Separate Financial Statements

for the year ended 31 December 2019

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

and Independent Auditor's Report

Table of contents

Table of contents 2

Independent Auditor's Report 3

Separate Statement of Financial Position at 31 December 2019 8

Separate Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019 9

Separate Statement of Changes in Equity for the year ended 31 December 2019 10

Separate Statement of Cash Flows for the year ended 31 December 2019 11

Notes to the Separate Financial Statements 12

1 Introduction 12
2 Significant accounting principles and methods 13
3 Cash, balances with central bank and other demand deposits with banks 27
4 Financial assets at fair value through profit or loss 27
5 Financial assets at fair value through other comprehensive income 27
6 Loans and receivables from financial institutions at amortised cost 28
7 Loans and receivables from customers at amortised cost 28
8 Debt securities at amortised cost 29
9 Investments in subsidiaries 30
10 Property and equipment 30
11 Intangible assets 31
12 Right of use assets 32
13 Assets held for sale 32
14 Other assets 33
15 Impairment losses and Provisions for off-balance sheet risks 34
16 Financial liabilities at fair value through profit or loss 39
17 Amounts owed to financial institutions at amortised cost 39
18 Amounts owed to customers at amortised cost 39
19 Debt securities issued at amortised cost 39
20 Subordinated debt 41
21 Provisions 41
22 Other liabilities 42
23 Overview of contingent liabilities 42
24 Equity 44
25 Information on segments 45
26 Net interest income 48
27 Net fee and commission income 48
28 Net trading result and exchange differences 49
29 Other operating result 49
30 Personnel expenses 49
31 Other operating expenses 50
32 Taxation 50
33 Related parties 51
34 Derivative financial instruments 53
35 Offsetting financial assets and liabilities 55
36 Fair value of assets and liabilities 55
37 ČSOB Bank risks 60
38 Current and non-current assets and liabilities 76
39 Capital 76
40 Changes in liabilities arising from financing activities 77
41 Cash and cash equivalents 77
42 Post balance sheet events 78

Independent Auditor's Report

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

Report on the audit of the separate financial statements

Our opinion

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

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

What we have audited

The Bank's separate financial statements comprise:

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

Basis for opinion

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

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

Independence

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

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

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

Our audit approach

Overview

Materiality	• Overall materiality is EUR 6 million which represents approximately 1% of net assets.
Key audit matters	• The audit of the expected credit losses required our significant attention given the nature of this estimate and its significance to the separate financial statements.

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

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

Materiality

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

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

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

Overall materiality	EUR 6 million
How we determined it	We based the materiality on net assets.
Rationale for the materiality benchmark applied	Bank's capital is an important indicator to many users of the financial statements and shareholder return is also commonly expressed relative to the amount of the Bank's capital, that is, as a return on equity.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Expected credit losses estimate	
As explained in Note 15 to the separate financial statements, management estimated expected credit losses for financial assets totalling EUR 116.288 thousand. The carrying value of financial assets at amortised cost may be misstated if individual or collective expected credit losses are not appropriately identified and estimated. The expected credit losses are significant estimates, as explained in more detail in Note 2.2 *Significant accounting judgements and estimates* of the separate financial statements. Significant management judgement is involved in the identification of significant increase of credit risk or default; the estimation of impairment including estimates of future cash flows incorporating the impact of forward looking macroeconomic information; valuation and recoverability of collateral; implementation of comprehensive credit models. We consider this estimate as a key audit matter due to the significance of the expected credit loss allowances and related impairment losses for the year.	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of IT general controls, including access to programs and data, program changes and computer operations related to quantification of expected credit losses. We verified that models used for accurate quantification of expected credit losses are in line with requirements of IFRS 9. We assessed the underlying models including the forward looking information incorporated in these models. On a sample basis, we tested and evaluated their consistent application during the year, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Bank to estimate expected credit losses for loans that share similar credit risk characteristics. A sample of individually significant loan exposures was examined, in order to test accuracy of expected credit losses calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows by comparing them to historical performance of the customer and expected future performance as well as assessment of external and internal valuations of underlying collaterals while comparing them to values used by management in the impairment quantification. .

Reporting on other information in the annual report

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Reporting on other legal and regulatory requirements

Appointment

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

Slovenská komora audítorov SKAU Č. licencie 161 PricewaterhouseCoopers Slovensko, s.r.o.

PricewaterhouseCoopers Slovensko, s.r.o.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Mgr. Martin Gallovič
UDVA licence No. 1180

Bratislava, 23 March 2020

Note

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

Separate Statement of Financial Position at 31 December 2019

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

(EUR '000)	Note	31 Dec 2019	31 Dec 2018
Assets			
Cash, balances with central bank and other demand deposits with banks	3	256,704	223,041
Financial assets at fair value through profit or loss	4	36,242	137,340
Non-trading financial assets mandatorily at fair value through profit or loss		850	-
Financial assets at fair value through other comprehensive income	5	114,722	127,718
Loans and receivables from financial institutions at amortised cost	6	48,938	36,520
Loans and receivables from customers at amortised cost	7	6,375,250	6,014,499
Debt securities at amortised cost	8	1,687,399	1,809,192
of which: pledged as collateral	*8, 17*	*208,675*	*186,390*
Investments in subsidiaries	9	76,542	76,302
Current income tax asset	32	160	914
Deferred income tax asset	32	13,942	15,164
Property and equipment	10	42,329	37,912
Intangible assets	11	25,974	11,500
Right of use assets	12	38,289	n/a *
Assets held for sale	13	857	-
Other assets	14	20,337	16,547
Total assets		**8,738,535**	**8,506,649**
Liabilities and equity			
Financial liabilities at fair value through profit or loss	16	94,106	57,158
Amounts owed to financial institutions at amortised cost	17	1,041,102	967,413
Amounts owed to customers at amortised cost	18	6,187,014	6,115,866
Debt securities issued at amortised cost	19	433,537	444,640
Subordinated debt	20	87,551	87,551
Lease liability		37,675	n/a
Provisions	21, 23	6,172	8,213
Other liabilities	22	45,481	40,018
Liabilities		***7,932,638***	***7,720,859***
Share capital	24.1	295,015	295,015
Share premium	24.2	484,726	484,726
Reserve funds	24.3	59,003	59,003
Revaluation reserve on Financial assets at fair value through other comprehensive income	24.4	11,594	8,476
Other revaluation reserve	24.5	(216,162)	(216,162)
Retained earnings		101,574	101,574
Net profit for the year		70,147	53,158
Equity	***24***	***805,897***	***785,790***
Total liabilities and equity		**8,738,535**	**8,506,649**

Juraj Ebringer
Chief Officer for Retail and private banking

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

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

* n/a – not applicable

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

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

(EUR '000)	Note	31 Dec 2019	31 Dec 2018
Interest income		183,886	187,637
Similar interest income		460	2,078
Interest expense		(21,646)	(21,458)
Similar interest expense		(816)	(854)
Net interest income	**26**	**161,884**	**167,403**
Fee and commission income		75,646	71,298
Fee and commission expense		(11,270)	(11,697)
Net fee and commission income	**27**	**64,376**	**59,601**
Net trading result and exchange differences	28	7,278	10,587
Net realized result from financial assets at fair value through other comprehensive income	5	1,112	216
Net realized result from financial instruments measured at amortised cost	8	2,721	1,048
Dividend income		21,452	482
Other operating result	29	2,984	(228)
Total income		**261,807**	**239,109**
Personnel expenses	30	(73,307)	(69,796)
Depreciation and amortisation	10, 11, 12	(12,994)	(9,964)
Other operating expenses	31	(83,795)	(85,960)
Operating expenses		**(170,096)**	**(165,720)**
Impairment losses and Provisions for off-balance sheet risks	15	(7,866)	(4,175)
Profit for the year before tax		**83,845**	**69,214**
Income tax expense	32	(13,698)	(16,056)
Net profit for the year		**70,147**	**53,158**
Other comprehensive income/ (loss)			
Items that may be reclassified subsequently to profit or loss			
Debt securities at fair value through other comprehensive income	24.4	(847)	(3,165)
Income tax relating to items that may be reclassified subsequently to profit or loss	24.4	179	661
Items that cannot be reclassified subsequently to profit or loss			
Equity instruments at fair value through other comprehensive income	24.4	4,793	2,140
Income tax relating to items that cannot be reclassified subsequently to profit or loss	24.4	(1,007)	(449)
Other comprehensive income/ (loss) for the year, net of tax		**3,118**	**(813)**
Total comprehensive income for the year		**73,265**	**52,345**

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

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

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

(EUR '000)	Share capital	Share premium	Reserve funds	Revaluation reserve on Financial assets at fair value through other comprehensive income	Other revaluation reserve	Retained earnings	Total
Equity as at 1 January 2018	**295,015**	**484,726**	**49,601**	**9,289**	**(216,162)**	**110,976**	**733,445**
Total comprehensive income/ (loss) for the year	-	-	-	(813)	-	53,158	**52,345**
Net profit for the year	-	-	-	-	-	*53,158*	***53,158***
Other comprehensive loss for the year, net of tax	-	-	-	*(813)*	-	-	***(813)***
Profit distribution – reserve funds	-	-	9,402	-	-	(9,402)	**-**
Equity as at 31 December 2018	**295,015**	**484,726**	**59,003**	**8,476**	**(216,162)**	**154,732**	**785,790**
Equity as at 1 January 2019	**295,015**	**484,726**	**59,003**	**8,476**	**(216,162)**	**154,732**	**785,790**
Total comprehensive income for the year	-	-	-	3,118	-	70,147	**73,265**
Net profit for the year	-	-	-	-	-	*70,147*	***70,147***
Other comprehensive income for the year, net of tax	-	-	-	*3,118*	-	-	***3,118***
Dividend paid	-	-	**-**	-	**-**	(53,158)	**(53,158)**
Equity as at 31 December 2019	**295,015**	**484,726**	**59,003**	**11,594**	**(216,162)**	**171,721**	**805,897**

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

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

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

(EUR '000)	Note	31 Dec 2019	31 Dec 2018
Profit for the year before tax		**83,845**	**69,214**
Adjustments for			
Impairment losses and Provisions		7,674	6,234
Depreciation and amortisation		12,994	9,964
Expenses related to short-term, low value lease and variable expenses related to leases		1,387	n/a
Loss on disposal of property and equipment, intangible assets		479	345
Dividend income		(21,452)	(482)
Unrealized gains from financial instruments		(633)	(3,580)
Interest expense and Similar interest expense		22,462	22,312
Interest income and Similar interest income		(184,346)	(189,715)
Cash flow on operations before changes in operating assets and liabilities		***(77,590)***	***(85,708)***
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		125,620	(96,799)
Financial assets at fair value through other comprehensive income		16,539	29,115
Loans and receivables from financial institutions at amortised cost		(8,606)	(21,205)
Loans and receivables from customers at amortised cost		(365,559)	(509,508)
Other assets		2,638	(2,040)
Financial liabilities at fair value through profit or loss		5,208	(26,152)
Amounts owed to financial institutions at amortised cost		71,993	280,710
Amounts owed to customers at amortised cost		73,478	264,207
Provisions		(52)	(3,201)
Other liabilities		3,854	1,019
Cash flow on operations before interest and taxes		***(152,477)***	***(169,562)***
Interest received		193,022	194,606
Interest paid		(23,884)	(24,093)
Payments for the interest portion of the lease liability		(291)	n/a
Payments related to short-term, low value lease and variable payments related to leases		(1,387)	n/a
Income taxes paid		(12,549)	(10,201)
Net cash flow on operating activities		**(2,434)**	**(9,250)**
Cash flow from investing activities			
Debt securities at amortised cost acquisition		(167,376)	(192,516)
Debt securities at amortised cost repayment		281,499	136,641
Dividends received		21,452	482
Purchase of property and equipment, intangible assets		(31,178)	(12,662)
Proceeds from sale of property and equipment, intangible assets		1	240
Net cash flows on investments in subsidiaries		(240)	(100)
Net cash flow from/ (on) investing activities		**104,158**	**(67,915)**
Cash flow from financing activities			
Proceeds from issue of Debt securities issued at amortised cost	40	28,799	1,885
Repayment of Debt securities issued at amortised cost	40	(39,826)	(74,810)
Dividend paid		(53,158)	-
Payments for the principal portion of the lease liability	40	(4,934)	n/a
Net cash flow on financing activities		**(69,119)**	**(72,925)**
Net change in cash and cash equivalents		**37,473**	**(150,090)**
Cash and cash equivalents at the beginning of year	41	223,515	373,605
Cash and cash equivalents at the end of year	41	260,988	223,515
Net change in cash and cash equivalents		**37,473**	**(150,090)**

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

Notes to the Separate Financial Statements

1 Introduction

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

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

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

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

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

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

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

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

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

2 Significant accounting principles and methods

2.1 Basic accounting principles

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

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

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

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

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

2.2 Significant accounting judgments and estimates

The preparation of the Separate Financial Statements in conformity with IFRS requires the use of certain significant accounting estimates. While applying ČSOB Bank'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 Separate Financial Statements. The most significant judgments and estimates are as follows.

