Consolidated Financial Statements

for the year ended 31 December 2009

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

and Independent Auditor's Report

Contents

Consolidated Financial Statements
for the year ended 31 December 2009

The Consolidated Financial Statements are prepared for the period:

from 1 January 2009
to 31 December 2009

The Consolidated Financial Statements are prepared for the year ended:

31 December 2009

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36 854 140

Name and place of business of accounting entity:

Československá obchodná banka, a.s.

Michalská 18
815 63 Bratislava

ERNST & YOUNG

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

Independent Auditor's Report

To the Shareholders of Československá obchodná banka, a.s.:

We have audited the accompanying consolidated financial statements of Československá obchodná banka, a.s. and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

30 March 2010
Bratislava, Slovak Republic

Ernst & Young

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Ing. Peter Matejíčka
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a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Consolidated Statement of Financial Position at 31 December 2009

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

(EUR ’000)	Note	31 Dec 2009	31 Dec 2008
Assets			
Cash and balances with central bank	3	153,651	193,702
Financial assets at fair value through profit or loss	4	1,006,572	3,822,666
Available-for-sale financial assets	5	534,759	101,502
Loans and advances to financial institutions	6	21,069	85,516
Loans and advances to customers	7	3,311,233	2,585,345
Held-to-maturity investments	8	606,272	397,895
Current income tax asset		5,369	323
Deferred income tax asset	30	27,537	12,070
Property and equipment	9	104,469	75,266
Intangible assets	10	7,395	4,753
Other assets	11	19,807	32,423
Total assets		**5,798,133**	**7,311,461**
Liabilities and equity			
Financial liabilities at fair value through profit or loss	13	844,384	3,078,385
Amounts owed to financial institutions	14	455,616	781,635
Amounts owed to customers	15	3,500,726	2,572,661
Debt securities issued	16	252,240	289,416
Provisions	17	33,757	2,904
Other liabilities	18	91,594	48,371
Current income tax liability		-	8,845
Subordinated debt	19	14,982	-
Total liabilities		**5,193,299**	**6,782,217**
Share capital		165,970	165,970
Share premium		484,726	484,726
Reserve funds		19,483	16,633
Revaluation surplus		(207,959)	(216,125)
Retained earnings		159,042	40,902
Net profit/(loss) for year		(16,428)	37,138
Total equity	21	**604,834**	**529,244**
Total liabilities and equity		**5,798,133**	**7,311,461**

Daniel Kollár	Michal Štefek
Chief Executive Officer	Chief Financial and Risk Management Officer

The notes on pages 9 to 73 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009

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

(EUR '000)	Note	31 Dec 2009	31 Dec 2008 Reclassified
Interest income		264,254	324,615
Interest expense		(65,881)	(187,688)
Net interest income	24	**198,373**	**136,927**
Fee and commission income		45,198	48,134
Fee and commission expense		(14,824)	(13,403)
Net fee and commission income	25	**30,374**	**34,731**
Net trading result	26	(9,069)	26,597
Other operating income	27	6,936	8,417
Operating income		**226,614**	**206,672**
Personnel expenses	28	(59,525)	(54,604)
Depreciation and amortization		(12,761)	(12,735)
Other operating expenses	29	(71,595)	(65,923)
Operating expenses		**(143,881)**	**(133,262)**
Profit for year before impairment losses, provisions and tax		**82,733**	**73,410**
Impairment losses	12	(67,673)	(27,170)
Provisions and financial guarantees	17	(29,317)	(16)
Profit/(loss) for year before tax		**(14,257)**	**46,224**
Income tax expense	30	(2,171)	(9,086)
Net profit/(loss) for year		**(16,428)**	**37,138**
Net profit/(loss) attributable to:			
Equity holders of the parent		**(16,428)**	**37,138**
Minority interest		-	-
Available-for-sale financial assets		7,971	922
thereof: income tax relating to available-for-sale financial assets		(1,869)	(216)
Total comprehensive income/(loss) for year		**(8,457)**	**38,060**
Basic and diluted earnings/(loss) per share in EUR	22	(3,286)	7,428

The Notes on pages 9 to 73 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

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

(EUR '000)	Share capital	Share premium	Reserve funds	Revaluation surplus on available-for-sale financial assets	Other revaluation surplus	Retained earnings	Total
Equity as at 1 January 2008	**165,970**	**484,726**	**16,633**	**(885)**	**(216,162)**	**40,902**	**491,184**
Total comprehensive income for year	-	-	-	922	-	37,138	**38,060**
Equity as at 31 December 2008	**165,970**	**484,726**	**16,633**	**37**	**(216,162)**	**78,040**	**529,244**
Equity as at 1 January 2009	**165,970**	**484,726**	**16,633**	**37**	**(216,162)**	**78,040**	**529,244**
Transfers on merger	-	-	-	195	-	99,525	**99,720**
Total comprehensive income/(loss) for year	-	-	-	7,971	-	(16,428)	**(8,457)**
Profit distribution - reserve funds	-	-	2,850	-	-	(2,850)	**-**
Dividends paid	-	-	-	-	-	(15,673)	**(15,673)**
Equity as at 31 December 2009	**165,970**	**484,726**	**19,483**	**8,203**	**(216,162)**	**142,614**	**604,834**

The Notes on pages 9 to 73 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flow for the year ended 31 December 2009

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

(EUR '000)	Notes	31 Dec 2009	31 Dec 2008 Reclassified
Profit/(loss) before taxes		**(14,257)**	**46,224**
Adjustments for:			
Depreciation and amortization		12,761	12,735
Unrealized losses from financial instruments		11,127	8,126
Interest income		(264,254)	(324 ,615)
Interest expense		65,881	187, 688
Impairment losses and provisions		96,990	27,186
Profit on disposal of property and equipment, intangible assets		(117)	-
Operating profit/(loss) before working capital changes		*(91,869)*	*(42 656)*
Cash flow from operating activities			
Loans and advances to financial institutions		82,410	(36,294)
Financial assets at fair value through profit or loss		(146,791)	(506,969)
Available-for-sale financial assets		(290,547)	(19,398)
Loans and advances to customers		(45,011)	(209,690)
Other assets		17,403	2,005
Amounts owed to financial institutions		(521,939)	570,321
Financial liabilities at fair value through profit or loss		(2,240,653)	126,733
Amounts owed to customers		309,493	226,513
Short-term debt securities issued		(117,720)	(148,798)
Other liabilities		29,775	(30,351)
Interest received		263,735	309,027
Interest paid		(68,763)	(203,566)
Income taxes paid		(27,768)	(7,029)
Net cash flow from /(on) operating activities		**(2,848,245)**	**29,848**
Cash from investing activities			
Acquisition of held-to-maturity investments		(278,699)	(253,927)
Repayment of held-to-maturity investments		139,785	20,836
Purchase of property and equipment, intangible assets		(4,169)	(15,522)
Proceeds from sale of property and equipment, intangible assets		857	1,304
Cash and cash equivalents transferred on merger		28,836	-
Net cash on investing activities		**(113,390)**	**(247,309)**
Cash from financing activities			
Proceeds from issue of debt securities		-	57,691
Repayment of debt securities		(46,212)	(10,754)
Dividends paid		(15,673)	(37,552)
Shareholders' cash deposits		-	267,677
Net cash from financing activities		**(61,885)**	**277,062**
Net change in cash and cash equivalents		**(3,023,520)**	**59,601**
Cash and cash equivalents at beginning of the year	37	3,353,467	3,293,866
Cash and cash equivalents at end of the year	37	329,947	3,353,467
Net change		(3,023,520)	59,601

The Notes on pages 9 to 73 form an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(in accordance with International Financial Reporting Standards as adopted by EU)

1. INTRODUCTION

ČSOB SR is an universal commercial bank conducting its operations in the Slovak Republic. As at 31 December 2009 ČSOB SR has 152 branches.

On 1 January 2008, Československá obchodná banka, a.s., pobočka zahraničnej banky v SR became a separate legal entity from Československá obchodní banka. a. s. Praha ("ČSOB Praha") and became an universal commercial bank with its business name Československá obchodná banka a.s. and registered office at Michalská ulica 18, Bratislava ("ČSOB SR" or "the Bank"), identification number 36 854 140.

ČSOB SR is part of KBC Bank N.V Belgium group ("KBC"). The main aim of KBC is to ensure that ČSOB SR is a strong independent economic subject with equal rights, position and liability to other entities within the KBC group in Europe. ČSOB SR is an universal commercial bank providing 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 SR and its subsidiaries ("ČSOB Group SR" or "the Group").

From 1 January 2008 ČSOB SR has the following subsidiaries within its group:

- ČSOB Stavebná sporiteľňa, a.s.
- ČSOB Leasing, a.s.
- ČSOB Factoring, a.s.
- ČSOB d.s.s., a.s.
- ČSOB Asset Management, správ. spol., a.s.
- ČSOB Business Center, s.r.o.

The merger of ČSOB SR and ISTROBANKA, a.s. became effective from 1 July 2009 and Československá obchodná banka, a.s. became the successor and assumed all rights and obligations of ISTROBANKA, a.s. The new bank operates on the market under the name of ČSOB SR.

From 1 July 2009 ČSOB SR took over the following subsidiaries of ISTROBANKA:

- ISTRO ASSET MANAGEMENT, správ. spol., a.s., in liquidation
- ISTRO Recovery, a.s.
- ISTROFINANCE, s.r.o.
- ISTRORENT, s.r.o.

The Chief Executive Officer and Chairman of the ČSOB SR Board of Directors is Daniel Kollár. Other members of the Board of Directors are: Branislav Straka, Rastislav Murgaš, Ľuboš Ondrejko, Evert Vandenbussche and Michal Štefek.

The Chairman of the Supervisory Board is John Hollows. Members of the Supervisory Board are: Soňa Ferenčíková, Mária Kučerová, Marek Špak, Riet Docx and Dirk Mampaey.

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND METHODS

2.1. Basic accounting principles

The ČSOB SR Group's Consolidated Financial Statements for the year ended 31 December 2009 ("consolidated financial statements") have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and Act N° 431/2002 Coll. on Accounting. The Group also prepares Separate Financial Statements for ČSOB SR in accordance with the International Financial Reporting Standards as adopted by the EU and Act N° 431/2002 Coll. on Accounting.

ČSOB Group SR prepared and issued Separate and Consolidated Financial Statements for the year ended 31 December 2009 on 30 March 2010.

Separate and Consolidated Financial Statements for the preceding accounting period (as at 31 December 2008) were approved and authorized on 3 June 2009.

These consolidated financial statements have been prepared under the going concern assumption, that ČSOB Group SR will continue in operation for the foreseeable future, using the historical cost method and modified by revaluations of available-for-sale financial assets and financial assets and financial liabilities revalued at fair value through profit or loss.

Figures in the brackets represent negative values. The reporting currency in the consolidated financial statements is the Euro ("EUR") and the amounts are disclosed in thousands of EUR unless stated otherwise.

Basis of Consolidation

The consolidated financial statements present the accounts and results of the Bank and its controlled and associated companies. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group balances and transactions, including unrealised intra-group profits, are eliminated on consolidation. Where necessary, accounting policies for subsidiaries and associates have been changed to ensure consistency with the policies adopted by the Bank.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority interest in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group, excerpt to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiary Undertakings

An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50% of such subsidiary's share capital or in which the Bank can exercise more than 50% of the voting rights, or where the Bank can appoint or dismiss the majority of the Board of Directors or Supervisory Board members, or have other means of governing the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

Associated Undertakings

An associate is an entity in which the Bank normally holds, directly or indirectly, more than 20% but less than 50% over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without having control or joint control over those policies.

As at 31 December 2009 and 2008 the Bank has no associated undertakings.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the subsidiary, or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

As at 31 December 2009 and 2008 the Group has no goodwill recognized from any of its investments.

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 the 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:

Fair value of financial instruments

Where financial instruments are not traded in active public markets, their fair values are estimated using valuation models. Where possible, the input for these models is taken from market data. In circumstances where no market data is available, the Group's management has to use a significant number of estimates. These estimates largely entails the determination of anticipated cash flows and discount rates. The greater part of fair values is determined based on models arising from observable market data.

Impairment losses on loans

ČSOB Group SR reviews its loan portfolio at each reporting date and assesses whether an allowance for impairment should be recorded in the consolidated statement of comprehensive income. In particular, judgment is required on the part of the management to estimate the amount and timing of future cash flows and to determine the level of allowance required. Such estimates are based on assumptions using a number of factors. The actual results may differ from these estimates

ČSOB Group SR creates individual impairment for individually significant loans and portfolio impairment for those loans which are not individually significant or where no impairment was identified on the basis of individual assessment. ČSOB Group SR monitors and evaluates loan portfolios in terms of concentration in sectors, industries, their distribution to individual ratings, the existence of collateral and territorial exposure.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences between the carrying and tax value of assets and liabilities, to the extent that it is probable that a taxable profit will be available against which the losses may be utilized in the future. Judgment is required on the part of the management to determine the amount of deferred tax assets that can be recognized, based on the probable timing and levels of future taxable profits together with future tax planning strategies.

Provisions

Provisions for liabilities are recognized when ČSOB Group SR has a current legal obligation or constructive obligation as a result of past events, and 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.

The amount recognised as a provision for liability is the best estimate of the consideration required to settle the current obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision for a liability is measured using the cash flows estimated to settle the current obligation, its carrying amount is the current value of those cash flows.

2.3. Foreign currencies

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

Foreign currency transactions are translated into the functional currency at the exchange rates of the European Central Bank pertaining 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 comprehensive income under Net trading result.

2.4. Financial instruments – accounting of recognition and derecognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when ČSOB Group SR 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 by ČSOB Group SR to another party. A financial liability is derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

A "regular way" purchase or sale of a financial asset is one in which the delivery of the asset is made within the time-frame generally established by regulation or within the convention of the particular market. For all categories of financial asset, ČSOB Group SR 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 SR ("settlement date"). For financial assets at fair value through profit or loss and available-for-sale financial assets, fair value movements between "trade date" and "settlement date" in connection with purchases and sales are recognized in the consolidated statement of comprehensive income.

