (i.e. Stage 3) as soon as it meets the definition of default (note 2.10.1). The MTA is symmetrical, i.e. a loan that has migrated to Stage 2 or Stage 3 can return to Stage 2 or Stage 1 if the Tier that triggered the migration is not met at the reporting date.

2.10.4 Measurement of ECL

ECL is calculated as the product of the probability of default ("PD"), the estimated exposure at default ("EAD") and the loss given default ("LGD"). Credit losses represent the differences between all contractual cash flows that are contractually due to ČSOB Group and all expected contractual cash flows due to ČSOB Group, discounted by original effective interest rate.

ECL is calculated to reflect:

- an unbiased, probability-weighted amount;
- the time value of money; and
- information about past events, current conditions and forecast economic conditions.

The 12 months ECL represents the portion of the lifetime expected credit losses that result from possible events of default of a financial asset within 12-month period after the reporting date.

The lifetime ECL represents the expected credit losses that result from all possible events of default over the expected lifetime of the financial asset.

ČSOB Group uses specific IFRS 9 models for PD, EAD and LGD to calculate ECL. These models classify clients based on different input parameters reflecting behavioural information (the data from client's current and loan accounts), financial information (client's financial statements) and qualitative parameters. To the extent possible ČSOB Group uses similar modelling techniques that have been developed for prudential purposes (i.e. Basel models) and ensures that the Basel models are adapted to be in compliance with IFRS 9, for example:

- removes the conservatism which is required by the regulator for Basel models;
- adjusts the way that macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a "point-in-time" rather than "through-the-cycle" estimate (the latter is required by the regulator);
- ČSOB Group applies forward-looking macroeconomic information in the models' information (for instance real GDP growth, house price index or 10-year government bond yield).

ČSOB Group also considers three different forward-looking macroeconomic scenarios with different weightings when calculating ECL. The base-case macroeconomic scenario represents ČSOB Group's estimates for the most probable outcome and serves as primary input for other internal and external purposes.

The maximum period for measurement of ECL is usually the maximum contractual period (including extensions). For financial assets that include a drawn and an undrawn amount available on demand, and for financial assets where ČSOB Group has contractual ability to request repayment of the drawn amount and cancel the undrawn commitment, the exposure to credit risk can extend beyond the contractual period (ČSOB Group uses life-span between 1 and 10 years).

For financial assets at amortised cost, the impairment losses as well as changes to the amount of the loss are reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

For financial assets at fair value through other comprehensive income, the impairment losses as well as changes to the amount of the loss are reported in the Consolidated Statement of Financial Position under "Revaluation reserve on Financial assets at fair value through other comprehensive income".

When a loan is uncollectable, it is written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

2.10.5 Purchased or originated credit impaired (POCI) assets

POCI assets are defined as financial assets purchases or originated, which are defaulted already at initial recognition (i.e. meet the definition of default). For the assessment of the extent of default, the exposures with internal rating PD 10 to 12 at initial recognition are considered POCI financial assets. Interest income is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Interest income".

POCI financial assets are initially recognized at amortised cost and are measured at amortised cost using a credit-adjusted effective interest rate. ČSOB Group recognizes changes in expected credit losses, which occurred over the whole lifetime since initial recognition, in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

2.10.6 Restructured loans

Where possible, ČSOB Group seeks to restructure loans rather than to assume possession of collateral. This may involve the agreement of new contractual conditions and the need for a loan maturity extension. Once the terms of a loan have been renegotiated, the loan is no longer considered past due, however, the rating of the client cannot be improved solely based on the restructuring. ČSOB Group's management continually reviews renegotiated loans to ensure that all criteria concerning the recovery of such assets and the minimisation of credit risk are met.

When a loan is uncollectable, it is written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

2.11 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability at the same time.

Such a right of set off:

- must not be contingent on a future event; and
- must be legally enforceable in all the following circumstances:
 - o the normal course of business;
 - o the event of default; and
 - o the event of insolvency or bankruptcy.

2.12 Leasing effective from 1 January 2019

The assessment whether the contract is, or contains, a lease depends on the particular lease contract's substance, and requires an analysis whether lease contract conveys the right to control the use of a specific identifiable asset for a period of time in exchange for consideration. A contract is, or contains a lease, if during the time of use, the lessee holds the right to direct the use of the identified asset and the right to obtain substantially all the economic benefits from use of the identified asset.

2.12.1 ČSOB Group as a lessee

ČSOB Group applies an exemption from IFRS 16 requirements for reporting leases of intangible assets, short-term leases (shorter than 1 year) and leases for which the underlying asset is of low value.

ČSOB Group applies an exemption from IFRS 16 requirements for reporting separately non-lease components from lease components.

ČSOB Group as a lessee recognises the right of use asset and the lease liability at the lease commencement date.

The right-of-use asset is initially measured at acquisition price and reported in the Consolidated Statement of Financial Position under "Right-of-use asset". The right-of-use asset is subsequently measured applying a cost model. Depreciation period equals to estimated useful life of the right-of-use assets or lease term. Depreciated right-of-use asset is reviewed for impairment whenever there is any indication that an asset may be impaired or at least at the end of each reporting period.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and reported in the Consolidated Statement of Financial Position under "Lease liability". The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the incremental borrowing rate and by reducing the carrying amount to reflect the lease payments made. The interest on the lease liability is reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Interest expense".

Useful life of the lease contracts with the indefinite lease term is determined as the nearest date when the lease contract can be terminated from lessee's or lessor's side, considering the previous best practice and economic reasons behind best practice of the lessee. Useful life of the lease contracts with definite lease terms corresponds to its contractual term, whereas the possibility to exercise any contractual term option is considered.

Lease payments for short-term leases and for leases for which the underlying asset is of low value are reported on a straight-line basis in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Other operating expenses".

ČSOB Group as a lessee enters in the lease contracts primary related to the lease of the offices.

2.12.2 ČSOB Group as a lessor

Lease contracts under which the risks and rewards related to the ownership of the leased asset are substantially transferred from ČSOB Group to the client customer are classified as finance leases. A finance lease is recognized when the leased asset is delivered to the customer at an amount equal to the net investment in the lease and presented as a finance lease receivable. The gross investment in the lease represents future minimum lease payments plus the initial direct costs or fees. The difference between gross and net investment in the lease represent the future income from the lease, which is presented as "Interest income" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the lease term using the effective interest method.

Leases, in which ČSOB Group does not transfer substantially all the risks and benefits of ownership of the asset, are classified as operating leases. ČSOB Group leases out certain of its properties under operating leases. Thus, generating rental income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Rental income, depreciation and disposals relating to operating lease assets is included under "Income from operating lease" and "Expenses from operating lease", respectively.

Repossessed collateral from finance and operating leases are mainly non-financial assets acquired by ČSOB Group in the settlement of overdue contracts. The assets are initially recognised at fair value when acquired and included under "Other assets".

2.13 Leasing effective until 31 December 2018

Determination as to whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and entails an assessment as to whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys the right to use the asset.

2.13.1 ČSOB Group as a lessee

The leases entered by ČSOB Group as a lessee are primarily operating leases. The total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Income and expenses from operating leases are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Other operating result" and "Other operating expenses", respectively.

When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

2.13.2 ČSOB Group as a lessor

Lease contracts under which the risks and rewards related to the ownership of the leased asset are substantially transferred from ČSOB Group to the client customer are classified as finance leases. A finance lease is recognized when the leased asset is delivered to the customer at an amount equal to the net investment in the lease and presented as a finance lease receivable. The gross investment in the lease represents future minimum lease payments plus the initial direct costs or fees. The difference between gross and net investment in the lease represent the future income from the lease, which is presented as "Interest income" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the lease term using the effective interest method.

Leases, in which ČSOB Group does not transfer substantially all the risks and benefits of ownership of the asset, are classified as operating leases. ČSOB Group leases out certain of its properties under operating leases. Thus, generating rental income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Rental income, depreciation and disposals relating to operating lease assets is included under "Income from operating lease" and "Expenses from operating lease", respectively.

Reposessed collateral from finance and operating leases are mainly non-financial assets acquired by ČSOB Group in the settlement of overdue contracts. The assets are initially recognised at fair value when acquired and included under "Other assets".

2.14 Recognition of income and expenses

Revenue is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income to the extent that it is probable that economic benefits will flow to ČSOB Group and the revenue can be reliably measured.

2.14.1 Interest income and interest expense

Interest income and interest expense are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on an accrual basis, using the effective interest rate method.

The effective interest rate method is a method for calculating the amortised cost of a financial asset or financial liability and for allocating the interest income or interest expense over the respective period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying value of the financial asset or financial liability.

When calculating the effective interest rate, ČSOB Group estimates cash flows taking into consideration all the contractual terms of the financial instrument but excluding any future credit losses. The early redemption options are not considered, unless management determined that their impact on the carrying value would be material to the financial statements and reliable estimates can be made. The calculation includes all material fees and amounts paid or received between the contractual parties which are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to their gross carrying amount, net of the ECL provision, and (ii) POCI, for which the original credit-adjusted effective interest rate is applied to the amortised cost value.

2.14.2 Fees and commissions income and expense

Most fee and commission income fall under the scope of IFRS 15 (Revenue from Contracts with Customers), as it relates to the services that ČSOB Group provides to its customers and is outside the scope of other IFRS standards. For the recognition of revenue, ČSOB Group identifies the contract and defines the promises (performance obligations) in the transaction. Revenue is recognised only when ČSOB Group has satisfied the performance obligation.

Fees and commissions, such as securities related fees and payment services fees, are generally recognized on an accrual basis when the service has been provided.

Distribution fees, such as fees and commissions to be received on the distribution of traditional products/ services sold by ČSOB Group, which belong to the areas of insurance and investment funds, are recognized when the service is provided.

Credit and guarantee related fees are all fees related to loans and credit facilities issued but not drawn, except those reported under "Net interest income" based on the effective interest rate definition.

The income presented under Asset management services – trust and fiduciary activities, entry fees (received from the clients for the purchase or the transfer of a unit of investment fund) falls under the scope of IFRS 15.

Custodial and fiduciary services fees relating to investment funds or securities are accrued proportionally over the period for which the service is provided. The revenue from fiduciary services fees related to the investment funds entitles ČSOB Group to manage assets in a trust for the beneficiary (fund) and to be responsible for investing the amounts received from clients to their benefit. These transactions are straightforward, because ČSOB Group provides a series of various services used by clients. In return, ČSOB Group receives monthly or quarterly management fee, which is calculated as fixed percentage of the net asset value. The fees do not include any variable component.

Product insurance fees are related to insurance contracts in which ČSOB Group acts as an agent. As ČSOB Group is not a party in an insurance contract, fee income from clients and fee expense to the insurance company are netted.

Network income/expense is the revenue from margins earned on foreign exchange transactions (related to payments, loans, deposits and investments) carried out by the network (branches and online) for customers. Network income/expense reflects the fees from margins that can be considered as part of the investment and payments business, which is fee-based.

2.14.3 Dividend income

ČSOB Group recognizes the revenue only if:

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- ČSOB Group has the right to receive dividend payment;
- it is probable that ČSOB Group will receive economic profit linked to dividend; and
- the dividend can be reliably measured.

2.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, deposits of banks due and payable forthwith on demand measured at amortised cost and at fair value ("Other demand deposits with banks"), loans and receivables from banks measured at amortised cost and fair value through profit or loss with original maturity of up to three months, government treasury bills and treasury bills of the National Bank of Slovakia ("NBS") with original maturity of up to three months.

2.16 Property, equipment and intangible assets

Land, buildings, equipment and intangible assets include real estate used by ČSOB Group, software, IT and communications and other machines and equipment.

Property and equipment are carried at cost less accumulated depreciation and impairment losses. The cost includes the acquisition price and other related ancillary costs, e.g. transportation costs, customs duties or commissions. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life for the following periods:

Buildings	30 – 33 years
Equipment	3 – 12 years
Other tangible assets	4 – 20 years

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the estimated useful life of assets. Amortisation periods are determined on an individual basis (3 - 15 years).

Assets' residual values and useful lives are reviewed and adjusted, where appropriate, as at the balance sheet date.

Assets that are subject to depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

2.16.1 Investment property

Investment properties are properties, land or building, held to earn rentals or for capital appreciation. Investment property is stated at historical cost less impairment losses and accumulated depreciation using depreciation on a straight-line basis over the estimated useful lives. The depreciation of investment property is presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Other operating result". The estimated useful life of buildings classified as investment property is 30 - 33 years. The carrying amount of investment property and its depreciation are disclosed in note 9.

2.16.2 Internally generated intangible assets

Internally generated intangible assets are outputs of internal projects created through a development phase.

Expenditures on internal generated intangible assets comprise all directly attributable necessary expenditures to create, produce, and prepare the assets to be capable of operating in the manner intended by management. Intangible assets are reported at cost (internal and external expenditures) less any accumulated amortisation. The amortisation is used for straight-line amortisation during the estimated useful life of the assets. Periods of the amortisation are set individually.

Assets that are subject to amortisation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is reduced immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

2.17 Financial guarantees and Credit facilities issued but not drawn

In the normal course of business, ČSOB Group provides financial guarantees consisting of letters of credit and letters of guarantee. If ČSOB Group is a guarantee holder (financial guarantee received), the financial guarantee is not reported on the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset. If ČSOB Group is a guarantor, a provision for financial guarantees given are recognised in the Consolidated Financial Statements at the higher of (a) the amount determined in accordance with the impairment losses of IFRS 9 and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition principle of IFRS 15 and are presented in the Consolidated Statement of Financial Position under "Provisions". The fees accepted for guarantee issues are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Fee and commission income". Any increase and any decrease in the liability relating to financial guarantees given is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and Provisions for off-balance sheet risks".

Provisions for Credit facilities issued but not drawn are measured at the amount of ECL (note 2.10) and are reported in the Consolidated Financial Statements of Financial Position under "Provisions".

2.18 Employee benefits

Pensions to ČSOB Group's former employees are paid through the pensions system valid in the Slovak Republic. This system is funded from gross salary-derived social insurance contributions from employees and employers.

In addition to these contributions, ČSOB Group contributes to the employees' additional pension insurance beyond the framework of legal social security. Contributions are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income as they are made.

ČSOB Group also operates other post-employment benefits comprising lump sum retirement benefits, long service and jubilee benefits. The cost of providing pensions is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income to spread the regular cost over the service lives of employees. The liabilities related to the benefits are measured at the present value of the estimated future cash outflows discounted to the maturity periods of benefits.

2.19 Provisions

Provisions are created when ČSOB Group has a current legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.20 Income tax

There are two components of income tax expense: current and deferred. Current income tax expense entails the amounts to be paid or refunded within income taxes for the respective period. The taxable profit is determined from profit/loss for the current accounting period, adding tax non-deductible expenses and deducting income which is not subject to income tax.

Deferred tax assets and liabilities are recognized due to the different valuation of assets and liabilities in accordance with the Income Tax Act and their carrying amounts in the Consolidated Financial Statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is calculated using the balance sheet liability method. All deferred tax assets are recognized to the extent that it is probable that a future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax liabilities represent income taxes to be paid in future periods due to taxable temporary differences. Deferred taxes are disclosed in the Consolidated Financial Statements at their net values within the individual companies of ČSOB Group.

ČSOB Group also pays various indirect operating taxes which are a part of "Other operating expenses". Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

2.21 Fiduciary activities

ČSOB Group commonly acts in fiduciary activities that result in the holding or placing of assets on the accounts of individuals and institutions. Assets under management or custody are not recognized as assets or liabilities in the Consolidated Statement of Financial Position but are accounted for as off-balance sheet items, since ČSOB Group does not bear the risks and rewards of ownership associated with such items.

The fee income arising thereon is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Fee and commission income".

2.22 Changes in accounting policies

2.22.1 Issued but not effective at year-end 2019

ČSOB Group has decided not to early adopt standards, amendments and interpretations which have been issued and are effective after the year-end 2019. The new standards, amendments and interpretations are not expected to significantly affect ČSOB Group's financial statements.

The IASB published several other limited amendments to existing IFRSs during 2019 and before, which have effective date after the 2019 year-end. They will be applied by ČSOB Group when they become mandatory, but their impact is currently estimated to be negligible.

2.22.2 Effective from 1 January 2019

The accounting policies adopted are consistent with those used in the previous financial period except that ČSOB Group has adopted the following standards, amendments and interpretations. ČSOB Group updated accounting policies to reflect IFRSs effective from 1 January 2019.

IFRS 16 Leases endorsed by the EU on 31 October 2017 is effective for annual periods beginning on or after 1 January 2019 and replaces **IAS17 Leases**. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). The new standard requires lessees to recognize most leases in their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Amendments related to IFRS 16 in Notes to the Consolidated Financial Statements were applied only to current reporting period. Previous reporting period data remained unchanged.

2.23 IFRS 16 transition disclosures

ČSOB Group choose a practical expedient in IFRS 16 and as at the date of the first-time application (FTA) did not applied this Standard on the contracts that were not previously identified as containing a lease applying IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

ČSOB Group choose to apply this Standard retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application (Modified retrospective approach) and with the right-of-use assets measured at the value equal to the value of the lease liabilities amended by the value of all advances or accrued lease payments related to the lease contracts reported in the Consolidated Statement of Financial Situation at the reporting date right before FTA.

As at 1 January 2019, IFRS 16 FTA, ČSOB Group reported the right-of-use assets in the amount of EUR 39,482 thousand and the lease liability in the amount of EUR 39,482 thousand with null impact on the equity. At the date of FTA, the accounting value of the right-of-use assets equals its tax value. Thus, there is null impact on deferred tax. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 0.79%.

	(EUR '000)
Future minimum lease payments under non-cancellable operating leases as at 31 December 2018	1,658
Operating leases not meeting IFRS 16 as at 1 January 2019	(1,658)
Undiscounted future lease payments from operating leases meeting IFRS 16 as at 1 January 2019	40,717
Effect of discounting as at 1 January 2019	(1,235)
Right-of-use assets as at 1 January 2019	39,482

2.24 Reclassification of the Consolidated Statement of Financial Position at 31 December 2018

In 2019, ČSOB Group performed a review of the presentation of the financial statements. ČSOB Group decided to change the presentation of some items in the Consolidated Statement of Financial Position. The changed presentation is in compliance with the IFRS and provides reliable and more relevant information to the users of the financial statements.

Due to the amended presentation of the financial statements, some comparative amounts in the Consolidated Statement of Financial Position as at 31 December 2018 were reclassified.

In 2019, ČSOB Group reclassified repossessed collateral from finance leases (mainly cars) from Assets held for sale to Other assets. Held repossessed collateral from finance leases is part of operating activities and presentation under "Other assets" reflects its nature more reliably.

Reconciliation of the Consolidated Statement of Financial Position as at 1 January 2018 and as at 31 December 2018 before and after reclassification is as follows.

(EUR '000)	1 Jan 2018 Before reclassification	Changes in presentation	1 Jan 2018 Reclassified	31 Dec 2018 Before reclassification	Changes in presentation	31 Dec 2018 Reclassified
Assets held for sale	1,477	(1,477)	-	1,124	(1,124)	-
Other assets	17,494	1,477	18,971	22,151	1,124	23,275

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3 Cash, balances with central bank and other demand deposits with banks

(EUR '000)	31 Dec 2019	31 Dec 2018
<i>At amortised cost</i>		
Cash balances	160,234	186,257
Mandatory minimum reserves	58,373	24,927
Other demand deposits with banks	82,624	29,051
Cash, balances with central bank and other demand deposits with banks	301,231	240,235

Mandatory minimum reserves ("MMR") are maintained in the amount required by the regulations of the NBS and are not designed for daily use. They are accounted for as interest-bearing deposits in accordance with the regulations of the NBS. The NBS paid interest on the mandatory minimum reserve balances at 0.00% p.a. as at 31 December 2019 (31 December 2018: 0.00% p.a.). The amount of the reserves depends on the volume of deposits received.

4 Financial assets at fair value through profit or loss

(EUR '000)	31 Dec 2019	31 Dec 2018
<i>Financial assets held for trading</i>		
Financial trading derivatives (note 34)	32,272	7,293
Government debt securities	-	107,586
Bank bonds	-	13,764
Other bonds	-	5,097
Financial assets at fair value through profit or loss	32,272	133,740

During the year 2019, ČSOB Group implemented Global Trading project in the Trading book of ČSOB Bank focused on transfer of market (interest and FX) risk from local trading books into KBC trading book dedicated to ČSOB Bank. See note 2.5.1Aa).

5 Financial assets at fair value through other comprehensive income

As at 31 December 2019 and as at 31 December 2018, all debt financial assets in the portfolio Financial assets at fair value through other comprehensive income were classified in Stage 1.

(EUR '000)	31 Dec 2019	31 Dec 2018
<i>Debt securities</i>		
Government debt securities	90,587	126,226
Bank bonds	61,415	49,778
Debt securities total	152,002	176,004
Impairments on Government debt securities	(1)	(2)
Impairments on Bank bonds	(28)	(24)
Impairments total (note 14)	(29)	(26)
Net carrying amount debt securities	151,973	175,978
<i>Equity instruments</i>		
VISA Inc.	7,246	4,834
MasterCard	5,887	3,649
Other shares	358	117
Net carrying amount equity instruments	13,491	8,600
Financial assets at fair value through other comprehensive income	165,464	184,578

As at 31 December 2019, ČSOB Group received dividend from financial assets in portfolio Financial assets at fair value through other comprehensive income amounting EUR 53 thousand (31 December 2018: EUR 42 thousand) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Dividend income".

As at 31 December 2019, ČSOB Group realised gains from the sale of debt securities at fair value through other comprehensive income of EUR 1,132 thousand (31 December 2018: EUR (12) thousand) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net realized result from Financial assets at fair value through other comprehensive income". See note 23.4.

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6 Loans and receivables from financial institutions at amortised cost

As at 31 December 2019, Loans and receivables from financial institutions at amortised cost are as follows.

(EUR '000)	Stage 1	Stage 3	31 Dec 2019
Loans and receivables from financial institutions	16,485	92	16,577
Other receivables from financial institutions	32,460	-	32,460
Total	48,945	92	49,037
Impairments on Loans and receivables from financial institutions (note 14)	(7)	(92)	(99)
Loans and receivables from financial institutions at amortised cost	48,938	-	48,938

As at 31 December 2018, Loans and receivables from financial institutions at amortised cost are as follows.

(EUR '000)	Stage 1	Stage 3	31 Dec 2018
Loans and receivables from financial institutions	14,245	92	14,337
Other receivables from financial institutions	22,281	-	22,281
Total	36,526	92	36,618
Impairments on Loans and receivables from financial institutions (note 14)	(10)	(92)	(102)
Loans and receivables from financial institutions at amortised cost	36,516	-	36,516

As at 11 June 2014, the ECB introduced a negative deposit facility interest rate in excess of the MMR at the end of period. It is derived from the deposit facility interest rate, at 31 December 2019 (0.50%) p.a. (31 December 2018: (0.40%) p.a.).