2.2.1 Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining an interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the financial assets in a portfolio is evaluated and reported to the Board of Directors of ČSOB Bank;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how ČSOB Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

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

2.2.3 Impairment of financial assets

ČSOB Bank assesses financial assets, which are subject to impairment at the reporting date and evaluates the impairment loss that is to be recognized in the Separate Statement of Profit or Loss and Other Comprehensive Income. Special assessment of management is necessary for estimation of amount and timing of future cash flows and of stages of the financial assets, which have a direct impact on the calculation of impairment. These estimates are determined based on expectations, which are influenced by many factors. Actual outcomes may thus differ from the estimates. For more information, refer to note 2.10, 15 and 37.2.

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

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

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

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

ČSOB Bank considers three different forward looking macro-economic scenarios with different weights in the calculation of ECL. A sensitivity analysis on the impact of these multiple economic scenarios on IFRS 9 collectively calculated ECL, by calculating the delta between the probability weighted outcome (which is booked) and the base case scenario, shows a higher probability weighted ECL for the year-end 2019 0.54% (31 December 2018 of 0.23%) versus the base case scenario ECL. Singling out only the portfolios for which there are statistical macroeconomic dependencies, the impact amounts to 2.36% (31 December 2018: 1.76%).

2.3 Foreign currencies

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

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

2.4 Financial instruments – accounting for recognition and derecognition

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

Financial assets and liabilities are recognized in the Separate Statement of Financial Position when ČSOB Bank 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 Separate Statement of Financial Position when the contractual rights to the cash flows from the financial asset expire or are transferred and the transfer qualifies for derecognition. A transfer requires that ČSOB Bank either:

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

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

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

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

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

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

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

2.5 Financial instruments – classification, initial and subsequent measurement

2.5.1 Financial assets

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

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

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

A Financial assets – debt instruments

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

ČSOB Bank classifies debt instruments within the following portfolios:

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

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

Portfolio consists of three sub-categories:

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

Financial assets held for trading consist of:

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

Debt instruments must be classified within the FVPL portfolio when:

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

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

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

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

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

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

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

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

c) Financial assets at amortised cost (AC)

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

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

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

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

d) Reclassification

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

B Financial assets – equity instruments

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

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

Expected credit losses are not recognized for equity instruments.

2.5.2 Financial liabilities

ČSOB Bank classifies financial liabilities in the following portfolios:

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

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

This portfolio consists of two sub-portfolios:

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

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

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

B Financial liabilities at amortised cost

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

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

2.5.3 Day 1 profit/ Day 1 loss

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

2.6 Embedded derivatives

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

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

2.7 Hedging derivatives

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

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

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

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

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

2.8 Securities funded under repurchase and reverse repurchase agreements

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

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

2.9 Fair value of financial instruments

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

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

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

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

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

2.10 Impairment of financial assets

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

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

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

2.10.1 Definition of default

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

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

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

2.10.2 Expected credit loss model (ECL model) - general

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

The ECL model is applicable to the following financial assets:

- Financial assets measured at amortised cost (“AC”);
- Debt instruments measured at fair value through the other comprehensive income (“FVOCI”);
- Credit facilities issued but not drawn, financial guarantees given, and letters of credit given;
- Finance lease receivables;
- Trade and other receivables.

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

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

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

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

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

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

2.10.3 Significant increase in credit risk since initial recognition

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

A Multi-tier approach (MTA) – bond portfolio

For the bond portfolio the MTA consists of three tiers:

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

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

B Multi-tier approach (MTA) – loan portfolio

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

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

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

2.10.4 Measurement of ECL

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

ECL is calculated to reflect:

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

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

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

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

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

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

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

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

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

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

2.10.5 Purchased or originated credit impaired (POCI) assets

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

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

2.10.6 Restructured loans

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

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

2.11 Offsetting financial instruments

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

Such a right of set off:

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

2.12 Investments in subsidiaries

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

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

Investments in subsidiaries are presented at cost less impairment losses. Impairment losses are recognized as differences between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. Impairment losses on investments in subsidiaries are recognized in the Separate Statement of Profit or Loss and Other Comprehensive Income under "Impairment losses and financial guarantees". Dividends from subsidiaries are recorded under "Dividend income".

2.13 Leasing effective from 1 January 2019

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

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

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

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

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

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

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

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

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

2.14 Leasing effective until 31 December 2018

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

The leases entered by ČSOB Bank as a lessee are primarily operating leases. The total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

2.15 Recognition of income and expenses

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

2.15.1 Interest income and interest expense

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

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

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

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

2.15.2 Fees and commissions income and expense

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

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

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

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

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

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

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

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

2.15.3 Dividend income

ČSOB Bank recognizes the revenue only if:

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

2.16 Cash and cash equivalents

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

2.17 Property, equipment and intangible assets

Land, buildings, equipment and intangible assets include real estate used by ČSOB Bank, 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	3 – 12 years
Other tangible assets	4 – 20 years

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

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

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

2.17.1 Investment property

Investment properties are properties, land or building, held to earn rentals or for capital appreciation. Investment property is stated at historical cost less impairment losses and accumulated depreciation using depreciation on a straight-line basis over the estimated useful lives. The depreciation of investment property is presented in the Separate Statement of Profit or Loss and Other Comprehensive Income under "Other operating result". The estimated useful life of buildings classified as investment property is 30 years. The carrying amount of investment property and its depreciation are disclosed in note 10.

2.17.2 Internally generated intangible assets

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

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

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

2.18 Financial guarantees and Credit facilities issued but not drawn

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

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

2.19 Employee benefits

Pensions to ČSOB Bank'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 Bank contributes to the employees' additional pension insurance beyond the framework of legal social security. Contributions are charged to the Separate Statement of Profit or Loss and Other Comprehensive Income as they are made.

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

2.20 Provisions

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

2.21 Income tax

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

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

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

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

2.22 Fiduciary activities

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

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

2.23 Changes in accounting policies

2.23.1 Issued but not effective at year-end 2019

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

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

2.23.2 Effective from 1 January 2019

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

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

2.24 IFRS 16 transition disclosures

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

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

As at 1 January 2019, IFRS 16 FTA, ČSOB Bank reported the right-of-use assets in the amount of EUR 39,366 thousand and the lease liability in the amount of EUR 39,366 thousand with null impact on the equity. At the date of FTA, the accounting value of the right-of-use assets equals its tax value. Thus, there is null impact on deferred tax. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 0.79%.

	(EUR '000)
Future minimum lease payments under non-cancellable operating leases as at 31 December 2018	42,978
Operating leases not meeting IFRS 16 as at 1 January 2019	(42,978)
Undiscounted future lease payments from operating leases meeting IFRS 16 as at 1 January 2019	40,596
Effect of discounting as at 1 January 2019	(1,230)
Right-of-use assets as at 1 January 2019	**39,366**

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

(EUR '000)	31 Dec 2019	31 Dec 2018
At amortised cost		
Cash balances	160,220	186,237
Mandatory minimum reserves	36,187	10,746
Other demand deposits with banks	60,297	26,058
Cash, balances with central bank and other demand deposits with banks	**256,704**	**223,041**

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

4 Financial assets at fair value through profit or loss

(EUR '000)	31 Dec 2019	31 Dec 2018
Financial assets held for trading		
Financial trading derivatives (note 34)	36,242	10,893
Government debt securities	-	107,586
Bank bonds	-	13,764
Other bonds	-	5,097
Financial assets at fair value through profit or loss	**36,242**	**137,340**

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

5 Financial assets at fair value through other comprehensive income

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Debt securities		
Government debt securities	90,587	119,226
Bank bonds	10,996	-
Debt securities total	***101,583***	***119,226***
Impairments on Government debt securities	(1)	(2)
Impairments on Bank bonds	(4)	-
Impairments total (note 15)	***(5)***	***(2)***
Net carrying amount debt securities	***101,578***	***119,224***
Equity instruments		
VISA Inc.	7,246	4,834
MasterCard	5,887	3,649
Other shares	11	11
Net carrying amount equity instruments	***13,144***	***8,494***
Financial assets at fair value through other comprehensive income	**114,722**	**127,718**

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

As at 31 December 2019, ČSOB Bank realised gains from the sale of debt securities at fair value through other comprehensive income of EUR 1,112 thousand (31 December 2018: EUR 216 thousand) reported in the Separate Statement of Profit or Loss and Other Comprehensive Income under "Net realized result from Financial assets at fair value through other comprehensive income". See note 24.4.

6 Loans and receivables from financial institutions at amortised cost

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

(EUR '000)	Stage 1	Stage 3	31 Dec 2019
Loans and receivables from financial institutions	16,485	92	16,577
Other receivables from financial institutions	32,460	-	32,460
Total	***48,945***	***92***	***49,037***
Impairments on Loans and receivables from financial institutions (note 15)	(7)	(92)	(99)
Loans and receivables from financial institutions at amortised cost	**48,938**	**-**	**48,938**

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

(EUR '000)	Stage 1	Stage 3	31 Dec 2018
Loans and receivables from financial institutions	14,245	92	14,337
Other receivables from financial institutions	22,281	-	22,281
Total	***36,526***	***92***	***36,618***
Impairments on Loans and receivables from financial institutions (note 15)	(6)	(92)	(98)
Loans and receivables from financial institutions at amortised cost	**36,520**	**-**	**36,520**

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

As at 31 December 2019, ČSOB Bank held in its portfolio of Loans and receivables from financial institutions at amortised cost in the amount of EUR 1,620 thousand of cash (31 December 2018: EUR 4,410 thousand) pledged as collateral for a loan received from banks. See note 17 and 35.

7 Loans and receivables from customers at amortised cost

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

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Public administration	169,447	58	61	-	169,566
Corporate	1,680,188	261,307	52,338	3,561	1,997,394
Retail	3,948,463	321,796	52,157	-	4,322,416
Mortgage loans	*3,448,764*	*184,619*	*21,089*	-	*3,654,472*
Consumer loans	*235,293*	*34,784*	*7,777*	-	*277,854*
Credit cards	*17,538*	*8,186*	*987*	-	*26,711*
Overdrafts	*10,399*	*10,570*	*1,470*	-	*22,439*
MicroSME	*236,469*	*83,637*	*20,834*	-	*340,940*
Total	**5,798,098**	**583,161**	**104,556**	**3,561**	**6,489,376**
Impairment losses					
Public administration	(11)	-	(60)	-	(71)
Corporate	(4,163)	(4,833)	(44,371)	(2,781)	(56,148)
Retail	(3,369)	(21,146)	(33,392)	-	(57,907)
Mortgage loans	*(446)*	*(4,254)*	*(8,606)*	-	*(13,306)*
Consumer loans	*(543)*	*(1,952)*	*(5,094)*	-	*(7,589)*
Credit cards	*(29)*	*(641)*	*(720)*	-	*(1,390)*
Overdrafts	*(27)*	*(825)*	*(1,099)*	-	*(1,951)*
MicroSME	*(2,324)*	*(13,474)*	*(17,873)*	-	*(33,671)*
Total (note 15)	**(7,543)**	**(25,979)**	**(77,823)**	**(2,781)**	**(114,126)**
Net carrying amount					
Public administration	169,436	58	1	-	169,495
Corporate	1,676,025	256,474	7,967	780	1,941,246
Retail	3,945,094	300,650	18,765	-	4,264,509
Mortgage loans	*3,448,318*	*180,365*	*12,483*	-	*3,641,166*
Consumer loans	*234,750*	*32,832*	*2,683*	-	*270,265*
Credit cards	*17,509*	*7,545*	*267*	-	*25,321*
Overdrafts	*10,372*	*9,745*	*371*	-	*20,488*
MicroSME	*234,145*	*70,163*	*2,961*	-	*307,269*
Loans and receivables from customers at amortised cost	**5,790,555**	**557,182**	**26,733**	**780**	**6,375,250**