2.5. Financial instruments – classification, initial and subsequent measurement

All financial instruments are measured initially at their fair value plus; in the case of financial assets and financial liabilities not at fair value through profit or loss, these are increased by transaction costs.

Classification of financial instruments depends on the purpose for which the financial instruments were acquired and their characteristics. ČSOB Group SR classifies financial assets in the following categories:

- Financial assets and liabilities at fair value through profit or loss
- Loans and advances to financial institutions and Loans and advances to customers
- Held-to-maturity investments
- Available-for-sale financial assets
- Amortized value of financial liabilities

Financial assets at fair value through profit or loss

The category has two sub-categories:

- Financial assets and liabilities held-for-trading. This category also includes all derivatives agreed by ČSOB Group SR.
- Financial assets and financial liabilities designated at fair value through profit or loss on initial recognition. Financial assets and liabilities may be classified in this sub-category when at least one of the following criteria is met:
    - The classification eliminates or significantly reduces inconsistencies in treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
    - The assets and liabilities area part of a group of financial assets, financial liabilities, or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

- The financial instruments contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flow or it is obvious, with little or no analysis, that it could not be recorded separately.

Financial assets and liabilities designated at fair value through profit or loss are recorded on the consolidated statement of financial position at fair value. Gains and losses resulting from changes in fair value are recorded in the consolidated statement of comprehensive income as Net trading result as incurred. Interest income or expense is recorded in the consolidated statement of comprehensive income as Net interest income.

Where the transaction price in a non-active market differs from the fair value of other observable current market transactions in the same instrument or the fair value based on a valuation technique. the Group immediately recognises the difference between the transaction price and the fair value (a Day 1 profit) in the consolidated statement of comprehensive income as Net trading result. In cases where use is made of data which is not observable. the difference between the transaction price and model value is only recognised in the consolidated statement of comprehensive income when the inputs become observable. or when the instrument is derecognised.

Loans and advances to financial institutions and Loans and advances to customers

Loans and advances to financial institutions and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and where ČSOB Group SR has no intention of trading the financial asset.

Loans and advances to financial institutions and loans and advances to customers are recorded in the consolidated statement of financial position at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium and fees that are an integral part of the effective interest rate. The amortization is included in the consolidated statement of comprehensive income as Interest income. Losses arising from the impairment of these investments are recognized in the consolidated statement of comprehensive income as Impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and capacity to hold to maturity. Where ČSOB Group SR plans to sell more than an insignificant amount of held-to-maturity assets, the entire category would be impaired and reclassified as available-for-sale financial assets.

Held-to-maturity investments are recognized in the consolidated statement of financial position at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium and fees that are an integral part of the effective interest rate. The amortization is included in the consolidated statement of comprehensive income under Interest income. Any losses arising from the impairment of these investments are recognized in the consolidated statement of comprehensive income under Impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are assets which are classified under this category on acquisition, or which do not qualify for classification as at fair value through profit or loss, held-to-maturity investments or loans and advances to financial institutions and loans and advances to customers.

Available-for-sale financial assets are recognized in the consolidated statement of financial position at fair value. Unrealized gains and losses arising from changes in fair value of these financial assets are recognized in other comprehensive income. When an asset is derecognized from the other comprehensive income, the unrealized gain or loss is derecognized against Net trading result in the consolidated statement of comprehensive income. Interest income arising from available-for-sale assets calculated using the effective interest rate method is recorded in the consolidated statement of comprehensive income as Interest income. Impairment of available-for-sale financial assts see in Note no. 2.9.

Financial liabilities at amortized cost

Financial liabilities at amortised cost are non-derivative financial liabilities where the substance of the contractual arrangement results in ČSOB Group SR being under an obligation to deliver either cash or another financial asset to the holder.

These liabilities are measured on the consolidated statement of financial position at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium and fees that are an integral part of the effective interest rate. The amortization is included in the consolidated statement of comprehensive income as Interest expense.

2.6. Embedded derivatives

ČSOB Group SR occasionally purchases or issues financial instruments containing embedded derivatives. An embedded derivative 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 hybrid instrument is not classified as at fair value through profit or loss.

If a separated derivative does not qualify as a hedging derivative, it is designated as a trading derivative. When ČSOB Group SR cannot reliably separate the embedded derivative, the entire hybrid instrument is classified as at fair value through profit or loss.

2.7. 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 in Financial liabilities at fair value through profit or loss, Amounts owed to financial institutions or Amounts owed to customers, 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 and is accrued using the effective interest rate method in the consolidated statement of comprehensive income over the life of the agreement.

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 in Financial assets at fair value through profit or loss, Loans and advances to financial institutions or Loans and advances to customers, depending on the counterparty and the economic substance of the loan. The difference between the purchase and resale prices is treated as Interest income and is accrued using the effective interest rate method in the consolidated statement of comprehensive income over the life of the agreement.

2.8. Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between informed, consenting parties in an arm's length transaction. Financial instruments classified as financial assets and financial liabilities at fair value through profit or loss or available-for-sale are fairly valued using the quoted market prices if a price is quoted in an active public market. For financial instruments that are not traded in an active public 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 are significantly affected by assumptions made by ČSOB Group SR, including the discount rate and estimates of future cash flows.

2.9. Impairment of financial assets

At each balance sheet date, ČSOB Group SR assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred subsequent to the initial recognition of the asset (a "loss event") and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets which can be reliably estimated.

Objective evidence that a financial asset or a group of assets is impaired includes observable data that is available to ČSOB Group SR on the following loss events:

- significant financial difficulty of the issuer or obligor
- breach of contract, such as a default or delinquency in interest or principal payments
- ČSOB Group SR granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise have considered;
- the probability that the borrower will enter into bankruptcy or other financial restructuring procedures
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets subsequent to the initial recognition of those assets, although the decrease cannot yet be identified with the separate financial assets in the group, including
    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on assets in the group.

Held-to-maturity investments & Loans and advances to financial institutions and Loans and advances to customers

ČSOB Group SR assesses impairment of this category of financial assets separately 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 on the basis of similar credit risk characteristics. If ČSOB Group SR 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.

An impairment loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (in the case of assets with a fixed interest rate), or actual market interest rate (in the case of assets with a variable interest rate). The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that will result from foreclosure, less the costs of obtaining and selling the collateral.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and the historical loss experience for assets with credit risk characteristics similar to those in the group. The historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in the related observable data from period to period. ČSOB Group SR regularly reviews the methodology and assumptions used for estimating future cash flows to reduce any differences between loss estimates and actual loss experience.

Where possible, ČSOB Group SR seeks to restructure loans rather than to assume possession of collateral. This may involve the agreement of new contractual conditions and the need for of a loan maturity extension. ČSOB Group SR's management continually reviews renegotiated loans to ensure that all criteria concerning the recovery of such assets and credit risk minimising are met.

Impairment losses as well as changes to the amount of the loss are recorded in the form of allowances with a counter-entry in the consolidated statement of comprehensive income under Impairment losses.

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 recorded in the consolidated statement of comprehensive income under Impairment losses.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale financial assets. a significant or prolonged decline in the fair value of the security below its cost is taken into consideration in determining whether the assets are impaired. The Group treats 'significant' generally as 20% and 'prolonged' as greater than 1 year. In the case of debt financial instruments classified as available-for-sale financial assets, impairment is determined objectively using the same criteria.

The amount of loss is determined as the difference between the acquisition cost and the current fair value. Impairment losses are recognized as allowances and in the consolidated statement of comprehensive income under Impairment losses. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income. Any loss from equity instruments classified as available-for-sale may not be reduced through profit or loss.

2.10. 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.

2.11. Leasing

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.

The leases entered into by ČSOB Group SR are primarily operating leases. The total payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

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.

ČSOB Group SR as a lessor

Lease contracts under which risks and rewards related to the ownership of the lease subject are substantially transferred from ČSOB Group SR to the client are classified as finance lease. Finance lease is recognized in accounting books when the leased subject is taken by the client in amount equal to the net investment into the leased subject (net receivable). The value of brutto lease receivables comprises of the sum of future minimum lease payments and the initial fee. The difference between brutto and netto values of receivables equals to future income from the lease, which is presented as „Interest income“ of the consolidated statement of comprehensive income during the lease term in amount based on interest calculated from the netto lease receivable using the fixed interest rate.

2.12. Recognition of income and expenses

Revenue is recognized in the consolidated statement of comprehensive income to the extent that it is probable that economic benefits will flow to ČSOB Group SR and the revenue can be reliably measured.

Interest received and interest paid

Interest income and interest expense are recognized in the consolidated statement of comprehensive income on an accrual basis using the effective interest rate method.

The effective interest rate method is a method for calculating the amortized 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 precisely discounts estimated future cash payments or receipts over the expected life of the financial instrument precisely to the net carrying value of the financial asset or financial liability.

When calculating the effective interest rate, ČSOB Group SR estimates cash flows taking into consideration all the contractual terms of the financial instrument but excluding any future credit losses. The calculation includes all 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.

Fees and commissions paid and received

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan origination fees for loans which may be drawn down are deferred and recognized as part of the loan's effective interest rate. Commissions and fees arising from transactions for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the valid service contracts. Custodial and fiduciary services fees relating to investment funds are accrued over the period for which the service is provided.

2.13. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank account balances payable upon request, deposits and loans to banks with an agreed maturity of up to three months, government treasury bills and treasury bills of National Bank of Slovakia ("NBS") with an agreed maturity of up to three months.

2.14. Property, equipment and intangible assets

Land, buildings, equipment and intangible assets include real estate used by ČSOB Group SR, 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 years
Equipment	4 years
Other tangible assets	4 - 30 years

Intangible assets are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful life of assets. Amortization periods are determined on an individual basis (3 - 8 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 value may not be recoverable. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. The recoverable amount is whichever is the higher of the asset's fair value less costs to sell and its value in use.

2.15. Financial guarantees

In the normal course of business, ČSOB Group SR provides financial guarantees consisting of letters of credit and letters of guarantee. Financial guarantees are recognized in the consolidated financial statements at whichever is the higher of the accrued guarantee fee and the best estimates of the expenditure required to settle any financial obligation arising as a result of the guarantee and are presented in Other liabilities. The fees accepted for guarantee issues are recognized in the consolidated statement of comprehensive income under Fee and commission income. Any increase and any decrease in the liability relating to financial guarantees is included in the consolidated statement of comprehensive income under Impairment losses.

2.16. Employee benefits

Pensions to ČSOB SR 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 SR contributes to the employees' additional pension insurance above the framework of legal social security. Contributions are charged to the consolidated statement of comprehensive income as they are made.

ČSOB Group SR operates unfunded defined long-term benefit programs comprising one-off retirement benefits, long service and jubilee benefits. In accordance with IAS 19 "Employee benefits", the employee benefits costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the consolidated statement of comprehensive income so as 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 by interest rates derived from a forward curve according to the maturity periods of benefits. All actuarial gains and losses are recognized immediately in the consolidated statement of comprehensive income. Past service cost is recognized when incurred to the extent of the benefits already paid, and the remaining amount is amortized on a straight-line basis over the average period until the benefits become vested.

Key assumptions used in the actuarial valuation are presented in Note 18.

2.17. Provisions

Provisions are created when ČSOB Group SR has a current legal or constructive obligation as a result 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.

2.18. 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 tax base for income tax purposes is determined from profit/loss for the current accounting period, adding tax non-deductible expenses and deducting revenues which are not subject to income tax.

Deferred tax assets and liabilities are recognized due to different valuation of assets and liabilities as per the Income Tax Act and their carrying values in the consolidated financial statements.

Deferred tax is calculated using the balance sheet 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.

ČSOB Group SR also pays various indirect operating taxes which are part of Other operating expenses.

2.19. Fiduciary activities

ČSOB Group SR commonly acts in fiduciary activities that result in the holding or placing of assets on the accounts of individuals and institutions. Assets under administration 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 SR does not bear the risks and rewards of ownership associated with such items. See also Note 20.

The income arising thereon is recognized in the consolidated statement of comprehensive income under Fee and commission income.

2.20. Changes in the accounting policies

The principal accounting policies applied in the preparation of these financial statements are detailed below.

Standards, amendments and interpretations effective in 2009 applicable to the Group

The accounting policies adopted are consistent with those used in the previous financial year, except that the Group has adopted the standards, amendments and interpretations listed below. With the exception of the Amendments to IAS 39 and IFRS 7 - Reclassification of Financial Assets (see below), the adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments.
The amendments to IFRS 7 were issued in March 2009 to enhance the fair value and liquidity disclosures. With regard to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value and specific disclosures related to transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the liquidity disclosures required in respect of derivative transactions and assets used for liquidity management.

IFRS 8 Operating Segments
IFRS 8 was adopted by the EU on 21 November 2007 (effective for accounting periods beginning on or after 1 January 2009). This standard requires the disclosure of information about the Group's operating segments and replaced the requirement to determine the primary (business) and secondary (geographical) reporting segments of the Group. The Group elected to apply IFRS 8 - Operating Segments for the accounting period beginning on 1 January 2008, as permitted by the Standard.

IAS 1 Presentation of Financial Statements
This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires disclosure of the income tax effect of each component of comprehensive income. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in one statement of comprehensive income. Information about the individual components of comprehensive income as well as the tax effects has been disclosed in the notes to the financial statements.

The Group has not provided a restated comparative statement of its financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, nor has it made any retrospective restatement, or retrospectively reclassified items in the financial statements.

Amendment to IAS 23 Borrowing Costs
IAS 23 issued in March 2007 superseded IAS 23 (revised in 2003). IAS 23 (revised) is effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The main change from the previous version is the removal of the option to immediately recognize as an expense borrowing costs that relate to assets that take a substantial period of time to make ready for use or sale.

The amendment to IAS 23 does not have any impact on the financial performance or position of the Group.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements, – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and became effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require the disclosure of certain information relating to puttable instruments classified as equity.