As at 31 December 2019, ČSOB Group held in its portfolio of Loans and receivables from financial institutions at amortised cost in the amount of EUR 1,620 thousand of cash (31 December 2018: EUR 4,410 thousand) pledged as collateral for a loan received from banks. See note 16 and 35.

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7 Loans and receivables from customers at amortised cost

As at 31 December 2019, Loans and receivables from customers at amortised cost are as follows.

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	Total
<i>Gross carrying amount</i>					
Public administration	170,201	73	74	-	170,348
Corporate	2,065,966	316,472	67,836	3,561	2,453,835
Retail	4,589,061	370,441	70,404	-	5,029,906
<i>Mortgage loans</i>	3,448,764	184,619	21,089	-	3,654,472
<i>Consumer loans</i>	235,293	34,784	7,777	-	277,854
<i>Credit cards</i>	17,538	8,186	987	-	26,711
<i>Overdrafts</i>	10,399	10,570	1,470	-	22,439
<i>MicroSME</i>	236,469	83,637	20,834	-	340,940
<i>ČSOB stav. sporitel'ňa</i>	118,084	12,191	9,730	-	140,005
<i>ČSOB Leasing Group</i>	522,514	36,454	8,517	-	567,485
Total	6,825,228	686,986	138,314	3,561	7,654,089
<i>Impairment losses</i>					
Public administration	(15)	(1)	(71)	-	(87)
Corporate	(5,914)	(6,049)	(51,985)	(2,781)	(66,729)
Retail	(6,139)	(23,840)	(44,783)	-	(74,762)
<i>Mortgage loans</i>	(446)	(4,254)	(8,606)	-	(13,306)
<i>Consumer loans</i>	(543)	(1,952)	(5,094)	-	(7,589)
<i>Credit cards</i>	(29)	(641)	(720)	-	(1,390)
<i>Overdrafts</i>	(27)	(825)	(1,099)	-	(1,951)
<i>MicroSME</i>	(2,324)	(13,474)	(17,873)	-	(33,671)
<i>ČSOB stav. sporitel'ňa</i>	(267)	(975)	(5,949)	-	(7,191)
<i>ČSOB Leasing Group</i>	(2,503)	(1,719)	(5,442)	-	(9,664)
Total (note 14)	(12,068)	(29,890)	(96,839)	(2,781)	(141,578)
<i>Net carrying amount</i>					
Public administration	170,186	72	3	-	170,261
Corporate	2,060,052	310,423	15,851	780	2,387,106
Retail	4,582,922	346,601	25,621	-	4,955,144
<i>Mortgage loans</i>	3,448,318	180,365	12,483	-	3,641,166
<i>Consumer loans</i>	234,750	32,832	2,683	-	270,265
<i>Credit cards</i>	17,509	7,545	267	-	25,321
<i>Overdrafts</i>	10,372	9,745	371	-	20,488
<i>MicroSME</i>	234,145	70,163	2,961	-	307,269
<i>ČSOB stav. sporitel'ňa</i>	117,817	11,216	3,781	-	132,814
<i>ČSOB Leasing Group</i>	520,011	34,735	3,075	-	557,821
Loans and receivables from customers at amortised cost	6,813,160	657,096	41,475	780	7,512,511

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As at 31 December 2018, Loans and receivables from customers at amortised cost are as follows.

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	Total
<i>Gross carrying amount</i>					
Public administration	173,009	172	102	-	173,283
Corporate	2,049,704	304,283	69,041	5,447	2,428,475
Retail	4,189,984	401,821	82,056	-	4,673,861
<i>Mortgage loans</i>	3,112,423	199,293	26,013	-	3,337,729
<i>Consumer loans</i>	233,956	32,364	10,034	-	276,354
<i>Credit cards</i>	14,952	8,491	1,216	-	24,659
<i>Overdrafts</i>	10,838	12,108	1,848	-	24,794
<i>MicroSME</i>	207,383	87,065	24,285	-	318,733
<i>ČSOB stav. sporitel'ňa</i>	127,343	16,368	9,867	-	153,578
<i>ČSOB Leasing Group</i>	483,089	46,132	8,793	-	538,014
Total	6,412,697	706,276	151,199	5,447	7,275,619
<i>Impairment losses</i>					
Public administration	(18)	-	(94)	-	(112)
Corporate	(5,762)	(6,114)	(55,039)	(4,428)	(71,343)
Retail	(5,426)	(26,965)	(56,185)	-	(88,576)
<i>Mortgage loans</i>	(322)	(3,910)	(13,093)	-	(17,325)
<i>Consumer loans</i>	(511)	(2,038)	(7,625)	-	(10,174)
<i>Credit cards</i>	(31)	(594)	(955)	-	(1,580)
<i>Overdrafts</i>	(36)	(868)	(1,454)	-	(2,358)
<i>MicroSME</i>	(1,845)	(15,306)	(21,488)	-	(38,639)
<i>ČSOB stav. sporitel'ňa</i>	(310)	(2,252)	(5,592)	-	(8,154)
<i>ČSOB Leasing Group</i>	(2,371)	(1,997)	(5,978)	-	(10,346)
Total (note 14)	(11,206)	(33,079)	(111,318)	(4,428)	(160,031)
<i>Net carrying amount</i>					
Public administration	172,991	172	8	-	173,171
Corporate	2,043,942	298,169	14,002	1,019	2,357,132
Retail	4,184,558	374,856	25,871	-	4,585,285
<i>Mortgage loans</i>	3,112,101	195,383	12,920	-	3,320,404
<i>Consumer loans</i>	233,445	30,326	2,409	-	266,180
<i>Credit cards</i>	14,921	7,897	261	-	23,079
<i>Overdrafts</i>	10,802	11,240	394	-	22,436
<i>MicroSME</i>	205,538	71,759	2,797	-	280,094
<i>ČSOB stav. sporitel'ňa</i>	127,033	14,116	4,275	-	145,424
<i>ČSOB Leasing Group</i>	480,718	44,135	2,815	-	527,668
Loans and receivables from customers at amortised cost	6,401,491	673,197	39,881	1,019	7,115,588

7.1 Finance lease receivables

ČSOB Group as a lessor reported net investments in finance lease under loans and receivables from customers at amortised cost. Lease contracts relate to cars and other technical equipment. The table below shows the reconciliation between the minimum undiscounted lease payments and the net investments in finance lease (present value of future lease payments) as at 31 December 2019.

(EUR '000)	Minimum lease payments	Net present value of lease payments
<i>Finance lease receivable</i>		
Not later than 1 year	272,885	256,149
Later than 1 year and not later than 2 years	197,537	187,666
Later than 2 years and not later than 3 years	133,648	128,469
Later than 3 years and not later than 4 years	70,119	67,797
Later than 4 years and not later than 5 years	28,063	27,044
Later than 5 years	29,427	28,294
Total	731,679	695,419
Less: future finance income (unrealized finance lease income)	(36,260)	-
Present value of future lease payments	695,419	695,419
<i>Allowance for uncollectible lease payments</i>	(4,038)	(4,038)

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The table below shows the reconciliation between the minimum undiscounted lease payments and the net investments in finance lease (present value of future lease payments) as at 31 December 2018.

(EUR '000)	Minimum lease payments	Net present value of lease payments
<i>Finance lease receivable</i>		
Not later than 1 year	264,556	246,952
Later than 1 year and not later than 5 years	423,600	404,783
Later than 5 years	27,096	25,806
Total	715,252	677,541
Less: future finance income (unrealized finance lease income)	(37,711)	-
Present value of future lease payments	677,541	677,541
Allowance for uncollectible lease payments	(4,795)	(4,795)

As at 31 December 2019, ČSOB Group possessed collaterals (mainly cars related to leased assets) with the net book value of EUR 1,381 thousand (31 December 2018: EUR 1,124 thousand) reported under "Other assets". ČSOB Group is in the process of selling them.

To mitigate risks associated with any rights related to the retention of the underlying assets, ČSOB Group uses buy-back clause in the contract. Terms and conditions for enforcement of buy-back clause are incorporated in the products and in the related processes.

8 Debt securities at amortised cost

(EUR '000)	Stage 1	Stage 2	31 Dec 2019	Stage 1	31 Dec 2018
<i>Gross carrying amount</i>					
Government debt securities	1,457,145	-	1,457,145	1,578,282	1,578,282
Bank bonds	128,499	-	128,499	123,804	123,804
Other bonds	81,712	33,404	115,116	118,754	118,754
Gross carrying amount	1,667,356	33,404	1,700,760	1,820,840	1,820,840
<i>Impairment</i>					
Impairment losses on government debt securities	(21)	-	(21)	(22)	(22)
Impairment losses on bank bonds	(55)	-	(55)	(56)	(56)
Impairment losses on other bonds	(105)	(1,877)	(1,982)	(267)	(267)
Impairment (note 14)	(181)	(1,877)	(2,058)	(345)	(345)
Debt securities at amortised cost	1,667,175	31,527	1,698,702	1,820,495	1,820,495

As at 31 December 2019, ČSOB Group held in the portfolio of Debt securities at amortised cost government debt securities and other bonds at net carrying amount of EUR 208,675 thousand (31 December 2018: government bond securities of EUR 186,390 thousand), placed as collateral for a loan received from banks and reported in the Consolidated Statement of Financial Position under "of which: pledged as collateral". See note 16 and 35.

In 2019, ČSOB Group derecognised debt securities with nominal value EUR 257,557 thousand (31 December 2018: EUR 120,001 thousand) due to the sale close to maturity date. The gain EUR 2,721 thousand (31 December 2018: EUR 1,048 thousand) from sale is reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net realized result from financial instruments measured at amortised cost".

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9 Property and equipment

(EUR '000)	Investment Land and property buildings	ICT equipment	Office equipment	Other	Assets in operating leases	Acquisition	Total
Cost as at 1 January 2019 before IFRS 16 adoption	15,409	133,914	8,540	7,785	99,282	-	2,430 267,360
Transfer to Assets in operating leases	-	(13,310)	(92)	(313)	(76,460)	90,175	-
Cost as at 1 January 2019 after IFRS 16 adoption	15,409	120,604	8,448	7,472	22,822	90,175	2,430 267,360
Additions	-	-	-	-	-	41,186	41,186
Transfers	12	7,637	1,794	129	3,185	29,804	(42,561) -
Disposals	-	(1,268)	(1,544)	(1,019)	(2,502)	(17,247)	- (23,580)
Transfer to Assets held for sale (note 12)	-	(2,474)	-	-	-	-	- (2,474)
Cost as at 31 December 2019	15,421	124,499	8,698	6,582	23,505	102,732	1,055 282,492
Accumulated depreciation as at 1 January 2019 before IFRS 16 adoption	(2,086)	(52,225)	(6,943)	(6,540)	(29,949)	-	- (97,743)
Transfer to Assets in operating leases	-	834	45	85	16,994	(17,958)	-
Accumulated depreciation as at 1 January 2019 after IFRS 16 adoption	(2,086)	(51,391)	(6,898)	(6,455)	(12,955)	(17,958)	- (97,743)
Depreciation	(640)	(3,855)	(1,160)	(252)	(2,464)	(586)	- (8,957)
Disposals	-	855	1,542	1,018	2,104	-	- 5,519
Transfer to Assets held for sale (note 12)	-	1,617	-	-	-	-	- 1,617
Operating lease depreciation	-	-	-	-	-	(13,761)	- (14,132)
Operating lease disposals	-	-	-	-	-	7,638	- 7,638
Accumulated depreciation as at 31 December 2019	(2,726)	(52,774)	(6,516)	(5,689)	(13,315)	(24,667)	- (105,687)
Impairment losses as at 1 January 2019 before IFRS 16 adoption	(241)	(838)	-	-	(806)	-	- (1,885)
Transfer to Assets in operating leases	-	-	-	-	531	(531)	-
Impairment losses as at 1 January 2019 after IFRS 16 adoption	(241)	(838)	-	-	(275)	(531)	- (1,885)
Use (note 14)	-	-	-	-	-	74	- 74
Release (note 14)	129	838	-	-	-	-	- 967
Impairment losses as at 31 December 2019	(112)	-	-	-	(275)	(457)	- (844)
Net book value as at 31 December 2019	12,583	71,725	2,182	893	9,915	77,608	1,055 175,961
(EUR '000)	Investment property	Land and buildings	ICT equipment	Office equipment	Assets in operating leases and other	Acquisition	Total
Cost as at 1 January 2018	15,291	134,658	9,381	8,261	83,650	885	252,126
Additions	-	-	-	-	-	37,597	37,597
Transfers	118	894	842	168	34,030	(36,052)	-
Disposals	-	(1,638)	(1,683)	(644)	(18,398)	-	(22,363)
Cost as at 31 December 2018	15,409	133,914	8,540	7,785	99,282	2,430	267,360
Accumulated depreciation as at 1 January 2018	(1,452)	(48,698)	(7,291)	(6,856)	(24,944)	-	(89,241)
Depreciation	(634)	(4,300)	(1,300)	(328)	(2,377)	-	(8,939)
Disposals	-	773	1,648	644	2,185	-	5,250
Operating lease depreciation	-	-	-	-	(10,855)	-	(10,855)
Operating lease disposals	-	-	-	-	6,042	-	6,042
Accumulated depreciation as at 31 December 2018	(2,086)	(52,225)	(6,943)	(6,540)	(29,949)	-	(97,743)
Impairment losses as at 1 January 2018	(241)	(1,150)	-	-	(929)	-	(2,320)
Release (note 14)	-	-	-	-	123	-	123
Use	-	312	-	-	-	-	312
Impairment losses as at 31 December 2018	(241)	(838)	-	-	(806)	-	(1,885)
Net book value as at 31 December 2018	13,082	80,851	1,597	1,245	68,527	2,430	167,732

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9.1 Investment property

As at 31 December 2019, ČSOB Group owns land and buildings rented to other parties with a total net book value of EUR 12,583 thousand (31 December 2018: EUR 13,082 thousand). Total rental income earned from investment property amounted to EUR 1,168 thousand (31 December 2018: EUR 1,262 thousand) and is presented under "Other operating result" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The depreciation of investment property is presented under "Other operating result" and amounted to EUR (640) thousand (31 December 2018: EUR (634) thousand). The carrying values of investment property approximate to their fair values since substantial values of the investment properties were acquired during 2017 from independent third parties.

9.2 Operating lease

As at 31 December 2019, ČSOB Group as a lessor reported below assets leased to customers under operating lease under Property and equipment.

(EUR '000)	Gross carrying amount	Accumulated depreciation	Impairment losses	Net carrying amount
Land and buildings	13,322	(1,294)	-	12,028
ICT equipment, office equipment and other	625	(328)	-	297
Passenger cars	68,983	(18,233)	(457)	50,293
Other motor vehicles	8,111	(2,496)	-	5,615
Machinery and equipment	11,691	(2,316)	-	9,375
Total	102,732	(24,667)	(457)	77,608

As at 31 December 2018, ČSOB Group as a lessor reported below assets leased to customers under operating lease under Property and equipment.

(EUR '000)	Gross carrying amount	Accumulated depreciation	Impairment losses	Net carrying amount
Land and buildings	13,310	(833)	-	12,477
ICT equipment, office equipment, and other	625	(203)	-	422
Passenger cars	60,814	(14,537)	(531)	45,746
Other motor vehicles	7,945	(1,934)	-	6,011
Machinery and equipment	7,549	(775)	-	6,774
Total	90,243	(18,282)	(531)	71,430

The following table summarises future minimum lease payments receivable under non-cancellable operating leases as at 31 December 2019.

(EUR '000)	31 Dec 2019
Not later than 1 year	16,348
Later than 1 year and not later than 2 years	12,917
Later than 2 years and not later than 3 years	8,997
Later than 3 years and not later than 4 years	5,161
Later than 4 years and not later than 5 years	1,859
Later than 5 years	2,582
Total	47,864

The following table summarises future minimum lease payments receivable under non-cancellable operating leases as at 31 December 2018.

(EUR '000)	31 Dec 2018
Not later than 1 year	14,344
Later than 1 year and not later than 5 years	26,234
Later than 5 years	3,935
Total	44,513

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10 Intangible assets

(EUR '000)	Acquired software	Internally generated software	Other intangible assets	Acquisition	Total
Cost as at 1 January 2019	40,215	16,672	239	4,431	61,557
Additions	-	-	-	18,446	18,446
Transfers	1,391	2,068	372	(3,831)	-
Disposals	(4,172)	-	(500)	-	(4,672)
Other transfers	-	(2,217)	2,217	-	-
Cost as at 31 December 2019	37,434	16,523	2,328	19,046	75,331
Accumulated amortisation as at 1 January 2019	(36,897)	(11,681)	(23)	-	(48,601)
Amortisation	(986)	(1,728)	(16)	-	(2,730)
Disposals	3,858	-	-	-	3,858
Accumulated amortisation as at 31 December 2019	(34,025)	(13,409)	(39)	-	(47,473)
Impairment losses as at 1 January 2019	-	-	-	-	-
Creation (note 14)	(253)	-	-	-	(253)
Impairment losses as at 31 December 2019	(253)	-	-	-	(253)
Net book value as at 31 December 2019	3,156	3,114	2,289	19,046	27,605

(EUR '000)	Acquired software	Internally generated software	Other intangible assets	Acquisition	Total
Cost as at 1 January 2018	39,793	12,437	111	548	52,889
Additions	-	-	-	8,964	8,964
Transfers	718	4,235	128	(5,081)	-
Disposals	(296)	-	-	-	(296)
Cost as at 31 December 2018	40,215	16,672	239	4,431	61,557
Accumulated amortisation as at 1 January 2018	(34,174)	(9,487)	(7)	-	(43,668)
Amortisation	(3,019)	(2,194)	(16)	-	(5,229)
Disposals	296	-	-	-	296
Accumulated amortisation as at 31 December 2018	(36,897)	(11,681)	(23)	-	(48,601)
Net book value as at 31 December 2018	3,318	4,991	216	4,431	12,956

10.1 Insurance cover

ČSOB Group's insurance covers all standard risks to tangible and intangible assets. Tangible and intangible assets of ČSOB Group are insured against the following risks:

- natural disasters;
- theft, robbery;
- insurance of machines and electronic equipment;
- insurance of transport of electronic equipment;
- insurance against fire causing an interruption of operations.

Tangible and intangible assets are insured up to the amount of their cost, which is recalculated by the index determined by the insurance company.

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11 Right of use assets

(EUR '000)	Land and Buildings	ICT equipment	Total
Cost as at 1 January 2019	39,482	-	39,482
Additions	5,062	42	5,104
Disposals	(1,292)	-	(1,292)
Cost as at 31 December 2019	43,252	42	43,294
Accumulated depreciation as at 1 January 2019	-	-	-
Depreciation	(5,154)	(3)	(5,157)
Disposals	256	-	256
Accumulated depreciation as at 31 December 2019	(4,898)	(3)	(4,901)
Net book value as at 31 December 2019	38,354	39	38,393

As at 31 December 2019, ČSOB Group reported interest expense on lease liability in the amount of EUR (292) thousand (note 25), expenses related to variable lease payments not included in lease liability in the amount of EUR (624) thousand under "Other operating expenses".

As at 31 December 2019, ČSOB Group reported under "Other operating expenses" expenses related to short-term leases in the amount of EUR (402) thousand and expenses related to leases with low value in the amount of EUR (365) thousand.

12 Assets held for sale

As at 31 December 2019 ČSOB Group reclassified Lands and buildings which met the held for sale criteria from "Property and equipment" to "Assets held for sale" with the net book value of EUR 857 thousand. As at 31 December 2018 ČSOB Group did not hold any assets classified as "Assets held for sale".

(EUR '000)	Lands and buildings
Net book value at 1 January 2019	-
Transfer from Property and equipment	857
Net book value at 31 December 2019	857

The net book value of ČSOB Group's assets held for sale represents its fair value. The discounted cash flow method, based on observable market data, was performed based on its highest and best use from a market participant's perspective. Therefore, in the fair value hierarchy it is considered as a Level 2 categorisation.

13 Other assets

(EUR '000)	31 Dec 2019	31 Dec 2018 reclassified
<i>Other financial assets</i>		
Accrued non-interest income	1,634	1,597
Advances	11,431	11,093
Fair value changes of hedged item (note 34)	9,178	5,792
Hedging derivatives (note 34)	2,412	35
Other	2,134	1,039
Total	26,789	19,556
Impairment losses (note 14)	(556)	(525)
Other financial assets	26,233	19,031
<i>Other non-financial assets</i>		
Prepaid charges	1,955	3,120
Other non-financial assets	1,381	1,124
Other non-financial assets	3,336	4,244
Other assets	29,569	23,275

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14 Impairment losses and Provisions for off-balance sheet risks

Tables below show Impairment losses and Provisions for off-balance sheet risks calculated as expected credit losses (ECL) and the detail of Loans and receivables from customers at amortised cost by class of financial asset, both as at 31 December 2019.