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

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Public administration	172,409	155	92	-	172,656
Corporate	1,686,437	241,826	57,956	5,447	1,991,666
Retail	3,579,552	339,321	63,396	-	3,982,269
Mortgage loans	*3,112,423*	*199,293*	*26,013*	-	*3,337,729*
Consumer loans	*233,956*	*32,364*	*10,034*	-	*276,354*
Credit cards	*14,952*	*8,491*	*1,216*	-	*24,659*
Overdrafts	*10,838*	*12,108*	*1,848*	-	*24,794*
MicroSME	*207,383*	*87,065*	*24,285*	-	*318,733*
Total	**5,438,398**	**581,302**	**121,444**	**5,447**	**6,146,591**
Impairment losses					
Public administration	(14)	-	(92)	-	(106)
Corporate	(4,109)	(5,040)	(48,333)	(4,428)	(61,910)
Retail	(2,745)	(22,716)	(44,615)	-	(70,076)
Mortgage loans	*(322)*	*(3,910)*	*(13,093)*	-	*(17,325)*
Consumer loans	*(511)*	*(2,038)*	*(7,625)*	-	*(10,174)*
Credit cards	*(31)*	*(594)*	*(955)*	-	*(1,580)*
Overdrafts	*(36)*	*(868)*	*(1,454)*	-	*(2,358)*
MicroSME	*(1,845)*	*(15,306)*	*(21,488)*	-	*(38,639)*
Total (note 15)	**(6,868)**	**(27,756)**	**(93,040)**	**(4,428)**	**(132,092)**
Net carrying amount					
Public administration	172,395	155	-	-	172,550
Corporate	1,682,328	236,786	9,623	1,019	1,929,756
Retail	3,576,807	316,605	18,781	-	3,912,193
Mortgage loans	*3,112,101*	*195,383*	*12,920*	-	*3,320,404*
Consumer loans	*233,445*	*30,326*	*2,409*	-	*266,180*
Credit cards	*14,921*	*7,897*	*261*	-	*23,079*
Overdrafts	*10,802*	*11,240*	*394*	-	*22,436*
MicroSME	*205,538*	*71,759*	*2,797*	-	*280,094*
Loans and receivables from customers at amortised cost	**5,431,530**	**553,546**	**28,404**	**1,019**	**6,014,499**

8 Debt securities at amortised cost

(EUR '000)	Stage 1	Stage 2	31 Dec 2019	Stage 1	31 Dec 2018
Gross carrying amount					
Government debt securities	1,445,842	-	**1,445,842**	1,566,979	**1,566,979**
Bank bonds	128,499	-	**128,499**	123,804	**123,804**
Other bonds	81,712	33,404	**115,116**	118,754	**118,754**
Gross carrying amount	***1,656,053***	***33,404***	***1,689,457***	***1,809,537***	***1,809,537***
Impairment					
Impairment losses on government debt securities	(21)	-	**(21)**	(22)	**(22)**
Impairment losses on bank bonds	(55)	-	**(55)**	(56)	**(56)**
Impairment losses on other bonds	(105)	(1,877)	**(1,982)**	(267)	**(267)**
Impairment (note 15)	***(181)***	***(1,877)***	***(2,058)***	***(345)***	***(345)***
Debt securities at amortised cost	**1,655,872**	**31,527**	**1,687,399**	**1,809,192**	**1,809,192**

As at 31 December 2019, ČSOB Bank held in the portfolio of Debt securities at amortised cost government debt securities and other bonds at net carrying amount of EUR 208,675 thousand (31 December 2018: government bond securities of EUR 186,390 thousand), placed as collateral for a loan received from banks and reported in the Separate Statement of Financial Position under "of which: pledged as collateral". See note 17 and 35.

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

9 Investments in subsidiaries

Table below shows the investments in subsidiaries.

(EUR '000)	Share in %	Acquisition price and Carrying amount	
		31 Dec 2019	31 Dec 2018
ČSOB stavebná sporiteľňa, a.s.	100%	23,899	23,899
ČSOB Leasing Group	100%	49,791	49,791
ČSOB Real, s. r. o.	100%	2,505	2,505
Nadácia ČSOB	100%	7	7
ČSOB Advisory, s.r.o.	100%	340	100
Investments in subsidiaries		**76,542**	**76,302**

The percentage-share in subsidiaries equates to the percentage of voting rights.

9.1 Impairment of investments in subsidiaries

The management of the subsidiaries which are subject to the impairment test provide a projection of business plan of their companies for a period of 3 years. For the subsequent 7 years, an estimated growth rate determined by KBC is used to assess the business development. The model calculates the present value of these cash flows discounting them at the interest rate resulting from the CAPM model-based principles (Capital Asset Pricing Model). Cash flows after the projection period are determined by a present value of the perpetuity with the estimated growth rate, determined at KBC. The discount rate used is derived from the long-term risk-free rate adjusted by business risk and country risk (10.00% - 11.22%). The model is most sensitive on changes of discount rate and earnings growth rate.

In 2019 and 2018, ČSOB Bank did not create or release any impairment losses for investments in subsidiaries.

10 Property and equipment

(EUR '000)	Investment property	Land and buildings	ICT equipment	Office equipment	Other	Acquisition	Total
Cost as at 1 January 2019	**1,474**	**77,567**	**7,418**	**6,120**	**16,858**	**2,363**	**111,800**
Additions	-	-	-	-	-	10,379	**10,379**
Transfers	-	7,598	1,639	127	2,325	(11,689)	**-**
Disposals	-	(1,268)	(1,263)	(817)	(1,618)	-	**(4,966)**
Transfer to Assets held for sale (note 13)	-	(2,474)	-	-	-	-	**(2,474)**
Cost as at 31 December 2019	**1,474**	**81,423**	**7,794**	**5,430**	**17,565**	**1,053**	**114,739**
Accumulated depreciation as at 1 January 2019	**(1,050)**	**(48,660)**	**(6,081)**	**(5,851)**	**(10,892)**	**-**	**(72,534)**
Depreciation	(53)	(2,367)	(1,018)	(75)	(2,068)	-	**(5,581)**
Disposals	-	855	1,261	816	1,543	-	**4,475**
Transfer to Assets held for sale (note 13)	-	1,617	-	-	-	-	**1,617**
Accumulated depreciation as at 31 December 2019	**(1,103)**	**(48,555)**	**(5,838)**	**(5,110)**	**(11,417)**	**-**	**(72,023)**
Impairment losses as at 1 January 2019	**(241)**	**(838)**	**-**	**-**	**(275)**	**-**	**(1,354)**
Release (note 15)	129	838	-	-	-	-	**967**
Impairment losses as at 31 December 2019	**(112)**	**-**	**-**	**-**	**(275)**	**-**	**(387)**
Net book value as at 31 December 2019	**259**	**32,868**	**1,956**	**320**	**5,873**	**1,053**	**42,329**

(EUR '000)	Investment property	Land and buildings	ICT equipment	Office equipment	Other	Acquisition	Total
Cost as at 1 January 2018	**1,474**	**78,657**	**7,888**	**6,272**	**17,429**	**787**	**112,507**
Additions	-	-	-	-	-	4,449	**4,449**
Transfers	-	533	820	48	1,472	(2,873)	**-**
Disposals	-	(1,623)	(1,290)	(200)	(2,043)	-	**(5,156)**
Cost as at 31 December 2018	**1,474**	**77,567**	**7,418**	**6,120**	**16,858**	**2,363**	**111,800**
Accumulated depreciation as at 1 January 2018	**(997)**	**(47,060)**	**(6,215)**	**(5,981)**	**(10,945)**	**-**	**(71,198)**
Depreciation	(53)	(2,356)	(1,148)	(70)	(1,961)	-	**(5,588)**
Disposals	-	756	1,282	200	2,014	-	**4,252**
Accumulated depreciation as at 31 December 2018	**(1,050)**	**(48,660)**	**(6,081)**	**(5,851)**	**(10,892)**	**-**	**(72,534)**
Impairment losses as at 1 January 2018	**(241)**	**(1,150)**	**-**	**-**	**(275)**	**-**	**(1,666)**
Use (note 15)	-	312	-	-	-	-	**312**
Impairment losses as at 31 December 2018	**(241)**	**(838)**	**-**	**-**	**(275)**	**-**	**(1,354)**
Net book value as at 31 December 2018	**183**	**28,069**	**1,337**	**269**	**5,691**	**2,363**	**37,912**

11 Intangible assets

(EUR '000)	Acquired software	Internally generated software	Other intangible assets	Acquisition	Total
Cost as at 1 January 2019	**24,712**	**16,672**	**111**	**4,431**	**45,926**
Additions	-	-	-	16,795	**16,795**
Transfers	112	2,068	-	(2,180)	**-**
Disposals	(3)	-	-	-	**(3)**
Other transfers	-	(2,217)	2,217	-	**-**
Cost as at 31 December 2019	**24,821**	**16,523**	**2,328**	**19,046**	**62,718**
Accumulated amortisation as at 1 January 2019	**(22,722)**	**(11,681)**	**(23)**	**-**	**(34,426)**
Amortisation	(577)	(1,728)	(16)	-	**(2,321)**
Disposals	3	-	-	-	**3**
Accumulated amortisation as at 31 December 2019	**(23,296)**	**(13,409)**	**(39)**	**-**	**(36,744)**
Net book value as at 31 December 2019	**1,525**	**3,114**	**2,289**	**19,046**	**25,974**

(EUR '000)	Acquired software	Internally generated software	Other intangible assets	Acquisition	Total
Cost as at 1 January 2018	**24,735**	**12,438**	**111**	**429**	**37,713**
Additions	-	-	-	8,273	**8,273**
Transfers	37	4,234	-	(4,271)	**-**
Disposals	(60)	-	-	-	**(60)**
Cost as at 31 December 2018	**24,712**	**16,672**	**111**	**4,431**	**45,926**
Accumulated amortisation as at 1 January 2018	**(20,563)**	**(9,487)**	**(7)**	**-**	**(30,057)**
Amortisation	(2,219)	(2,194)	(16)	-	**(4,429)**
Disposals	60	-	-	-	**60**
Accumulated amortisation as at 31 December 2018	**(22,722)**	**(11,681)**	**(23)**	**-**	**(34,426)**
Net book value as at 31 December 2018	**1,990**	**4,991**	**88**	**4,431**	**11,500**

11.1 Insurance cover

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

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

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

12 Right of use assets

(EUR '000)	Land and Buildings	ICT equipment	Total
Cost as at 1 January 2019	**39,366**	**-**	**39,366**
Additions	5,062	42	5,104
Disposals	(1,292)	-	(1,292)
Cost as at 31 December 2019	**43,136**	**42**	**43,178**
Accumulated depreciation as at 1 January 2019	**-**	**-**	**-**
Depreciation	(5,142)	(3)	(5,145)
Disposals	256	-	256
Accumulated depreciation as at 31 December 2019	**(4,886)**	**(3)**	**(4,889)**
Net book value as at 31 December 2019	**38,250**	**39**	**38,289**

As at 31 December 2019, ČSOB Bank reported interest expense on lease liability in the amount of EUR (291) thousand (note 26), expenses related to variable lease payments not included in lease liability in the amount of EUR (620) thousand under “Other operating expenses”.

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

13 Assets held for sale

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

(EUR '000)	Lands and buildings
Net book value at 1 January 2019	-
Transfer from Property and equipment (note 10)	857
Net book value at 31 December 2019	**857**

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

14 Other assets

(EUR '000)	31 Dec 2019	31 Dec 2018
Other financial assets		
Accrued non-interest income	1,640	1,617
Advances	5,578	6,370
Fair value changes of hedged item (note 34)	9,178	5,792
Hedging derivatives (note 34)	2,412	35
Other	-	16
Total	***18,808***	***13,830***
Impairment losses (note 15)	(78)	(79)
Other financial assets	***18,730***	***13,751***
Other non-financial assets		
Prepaid charges	1,607	2,796
Other non-financial assets	***1,607***	***2,796***
Other assets	**20,337**	**16,547**

15 Impairment losses and Provisions for off-balance sheet risks

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

(EUR '000)	1 Jan 2019	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to model/ methodology change *	Due to write-offs/ ceding	Movements in GCA	31 Dec 2019	Recoveries *
Financial assets at fair value through other comprehensive income (note 5)											
Stage 1	2	-	-	3	-	-	-	-	-	**5**	-
Total	**2**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**5**	**-**
Loans and receivables from financial institutions at amortised cost (note 6)											
Stage 1	6	1	-	-	-	-	-	-	-	**7**	-
Stage 3	92	-	-	-	-	-	-	-	-	**92**	-
Total	**98**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**99**	**-**
Loans and receivables from customers at amortised cost (note 7)											
Stage 1	6,868	2,219	(668)	894	(520)	(56)	(1,196)	-	2	**7,543**	-
Stage 2	27,756	3,617	(2,330)	(2,988)	1,429	(614)	(884)	-	(7)	**25,979**	-
Stage 3	93,040	808	(1,887)	(3,077)	15,115	1,733	-	(27,133)	(776)	**77,823**	(1,055)
POCI	4,428	-	(8)	(1,621)	-	-	-	-	(18)	**2,781**	-
Total	**132,092**	**6,644**	**(4,893)**	**(6,792)**	**16,024**	**1,063**	**(2,080)**	**(27,133)**	**(799)**	**114,126**	**(1,055)**
Debt securities at amortised cost (note 8)											
Stage 1	345	21	(8)	(67)	(110)	-	-	-	-	**181**	-
Stage 2	-	-	-	-	1,877	-	-	-	-	**1,877**	-
Total	**345**	**21**	**(8)**	**(67)**	**1,767**	**-**	**-**	**-**	**-**	**2,058**	**-**
Provisions for off-balance sheet risks (note 23.1)											
Stage 1	804	261	-	(153)	(154)	-	-	-	-	**758**	-
Stage 2	2,682	137	-	(1,018)	(382)	(6)	-	-	1	**1,414**	-
Stage 3	630	18	-	(589)	(10)	67	-	-	-	**116**	-
POCI	137	1	-	30	-	-	-	-	-	**168**	-
Total	**4,253**	**417**	**-**	**(1,730)**	**(546)**	**61**	**-**	**-**	**1**	**2,456**	**-**
Impairment losses and Provisions for off-balance sheet risks	**136,790**	**7,083**	**(4,901)**	**(8,586)**	**17,245**	**1,124**	**(2,080)**	**(27,133)**	**(798)**	**118,744**	**(1,055)**