The amendments to IAS 32 and IAS 1 do not have any impact on the financial performance or position of the Group as the Group has not issued any such instruments.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
This amendment to IAS 39 was issued on 31 July 2008 and is applicable for the accounting periods beginning on or after 1 July 2009 with early application permitted. The amendment clarifies the application of the principles that determine whether a hedged risk or portion of cash flows is eligible for designation in particular situations. The revised standard does not have any impact on the financial statements of the Group.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets

The amendments allow entities to reclassify certain financial assets out of 'Held-for-trading' if they are no longer held for the purpose of being sold or repurchased in the near term:

- Financial assets that would be eligible for classification as loans and receivables (i.e. those assets which, apart from not being held with the intention of sale in the short-term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from 'Held-for-trading' to 'Loans and receivables', if the entity has the intention and the ability to hold them for the foreseeable future.

- Financial assets that are not eligible for classification as loans and receivables may be transferred from 'Held-for-trading' to 'Available-for-sale' or to 'Held-to-maturity' only in rare circumstances.

The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted.

The Group did not reclassify any financial instruments in 2009 and 2008.

IFRIC 9 and IAS 39: Embedded Derivatives

The IFRIC has issued Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 which requires entities to assess whether to separate an embedded derivative from a host contract where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The amendments are applicable for annual periods ending on or after 31 December 2009.

The application of the amendment does not have any impact on the Group's financial statements as no reclassifications were made for instruments that contained embedded derivatives.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 is effective for accounting periods beginning on or after 1 October 2008 with early application permitted. The interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39.

This interpretation has no effect on the Group's financial statements.

Improvements to IFRS

In May 2008 the International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Adoption of these amendments does not have any material effect on the financial performance or position of the Group.

Standards and interpretations issued but not yet effective and which have not been the subject of early adoption by the Group:

At the date of authorisation of these financial statements, the following standards, revisions and interpretations adopted by the EU were issued but not yet effective at the beginning of the reporting period:

- IFRS 1 (revised) "First-time Adoption of IFRS" adopted by the EU on 25 November 2009 (effective for accounting periods beginning on or after 1 January 2010);
- IFRS 3 (revised) "Business Combinations" adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for accounting periods beginning on or after 1 January 2011);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible hedged items, adopted by the EU on 15 September 2009 (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" adopted by the EU on 4 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17 "Distributions of Non-Cash Assets to Owners" adopted by the EU on 26 November 2009 (effective for accounting periods beginning on or after 1 November 2009);
- IFRIC 18 "Transfers of Assets from Customers" adopted by the EU on 27 November 2009 (effective for accounting periods beginning on or after 1 November 2009).

The management of the Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

The management of the Group anticipates that adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of their initial application.

At present, IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2009:

- IFRS 9 "Financial Instruments" (effective for accounting periods beginning on or after 1 January 2013);
- Amendments to various standards and interpretations resulting from the annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for accounting periods beginning on or after 1 January 2010);
- Amendments to IAS 24 "Related Party Disclosures" – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for accounting periods beginning on or after 1 January 2011);
- Amendments to IFRS 1 "First-time Adoption of IFRS"– Additional Exemptions for First-time Adopters (effective for accounting periods beginning on or after 1 January 2010);
- Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011);
- IFRIC 19 "Extinguishing Liabilities with Equity Instruments" (effective for accounting periods beginning on or after 1 July 2010).

The management of the Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of their initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities whose principles have not been adopted by the EU is still unregulated.

Based on the Group's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not have a significant impact on the financial statements, if applied as at the balance sheet date.

2.21. ČSOB Group SR and Istrobanka

On 20 March 2008, KBC, the shareholder of ČSOB Group SR, and BAWAG P.S.K., shareholder of Istrobanka Group, agreed on the sale of 100 % of the shares of Istrobanka to KBC, with the transfer of ownership effective from 1 July 2008.

On 23 April 2009, the general assembly of ČSOB Group SR approved the legal merger of ČSOB SR and Istrobanka, as from 1 July 2009, ČSOB SR became the only legal successor of the two merged banks.

To achieve the true and fair presentation of the merger, the assets and liabilities of Istrobanka Group were transferred to the successor bank at their carrying value as presented in the consolidated financial statements of Istrobanka Group as at 30 June 2009. The shareholder's equity of Istrobanka Group, except for the revaluation surplus, was transferred into the retained earnings of ČSOB Group SR.

The transfer of assets, liabilities and equity of Istrobanka Group was performed in the following amounts:

Consolidated Statement of Financial Position at 1 July 2009

(EUR '000)	1 July 2009
Assets	
Cash and balances with central bank	28,837
Financial assets at fair value through profit or loss	6,777
Loans and advances to financial institutions	38,210
Loans and advances to customers	752,792
Available-for-sale financial assets	128,270
Held-to-maturity investments	66,292
Property and equipment	37,455
Intangible assets	3,455
Deferred income tax asset	6,965
Other assets	3,016
Total assets	**1,072,069**
Liabilities and equity	
Financial liabilities at fair value through profit or loss	211
Amounts owed to financial institutions	197,025
Amounts owed to customers	618,882
Debt securities issued	126,244
Provisions	2,029
Other liabilities	12,955
Subordinated debt	15,003
Total liabilities	**972,349**
Equity	
Revaluation surplus	195
Retained earnings	99,525
Total equity	**99,720**
Total liabilities and equity	**1,072,069**

As at 30 June 2009, Istrobanka owned the following subsidiaries:

Name	Principal activity	Effective ownership and voting rights in %	Location
ISTRO ASSET MANAGEMENT, správ. spol., a.s., in liquidation	Asset management	100	Laurinská 1, Bratislava
ISTRORENT, s.r.o	Lease of real estates	99	Laurinská 1, Bratislava
ISTRO-RECOVERY, s.r.o.	Credit management	100	Medená 22, Bratislava
ISTROFINANCE, s.r.o.	Data processing	100	Laurinská 1, Bratislava

As a part of the merger of ČSOB Group SR and Istrobanka Group it was decided to dissolve ISTRO ASSET MANAGEMENT, správ. spol., a.s., a former Istrobanka's subsidiary, through a liquidation which commenced on 1 June 2009.

Comparative information presented in the consolidated statement of financial position as at 31 December 2008 and consolidated statement of comprehensive income for the year ended 31 December 2008 do not include assets and liabilities and income and expenses of Istrobanka. Therefore comparative data stated for the year 2008 are not entirely comparable.

2.22. EURO adoption

With effect from 1 January 2009 the Slovak Republic acceded to the Eurozone and the Slovak Crown (SKK) was replaced with the new currency the Euro. Based on this, the Group's functional currency changed from the Slovak crown to the Euro as at 1 January 2009. The change in functional currency was implemented prospectively and the Group's assets, liabilities and equity were converted into EUR at the official conversion rate of 1€ = 30.1260 SKK. This change had no impact on the financial position of the Group.

Comparative data was converted into EUR at the official conversion rate 1€ = 30.1260 SKK. The average exchange rate of SKK against € for 2008 was 1€ = 31.2910 SKK.

2.23. Review of the presentation of the financial statements

In 2009, the Bank performed a review of the presentation of the financial statements. As a result, the Bank changed the presentation of its financial statements for the year ended 31 December 2008, as the changed presentation provides information that is reliable, more relevant and comparable to the users of the financial statements.

The comparison of the consolidated statement of comprehensive income for the year ended 31 December 2008 prior to reclassification and after reclassification is as follows:

(EUR '000)	Note	31 Dec 2008 Before reclassification	Explanation	Changes in presentation	31 Dec 2008 After reclassification
Interest income		323,988	3	627	324,615
Interest expense		(188,003)	4	315	(187,688)
Net interest income	24	**135,985**		**942**	**136,927**
Fee and commission income		47,486	1	648	48,134
Fee and commission expense		(8,866)	1, 2, 3	(4,537)	(13,403)
Net fee and commission income	25	**38,620**		**(3,889)**	**34,731**
Net trading result	26	26,912	4	(315)	26,597
Other operating income	27	9,318	1, 5	(901)	8,417
Operating income		**210,835**		**(4,163)**	**206,672**
Personnel expenses	28	(54,604)		-	(54,604)
Depreciation and amortisation		(12,735)		-	(12,735)
Other operating expenses	29	(70,086)	1, 2, 5	4,163	(65,923)
Operating expenses		**(137,425)**		**4,163**	**(133,262)**
Profit for the year before impairment losses, provisions and tax		**73,410**		**-**	**73,410**
Impairment losses	12	(27,170)		-	(27,170)
Provisions and financial guarantees	17	(16)		-	(16)
Profit/(loss) for the year before tax		**46,224**		**-**	**46,224**
Income tax expense	30	(9,086)		-	(9,086)
Net profit/(loss) for the year		**37,138**		**-**	**37,138**
Available-for-sale financial assets		922		-	922
from that: income tax relating to available-for-sale financial assets		(216)		-	(216)
Total comprehensive income/(loss) for the year		**38,060**		**-**	**38,060**
Basic and diluted earnings/(loss) per share in EUR	22	7,428		-	7,428

The changes performed in the presentation of the financial statements for the year ended 31 December 2008 are:

1. The Group reclassified fees and commissions of EUR 648 thousand earned from insurance and other services from Other operating income to Fee and commission income. The respective expenses of EUR 2,766 thousand which were originally classified as Other operating expense were reclassified to Fee and commission expense.

2. The expense of EUR 1,144 thousand relating to external distribution networks was reclassified from Other operating expense to Fee and commission expense.

3. The Group reclassified fees of EUR 627 thousand paid on loan participations from Interest income to Fee and commission expense.

4. Presentation of the premium/discount from mortgage bonds issued of EUR 315 thousand was changed to Interest expense from the previously used Net trading result.

5. The carrying amount of EUR 253 thousand from disposals of property and equipment and intangible assets was reclassified from Other operating expense to Other operating income. The gain or loss arising from the derecognition of an item of property and equipment and intangible assets is presented as the difference between the proceeds from disposal and the carrying amount of the item.

3. CASH AND BALANCES WITH CENTRAL BANK

(EUR '000)	31 Dec 2009	31 Dec 2008
Cash balances	110,885	118,634
Nostro accounts	-	9,484
Loans and advances to central bank	-	36,863
Mandatory minimum reserves	42,766	28,721
	153,651	**193,702**

Mandatory minimum reserves are kept in the amount stated by the regulation of NBS and are not designed for daily use. They are accounted for as interest bearing deposits according to regulations of NBS. NBS paid interest on the mandatory minimum reserve balances at 1 % p.a. in 2009. 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 2009	31 Dec 2008
Loans and advances to central bank	-	2,526,824
NBS treasury bills	-	299,190
Loans and advances to commercial banks	164,677	142,253
Financial trading derivatives (Note no. 32)	123,691	125,835
Government treasury bills	-	163,920
Government bonds	649,653	499,558
Bank bonds	67,313	63,532
Participation certificates	-	621
Other bonds	1,238	933
	1,006,572	**3,822,666**

As at 31 December 2009, repurchase agreements represent, of the total amount of loans to commercial banks, EUR 48,532 thousand (as at 31 December 2008, of the total amount of loans to central bank, repurchase agreements amounted to EUR 1,161,062 thousand). In relation to these repurchase agreements, ČSOB Group SR accepted securities as collateral in a comparable amount.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(EUR '000)	31 Dec 2009	31 Dec 2008
Government treasury bills	29,842	-
Government bonds	497,754	97,203
Bank bonds	5,889	4,151
Other bonds	410	-
Participation certificates	603	-
Shares	888	775
	535,386	**102,129**
Impairment losses to shares (Note no. 12)	(627)	(627)
	534,759	**101,502**

As at 31 December 2009 ČSOB Group SR holds in its portfolio of securities available for sale government bonds with a market value of EUR 6,913 thousand, placed as collateral for issued mortgage bonds in favour of other banks.

(EUR '000)	31 Dec 2009	31 Dec 2008
Shares		
Kerametal, a.s.	511	511
RVS, a.s.	212	123
Drevoúnia, a.s. in bankruptcy	17	17
BCPB, a.s.	24	24
CHIRANA EXPORT-IMPORT, a.s.	100	100
SWIFT London	11	-
Spoločnosť pre rozvoj bývania v Bratislave	13	-
	888	**775**
Impairment losses to shares (Note no. 12)	(627)	(627)
	261	**148**

6. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

(EUR '000)	31 Dec 2009	31 Dec 2008
Current accounts	9,619	31,667
Term deposits	2,000	-
Loans and advances to banks	9,585	53,988
	21,204	**85,655**
Impairment losses (Note no. 12)	(135)	(139)
	21,069	**85,516**

7. LOANS AND ADVANCES TO CUSTOMERS

(EUR '000)	31 Dec 2009	31 Dec 2008
Assessed on portfolio basis	3,387,628	2,648,636
Assessed individually with impairment identified	173,051	89,927
	3,560,679	**2,738,563**
Impairment losses (Note no. 12)	(249,446)	(153,218)
	3,311,233	**2,585,345**

As at 31 December 2009, defaulted loans and receivables in gross amount totalled EUR 334,199 thousand (31 December 2008: EUR 165,055 thousand).

(EUR '000)	31 Dec 2009	31 Dec 2008
Breakdown of loans and advances by main categories of contractual partners		
Non-financial corporations	1,992,973	1,582,922
Retail	1,238,394	840,255
Financial corporations	18,382	14,449
Sole-traders	163,647	174,590
Public administration	32,437	41,287
Foreign entities (non-resident)	87,346	77,799
Not-for-profit organisations mainly household focused	27,489	7,257
Insurance companies and pension funds	11	4
	3,560,679	**2,738,563**
Impairment losses (Note no. 12)	(249,446)	(153,218)
	3,311,233	**2,585,345**

Finance lease

Loans and advances to customers include also net investments into finance lease. Lease contracts relate to cars and other technical equipment.

	Minimum lease payments		Net present value of lease payments	
(EUR '000)	**31 Dec 2009**	**31 Dec 2008**	**31 Dec 2009**	**31 Dec 2008**
Finance lease receivable				
Payable in less than 1 year	162,306	201,735	145,379	185,089
Payable 1-5 years	182,082	239,685	162,453	213,539
Payable in more than 5 yeas	30,036	32,344	26,564	27,759
	374,424	473,764	334,396	426,387
Less future finance income (unrealized finance lease income)	(40,028)	(47,377)	-	-
Present value of future lease payments	334,396	426,387	334,396	426,387

8. HELD-TO-MATURITY INVESTMENTS

(EUR '000)	31 Dec 2009	31 Dec 2008
Government bonds	480,880	270,745
Government treasury bills	49,968	50,188
Bank bonds	66,926	76,962
Other bonds	8,248	-
Bills of exchange	424	-
	606,446	**397,895**
Impairment losses (note no. 12)	(174)	-
	606,272	**397,895**

As at 31 December 2009, ČSOB Group SR holds in its portfolio of securities held-to-maturity government bonds with a market value of EUR 11,464 thousand as collateral for issued mortgage bonds in favour of other banks.