(EUR '000)	1 Jan 2019	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to model/methodology change *	Due to write-offs/ceding	Movements in GCA	31 Dec 2019	Recoveries *
<i>Financial assets at fair value through other comprehensive income (note 5)</i>											
Stage 1	26	-	-	3	-	-	-	-	-	29	-
Total	26	-	-	3	-	-	-	-	-	29	-
<i>Loans and receivables from financial institutions at amortised cost (note 6)</i>											
Stage 1	10	1	(4)	-	-	-	-	-	-	7	-
Stage 3	92	-	-	-	-	-	-	-	-	92	-
Total	102	1	(4)	-	-	-	-	-	-	99	-
<i>Loans and receivables from customers at amortised cost (note 7)</i>											
Stage 1	11,206	4,946	(941)	(1,162)	(722)	(56)	(1,205)	-	2	12,068	-
Stage 2	33,079	4,504	(2,824)	(3,691)	612	(614)	(1,169)	-	(7)	29,890	-
Stage 3	111,318	1,048	(2,298)	(4,522)	20,113	2,037	-	(30,363)	(494)	96,839	(1,372)
POCI	4,428	-	(8)	(1,621)	-	-	-	-	(18)	2,781	-
Total	160,031	10,498	(6,071)	(10,996)	20,003	1,367	(2,374)	(30,363)	(517)	141,578	(1,372)
<i>Debt securities at amortised cost (note 8)</i>											
Stage 1	345	21	(8)	(67)	(110)	-	-	-	-	181	-
Stage 2	-	-	-	-	1,877	-	-	-	-	1,877	-
Total	345	21	(8)	(67)	1,767	-	-	-	-	2,058	-
<i>Provisions for off-balance sheet risks (note 22.1)</i>											
Stage 1	853	282	(5)	(157)	(153)	-	-	-	-	820	-
Stage 2	2,685	138	-	(968)	(383)	(6)	-	-	1	1,467	-
Stage 3	629	19	-	(589)	(10)	67	-	-	-	116	-
POCI	137	-	1	30	-	-	-	-	-	168	-
Total	4,304	439	(4)	(1,684)	(546)	61	-	-	1	2,571	-
Impairment losses and Provisions for off-balance sheet risks	164,808	10,959	(6,087)	(12,744)	21,224	1,428	(2,374)	(30,363)	(516)	146,335	(1,372)

* reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under Impairment losses and Provisions for off-balance sheet risks

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(EUR '000)	1 Jan 2019	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to model/ methodology change *	Due to write-offs/ ceding	Movements in GCA	31 Dec 2019	Recoveries *
<i>Loans and receivables from customers at amortised cost (note 7)</i>											
Public administration	112	4	-	(20)	4	-	-	-	(13)	87	-
Stage 1	18	3	-	(6)	-	-	-	-	-	15	-
Stage 2	-	1	-	-	-	-	-	-	-	1	-
Stage 3	94	-	-	(14)	4	-	-	-	(13)	71	-
Corporate	71,343	2,260	(802)	(6,630)	10,267	449	(2,080)	(8,055)	(23)	66,729	(48)
Stage 1	5,762	1,804	(293)	319	(433)	(50)	(1,197)	-	2	5,914	-
Stage 2	6,114	66	(334)	(595)	1,741	(53)	(883)	-	(7)	6,049	-
Stage 3	55,039	390	(167)	(4,733)	8,959	552	-	(8,055)	-	51,985	(48)
POCI	4,428	-	(8)	(1,621)	-	-	-	-	(18)	2,781	-
Retail	88,576	8,234	(5,269)	(4,346)	9,732	918	(294)	(22,308)	(481)	74,762	(1,324)
Stage 1	5,426	3,139	(648)	(1,475)	(289)	(6)	(8)	-	-	6,139	-
Stage 2	26,965	4,437	(2,490)	(3,096)	(1,129)	(561)	(286)	-	-	23,840	-
Stage 3	56,185	658	(2,131)	225	11,150	1,485	-	(22,308)	(481)	44,783	(1,324)
Mortgage loans	17,325	426	(1,273)	862	1,423	92	-	(6,387)	838	13,306	(124)
Stage 1	322	124	(49)	58	(8)	(1)	-	-	-	446	-
Stage 2	3,910	219	(391)	19	498	(1)	-	-	-	4,254	-
Stage 3	13,093	83	(833)	785	933	94	-	(6,387)	838	8,606	(124)
Consumer loans	10,174	985	(483)	475	1,767	81	-	(5,410)	-	7,589	(453)
Stage 1	511	343	(145)	(118)	(47)	(1)	-	-	-	543	-
Stage 2	2,038	426	(258)	(237)	(16)	(1)	-	-	-	1,952	-
Stage 3	7,625	216	(80)	830	1,830	83	-	(5,410)	-	5,094	(453)
Credit cards	1,580	62	(77)	113	342	-	-	(630)	-	1,390	(92)
Stage 1	31	6	(4)	(1)	(3)	-	-	-	-	29	-
Stage 2	594	49	(47)	18	27	-	-	-	-	641	-
Stage 3	955	7	(26)	96	318	-	-	(630)	-	720	(92)
Overdrafts	2,358	43	(226)	320	374	-	-	(918)	-	1,951	(119)
Stage 1	36	1	(12)	5	(3)	-	-	-	-	27	-
Stage 2	868	24	(120)	53	-	-	-	-	-	825	-
Stage 3	1,454	18	(94)	262	377	-	-	(918)	-	1,099	(119)
MicroSME	38,639	3,048	(2,064)	(1,962)	2,908	441	-	(5,738)	(1,601)	33,671	(219)
Stage 1	1,845	85	(185)	612	(29)	(4)	-	-	-	2,324	-
Stage 2	15,306	2,869	(1,192)	(2,092)	(858)	(559)	-	-	-	13,474	-
Stage 3	21,488	94	(687)	(482)	3,795	1,004	-	(5,738)	(1,601)	17,873	(219)
ČSOB stav. sporitel'ňa	8,154	181	(420)	(265)	375	-	(294)	(822)	282	7,191	(5)
Stage 1	310	118	(79)	(59)	(15)	-	(8)	-	-	267	-
Stage 2	2,252	52	(317)	(166)	(560)	-	(286)	-	-	975	-
Stage 3	5,592	11	(24)	(40)	950	-	-	(822)	282	5,949	(5)
ČSOB Leasing Group	10,346	3,489	(726)	(3,889)	2,543	304	-	(2,403)	-	9,664	(312)
Stage 1	2,371	2,462	(174)	(1,972)	(184)	-	-	-	-	2,503	-
Stage 2	1,997	798	(165)	(691)	(220)	-	-	-	-	1,719	-
Stage 3	5,978	229	(387)	(1,226)	2,947	304	-	(2,403)	-	5,442	(312)
Total	160,031	10,498	(6,071)	(10,996)	20,003	1,367	(2,374)	(30,363)	(517)	141,578	(1,372)

* reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under Impairment losses and Provisions for off-balance sheet risks

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Tables below show Impairment losses and Provisions for off-balance sheet risks calculated as expected credit losses (ECL) and the detail of Loans and receivables from customers at amortised cost by class of financial asset, both as at 31 December 2018.

(EUR '000)	1 Jan 2018	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to write-offs/ ceding	Movements in GCA	31 Dec 2018	Recoveries *
<i>Financial assets at fair value through other comprehensive income (note 5)</i>										
Stage 1	41	-	(14)	(1)	-	-	-	-	26	-
Total	41	-	(14)	(1)	-	-	-	-	26	-
<i>Loans and receivables from financial institutions at amortised cost (note 6)</i>										
Stage 1	99	3	(6)	(86)	-	-	-	-	10	-
Stage 3	92	-	-	-	-	-	-	-	92	-
Total	191	3	(6)	(86)	-	-	-	-	102	-
<i>Loans and receivables from customers at amortised cost (note 7)</i>										
Stage 1	10,629	4,868	(876)	(2,143)	(1,256)	(17)	-	1	11,206	-
Stage 2	32,021	5,473	(2,470)	(1,874)	256	(328)	-	1	33,079	-
Stage 3	139,924	1,760	(3,828)	(3,468)	10,648	1,121	(38,837)	3,998	111,318	(1,723)
POCI	5,865	-	-	(1,427)	-	-	-	(10)	4,428	-
Total	188,439	12,101	(7,174)	(8,912)	9,648	776	(38,837)	3,990	160,031	(1,723)
<i>Debt securities at amortised cost (note 8)</i>										
Stage 1	382	59	(8)	(88)	-	-	-	-	345	-
Total	382	59	(8)	(88)	-	-	-	-	345	-
<i>Provisions for off-balance sheet risks (note 22.1)</i>										
Stage 1	1,632	315	(257)	(627)	(211)	-	-	1	853	-
Stage 2	2,361	558	(308)	59	19	(4)	-	-	2,685	-
Stage 3	613	68	(38)	(54)	13	27	-	-	629	-
POCI	91	-	-	46	-	-	-	-	137	-
Total	4,697	941	(603)	(576)	(179)	23	-	1	4,304	-
Impairment losses and Provisions for off-balance sheet risks	193,750	13,104	(7,805)	(9,663)	9,469	799	(38,837)	3,991	164,808	(1,723)

* reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under Impairment losses and Provisions for off-balance sheet risks

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(EUR '000)	1 Jan 2018	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to write-offs/ ceding	Movements in GCA	31 Dec 2018	Recoveries *
Loans and receivables from customers at amortised cost (note 7)										
Public administration	199	7	(17)	(75)	(2)	-	-	-	112	-
Stage 1	49	5	(1)	(35)	-	-	-	-	18	-
Stage 2	12	-	(3)	(7)	(2)	-	-	-	-	-
Stage 3	138	2	(13)	(33)	-	-	-	-	94	-
Corporate	79,176	3,777	(1,204)	(3,946)	633	163	(7,281)	25	71,343	(88)
Stage 1	5,172	2,201	(250)	(606)	(754)	(2)	-	1	5,762	-
Stage 2	5,660	946	(246)	(789)	655	(113)	-	1	6,114	-
Stage 3	62,479	630	(708)	(1,124)	732	278	(7,281)	33	55,039	(88)
POCI	5,865	-	-	(1,427)	-	-	-	(10)	4,428	-
Retail	109,064	8,317	(5,953)	(4,891)	9,017	613	(31,556)	3,965	88,576	(1,635)
Stage 1	5,408	2,662	(625)	(1,502)	(502)	(15)	-	-	5,426	-
Stage 2	26,349	4,527	(2,221)	(1,078)	(397)	(215)	-	-	26,965	-
Stage 3	77,307	1,128	(3,107)	(2,311)	9,916	843	(31,556)	3,965	56,185	(1,635)
Mortgage loans	24,893	307	(1,924)	(547)	845	86	(7,072)	737	17,325	(14)
Stage 1	326	80	(54)	(38)	9	(1)	-	-	322	-
Stage 2	4,148	196	(489)	25	34	(4)	-	-	3,910	-
Stage 3	20,419	31	(1,381)	(534)	802	91	(7,072)	737	13,093	(14)
Consumer loans	17,432	986	(593)	(344)	1,739	47	(9,040)	(53)	10,174	(880)
Stage 1	507	331	(157)	(124)	(45)	(1)	-	-	511	-
Stage 2	1,921	514	(212)	(258)	83	(10)	-	-	2,038	-
Stage 3	15,004	141	(224)	38	1,701	58	(9,040)	(53)	7,625	(880)
Credit cards	2,914	96	(101)	35	234	-	(1,587)	(11)	1,580	(139)
Stage 1	24	10	(4)	2	(1)	-	-	-	31	-
Stage 2	530	68	(43)	25	14	-	-	-	594	-
Stage 3	2,360	18	(54)	8	221	-	(1,587)	(11)	955	(139)
Overdrafts	4,065	281	(274)	49	286	1	(2,046)	(4)	2,358	(84)
Stage 1	31	13	(11)	2	-	1	-	-	36	-
Stage 2	820	123	(108)	44	(11)	-	-	-	868	-
Stage 3	3,214	145	(155)	3	297	-	(2,046)	(4)	1,454	(84)
MicroSME	41,026	3,652	(1,776)	(2,295)	4,788	430	(10,130)	2,944	38,639	(68)
Stage 1	2,009	569	(232)	(147)	(340)	(14)	-	-	1,845	-
Stage 2	13,532	2,833	(1,028)	(15)	185	(201)	-	-	15,306	-
Stage 3	25,485	250	(516)	(2,133)	4,943	645	(10,130)	2,944	21,488	(68)
ČSOB stav. sporitel'ňa	7,067	127	(328)	407	720	-	(191)	352	8,154	(6)
Stage 1	344	80	(49)	(57)	(8)	-	-	-	310	-
Stage 2	2,114	17	(190)	21	290	-	-	-	2,252	-
Stage 3	4,609	30	(89)	443	438	-	(191)	352	5,592	(6)
ČSOB Leasing Group	11,667	2,868	(957)	(2,196)	405	49	(1,490)	-	10,346	(444)
Stage 1	2,167	1,579	(118)	(1,140)	(117)	-	-	-	2,371	-
Stage 2	3,284	776	(151)	(920)	(992)	-	-	-	1,997	-
Stage 3	6,216	513	(688)	(136)	1,514	49	(1,490)	-	5,978	(444)
Total	188,439	12,101	(7,174)	(8,912)	9,648	776	(38,837)	3,990	160,031	(1,723)

* reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under Impairment losses and Provisions for off-balance sheet risks

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As at 31 December 2019, other impairment losses were as follows.

(EUR '000)	1 Jan 2019	Use	Creation/ (release) *	31 Dec 2019
Property and equipment (note 9)	1,885	(74)	(967)	844
Intangible assets (note 10)	-	-	253	253
Other assets (note 13)	525	(1)	32	556
Total	2,410	(75)	(682)	1,653

* reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under Impairment losses and Provisions for off-balance sheet risks

As at 31 December 2018, other impairment losses were as follows.

(EUR '000)	1 Jan 2018	Use	Creation/ (release) *	31 Dec 2018
Property and equipment (note 9)	1,845	163	(123)	1,885
Other assets (note 13)	802	318	(595)	525
Total	2,647	481	(718)	2,410

* reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under Impairment losses and Provisions for off-balance sheet risks

The table below shows GCA of financial assets and off-balance sheet items transferred between stages as at 31 December 2019.

(EUR '000)	From Stage 1 To Stage 2	From Stage 1 To Stage 3	From Stage 2 To Stage 1	From Stage 2 To Stage 3	From Stage 3 To Stage 1	From Stage 3 To Stage 2
Loans and receivables from customers at amortised cost	321,004	23,310	186,832	24,720	1,140	6,720
Public administration	-	-	2	3	-	-
Corporate	149,630	11,557	75,218	1,202	158	97
Retail	171,374	11,753	111,612	23,515	982	6,623
Mortgage loans	86,309	4,609	65,896	5,463	368	4,428
Consumer loans	21,460	1,684	5,155	2,570	23	399
Credit cards	2,674	165	2,028	368	7	44
Overdrafts	2,330	127	1,415	532	2	42
MicroSME	25,282	1,978	22,144	5,426	78	557
ČSOB stav. sporitel'ňa	3,569	539	3,480	1,387	132	567
ČSOB Leasing Group	29,750	2,651	11,494	7,769	372	586
Debt securities at amortised cost	33,404	-	-	-	-	-
Total	354,408	23,310	186,832	24,720	1,140	6,720
Credit facilities issued but not drawn	50,477	130	39,550	59	22	37
Financial guarantees given	14,226	-	10,619	-	-	-
Letters of credit given	861	-	-	-	-	-
Total	65,564	130	50,169	59	22	37

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The table below shows GCA of financial assets and off-balance sheet items transferred between stages as at 31 December 2018.

(EUR '000)	From Stage 1 To Stage 2	From Stage 1 To Stage 3	From Stage 2 To Stage 1	From Stage 2 To Stage 3	From Stage 3 To Stage 1	From Stage 3 To Stage 2
Loans and receivables from customers at amortised cost	412,757	14,102	156,196	19,254	841	11,917
Public administration	16	-	29	-	-	-
Corporate	204,866	1,470	20,886	1,339	296	4,678
Retail	207,875	12,632	135,281	17,915	545	7,239
Mortgage loans	87,467	3,274	67,116	6,108	207	5,815
Consumer loans	21,004	1,537	4,511	2,243	11	395
Credit cards	2,726	120	973	310	11	41
Overdrafts	3,949	224	889	470	49	45
MicroSME	46,433	2,774	15,856	5,244	12	132
ČSOB stav. sporitel'ňa	5,645	727	4,470	1,182	204	811
ČSOB Leasing Group	40,651	3,976	41,466	2,358	51	-
Total	412,757	14,102	156,196	19,254	841	11,917
 Credit facilities issued but not drawn	 89,714	 609	 26,335	 60	 8	 101
Financial guarantees given	50,192	-	11,952	-	-	971
Letters of credit given	-	40	-	-	-	-
Total	139,906	649	38,287	60	8	1,072

15 Financial liabilities at fair value through profit or loss

(EUR '000)	31 Dec 2019	31 Dec 2018
<i>Financial liabilities designated at fair value through profit or loss on initial recognition</i>		
Term deposits – non-bank customers	42,761	37,624
Debt securities issued	7,726	7,680
Financial liabilities designated at fair value through profit or loss on initial recognition	50,487	45,304
<i>Financial liabilities held for trading</i>		
Financial trading derivatives (note 34)	43,361	11,854
Financial liabilities held for trading	43,361	11,854
Financial liabilities at fair value through profit or loss	93,848	57,158

Financial liabilities, which are designated at fair value through profit or loss on initial recognition, are a part of dealing room portfolio. ČSOB Group monitors, manages, evaluates and reports them at fair value basis.

16 Amounts owed to financial institutions at amortised cost

(EUR '000)	31 Dec 2019	31 Dec 2018
Current accounts - banks	26,562	30,513
Term deposits and loans received from banks and multilateral banks	1,044,905	1,003,443
Amounts owed to financial institutions at amortised cost	1,071,467	1,033,956

As at 31 December 2019 loans received from banks in the amount of EUR 224,144 thousand (31 December 2018: EUR 222,988 thousand) were secured by government debt securities and other bonds in the portfolio of Debt securities at amortised cost with net carrying amount of EUR 208,675 thousand (31 December 2018: government bond securities of EUR 186,390 thousand) and market value of EUR 234,676 thousand (31 December 2018: EUR 221,818 thousand), see note 8; and by cash in portfolio Loans and receivables from financial institutions at amortised cost of EUR 1,620 thousand (31 December 2018: EUR 4,410 thousand), see note 6.

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17 Amounts owed to customers at amortised cost

(EUR '000)	31 Dec 2019	31 Dec 2018
Current accounts – customers	3,615,376	3,341,908
Current accounts – government bodies and funds	171,598	145,164
Term deposits and saving accounts – customers	2,318,395	2,453,484
Term deposits and saving accounts – government bodies	203,850	264,024
Other amounts owed to customers	71,320	73,688
Amounts owed to customers at amortised cost	6,380,539	6,278,268

18 Debt securities issued at amortised cost

(EUR '000)	31 Dec 2019	31 Dec 2018
Bills of exchange	-	1,947
Bank bonds	1,011,796	949,801
Mortgage bonds	384,454	418,495
Investment certificates	28,799	1,885
Debt securities issued at amortised cost	1,425,049	1,372,128

All bonds are subject to the issuance term and conditions, security prospect, bonds law and securities and investment services law. There are no pre-emptive rights, exchange rights or any other advantage. All securities under Mortgage bonds category listed below are issued in book-entry form.

The table below shows the structure of bank bonds, mortgage bonds and investment certificates as at 31 December 2019.

Issue name	Issue date	Currency	Coupon payment date	Interest rate fix/float	Initial nominal value 1 item (issuance currency)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2019 (EUR '000)	Maturity
<i>Bank bonds</i>									
ČSOB I.	Mar 15	EUR	-	Zero-coupon	1,000.00	10,000	10,000	9,776	Mar 21
ČSOB III. *	Sep 16	EUR	9 Sep, yearly	2.80%	1,000.00	3,897	974	995	Sep 20
ČSOB Leasing Float 2021	Dec 16	EUR	3 Mar, 3 Jun, 3 Sep, 3 Dec, quarterly	3M Euribor +0.50%	100,000.00	2,100	210,000	212,067	Dec 21
ČSOB Leasing Fix 2023	Dec 16	EUR	3 Jun 3 Dec, half-yearly	0.57%	100,000.00	400	40,000	23,911	Dec 23
ČSOB Leasing Float 2023	Dec 18	EUR	3 Mar, 3 Jun, 3 Sep, 3 Dec, quarterly	3M Euribor +0.50%	100,000.00	7,800	780,000	765,047	Dec 23
Total								1,011,796	

* Nominal value of the bond is payable annually as 25% of the initial nominal value. The coupon is set as a given year fix rate of the remaining nominal value. The fix rate equals 0.40% p.a., 0.80% p.a., 1.60% p.a., and 2.80% p.a. for the year 1, 2, 3, 4, respectively.

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Issue name	Issue date	Currency	Coupon payment date	Interest rate fix/float	Initial nominal value 1 item (issuance currency)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2019 (EUR '000)	Maturity
<i>Mortgage bonds</i>									
ČSOB XIII.	Nov 11	EUR	7 Nov, yearly	5.50%	10,000.00	2,500	25,000	25,207	Nov 31
ČSOB XIX.	Jul 12	EUR	9 Jul, yearly	4.70%	10,000.00	2,500	25,000	24,999	Jul 36
ČSOB XXV.	Jun 15	EUR	26 Jun, yearly	0.40%	10,000.00	5,000	50,000	50,009	Jun 20
ČSOB XXVI.	Nov 15	EUR	30 Nov, yearly	0.60%	10,000.00	5,000	50,000	50,084	Nov 20
ČSOB XXVII.	Mar 16	EUR	17 Mar, yearly	0.50%	10,000.00	5,000	50,000	50,240	Mar 21
ČSOB XXIX.	Sep 16	EUR	27 Sep, yearly	0.30%	10,000.00	4,300	43,000	43,086	Sep 21
ČSOB XXX.	Mar 17	EUR	29 Mar, yearly	0.50%	10,000.00	4,800	48,000	48,060	Mar 22
ČSOB XXXI.	Jun 17	EUR	28 Jun, yearly	0.50%	10,000.00	4,300	43,000	43,152	Jun 22
ČSOB XXXII.	Nov 17	EUR	28 Nov, yearly	0.60%	10,000.00	4,950	49,500	49,617	Nov 22
Total								384,454	
<i>Investment certificates</i>									
ČSOB IC ENDLRP 90G 2023 EUR	Apr 19	EUR	25 Apr, 25 Oct, half-yearly	Zero-coupon	1,000.00	5,807	5,807	5,807	Apr 23
ČSOB IC ENDLRP 90G 2023 AUD	Apr 19	AUD	26 Apr, 26 Oct, half-yearly	Zero-coupon	2,000.00	3,500	4,376	4,377	Apr 23
ČSOB IC ENDLRP 90G 202307 AUD	Jul 19	AUD	17 Jan, 17 Jul, half-yearly	Zero-coupon	2,000.00	3,042	3,804	3,804	Jul 23
ČSOB IC SXXPESGX 90G 2024 PLN	Jul 19	PLN	23 Jan, 23 Jul, half-yearly	Zero-coupon	10,000.00	1,155	2,713	2,713	Jul 24
ČSOB IC SXXPESGX 90G 2024 USD	Jul 19	USD	23 Jan, 23 Jul, half-yearly	Zero-coupon	2,000.00	1,034	1,841	1,841	Jul 24
ČSOB IC SOLWDEEP 90G 2024 PLN	Oct 19	PLN	4 Apr, 4 Oct, half- yearly	Zero-coupon	10,000.00	510	1,198	1,198	Oct 24
ČSOB IC SOLWDEEP 80G 2024 EUR	Oct 19	EUR	4 Apr, 4 Oct, half- yearly	Zero-coupon	1,000.00	665	665	665	Oct 24
SOBFELSP 80G 2024 AUD	Nov 19	AUD	28 May, 28 Nov, half-yearly	Zero-coupon	2,000.00	2,955	3,695	3,695	Nov 24
SOBFELSP 80G 2024 CZK	Nov 19	CZK	28 May, 28 Nov, half-yearly	CZK PRIBOR 6M	50,000.00	2,388	4,699	4,699	Nov 24
Total								28,799	

The tables below show the structure of bank bonds, mortgage bonds and investment certificates as at 31 December 2018.

Issue name	Issue date	Currency	Coupon payment date	Interest rate fix/float	Initial nominal value 1 item (EUR)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2018 (EUR '000)	Maturity
<i>Bank bonds</i>									
ČSOB I.	Mar 15	EUR	-	Zero-coupon	1,000.00	10,000	10,000	9,588	Mar 21
ČSOB II. *	Oct 15	EUR	5 Oct, yearly	2.50%	1,000.00	4,782	1,196	1,215	Oct 19
ČSOB III. **	Sep 16	EUR	9 Sep, yearly	1.60%	1,000.00	3,924	1,962	1,997	Sep 20
ČSOB Leasing Float 2019	Dec 15	EUR	3 Mar, 3 Jun, 3 Sep, 3 Dec, quarterly	3M Euribor +0.50%	100,000.00	1,600	160,000	160,770	Dec 19
ČSOB Leasing Float 2021	Dec 16	EUR	3 Mar, 3 Jun, 3 Sep, 3 Dec, quarterly	3M Euribor +0.50%	100,000.00	2,100	210,000	213,155	Dec 21
ČSOB Leasing Fix 2023	Dec 16	EUR	3 Jun 3 Dec, half- yearly	0.57%	100,000.00	400	40,000	29,914	Dec 23
ČSOB Leasing Float 2023	Dec 18	EUR	3 Mar, 3 Jun, 3 Sep, 3 Dec, quarterly	3M Euribor +0.50%	100,000.00	5,200	520,000	533,162	Dec 23
Total								949,801	

* Nominal value of the bond is payable annually as 25% of the initial nominal value. The coupon is set as a given year fix rate of the remaining nominal value. The fix rate equals 0.50% p.a., 1.30% p.a., 1.90% p.a., and 2.50% p.a. for the year 1, 2, 3, 4, respectively.