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

(EUR '000)	1 Jan 2019	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to model/ methodology change *	Due to write-offs/ ceding	Movements in GCA	31 Dec 2019	Reco-veries *
Loans and receivables from customers at amortised cost (note 7)											
Public administration	**106**	**1**	**-**	**(23)**	**-**	**-**	**-**	**-**	**(13)**	**71**	**-**
Stage 1	14	1	-	(4)	-	-	-	-	-	**11**	-
Stage 3	92	-	-	(19)	-	-	-	-	(13)	**60**	-
Corporate	**61,910**	**2,079**	**(770)**	**(6,577)**	**9,210**	**449**	**(2,080)**	**(8,050)**	**(23)**	**56,148**	**(48)**
Stage 1	4,109	1,659	(273)	342	(430)	(50)	(1,196)	-	2	**4,163**	-
Stage 2	5,040	30	(322)	(749)	1,778	(53)	(884)	-	(7)	**4,833**	-
Stage 3	48,333	390	(167)	(4,549)	7,862	552	-	(8,050)	-	**44,371**	(48)
POCI	4,428	-	(8)	(1,621)	-	-	-	-	(18)	**2,781**	-
Retail	**70,076**	**4,564**	**(4,123)**	**(192)**	**6,814**	**614**	**-**	**(19,083)**	**(763)**	**57,907**	**(1,007)**
Stage 1	2,745	559	(395)	556	(90)	(6)	-	-	-	**3,369**	-
Stage 2	22,716	3,587	(2,008)	(2,239)	(349)	(561)	-	-	-	**21,146**	-
Stage 3	44,615	418	(1,720)	1,491	7,253	1,181	-	(19,083)	(763)	**33,392**	(1,007)
Mortgage loans	***17,325***	***426***	***(1,273)***	***862***	***1,423***	***92***	***-***	***(6,387)***	***838***	***13,306***	***(124)***
Stage 1	*322*	*124*	*(49)*	*58*	*(8)*	*(1)*	*-*	*-*	*-*	***446***	*-*
Stage 2	*3,910*	*219*	*(391)*	*19*	*498*	*(1)*	*-*	*-*	*-*	***4,254***	*-*
Stage 3	*13,093*	*83*	*(833)*	*785*	*933*	*94*	*-*	*(6,387)*	*838*	***8,606***	*(124)*
Consumer loans	***10,174***	***985***	***(483)***	***475***	***1,767***	***81***	***-***	***(5,410)***	***-***	***7,589***	***(453)***
Stage 1	*511*	*343*	*(145)*	*(118)*	*(47)*	*(1)*	*-*	*-*	*-*	***543***	*-*
Stage 2	*2,038*	*426*	*(258)*	*(237)*	*(16)*	*(1)*	*-*	*-*	*-*	***1,952***	*-*
Stage 3	*7,625*	*216*	*(80)*	*830*	*1,830*	*83*	*-*	*(5,410)*	*-*	***5,094***	*(453)*
Credit cards	***1,580***	***62***	***(77)***	***113***	***342***	***-***	***-***	***(630)***	***-***	***1,390***	***(92)***
Stage 1	*31*	*6*	*(4)*	*(1)*	*(3)*	*-*	*-*	*-*	*-*	***29***	*-*
Stage 2	*594*	*49*	*(47)*	*18*	*27*	*-*	*-*	*-*	*-*	***641***	*-*
Stage 3	*955*	*7*	*(26)*	*96*	*318*	*-*	*-*	*(630)*	*-*	***720***	*(92)*
Overdrafts	***2,358***	***43***	***(226)***	***320***	***374***	***-***	***-***	***(918)***	***-***	***1,951***	***(119)***
Stage 1	*36*	*1*	*(12)*	*5*	*(3)*	*-*	*-*	*-*	*-*	***27***	*-*
Stage 2	*868*	*24*	*(120)*	*53*	*-*	*-*	*-*	*-*	*-*	***825***	*-*
Stage 3	*1,454*	*18*	*(94)*	*262*	*377*	*-*	*-*	*(918)*	*-*	***1,099***	*(119)*
MicroSME	***38,639***	***3,048***	***(2,064)***	***(1,962)***	***2,908***	***441***	***-***	***(5,738)***	***(1,601)***	***33,671***	***(219)***
Stage 1	*1,845*	*85*	*(185)*	*612*	*(29)*	*(4)*	*-*	*-*	*-*	***2,324***	*-*
Stage 2	*15,306*	*2,869*	*(1,192)*	*(2,092)*	*(858)*	*(559)*	*-*	*-*	*-*	***13,474***	*-*
Stage 3	*21,488*	*94*	*(687)*	*(482)*	*3,795*	*1,004*	*-*	*(5,738)*	*(1,601)*	***17,873***	*(219)*
Total	**132,092**	**6,644**	**(4,893)**	**(6,792)**	**16,024**	**1,063**	**(2,080)**	**(27,133)**	**(799)**	**114,126**	**(1,055)**

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

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

(EUR '000)	1 Jan 2018	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to write-offs/ ceding	Movements in GCA	31 Dec 2018	Recoveries *
Financial assets at fair value through other comprehensive income (note 5)										
Stage 1	18	-	(15)	(1)	-	-	-	-	**2**	-
Total	**18**	**-**	**(15)**	**(1)**	**-**	**-**	**-**	**-**	**2**	**-**
Loans and receivables from financial institutions at amortised cost (note 6)										
Stage 1	89	3	-	(86)	-	-	-	-	**6**	-
Stage 3	92	-	-	-	-	-	-	-	**92**	-
Total	**181**	**3**	**-**	**(86)**	**-**	**-**	**-**	**-**	**98**	**-**
Loans and receivables from customers at amortised cost (note 7)										
Stage 1	6,582	2,387	(656)	(397)	(1,032)	(17)	-	1	**6,868**	**-**
Stage 2	24,970	4,303	(2,056)	(567)	1,433	(328)	-	1	**27,756**	**-**
Stage 3	121,846	595	(2,600)	(2,674)	8,221	693	(36,687)	3,646	**93,040**	**(1,232)**
POCI	5,865	-	-	(1,427)	-	-	-	(10)	**4,428**	-
Total	**159,263**	**7,285**	**(5,312)**	**(5,065)**	**8,622**	**348**	**(36,687)**	**3,638**	**132,092**	**(1,232)**
Debt securities at amortised cost (note 8)										
Stage 1	377	59	(3)	(88)	-	-	-	-	**345**	-
Total	**377**	**59**	**(3)**	**(88)**	**-**	**-**	**-**	**-**	**345**	**-**
Provisions for off-balance sheet risks (note 23.1)										
Stage 1	1,559	302	(242)	(609)	(207)	-	-	1	**804**	-
Stage 2	2,360	558	(307)	59	16	(4)	-	-	**2,682**	-
Stage 3	584	68	(8)	(54)	13	27	-	-	**630**	-
POCI	91	-	-	46	-	-	-	-	**137**	-
Total	**4,594**	**928**	**(557)**	**(558)**	**(178)**	**23**	**-**	**1**	**4,253**	**-**
Impairment losses and Provisions for off-balance sheet risks	**164,433**	**8,275**	**(5,887)**	**(5,798)**	**8,444**	**371**	**(36,687)**	**3,639**	**136,790**	**(1,232)**

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

(EUR '000)	1 Jan 2018	Due to origination *	Due to derecognition *	Due to change in credit risk without transfer between Stages (change in PD/LGD/EAD) *	Due to change in credit risk with transfer between Stages *	Due to modification (forborne) *	Due to write-offs/ ceding	Movements in GCA	31 Dec 2018	Recoveries *
Loans and receivables from customers at amortised cost (note 7)										
Public administration	**190**	**1**	**(13)**	**(72)**	**-**	**-**	**-**	**-**	**106**	**-**
Stage 1	45	1	-	(32)	-	-	-	-	**14**	-
Stage 2	7	-	-	(7)	-	-	-	-	**-**	-
Stage 3	138	-	(13)	(33)	-	-	-	-	**92**	-
Corporate	**68,743**	**1,962**	**(631)**	**(1,891)**	**731**	**(216)**	**(6,813)**	**25**	**61,910**	**(47)**
Stage 1	3,640	1,383	(198)	(60)	(655)	(2)	-	1	**4,109**	-
Stage 2	4,012	569	(176)	(381)	1,128	(113)	-	1	**5,040**	-
Stage 3	55,226	10	(257)	(23)	258	(101)	(6,813)	33	**48,333**	(47)
POCI	5,865	-	-	(1,427)	-	-	-	(10)	**4,428**	-
Retail	**90,330**	**5,322**	**(4,668)**	**(3,102)**	**7,891**	**564**	**(29,874)**	**3,613**	**70,076**	**(1,185)**
Stage 1	2,897	1,003	(458)	(305)	(377)	(15)	-	-	**2,745**	-
Stage 2	20,951	3,734	(1,880)	(179)	305	(215)	-	-	**22,716**	-
Stage 3	66,482	585	(2,330)	(2,618)	7,963	794	(29,874)	3,613	**44,615**	(1,185)
Mortgage loans	***24,893***	***307***	***(1,924)***	***(547)***	***845***	***86***	***(7,072)***	***737***	***17,325***	***(14)***
Stage 1	*326*	*80*	*(54)*	*(38)*	*9*	*(1)*	*-*	*-*	***322***	*-*
Stage 2	*4,148*	*196*	*(489)*	*25*	*34*	*(4)*	*-*	*-*	***3,910***	*-*
Stage 3	*20,419*	*31*	*(1,381)*	*(534)*	*802*	*91*	*(7,072)*	*737*	***13,093***	*(14)*
Consumer loans	***17,432***	***986***	***(593)***	***(344)***	***1,739***	***47***	***(9,040)***	***(53)***	***10,174***	***(880)***
Stage 1	*507*	*331*	*(157)*	*(124)*	*(45)*	*(1)*	*-*	*-*	***511***	*-*
Stage 2	*1,921*	*514*	*(212)*	*(258)*	*83*	*(10)*	*-*	*-*	***2,038***	*-*
Stage 3	*15,004*	*141*	*(224)*	*38*	*1,701*	*58*	*(9,040)*	*(53)*	***7,625***	*(880)*
Credit cards	***2,914***	***96***	***(101)***	***35***	***234***	***-***	***(1,587)***	***(11)***	***1,580***	***(139)***
Stage 1	*24*	*10*	*(4)*	*2*	*(1)*	*-*	*-*	*-*	***31***	*-*
Stage 2	*530*	*68*	*(43)*	*25*	*14*	*-*	*-*	*-*	***594***	*-*
Stage 3	*2,360*	*18*	*(54)*	*8*	*221*	*-*	*(1,587)*	*(11)*	***955***	*(139)*
Overdrafts	***4,065***	***281***	***(274)***	***49***	***286***	***1***	***(2,046)***	***(4)***	***2,358***	***(84)***
Stage 1	*31*	*13*	*(11)*	*2*	*-*	*1*	*-*	*-*	***36***	*-*
Stage 2	*820*	*123*	*(108)*	*44*	*(11)*	*-*	*-*	*-*	***868***	*-*
Stage 3	*3,214*	*145*	*(155)*	*3*	*297*	*-*	*(2,046)*	*(4)*	***1,454***	*(84)*
MicroSME	***41,026***	***3,652***	***(1,776)***	***(2,295)***	***4,787***	***430***	***(10,129)***	***2,944***	***38,639***	***(68)***
Stage 1	*2,009*	*569*	*(232)*	*(147)*	*(340)*	*(14)*	*-*	*-*	***1,845***	*-*
Stage 2	*13,532*	*2,833*	*(1,028)*	*(15)*	*185*	*(201)*	*-*	*-*	***15,306***	*-*
Stage 3	*25,485*	*250*	*(516)*	*(2,133)*	*4,942*	*645*	*(10,129)*	*2,944*	***21,488***	*(68)*
Total	**159,263**	**7,285**	**(5,312)**	**(5,065)**	**8,622**	**348**	**(36,687)**	**3,638**	**132,092**	**(1,232)**