The Group also holds in its portfolio of securities as at 31 December 2009 also government bonds with a market value of EUR 455,005 thousand, used as collateral for loans from the central bank.

9. PROPERTY AND EQUIPMENT

(EUR '000)	Lands and buildings	Equipment	Other property and equipment	Total
Cost at 1 January 2009	**76,836**	**33,580**	**27,010**	**137,426**
Transfers on merger	47,582	22,815	678	71,075
Additions	2,246	2,605	4,452	9,303
Disposals	(2,607)	(1,331)	(8,433)	(12,371)
Cost at 31 December 2009	**124,057**	**57,669**	**23,707**	**205,433**
Accumulated depreciation at 1 January 2009	**(21,146)**	**(29,521)**	**(13,898)**	**(64,565)**
Transfers on merger	(12,310)	(19,164)	(379)	(31,853)
Additions	(4,943)	(3,498)	(1,029)	(9,470)
Disposals	1,024	1,277	1,993	4,294
Accumulated depreciation at 31 December 2009	**(37,375)**	**(50,906)**	**(13,313)**	**(101,594)**
Impairment loss at 1 January 2009	**-**	**-**	**-**	**-**
Transfers on merger	(1,820)	-	-	(1,820)
Creation (Note no. 12)	(86)	-	-	(86)
Release/Use (Note no. 12)	1,393	-	-	1,393
Impairment loss at 31 December 2009	**(513)**	**-**	**-**	**(513)**
Net book value at 31 December 2009	**86,169**	**6,763**	**10,394**	**103,326**
Transfers on merger				53
Acquisition of property and equipment at 31 December 2009				1,090
Net book value at 31 December 2009	**86,169**	**6,763**	**10,394**	**104,469**

(EUR ’000)	Lands and buildings	Equipment	Other property and equipment	Total
Cost at 1 January 2008	**75,180**	**33,423**	**24,863**	**133,466**
Additions	2,129	3,508	5,899	11,536
Disposals	(473)	(3,351)	(3,752)	(7,576)
Cost at 31 December 2008	**76,836**	**33,580**	**27,010**	**137,426**
Accumulated depreciation at 1 January 2008	**(17,482)**	**(29,536)**	**(11,935)**	**(58,953)**
Additions	(3,886)	(3,269)	(1,909)	(9,064)
Disposals	222	3,156	74	3,452
Accumulated depreciation at 31 December 2008	**(21,146)**	**(29,649)**	**(13,770)**	**(64,565)**
Net book value at 31 December 2008	**55,690**	**3,931**	**13,240**	**72,861**
Acquisition of property and equipment at 31 December 2008				2,405
Net book value at 31 December 2008	**55,690**	**3,931**	**13,240**	**75,266**

The original cost of fully depreciated property and equipment, that are fully depreciated but still in use by ČSOB Group SR, amount to EUR 48,287 thousand as of 31 December 2009 (2008: EUR 28,637 thousand).

10. INTANGIBLE ASSETS

(EUR ’000)	Software	Total
Cost at 1 January 2009	**12,391**	**12,391**
Transfers on merger	19,205	19,205
Additions	4,500	4,500
Disposals	(1,404)	(1,404)
Cost at 31 December 2009	**34,692**	**34,692**
Accumulated depreciation at 1 January 2009	**(9,023)**	**(9,023)**
Transfers on merger	(15,752)	(15,752)
Additions	(3,291)	(3,291)
Disposals	12	12
Accumulated depreciation at 31 December 2009	**(28,054)**	**(28,054)**
Net book value at 31 December 2009	**6,638**	**6,638**
Transfers on merger		2
Acquisition of intangible assets at 31 December 2009		755
Net book value at 31 December 2009	**6,638**	**7,395**

(EUR ’000)	Software	Total
Cost at 1 January 2008	**9,262**	**9,262**
Additions	3,987	3,987
Disposals	(858)	(858)
Cost at 31 December 2008	**12,391**	**12,391**
Accumulated depreciation at 1 January 2008	**(7,727)**	**(7,727)**
Additions	(2,187)	(2,187)
Disposals	893	893
Accumulated depreciation at 31 December 2008	**(9,021)**	**(9,021)**
Net book value at 31 December 2008	**3,370**	**3,370**
Acquisition of intangible assets at 31 December 2008		1,383
Net book value at 31 December 2008	**3,370**	**4,753**

The original cost of fully amortized intangible assets, that are still in use by ČSOB Group SR, represents EUR 15,103 thousand as of 31 December 2009 (2008: EUR 1,652 thousand).

Insurance coverage

ČSOB Group SR's insurance covers all standard risks to tangible and intangible assets.
Tangible and intangible assets of the Group are insured against following risks:
- natural disasters
- theft, robbery
- insurance of machines and electronic equipment
- insurance of transport of electronic equipment
- insurance of fire 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.

11. OTHER ASSETS

(EUR '000)	31 Dec 2009	31 Dec 2008
Various debtors	6,157	14,518
Settlement with state budget	355	4
Deferred expenses	11,206	11,578
Clearing and settlement system receivables	1,705	3,647
Other assets	1,477	3,968
	20,900	**33,715**
Impairment losses (Note no. 12)	(1,093)	(1,292)
	19,807	**32,423**

12. IMPAIRMENT LOSSES

(EUR '000)	1 Jan 2009	Transfers on merger	Receivables written off	Creation/ (Release)	Use	FX diff.	31 Dec 2009
Impairment losses to:							
Loans and advances to financial institutions (Note no. 6)	139	-	-	(3)	-	(1)	135
Loans and advances to customers (Note no. 7)	153,218	42,904	(14,970)	68,290	-	4	249,446
Available-for-sale financial assets (Note no. 5)	627	-	-	-	-	-	627
Held-to-maturity investments (Note no. 8)	-	88	-	86	-	-	174
Property and equipment (Note no. 9)	-	1,820	-	(266)	(1,041)	-	513
Other assets (Note no. 11)	1,292	235	-	(434)	-	-	1,093
	155,276	**45,047**	**(14,970)**	**67,673**	**(1,041)**	**3**	**251,988**

(EUR '000)	1 Jan 2008	Receivables written off	Creation/ (Release)	FX diff.	31 Dec 2008
Impairment losses to:					
Loans and advances to financial institutions (Note no. 6)	1,919	-	(1,726)	(54)	139
Loans and advances to customers (Note no. 7)	132,054	(7,761)	28,946	(21)	153,218
Available-for-sale financial assets (Note no. 5)	627	-	-	-	627
Other assets (Note no. 11)	1,342	-	(50)	-	1,292
	135,942	**(7,761)**	**27,170**	**(75)**	**155,276**

In 2009, receivables written off amounted to EUR 14,970 thousand (2008: EUR 7,761 thousand).

13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR '000)	31 Dec 2009	31 Dec 2008
Term deposits – banks	145,030	2,120,482
Term deposits – non-bank customers	63,777	787,708
Loans received	456,574	-
Derivatives held for trading (note no. 32)	179,003	170,195
	844,384	**3,078,385**

Loans received in amount of EUR 456,574 thousand represent loans from the central bank secured by the government bonds with a market value of EUR 455,005 thousand.

14. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

(EUR '000)	31 Dec 2009	31 Dec 2008
Current accounts of banks	7,091	305,346
Term deposits of banks	25,013	16,278
Loans received from central bank	10,045	16
Loans received from banks	413,467	459,995
	455,616	**781,635**

15. AMOUNTS OWED TO CUSTOMERS

(EUR '000)	31 Dec 2009	31 Dec 2008
Current accounts – customers	1 432 815	1 128 194
Current accounts – government bodies and funds	15 266	9 930
Term deposits – customers	2 038 157	1 414 309
Term deposits – government bodies	7 349	3 935
Loans received	7 139	16 293
	3 500 726	**2 572 661**

16. DEBT SECURITIES ISSUED

(EUR '000)	31 Dec 2009	31 Dec 2008
Short-term bills of exchange	19,399	125,526
Mortgage bonds	232,841	163,890
	252,240	**289,416**

The table below shows the structure of mortgage bonds in book-entry form as at 31 December 2009:

Issue name	Issue date	Currency	Interest rate fix/float	Nominal value 1 item (EUR)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2009 (EUR '000)	Maturity
ČSOB III.	November 05	EUR	2.90%	33,193.92	800	26,555	26,654	November 10
ČSOB IV.	December 06	EUR	12M EURIBOR + 1.25%	33,193.92	800	26,555	27,157	December 11
ČSOB V.	June 07	EUR	4,60%	33,193.92	500	16,597	16,994	June 12
ČSOB VI.	December 07	EUR	4.40%	33,193.92	400	13,278	13,264	December 12
ČSOB VII.	February 08	EUR	12M EURIBOR + 0.10%	33,193.92	650	21,576	21,851	February 13
ČSOB VIII.	May 08	EUR	12M EURIBOR + 0.10%	33,193.92	500	16,597	16,372	May 13
ČSOB IX.	October 08	EUR	12M EURIBOR + 0.60%	33,193.92	200	6,639	6,617	October 13
ČSOB X.	October 08	EUR	5,05%	33,193.92	145	4,813	4,880	October 11
ISTRO2	April 03	EUR	5.15%	33,193.92	500	16,597	17,039	April 13
ISTRO5	March 05	EUR	4.20%	33,193.92	500	16,597	17,238	March 15
ISTRO6	November 05	EUR	12M EURIBOR	33,193.92	700	23,236	23,260	November 10
ISTRO7	June 06	EUR	3M EURIBOR+0.09%	33,193.92	600	19,916	19,912	June 11
ISTRO9	April 07	EUR	3M EURIBOR+0.08%	33,193.92	650	21,576	21,603	April 12
							232,841	

The table below shows the structure of mortgage bonds in book-entry form as at 31 December 2008:

Issue name	Issue date	Currency	Interest rate fix/float	Nominal value 1 item (EUR)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2008 (EUR '000)	Maturity
ČSOB II.	October 2004	EUR	4.90%	3,319.39	6,260	20,780	21,037	October 2009
ČSOB III.	November 2005	EUR	2.90%	33,193.92	800	26,555	26,655	November 2010
ČSOB IV.	December 2006	EUR	12M Bribor + 1.25%	33,193.92	800	26,555	27,473	December 2011
ČSOB V.	June 2007	EUR	4.60%	33,193.92	500	16,597	16,994	June 2012
ČSOB VI.	December 2007	EUR	4.40%	33,193.92	400	13,278	13,253	December 2012
ČSOB VII.	February 2008	EUR	12M Bribor + 0.10%	33,193.92	650	21,576	22,222	February 2013
ČSOB VIII.	May 2008	EUR	12M Bribor + 0.10%	33,193.92	500	16,597	14,683	May 2013
ČSOB IX.	October 2008	EUR	12M Bribor + 0.60%	33,193.92	500	16,597	16,717	October 2013
ČSOB X.	October 2008	EUR	5.05%	33,193.92	250	8,298	4,856	October 2011
							163,890	

As at 31 December 2009, ČSOB Group SR has issued mortgage bonds secured by government bonds in favour of other banks. These include government bonds available for sale with a market value of EUR 6,913 thousand and government bonds held to maturity with a market value of EUR 11,464 thousand.

17. PROVISIONS

(EUR '000)	1 Jan 2009	Transfers on merger	Creation/(Release)	Use	31 Dec 2009
Provision for litigation	2,904	1,697	26,656	-	31,257
Provision for restructuring	-	332	2,197	(29)	2,500
	2,904	**2,029**	**28,853**	**(29)**	**33,757**

(EUR '000)	1 Jan 2008	Creation/(Release)	31 Dec 2008
Provision for litigation	2,904	-	2,904
	2,904	**-**	**2,904**

Provision for litigation

ČSOB Group SR conducted a review of legal proceedings outstanding against it as at 31 December 2009. These matters have arisen from normal banking activities. With reference to the update on the status of these matters in terms of the risk of losses and the amounts claimed, the Group has increased provision for these legal cases and out -of-court settlements. As at 31 December 2009 this provision amounts to EUR 31,257 thousand. The net expense from increase in the provision for legal cases and out-of-court settlements is presented in separate statement of comprehensive income under "Provisions and financial guarantees".

The particular requirements pursuant to IAS 37.85 are not disclosed in accordance with IAS 37.92 in order not to compromise the Group's position in the ongoing legal proceedings and disputes.

Provision for restructuring

In 2009 ČSOB Group SR decided to begin a restructuring program with the aim to reduce the total number of personnel by approximately 300 employees by the end of 2010. Based on this decision, the Group created a provision in the amount of EUR 2,500 thousand to cover the related costs.

18. OTHER LIABILITIES

(EUR '000)	31 Dec 2009	31 Dec 2008
Clearing and settlement system payables	40,821	16,806
Deferred income	20,246	13,472
Other taxes	4,523	2,826
Payables from trading in securities	5,839	316
Payables to employees	3,218	1,135
Various creditors	6,316	7,485
Provision for off-balance sheet risks	2,764	1,879
Other liabilities	7,867	4,452
	91,594	**48,371**

Provision for off-balance sheet risks

The provisions for credit risk of off-balance sheet items have been created to cover estimated losses present in the balances of unused loan commitments, guarantees, and letters of credits accounted for on the off-balance sheet.

Employee benefits

ČSOB Group SR has a defined benefit program, under which employees are entitled to a lump-sum payment upon taking retirement or a working jubilee. As of 31 December 2009, the program was applicable to 2,239 employees of ČSOB Group SR (2008: 1,754 employees).

During the year ending 31 December 2009, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 829 thousand (2008: EUR 434 thousand).