** Nominal value of the bond is payable annually as 25% of the initial nominal value. The coupon is set as a given year fix rate of the remaining nominal value. The fix rate equals 0.40% p.a., 0.80% p.a., 1.60% p.a., and 2.80% p.a. for the year 1, 2, 3, 4, respectively.

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Issue name	Issue date	Currency	Coupon payment date	Interest rate fix/float	Initial nominal value 1 item (EUR)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2018 (EUR '000)	Maturity
<i>Mortgage bonds</i>									
ČSOB XIII.	Nov 11	EUR	7 Nov, yearly	5.50%	10,000.00	2,500	25,000	25,207	Nov 31
ČSOB XIX.	Jul 12	EUR	9 Jul, yearly	4.70%	10,000.00	2,500	25,000	24,979	Jul 36
ČSOB XXIV.	Feb 15	EUR	27 Feb, yearly	1.60%	1,000.00	8,977	8,977	9,098	Feb 19
ČSOB XXV.	Jun 15	EUR	26 Jun, yearly	0.40%	10,000.00	5,000	50,000	49,818	Jun 20
ČSOB XXVI.	Nov 15	EUR	30 Nov, yearly	0.60%	10,000.00	5,000	50,000	50,147	Nov 20
ČSOB XXVII.	Mar 16	EUR	17 Mar, yearly	0.50%	10,000.00	5,000	50,000	50,275	Mar 21
ČSOB XXVIII.	Jul 16	EUR	11 Jul, yearly	0.20%	10,000.00	2,500	25,000	25,033	Jul 19
ČSOB XXIX.	Sep 16	EUR	27 Sep, yearly	0.30%	10,000.00	4,300	43,000	43,115	Sep 21
ČSOB XXX.	Mar 17	EUR	29 Mar, yearly	0.50%	10,000.00	4,800	48,000	48,006	Mar 22
ČSOB XXXI.	Jun 17	EUR	28 Jun, yearly	0.50%	10,000.00	4,300	43,000	43,170	Jun 22
ČSOB XXXII.	Nov 17	EUR	28 Nov, yearly	0.60%	10,000.00	4,950	49,500	49,647	Nov 22
Total								418,495	
<i>Investment certificates</i>									
ČSOB IC SD3E 67 2023	Dec 18	EUR	14 Jun, 14 Dec half-yearly	Zero-coupon	1,000.00	1,885	1,885	1,885	Dec 23
Total								1,885	

19 Subordinated debt

ČSOB Group has received a debt of a specific nature from the parent company KBC with the amortised cost of EUR 87,551 thousand as of 31 December 2019 (31 December 2018: EUR 87,551 thousand), interest rate 3M EURIBOR plus 1.70% p.a., and contractual maturity on 16 June 2027. The parties agreed that after 5 years from loan initiation (after 16 June 2022) and then every next 3 months the borrower can early repay the loan with the minimum amount of EUR 1,000 thousand or any EUR 1,000 thousand multiple. Refer to related parties' transactions (note 33).

The parties agreed that, in case of the borrower default or liquidation, the subordinated debt will be repaid only after all other borrower's obligations to clients and other creditors have been repaid, except for the obligations to the creditors, whose obligations include the same or similar subordinated clause.

20 Provisions

(EUR '000)	1 Jan 2019	Transfer	Creation/ (Release)	Use	31 Dec 2019 *
Provision for litigation arisen from banking activities	4,233	(280)	(206)	(27)	3,720
Other provisions for litigation	-	280	28	(52)	256
Provisions	4,233	-	(178)	(79)	3,976

* Provisions total does not include provision for off-balance sheet risks which is presented in note 14.

(EUR '000)	1 Jan 2018	Creation/ (Release)	Use	31 Dec 2018 *
Provision for litigation	5,397	2,038	(3,202)	4,233
Other provisions	162	(162)	-	-
Provisions	5,559	1,876	(3,202)	4,233

* Provisions total does not include provision for off-balance sheet risks which is presented in note 14.

ČSOB Group conducted a review of legal proceedings outstanding against it as at 31 December 2019. These matters have arisen from normal operating activities. The gain/ (loss) from release/ creation of the provision for litigation arisen from banking activities is presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Other operating result". See note 29. The gain/ (loss) from release/ creation of the other provision for litigation is presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Personnel expenses". See note 30.

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21 Other liabilities

(EUR '000)	31 Dec 2019	31 Dec 2018
<i>Other financial liabilities</i>		
Accrued non-interest charges	9,698	8,439
Hedging derivatives (note 34)	13,760	8,366
Other financial liabilities	29,635	29,160
Other financial liabilities	53,093	45,965
<i>Other non-financial liabilities</i>		
Employee benefits and other employee funds	3,057	3,110
<i>of which: benefits paid on retirement</i>	1,135	995
<i>length of service benefits</i>	392	352
<i>anniversary benefits</i>	217	201
Wages and social security charges	16,055	14,981
Income received in advance	331	675
Other non-financial liabilities	19,443	18,766
Other liabilities	72,536	64,731

22 Overview of contingent liabilities

22.1 Contingent liabilities

As at 31 December 2019, contingent liabilities are as follows.

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2019
Credit facilities issued but not drawn	1,237,672	141,904	254	-	1,379,830
Financial guarantees given	168,383	45,993	-	168	214,544
Letters of credit given	4,637	861	40	-	5,538
Other*	2,170	-	-	-	2,170
Contingent Liabilities	1,412,862	188,758	294	168	1,602,082

* Commencing on 1 January 2015, ČSOB Group is required to participate in the resolution process by paying financial contributions to European Resolution Fund. As at 31 December 2019, Irrevocable payment commitment to European Resolution Fund (15% of the cumulative annual contributions) is recognized in the amount of EUR 2,170 thousand.

As at 31 December 2018, contingent liabilities are as follows.

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2018
Credit facilities issued but not drawn	1,271,082	156,085	715	-	1,427,882
Financial guarantees given	173,518	54,170	498	282	228,468
Letters of credit given	14,634	-	40	-	14,674
Other*	1,639	-	-	-	1,639
Contingent Liabilities	1,460,873	210,255	1,253	282	1,672,663

* Commencing on 1 January 2015, ČSOB Group is required to participate in the resolution process by paying financial contributions to European Resolution Fund. As at 31 December 2018, Irrevocable payment commitment to European Resolution Fund (15% of the cumulative annual contributions) is recognized in the amount of EUR 1,639 thousand.

Provisions for off-balance sheet risk are reported in the Consolidated Statement of Financial Position under Provisions. See note. 14.

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2019
Credit facilities issued but not drawn	(641)	(1,310)	(114)	-	(2,065)
Financial guarantees given	(177)	(147)	-	(168)	(492)
Letters of credit given	(2)	(10)	(2)	-	(14)
Provisions for off-balance sheet risk	(820)	(1,467)	(116)	(168)	(2,571)

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2018
Credit facilities issued but not drawn	(771)	(2,468)	(129)	-	(3,368)
Financial guarantees given	(53)	(217)	(498)	(137)	(905)
Letters of credit given	(29)	-	(2)	-	(31)
Provisions for off-balance sheet risk	(853)	(2,685)	(629)	(137)	(4,304)

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Bank guarantees and letters of credit cover liabilities to customers (payment and non-payment liabilities) against beneficiaries (third parties). Bank guarantees represent an irrevocable liability on the part of ČSOB Group to pay a certain amount as stated in bank guarantee if the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

A letter of credit represents a written obligation on the part of ČSOB Group to perform according to the instruction of the buyer to pay a specified amount to the seller against the documents that meet the letter of credit requirements. ČSOB Group deals with the letters of credit subject to "Unified Rules and Customs for Documentary Letter-of-credit", in the version published by the International Chamber of Commerce.

The primary purpose of these instruments is to ensure that funds are available as required. Guarantees and standby letters of credit, which represent irrevocable assurances that ČSOB Group will make payments if a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by ČSOB Group on behalf of a customer authorizing a third party to draw drafts on ČSOB Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of the goods to which they relate and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, ČSOB Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the probable amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

22.2 Operating leases not meeting IFRS 16

The future minimum lease payments under non-cancellable operating leases not meeting IFRS 16 as at 31 December 2019 amount EUR 706 thousand (2018: EUR 604 thousand) payable not later than 1 year. They are from the operating leases related to information technologies leased from KBC Group and they represent expected half-year lease payments according to the contractual notice period.

22.3 Lawsuits

In addition to the litigation for which provisions are created (note 20) ČSOB Group is named in and is defending several legal actions arising in the ordinary course of business. The management of ČSOB Group does not believe that these legal actions will result in any material loss. Consequently, no provisions were created for these cases as at 31 December 2019 and 31 December 2018.

22.4 Taxation

The methodology of Slovak tax legislation and interpretation is still evolving. Consequently, in the current taxation environment, there is uncertainty concerning the interpretations and procedures that the respective tax authorities may apply in several areas. Due to this, ČSOB Group is obliged to develop its own interpretation of the tax legislation when setting up its plan and accounting standards. It is not possible to calculate the effect resulting from this uncertainty.

23 Equity

The structure of shareholders of ČSOB Group is as follows.

% of share capital	31 Dec 2019	31 Dec 2018
KBC Bank NV	100.00%	100.00%
Total	100.00%	100.00%

23.1 Share capital

As at 31 December 2019 and 31 December 2018 authorized and fully paid share capital consists of 8,886 ordinary shares with a nominal amount of EUR 33,200 each. Share capital was registered with the Commercial Register in the full amount of EUR 295,015 thousand.

23.2 Share premium

Share premium represents the difference between the nominal number of shares and their issue price. As at 31 December 2019 and 31 December 2018 the Share premium amounted to EUR 484,726 thousand.

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23.3 Reserve funds

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The legal reserve fund represents accumulated transfers from retained earnings. ČSOB Group is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve fund is not available for distribution to shareholders and may be used only for compensation of losses incurred. As at 31 December 2019 and as at 31 December 2018, ČSOB Group had the legal reserve fund of EUR 59,003 thousand.

23.4 Revaluation reserve

Revaluation reserve on Financial assets at fair value through other comprehensive income.

(EUR '000)	2019	2018
As at 1 January after IFRS 9 adoption	8,584	9,386
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised gain/ (loss) from the revaluation of debt securities at fair value through other comprehensive income	1,035	(3,149)
Net realized result from Financial assets at fair value through other comprehensive income	(1,132)	12
Impairment release/ (creation) to debt securities at fair value through other comprehensive income	3	(15)
Income tax relating to items that may be reclassified subsequently to profit or loss	20	659
<i>Items that cannot be reclassified subsequently to profit or loss</i>		
Unrealised gain from the revaluation of equity instruments at fair value through other comprehensive income	4,793	2,140
Income tax relating to items that cannot be reclassified subsequently to profit or loss	(1,007)	(449)
As at 31 December	12,296	8,584

Revaluation reserve on Cash flow hedge.

(EUR '000)	2019	2018
As at 1 January	343	343
As at 31 December	343	343

23.5 Other revaluation reserve

In 2007, KBC decided to transform the branch Československá obchodná banka, a.s., pobočka zahraničnej banky in SR into a separate legal entity with effect from 1 January 2008. Due to this, a reorganization reserve was created as a difference between the fair value of in-kind contribution to the equity of the new company and the predecessor entity carrying amounts. The fair value of the in-kind contribution was determined based on an expert opinion as at the date of formation of the new company. The reorganization reserve is presented within the equity of the new legal entity, as at 31 December 2019 and 31 December 2018, in the negative amount of EUR 216,162 thousand.

23.6 Profit distribution

The profit distribution of ČSOB Group is as follows.

(EUR '000)	Attributable from profit for the year	
	2019 *	2018
Retained earnings	70,685	20,822
Dividends	-	53,158
Net profit for the year attributable to owners of the parent	70,685	73,980

* based on the proposed profit distribution

Dividends per share are as follows.

	2019 *	2018
Dividends (EUR '000)	-	53,158
Number of shares in nominal of EUR 33,200	8,886	8,886
Dividends per share in EUR	-	5,982

* based on the proposed profit distribution

24 Information on segments

ČSOB Group distinguishes between the following segments.

24.1 Retail banking / Entrepreneurs and small companies (“MicroSME”) / Private banking

Retail banking / Entrepreneurs and small companies (“MicroSME”): natural persons, entrepreneurs and companies with turnover below EUR 1.5 million.

Loan products: mortgages, consumer loans, credit cards and overdrafts, operating and investment loans, revolving loans, building loans of ČSOB stavebná sporitelňa, a.s., financing through ČSOB Leasing Group (lease, operating lease - SME, consumer loans).

Deposit products: current accounts and service packages, saving and term deposits, funds and savings programmes.

Retail banking offers electronic banking services and payments services (domestic, foreign, cash and non-cash transactions), investments of free financial sources of customers to portfolio of financial assets (saving and term deposits, mutual funds, life insurance and bills of exchange).

Private banking: customer with assets under management at ČSOB Group at the minimum level of EUR 200 thousand.

Products offered to private clients: current accounts, term and saving programs, funds, insurance products, bonds, bills of exchange, mortgage bonds, structured products, physical gold and other instruments of financial markets. Private banking clients can also invest into equities via the company Patria. Investment advisory is provided to private banking clients.

24.2 Corporate banking

Corporate banking: corporations with turnover above EUR 1.5 million and non-banking institutions in the financial sector.

Loan products: overdrafts, revolving loans, purpose loans, credit cards, specialized and trade finance, financing through ČSOB Leasing Group (lease, operating lease, consumer loans).

Deposit products: current accounts and service packages, term deposits, deposits with notice period.

Corporate banking offers services of electronic banking and payments services (domestic, foreign, cash and non-cash transactions). It also provides investments into short-term financial instruments, bonds and mutual funds.

24.3 Financial markets and ALM

Financial markets and ALM: segment of assets and liabilities management, segment dealing.

This segment performs the custody and management of securities, intermediation of purchase and sale of Slovak and foreign bonds on secondary markets, participation in subscription of shares in primary sale, purchase and sale of foreign currencies. The segment also offers structured products for investments of free financial sources.

ALM is responsible for management of assets, liabilities, interest rates, risk management (currency risk, interest risk, etc.) and management of the foreign exchange position of ČSOB Group.

24.4 Other

Other: headquarters, banking and investment products (administration of bad debts), non-assigned net interest income, eliminations and non-material unallocated items.

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For the year ended 31 December 2019 segment information is as follows.

(EUR '000)	Retail banking / MicroSME / Private banking	Corporate banking	Financial markets and ALM	Other	Total
<i>Consolidated Statement of Profit or Loss and Other Comprehensive Income</i>					
Net interest income	118,112	73,084	5,930	3,677	200,803
<i>of which: Intersegment Net Interest Income/ (loss)</i>	21,657	8,321	(30,179)	201	-
Net fee and commission income	48,255	24,768	1,589	1,815	76,427
Net trading result and exchange differences	2,170	1,931	4,564	(4,837)	3,828
Net realized result from Financial assets at fair value through other comprehensive income	20	-	1,112	-	1,132
Net realized result from financial instruments measured at amortised cost	-	36	2,685	-	2,721
Dividend income	-	-	-	53	53
Income from operating lease	6,201	21,984	-	-	28,185
Expense from operating lease	(5,546)	(19,665)	-	-	(25,211)
Other operating result	357	79	21	2,925	3,382
Total income	169,569	102,217	15,901	3,633	291,320
Personnel expenses	(38,341)	(17,678)	(1,804)	(28,746)	(86,569)
Depreciation and amortisation	(4,365)	(825)	(150)	(10,864)	(16,204)
Other operating expenses	(30,427)	(8,403)	(258)	(49,594)	(88,682)
Operating expenses	(73,133)	(26,906)	(2,212)	(89,204)	(191,455)
Impairment losses and Provisions for off-balance sheet risks	(4,574)	(6,325)	(2)	549	(10,352)
Profit/ (loss) for the year before tax	91,862	68,986	13,687	(85,022)	89,513
Income tax expense					(18,828)
Net profit for the year attributable to owners of the parent					70,685
Total assets	4,787,917	3,093,312	1,954,154	215,137	10,050,520
Total liabilities and equity	4,253,749	3,321,064	1,656,718	818,989	10,050,520

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For the year ended 31 December 2018 segment information is as follows.

(EUR '000)	Retail banking / MicroSME / Private banking	Corporate banking	Financial markets and ALM	Other	Total
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Net interest income	116,251	72,668	20,021	(2,438)	206,502
<i>of which: Intersegment Net Interest Income/ (loss)</i>	<i>27,071</i>	<i>13,181</i>	<i>(32,225)</i>	<i>(8,027)</i>	<i>-</i>
Net fee and commission income	45,004	21,960	510	2,006	69,480
Net trading result and exchange differences	1,524	561	4,957	(946)	6,096
Net realized result from Financial assets at fair value through other comprehensive income	-	-	(12)	-	(12)
Net realized result from financial instruments measured at amortised cost	-	-	1,048	-	1,048
Dividend income	-	-	-	42	42
Income from operating lease	5,015	17,782	-	-	22,797
Expense from operating lease	(4,553)	(16,142)	-	-	(20,695)
Other operating result	493	494	45	(270)	762
Total income	163,734	97,323	26,569	(1,606)	286,020
Personnel expenses	(36,516)	(16,565)	(1,971)	(27,249)	(82,301)
Depreciation and amortisation	(3,429)	(815)	(158)	(9,132)	(13,534)
Other operating expenses	(29,348)	(8,590)	227	(52,509)	(90,220)
Operating expenses	(69,293)	(25,970)	(1,902)	(88,890)	(186,055)
Impairment losses and Provisions for off-balance sheet risks	(5,460)	1,423	44	530	(3,463)
Profit/ (loss) for the year before tax	88,981	72,776	24,711	(89,966)	96,502
Income tax expense					(22,522)
Net profit for the year attributable to owners of the parent					73,980
Total assets	4,437,516	3,003,105	2,103,598	212,005	9,756,224
Total liabilities and equity	3,933,769	3,353,875	1,557,438	911,142	9,756,224

Interest income/ expense and fee and commission income/expense are not presented on a gross basis since ČSOB Group assesses the performance of the segments primarily based on the net interest income and net fee and commission income.

ČSOB Group operates in the Slovak Republic.

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25 Net interest income

(EUR '000)	31 Dec 2019	31 Dec 2018
<i>Interest income</i>		
Loans and receivables from financial institutions at amortised cost	1,598	360
Loans and receivables from customers at amortised cost	152,050	152,872
Finance lease receivables	22,106	23,505
Debt securities at amortised cost	38,811	43,177
Financial assets at fair value through other comprehensive income	3,140	3,849
Financial liabilities not measured at fair value through profit or loss	8,492	6,074
Total	226,197	229,837
<i>Similar interest income</i>		
Financial assets at fair value through profit or loss (excluding derivatives)	460	1,517
Financial liabilities at fair value through profit or loss	-	561
Total	460	2,078
<i>Interest expense</i>		
Amounts owed to financial institutions and multilateral banks at amortised cost	(1,177)	(530)
Amounts owed to customers at amortised cost	(10,948)	(12,063)
Debt securities issued at amortised cost	(6,066)	(6,303)
Subordinated debt	(1,201)	(1,224)
Lease liability	(292)	n/a
Hedging derivatives	(5,167)	(4,414)
Financial assets not measured at fair value through profit or loss	(187)	(26)
Total	(25,038)	(24,560)
<i>Similar interest expense</i>		
Financial liabilities at fair value through profit or loss	(816)	(843)
Financial assets at fair value through profit or loss	-	(10)
Total	(816)	(853)
Net interest income	200,803	206,502

26 Net fee and commission income

(EUR '000)	31 Dec 2019	31 Dec 2018
<i>Fee and commission income</i>		
Securities related fees	433	27
Asset management services – trust and fiduciary activities, entry fees	5,773	6,352
Credit and guarantee related fees	14,978	12,179
Payment services fees	46,108	43,312
Distribution fees	17,296	14,698
Network income	3,113	4,525
Other	1,132	1,064
Fee and commission income	88,833	82,157
<i>Fee and commission expense</i>		
Securities related fees	(987)	(1,013)
Asset management services – trust and fiduciary activities, entry fees	-	(3)
Credit and guarantee related fees	(364)	(580)
Payment services fees	(8,524)	(7,426)
Distribution fees	(255)	(291)
Products insurance	(762)	(369)
Network expense	(523)	(2,048)
Other	(991)	(947)
Fee and commission expense	(12,406)	(12,677)
Net fee and commission income	76,427	69,480

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27 Net trading result and exchange differences

(EUR '000)	31 Dec 2019	31 Dec 2018
Held for trading equity instruments	(7)	-
Held for trading interest rate instruments	(7,856)	(4,858)
Held for trading foreign exchange instruments	10,479	7,505
Held for trading commodity instruments	51	26
Non-trading financial assets mandatorily at fair value through profit or loss	850	-
Financial liabilities at fair value through profit or loss	(42)	16
Hedging derivatives	(2,832)	(5,057)
Hedged items	3,386	6,039
Foreign exchange differences	(201)	2,425
Net trading result and exchange differences	3,828	6,096

28 Income and expense from operating lease

(tis. EUR)	31 Dec 2019	31 Dec 2018
Rental income	15,615	12,156
Income from services	7,680	6,261
Sale of assets	239	347
<i>of which: income from sale of assets</i>	<i>6,653</i>	<i>5,159</i>
<i>expense from sale of assets</i>	<i>(6,414)</i>	<i>(4,812)</i>
Insurance	4,038	3,607
Shotages and damages	613	426
Income from operating lease	28,185	22,797
Rental expense (depreciation)	14,131	10,853
Expense from services	6,776	5,718
Insurance	4,003	3,760
Shotages and damages	301	364
Expense from operating lease	25,211	20,695

29 Other operating result

(EUR '000)	31 Dec 2019	31 Dec 2018
Loss on disposal of property, plant and equipment	(469)	(325)
Net income from rental	800	886
Release/ (creation) of provisions for operating losses, claims and legal disputes (note 20)	206	(2,038)
Losses from financial operations	(131)	(541)
Other operating activities	2,976	2,780
Other operating result	3,382	762

30 Personnel expenses

(EUR '000)	31 Dec 2019	31 Dec 2018
Wages and salaries	(64,391)	(61,213)
Social security	(20,993)	(19,845)
<i>of which: contributions to pension pillar I and pillar II</i>	<i>(10,020)</i>	<i>(9,563)</i>
Pensions expenses	(544)	(510)
Other post-employment benefits	(155)	(95)
Other staff expenses	(458)	(638)
Other provisions for litigation (note 20)	(28)	-
Personnel expenses	(86,569)	(82,301)

The number of employees of ČSOB Group as at 31 December 2019 was 2,633; thereof 303 managers (31 December 2018: 2,639; thereof 313 managers).