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

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

(EUR '000)	1 Jan 2019	Use	Creation/ (release) *	31 Dec 2019
Property and equipment (note 10)	1,354	-	(967)	387
Other assets (note 14)	79	(4)	3	78
Total	**1,433**	**(4)**	**(964)**	**465**

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

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

(EUR '000)	1 Jan 2018	Use	Creation/ (release) *	31 Dec 2018
Property and equipment (note 10)	1,666	(312)	-	1,354
Other assets (note 14)	119	(42)	2	79
Total	**1,785**	**(354)**	**2**	**1,433**

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

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

(EUR '000)	From Stage 1 To Stage 2	From Stage 1 To Stage 3	From Stage 2 To Stage 1	From Stage 2 To Stage 3	From Stage 3 To Stage 1	From Stage 3 To Stage 2
Loans and receivables from customers at amortised cost	**284,313**	**18,913**	**166,294**	**15,333**	**636**	**5,567**
Corporate	146,258	10,350	69,656	974	158	97
Retail	138,055	8,563	96,638	14,359	478	5,470
Mortgage loans	*86,309*	*4,609*	*65,896*	*5,463*	*368*	*4,428*
Consumer loans	*21,460*	*1,684*	*5,155*	*2,570*	*23*	*399*
Credit cards	*2,674*	*165*	*2,028*	*368*	*7*	*44*
Overdrafts	*2,330*	*127*	*1,415*	*532*	*2*	*42*
MicroSME	*25,282*	*1,978*	*22,144*	*5,426*	*78*	*557*
Debt securities at amortised cost	**33,404**	**-**	**-**	**-**	**-**	**-**
Total	**317,717**	**18,913**	**166,294**	**15,333**	**636**	**5,567**
Credit facilities issued but not drawn	49,439	130	37,498	59	22	37
Financial guarantees given	14,226	-	10,619	-	-	-
Letters of credit given	861	-	-	-	-	-
Total	**64,526**	**130**	**48,117**	**59**	**22**	**37**

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

(EUR '000)	From Stage 1 To Stage 2	From Stage 1 To Stage 3	From Stage 2 To Stage 1	From Stage 2 To Stage 3	From Stage 3 To Stage 1	From Stage 3 To Stage 2
Loans and receivables from customers at amortised cost	**347,428**	**9,399**	**107,183**	**15,715**	**586**	**11,106**
Public administration	9	-	-	-	-	-
Corporate	185,840	1,470	17,838	1,340	296	4,678
Retail	161,579	7,929	89,345	14,375	290	6,428
Mortgage loans	*87,467*	*3,274*	*67,116*	*6,108*	*207*	*5,815*
Consumer loans	*21,004*	*1,537*	*4,511*	*2,243*	*11*	*395*
Credit cards	*2,726*	*120*	*973*	*310*	*11*	*41*
Overdrafts	*3,949*	*224*	*889*	*470*	*49*	*45*
MicroSME	*46,433*	*2,774*	*15,856*	*5,244*	*12*	*132*
Total	**347,428**	**9,399**	**107,183**	**15,715**	**586**	**11,106**
Credit facilities issued but not drawn	87,537	609	26,320	60	8	101
Financial guarantees given	50,192	-	11,952	-	-	971
Letters of credit given	-	40	-	-	-	-
Total	**137,729**	**649**	**38,272**	**60**	**8**	**1,072**

16 Financial liabilities at fair value through profit or loss

(EUR '000)	31 Dec 2019	31 Dec 2018
Financial liabilities designated at fair value through profit or loss on initial recognition		
Term deposits – non-bank customers	42,761	37,624
Debt securities issued	7,726	7,680
Financial liabilities designated at fair value through profit or loss on initial recognition	***50,487***	***45,304***
Financial liabilities held for trading		
Financial trading derivatives (note 34)	43,619	11,854
Financial liabilities held for trading	***43,619***	***11,854***
Financial liabilities at fair value through profit or loss	**94,106**	**57,158**

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

17 Amounts owed to financial institutions at amortised cost

(EUR '000)	31 Dec 2019	31 Dec 2018
Current accounts - banks	35,646	34,879
Term deposits and loans received from banks and multilateral banks	1,005,456	932,534
Amounts owed to financial institutions at amortised cost	**1,041,102**	**967,413**

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

18 Amounts owed to customers at amortised cost

(EUR '000)	31 Dec 2019	31 Dec 2018
Current accounts – customers	3,625,673	3,374,067
Current accounts – government bodies and funds	171,598	145,164
Term deposits and saving accounts – customers	2,114,865	2,259,212
Term deposits and saving accounts – government bodies	203,850	264,024
Other amounts owed to customers	71,028	73,399
Amounts owed to customers at amortised cost	**6,187,014**	**6,115,866**

19 Debt securities issued at amortised cost

(EUR '000)	31 Dec 2019	31 Dec 2018
Bills of exchange	-	1,947
Bank bonds	10,771	12,800
Mortgage bonds	393,967	428,008
Investment certificates	28,799	1,885
Debt securities issued at amortised cost	**433,537**	**444,640**

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

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

Issue name	**Issue date**	**Currency**	**Coupon payment date**	**Interest rate fix/float**	**Initial nominal value 1 item** (issuance currency)	**No. of items**	**Total value of issue** (EUR '000)	**Net book value at 31 Dec 2019** (EUR '000)	**Maturity**
Bank bonds									
ČSOB I.	Mar 15	EUR	-	Zero-coupon	1,000.00	10,000	10,000	9,776	Mar 21
ČSOB III. *	Sep 16	EUR	9 Sep, yearly	2.80%	1,000.00	3,897	974	995	Sep 20
Total								**10,771**	
Mortgage bonds									
ČSOB XIII.	Nov 11	EUR	7 Nov, yearly	5.50%	10,000.00	2,500	25,000	25,207	Nov 31
ČSOB XIX.	Jul 12	EUR	9 Jul, yearly	4.70%	10,000.00	2,500	25,000	24,999	Jul 36
ČSOB XXV.	Jun 15	EUR	26 Jun, yearly	0.40%	10,000.00	5,000	50,000	50,009	Jun 20
ČSOB XXVI.	Nov 15	EUR	30 Nov, yearly	0.60%	10,000.00	5,000	50,000	50,084	Nov 20
ČSOB XXVII.	Mar 16	EUR	17 Mar, yearly	0.50%	10,000.00	5,000	50,000	50,240	Mar 21
ČSOB XXIX.	Sep 16	EUR	27 Sep, yearly	0.30%	10,000.00	5,000	50,000	50,091	Sep 21
ČSOB XXX.	Mar 17	EUR	29 Mar, yearly	0.50%	10,000.00	5,000	50,000	50,068	Mar 22
ČSOB XXXI.	Jun 17	EUR	28 Jun, yearly	0.50%	10,000.00	4,300	43,000	43,152	Jun 22
ČSOB XXXII.	Nov 17	EUR	28 Nov, yearly	0.60%	10,000.00	5,000	50,000	50,117	Nov 22
Total								**393,967**	
Investment certificates									
ČSOB IC ENDLRP 90G 2023 EUR	Apr 19	EUR	25 Apr, 25 Oct, half-yearly	Zero-coupon	1,000.00	5,807	5,807	5,807	Apr 23
ČSOB IC ENDLRP 90G 2023 AUD	Apr 19	AUD	26 Apr, 26 Oct, half-yearly	Zero-coupon	2,000.00	3,500	4,376	4,377	Apr 23
ČSOB IC ENDLRP 90G 202307 AUD	Jul 19	AUD	17 Jan, 17 Jul, half-yearly	Zero-coupon	2,000.00	3,042	3,804	3,804	Jul 23
ČSOB IC SXXPESGX 90G 2024 PLN	Jul 19	PLN	23 Jan, 23 Jul, half-yearly	Zero-coupon	10,000.00	1,155	2,713	2,713	Jul 24
ČSOB IC SXXPESGX 90G 2024 USD	Jul 19	USD	23 Jan, 23 Jul, half-yearly	Zero-coupon	2,000.00	1,034	1,841	1,841	Jul 24
ČSOB IC SOLWDEEP 90G 2024 PLN	Oct 19	PLN	4 Apr, 4 Oct, half-yearly	Zero-coupon	10,000.00	510	1,198	1,198	Oct 24
ČSOB IC SOLWDEEP 80G 2024 EUR	Oct 19	EUR	4 Apr, 4 Oct, half-yearly	Zero-coupon	1,000.00	665	665	665	Oct 24
SOBFELSP 80G 2024 AUD	Nov 19	AUD	28 May, 28 Nov, half-yearly	Zero-coupon	2,000.00	2,955	3,695	3,695	Nov 24
SOBFELSP 80G 2024 CZK	Nov 19	CZK	28 May, 28 Nov, half-yearly	CZK PRIBOR 6M	50,000.00	2,388	4,699	4,699	Nov 24
Total								**28,799**	

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

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

Issue name	Issue date	Currency	Coupon payment date	Interest rate fix/float	Initial nominal value 1 item (EUR)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2018 (EUR '000)	Maturity
Bank bonds									
ČSOB I.	Mar 15	EUR	-	Zero-coupon	1,000.00	10,000	10,000	9,588	Mar 21
ČSOB II. *	Oct 15	EUR	5 Oct, yearly	2.50%	1,000.00	4,782	1,196	1,215	Oct 19
ČSOB III. **	Sep 16	EUR	9 Sep, yearly	1.60%	1,000.00	3,924	1,962	1,997	Sep 20
Total								**12,800**	
Mortgage bonds									
ČSOB XIII.	Nov 11	EUR	7 Nov, yearly	5.50%	10,000.00	2,500	25,000	25,207	Nov 31
ČSOB XIX.	Jul 12	EUR	9 Jul, yearly	4.70%	10,000.00	2,500	25,000	24,979	Jul 36
ČSOB XXIV.	Feb 15	EUR	27 Feb, yearly	1.60%	1,000.00	8,977	8,977	9,098	Feb 19
ČSOB XXV.	Jun 15	EUR	26 Jun, yearly	0.40%	10,000.00	5,000	50,000	49,818	Jun 20
ČSOB XXVI.	Nov 15	EUR	30 Nov, yearly	0.60%	10,000.00	5,000	50,000	50,147	Nov 20
ČSOB XXVII.	Mar 16	EUR	17 Mar, yearly	0.50%	10,000.00	5,000	50,000	50,275	Mar 21
ČSOB XXVIII.	Jul 16	EUR	11 Jul, yearly	0.20%	10,000.00	2,500	25,000	25,033	Jul 19
ČSOB XXIX.	Sep 16	EUR	27 Sep, yearly	0.30%	10,000.00	5,000	50,000	50,121	Sep 21
ČSOB XXX.	Mar 17	EUR	29 Mar, yearly	0.50%	10,000.00	5,000	50,000	50,014	Mar 22
ČSOB XXXI.	Jun 17	EUR	28 Jun, yearly	0.50%	10,000.00	4,300	43,000	43,169	Jun 22
ČSOB XXXII.	Nov 17	EUR	28 Nov, yearly	0.60%	10,000.00	5,000	50,000	50,147	Nov 22
Total								**428,008**	
Investment certificates									
ČSOB IC SD3E 67 2023	Dec 18	EUR	14 Jun, 14 Dec, half-yearly	Zero-coupon	1,000.00	1,885	1,885	1,885	Dec 23
Total								**1,885**	

** Nominal value of the bond is payable annually as 25% of the initial nominal value. The coupon is set as a given year fix rate of the remaining nominal value. The fix rate equals 0.50% p.a., 1.30% p.a., 1.90% p.a., and 2.50% p.a. for the year 1, 2, 3, 4, respectively.*
*** Nominal value of the bond is payable annually as 25% of the initial nominal value. The coupon is set as a given year fix rate of the remaining nominal value. The fix rate equals 0.40% p.a., 0.80% p.a., 1.60% p.a., and 2.80% p.a. for the year 1, 2, 3, 4, respectively.*

20 Subordinated debt

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

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

21 Provisions

(EUR '000)	1 Jan 2019	Transfer	Creation/ (Release)	Use	31 Dec 2019 *
Provision for litigation arisen from banking activities	3,960	(280)	(220)	-	3,460
Other provisions for litigation	-	280	28	(52)	256
Provisions	**3,960**	**-**	**(192)**	**(52)**	**3,716**

** Provisions total does not include provision for off-balance sheet risks which is presented in note 15.*

(EUR '000)	1 Jan 2018	Creation/ (Release)	Use	31 Dec 2018 *
Provision for litigation	5,102	2,059	(3,201)	3,960
Provisions	**5,102**	**2,059**	**(3,201)**	**3,960**

** Provisions total does not include provision for off-balance sheet risks which is presented in note 15.*

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

22 Other liabilities

(EUR '000)	31 Dec 2019	31 Dec 2018
Other financial liabilities		
Accrued non-interest charges	9,156	8,023
Hedging derivatives (note 34)	13,760	8,366
Other financial liabilities	5,216	6,695
Other financial liabilities	***28,132***	***23,084***
Other non-financial liabilities		
Employee benefits and other employee funds	2,946	2,961
of which: benefits paid on retirement	*1,135*	*995*
length of service benefits	*392*	*352*
anniversary benefits	*217*	*201*
Wages and social security charges	14,076	13,302
Income received in advance	327	671
Other non-financial liabilities	***17,349***	***16,934***
Other liabilities	**45,481**	**40,018**

23 Overview of contingent liabilities

23.1 Contingent liabilities

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

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2019
Credit facilities issued but not drawn	1,210,274	139,303	254	-	**1,349,831**
Financial guarantees given	168,383	45,992	-	168	**214,543**
Letters of credit given	4,637	861	40	-	**5,538**
Other*	2,170	-	-	-	**2,170**
Contingent Liabilities	**1,385,464**	**186,156**	**294**	**168**	**1,572,082**

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

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

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2018
Credit facilities issued but not drawn	1,244,725	153,907	691	-	**1,399,323**
Financial guarantees given	173,818	54,170	498	282	**228,768**
Letters of credit given	14,634	-	40	-	**14,674**
Other*	1,639	-	-	-	**1,639**
Contingent Liabilities	**1,434,816**	**208,077**	**1,229**	**282**	**1,644,404**

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

Provisions for off-balance sheet risk are reported in the Separate Statement of Financial Position under Provisions. See note 15.