(EUR ’000)	31 Dec 2009	31 Dec 2008
Present value of benefits paid on retirement	224	-
Present value of length of service benefits	482	434
Present value of anniversary benefits	123	-
Total	**829**	**434**

Key assumptions used in actuarial valuation:

(EUR ’000)	31 Dec 2009	31 Dec 2008
Discount rate	5.14%	4.36%
Annual future real rate of salary increases	3.00%	n/a
Annual employee turnover	11.00%	19.15%
Retirement age	62	62

Social fund

Social fund liabilities, presented within Payables to employees, are as follows:

(EUR ’000)	31 Dec 2009	31 Dec 2008
Opening balance at 1 January	532	564
Transfers on merger	73	-
Creation	1,063	1,015
Drawing	(1,117)	(1,047)
Closing balance at 31 December	**551**	**532**

19. SUBORDINATED DEBT

As at 7 July 2009 ČSOB Group SR took over from Istrobanka subordinated debt in amount of EUR 14,937 thousand including accrued interest. On 21 July 2004 a contract was signed between Bank fűr Arbeit und Wirtschaft Aktiengesellschaft, Austria, and Istrobanka in the amount of SKK 450,000 thousand (EUR 14,937 thousand) with a floating interest rate 3M EURIBOR plus 0.65% payable quarterly. The debt is repayable within 6 years after the date of agreement.

The contractual parties agreed that, in the event of the borrower’s bankruptcy or winding up, the subordinated debt was to be paid on the full settlement of all the borrower’s liabilities against their depositors and other creditors.

Receivables of creditors resulting from this loan contract cannot be offset with liabilities of debtors. The contractual parties agreed that offsetting receivables from the subordinated debt against the creditor's liabilities to the borrower was not acceptable. Subordinated debt is not available to be claimed or taken over. Subordinated debt according to § 408a Commercial Code is unsecured.

The debtor is required to repay the debt in the amount, including interest, and within the maturity period according to the contract.

20. OVERVIEW OF CONTINGENT LIABILITIES

a) Contingent liabilities

(EUR '000)	**31 Dec 2009**	**31 Dec 2008**
Non-drawn credit facilities issued	1,210,265	892,862
Guarantees issued	176,494	271,576
	1,386,759	**1,164,438**

Bank guarantees and letters of credit cover liabilities to clients (payment and non-payment liabilities) against beneficiaries (third parties). Bank guarantees represents an irrevocable liability of ČSOB Group SR to pay a certain amount as stated in the bank guarantee in the event, that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

A letter of credit represents a written obligation of ČSOB Group SR performed 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 SR deals with 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 SR will make payments in the event that 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 SR on behalf of a customer authorising a third party to draw drafts on ČSOB Group SR up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations 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 SR is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

b) Values in custody

The values received into custody and management by the Group amounted to EUR 3,294,446 thousand as at 31 December 2009 (2008: EUR 3,564,834 thousand).

c) Lawsuits

In addition to the litigation for which provisions are created (Note 17), ČSOB Group SR is named in and is defending a number of legal actions arising in the ordinary course of business. The management of ČSOB Group SR 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 2009.

d) 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 a number of areas. Due to this, ČSOB Group SR 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.

21. EQUITY

The structure of shareholders of ČSOB Group SR is as follows:

	% of share capital 31 Dec 2009	% of share capital 31 Dec 2008
Československá obchodní banka, a. s.	-	56.74%
KBC Bank N.V. Belgium	100.00%	39.80%
ČSOB Leasing, Prague	-	2.02%
ČSOB Factoring, Prague	-	1.44%
Total	**100.00%**	**100.00%**

Share capital

At 31 December 2009 and 31 December 2008, authorized, called-up and fully paid share capital as at 31 December 2009 and as at 31 December 2008 consists of 5,000 ordinary shares in nominal amount of EUR 33,193.91 (SKK 1,000,000). Share capital was, in the full amount of EUR 165,970 thousand, registered with the Commercial Register.

Share premium

Share premium represents difference between nominal amount of own shares and their market value. As at 31 December 2009 and 31 December 2008, the share premium amounted to EUR 484,726 thousand.

Legal reserve fund

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. ČSOB Group SR is obliged to contribute an amount to the fund each year which is not less than 10 % of its annual net profit (calculated in accordance with Slovak accounting regulations) 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. As at 31 December 2009 ČSOB Group SR kept legal reserve fund in amount of EUR 19,483 thousand (2008: EUR 16,633 thousand).

Revaluation surplus

Revaluation surplus from available-for-sale financial assets:

(EUR '000)	31 Dec 2009	31 Dec 2008
As at 1 January	37	(885)
Transfers on merger	195	-
Net gain/(loss) arising on revaluation of available-for-sale financial assets	9,783	1,138
Income tax relating to gain arising on revaluation of available-for-sale financial assets	(1,869)	(216)
Cumulative (gain)/loss on sale of available-for-sale financial assets reclassified to consolidated statement of comprehensive income	57	-
As at 31 December	**8,203**	**37**

The revaluation surplus from available-for-sale financial assets represents accumulated gains and losses arising on revaluation of available-for-sale financial assets that have been recognized in the consolidated statement of comprehensive income under other comprehensive income. This revaluation surplus is presented net of amounts reclassified to consolidated statement of comprehensive income when those assets have been disposed of.

Profit distribution

Profit distribution of ČSOB Group SR is as follows:

	Attributable from the profit for the year	
(EUR '000)	2009*	2008
Addition to legal reserve fund	-	2,850
Dividends	-	15,673
Retained earnings	(16,428)	18,615

* Based on the proposed profit distribution.

(EUR '000)	31 Dec 2009	31 Dec 2008
Dividends per share		
Dividends	-	15,673
Number of shares in nominal value of EUR 33,193.91	5,000	5,000
Dividends per share in EUR	**-**	**3,135**

22. EARNINGS PER SHARE

(EUR '000)	31 Dec 2009	31 Dec 2008
Earnings/(losses) per share		
Net profit/(loss) for the year	(16,428)	37,138
Number of shares in nominal value of EUR 33,193.91	5,000	5,000
Earnings/(losses) per share in EUR	**(3,286)**	**7,428**

23. INFORMATION ON SEGMENTS

ČSOB Group SR distinguishes between the following segments:

Retail banking/Small and medium entrepreneurs: natural persons, entrepreneurs and companies with turnover below EUR 1.7 million.
Loan products: overdrafts, revolving loans, operating loans, consumer loans, mortgages, building loans of ČSOB Stavebná sporiteľňa, credit cards
Deposit products: current accounts, passbooks, term deposits, time deposits, saving accounts
Retail banking offers services of electronic banking and performs system of payments (domestic, foreign, cash transactions), investments of free financial sources of customers to portfolio of financial assets.

Corporate banking: corporations with turnover above EUR 1.7 million and non-banking institutions in the financial sector.
Loan products: overdrafts, revolving loans, operating loans, investment loans, credit cards
Deposit products: current accounts, passbooks, term deposits, time deposits
Corporate banking offers services of electronic banking and performs system of payments (domestic, foreign, cash transactions).

Financial markets and ALM: segment of assets and liabilities management, segment dealing
This segment performs custody and management of securities, intermediation of purchase and sale of Slovak and foreign bonds on secondary market, participation in subscription of shares in primary sale, purchase and sale of foreign currencies. The segment offers also 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 also management of foreign exchange position of ČSOB Group SR.

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

Information on segments as at 31 December 2009 is as follows:

(EUR '000)	**Retail banking/ Small and medium entrepreneurs**	**Corporate banking**	**Financial markets and ALM**	**Other**	**Total**
Consolidated statement of comprehensive income					
Net interest income	75,660	61,414	55,364	5,935	198,373
Net fee and commission income	20,304	9,217	(904)	1,757	30,374
Net trading result	3,929	(1,190)	(12,471)	663	(9,069)
Other operating income	4,665	163	1,092	1,016	6,936
Operating income	**104,558**	**69,604**	**43,081**	**9,371**	**226,614**
Personnel expenses	(27,842)	(11,158)	(3,108)	(17,417)	(59,525)
Depreciation and amortization	(2,587)	(810)	(87)	(9,277)	(12,761)
Other operating expenses	(35,538)	(10,181)	(346)	(25,530)	(71,595)
Operating expenses	**(65,967)**	**(22,149)**	**(3,541)**	**(52,224)**	**(143,881)**
Profit/(loss) for the year before impairment losses, provisions and taxation	**38,591**	**47,455**	**39,540**	**(42,853)**	**82,733**
Impairment losses	(36,928)	(35,806)	(86)	5,147	(67,673)
Provisions and financial guarantees	-	-	-	(29,317)	(29,317)
Profit/(loss) for the year before taxation	**1,663**	**11,649**	**39,454**	**(67,023)**	**(14,257)**
Income tax expense	859	(1,138)	(8,098)	6,206	(2,171)
Net profit/(loss) for the year	**2,522**	**10,511**	**31,356**	**(60,817)**	**(16,428)**
Total assets	**1,612,681**	**1,888,139**	**2,132,398**	**164,915**	**5,798,133**
Total liabilities and equity	**2,219,515**	**1,871,920**	**1,171,561**	**535,137**	**5,798,133**

Information on segments as at 31 December 2008, reclassified, is as follows:

(EUR '000)	Retail banking/ Small and medium entrepreneurs	Corporat e banking	Financial markets and ALM	Other	Total
Consolidated statement of comprehensive income					
Net interest income	56,461	47,348	32,742	376	136,927
Net fee and commission income	20,726	11,098	1,315	1,592	34,731
Net trading result	10,097	4,459	11,862	179	26,597
Other operating income	6,586	1,182	14	635	8,417
Operating income	**93,870**	**64,087**	**45,933**	**2,782**	**206,672**
Personnel expenses	(24,260)	(11,272)	(4,033)	(15,039)	(54,604)
Depreciation and amortization	(3,349)	(2,764)	(72)	(6,550)	(12,735)
Other operating expenses	(36,555)	(10,008)	(1,819)	(17,541)	(65,923)
Operating expenses	**(64,164)**	**(24,044)**	**(5,924)**	**(39,130)**	**(133,262)**
Profit/(loss) for the year before impairment losses, provisions and taxation	**29,706**	**40,043**	**40,009**	**(36,348)**	**73,410**
Impairment losses	(14,615)	(13,729)	-	1,174	(27,170)
Provisions and financial guarantees	-	-	-	(16)	(16)
Profit/(loss) for the year before taxation	**15,091**	**26,314**	**40,009**	**(35,190)**	**46,224**
Income tax expense	(3,523)	(4,794)	(10,250)	9,481	(9,086)
Net profit/(loss) for the year	**11,568**	**21,520**	**29,759**	**(25,709)**	**37,138**
Total assets	**1,180,060**	**1,662,348**	**4,339,604**	**129,449**	**7,311,461**
Total liabilities and equity	**1,782,144**	**1,676,896**	**3,403,752**	**448,669**	**7,311,461**

24. NET INTEREST INCOME

(EUR '000)	31 Dec 2009	31 Dec 2008 Reclassified
Interest income		
From accounts and loans provided to central bank	693	69,599
From loans and advances to financial institutions	24,545	6,802
From loans to customers	171,068	174,119
From securities	67,948	74,095
	264,254	324,615
Interest expense		
From loans accepted from central bank	(4,685)	(73)
From amounts owed to financial institutions	(13,072)	(101,808)
From amounts due to customers	(41,057)	(75,744)
From debt securities issued	(7,067)	(10,063)
	(65,881)	(187,688)
	198,373	**136,927**

Net interest income by portfolio

(EUR '000)	31 Dec 2009	31 Dec 2008 Reclassified
Interest income		
Financial assets at fair value through profit or loss	55,755	132,726
Held-to-maturity investments	23,969	8,038
Available-for-sale financial assets	11,991	3,711
Loans and other receivables	172,539	180,140
	264,254	324,615
Interest expense		
Financial liabilities at fair value through profit or loss	(14,612)	(102,466)
Other liabilities	(51,269)	(85,222)
	(65,881)	(187,688)
	198,373	**136,927**

As at 31 December 2009 the Group reported interest income from impaired loans in the amount of EUR 8.6 million (2008: EUR 5.5 million).

25. NET FEE AND COMMISSION INCOME

(EUR '000)	31 Dec 2009	31 Dec 2008 Reclassified
Fee and commission income		
Payment cards	5,000	4,390
System of payments	6,076	9,428
Maintenance of loan, current accounts and term deposits	18,887	17,167
Administration and custody of securities and brokerage services	1,328	2,524
E-banking	504	445
Mutual fund fees	5,487	5,690
Pension fund administration fees	1,209	1,348
Insurance	4,844	4,918
Other	1,863	2,224
	45,198	48,134
Fee and commission expense		
Payment cards	(2,363)	(1,360)
System of payments	(179)	(490)
Administration and custody of securities and brokerage services	(1,572)	(1,095)
Deposits	(5,751)	(4,542)
Insurance	(2 394)	(2 489)
Other	(2 565)	(3 427)
	(14,824)	(13,403)
	30,374	**34,731**

26. NET TRADING RESULT

(EUR '000)	31 Dec 2009	31 Dec 2008 Reclassified
Gain from securities	13,244	4,927
Gain from foreign exchange transactions	28,453	128,670
Gain from commodity transactions	241	211
Loss from FX derivatives	(32,038)	(90,144)
Loss from interest rate derivatives	(19,437)	(16,271)
Gain/(Loss) from other transactions	468	(796)
	(9,069)	**26,597**

Net trading result by portfolio

(EUR '000)	31 Dec 2009	31 Dec 2008 Reclassified
Financial assets and liabilities at fair value through profit or loss	(16,531)	8,003
Available-for-sale financial assets	(56)	-
Loans, other receivables and other liabilities	7,518	18,594
	(9,069)	**26,597**

27. OTHER OPERATING INCOME

(EUR ’000)	31 Dec 2009	31 Dec 2008 Reclassified
Re-invoiced services	534	479
Rent (safe deposit vaults)	65	48
Income from financial operations	683	736
Operating lease	3,274	6,009
Other operating activities	2,380	1,145
	6,936	**8,417**

28. PERSONNEL EXPENSES

(EUR ’000)	31 Dec 2009	31 Dec 2008
Wages and salaries	(58,586)	(53,736)
Other staff expenses	(939)	(868)
	(59,525)	**(54,604)**

The number of employees of ČSOB Group SR at 31 December 2009 was 2,567, thereof 292 managers (2008: 2,162, thereof 233 managers).