Remuneration to management is provided if accruals or other resources were created and the conditions of the Internal Remuneration Policy of ČSOB Group were met, mainly an annual bonus for ČSOB Group's performance based on the fulfilment of financial goals and the achievement of business goals and an individual bonus for employees based on the individual's performance measured by Key Performance Indicators.

Employees with whom employment was terminated in accordance with the organizational and rationalization steps stated in § 63 section 1 a) and b) of the Labour Code or whose employment was terminated by agreement are entitled to receive compensation payments in accordance with the conditions stated in the Labour Code. The conditions for compensation payments above the legal limit are included in the collective agreement. ČSOB Group also agreed with trade union on the social programme for employees with whom employment was terminated based on the above reasons.

ČSOB Group provides contributions to the supplementary pension scheme monthly for all its employees including senior management. The contribution of the employer and employee is calculated based on the monthly salary paid for working hours of a calendar month as follows:

- a) employer – 1% of salary base if the employee's contribution is from 1% to 1.99% of salary base;
- b) employer – 2% of salary base if the employee's contribution is 2% and more of salary base. The monthly salary base for purposes of the supplementary pension scheme is determined from the basic monthly salary paid for working hours in the calendar month.

ČSOB Group's remuneration policy is largely based on KBC Group's remuneration policy, which takes into account prevailing legislation (including but not limited to EBA guidelines on sound remuneration) and local legislation (Act on Banks No.483/2001).

The performance-based remuneration of Key Identified Staff (KIS) is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking. This is ensured by specific rules, which are applicable to the variable remuneration of KIS:

- a) the remuneration is composed of fixed and variable components. The variable remuneration component may not exceed half of the fixed component;
- b) part of the total amount (50%) of variable remuneration for KIS be awarded in the form of equity-related instruments;
- c) part of the variable remuneration awarded to KIS, may not be paid straightaway but its payment is to be spread over a number of years;
- d) condition for vesting of variable pay is fulfilment of company defined Risk criteria;
- e) fulfilment of the risk criteria is required for vesting the variable remuneration for that particular year and clawback/holdback provisions are put in place;
- f) to avoid conflicts of interest, the variable remuneration of KIS covering control functions must be limited and must not be based on the financial results of the company they are exerting their control functions on;
- g) staff members may not use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;
- h) no advance payments may be made in relation to the variable component.

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31 Other operating expenses

(EUR '000)	31 Dec 2019	31 Dec 2018
Information technology expenses	(32,615)	(30,107)
Rental expenses	(2,769)	(8,296)
Repair and maintenance	(2,967)	(2,780)
Marketing expenses	(7,115)	(8,249)
Professional fees	(3,565)	(3,982)
<i>of which: Audit of Statutory Financial Statements</i>	<i>(401)</i>	<i>(443)</i>
<i>Services involving the issuance of an assurance report (other than on Statutory Financial Statements) *</i>	<i>(167)</i>	<i>(216)</i>
<i>Other services *</i>	<i>-</i>	<i>(4)</i>
Other facilities expenses	(8,336)	(7,905)
Communication expenses	(104)	(114)
Travel expenses	(834)	(833)
Training and recruitment expenses	(717)	(641)
Personnel related expenses	(1,019)	(886)
Costs charged by other KBC Group entities (note 33)	(4,187)	(4,217)
Release of provisions for other operating expenses	-	162
Contributions to deposit protection funds	(340)	(336)
Bank levy	(15,987)	(15,070)
European Resolution Fund **	(3,007)	(3,541)
Other operating expenses	(5,120)	(3,425)
Other operating expenses	(88,682)	(90,220)

* Non-audit services provided by the Auditor include trainings, HR benchmarking studies, assurance services over custody process, assurance and compliance reporting to NBS in accordance with the NBS guidance and confirmation of accuracy of receivables.

** Commencing 1 January 2015, ČSOB Group is required to participate in the resolution process by paying financial contributions to European Resolution Fund (note 22).

32 Taxation

The income tax structure is as follows.

(EUR '000)	31 Dec 2019	31 Dec 2018
Current tax	17,828	17,003
Deferred tax	1,000	5,519
Total	18,828	22,522

Below is a reconciliation of income tax and the theoretical amount, applying the effective tax rate.

(EUR '000)	31 Dec 2019	31 Dec 2018
Profit for the year before tax	89,513	96,502
Tax rate	21%	21%
Tax expense calculated using applicable tax rates	18,798	20,265
Permanent differences between tax and accounting income	(5,101)	86
Permanent differences between tax and accounting expenses	5,131	2,171
Total	18,828	22,522

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As at 31 December 2019, the deferred tax structure is as follows.

(EUR '000)	Temporary differences	Deferred income tax asset/(liability)
Financial assets at fair value through profit or loss	6,646	1,396
Financial assets at fair value through other comprehensive income	(16,368)	(3,438)
Loans and receivables from customers at amortised cost – tax non-deductible impairment losses to customers	72,814	15,291
Tangible and intangible assets	(10,169)	(2,136)
Leases under IFRS 16	151	32
Employee benefits and accrual for unpaid bonuses	13,158	2,763
Losses carried forward	533	112
Provisions	7,134	1,498
Other	7,552	1,586
Cash flow hedge	(435)	(91)
Total	81,016	17,013

As at 31 December 2018, the deferred tax structure is as follows.

(EUR '000)	Temporary differences	Deferred income tax asset/(liability)
Financial assets at fair value through other comprehensive income	(11,672)	(2,451)
Loans and receivables from customers at amortised cost – tax non-deductible impairment losses to customers	85,817	18,021
Tangible and intangible assets	(9,062)	(1,903)
Employee benefits and accrual for unpaid bonuses	12,284	2,580
Losses carried forward	2,385	501
Provisions	4,944	1,038
Other	6,215	1,305
Cash flow hedge	(435)	(91)
Total	90,476	19,000

Reconciliation of the deferred tax structure as at 31 December 2019 and 31 December 2018 is as follows.

(EUR '000)	1 Jan	Movement through other comprehensive income	Movement through profit or loss	31 Dec
Deferred income tax asset/ (liability) 2019	19,000	(987)	(1,000)	17,013
Deferred income tax asset/ (liability) 2018	24,309	210	(5,519)	19,000

33 Related parties

Parties are generally considered to be related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. ČSOB Group is controlled by KBC, which holds 100% of the voting rights of ČSOB Group's total votes. Related parties include other members of the KBC Group.

Several banking transactions are entered with related parties in the normal course of business. These primarily include loans and deposits.

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Assets and liabilities from transactions with related parties were as follows.

(EUR '000)	31 Dec 2019		31 Dec 2018	
	KBC Bank NV	KBC Group	KBC Bank NV	KBC Group
Other demand deposits with banks	26,505	2,689	1,220	660
Financial assets at fair value through profit or loss	23,109	164	3,101	16
<i>of which: Financial trading derivatives</i>	23,109	164	3,101	16
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-
Loans and receivables from financial institutions at amortised cost	32,460	-	22,281	-
Other assets	2,412	1,193	35	837
<i>of which: Hedging derivatives</i>	2,412	-	35	-
Financial liabilities at fair value through profit or loss	42,151	127	10,266	82
<i>of which: Financial trading derivatives</i>	42,151	8	10,266	11
Amounts owed to financial institutions at amortised cost	977,223	8,753	885,303	3,320
Amounts owed to customers at amortised cost	-	24,803	-	43,478
Debt securities issued at amortised cost	1,001,026	278,924	937,002	293,767
Subordinated debt (note 19)	87,551	-	87,551	-
Other liabilities	13,760	1,051	8,399	275
<i>of which: Hedging derivatives</i>	13,760	-	8,366	-

Income and expense from transactions with related parties were as follows.

(EUR '000)	31 Dec 2019		31 Dec 2018	
	KBC Bank NV	KBC Group	KBC Bank NV	KBC Group
Interest income	11,454	1,257	11,897	5
Similar interest income	-	-	248	910
Fee and commission income	1,361	9,150	1,102	7,716
Net trading result and exchange differences	(8,917)	141	17,503	2,587
Net realized result from Financial assets at fair value through other comprehensive income	-	-	-	(12)
Net realized result from financial instruments measured at amortised cost	-	-	-	555
Other operating result	-	2,928	-	2,474
Interest expense	(8,946)	(2,006)	(6,877)	(1,975)
Similar interest expense	-	-	-	(2)
Fee and commission expense	(399)	(557)	(632)	(594)
Other operating expenses	(985)	(16,524)	(836)	(16,608)
<i>of which: costs charged by other KBC Group entities *</i>	(597)	(3,590)	(787)	(3,430)

* intercompany invoices from KBC Group consolidated entities insofar they cannot be classified in other blocks of "Other operating expenses" (note 31).

Terms of contracts with related parties:

- Loans and receivables from financial institutions at amortised cost – maximum maturity until 2020 (2018: until 2019) and weighted average contractual interest rate (0.45%) (2018: (0.36%));
- Financial liabilities at fair value through profit or loss (excl. derivatives) – maximum maturity until 2021 (2018: until 2021) and weighted average contractual interest rate 0.45% (2018: 0.71%);
- Amounts owed to financial institutions at amortised cost – maximum maturity until 2023 (2018: until 2023) and weighted average contractual interest rate (0.14%) (2018: (0.07%));
- Amounts owed to customers at amortised cost – maximum maturity until 2021 (2018: until 2021) and weighted average contractual interest rate 0.10% (2018: 0.14%);
- Debt securities issued at amortised cost – maximum maturity until 2036 (2018: until 2036) and weighted average fix contractual interest rate 0.59% (2018: 0.58%) and float contractual interest rate 3M EURIBOR +0.50% (2018: 3M EURIBOR +0.50%).

As at 31 December 2019, total guarantees received (to Loans and receivables from customers at amortised cost) from related parties represent EUR 41,120 thousand (31 December 2018: EUR 39,034 thousand), total guarantees given by ČSOB Group towards related parties are in the amount of EUR 10,364 thousand (31 December 2018: EUR 11,737 thousand).

As at 31 December 2019 and 31 December 2018, ČSOB Group did not create any ECL towards related parties due to immateriality.

33.1 Transactions with key management personnel

As at 31 December 2019, loans granted to members of the Board of Directors and Supervisory Board represent EUR 357 thousand (31 December 2018: EUR 362 thousand) and deposits from members of the Board of Directors and Supervisory Board amounted to EUR 2,395 thousand (31 December 2018: EUR 1,795 thousand).

Personnel expenses of senior management for the year ended 31 December 2019 were EUR 2,507 thousand (31 December 2018: EUR 2,591 thousand). These personnel expenses include the total remuneration amounted to EUR 2,078 thousand (31 December 2018: EUR 2,162 thousand) and social expenses amounted to EUR 429 thousand (31 December 2018: EUR 429 thousand) of members of the Board of Directors and Supervisory Board, which are regulated by the Internal Remuneration Policy of ČSOB Group.

34 Derivative financial instruments

ČSOB Group uses derivative financial instruments for trading purposes and fair value hedging. Financial derivatives include swap, forward and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Forward contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date and rate or price. An option contract is an agreement that confers on the holder the right, but not the obligation, to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined rate or price at a time or over a period in the future.

34.1 Credit risk associated with derivative financial instruments

By utilizing derivative financial instruments, ČSOB Group is exposed to credit risk in the event of non-performance on the part of the counterparties to the derivative instruments. If the counterparty fails to perform, the credit risk is equal to the positive fair value of the derivatives agreed upon with that counterparty. When the fair value of a derivative is positive, ČSOB Group bears the risk of loss; conversely, when the fair value of a derivative is negative, the counterparty bears the risk of loss (or credit risk). ČSOB Group minimises credit risk through credit approvals, limits and monitoring procedures. In addition, ČSOB Group obtains collateral where appropriate, uses bilateral master netting arrangements and has implemented the collateral management used for the collateralisation of trades on the financial markets - OTC derivatives and REPO operations. There are no significant credit risk exposures in trading derivatives outside of standard international investment banking which are considered by ČSOB Group as usual used in trading and managing banking risks.

The maximum credit risk on ČSOB Group's outstanding non-credit derivatives is measured as the cost of replacing their cash flows with positive fair value if the counterparties default, less the effects of the bilateral netting arrangements and the collateral held. ČSOB Group's actual credit exposures are less than the positive fair value amounts shown in the derivative tables, as netting arrangements and collateral have not been taken into consideration. See note 35.

34.2 Trading derivative financial instruments

The trading activities of ČSOB Group primarily involve providing its customers with various derivative products and managing trading positions on its own account. Trading derivatives also include those derivatives that are used for asset and liability management ("ALM") purposes to manage the currency or interest rate position of the banking book and which do not meet the criteria for hedge accounting. For these purposes, ČSOB Group uses single currency interest rate swaps to convert fixed rate assets to floating rates, cross-currency interest rate swaps for the transfer of cash flows in one currency to cash flows in another currency structure in such a way that their maturity meets the respective liabilities, or FX swaps to exchange a currency. ČSOB Group minimizes its market risk when option contracts are traded through back-to-back sales.

Trading derivatives are stated at fair value. Unrealized gains and losses are reported in the Consolidated Statement of Financial Position under "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss". Changes in the fair value of derivatives are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Net trading result and exchange differences". Interest income/expense related to derivative financial instruments is recognized under "Net trading result and exchange differences".

The contract or notional amounts and positive and negative fair values of ČSOB Group's outstanding derivative trading positions as at 31 December 2019 and 31 December 2018 are shown below. The contract or nominal amounts represent the volume of outstanding transactions at one point in time; they do not represent the potential for gain or loss associated with the market risk or credit risk of such transactions.

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(EUR '000)	Nominal values		Fair values	
	Assets	Liabilities	Positive	Negative
Trading derivatives as at 31 Dec 2019				
Equity contracts				
Equity swaps	57,597	57,597	671	671
FX contracts				
FX forwards	9,620	9,731	70	135
FX swaps and Cross-currency interest rate swaps	414,752	413,749	2,204	1,355
FX options	45,228	45,228	317	317
Interest rate contracts				
Interest rate swaps	4,306,470	4,306,470	28,800	40,309
Interest rate options	21,333	21,333	210	574
Trading derivatives (note 4 and 15)	4,855,000	4,854,108	32,272	43,361

(EUR '000)	Nominal values		Fair values	
	Assets	Liabilities	Positive	Negative
Trading derivatives as at 31 Dec 2018				
Equity contracts				
Equity swaps	3,770	3,770	60	60
FX contracts				
FX forwards	3,581	3,678	19	81
FX swaps and Cross-currency interest rate swaps	277,899	277,902	1,301	1,254
FX options	86,328	86,328	420	415
Interest rate contracts				
Interest rate swaps	1,953,577	1,953,577	5,245	8,537
Interest rate options	61,764	61,764	232	1,502
Commodity contracts				
Commodity swaps and options	451	451	16	5
Trading derivatives (note 4 and 15)	2,387,370	2,387,470	7,293	11,854

34.3 Hedging derivative financial instruments

ČSOB Group applies the portfolio hedging of fair value related to interest rate risk. ČSOB Group's strategy is to hedge net interest income generated from interest-bearing assets and liabilities against unexpected movements in market interest rates. The aim is also a stable development of expenses and income from market revaluation of balance sheet and off-balance sheet transactions.

The hedged item represents a portfolio of fixed interest loans and receivables from customers and the hedging instrument is a portfolio of interest rate swaps, in which ČSOB Group pays fixed and receives floating interest rate.

The table below shows the information about fair value hedge as at 31 December 2019 and as at 31 December 2018.

Portfolio hedge of Interest rate risk (EUR '000)	31 Dec 2019	31 Dec 2018
<i>Hedging instrument - Interest rate swaps</i>		
Nominal amount purchased	1,915,000	1,985,000
Nominal amount sold	1,915,000	1,985,000
Carrying amount assets (note 13)	2,412	35
Carrying amount liabilities (note 21)	13,760	8,366
Change in fair value of hedging instruments used as basis for recognising hedge ineffectiveness for the year (note 27)	(2,832)	(5,057)
<i>Hedged item - Loans and receivables from customers at amortised cost</i>		
Carrying value total	1,924,178	1,990,792
of which: accumulated fair value adjustment (note 13)	9,178	5,792
Change in fair value of hedged item used as basis for recognising hedge ineffectiveness for the year (note 27)	3,386	6,039

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35 Offsetting financial assets and liabilities

The tables below show the financial assets subject to offsetting, enforceable master netting agreements or similar agreements.

(EUR '000)	Gross amounts of financial assets	Net amounts of financial assets	Related amounts not offset			Net amount
			Financial instruments	Cash collateral received	Securities collateral received	
31 Dec 2019						
Derivatives (note 34)	34,684	34,684	25,813	487	-	8,384
31 Dec 2018						
Derivatives (note 34)	7,329	7,329	3,632	-	-	3,697

The tables below show the financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements.

(EUR '000)	Gross amounts of financial liabilities	Net amounts of financial liabilities	Related amounts not offset			Net amount
			Financial instruments	Cash collateral pledged	Securities collateral pledged	
31 Dec 2019						
Derivatives (note 34)	57,121	57,121	25,813	30,390	-	918
Repurchase agreements (note 16)	224,144	224,144	-	1,620	222,524	-
Total 31 Dec 2019	281,265	281,265	25,813	32,010	222,524	918
31 Dec 2018						
Derivatives (note 34)	20,220	20,220	3,633	15,496	-	1,091
Repurchase agreements (note 16)	222,988	222,988	-	4,410	218,578	-
Total 31 Dec 2018	243,208	243,208	3,633	19,906	218,578	1,091

36 Fair value of assets and liabilities

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where market prices were available, these were used in measurement; otherwise internal valuation models were applied, especially the discounted cash flow method.

ČSOB Group uses the following hierarchy for the determination and presentation of the fair value of financial instruments.

Level 1 – If available, published price quotations in active markets are used to determine the fair value of financial assets and liabilities. Revaluation is obtained using prices of identical asset or liability, which means that no model is involved in the process of revaluation. Fair values of the financial assets and liabilities that are traded in active markets are based on the quoted market prices or based on the prices declared by dealers. For fair value determination of other financial instruments, valuation techniques are used.

Level 2 – Valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes financial instruments valued using quoted market prices in active markets for similar financial instruments; quoted prices for identical or similar financial instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observed from the market.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all financial instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The category includes the financial instruments that are valued based on quoted prices for similar financial instruments where significant unobservable adjustments or assumptions are required to reflect differences between the financial instruments.

The classification of the financial instrument to the fair value hierarchy is not static. Financial instruments can shift between different fair value levels for various reasons:

- Market changes: The market can become inactive (shift from Level 1 to Level 2 or 3). As a result, previously observable parameters can become unobservable (possible shift from Level 2 to Level 3);
- Model changes: The application of a new refined model that takes more observable input factors into account or reduces the fair value impact of unobservable inputs (possible shift from Level 3 to Level 2);
- Change in sensitivity: The sensitivity of a valuation input to the entire fair values may change over time. An unobservable input that used to be significant to the entire fair value measurement may become insignificant (or vice versa). The fair value classification in the hierarchy would consequently change from Level 3 to Level 2 (or vice versa).

As the fair value of the financial instrument is dynamic, ČSOB Group regularly evaluates the changes in observability of significant inputs when measuring the financial instrument.

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The best indicator of fair value is the price from an active market. If there are quoted prices on the market, fair values are based upon the quoted market prices. External sources of information (i.e. prices from stock exchange or price bids from brokers) are generally used for fair value determination. If no quoted market prices are available, fair values are estimated based on valuation methods which use observable external inputs.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit and liquidity spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

If no valuation model is available or a valuation model is available, but it is not validated by an entity, independent from the business unit, third party prices must be used for determining the fair value of financial instruments. The observability of the parameters used in the third party's model cannot be assessed, in case ČSOB Group does not have any access to information on that model. From this perspective, instruments for which the fair value is based on prices, provided by a party that is independent from ČSOB Group (a third party), are classified into Level 3.

The Market Risk and Capital Management Section and Finance Division have responsibility for the determination of the valuation methods of financial assets and liabilities at fair value through profit or loss. The main task of Finance Division is to objectively and independently assess whether the valuation is in accordance with IFRS and is properly used.

The Market Risks and Capital Management Section is also responsible for controlling the process of parameters used in valuation techniques and monitoring the correct implementation of valuation methods on a quarterly basis as the part of the Parameter review process. The results of the Parameter review are afterwards reported to the senior management of ČSOB Group. In addition, based on these results, possible changes are defined and implemented in the valuation methodology. Implementation of valuation methods is performed by the Financial Market Middle Office Section. All responsibilities are organized in such a manner as to guarantee the independence of the entire valuation process. A valuation methodology and the exceptions in the valuation process must be submitted for approval to the Market risk and Capital Management Section and to the Board of Directors.

The following methods and assumptions were applied in estimating the fair values of ČSOB Group's financial assets and liabilities.

36.1 Fair values of financial assets and liabilities measured at amortised cost

The following table shows the hierarchy levels for determining the fair value of financial assets and liabilities measured at amortised cost (including contingent commitments) as at 31 December 2019 and comparison with carrying amount.

(EUR '000)	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
<i>Financial assets</i>					
Cash, balances with central bank and other demand deposits with banks	218,607	-	82,624	301,231	301,231
Loans and receivables from financial institutions at amortised cost	-	-	49,005	49,005	48,938
Loans and receivables from customers at amortised cost	-	-	8,165,763	8,165,763	7,512,511
Debt securities at amortised cost	1,696,631	163,883	-	1,860,514	1,698,702
Total financial assets				10,376,513	9,561,382
<i>Financial liabilities</i>					
Amounts owed to financial institutions at amortised cost	-	635,692	438,825	1,074,517	1,071,467
Amounts owed to customers at amortised cost	-	6,145,259	274,725	6,419,984	6,380,539
Debt securities issued at amortised cost	-	1,448,543	-	1,448,543	1,425,049
Subordinated debt	-	-	87,551	87,551	87,551
Total financial liabilities				9,030,595	8,964,606

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The following table shows the hierarchy levels for determining the fair value of financial assets and liabilities measured at amortised cost (including contingent commitments) as at 31 December 2018 and comparison with carrying amount.