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2019
Credit facilities issued but not drawn	(579)	(1,257)	(114)	-	**(1,950)**
Financial guarantees given	(177)	(147)	-	(168)	**(492)**
Letters of credit given	(2)	(10)	(2)	-	**(14)**
Provisions for off-balance sheet risk	**(758)**	**(1,414)**	**(116)**	**(168)**	**(2,456)**

(EUR '000)	Stage 1	Stage 2	Stage 3	POCI	31 Dec 2018
Credit facilities issued but not drawn	(722)	(2,465)	(129)	-	**(3,316)**
Financial guarantees given	(53)	(217)	(499)	(137)	**(906)**
Letters of credit given	(29)	-	(2)	-	**(31)**
Provisions for off-balance sheet risk	**(804)**	**(2,682)**	**(630)**	**(137)**	**(4,253)**

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

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

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

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

23.2 Operating leases not meeting IFRS 16

The following table summarizes future minimum lease payments under non-cancellable operating leases not meeting IFRS 16 as at 31 December 2019.

(EUR '000)	**Building and equipment**	**Other**	**Total**
Not later than 1 year	3,955	1,635	**5,590**
Later than 1 year and not later than 2 years	3,954	510	**4,464**
Later than 2 year and not later than 3 years	3,955	256	**4,211**
Later than 3 year and not later than 4 years	3,954	85	**4,039**
Later than 4 year and not later than 5 years	3,955	45	**4,000**
Later than 5 years	9,297	-	**9,297**
Total	**29,070**	**2,531**	**31,601**
Minimum lease payments recognized as an expense for the year	-	*951*	*951*

The following table summarizes future minimum lease payments under non-cancellable operating leases, other than the sale and lease-back arrangements, which are explained further below as at 31 December 2018.

(EUR '000)	**Building and equipment**	**Other**	**Total**
Not later than 1 year	4,837	1,521	**6,358**
Later than 1 year and not later than 5 years	19,349	1,126	**20,475**
Later than 5 years	16,145	-	**16,145**
Total	**40,331**	**2,647**	**42,978**
Minimum lease payments recognized as an expense for the year	4,957	925	5,882

The operating leases related to information technologies leased from KBC Group, are included in “Not later than 1 year” in the amount of EUR 706 thousand (2018: EUR 562 thousand). They represent expected half-year lease payments according to the contractual notice period.

In 2017, ČSOB Bank entered a long-term rental contract for the head office building with ČSOB Real, s.r.o. For the year 2019, monthly rental cost excluding energies was EUR 276 thousand (2018: EUR 333 thousand). The contract can only be terminated in case of a significant breach of terms by either of the parties. In such case, the termination period is set to 12 months.

23.3 Lawsuits

In addition to the litigation for which provisions are created (note 21) ČSOB Bank is named in and is defending several legal actions arising in the ordinary course of business. The management of ČSOB Bank does not believe that these legal actions will result in any material loss. Consequently, no provisions were created for these cases as at 31 December 2019 and 31 December 2018.

23.4 Taxation

The methodology of Slovak tax legislation and interpretation is still evolving. Consequently, in the current taxation environment, there is uncertainty concerning the interpretations and procedures that the respective tax authorities may apply in several areas. Due to this, ČSOB Bank 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.

24 Equity

The structure of shareholders of ČSOB Bank is as follows.

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

24.1 Share capital

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

24.2 Share premium

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

24.3 Reserve funds

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

24.4 Revaluation reserve

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

(EUR '000)	2019	2018
As at 1 January after IFRS 9 adoption	**8,476**	**9,289**
Items that may be reclassified subsequently to profit or loss		
Unrealised gain/ (loss) from the revaluation of debt securities at fair value through other comprehensive income	262	(2,933)
Net realized result from Financial assets at fair value through other comprehensive income	(1,112)	(216)
Impairment release/ (creation) to debt securities at fair value through other comprehensive income	3	(16)
Income tax relating to items that may be reclassified subsequently to profit or loss	179	661
Items that cannot be reclassified subsequently to profit or loss		
Unrealised gain from the revaluation of equity instruments at fair value through other comprehensive income	4,793	2,140
Income tax relating to items that cannot be reclassified subsequently to profit or loss	(1,007)	(449)
As at 31 December	**11,594**	**8,476**

24.5 Other revaluation reserve

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

24.6 Profit distribution

The profit distribution of ČSOB Bank is as follows.

(EUR '000)	Attributable from profit for the year	
	2019 *	2018
Retained earnings	70,147	-
Dividends	-	53,158
Net profit for the year	**70,147**	**53,158**

** based on the proposed profit distribution*

Dividends per share are as follows.

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

** based on the proposed profit distribution*

25 Information on segments

ČSOB Bank distinguishes between the following segments.

25.1 Retail banking / Entrepreneurs and small companies ("MicroSME") / Private banking

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

Loan products: mortgages, consumer loans, credit cards and overdrafts, operating and investment loans, revolving loans.

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

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

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

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

25.2 Corporate banking

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

Loan products: overdrafts, revolving loans, purpose loans, credit cards, specialized and trade finance.

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

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

25.3 Financial markets and ALM

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

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

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

25.4 Other

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

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

(EUR '000)	Retail banking / MicroSME / Private banking	Corporate banking	Financial markets and ALM	Other	Total
Separate Statement of Profit or Loss and Other Comprehensive Income					
Net interest income	105,810	45,464	5,930	4,680	**161,884**
of which: Intersegment Net Interest Income/ (loss)	*21,657*	*8,321*	*(30,179)*	*201*	**-**
Net fee and commission income	44,615	16,357	1,589	1,815	**64,376**
Net trading result and exchange differences	3,062	5,084	4,564	(5,432)	**7,278**
Net realized result from Financial assets at fair value through other comprehensive income	-	-	1,112	-	**1,112**
Net realized result from financial instruments measured at amortised cost	-	36	2,685	-	**2,721**
Dividend income	-	-	-	21,452	**21,452**
Other operating result	458	(77)	21	2,582	**2,984**
Total income	**153,945**	**66,864**	**15,901**	**25,097**	**261,807**
Personnel expenses	(33,400)	(9,365)	(1,804)	(28,738)	**(73,307)**
Depreciation and amortisation	(4,085)	(380)	(150)	(8,379)	**(12,994)**
Other operating expenses	(27,563)	(3,435)	(258)	(52,539)	**(83,795)**
Operating expenses	**(65,048)**	**(13,180)**	**(2,212)**	**(89,656)**	**(170,096)**
Impairment losses and Provisions for off-balance sheet risks	(4,164)	(4,249)	(2)	549	**(7,866)**
Profit/ (loss) for the year before tax	**84,733**	**49,435**	**13,687**	**(64,010)**	**83,845**
Income tax expense					**(13,698)**
Net profit for the year					**70,147**
Total assets	4,312,671	2,184,250	1,954,154	287,460	**8,738,535**
Total liabilities and equity	3,784,207	2,355,210	1,656,718	942,400	**8,738,535**

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

(EUR '000)	Retail banking / MicroSME / Private banking	Corporate banking	Financial markets and ALM	Other	Total
Separate Statement of Profit or Loss and Other Comprehensive Income					
Net interest income	103,564	45,091	20,021	(1,273)	**167,403**
of which: Intersegment Net Interest Income/ (loss)	*27,071*	*13,181*	*(32,225)*	*(8,027)*	**-**
Net fee and commission income	41,615	15,469	510	2,007	**59,601**
Net trading result and exchange differences	2,515	4,060	4,957	(945)	**10,587**
Net realized result from Financial assets at fair value through other comprehensive income	-	-	216	-	**216**
Net realized result from financial instruments measured at amortised cost	-	-	1,048	-	**1,048**
Dividend income	-	-	-	482	**482**
Other operating result	477	(22)	45	(728)	**(228)**
Total income	**148,171**	**64,598**	**26,797**	**(457)**	**239,109**
Personnel expenses	(31,903)	(8,681)	(1,971)	(27,241)	**(69,796)**
Depreciation and amortisation	(2,739)	(396)	(158)	(6,671)	**(9,964)**
Other operating expenses	(26,705)	(3,604)	227	(55,878)	**(85,960)**
Operating expenses	**(61,347)**	**(12,681)**	**(1,902)**	**(89,790)**	**(165,720)**
Impairment losses and Provisions for off-balance sheet risks	(4,907)	159	44	529	**(4,175)**
Profit/ (loss) for the year before tax	**81,917**	**52,076**	**24,939**	**(89,718)**	**69,214**
Income tax expense					**(16,056)**
Net profit for the year					**53,158**
Total assets	3,966,381	2,148,556	2,107,198	284,514	**8,506,649**
Total liabilities and equity	3,503,863	2,562,356	1,557,438	882,992	**8,506,649**

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

ČSOB Bank operates in the Slovak Republic.

26 Net interest income

(EUR '000)	31 Dec 2019	31 Dec 2018
Interest income		
Loans and receivables from financial institutions at amortised cost	1,598	360
Loans and receivables from customers at amortised cost	137,508	138,671
Debt securities at amortised cost	38,346	42,699
Financial assets at fair value through other comprehensive income	2,616	3,153
Financial liabilities not measured at fair value through profit or loss	3,818	2,754
Total	***183,886***	***187,637***
Similar interest income		
Financial assets at fair value through profit or loss (excluding derivatives)	460	1,517
Financial liabilities at fair value through profit or loss	-	561
Total	***460***	***2,078***
Interest expense		
Amounts owed to financial institutions and multilateral banks at amortised cost	(1,183)	(530)
Amounts owed to customers at amortised cost	(9,030)	(9,913)
Debt securities issued at amortised cost	(4,587)	(5,351)
Subordinated debt	(1,201)	(1,224)
Lease liability	(291)	n/a
Hedging derivatives	(5,167)	(4,414)
Financial assets not measured at fair value through profit or loss	(187)	(26)
Total	***(21,646)***	***(21,458)***
Similar interest expense		
Financial liabilities at fair value through profit or loss	(816)	(843)
Financial assets at fair value through profit or loss	-	(11)
Total	***(816)***	***(854)***
Net interest income	**161,884**	**167,403**

27 Net fee and commission income

(EUR '000)	31 Dec 2019	31 Dec 2018
Fee and commission income		
Securities related fees	433	307
Asset management services – trust and fiduciary activities, entry fees	5,782	6,359
Credit and guarantee related fees	13,558	11,217
Payment services fees	45,500	42,546
Distribution fees	6,920	5,997
Network income	3,113	4,525
Other	340	347
Fee and commission income	***75,646***	***71,298***
Fee and commission expense		
Securities related fees	(987)	(1,013)
Credit and guarantee related fees	(75)	(93)
Payment services fees	(8,520)	(7,417)
Products insurance	(494)	(226)
Network expense	(523)	(2,048)
Other	(671)	(900)
Fee and commission expense	***(11,270)***	***(11,697)***
Net fee and commission income	**64,376**	**59,601**

28 Net trading result and exchange differences

(EUR '000)	31 Dec 2019	31 Dec 2018
Held for trading equity instruments	(7)	-
Held for trading interest rate instruments	(4,412)	(373)
Held for trading foreign exchange instruments	10,479	7,505
Held for trading commodity instruments	51	26
Non-trading financial assets mandatorily at fair value through profit or loss	850	-
Financial liabilities at fair value through profit or loss	(42)	16
Hedging derivatives	(2,832)	(5,057)
Hedged items	3,386	6,039
Foreign exchange differences	(195)	2,431
Net trading result and exchange differences	**7,278**	**10,587**

29 Other operating result

(EUR '000)	31 Dec 2019	31 Dec 2018
Loss on disposal of property, plant and equipment	(479)	(345)
Net income from rental	355	340
Release/ (creation) of provisions for operating losses, claims and legal disputes (note 21)	220	(2,059)
Losses from financial operations	(131)	(541)
Other operating activities	3,019	2,377
Other operating result	**2,984**	**(228)**

30 Personnel expenses

(EUR '000)	31 Dec 2019	31 Dec 2018
Wages and salaries	(54,875)	(52,182)
Social security	(17,589)	(16,665)
of which: contributions to pension pillar I and pillar II	*(8,699)*	*(8,333)*
Pensions expenses	(533)	(500)
Other post-employment benefits	(155)	(95)
Other staff expenses	(127)	(354)
Other provisions for litigation (note 21)	(28)	-
Personnel expenses	**(73,307)**	**(69,796)**

The number of employees of ČSOB Bank as at 31 December 2019 was 2,237; thereof 249 managers (31 December 2018: 2,239; thereof 261 managers).