Remuneration to the management is provided if accruals or other resources were created and the conditions of the Internal Remuneration Policy of ČSOB Group SR were met, mainly: annual bonus for 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 KPI/MBO.

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 SR provides contributions to the supplementary pension scheme on a monthly basis to all of its employees including top management. The contribution is calculated on the basis of the monthly salary as follows:

a) Employer – 2 % of salary base if the employee’s contribution is from 1 to 1.99 % of salary base,
b) Employer – 3 % of salary base if the employee’s contribution is 2 % and more of salary base.

29. OTHER OPERATING EXPENSES

(EUR ’000)	**31 Dec 2009**	**31 Dec 2008 Reclassified**
Building expenses	(12,697)	(10,912)
Communications and information technologies	(29,751)	(26,986)
Promotions and advertising	(5,950)	(9,172)
Transfer of valuable consignments	(675)	(739)
Insurance	(615)	(503)
Materials consumption	(1,442)	(1,735)
Maintenance of equipment	(1,051)	(1,041)
Taxes and fees	(1,398)	(1,298)
Car leasing	(4,729)	(1,851)
Rental expenses	(1,666)	(1,640)
External services	(2,446)	(2,410)
Audit and advisory	(3,764)	(1,863)
including: Statutory Financial Statements audit expenses	(218)	(204)
Tax consulting audit expenses	-	-
Other audit expenses (including group reporting)	(332)	(307)
Costs of payment cards	(804)	(381)
Travel expenses	(419)	(789)
Other operating expenses	(4,188)	(4,603)
	(71,595)	**(65,923)**

30. TAXATION

The income tax structure is as follows:

(EUR ’000)	**31 Dec 2009**	**31 Dec 2008**
Current tax	13,877	21,762
Deferred tax	(11,706)	(12,676)
	2,171	**9,086**

Below is a reconciliation of current tax and the theoretical amount, applying the effective tax rate:

(EUR ’000)	**31 Dec 2009**	**31 Dec 2008**
Profit before tax	(14,257)	53,867
Tax rate	19%	19%
Tax expense calculated using applicable tax rates	(2,709)	10,235
Changes in tax legislation	-	(1,356)
Permanent differences between tax and accounting expenses and revenues	3,795	207
Utilisation of the tax losses for which deferred tax was not recognized	(227)	-
Additional tax expenses recognized for the prior year	1,312	-
	2,171	**9,086**

The deferred tax structure as at 31 December 2009 is as follows:

(EUR '000)	**Temporary differences**	**Deferred tax asset**	**Deferred tax liability**	**Net**
Loans and advances to customers – tax non-deductible provisions to customers	135,568	25,758	-	**25,758**
Accrual for unpaid bonuses	8,405	1,597	-	**1,597**
Tangible and intangible assets	1,873	-	(356)	**(356)**
Tax losses of previous periods	1,626	309	-	**309**
Available-for-sale financial assets	10,158	-	(1,930)	**(1,930)**
Other	11,363	2,159	-	**2,159**
	168,993	**29,823**	**(2,286)**	**27,537**

The deferred tax structure as at 31 December 2008 is as follows:

(EUR '000)	**Temporary differences**	**Deferred tax asset**	**Deferred tax liability**	**Net**
Loans and advances to customers – provisions to customers	13,764	-	(2,616)	**(2,616)**
Loans and advances to customers – tax non-deductible provisions to customers	34,890	6,630	-	**6,630**
Accrual for unpaid bonuses	6,892	1,309	-	**1,309**
Tangible and intangible assets	5,343	1,015	-	**1,015**
Available-for-sale financial assets	202	-	(38)	**(38)**
Other	30,368	5,770		**5,770**
	91,459	**14,724**	**(2,654)**	**12,070**

31. RELATED PARTIES

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

A number of banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates.

Significant balances of transactions with related parties as at 31 December 2009 were as follows:

	31 Dec 2009		**31 Dec 2008**	
(EUR '000)	**KBC Bank N.V.**	**KBC Group**	**KBC Bank N.V.**	**KBC Group**
Loans and advances to financial institutions	560	1,082	2,602	1,879
Financial assets at fair value through profit or loss	50,653	83,899	81,129	62,302
Loans and advances to customers	-	44	-	-
Other assets	-	828		
Amounts owed to financial institutions	341,884	20,985	420,487	82,424
Financial liabilities at fair value through profit or loss	128,254	3,072	2,147,809	6,055
Amounts owed to customers	-	16,325	-	-
Debt securities issued	-	36,945	-	31,866
Other liabilities including tax liabilities	156	2,530	150	1,321
Subordinated debt	14,937	-	-	-

Expenses and incomes from transactions with related parties for 2009 were as follows:

	31 Dec 2009		**31 Dec 2008 Reclassified**	
(EUR '000)	**KBC Bank N.V.**	**KBC Group**	**KBC Bank N.V.**	**KBC Group**
Interest income	1,704	23,282	1,080	760
Fee and commission income	237	4,225	-	-
Other operating income	-	251	-	-
Interest expense	8,420	3,362	87,156	2,870
Fee and commission expense	384	87	323	304
Other operating expense	156	13,565	617	13,356

At 31 December 2009, total guarantees received from related parties represent EUR 194,443 thousand (2008: EUR 210,214 thousand). From that ČSOB Group SR received in 2009 a guarantee from KBC BANK DEUTSCHLAND in the amount of EUR 2,999 thousand (2008: EUR 3,370 thousand).

At 31 December 2009, guarantees issued by ČSOB Group SR towards related parties are in the amount of EUR 822 thousand (2008: EUR 831 thousand).

As at 31 December 2009 and 31 December 2008, ČSOB Group SR did not create any provision for doubtful debts towards related parties.

Transactions with key management personnel

Loans granted to members of the Board of Directors and Supervisory Board represent as at 31 December 2009 amount of EUR 512 thousand (2008: EUR 341 thousand). Deposits from members of the Board of Directors and Supervisory Board as at 31 December 2009 amounted to EUR 296 thousand (2008: EUR 44 thousand).

Personnel expenses of senior management for the year ended 31 December 2009 were EUR 1,739 thousand (2008: EUR 1,812 thousand). These personnel expenses include total salaries and social expenses of members of the Board of Directors and Supervisory Board, which are regulated by Internal Remuneration Policy of ČSOB Group SR.

32. DERIVATIVE FINANCIAL INSTRUMENTS

ČSOB Group SR uses derivative financial instruments for trading purposes. Financial derivatives include swap, forwards 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 particular time or over a period in the future.

Credit risk associated with derivative financial instruments

By utilising derivative financial instruments, ČSOB Group SR 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 SR 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 SR minimises credit risk through credit approvals, limits and monitoring procedures. In addition, ČSOB Group SR obtains collateral where appropriate and uses bilateral master netting arrangements. There are no significant credit risk exposures in derivatives outside the standard international investment banking which is usually used in trading and managing banking risks.

The maximum credit risk on the 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. The 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.

Available-for-sale derivative financial instruments

The trading activities of ČSOB Group SR primarily involve providing its customers with various derivative products and managing trading positions on its own account. Trading derivatives also include those derivatives which are used for asset and liability management (ALM) purposes to manage the interest rate position of the banking Book and which do not meet the criteria for hedge accounting. For these purposes, ČSOB Group SR uses single currency interest rate swaps to convert fixed rate assets to floating rates, cross-currency interest rate swaps for transfer of cash flows in one currency to cash flows in another currency structure in a corresponding manner so that their maturity meet the respective liabilities, or FX swaps to exchange a particular currency.

ČSOB Group SR minimizes its market risk when option contracts are traded through back-to-back sales.

The contract or notional amounts and positive and negative fair values of the Group's outstanding derivative trading positions as at 31 December 2009 and 31 December 2008 are shown below. The contract or nominal amounts represent the volume of outstanding transactions at one particular point in time; they do not represent the potential for gain or loss associated with the market risk or credit risk of such transactions.

	Nominal values		Fair values	
(EUR '000)	**Receivables**	**Liabilities**	**Positive**	**Negative**
Derivative instruments as at 31 Dec 2009				
FX contracts				
FX forwards	41,783	42,471	159	777
FX swaps	294,755	295,951	1,222	2,654
FX options	209,184	209,184	2,276	2,233
Interest rate contracts				
FRA	545,000	545,000	722	451
Interest rate swaps	3,912,181	3,912,181	113,514	144,417
Cross-currency interest rate swaps	69,780	92,792	575	23,267
Interest rate options	296,686	296,686	3,218	3,213
Term transactions with securities	148	148	-	14
Commodity contracts				
Commodity swaps and options	75,889	75,889	2,005	1,977

	Nominal values		Fair values	
(EUR '000)	**Receivables**	**Liabilities**	**Positive**	**Negative**
Derivative instruments as at 31 Dec 2008				
FX contracts				
FX forwards	378,736	376,807	5,078	3,203
FX swaps	738,401	744,349	1,432	7,961
FX options	178,338	178,338	3,782	3,782
Interest rate contracts				
FRA	452,776	452,776	440	1,705
Interest rate swaps	4,921,544	4,921,544	100,666	113,743
Cross-currency interest rate swaps	461,884	488,324	5,694	31,053
Interest rate options	361,318	361,318	2,657	2,657
Term transactions with securities	790	790	-	42
Commodity contracts				
Commodity swaps and options	32,235	32,235	6,086	6,050

33. FAIR VALUE OF ASSETS AND LIABILITIES

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

a) Fair values of financial assets and liabilities measured at amortized cost

The fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction. In those cases where market prices were available, they were used in measurement, otherwise internal valuation models were applied, in particular the discounted cash flows method.

In the following table, the fair values of the balance sheet items are compared with the carrying amounts:

	Carrying amount	**Fair value**
(EUR '000)	**2009**	**2009**
Financial assets		
Loans and advances to financial institutions	21,069	21,554
Loans and advances to customers	3,311,233	3,359,700
Held-to-maturity investments	606,272	607,997
Financial liabilities		
Amounts owed to financial institutions	455,616	456,086
Amounts owed to customers	3,500,726	3,510,158
Debt securities issued	252,240	245,113
Subordinated debt	14,982	14,937

Loans and advances to financial institutions

The carrying values of current account balances are, by definition, equal to their fair values. The fair values of term placements with banks are estimated by discounting their future cash flows using the current inter-bank market rates. The majority of loans are repaid within relatively short time periods; it is assumed, therefore, that their carrying values approximate to their fair values.

Loans and advances to customers

The substantial majority of loans and advances to customers are settled for relatively short time period and therefore it is assumed, that their carrying values approximate to their fair values. The fair values of fixed-rate loans to customers are estimated by discounting their future cash flows using the current market rates.

Held-to-maturity investments

Fair values for held-to-maturity securities are based on the quoted market prices. These quotes are obtained from the relevant exchanges, if the exchange activity for the particular security is considered sufficiently liquid, or from reference rates averaging the market-maker quotes. If no quoted market prices are available, fair values are estimated from the quoted market prices of comparable instruments.

Amounts owed to financial institutions

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 are estimated by discounting their future cash flows using the current inter-bank market rates.

Amounts owed to customers

The fair values of current accounts and term deposits with one year or less remaining to maturity approximate to their carrying values. The fair values of other term deposits are estimated by discounting their future cash flows using the rates currently on offer for deposits with similar remaining maturities.

Debt securities issued

Mortgage bonds issued are publicly traded and their fair values are based upon the quoted market prices. The carrying values of promissory notes and certificates of deposit approximate to their fair values.

Subordinated debt

The fair value of subordinated debt is calculated based on discounted future cash flows using current market rates.

b) Financial assets and liabilities measured at fair value

ČSOB Group SR uses following hierarchy for determination and presentation of fair value of financial instruments:

Level 1 – fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – fair value measurements derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The following table represents analysis of financial assets and liabilities recognised at fair value based on their fair value hierarchy as at 31 December 2009:

(EUR '000)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Loans and advances to financial institutions	48,532	116,145	-	164,677
Bank bonds	8,417	58,896	-	67,313
Government bonds	385,169	264,484	-	649,653
Other bonds	-	1,238	-	1,238
Financial derivatives held for trading	-	123,691	-	123,691
				1,006,572
Available-for-sale financial assets				
Bank bonds	-	5,889	-	5,889
Government bonds	174,774	322,980	-	497,754
Government treasury bills	-	29,842	-	29,842
Other bonds	-	410	-	410
Shares and participation certificates	864	-	-	864
				534,759
Total financial assets				**1,541,331**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Term deposits - banks	-	145,030	-	145,030
Term deposits – non banking customers	-	63,777	-	63,777
Loans received from central bank	-	456,574	-	456,574
Financial derivatives held for trading	-	179,003	-	179,003
Total financial liabilities				**844,384**

In 2009 there were no significant transfers between Level 1 and Level 2.

Value & Capital, ALM and Market Risk Management Section is responsible for determination of valuation techniques of financial assets and liabilities at fair value through profit or loss.

This department is also responsible for control process of parameters used in valuation techniques and monitoring of the correct implementation of valuation methods on a quarterly basis. Implementation of valuation methods is performed by the Financial Market Middle Office Section. All responsibilities are organised in the manner which guarantees the independence of entire valuation process.

The best indicator of fair value is price from 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 mainly 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.

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

Debt securities
ČSOB Group SR classifies debt securities at level 1, if ČSOB Group SR has available inputs from Reuters or Bloomberg quotations.

If there is no available quotation from these sources, ČSOB Group SR uses external valuations:

- valuation of domestic government securities is based on the yield to maturity of comparable securities issued by NBS
- valuation of other securities is based on the swap curve adjusted by the related credit spread of an identical security of the issuer or an identical security of the issuer's parent company

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 the Group, which calculates present value (cash flows discounted using inter-bank yield curves).

Shares
Shares represent investments with a share of less than 20% of the share capital and voting rights. They are valued at fair value valid for available-for-sale securities. Those investments which do not have quoted market price in an active market and whose fair value cannot be reliably measured, are accounted using the cost method.

34. ČSOB GROUP SR RISKS

Risk is inherent in the 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 the Group's continuing profitability. Each individual within ČSOB Group SR is accountable for the risk exposures relating to his or her responsibilities. ČSOB Group SR is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risk. ČSOB Group SR is also subject to operational risk.