(EUR '000)	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
<i>Financial assets</i>					
Cash, balances with central bank and other demand deposits with banks	211,184	-	29,051	240,235	240,235
Loans and receivables from financial institutions at amortised cost	-	-	35,323	35,323	36,516
Loans and receivables from customers at amortised cost	-	-	7,283,397	7,283,397	7,115,588
Debt securities at amortised cost	1,790,370	159,780	-	1,950,150	1,820,495
Total financial assets				9,509,105	9,212,834
<i>Financial liabilities</i>					
Amounts owed to financial institutions at amortised cost	-	578,283	452,291	1,030,574	1,033,956
Amounts owed to customers at amortised cost	-	6,017,813	264,059	6,281,872	6,278,268
Debt securities issued at amortised cost	-	1,386,516	-	1,386,516	1,372,128
Subordinated debt	-	-	87,551	87,551	87,551
Total financial liabilities				8,786,513	8,771,903

36.1.1 Loans and receivables from financial institutions at amortised cost and Cash, balances with central bank and other demand deposits with banks

The carrying values of cash balances are, by definition, equal to their fair values. The fair values of term placements with banks and central bank and other demand deposits with banks are estimated by discounting their future cash flows using the current inter-bank market rates including the respective credit spread derived from ČSOB Group's own experience of probability of default and loss given default. Most of loans are repaid within a relatively short time periods; it is assumed, therefore, that their carrying values approximate to their fair values.

36.1.2 Loans and receivables from customers at amortised cost

The fair values of fixed-rate loans to customers that relate to the substantial part of ČSOB Group's loan portfolio are estimated by discounting their future cash flows using the current market rates including a respective credit spread derived from ČSOB Group's own experience of probability of default and loss given default. Fair value incorporates expected future losses, while amortised cost and related impairment include only incurred losses at the end of the accounting period. The rest of loans and receivables from customers is concluded for floating rates that are fixed for a relatively short period; it is assumed, therefore, that their carrying values approximate to their fair values.

36.1.3 Contingent commitments

In general, the fair values of contingent commitments equal to fees charged by ČSOB Group to its customers when these products are contracted. As at 31 December 2019 and 31 December 2018, the fair value of contingent commitments was not material. For more information about carrying amounts see note 22.

36.1.4 Debt securities at amortised cost

Fair values for Debt securities at amortised cost under IFRS 9 and Held-to-maturity investments under IAS 39 are based on the quoted market prices. These are used depending on the availability in the following order: Stock Exchange and Benchmark curve from ARDAL, the price from Bloomberg and the price calculated based on price quotations from Bloomberg and the ARDAL. If no quoted market prices are available, the fair values of securities are determined based on the expert prices. In case of Slovak government bonds, the expert price used for the fair value is obtained by interpolation of yields from the securities that are included in the benchmark bonds' list.

If no quoted market price for mortgage bonds is available, an expert price is used. The calculation of the expert price is based on the Slovak government bond curve adjusted by the credit spread derived from trades realized on the Bratislava Stock Exchange ("BCPB"). The expert price of other securities is gained based on the method of comparable bonds.

36.1.5 Amounts owed to financial institutions at amortised cost and Subordinated debt

The carrying values of current account balances are, by definition, equal to their fair values. For other amounts owed to financial institutions with one year or less remaining to maturity, it is assumed that their carrying values approximate to their fair values. The fair values of other amounts owed to financial institutions and subordinated debt are estimated by discounting their future cash flows using interest rates modified by market unobservable credit spreads.

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36.1.6 Amounts owed to customers at amortised cost

The fair values of current accounts and term deposits with a remaining maturity of one year or less approximate to their carrying values. The fair values of other term deposits are estimated by discounting their future cash flows using the interest rates modified by market unobservable credit spreads.

36.1.7 Debt securities issued at amortised cost

Mortgage bonds, investment certificates and bank bonds are publicly traded, and their fair values are based on the quoted market prices. If no quoted market price is available, the expert price is used for determining the fair value. The calculation of the expert price is based on the Slovak government bond curve adjusted by the credit spread of the company of the issuer. The carrying values of promissory notes and the certificates of deposit approximate to their fair values.

36.1.8 Other financial assets

The carrying values of other financial assets approximate to their fair values.

36.2 Financial assets and liabilities measured at fair value

The following table represents an analysis of financial assets and liabilities measured at fair value based on their fair value hierarchy as at 31 December 2019.

(EUR '000)	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets at fair value through profit or loss (note 4)</i>				
Financial assets held for trading				
Financial trading derivatives	-	32,272	-	32,272
Total				32,272
Non-trading financial assets mandatorily at fair value through profit or loss	-	850	-	850
<i>Financial assets at fair value through other comprehensive income (note 5)</i>				
Debt securities *				
Government debt securities	90,586	-	-	90,586
Bank bonds	-	61,387	-	61,387
Equity instruments				
Shares	-	5,887	7,604	13,491
Total				165,464
<i>Other financial assets (note 13)</i>				
Fair value changes of hedged item (hedged risk)	-	9,178	-	9,178
Hedging derivatives	-	2,412	-	2,412
Total				11,590
Total financial assets				210,176
Financial liabilities				
<i>Financial liabilities at fair value through profit or loss (note 15)</i>				
<i>Financial liabilities designated at fair value through profit or loss on initial recognition</i>				
Term deposits – non-bank customers	-	42,761	-	42,761
Debt securities issued at amortised cost	-	7,726	-	7,726
<i>Financial liabilities held for trading</i>				
Financial trading derivatives	-	43,361	-	43,361
Total				93,848
<i>Other financial liabilities (note 21)</i>				
Hedging derivatives	-	13,760	-	13,760
Total				13,760
Total financial liabilities				107,608

* net of impairment loss

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The following table represents an analysis of financial assets and liabilities measured at fair value based on their fair value hierarchy as at 31 December 2018.

(EUR '000)	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets at fair value through profit or loss (note 4)</i>				
<i>Financial assets held for trading</i>				
Financial trading derivatives	-	7,293	-	7,293
Government debt securities	107,586	-	-	107,586
Bank bonds	-	13,764	-	13,764
Other bonds	3,581	1,516	-	5,097
Total				133,740
<i>Financial assets at fair value through other comprehensive income (note 5)</i>				
<i>Debt securities *</i>				
Government debt securities	126,224	-	-	126,224
Bank bonds	-	49,754	-	49,754
<i>Equity instruments</i>				
Shares	-	3,649	4,951	8,600
Total				184,578
<i>Other financial assets (note 13)</i>				
Fair value changes of hedged item (hedged risk)	-	5,792	-	5,792
Hedging derivatives	-	35	-	35
Total				5,827
Total financial assets				324,145
Financial liabilities				
<i>Financial liabilities at fair value through profit or loss (note 15)</i>				
<i>Financial liabilities designated at fair value through profit or loss on initial recognition</i>				
Term deposits – non-bank customers	-	37,624	-	37,624
Debt securities issued at amortised cost	-	7,680	-	7,680
<i>Financial liabilities held for trading</i>				
Financial trading derivatives	-	11,854	-	11,854
Total				57,158
<i>Other financial liabilities (note 21)</i>				
Hedging derivatives	-	8,366	-	8,366
Total				8,366
Total financial liabilities				65,524

* net of impairment loss

36.2.1 Derivatives

Non-option derivatives are valued through an internal system of ČSOB Group, which calculates the present value (cash flows discounted using relevant yield curves). The price of exotic derivatives is obtained from professional counterparties.

36.2.2 Debt securities at fair value through profit or loss and Debt securities at fair value through other comprehensive income

ČSOB Group classifies debt securities at Level 1, if there are available reliable market quotes on BCPB, Reuters and/or Bloomberg platform.

If there is no available quotation from one of these sources, ČSOB Group uses its internal model:

- the valuation of domestic government securities is based on the yield to maturity of comparable securities included in government benchmark curve;
- the calculation of theoretical price of mortgage bond issued by Slovak banks is based on the Slovak government bond curve adjusted by the credit spread derived from trades realized on the BCPB;
- the valuation of other securities is based on the swap curve adjusted by the related credit spread of a comparable company.

In that case the security is classified in Level 2.

36.2.3 Loans and deposits at fair value through profit or loss

Loans and deposits at fair value through profit or loss are valued using an internal system of ČSOB Group, which calculates the present value (cash flows discounted using inter-bank yield curves).

36.2.4 Shares

Equity instruments at fair value through other comprehensive income are valued using its own market prices or market prices of shares with similar characteristics. An illiquidity discount is taken into consideration where appropriate.

36.2.5 Non-trading financial assets mandatorily at fair value through profit or loss

Intragroup receivable with KBC Bank NV classified as Non-trading financial assets mandatorily at fair value through profit or loss is measured as the total market value change of underlying financial instruments.

36.3 Transfers between Level 1 and 2

In 2019, ČSOB Group did not executed any transfers between levels. In 2018, ČSOB Group transferred other bonds in portfolio Financial assets at fair value through profit or loss amounting EUR 1,035 thousand from Level 1 to Level 2 due to change of the valuation source from market price to expert valuation.

37 ČSOB Group risks

Risk is inherent in ČSOB Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to ČSOB Group's continuing profitability. Every individual within ČSOB Group is accountable for the risk exposures relating to his or her responsibilities. ČSOB Group is exposed to credit risk, liquidity risk, operational risk and the market risk of the trading and banking books.

The independent risk control process includes business risks such as changes in the environment, technology, industry and reputation risk. These are monitored through the KBC Group's internal capital adequacy assessment process ("ICAAP"). This process is managed centrally by the parent company, KBC, in Belgium which prepares policy and methodology for the whole KBC Group.

In accordance with NBS Regulation № 4/2015 on other types of risks, on details about the system of risk management of banks and the subsidiaries of foreign banks, which establishes the definition of sudden and unexpected change of interest rates on the market, ČSOB Group implemented these strategies of risk management: liquidity risk management, market risk management of the banking book and trading book, credit risk management, operational risk management, reputational risk management, business risk management, strategic risk management, ICAAP management and management of asset encumbered. Risk management strategies include the main objectives and principles of the risk management of ČSOB Group and are reassessed at least once per year and approved by the Board of Directors.

37.1 Risk management structure and basic assumptions

The Board of Directors has direct responsibility for identifying and controlling risk; however, there are also other separate independent bodies responsible for managing and monitoring risk.

The risk management structure in ČSOB Group is based on a uniform principle of risk management applied within the KBC Group; its model, the "KBC Enterprise Risk Management Framework", defines the responsibilities and tasks of individual committees, departments and persons within the organization for guaranteeing sound risk management. Risk management includes:

- involvement of ČSOB Group's top bodies in the risk management process;
- the activities of specialized committees and independent departments involved in risk management at the overall level of ČSOB Group;
- primary risk management within departments and organizational units.

37.1.1 The organizational structure of senior bodies and committees for risk management**A Board of Directors**

The Board of Directors is fully responsible for the overall risk management approach and for approving risk management strategies and principles. The Board of Directors monitors the risk profile of ČSOB Group, liquidity, capital adequacy (regulatory and economic capital) and capital utilization and makes decisions concerning the risk mitigation actions, setting of limits and monitoring of limit overruns.

B Supervisory Board

The Supervisory Board is responsible for monitoring the overall risk management process within ČSOB Group.

C Audit Committee ("AC")

The AC is a subcommittee of the Supervisory Board and advises the Supervisory Board on the integrity of the financial reporting and the effectiveness of internal control and risk management processes.

D Risk and Compliance Committee ("RCC")

The RCC is an advisory committee for the Supervisory Board in identifying current and future risk appetite and overall risk management strategy. The Committee also oversees their implementation in ČSOB Group by senior management and oversee compliance with the rules, to comply with the law. The RCC also monitors products provided to clients to ensure that they are fully in line with the business model and risk strategy of ČSOB Group.

E Remuneration committee ("RC")

The RC independently assesses the remuneration principles and their impact on risk management, own funds and liquidity. The RC is responsible for preparing decisions on remuneration, including those that have implications for the risks and risk management of ČSOB Group to be accepted by the Board of Directors.

F Assets and Liabilities Committee ("ALCO")

The ALCO is an advisory committee for the Board of Directors in the field of balance sheet management (banking and trading book). The ALCO has decision-making and recommendation powers in the field of liquidity management and funding, interest rate and investment management, market and liquidity risk management and business strategy and planning. The focus, competences, membership and the decision making of ALCO are defined within the ALCO statutes. The results from ALCO meetings are submitted to the Board of Directors.

G Operational Risk and Business Continuity Committee ("ORBC")

The ORBC is the platform with advisory and decision-making powers in the domains of operational risk and business continuity management. The ORBC discusses and approves the operational risk and business continuity management approach in various areas, proposed by the relevant units. The ORBC also monitors the strategy of operational risk management and business continuity management and implementation of principles and rules for management thereof. The chairman of the Committee is a member of the Board of Directors and the Chief Risk Officer.

H Credit Risk Committee ("CRC")

The CRC's objective is to identify, measure and monitor credit risk arising from ČSOB Group's lending activities and products. The CRC proposes procedures for managing credit risk, implementing principles, rules and limits for its management, addressing the core credit risk issues and proposing appropriate decisions in this area. Suggestions recommended by CRC are submitted and approved to members of the board responsible for risk management of ČSOB Group. The CRC also serves as Local Assessment Committee ("LAC") for IFRS 9 provisioning models. LAC approves and challenges ČSOB Group's impairments and models.

I Local Credit Committee ("LCC")

The LCC is a committee entrusted with the KBC Group-wide responsibility and authority for taking decisions on (individual) credit applications falling within the delegated powers of decision of the LCC. As such, in principle, it acts as the highest decision-making committee for ČSOB Group in the field of loans.

J New and active products process ("NAPP")

The NAPP covers the approval of new products from the point of view of the product factory as well as the distribution channel. The obligatory member of NAPP is the risk manager. The chairman of the committee is a member of ČSOB Group's Board of Directors (or a directly appointed manager). The Committee decides on a written basis containing the information necessary for a balanced decision between business interests, risk and operational options. There are 2 committees for new and existing products in ČSOB Group – for Retail and Private Banking and for Corporate.

K Information Risk and Security Committee ("IRSC")

The IRSC has advisory and decision-making powers in the field of information, information security and cyber security, and is subordinate to the ORBC. The IRSC's role is also to discuss and issue opinions on information, information security and cyber security, and to accept exemptions in these areas if it is a low or medium risk. In the case of high-risk acceptance or escalation by the second line, the ORBC is competent authority for discussion.

37.1.2 Other risk management bodies**A Organizational unit of Risk and Compliance**

Within the organizational unit of Risk and Compliance are the Risk and Capital Management Department and Credit Risk Management Department responsible for implementing and maintaining risk-related procedures to ensure an independent control process of risks. These departments are also responsible for the identification, quantification, monitoring, valuation and reporting of risks and for the independent control of risks, including monitoring the risk of exposure against limits and the assessment of risk from new products and structured transactions. Departments are also responsible for the strategy of risk management for given risks and its adherence.

B Asset and Liability Management Department ("ALM")

The ALM Department is responsible for managing the assets and liabilities in the banking book. It is also primarily responsible for the funding and liquidity risks of ČSOB Group.

C Financial Markets Division ("FM")

The FM Division is responsible for managing assets and liabilities on ČSOB Group's trading book.

D Internal Audit Department

Internal Audit applies a systematic, disciplined and objective approach to evaluate and improve the effectiveness of risk management, internal control and governance processes in ČSOB Group. By providing independent assurance on the quality of the governance, risk management and internal control processes, Internal Audit assists to governing bodies. The internal audit regularly reports its findings and recommendations to the Board of the Directors and the Audit Committee of ČSOB Group.

37.1.3 Risk reporting and measurement systems

ČSOB Group's risks are measured using methods which reflect both the anticipated loss likely to arise in normal circumstances and unexpected losses which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. ČSOB Group also runs worst-case scenarios such as might arise in the event of the unlikely occurrence of extreme events.

Monitoring and controlling risk are performed primarily based on limits established by ČSOB Group. These limits reflect the business strategy and market environment of ČSOB Group, as well as the level of risk that ČSOB Group is willing to accept. In addition, ČSOB Group monitors and measures its overall risk-bearing capacity in relation to the aggregated risk exposure across all risk types and activities.

Information compiled from all business units is examined and processed to analyse, control and identify risks as they arise. This information is presented and explained to ČSOB Group's Board of Directors and relevant risk management committees. The reports include aggregate credit exposure, hold limit exceptions, interest rate sensitivities, interest rate gaps, liquidity ratios and risk profile changes.

The Board of Directors receives a monthly integrated report designed to provide all the information necessary to assess and decide on the risks of ČSOB Group. This report is also submitted to the RCC on a quarterly basis.

The Daily Risk Report containing information regarding drawing of the limits is provided to the Board and all other relevant members of ČSOB Group's management.

37.1.4 Risk mitigation

As part of its overall risk management, ČSOB Group uses derivative financial instruments and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk, credit risk, and exposures arising from forecast transactions.

ČSOB Group also uses a system of limits and early warning levels for risk mitigation and these signals and levels are related to each risk types, to which ČSOB Group is exposed.

37.1.5 Excessive risk concentration

Concentrations arise when several counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of ČSOB Group's performance to developments affecting a given industry or geographical location.

To avoid excessive concentrations of risk, ČSOB Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The concentrations of credit risk thus identified are controlled and managed accordingly. Selective hedging is used within ČSOB Group to manage risk concentrations at both the relationship and industry levels.

37.2 Credit risk

Credit risk is the risk of loss if the customer, client or counterparty fails to meet its obligations to ČSOB Group resulting from a contractual relationship. ČSOB Group manages and controls credit risk by determining limits to the extent to which it is willing to accept exposure in respect of one counterparty, and individual geographical and industry sectors. ČSOB Group regularly monitors the volume and quality of the exposures in respect of the imposed limits. Credit risk is also monitored through the various indicators and their limits.

ČSOB Group uses a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. This includes regular collateral revisions. Counterparty limits are established by a credit risk classification system, which assigns each counterparty a Probability of Default risk rating (PD rating). Risk ratings are subject to regular revision. The credit quality review process allows ČSOB Group to assess the potential loss to which it is exposed because of the risk and to take corrective action.

37.2.1 Internal Rating Based approach (“IRB”)

ČSOB Group has implemented internal rating models/tools within the credit process for corporate customers and SMEs, MicroSME customers, private persons, municipalities, housing associations and other customers. The models were developed and constructed in compliance with the Basel II and Basel III regulations as well as with valid Slovak and European legislation. ČSOB Group uses the Internal Rating Based approach also to calculate internal capital requirement (“ICAAP”).

The non-retail models produce rating grades on a unified KBC “PD master scale”. Rating grades 1-9 are used for non-default/normal customers, while rating grades 10-12 are used for customers in default. Each rating grade is associated with a predefined range of probability of default during the next 12 months (e.g. a client accorded PD rating 3 has a probability of default of between 0.20% - 0.40%). Customers with PD ratings 8 and 9 are considered as “weak normal” and the management of such files is monitored by the Corporate Credits Recovery and Restructuring Section. For retail exposures the scoring models are used. These exposures are assigned into so called pools based on score, for which the appropriate probability of default is derived and are mapped to PD rating 1-12 for the consistency of reporting purposes.

Classification of non-default/normal customers ratings is as follows.

Internal Rating	% probability of default	Rating
1	0.00% - 0.10%	Investment grade
2	0.10% - 0.20%	Investment grade
3	0.20% - 0.40%	Investment grade
4	0.40% - 0.80%	Standard monitoring
5	0.80% - 1.60%	Standard monitoring
6	1.60% - 3.20%	Standard monitoring
7	3.20% - 6.40%	Standard monitoring
8	6.40% - 12.80%	Watchlist (special monitoring)
9	12.80% - 100.00%	Watchlist (special monitoring)

The IRB approach also includes the development of score-models for retail portfolios within ČSOB Group, estimates of key parameters such as Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”) within defined homogeneous sets of exposures and a process of regular recalculation, validation and monitoring. Retail portfolio clients (private persons and MicroSMEs especially) do not have ratings assigned but are scored and based on the derived score they are divided into pools with the same value of PD and other risk parameters for the whole pool. Score-models are used in the application process so that they influence the incoming population.

All models must follow the standards defined within the KBC Group, to be independently validated by a specialist appointed from the Credit Risk Management Department and must be approved by Chief Risk Officer. ČSOB Group applies models developed by the KBC Group to assess the quality of sovereign and banking counterparties. These models are also validated in KBC.

During the first quarter of 2014, the National Bank of Slovakia granted ČSOB Group prior approval to use the IRB approach for the calculation of the own funds’ requirement for credit risk. ČSOB Group has been reporting ČSOB Bank portfolio under the IRB approach since 31 March 2014.

37.2.2 Corporate and SME customers

ČSOB Group ranks companies with an annual turnover exceeding EUR 10 million, multinational companies with special treatment required, especially in terms of products provided, international clients of the KBC Group in the category of Large Corporate clients. The clients in this segment are also individually negotiated municipalities, mainly the largest regional cities.

Within the category of SME clients, ČSOB Group classifies clients not meeting the requirements for the segment of Corporate clients, with an annual turnover from EUR 1.5 million up to EUR 10 million inclusive and companies that are economically connected with a client, belonging to SME segment. SME clients also include autonomous regions and municipal clients not belonging to Corporate segment as well as housing cooperatives.

A Credit acceptance process

The acceptance process for Corporate customers is organized in three stages. In the first stage, the relationship manager of the introducing entity prepares a written credit proposal. In the second stage, an analyst independent of the business line (i.e. reporting to Credits) assesses the proposal and prepares a recommendation. The final decision is made at the appropriate decision-making level (committee). The “four eyes” principle is always applied. The decision invariably includes an approved counterparty rating.

The established rating models that assign a specific probability of default to each client determine the level of risk and the acceptance process is adapted accordingly. Thus, ČSOB Group can modify the acceptance authority, follow a simpler framework in cases of lower risk, adjust price policy, set more precise monitoring rules, implement advanced risk control based on the portfolio system, etc. Rating models are integrated into specialized rating tools which can also be used for pricing purposes.

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The approval process for SME clients is either complex (similar to Corporate rating process) or simple. The simple process uses scoring models and simplified approval delegation structure. It is applicable for clients with total exposure up to EUR 0.5 million inclusive (up to EUR 1 million in case of economically connected clients) and 250 employees at the maximum.

37.2.3 Retail and MicroSME customers

The category of MicroSME clients consists of clients who do not qualify for inclusion into the Corporate and SME clients, their annual turnover is less than EUR 1.5 million and number of employees is 250 at the maximum. These clients are managed by retail branches and their total credit exposure from loan-drawing is less than or equals EUR 0.5 million (EUR 1 million for economically connected clients).

A Credit acceptance process

The retail acceptance process is based on several scoring models (scorecards) that influence the loan portfolio quality. The retail acceptance process also uses access to external data sources (Credit Register) that provide additional information on a client's risk profile. Score-models are typically based on both socio-demographic and behavioural data. The acceptance process also covers pre-approved loans for existing retail customers based on the outcome from behavioural score-models.

B Portfolio risk management

Several loss-predicting models are used to manage the risk of the retail credit portfolios. Regular back-testing of those models reveals a high degree of precision in the predicted development. The use of these modelling techniques and score-models implemented in tandem with management techniques significantly reduces the credit risk undertaken within retail portfolios.

37.2.4 Derivative financial instruments

Credit risk arising from derivative financial instruments is limited under ČSOB Group's existing rules and processes and in general insignificant when compared to other instruments with credit risks.