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

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

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

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

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

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

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

31 Other operating expenses

(EUR '000)	31 Dec 2019	31 Dec 2018
Information technology expenses	(29,637)	(27,042)
Rental expenses	(6,637)	(12,330)
Repair and maintenance	(2,257)	(2,090)
Marketing expenses	(6,542)	(7,704)
Professional fees	(2,231)	(2,546)
of which: *Audit of Statutory Financial Statements*	*(230)*	*(271)*
*Services involving the issuance of an assurance report (other than on Statutory Financial Statements) **	*(126)*	*(164)*
*Other services **	-	*(4)*
Other facilities expenses	(7,329)	(6,891)
Communication expenses	(63)	(84)
Travel expenses	(727)	(748)
Training and recruitment expenses	(444)	(446)
Personnel related expenses	(417)	(398)
Costs charged by other KBC Group entities (note 33)	(4,047)	(4,111)
Contributions to deposit protection funds	(317)	(315)
Bank levy	(15,545)	(14,616)
European Resolution Fund **	(3,006)	(3,540)
Other operating expenses	(4,596)	(3,099)
Other operating expenses	**(83,795)**	**(85,960)**

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

*** Commencing 1 January 2015, ČSOB Bank is required to participate in the resolution process by paying financial contributions to European Resolution Fund (note 23).*

32 Taxation

The income tax structure is as follows.

(EUR '000)	31 Dec 2019	31 Dec 2018
Current tax	13,304	12,924
Deferred tax	394	3,132
Total	**13,698**	**16,056**

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Profit for the year before tax	**83,845**	**69,214**
Tax rate	21%	21%
Tax expense calculated using applicable tax rates	17,607	14,535
Permanent differences between tax and accounting income	(4,549)	(200)
Permanent differences between tax and accounting expenses	640	1,721
Total	**13,698**	**16,056**

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

(EUR '000)	Temporary differences	Deferred income tax asset/(liability)
Financial assets at fair value through profit or loss	6,646	1,396
Financial assets at fair value through other comprehensive income	(15,512)	(3,258)
Loans and receivables from customers at amortised cost – tax non-deductible impairment losses to customers	49,228	10,338
Tangible and intangible assets	6,520	1,369
Leases under IFRS 16	151	32
Employee benefits and accrual for unpaid bonuses	10,693	2,246
Other	8,663	1,819
Total	**66,389**	**13,942**

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

(EUR '000)	Temporary differences	Deferred income tax asset/(liability)
Financial assets at fair value through other comprehensive income	(11,569)	(2,430)
Loans and receivables from customers at amortised cost - tax non-deductible impairment losses to customers	57,742	12,126
Tangible and intangible assets	7,184	1,509
Employee benefits and accrual for unpaid bonuses	9,754	2,048
Losses carried forward	1,515	318
Other	7,585	1,593
Total	**72,211**	**15,164**

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

(EUR '000)	1 Jan	Movement through other comprehensive income	Movement through profit or loss	31 Dec
Deferred income tax asset 2019	15,164	(828)	(394)	**13,942**
Deferred income tax asset 2018	18,084	212	(3,132)	**15,164**

33 Related parties

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

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

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

(EUR '000)	31 Dec 2019			31 Dec 2018		
	KBC Bank NV	KBC Group	ČSOB Group	KBC Bank NV	KBC Group	ČSOB Group
Other demand deposits with banks	26,505	2,689	-	1,220	660	-
Financial assets at fair value through profit or loss	23,109	164	3,970	3,101	16	3,599
of which: Financial trading derivatives	*23,109*	*164*	*3,970*	*3,101*	*16*	*3,599*
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-	-	-
Loans and receivables from financial institutions at amortised cost	32,460	-	-	22,281	-	-
Loans and receivables from customers at amortised cost	-	-	73,021	-	-	70,819
Other assets	2,412	1,193	123	35	837	146
of which: Hedging derivatives	*2,412*	-	-	*35*	-	-
Financial liabilities at fair value through profit or loss	42,151	127	258	10,266	82	-
of which: Financial trading derivatives	*42,151*	*8*	*258*	*10,266*	*11*	-
Amounts owed to financial institutions at amortised cost	977,223	8,753	9,084	885,303	3,320	8,415
Amounts owed to customers at amortised cost	-	24,803	19,245	-	43,478	63,176
Debt securities issued at amortised cost	-	278,924	9,513	-	293,767	9,513
Subordinated debt (note 20)	87,551	-	-	87,551	-	-
Other liabilities	13,760	999	22	8,399	147	24
of which: Hedging derivatives	*13,760*	-	-	*8,366*	-	-

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

(EUR '000)	31 Dec 2019			31 Dec 2018		
	KBC Bank NV	KBC Group	ČSOB Group	KBC Bank NV	KBC Group	ČSOB Group
Interest income	6,777	1,257	1,083	8,577	5	1,216
Similar interest income	-	-	-	248	910	-
Fee and commission income	1,361	7,310	210	1,102	6,455	462
Net trading result and exchange differences	(8,917)	141	3,400	17,503	2,587	(4,491)
Net realized result from Financial assets at fair value through other comprehensive income	-	-	-	-	(12)	228
Net realized result from financial instruments measured at amortised cost	-	-	-	-	555	-
Dividend income	-	-	21,399	-	-	440
Other operating result	-	1,682	472	-	1,182	511
Interest expense	(7,434)	(2,006)	(40)	(5,891)	(1,975)	(91)
Similar interest expense	-	-	-	-	(2)	(1)
Fee and commission expense	(110)	(557)	-	(145)	(594)	-
Other operating expenses	(985)	(15,831)	(5,138)	(836)	(15,829)	(5,551)
*of which: costs charged by other KBC Group entities **	*(597)*	*(3,450)*	-	*(786)*	*(3,325)*	-

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

Terms of contracts with related parties:

- Loans and receivables from financial institutions at amortised cost – maximum maturity until 2020 (2018: until 2019) and weighted average contractual interest rate (0.45%) (2018: (0.36%));
- Loans and receivables from customer at amortised cost - maximum maturity until 2029 (2018: until 2029) and weighted average contractual interest rate 1.18% (2018: 1.71%);
- Financial liabilities at fair value through profit or loss (excl. derivatives) – maximum maturity until 2021 (2018: until 2021) and weighted average contractual interest rate 0.45% (2018: 0.71%);
- Amounts owed to financial institutions at amortised cost – maximum maturity until 2023 (2018: until 2023) and weighted average contractual interest rate (0.14%) (2018: (0.06%));
- Amounts owed to customers at amortised cost – maximum maturity until 2021 (2018: until 2021) and weighted average contractual interest rate 0.06% (2018: 0.06%);
- Debt securities issued at amortised cost – maximum maturity until 2036 (2018: until 2036) and weighted average contractual interest rate 0.58% (2018: 0.57%).

As at 31 December 2019, total guarantees received (to Loans and receivables from customers at amortised cost) from related parties represent EUR 39,483 thousand (31 December 2018: EUR 34,247 thousand), total guarantees given by ČSOB Bank towards related parties are in the amount of EUR 10,364 thousand (31 December 2018: EUR 12,038 thousand) and credit facilities issued but not drawn provided to related parties are in the amount of EUR 1,000 thousand (31 December 2018: EUR 700 thousand).

In 2019, ČSOB Bank received dividends from its subsidiary ČSOB Leasing, a.s. in the amount of EUR 20,801 thousand (2018: EUR 0) and from its subsidiary ČSOB stavebná sporiteľňa, a.s. in the amount of EUR 598 thousand (2018: EUR 440 thousand).

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

33.1 Transactions with key management personnel

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

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

34 Derivative financial instruments

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

34.1 Credit risk associated with derivative financial instruments

By utilizing derivative financial instruments, ČSOB Bank 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 Bank 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 Bank minimises credit risk through credit approvals, limits and monitoring procedures. In addition, ČSOB Bank obtains collateral where appropriate, uses bilateral master netting arrangements and has implemented the collateral management used for the collateralisation of trades on the financial markets - OTC derivatives and REPO operations. There are no significant credit risk exposures in trading derivatives outside of standard international investment banking which are considered by ČSOB Bank as usual used in trading and managing banking risks.

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

34.2 Trading derivative financial instruments

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

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

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

(EUR '000)	Nominal values		Fair values	
Trading derivatives as at 31 Dec 2019	**Assets**	**Liabilities**	**Positive**	**Negative**
Equity contracts				
Equity swaps	57,597	57,597	671	671
FX contracts				
FX forwards	9,620	9,731	70	135
FX swaps and Cross-currency interest rate swaps	414,752	413,749	2,204	1,355
FX options	45,228	45,228	317	317
Interest rate contracts				
Interest rate swaps	5,199,305	5,199,305	32,770	40,567
Interest rate options	21,333	21,333	210	574
Trading derivatives (note 4 and 16)	**5,747,835**	**5,746,943**	**36,242**	**43,619**

(EUR '000)	Nominal values		Fair values	
Trading derivatives as at 31 Dec 2018	**Assets**	**Liabilities**	**Positive**	**Negative**
Equity contracts				
Equity swaps	3,770	3,770	60	60
FX contracts				
FX forwards	3,581	3,678	19	81
FX swaps and Cross-currency interest rate swaps	277,899	277,902	1,301	1,254
FX options	86,328	86,328	420	415
Interest rate contracts				
Interest rate swaps	2,776,669	2,776,669	8,845	8,537
Interest rate options	61,764	61,764	232	1,502
Commodity contracts				
Commodity swaps and options	451	451	16	5
Trading derivatives (note 4 and 16)	**3,210,462**	**3,210,562**	**10,893**	**11,854**

34.3 Hedging derivative financial instruments

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

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

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

Portfolio hedge of Interest rate risk (EUR '000)	31 Dec 2019	31 Dec 2018
Hedging instrument - Interest rate swaps		
Nominal amount purchased	1,915,000	1,985,000
Nominal amount sold	1,915,000	1,985,000
Carrying amount assets (note 14)	2,412	35
Carrying amount liabilities (note 22)	13,760	8,366
Change in fair value of hedging instruments used as basis for recognising hedge ineffectiveness for the year (note 28)	(2,832)	(5,057)
Hedged item - Loans and receivables from customers at amortised cost		
Carrying value total	1,924,178	1,990,792
of which: accumulated fair value adjustment (note 14)	9,178	*5,792*
Change in fair value of hedged item used as basis for recognising hedge ineffectiveness for the year (note 28)	3,386	6,039

35 Offsetting financial assets and liabilities

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

(EUR '000)	Gross amounts of financial assets	Net amounts of financial assets	Related amounts not offset			Net amount
			Financial instruments	Cash collateral received	Securities collateral received	
31 Dec 2019						
Derivatives (note 34)	38,654	38,654	26,070	487	-	**12,097**
31 Dec 2018						
Derivatives (note 34)	10,928	10,928	3,632	-	-	**7,296**