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).

Based on NBS Regulation no. 12/2004 about risks and system of risk management and NBS Regulation no. 15/2006, ČSOB Group SR implemented strategy of risk management, which consists of the following component strategies: liquidity risk management, market risk management of Banking Book and Trading Book, credit risk management, operational risk management, ICAAP management. The risk management strategy includes main objectives and principles of risk management of ČSOB Group SR and this strategy is reassessed once a year at minimum and approved by the Board of Directors.

34.1. Risk management structure and basic assumptions

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

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

– Involvement of the Group's top bodies in the risk management process.
– The activities of specialised committees and independent departments involved in risk management at the overall level of ČSOB Group SR.
– Primary risk management within departments and organisational units.

The organisational structure of senior bodies and committees for risk management is as follows:

Board of Directors

The Board of Directors is fully responsible for the overall risk management approach and for approving risk management strategies and principles.

Supervisory Board

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

Audit Committee (AC)

The audit Committee is an advisory committee for the Supervisory Board. This advisory board performs supervision of the integrity and effectiveness of internal control measures, risk management and correctness of financial reports on behalf of Board of Directors. The Audit Committee also monitors the conformity of the Group's processes with legal requirements.

Asset and Liability Committee (ALCO)

The ALCO has overall responsibility for the development of the market and liquidity risk strategy and implementing principles, frameworks, policies and limits for the Group's investment portfolio. It is responsible for fundamental (interest rate, foreign currency, equity and commodity) risk issues and manages and monitors the respective risk decisions.

Financial Markets Committee (FMC)

The FMC has overall responsibility for the development of market risk strategy, the implementation of principles, frameworks, policies and limits for Trading Book risk management. The FMC makes fundamental decisions related to market risks (interest risk, foreign exchange rate risk, equity risk, commodity risk) of the Trading Book, management and monitoring of these risks.

Credit Risk Committee (CRC)

The CRC aims at identifying, measuring, monitoring and managing interest rate risks resulting from the Group's interest rate-related activities and products. The CRC has overall responsibility for the development of the credit risk strategy and for implementing principles, frameworks, policies and limits. It is responsible for fundamental risk issues and manages and monitors the respective risk decisions.

Credit Committee (CC)

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

Operational Risk Committee (ORC)

The ORC has overall responsibility for development of the operational risk strategy and implementing principles, frameworks, policies and limits. It is responsible for fundamental operational risk issues as well as management and monitoring of the respective risk decisions.

Business Continuity Management Committee (BCMC)

The BCMC is responsible for the management, implementation, testing and monitoring of plans for business continuity and emergency plans, integration and coordination of business continuity strategy. The Committee is also responsible for crisis management in event of operations distortions, accidents and emergency situations.

<u>Other risk management bodies:</u>

Value and Risk Management Unit (VRM)

The VRM is responsible for implementing and maintaining risk-related procedures to ensure an independent control process (with the exception of credit risk). The Value and Risk Management Unit is also responsible for monitoring compliance with risk principles, policies and limits across ČSOB Group SR as well as for the independent control of risks (except for credit risk), including monitoring the risk of exposure against limits and the assessment of risk from new products and structured transactions. This unit also ensures the full capture of risk in the risk measurement and reporting systems.

Credit Risk Management Unit (CRM)

The Credit Risk Management Unit is responsible for implementing and maintaining credit risk-related procedures to ensure an independent control process. The Credit Risk Management Unit is also responsible for monitoring compliance with credit risk principles, policies and limits across ČSOB Group SR.

Asset and Liability Management Unit (ALM)

The Group's ALM Unit is responsible for managing the assets and liabilities in the Group's investment portfolio. It is also primarily responsible for the funding and liquidity risks of ČSOB Group SR.

Financial Markets (FM)

The Group's FM Unit is responsible for managing assets and liabilities in the Group's Trading Book.

Internal Audit

The risk management processes throughout ČSOB Group SR are audited annually by the Internal Audit function, which scrutinises both the adequacy of the procedures and the Group's compliance with them. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk reporting and measurement systems

The 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 SR also runs worst-case scenarios such as might arise in the case of the unlikely occurrence of extreme events.

Monitoring and controlling risk is performed primarily on the basis of limits established by ČSOB Group SR. These limits reflect the business strategy and market environment of ČSOB Group SR, as well as the level of risk that ČSOB Group SR is willing to accept. In addition, ČSOB Group SR 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 in order to analyse, control and identify risks as they arise. This information is presented and explained to the Group's Board of Directors and relevant risk management committees.
The reports include aggregate credit exposure, hold limit exceptions, Value at Risk (VaR) analyses, interest rate sensitivities, interest rate gaps, liquidity ratios and risk profile changes. Once a quarter, the Supervisory Board receives a comprehensive risk report designed to provide all the information necessary to assess and conclude on the risks of ČSOB Group SR.

A daily report is made to the Board of Directors and all other relevant members of ČSOB Group SR on the use of market limits and analysis of VaR in the Trading Book. A report on interest rate sensitivities and liquidity in the non-trading book is submitted on a weekly basis.

Risk mitigation

As part of its overall risk management, ČSOB Group SR 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.

The Group's risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within ČSOB Group SR. The effectiveness of hedges is assessed by the Middle Office (based on economic considerations rather than on the IFRS hedge accounting criteria). The effectiveness of all hedge relationships is monitored by the Unit on a quarterly basis. In situations of ineffectiveness, ČSOB Group SR will enter into a new hedge relationship to mitigate risk on an ongoing basis. Currently, ČSOB Group SR does not make use of hedging transactions as defined in IFRS.

Excessive risk concentration

Concentrations arise when a number of 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 the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the 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 SR to manage risk concentrations at both the relationship and industry levels.

34.2. Credit risk

Credit risk is the risk of loss in the event that its customer, client or counterparty fails to meet its obligations to ČSOB Group SR resulting from a contractual relationship. ČSOB Group SR manages and checks 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 SR regularly monitors exposures in connection with individual limits.

ČSOB Group SR 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 the use of 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 SR to assess the potential loss to which it is exposed as a result of the risk and to take corrective action.

Corporate and large SME customers

ČSOB Group SR has implemented internal rating models/tools within the credit process for corporate customers, SMEs, municipalities, housing cooperatives and other customers. The models were developed and constructed in compliance with the Basel II regulations. ČSOB Group SR plans to issue a request for approval of its internal rating approach.

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 (e.g. a client carrying 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 Bad Debts Unit.

Validation of the model is performed by an independent unit from the Risk Management Unit and ultimately approved by the KBC Group Model Committee. The whole "model lifecycle" is defined in the KBC Model Management Framework unified for the KBC Group.

ČSOB Group SR applies models developed by the KBC Group to assess the quality of sovereign and banking counterparties. These models are also validated in KBC.

Credit acceptance process

The acceptance process for Corporate and large SME customers is organised in three stages. In the first stage, the relationship manager of the introducing entity prepares a written credit proposal. In the second stage, an advisor independent of the business line (i.e. reporting to Credits) screens the proposal and prepares a recommendation. Credit files that carry only a limited expected loss can be approved by a Head of a Corporate Branch. Finally, a 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 SR 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. The new rating models were integrated into specialised rating tools which can also be used for pricing purposes.

Retail and small SME customers

ČSOB Group SR uses the Internal Rating Based (IRB) approach to calculate internal capital requirement (ICAAP). The approach includes the development of score-models for retail portfolios within ČSOB Group SR, estimates of key parameters such as 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. Score-models are used in the application process so that they influence the incoming population. All models have to follow the standards maintained within the KBC Group and have to be approved by the ČSOB Group SR Credit Risk committee and the respective KBC Group Model committee.

Credit acceptance process

The retail acceptance process is based on a number of scoring models (scorecards) that influence the loan portfolio quality. The retail acceptance process also uses access to external data sources (Credit Register) that bring additional information about a client's risk profile. Each acceptance process runs on a score-model developed in-house as long as the data history allows it. 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.

Portfolio risk management

A number of loss-predicting models are used to manage the risk of the major 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 the score-models implemented in tandem with management techniques significantly reduces the credit risk undertaken within retail portfolios.

Derivative financial instruments

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

Credit risk-related receivables

ČSOB Group SR grants its customers guarantees that may result in a requirement for ČSOB Group SR to make payments on their behalf. Such payments are collected from customers on the terms of a letter of credit. They expose ČSOB Group SR 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 gross, without taking into account any collateral and other credit risk mitigation tools.

(EUR '000)	**31 Dec 2009**	**31 Dec 2008**
Cash and balances with central bank	153,651	193,702
Financial assets at fair value through profit or loss	1,006,572	3,822,666
Available-for-sale financial assets	534,759	101,502
Loans and advances to financial institutions	21,069	85,516
Loans and advances to customers	3,311,233	2,585,345
Held-to-maturity investments	606,272	397,895
Other assets	19,807	32,423
Total	**5,653,363**	**7,219,049**
Contingent liabilities	176,494	271,576
Undrawn credit limits provided	1,207,501	890,983
Total	**1,383,995**	**1,162,559**
Total credit risk exposure	**7,037,358**	**8,381,608**

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

Concentration risk in terms of credit risk

Concentration risk is monitored by client/counterparty, geographical region and industry sector.
The maximum credit exposure to a client or a counterparty as at 31 December 2009 was EUR 174,005 thousand (31 December 2008: EUR 174,022 thousand) before taking collateral or other credit enhancements into account and EUR 80,255 thousand (31 December 2008: EUR 74,022 thousand) with them taken into account.

The 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 2009**	**31 Dec 2008**
Slovak Republic	6,519,427	7,915,361
Belgium	56,463	90,710
Czech Republic	194,760	98,299
Other	266,708	277,238
	7,037,358	**8,381,608**

Maximum credit risk exposure

The maximum credit risk exposure of ČSOB Group SR as at 31 December 2009 is presented in the following table::

(EUR '000)	**Exposure**	**Impairment losses and provisions**	**Net carrying amount**
Cash and balances with central bank	153,651	-	153,651
Financial assets at fair value through profit or loss	1,006,572	-	1,006,572
Available-for-sale financial assets	535,386	(627)	534,759
Loans and advances to financial institutions	21,204	(135)	21,069
Loans and advances to customers	3,560,679	(249,446)	3,311,233
from that:			
Public administration	*32,437*	*(2)*	*32,435*
Corporate	*2,098,454*	*(164,951)*	*1,933,503*
Retail	*1,429,788*	*(84,493)*	*1,345,295*
Held-to-maturity investments	606,446	(174)	606,272
Other assets	20,900	(1,093)	19,807
Total	**5,904,838**	**(251,475)**	**5,653,363**
Off balance sheet liabilities	**1,386,759**	**(2,764)**	**1,383,995**
Total credit risk exposure	**7,291,597**	**(254,239)**	**7,037,358**

The maximum credit risk exposure of ČSOB Group SR as at 31 December 2008 is presented in the following table:

(EUR '000)	**Exposure**	**Impairment losses and provisions**	**Net carrying amount**
Cash and balances with central bank	193,702	-	193,702
Financial assets at fair value through profit or loss	3,822,666	-	3,822,666
Available-for-sale financial assets	102,129	(627)	101,502
Loans and advances to financial institutions	85,655	(139)	85,516
Loans and advances to customers			
from that:	2,738,563	(153,218)	2,585,345
Public administration	*15,236*	*(12)*	*15,224*
Non credit institutions	*26,067*	-	*26,067*
Corporate	*1,638,433*	*(102,077)*	*1,536,356*
Retail	*1,058,827*	*(51,129)*	*1,007,698*
Held-to-maturity investments	397,895	-	397,895
Other assets	33,715	(1,292)	32,423
Total	**7,374,325**	**(155,276)**	**7,219,049**
Off balance sheet liabilities	**1,164,438**	**(1,879)**	**1,162,559**
Total credit risk exposure	**8,538,763**	**(157,155)**	**8,381,608**

Credit risk based on quality of financial assets

Quality of financial assets from view of credit risk is managed based on internal ratings.

The net carrying amount of financial assets according to risk categories as at 31 December 2009 is presented in the following table:

(EUR '000)	Unimpaired	Impaired: Individually insignificant	Impaired: Individually significant	Total	*thereof defaulted*
Cash and balances with central bank	153,651	-	-	153,651	-
Financial assets at fair value through profit or loss	1,006,572	-	-	1,006,572	-
Available-for-sale financial assets	533,895	-	864	534,759	-
Loans and advances to financial institutions	21,069	-	-	21,069	-
Loans and advances to customers	3,211,363	51,815	48,055	3,311,233	99,870
from that:					
Public administration	*32,435*	-	-	*32,435*	-
Corporate	*1,877,492*	*9,536*	*46,475*	*1,933,503*	*56,011*
Retail	*1,301,436*	*42,279*	*1,580*	*1,345,295*	*43,859*
Held-to-maturity investments	606,022	-	250	606,272	-
Other assets	19,807	-	-	19,807	-
Total	**5,552,379**	**51,815**	**49,169**	**5,653,363**	**99,870**
Off balance sheet liabilities	**1,383,995**	-	**-**	**1,383,995**	-
Total credit risk exposure	**6,936,374**	**51,815**	**49,169**	**7,037,358**	**99,870**

The net carrying amount of financial assets according to risk categories as at 31 December 2008 is presented in the following table:

		Impaired			
(EUR ’000)	**Unimpaired**	**Individually insignificant**	**Individually significant**	**Total**	***thereof defaulted***
Cash and balances with central bank	193,702	-	-	193,702	-
Financial assets at fair value through profit or loss	3,822,666	-	-	3,822,666	-
Available-for-sale financial assets	101,355	-	147	101,502	-
Loans and advances to financial institutions	85,516	-	-	85,516	-
Loans and advances to customers					
from that:	2,563,414	16,555	5,376	2,585,345	21,931
Public administration	*15,224*	-	-	*15,224*	-
Non credit institutions	*26,067*	-	-	*26,067*	-
Corporate	*1,526,794*	*4,746*	*4,816*	*1,536,356*	*9,562*
Retail	*995,329*	*11,809*	*560*	*1,007,698*	*12,369*
Held-to-maturity investments	397,895	-	-	397,895	-
Other assets	32,423	-	-	32,423	-
Total	**7,196,971**	**16,555**	**5,523**	**7,219,049**	**21,931**
Off balance sheet liabilities	**1,162,559**	-	-	**1,162,559**	-
Total credit risk exposure	**8,359,530**	**16,555**	**5,523**	**8,381,608**	**21,931**

The main considerations for loan impairment assessment include whether any payments of principal 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. ČSOB Group SR addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

ČSOB Group SR 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 the Group’s management), unless extraordinary or unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances 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 as yet any objective evidence of individual impairment.