37.2.5 Credit risk-related receivables

ČSOB Group grants its customers guarantees that may result in a requirement for ČSOB Group to make payments on their behalf. Such payments are collected from customers on the terms of a letter of credit. They expose ČSOB Group to similar risks to loans and are mitigated by the same control processes and policies.

The table below shows the maximum exposure to credit risk for the components of the balance sheet and off-balance sheet. The maximum exposure is shown without considering any collateral and other credit risk mitigation tools.

(EUR '000)	31 Dec 2019	31 Dec 2018
Mandatory minimum reserves and other demand deposits with banks (note 3)	140,997	53,978
Financial assets at fair value through profit or loss (note 4)	32,272	133,740
Non-trading financial assets mandatorily at fair value through profit or loss	850	-
Financial assets at fair value through other comprehensive income, excluding shares (note 5)	151,973	175,978
Loans and receivables from financial institutions at amortised cost (note 6)	48,938	36,516
Loans and receivables from customers at amortised cost (note 7)	7,512,511	7,115,588
Debt securities at amortised cost (note 8)	1,698,702	1,820,495
Other financial assets (note 13)	26,233	19,031
Total	9,612,476	9,355,326
Credit facilities issued but not drawn (note 22.1)	1,377,765	1,424,514
Financial guarantees given (note 22.1)	214,052	227,563
Letters of credit given (note 22.1)	5,524	14,643
Total	1,597,341	1,666,720
Total credit risk exposure	11,209,817	11,022,046

The financial assets described above represent the current credit risk exposure, but not the maximum risk exposure that could arise in the future because of changes in values of the assets.

As at 31 December 2019, the maximum exposure to credit risk relating to financial instruments not subject to impairment was of EUR 82,624 thousand (31 December 2018: EUR 29,051 thousand) and the maximum exposure to credit risk relating to financial instruments subject to impairment with null ECL was of EUR 1,103 thousand (31 December 2018: EUR 52,591 thousand).

37.2.6 Maximum credit risk exposure

The maximum exposure to the credit risk of financial assets is represented by their net carrying amount. The maximum exposure to credit risk for off-balance sheet commitments (e.g. credit facilities issued but not drawn, financial guarantees given) is represented by the maximum amount ČSOB Group must pay if the commitment is called in, which is also equal to their carrying amount.

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37.2.7 Concentration risk in terms of credit risk

Concentration risk is monitored by client/counterparty, geographical region and industry sector from both the qualitative and quantitative perspectives.

The maximum credit exposure to a governmental counterparty as at 31 December 2019 was EUR 1,547,710 thousand (31 December 2018: EUR 1,739,206 thousand) and to a non-governmental counterparty EUR 121,026 thousand (31 December 2018: EUR 120,839 thousand) before taking collateral or other credit enhancements into account and EUR 72,526 thousand (31 December 2018: EUR 57,839 thousand) after taking them into account.

ČSOB Group's financial assets and off-balance sheet items with credit risk, before taking any collateral or other credit enhancements into account, may be divided into the following geographical regions.

(EUR '000)	31 Dec 2019	31 Dec 2018
Slovak Republic	10,706,750	10,524,392
Belgium	85,211	28,418
Czech Republic	85,325	169,592
Great Britain	114,587	104,953
Hungary	49,545	50,052
Netherlands	36,807	36,438
Switzerland	62,791	31,324
Austria	29,760	23,735
Other	39,041	53,142
Total	11,209,817	11,022,046

37.2.8 Credit risk based on quality of financial assets

The quality of financial assets from the perspective of credit risk is managed based on internal ratings.

The main considerations for loan impairment assessment include whether any payments of principal, fees or interest are overdue by more than 90 days, or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringements of the original terms of the contract. In accordance with the Standard IFRS 9 these considerations are covered within the classification of loans and receivables into 3 Stages. ČSOB Group addresses impairment assessment in two areas; individually assessed allowances and collectively assessed allowances.

A Individually assessed allowances

ČSOB Group determines allowances appropriate to each individually significant loan or receivable on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, the availability of other financial support and the realizable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated at each reporting date (or as at the date the reports are submitted to ČSOB Group's management), unless extraordinary or unforeseen circumstances require more careful attention.

B Collectively assessed allowances

Allowances are assessed collectively for losses on loans and receivables that are not individually significant (including credit cards, residential mortgages and unsecured consumer loans) and for individually significant loans and receivables where there is not yet any objective evidence of individual impairment.

The collective assessment takes account of impairments that are likely to be present in the portfolio even though there is no objective evidence of impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, current macroeconomic situation and its future trend. The impairment allowance is reviewed by the credit management departments to ensure its alignment with ČSOB Group's overall policies and procedures.

Financial guarantees and letters of credit are assessed, and provisions made in a similar manner as for loans and receivables.

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Table below shows gross carrying amount of asset classes in Stage 1 by credit rating as at 31 December 2019 and as at 31 December 2018. Each credit rating is linked to given interval of probability of default as defined in note 37.2.1.

31 Dec 2019 (EUR '000)	Rating				Total
	1 - 3	4 - 7	8 - 9	Undefined*	
Mandatory minimum reserves and other demand deposits with banks at amortised cost (note 3)	60,258	39	-	80,700	140,997
Financial assets at fair value through profit or loss (note 4)	21,896	10,376	-	-	32,272
<i>Financial trading derivatives</i>	21,896	10,376	-	-	32,272
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-	850
Financial assets at fair value through other comprehensive income, (excluding shares) (note 5)	152,002	-	-	-	152,002
<i>Government bonds</i>	90,587	-	-	-	90,587
<i>Bank bonds</i>	61,415	-	-	-	61,415
Loans and receivables from financial institutions at amortised cost (note 6)	33,327	15,618	-	-	48,945
Loans and receivables from customers at amortised cost (note 7)	2,879,043	3,515,803	293,935	136,447	6,825,228
Public administration	167,277	494	260	2,170	170,201
Corporate	612,422	1,367,276	70,163	16,105	2,065,966
Retail	2,099,344	2,148,033	223,512	118,172	4,589,061
<i>Mortgage loans</i>	1,994,225	1,442,372	12,167	-	3,448,764
<i>Consumer loans</i>	67,773	151,188	16,329	3	235,293
<i>Credit cards</i>	8,301	8,405	832	-	17,538
<i>Overdrafts</i>	2,951	6,407	980	61	10,399
<i>MicroSME</i>	25,038	173,610	37,797	24	236,469
<i>ČSOB stav. sporitelňa</i>	-	-	-	118,084	118,084
<i>ČSOB Leasing Group</i>	1,056	366,051	155,407	-	522,514
Debt securities at amortised cost (note 8)	1,623,285	44,071	-	-	1,667,356
<i>Government debt securities</i>	1,457,145	-	-	-	1,457,145
<i>Bank bonds</i>	128,499	-	-	-	128,499
<i>Other bonds</i>	37,641	44,071	-	-	81,712
Hedging derivatives (note 13)	2,412	-	-	-	2,412
Total	4,773,073	3,585,907	293,935	217,147	8,870,062
Off-balance sheet liabilities	588,841	809,226	8,026	4,599	1,410,692
Total credit risk exposure	5,361,914	4,395,133	301,961	221,746	10,280,754

* the rating or rating model is not assigned

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31 Dec 2018 (EUR '000)	Rating				Total
	1 - 3	4 - 7	8 - 9	Undefined *	
Mandatory minimum reserves and other demand deposits with banks at amortised cost (note 3)	26,037	21	-	27,920	53,978
Financial assets at fair value through profit or loss (note 4)	130,274	3,414	-	52	133,740
<i>Financial trading derivatives</i>	5,328	1,913	-	52	7,293
<i>Government debt securities</i>	107,586	-	-	-	107,586
<i>Bank bonds</i>	13,764	-	-	-	13,764
<i>Other bonds</i>	3,596	1,501	-	-	5,097
Financial assets at fair value through other comprehensive income, (excluding shares) (note 5)	176,004	-	-	-	176,004
<i>Government debt securities</i>	126,226	-	-	-	126,226
<i>Bank bonds</i>	49,778	-	-	-	49,778
Loans and receivables from financial institutions at amortised cost (note 6)	22,340	14,186	-	-	36,526
Loans and receivables from customers at amortised cost (note 7)	2,463,181	3,561,284	245,884	142,348	6,412,697
Public administration	170,770	392	208	1,639	173,009
Corporate	531,819	1,442,951	61,633	13,301	2,049,704
Retail	1,760,592	2,117,941	184,043	127,408	4,189,984
<i>Mortgage loans</i>	1,655,001	1,449,556	7,866	-	3,112,423
<i>Consumer loans</i>	76,847	151,305	5,804	-	233,956
<i>Credit cards</i>	6,448	8,183	321	-	14,952
<i>Overdrafts</i>	2,478	7,664	647	49	10,838
<i>MicroSME</i>	15,379	168,746	23,242	16	207,383
<i>ČSOB stav. sporitelňa</i>	-	-	-	127,343	127,343
<i>ČSOB Leasing Group</i>	4,439	332,487	146,163	-	483,089
Debt securities at amortised cost (note 8)	1,740,283	80,557	-	-	1,820,840
<i>Government debt securities</i>	1,578,282	-	-	-	1,578,282
<i>Bank bonds</i>	123,804	-	-	-	123,804
<i>Other bonds</i>	38,197	80,557	-	-	118,754
Hedging derivatives (note 13)	35	-	-	-	35
Total	4,558,154	3,659,462	245,884	170,320	8,633,820
Off-balance sheet liabilities	696,423	742,882	13,509	6,420	1,459,234
Total credit risk exposure	5,254,577	4,402,344	259,393	176,740	10,093,054

* the rating or rating model is not assigned

Tables below show gross carrying amount of asset classes in Stage 2 by credit rating as at 31 December 2019 and as at 31 December 2018. Each credit rating is linked to given interval of probability of default as defined in note 37.2.1.

31 Dec 2019 (EUR '000)	Rating				Total
	1 - 3	4 - 7	8 - 9	Undefined *	
Loans and receivables from customers at amortised cost (note 7)	23,420	335,608	304,458	23,500	686,986
Public administration	-	58	15	-	73
Corporate	4,300	209,856	91,709	10,607	316,472
Retail	19,120	125,694	212,734	12,893	370,441
<i>Mortgage loans</i>	17,983	65,326	101,310	-	184,619
<i>Consumer loans</i>	33	14,518	20,233	-	34,784
<i>Credit cards</i>	6	4,092	4,088	-	8,186
<i>Overdrafts</i>	216	4,692	5,662	-	10,570
<i>MicroSME</i>	-	32,649	50,286	702	83,637
<i>ČSOB stav. sporitelňa</i>	-	-	-	12,191	12,191
<i>ČSOB Leasing Group</i>	882	4,417	31,155	-	36,454
Debt securities at amortised cost (note 8)	-	33,404	-	-	33,404
Total	23,420	369,012	304,458	23,500	720,390
Off-balance sheet liabilities	8,919	153,951	23,345	2,543	188,758
Total credit risk exposure	32,339	522,963	327,803	26,043	909,148

* the rating or rating model is not assigned

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31 Dec 2018 (EUR '000)	Rating				Total
	1 - 3	4 - 7	8 - 9	Undefined *	
Loans and receivables from customers at amortised cost (note 7)	65,925	367,126	246,417	26,808	706,276
Public administration	-	146	17	9	172
Corporate	27,865	207,349	59,199	9,870	304,283
Retail	38,060	159,631	187,201	16,929	401,821
Mortgage loans	30,366	96,054	72,873	-	199,293
Consumer loans	1	15,649	16,714	-	32,364
Credit cards	886	4,417	3,188	-	8,491
Overdrafts	667	6,271	5,170	-	12,108
MicroSME	6,140	25,784	54,580	561	87,065
ČSOB stav. sporitel'ňa	-	-	-	16,368	16,368
ČSOB Leasing Group	-	11,456	34,676	-	46,132
Total	65,925	367,126	246,417	26,808	706,276
Off-balance sheet liabilities	35,424	154,129	18,300	2,402	210,255
Total credit risk exposure	101,349	521,255	264,717	29,210	916,531

* the rating or rating model is not assigned

Table below shows gross carrying amount of asset classes in Stage 3 by credit rating. Each credit rating is linked to given interval of probability of default as defined in note 37.2.1.

(EUR '000)	Rating 10 - 12	
	31 Dec 2019	31 Dec 2018
Loans and receivables from financial institutions at amortised cost (note 6)	92	92
Loans and receivables from customers at amortised cost (note 7)	138,314	151,199
Public administration	74	102
Corporate	67,836	69,041
Retail	70,404	82,056
Mortgage loans	21,089	26,013
Consumer loans	7,777	10,034
Credit cards	987	1,216
Overdrafts	1,470	1,848
MicroSME	20,834	24,285
ČSOB stav. sporitel'ňa	9,730	9,867
ČSOB Leasing Group	8,517	8,793
Total	138,406	151,291
Off-balance sheet liabilities	294	1,253
Total credit risk exposure	138,700	152,544

Table below shows gross carrying amount of asset classes classified as POCI by credit rating. Each credit rating is linked to given interval of probability of default as defined in note 37.2.1.

(EUR '000)	Rating 10 - 12	
	31 Dec 2019	31 Dec 2018
Loans and receivables from customers at amortised cost (note 7)	3,561	5,447
Corporate	3,561	5,447
Off-balance sheet liabilities	168	282
Total credit risk exposure	3,729	5,729

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37.2.9 Collateral and other credit enhancements

The tables below provide the financial effect of collaterals and of other credit enhancements for credit impaired financial assets (Stage 3 and POCI) as at 31 December 2019 and 31 December 2018. The financial effect represents the effect of mitigating the exposure to credit risk by disclosing a lower value of fair value of collateral and carrying value of asset.

(EUR '000)	Real estate	Cash and cash equivalents	Other	31 Dec 2019
Loans and receivables from customers at amortised cost	31,856	934	11,204	43,994
Public administration	-	-	2	2
Corporate	6,621	594	8,127	15,342
Retail	25,235	340	3,075	28,650
<i>Mortgage loans</i>	17,917	-	-	17,917
<i>MicroSME</i>	1,051	-	-	1,051
<i>ČSOB stav. sporitel'ňa</i>	6,267	340	-	6,607
<i>ČSOB Leasing Group</i>	-	-	3,075	3,075
Total	31,856	934	11,204	43,994

(EUR '000)	Real estate	Cash and cash equivalents	Other	31 Dec 2018
Loans and receivables from customers at amortised cost	30,645	448	8,072	39,165
Public administration	-	-	8	8
Corporate	7,741	24	5,455	13,220
Retail	22,904	424	2,609	25,937
<i>Mortgage loans</i>	18,082	-	-	18,082
<i>MicroSME</i>	937	37	-	974
<i>ČSOB stav. sporitel'ňa</i>	3,653	387	-	4,040
<i>ČSOB Leasing Group</i>	232	-	2,609	2,841
Total	30,645	448	8,072	39,165

The amount and types of collateral required depend on an assessment of the credit risk of the counterparty. ČSOB Group has internal guidelines in place to assess the separate types of collateral and determine the valuation parameters to be employed.

ČSOB Group accepted guarantees from its parent company and other subsidiaries within the KBC Group for credit risk mitigation of other subsidiaries of ČSOB Group and for third parties (note 33).

ČSOB Group monitors the market value of collateral and requires additional collateral based on contractual conditions.

A Collateral realization

ČSOB Group employs different procedures when realizing collateral for retail and non-retail exposures. This divergent approach has resulted from legislation as well as the granularity of individual exposures in these classes of assets.

a) Collateral realization in the RETAIL segment

In the event of an unsuccessful early collection in respect of retail customers, the client and the owner of the collateral (usually real estate) are contacted to be informed of the realization of the collateral by ČSOB Group. If the client is amenable to cooperation in resolving this problem, ČSOB Group usually proposes that the real estate be sold under conditions which it specifies (price, legal terms, etc.).

Otherwise, ČSOB Group enters into contracts with external auction companies. An auction company holds an auction after which ČSOB Group obtains the funds acquired less any charges and fees for the auction company. Subsequently, this amount is used to settle the respective receivable due from the client.

b) Collateral realization in the NON-RETAIL segment

In the non-retail segment, ČSOB Group obtained assets from the realization of various collaterals in the form of cash only, i.e. by using the following types of realization: direct sale, unrestricted auction, auction under distraint and auction within bankruptcy proceedings. Other types of assets (e.g. real estate) are not transferred to ČSOB Group's assets but ČSOB Group pursues their sale.

As at 31 December 2019, ČSOB Group held collaterals possessed as assets in the carrying amount of EUR 3,114 thousand presented under "Other assets" (31 December 2018: EUR 2,752 thousand).

37.2.10 Forbearance measures

Based on the guidelines on non-performing exposures and forbearance measures laid down by the European Banking Authority ("EBA"), which came into effect on 30 September 2014, ČSOB Group implemented a new definition of forbore loans. Lately, ČSOB Group had incorporated the extra requirements from the ECB-document re "Guidance to banks on non-performing loans (NPL)", published in March 2017.

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Forbearance measures consist of concessions towards a debtor facing or about to face financial difficulties. Concession refers to either a modification of the previous terms and conditions of a contract the debtor is considered unable to comply with or a total or a partial refinancing of a troubled debt contract. Credit facilities for which forbearance measures have been extended and for which the exit criteria are not met are considered to be forborne (formerly known as “distressed restructured credits”).

ČSOB Group has assigned defaulted PD ratings on distressed restructured loans since 2011. This approach was required by local regulator (NBS) and guaranteed conservative approach to exposures with deteriorated asset quality (forborne exposures). Despite conservative assignment of PD ratings to forborne (restructured) exposures, classification of exposures as non-performing for the purposes of IFRS disclosure was adjusted to be in line with new EBA technical standards.

Since default (and thus also non-performing) status occurs any time a forbearance measure is granted, the minimum period for assignment of the “Forborne tag” is 36 months. This period consists of the 12 months of non-performing status and 24 months of what is referred to as “probation period”. In addition, any time more than 30 days past due is observed at an individual receivable during the “probation period”, the receivable is re-classified as defaulted and non-performing and the 36-month period is re-set.

As at 31 December 2019, the net carrying amount of forborne exposures included in the credit portfolio is presented in the following table.

(EUR '000)	Gross carrying amount			Impairment loss			Net carrying amount		
	Performing	Non-performing	Total	Performing	Non-performing	Total	Performing	Non-performing	Total
Public administration	-	57	57	-	(56)	(56)	-	1	1
Corporate	3,936	26,820	30,756	(90)	(19,358)	(19,448)	3,846	7,462	11,308
Retail	5,571	7,985	13,556	(102)	(2,015)	(2,117)	5,469	5,970	11,439
Total	9,507	34,862	44,369	(192)	(21,429)	(21,621)	9,315	13,433	22,748

As at 31 December 2018, the net carrying amount of forborne exposures included in the credit portfolio is presented in the following table.

(EUR '000)	Gross carrying amount			Impairment loss			Net carrying amount		
	Performing	Non-performing	Total	Performing	Non-performing	Total	Performing	Non-performing	Total
Public administration	146	70	216	-	(70)	(70)	146	-	146
Corporate	7,079	32,208	39,287	(242)	(23,677)	(23,919)	6,837	8,531	15,368
Retail	6,931	8,014	14,945	(201)	(2,490)	(2,691)	6,730	5,524	12,254
Total	14,156	40,292	54,448	(443)	(26,237)	(26,680)	13,713	14,055	27,768

A movement table of gross carrying amount on exposures with forbearance measures as at 31 December 2019 is presented in the following table.

(EUR '000)	1 Jan 2019	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments and recovery	Write-offs	Other	31 Dec 2019
Public administration	216	-	(146)	(13)	-	-	57
Corporate	39,287	4,130	(7,771)	(4,602)	(614)	326	30,756
Retail	14,945	3,932	(4,149)	(879)	(317)	24	13,556
Total	54,448	8,062	(12,066)	(5,494)	(931)	350	44,369

A movement table of gross carrying amount on exposures with forbearance measures as at 31 December 2018 is presented in the following table.

(EUR '000)	1 Jan 2018	IFRS 9 FTA impact	1 Jan 2018 *	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments and recovery	Write-offs	Other	31 Dec 2018
Public administration	321	10	331	-	(13)	(102)	-	-	216
Corporate	42,275	1,211	43,486	5,705	(4,836)	(5,908)	(546)	1,386	39,287
Retail	19,976	634	20,610	3,377	(6,240)	(1,694)	(1,346)	238	14,945
Total	62,572	1,855	64,427	9,082	(11,089)	(7,704)	(1,892)	1,624	54,448

* After IFRS 9 FTA impact

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A movement table of impairment loss on exposures with forbearance measures as at 31 December 2019 is presented in the following table.

(EUR '000)	1 Jan 2019	Loans which have become forborne	Loans which are no longer considered to be forborne	(Creation)/Release on forborne loans	Other	31 Dec 2019
Public administration	(70)	-	-	14	-	(56)
Corporate	(23,919)	(1,948)	1,441	4,444	534	(19,448)
Retail	(2,691)	(398)	600	73	299	(2,117)
Total	(26,680)	(2,346)	2,041	4,531	833	(21,621)

A movement table of impairment loss on exposures with forbearance measures as at 31 December 2018 is presented in the following table.

(EUR '000)	1 Jan 2018	IFRS 9 FTA impact	1 Jan 2018 *	Loans which have become forborne	Loans which are no longer considered to be forborne	(Creation)/Release on forborne loans	Other	31 Dec 2018
Public administration	(88)	(15)	(103)	-	28	5	-	(70)
Corporate	(25,454)	(925)	(26,379)	(1,417)	1,188	1,348	1,341	(23,919)
Retail	(3,452)	(782)	(4,234)	(292)	205	(140)	1,770	(2,691)
Total	(28,994)	(1,722)	(30,716)	(1,709)	1,421	1,213	3,111	(26,680)

* After IFRS 9 FTA impact

37.3 Liquidity risk and funding management

Liquidity risk is the risk that ČSOB Group will not, in effect, be able to meet its liabilities when they become due under standard and liquidity crisis developments.

ČSOB Group limits this risk through the proper structure of the balance sheet, with the respect to the quality and maturity of assets and liabilities and through the stabilization and diversification of financial resources. Besides the stable source of primary deposits, ČSOB Group also has available secondary financial resources to maintain a sufficient liquidity level. ČSOB Group creates and maintains regular contacts with clients and other counterparties, important for ČSOB Group in view of liquidity, regularly reviews the reliability of individual financial sources and the availability of high – quality collateral for additional financing.

The medium-term and long-term liquidity position of ČSOB Group is assessed and managed under liquidity scenarios. The basic scenario reflects the expected trend in internal and external liquidity conditions (standard development in assets and liabilities of ČSOB Group is expected), the stress scenario includes various stress factors related to ČSOB Group and the financial market. Short-term liquidity is in ČSOB Group monitored through liquidity ratios based on the actual balance sheet composition.

In addition, ČSOB Group measures and monitors short and long-term liquidity indicators defined in the International framework for liquidity risk measurement, monitoring and standards issued by the Basel Committee on Banking Supervision – Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). ČSOB Group also plans and monitors economically adjusted indicator NSFR ("ENSFR"), which is defined and used for liquidity management within the whole KBC Group. ENSFR is also one of the key performance measures of ČSOB Group (i.e. KPI's). ČSOB Group monitors also the Asset encumbered ratio in the context of international methodological guidelines to the Asset encumbrance reporting.

The most important liquidity ratio for ČSOB Group in 2019 from the perspective of fulfilment was LCR. This regulatory short-term liquidity indicator is defined by Basel III in Regulation (EU) No 575/2013, which is supplemented by Commission delegated Regulation (EU) 2015/61. It represents the ratio of the sum of highly liquid assets and the sum of net negative cash flows. LCR should not fall below the regulatory limit value 1.0. ČSOB Group met the specified minimum limit during the whole year 2019 and 2018 with a sufficient reserve.

In addition to standard liquidity trends, ČSOB Group has also prepared an emergency plan for liquidity management in the event of a liquidity crisis. This emergency plan defines the indicators for early warning of a potential liquidity crisis and determines the responsibilities of relevant bodies during a liquidity crisis.

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The following tables show ČSOB Group's non-derivative financial liabilities (including contingent commitments) categorised based on the earliest period in which ČSOB Group be can required to pay. The tables have been drawn up based on undiscounted cash flows of financial liabilities. The tables include both interest and principal cash flows. The principal cash flows are the best estimates using average effective yields. Expected remaining maturity can differ from this analysis.

(EUR '000) 31 Dec 2019	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Total
Financial liabilities at fair value through profit or loss (excluding derivatives)	41,766	2,009	2,865	3,690	-	50,330
Amounts owed to financial institutions at amortised cost	26,558	439,181	198,271	393,254	10,274	1,067,538
Amounts owed to customers at amortised cost	5,615,513	283,376	390,446	89,700	935	6,379,970
Debt securities issued at amortised cost	89	490	1,087,730	302,281	73,725	1,464,315
Subordinated debt	-	285	856	4,567	90,355	96,063
Lease liability	876	489	3,796	19,675	14,297	39,133
Other financial liabilities (excluding derivatives)	-	39,333	-	-	-	39,333
Total financial liabilities	5,684,802	765,163	1,683,964	813,167	189,586	9,136,682
Credit facilities issued but not drawn	1,379,830	-	-	-	-	1,379,830
Financial guarantees given	214,544	-	-	-	-	214,544
Letters of credit given	5,538	-	-	-	-	5,538
Total contingent commitments	1,599,912	-	-	-	-	1,599,912

(EUR '000) 31 Dec 2018	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Total
Financial liabilities at fair value through profit or loss (excluding derivatives)	34,899	2,640	911	6,752	-	45,202
Amounts owed to financial institutions at amortised cost	58,504	219,864	334,986	370,526	53,917	1,037,797
Amounts owed to customers at amortised cost	5,212,349	489,278	555,394	18,091	2,524	6,277,636
Debt securities issued at amortised cost	1,284	10,402	943,936	384,007	76,275	1,415,904
Subordinated debt	-	304	912	4,862	91,754	97,832
Other financial liabilities (excluding derivatives)	-	37,599	-	-	-	37,599
Total financial liabilities	5,307,036	760,087	1,836,139	784,238	224,470	8,911,970
Credit facilities issued but not drawn	1,427,882	-	-	-	-	1,427,882
Financial guarantees given	228,468	-	-	-	-	228,468
Letters of credit given	14,674	-	-	-	-	14,674
Total contingent commitments	1,671,024	-	-	-	-	1,671,024

The table below sets out the financial assets of ČSOB Group by expected remaining maturity as at 31 December 2019.

(EUR '000)	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Undefined	Total
Cash, balances with central bank and other demand deposits with banks	301,231	-	-	-	-	-	301,231
Financial assets at fair value through profit or loss	-	-	-	671	-	31,601	32,272
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-	-	-	850
Financial assets at fair value through other comprehensive income	-	754	387	139,846	10,981	13,496	165,464
Loans and receivables from financial institutions at amortised cost	34,215	4,533	4,587	5,603	-	-	48,938
Loans and receivables from customers at amortised cost	128,175	251,787	1,072,636	2,331,067	3,677,416	51,430	7,512,511
Debt securities at amortised cost	10,523	9,872	24,192	442,707	1,211,408	-	1,698,702
Other financial assets	4	14,688	545	10,522	474	-	26,233
Total financial assets	474,998	281,634	1,102,347	2,930,416	4,900,279	96,527	9,786,201

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The table below sets out the financial assets of ČSOB Group by expected remaining maturity as at 31 December 2018.

(EUR '000)	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Undefined	Total
Cash, balances with central bank and other demand deposits with banks	240,235	-	-	-	-	-	240,235
Financial assets at fair value through profit or loss	6	955	4,274	14,070	107,141	7,294	133,740
Financial assets at fair value through other comprehensive income	257	7,594	45,505	95,397	27,224	8,601	184,578
Loans and receivables from financial institutions at amortised cost	26,859	(3,862)	5,189	7,928	402	-	36,516
Loans and receivables from customers at amortised cost	150,104	235,527	1,088,974	2,111,700	3,479,033	50,250	7,115,588
Debt securities at amortised cost	9,777	5,070	157,816	371,519	1,276,313	-	1,820,495
Other financial assets	104	14,401	175	4,263	88	-	19,031
Total financial assets	427,342	259,685	1,301,933	2,604,877	4,890,201	66,145	9,550,183

37.4 Market risk

Market risk for financial instruments in ČSOB Group's portfolios is defined as a change in the future cash flows and market prices of these financial instruments resulting from movements in market variables. In general, the most important variables are interest rates, foreign exchange rates and equity prices.

ČSOB Group classifies exposures to market risk into either its trading (trading book) or non-trading portfolios (banking book).

During the year 2019, ČSOB Group implemented Global Trading project in the Trading book of ČSOB Bank focused on transfer of market (interest and FX) risk from local trading books into KBC trading book dedicated to ČSOB Bank. As a result, the measurement of the Trading book risk has transformed into an interest rate and FX risk neutrality monitoring.

In 2018, Market risk for the trading portfolio is managed and monitored based on a standard VaR rate that reflects the interdependence of risk variables. In addition to the VaR method, a further measure is an analysis of sensitivity using Basis Point Value ("BPV") indicators.

Within the positions kept in the banking book, market risk is measured and managed using the BPV sensitivity analysis and cumulative interest rate GAPs.

37.4.1 Market risk – Trading Book

A Effective as at 31 December 2019

ČSOB Group's Board of Directors defines the maximum acceptable level of risk (meaning the market risk neutrality) by using BPV limits and open FX position limits. ČSOB Group applies the BPV sensitivity analysis to prove the assumptions on the risk neutrality hold. An overview on fulfilment of these assumptions is a part of a daily report sent to ČSOB Group's senior management.

ČSOB Group has no open position in equity instruments. A process set for positions in interest rate and FX options instructs hedging this type of positions via the back-to-back method and thus not allowing any opened position.

Overview of trading book market risk neutrality:

Type of market risk	Neutrality
Interest rate risk	Yes
FX risk	Yes

Risk management of the Trading Book includes, besides the BPV limits and limits for open FX position, limits for back-to-back trading, volume limits, limits for unquoted prices, limits for inadequate high margins and profits, Professional limits ("PRF") linked to credit risk.

B Effective as at 31 December 2018

ČSOB Group's Board of Directors defines the maximum acceptable level of risk by using VaR and BPV limits. ČSOB Group applies a VaR method to estimate the market risk in the financial instruments recorded in ČSOB Group's portfolios and to determine the potential economic loss resulting from unfavourable movements in market variables.

The risk rate of the VaR business portfolio in terms of its present value has been defined as the maximum potential loss to which ČSOB Group may be exposed within a precisely defined time horizon and with probability specified in advance. To estimate VaR for interest rate as well as FX risks, ČSOB Group currently uses the method of historical simulation based over a two-year period of the development of market risk factors. The reliability level is set at 99% within a 10 working-day horizon. The adequacy and accuracy of the internal model is regularly evaluated using the results of back-tests performed daily.

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An overview of actual VaR along with drawing up predefined limits forms part of a daily report to ČSOB Group's senior management.

In addition to the standard VaR calculations, ČSOB Group also performs detailed stress-test analyses. These consist of various scenarios for unexpected movements in market risk factors and their impact on the market values of the positions currently held by ČSOB Group. The set of predefined scenarios includes actual historical market shocks as well as artificially designed tests.

ČSOB Group has no open position in equity, or in FX options. Technical limits are set for positions in interest rate options, permitting the opening of minor positions only.

VaR summary as at 31 December 2018 is as follows.

(EUR '000)	Interest rate	FX	Effect of correlation	Global VaR total
31 Dec 2018	339	133	(85)	387
Average	232	163	(101)	294
Max	428	373	-	469
Min	74	56	-	101

Interest rate sensitivity overview (10 BPV) for trading book as at 31 December 2018 is as follows.

(EUR '000)	Increase in basis point	Profit or Loss Sensitivity
EUR	+10	(127)
CZK	+10	9

Risk management of the Trading Book includes, besides the VaR limit and BPV limits, also limits for open FX position, limits for back-to-back trading, stop-loss limits, volume limits, limits for unquoted prices, limits for trades without physical delivery, limits for inadequate high margins and profits, Professional limits ("PRF") linked to credit risk.

37.4.2 Market risk – Banking Book

A Interest rate risk

The interest rate risk of financial instruments positioned in the banking book has been defined as a change in the future cash flows of these financial instruments or in their actual market value resulting from movements in interest rates. The Board of Directors approved a set of BPV sensitivity limits and maximum interest rate exposure limits for predefined time periods which are used for monitoring and managing the interest rate risk. Positions are monitored weekly and hedging strategies are used to close potential open positions.

The sensitivity of ČSOB Group's positions to the interest rate changes (with other factors remained unchanged) is described in the tables below.

The impact of interest rate changes on the non-trading assets and liabilities is described by the sensitivity of net interest income. The impact of interest rate changes on financial assets or liabilities held for trading is expressed by the sensitivity of the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Sensitivity of capital results from the revaluation of Financial assets at fair value through other comprehensive income. Shock parallel shifts of the yield curve are used to measure sensitivity.

B Models used in interest rate risk calculation

Each position of the banking book is placed to interest rate risk report according contractual repricing date or repricing date based on behavioural model. Contractual category contains positions where is exactly determined when the maturity or the nearest repricing happens (mainly purchased and issued bonds, loans, term deposits). Behavioural category contains products where is not exactly determined when the maturity/repricing happens (i.e. current accounts) or behave differently from contractual maturity/repricing. ČSOB Group therefore created behavioural assumptions of such products based on deep analysis of historical data (analysis is re-evaluated once per year). ČSOB Group adjusts parameters of behaviour in products current and saving accounts (internal benchmarking model), future drawdown of mortgage loans and prepayments of consumer and mortgage loans. ČSOB Group also monitors potential risk from future mortgage loans prepayments.

Sensitivity to change in interest rates of the banking book as at 31 December 2019.

(EUR '000)	Growth in basis points	Net interest income sensitivity	Profit or loss sensitivity	Capital sensitivity
EUR	+10	(1,957)	(507)	(418)
CZK	+10	(1)	-	-
USD	+10	(77)	-	(98)

Sensitivity to change in interest rates of the banking book as at 31 December 2018.

(EUR '000)	Growth in basis points	Net interest income sensitivity	Profit or loss sensitivity	Capital sensitivity
EUR	+10	(1,661)	(211)	(486)
CZK	+10	1	-	(1)
USD	+10	(108)	-	(131)

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C Equity price risk

ČSOB Group's portfolio is not exposed to material equity price risk.

37.4.3 Foreign exchange risk

The foreign exchange risk of financial instruments posted in the banking book has been defined as a change in the future cash flows of these financial instruments resulting from movements in foreign exchange rates. The exchange rate risk management strategy approved by the Board of Directors does not allow any significant open currency positions to be held in non-trading portfolios. Only technically minimum open positions in foreign currencies are permitted. The limits for each currency are determined by ČSOB Group's Board of Directors. Positions are monitored daily, and hedging strategies are used to close potential open currency positions.

The table below shows an analysis of ČSOB Group's net open foreign exchange positions. The remaining currencies are included under "Other".

(EUR '000)	EUR	USD	CZK	AUD	Other *	Total
<i>Financial assets</i>						
Cash, balances with central bank and other demand deposits with banks (note 3)	231,912	41,591	7,042	200	20,486	301,231
Financial assets at fair value through profit or loss (note 4)	32,272	-	-	-	-	32,272
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-	-	850
Financial assets at fair value through other comprehensive income, excluding shares (note 5)	108,989	42,984	-	-	-	151,973
Loans and receivables from financial institutions at amortised cost (note 6)	48,938	-	-	-	-	48,938
Loans and receivables from customers at amortised cost (note 7)	7,482,947	8,450	21,114	-	-	7,512,511
Debt securities at amortised cost (note 8)	1,660,447	38,255	-	-	-	1,698,702
Other financial assets (note 13)	26,076	40	1	-	116	26,233
Total financial assets	9,592,431	131,320	28,157	200	20,602	9,772,710
<i>Financial liabilities</i>						
Financial liabilities at fair value through profit or loss (note 15)	57,285	8,332	980	21,921	5,330	93,848
Amounts owed to financial institutions at amortised cost (note 16)	1,068,913	1,144	632	-	778	1,071,467
Amounts owed to customers at amortised cost (note 17)	6,093,693	122,758	73,098	17,340	73,650	6,380,539
Debt securities issued at amortised cost (note 18)	1,402,722	1,841	4,700	11,875	3,911	1,425,049
Subordinated debt (note 19)	87,551	-	-	-	-	87,551
Lease liability	37,779	-	-	-	-	37,779
Other financial liabilities (note 21)	50,400	143	2,455	-	95	53,093
Total financial liabilities	8,798,343	134,218	81,865	51,136	83,764	9,149,326
Off balance sheet items – assets	7,282,669	35,834	138,237	125,075	118,686	7,700,501
Off balance sheet items - liabilities	7,450,853	33,511	85,544	74,179	55,532	7,699,619
Net FX position at 31 Dec 2019	625,904	(575)	(1,015)	(40)	(8)	624,266
Total financial assets as at 31 Dec 2018	9,318,807	108,529	98,564	133	15,550	9,541,583
Total financial liabilities as at 31 Dec 2018	8,518,910	132,301	106,424	39,173	78,218	8,875,026
Off balance sheet items – assets as at 31 Dec 2018	4,900,300	73,830	115,399	78,171	103,829	5,271,529
Off balance sheet items - liabilities as at 31 Dec 2018	5,032,951	51,809	107,854	38,732	40,273	5,271,619
Net FX position at 31 Dec 2018	667,246	(1,751)	(315)	399	888	666,467

* mainly position in currency GBP, TRY, PLN, CHF and NOK.

As at 31 December 2019 and 31 December 2018, ČSOB Group had no significant net FX position.

37.5 Operational risk

Operational risk is the risk of a potential negative deviation from the expected value of the organization resulting from inadequate or failed internal processes, people and systems or from sudden man-made or natural external events.

Operational risk also includes legal risk. In the event of failure, the reputation of ČSOB Group may be damaged and the legal and regulatory consequences may cause financial losses. It is not possible to exclude all operational risk, but operational risk can be managed by regular monitoring actions and by actions taken against the possible risks.

Operational risk is managed by the implementation of key controls defined by the KBC Group, evaluating and addressing the risk identified in banking processes and a proactive approach to potential risks. The mitigation of operational risk is also ensured via application of insurance.

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Regularly reviewed plans for business continuity performance ensure that, in the event of failure, ČSOB Group will be able to perform its activities. The objective of these plans is to minimize the impacts of unexpected events on banking activity.

38 Current and non-current assets and liabilities

The following table shows the distribution of assets, liabilities and equity based on expected settlement.

(EUR '000)	31 Dec 2019			31 Dec 2018 reclassified		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, balances with central bank and demand deposit with banks (note 3)	301,231	-	301,231	240,235	-	240,235
Financial assets at fair value through profit or loss (note 4)	-	32,272	32,272	5,192	128,548	133,740
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	850	-	-	-
Financial assets at fair value through other comprehensive income (note 5)	1,141	164,323	165,464	9,950	174,628	184,578
Loans and receivables from financial institutions at amortised cost (note 6)	43,335	5,603	48,938	28,186	8,330	36,516
Loans and receivables from customers at amortised cost (note 7)	1,452,598	6,059,913	7,512,511	1,474,904	5,640,684	7,115,588
Debt securities at amortised cost (note 8)	44,587	1,654,115	1,698,702	172,663	1,647,832	1,820,495
Current income tax asset (note 32)	1,106	-	1,106	2,109	-	2,109
Deferred income tax asset (note 32)	-	17,061	17,061	-	19,000	19,000
Property and equipment (note 9)	-	175,961	175,961	-	167,732	167,732
Intangible assets (note 10)	-	27,605	27,605	-	12,956	12,956
Right of use assets (note 11)	-	38,393	38,393	n/a	n/a	n/a
Assets held for sale (note 12)	857	-	857	-	-	-
Other assets (note 13)	18,573	10,996	29,569	17,611	5,664	23,275
Total assets	1,864,278	8,186,242	10,050,520	1,950,850	7,805,374	9,756,224
Liabilities and equity						
Financial liabilities at fair value through profit or loss (note 15)	10,155	83,693	93,848	8,957	48,201	57,158
Amounts owed to financial institutions at amortised cost (note 16)	664,988	406,479	1,071,467	614,020	419,936	1,033,956
Amounts owed to customers at amortised cost (note 17)	961,346	5,419,193	6,380,539	2,832,501	3,445,767	6,278,268
Debt securities issued at amortised cost (note 18)	113,428	1,311,621	1,425,049	209,435	1,162,693	1,372,128
Subordinated debt (note 19)	51	87,500	87,551	51	87,500	87,551
Lease liability	5,161	32,618	37,779	n/a	n/a	n/a
Provisions (note 14 and 20)	-	6,547	6,547	-	8,537	8,537
Current income tax liability (note 32)	162	-	162	140	-	140
Deferred income tax liability (note 32)	-	48	48	-	-	-
Other liabilities (note 21)	57,702	14,834	72,536	54,262	10,469	64,731
Equity (note 23)	-	874,994	874,994	-	853,755	853,755
Total liabilities and equity	1,812,993	8,237,527	10,050,520	3,719,366	6,036,858	9,756,224

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39 Capital

ČSOB Group actively manages the volume of its capital in accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter "Regulation (EU) No 575/2013" or "CRR"). The required volume of capital requirements is set up by Joint Capital Decision (hereinafter "JCD") and by local regulator, which is responsible for setting of capital buffers. ČSOB Group actively manages Common Equity Tier 1 capital ratio of 4.50%, a Tier 1 capital ratio of 6.00% and a total capital ratio of 8.00% and maintains a capital conservation buffer in the form of common equity Tier 1 capital ratio of 2.50% of its total risk exposure. ČSOB Group maintains a systematically important institution buffer (O-SII) of 1.00% (31 December 2018: 1.00%) its total risk exposure and a countercyclical buffer of 1.5% (31 December 2018: 1.25%).

ČSOB Group regularly evaluates the adequacy of internal capital, through the Internal Capital Adequacy Assessment Process ("ICAAP"), to cover the risks to which ČSOB Group's activity is exposed. ČSOB Group has an integrated process of internal capital management to existing risk management systems. Within ICAAP ČSOB Group applies a qualitative and quantitative approach to risk assessment.

The primary objective of ČSOB Group is to maintain strong capital resources to meet the regulatory requirements, preserve its credibility and ensure continuity in its activities. The Board of Directors regularly reviews the principles of management and distribution of ČSOB Group's capital.

ČSOB Group manages its capital structure with respect to the changes in economic environment and changes in risk profile of its activities.

(EUR '000)	31 Dec 2019	31 Dec 2018
Own funds	945,344	889,599
<i>Tier 1 Capital</i>	<i>838,322</i>	<i>783,044</i>
Common Equity Tier 1 Capital (CET 1)	838,322	783,044
Share capital	295,015	295,015
Share premium	484,726	484,726
Legal reserve fund	59,003	59,003
Retained earnings	169,088	148,266
Eligible profit	70,685	20,822
Accumulated other comprehensive income	12,296	8,584
Value adjustments due to the requirements for prudent valuation	(600)	(627)
Intangible assets	(27,605)	(12,956)
Other revaluation reserve	(216,162)	(216,162)
Other deduction	(2,169)	(1,639)
IRB shortfall of credit risk adjustments to expected losses	(5,955)	(1,988)
<i>Tier 2 Capital</i>	<i>107,022</i>	<i>106,555</i>
Subordinated debt	87,551	87,551
IRB Excess of impairment losses over expected losses eligible	19,471	19,004

As at 31 December 2019 and 31 December 2018, ČSOB Group met the obligatory capital requirements based on the reports submitted to management.

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40 Changes in liabilities arising from financing activities

(EUR '000)	Debt securities issued at amortised cost	Subordinated debt	Lease liability
1 January 2018	1,273,857	87,543	n/a
Proceeds from issue of Debt securities issued at amortised cost	521,885	-	n/a
Repayment of Debt securities issued at amortised cost	(434,611)	-	n/a
Interest paid	(6,678)	(1,217)	n/a
Non-cash adjustment	17,675	1,225	n/a
31 December 2018	1,372,128	87,551	n/a
1 January 2019	1,372,128	87,551	39,482
Proceeds from issue of Debt securities issued at amortised cost	258,799	-	-
Repayment of Debt securities issued at amortised cost	(204,048)	-	-
Interest paid	(6,236)	(1,201)	-
Payments for the principal portion of the lease liability	-	-	(4,945)
Payments for the interest portion of the lease liability	-	-	(292)
Effect of changes in foreign exchange rates	36	-	-
Non-cash adjustment	4,370	1,201	3,534
31 December 2019	1,425,049	87,551	37,779

41 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of the following items.

(EUR '000)	Note	31 Dec 2019	31 Dec 2018
Cash, balances with central bank and other demand deposits with banks	3	301,231	240,235
Loans and receivables from financial institutions at amortised cost		4,284	474
Total		305,515	240,709

42 Post balance sheet events


The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. ČSOB Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, ČSOB Group is currently unable to assess the impact of coronavirus on its future financial position and results of operations. The expected global as well as local economy slowdown can have impact on historical and new production which subsequently, depending on future developments, can have a negative and significant impact on the financial results of ČSOB Group. The impact of this outbreak on the macroeconomic forecasts will be incorporated into ČSOB Group's IFRS 9 estimates of expected credit loss provisions in 2020. Sensitivity to market risks is disclosed in the Note 37 ČSOB Group risks of these Consolidated Financial Statements.

From 31 December 2019 to the date of the issuance of these Consolidated Financial Statements, there were no other events identified that would require adjustments to or disclosure in these Consolidated Financial Statement.

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors on 17 March 2020.



Juraj Ebringer
Chief Officer for Retail and private banking



Ján Lučan
Chief Officer for Financial management, legal and central services