The collective assessment takes account on 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, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for up to one year. The impairment allowance is then reviewed by the credit management to ensure its alignment with the Group's overall policy.

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

Ageing analysis of financial assets past due date but not considered as impaired

The table shows an ageing analysis of the Group's net overdue but not impaired loans and receivables as at 31 December 2009:

(EUR '000)	Due	Past due from 1 to 30 days	Past due from 31 to 90 days	Total
Public administration	32,114	243	78	32,435
CORPORATE	1,740,953	111,093	25,446	1,877,492
RETAIL	1,178,486	91,124	31,826	1,301,436
Total	**2,951,553**	**202,460**	**57,350**	**3,211,363**

The table shows an ageing analysis of the Group's net overdue but not impaired loans and receivables as at 31 December 2008:

(EUR '000)	Due	Past due from 1 to 30 days	Past due from 31 to 90 days	Total
Public administration	15,224	-	-	15,224
Non credit institutions	26,067	-	-	26,067
CORPORATE	1,415,042	87,711	24,041	1,526,794
RETAIL	910,417	64,604	20,308	995,329
Total	**2,366,750**	**152,315**	**44,349**	**2,563,414**

As at 31 December 2009, in the segment RETAIL collateral was accepted for overdue but not impaired financial assets in the amount of EUR 1,056.4 million and in segment CORPORATE in the amount of EUR 730.9 million.

The credit quality of loans and advances to customers, that are neither past due nor impaired, as at 31 December 2009 are as follows:

(EUR '000) **Rating**	**Net carrying amount**
1 – 4	856,170
5 – 7	592,004
8 – 9	47,483
Undefined (collectively assessed)	1,455,896
Total	**2,951,553**

Collateral and other credit enhancements

(EUR '000)	**2009**	**2008**
Real estates	1,495,982	823,862
Securities	19,337	931
Cash and cash equivalents	78,910	28,178
Bank guarantees	218,060	218,497
Other	901,923	1,114,058
Total	**2,714,212**	**2,185,526**

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

ČSOB Group SR accepted guarantees from its parent company and other subsidiaries within KBC Group for credit risk mitigation of the Group and for third parties (Note no. 31).

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

Restructuring loans

As at 31 December 2009 ČSOB Group SR recorded in the CORPORATE segment restructuring loans in the amount of EUR 67.6 million. In the RETAIL segment ČSOB Group SR recorded as at 31 December 2009 restructuring loans in the amount of EUR 11.1 million.

Collateral realization

ČSOB Group SR 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. In 2009 the Group did not acquire any assets other than cash from the realization of collateral.

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 in order to be informed of realization of the collateral by ČSOB Group SR. If the client is amenable to cooperation in resolving this problem, the Group usually proposes that the real estate be sold under conditions which it specifies (price, legal terms, etc.).

Otherwise, ČSOB Group SR frequently enters into contracts with external auction companies. An auction company holds an auction after which the Group obtains the funds acquired, without any charges and fees for the auction company. Subsequently, this amount is used to settle the respective receivable due from the client.

Collateral realization in the NON-RETAIL segment

In the non-retail segment, ČSOB Group SR 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 the Group's assets but ČSOB Group SR implements their sale.

34.3. Liquidity risk and funding management

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

ČSOB Group SR limits this risk through the proper structure of the balance sheet, with respect to the quality and maturity of assets and liabilities and through stabilization and diversification of financial resources. Except for stabile source of primary deposits, the Group has also available secondary financial resources to keep sufficient liquidity level. ČSOB Group SR creates and maintains regular contacts with clients and other counterparties, important for the Group in view of liquidity, regularly reviews reliability of individual financial sources and availability of first class collaterals for additional financing.

The medium term and long term liquidity position of ČSOB Group SR is assessed and managed under liquidity scenarios. Basic scenario reflects the expected trend in internal and external liquidity conditions (standard development in assets and liabilities of ČSOB Group SR is expected), stress scenario includes various stress factors related to ČSOB Group SR and also financial market. Short term liquidity is monitored through liquidity ratios. Short term liquidity risk resulted from actual assets and liabilities of ČSOB Group SR. The most important ratios for ČSOB Group SR are:

1. **The Liquid asset indicator is a** ratio defined by NBS Regulation no. 5/2009. It is defined as total liquid assets divided by volatile liabilities. The ratio should not decrease below 1,0.

Liquid asset indicator as at 31 Dec 2009	1.43
Average liquid asset indicator in 2009	1.25
Regulatory limit for liquid asset indicator	1.00

2. **The Loan-to-Deposits ratio (LtD)** represents internal liquidity ratio, defined and approved by KBC Group Board of Directors on 18 November 2008. The ratio is defined as total volume of granted loans to total volume of primary deposits received. Limit for this ratio is 100 %.

ČSOB Group SR met the requirement for LtD limit as at 31 December 2009.

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

The following table shows the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities. The table includes both interest and principal cash flows. The principal cash flows are the best estimates using average effective yields.

(EUR '000) 31 Dec 2009	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)	109,233	168,677	389,114	1,123	-	668,147
Amounts owed to financial institutions	311,844	26,051	35,969	73,452	14,495	461,811
Amounts owed to customers	2,719,690	383,970	230,621	174,054	4,350	3,512,685
Debt securities issued	16,617	1,970	56,705	174,281	16,742	266,315
Subordinated debts	-	-	15,147	-	-	15,147
Total financial liabilities	**3,157,384**	**580,668**	**727,556**	**422,910**	**35,587**	**4,924,105**

(EUR '000) 31 Dec 2008	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)	2,823,770	124,093	30,006	-	-	2,977,869
Amounts owed to financial institutions	699,584	1,962	20,459	58,463	19,383	799,851
Amounts owed to customers	2,077,289	128,731	315,142	56,492	4,265	2,581,919
Debt securities issued	89,401	26,449	34,172	146,077	-	296,099
Total financial liabilities	**5,690,044**	**281,235**	**399,779**	**261,032**	**23,648**	**6,655,738**

34.4. Market risk

Market risk for financial instruments in the 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 SR classifies exposures to market risk into either its trading (Trading Book) or non-trading portfolios (Banking Book). 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.

Market risk – Trading Book

The Group's Board of Directors defines the maximum acceptable level of risk by using VaR and BPV limits. ČSOB Group SR applies a VaR methodology to estimate market risk in the financial instruments recorded in the 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 SR 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 SR 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 ten working-day horizon. The adequacy and accuracy of the internal model is regularly evaluated using the results of back-tests performed on a daily basis.

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

In addition to the standard VaR calculations, ČSOB Group SR 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 SR. The set of predefined scenarios includes actual historical market shocks as well as artificially designated tests.

ČSOB Group SR 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 2009 is as follows:

(EUR '000)	Interest rate	FX	Effect of correlation	Global VaR total
31 December	2,539	2,042	(1,843)	2,738
Average	2,922	922	(788)	3,056
Max	4,402	2,194	-	5,029
Min	537	54	-	601

VaR summary as at 31 December 2008 is as follows:

(EUR '000)	Interest rate	FX	Effect of correlation	Global VaR total
31 December	4,287	609	(298)	4,598
Average	1,916	599	(469)	2,046
Max	4,357	3,287	-	4,756
Min	923	4	-	931

Risk management of Trading Book includes, except for 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.

Market risk –Banking Book

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 daily and hedging strategies are used to close potential open positions.

Sensitivity of ČSOB Group SR positions to the interest rate changes is described in the tables below.

The impact of interest rate changes on the non-tradable assets and liabilities is described by the sensitivity of the net interest income. The impact of interest rate changes on financial assets held for sale is expressed by the sensitivity of the consolidated statement of comprehensive income. Sensitivity of equity results from the revaluation of financial assets and liabilities held for sale. Shock parallel tests of the yield curve are used to measure sensitivity.

Sensitivity to change in interest rates as at 31 December 2009:

2009 (EUR '000)	**Growth in basis points**	**Net interest income sensitivity**	**Profit and loss sensitivity**	**Capital sensitivity**
EUR	+10	644	(1)	(1,633)
CZK	+10	3	(1)	-
USD	+10	(5)	(1)	-

Sensitivity to change in interest rates as at 31 December 2008:

2008 (EUR '000)	**Growth in basis points**	**Net interest income sensitivity**	**Profit and loss sensitivity**	**Capital sensitivity**
SKK	+10	(801)	(141)	(59)
CZK	+10	7	-	-
EUR	+10	(243)	226	-
USD	+10	(1)	-	-

FX risk

The FX 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 values for each currency are determined by the Group's Board of Directors. Positions are monitored daily and hedging strategies are used to close potential open currency positions.

Securities risk

ČSOB Group SR portfolio is not exposed to any securities risk.

34.5. Operational risk

Operational risk is defined as the risk of losses resulting from the unsuitability or failure of procedures, system defection, human errors, frauds or external events. Operational risk also includes legal and IT systems risk. In the event of failure, the reputation of ČSOB Group SR 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 controlling and monitoring actions and by actions taken against the possible risks.

Operational risk is managed by implementation of standards defined by the KBC group, evaluation and addressing the risk identified in banking processes and a proactive approach to potential risks.

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

35. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following table shows the distribution of assets, liabilities and equity to current (due within one year) and non-current (due over one year) based on expected settlement:

(EUR '000)	31 Dec 2009 Current	31 Dec 2009 Non-current	31 Dec 2009 Total	31 Dec 2008 Current	31 Dec 2008 Non-current	31 Dec 2008 Total
Assets						
Cash and balances with central bank	153,651	-	**153,651**	193,702	-	**193,702**
Financial assets at fair value through profit or loss	271,555	735,017	**1,006,572**	3,326,796	495,870	**3,822,666**
Available-for-sale financial assets	70,019	464,740	**534,759**	42,309	59,193	**101,502**
Loans and advances to financial institutions	16,587	4,482	**21,069**	52,146	33,370	**85,516**
Loans and advances to customers	1,231,859	2,079,374	**3,311,233**	992,898	1,592,447	**2,585,345**
Held-to-maturity investments	165,193	441,079	**606,272**	124,256	273,639	**397,895**
Current income tax assets	5,369	-	**5,369**	323	-	**323**
Deferred income tax assets	-	27,537	**27,537**	-	12,070	**12,070**
Property and equipment	-	104,469	**104,469**	-	75,266	**75,266**
Intangible assets	-	7,395	**7,395**	-	4,753	**4,753**
Other assets	17,466	2,341	**19,807**	24,287	8,136	**32,423**
Total assets	**1,931,699**	**3,866,434**	**5,798,133**	**4,756,717**	**2,554,744**	**7,311,461**
Liabilities and equity						
Financial liabilities at fair value through profit or loss	664,118	180,266	**844,384**	2,898,807	179,578	**3,078,385**
Amounts owed to financial institutions	371,857	83,759	**455,616**	687,284	94,351	**781,635**
Amounts owed to customers	3,323,386	177,340	**3,500,726**	2,511,795	60,866	**2,572,661**
Debt securities issued	70,050	182,190	**252,240**	150,765	138,651	**289,416**
Provisions	-	33,757	**33,757**	-	2,904	**2,904**
Other liabilities	84,493	7,101	**91,594**	28,334	20,037	**48,371**
Current income tax liabilities	-	-	**-**	8,845	-	**8,845**
Subordinated debt	14,982	-	**14,982**	-	-	**-**
Equity	-	604,834	**604,834**	-	529,244	**529,244**
Total liabilities and equity	**4,528,886**	**1,269,247**	**5,798,133**	**6,285,830**	**1,025,631**	**7,311,461**

36. CAPITAL

ČSOB Group SR actively manages the volume of its capital in accordance with NBS Regulation no. 4/2007 and NBS Regulation no. 17/2008 of capital adequacy so as to ensure that the minimal ratio between the Group's capital and the risk-weighted asset is 8 %.

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

ČSOB Group SR manages its capital structure regarding changes in economic environment and changes in risk profile of its activities. After merger with Istrobanka, a.s. from 1 July 2009, ČSOB Group SR took over additional funds in form of subordinated debt.

(EUR ’000)	**31 Dec 2009**	**31 Dec 2008**
Own funds	**604,322**	**487,316**
Core capital	***589,340***	***487,316***
Share capital	165,970	165,970
Share premium	484,726	484,726
Legal reserve fund	19,483	16,633
Retained earnings	159,042	40,902
Loss for the year	(16,428)	-
Software	(7,395)	(4,753)
Restructuring reserve fund	(216,162)	(216,162)
Deductible items	**-**	**-**
Investments to other financial institutions	-	-
Subordinated receivables	-	-
Supplementary funds	-	-
Additional funds	***14,982***	**-**

As at 31 December 2009 and 31 December 2008, ČSOB Group SR met the capital requirements of NBS.

37. 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 2009**	**31 Dec 2008**
Cash and balances with central bank	3	153,651	193,702
Loans and advances to financial institutions – current accounts and term deposits	6	11,619	31,667
Financial assets at fair value through profit or loss – loans to central bank	4	-	2,526,326
Financial assets at fair value through profit or loss – NBS treasury bills	4	-	298,792
Financial assets at fair value through profit or loss – government treasury bills	4	-	160,890
Financial assets at fair value through profit or loss – loans to commercial banks	4	164,677	142,090
		329,947	**3,353,467**

38. POST BALANCE SHEET EVENTS

From 31 December 2009, up to the date of issue of these financial statements there were no such events identified that would require adjustments to these financial statements.

This Consolidated Financial Statements were approved and authorized by the Board of Directors of ČSOB Group SR on 30 March 2010.

Daniel Kollár
Chief Executive Officer

Michal Štefek
Chief Financial and Risk Management Officer