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

(EUR '000)	Gross amounts of financial liabilities	Net amounts of financial liabilities	Related amounts not offset			Net amount
			Financial instruments	Cash collateral pledged	Securities collateral pledged	
31 Dec 2019						
Derivatives (note 34)	57,379	57,379	26,071	30,390	-	**918**
Repurchase agreements (note 17)	224,144	224,144	-	1,620	222,524	**-**
Total 31 Dec 2019	**281,523**	**281,523**	**26,071**	**32,010**	**222,524**	**918**
31 Dec 2018						
Derivatives (note 34)	20,220	20,220	3,633	15,496	-	**1,091**
Repurchase agreements (note 17)	222,988	222,988	-	4,410	218,578	**-**
Total 31 Dec 2018	**243,208**	**243,208**	**3,633**	**19,906**	**218,578**	**1,091**

36 Fair value of assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Fair value				Carrying amount
(EUR '000)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Financial assets					
Cash, balances with central bank and other demand deposits with banks	196,407	-	60,297	**256,704**	256,704
Loans and receivables from financial institutions at amortised cost	-	-	49,005	**49,005**	48,938
Loans and receivables from customers at amortised cost	-	-	7,018,263	**7,018,263**	6,375,250
Debt securities at amortised cost	1,683,917	163,883	-	**1,847,800**	1,687,399
Total financial assets				**9,171,772**	**8,368,291**
Financial liabilities					
Amounts owed to financial institutions at amortised cost	-	644,776	399,377	**1,044,153**	1,041,102
Amounts owed to customers at amortised cost	-	6,163,160	62,889	**6,226,049**	6,187,014
Debt securities issued at amortised cost	-	456,707	-	**456,707**	433,537
Subordinated debt	-	-	87,551	**87,551**	87,551
Total financial liabilities				**7,814,460**	**7,749,204**

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

	Fair value				Carrying amount
(EUR '000)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Financial assets					
Cash, balances with central bank and other demand deposits with banks	196,983	-	26,058	**223,041**	223,041
Loans and receivables from financial institutions at amortised cost	-	-	35,323	**35,323**	36,520
Loans and receivables from customers at amortised cost	-	-	6,172,922	**6,172,922**	6,014,499
Debt securities at amortised cost	1,777,417	159,780	-	**1,937,197**	1,809,192
Total financial assets				**8,368,483**	**8,083,252**
Financial liabilities					
Amounts owed to financial institutions at amortised cost	-	582,649	381,382	**964,031**	967,413
Amounts owed to customers at amortised cost	-	6,079,683	39,425	**6,119,108**	6,115,866
Debt securities issued at amortised cost	-	458,543	-	**458,543**	444,640
Subordinated debt	-	-	87,551	**87,551**	87,551
Total financial liabilities				**7,629,233**	**7,615,470**

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

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

36.1.2 Loans and receivables from customers at amortised cost

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

36.1.3 Contingent commitments

In general, the fair values of contingent commitments equal to fees charged by ČSOB Bank to its customers when these products are contracted. As at 31 December 2019 and 31 December 2018, the fair value of contingent commitments was not material. For more information about carrying amounts see note 23.

36.1.4 Debt securities at amortised cost

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

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

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

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

36.1.6 Amounts owed to customers at amortised cost

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

36.1.7 Debt securities issued at amortised cost

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

36.1.8 Other financial assets

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

36.2 Financial assets and liabilities measured at fair value

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

(EUR '000)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (note 4)				
Financial assets held for trading				
Financial trading derivatives	-	36,242	-	**36,242**
Total				***36,242***
Non-trading financial assets mandatorily at fair value through profit or loss	***-***	***850***	***-***	***850***
Financial assets at fair value through other comprehensive income (note 5)				
*Debt securities **				
Government debt securities	90,586	-	-	**90,586**
Banks bonds	-	10,992	-	**10,992**
Equity instruments				
Shares	-	5,887	7,257	**13,144**
Total				***114,722***
Other financial assets (note 14)				
Fair value changes of hedged item (hedged risk)	-	9,178	-	**9,178**
Hedging derivatives	-	2,412	-	**2,412**
Total				***11,590***
Total financial assets				**163,404**
Financial liabilities				
Financial liabilities at fair value through profit or loss (note 16)				
Financial liabilities designated at fair value through profit or loss on initial recognition				
Term deposits – non-bank customers	-	42,761	-	**42,761**
Debt securities issued at amortised cost	-	7,726	-	**7,726**
Financial liabilities held for trading				
Financial trading derivatives	-	43,619	-	**43,619**
Total				***94,106***
Other financial liabilities (note 22)				
Hedging derivatives	-	13,760	-	**13,760**
Total				***13,760***
Total financial liabilities				**107,866**

** net of impairment loss*

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

(EUR '000)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (note 4)				
Financial assets held for trading				
Financial trading derivatives	-	10,893	-	**10,893**
Government debt securities	107,586	-	-	**107,586**
Bank bonds	-	13,764	-	**13,764**
Other bonds	3,581	1,516	-	**5,097**
Total				***137,340***
Financial assets at fair value through other comprehensive income (note 5)				
*Debt securities **				
Government debt securities	119,224	-	-	**119,224**
Equity instruments				
Shares	-	3,649	4,845	**8,494**
Total				***127,718***
Other financial assets (note 14)				
Fair value changes of hedged item (hedged risk)	-	5,792	-	**5,792**
Hedging derivatives	-	35	-	**35**
Total				***5,827***
Total financial assets				**270,885**
Financial liabilities				
Financial liabilities at fair value through profit or loss (note 16)				
Financial liabilities designated at fair value through profit or loss on initial recognition				
Term deposits – non-bank customers	-	37,624	-	**37,624**
Debt securities issued at amortised cost	-	7,680	-	**7,680**
Financial liabilities held for trading				
Financial trading derivatives	-	11,854	-	**11,854**
Total				***57,158***
Other financial liabilities (note 22)				
Hedging derivatives	-	8,366	-	**8,366**
Total				***8,366***
Total financial liabilities				**65,524**

** net of impairment loss*

36.2.1 Derivatives

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

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

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

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

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

In that case the security is classified in Level 2.

36.2.3 Loans and deposits at fair value through profit or loss

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

36.2.4 Shares

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

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

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

36.3 Transfers between Level 1 and 2

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

37 ČSOB Bank risks

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

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

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

37.1 Risk management structure and basic assumptions

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

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

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

37.1.1 The organizational structure of senior bodies and committees for risk management

A Board of Directors

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

B Supervisory Board

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

C Audit Committee (“AC”)

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

D Risk and Compliance Committee ("RCC")

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

E Remuneration committee ("RC")

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

F Assets and Liabilities Committee ("ALCO")

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

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

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

H Credit Risk Committee ("CRC")

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

I Local Credit Committee ("LCC")

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

J New and active products process ("NAPP")

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

K Information Risk and Security Committee ("IRSC")

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

37.1.2 Other risk management bodies

A Organizational unit of Risk and Compliance

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

B Asset and Liability Management Department ("ALM")

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

C Financial Markets Division ("FM")

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

D Internal Audit Department

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

37.1.3 Risk reporting and measurement systems

ČSOB Bank'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 Bank also runs worst-case scenarios such as might arise in the event of the unlikely occurrence of extreme events.

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

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

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

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

37.1.4 Risk mitigation

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

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

37.1.5 Excessive risk concentration

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

To avoid excessive concentrations of risk, ČSOB Bank'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 Bank to manage risk concentrations at both the relationship and industry levels.

37.2 Credit risk

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

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

37.2.1 Internal Rating Based approach ("IRB")

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

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

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

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

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

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

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

37.2.2 Corporate and SME customers

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

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

A Credit acceptance process

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

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

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

37.2.3 Retail and MicroSME customers

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

A Credit acceptance process

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

B Portfolio risk management

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

37.2.4 Derivative financial instruments

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

37.2.5 Credit risk-related receivables

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

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Mandatory minimum reserves and other demand deposits with banks (note 3)	96,484	36,804
Financial assets at fair value through profit or loss (note 4)	36,242	137,340
Non-trading financial assets mandatorily at fair value through profit or loss	850	-
Financial assets at fair value through other comprehensive income, excluding shares (note 5)	101,578	119,224
Loans and receivables from financial institutions at amortised cost (note 6)	48,938	36,520
Loans and receivables from customers at amortised cost (note 7)	6,375,250	6,014,499
Debt securities at amortised cost (note 8)	1,687,399	1,809,192
Other financial assets (note 14)	18,730	13,751
Total	***8,365,471***	***8,167,330***
Credit facilities issued but not drawn (note 23.1)	1,347,881	1,396,007
Financial guarantees given (note 23.1)	214,051	227,862
Letters of credit given (note 23.1)	5,524	14,643
Total	***1,567,456***	***1,638,512***
Total credit risk exposure	**9,932,927**	**9,805,842**

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

As at 31 December 2019, the maximum exposure to credit risk relating to financial instruments not subject to impairment was of EUR 60,297 thousand (31 December 2018: EUR 26,058 thousand) and the maximum exposure to credit risk relating to financial instruments subject to impairment with null ECL was of EUR 258 thousand (31 December 2018: EUR 51,350 thousand).

37.2.6 Maximum credit risk exposure

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

37.2.7 Concentration risk in terms of credit risk

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

The maximum credit exposure to a governmental counterparty as at 31 December 2019 was EUR 1,536,407 thousand (31 December 2018: EUR 1,720,904 thousand) and to a non-governmental counterparty EUR 121,026 thousand (31 December 2018: EUR 120,839 thousand) before taking collateral or other credit enhancements into account and EUR 72,526 thousand (31 December 2018: EUR 57,839 thousand) after taking them into account.

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Slovak Republic	9,429,860	9,308,188
Belgium	85,211	28,418
Czech Republic	85,325	169,592
Great Britain	114,587	104,953
Hungary	49,545	50,052
Netherlands	36,807	36,438
Switzerland	62,791	31,324
Austria	29,760	23,735
Other	39,041	53,142
Total	**9,932,927**	**9,805,842**

ČSOB Bank's financial assets and off-balance sheet items with credit risk by industry sector are as follows.

(EUR '000)	31 Dec 2019	31 Dec 2018
Agriculture, Forestry and Fisheries	16,046	13,021
Mining and extraction	10,733	8,887
Industrial production	630,815	648,703
Supply of electricity, gas, steam and cold air	266,434	249,893
Supply of water, cleaning and transfer of wastewater, waste, related services	85,734	97,232
Construction	349,345	296,846
Wholesale, retail, repairs of motor vehicles and motorcycles	539,399	556,572
Transport and storage	274,820	264,173
Accommodation and catering	18,185	16,307
Information and communication	89,148	76,987
Financial and insurance activities	287,891	188,613
Real estate activities	607,620	657,982
Professional, scientific and technical activities	230,324	262,548
Administration and supporting services	64,009	49,158
Public administration and defence, Social insurance	1,711,467	1,897,122
Education	2,361	3,009
Health and social support	13,202	11,532
Art, entertainment and relaxation	2,996	2,360
Other activities	22,471	7,771
Household activities in role of employers	4,436,448	4,107,772
Activities of extraterritorial organizations and associations	273,479	389,354
Total	**9,932,927**	**9,805,842**

37.2.8 Credit risk based on quality of financial assets

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

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

A Individually assessed allowances

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

B Collectively assessed allowances

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

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

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

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

31 Dec 2019	**Rating**				
(EUR '000)	**1 - 3**	**4 - 7**	**8 - 9**	**Undefined ***	**Total**
Mandatory minimum reserves and other demand deposits with banks at amortised cost (note 3)	60,258	39	-	36,187	**96,484**
Financial assets at fair value through profit or loss (note 4)	25,866	10,376	-	-	**36,242**
Financial trading derivatives	*25,866*	*10,376*	-	-	***36,242***
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-	**850**
Financial assets at fair value through other comprehensive income, (excluding shares) (note 5)	101,583	-	-	-	**101,583**
Government bonds	*90,587*	-	-	-	***90,587***
Bank bonds	*10,996*	-	-	-	***10,996***
Loans and receivables from financial institutions at amortised cost (note 6)	33,327	15,618	-	-	**48,945**
Loans and receivables from customers at amortised cost (note 7)	2,926,081	2,780,326	73,328	18,363	**5,798,098**
Public administration	167,277	-	-	2,170	**169,447**
Corporate	660,516	998,344	5,223	16,105	**1,680,188**
Retail	2,098,288	1,781,982	68,105	88	**3,948,463**
Mortgage loans	*1,994,225*	*1,442,372*	*12,167*	-	***3,448,764***
Consumer loans	*67,773*	*151,188*	*16,329*	*3*	***235,293***
Credit cards	*8,301*	*8,405*	*832*	-	***17,538***
Overdrafts	*2,951*	*6,407*	*980*	*61*	***10,399***
MicroSME	*25,038*	*173,610*	*37,797*	*24*	***236,469***
Debt securities at amortised cost (note 8)	1,611,982	44,071	-	-	**1,656,053**
Government debt securities	*1,445,842*	-	-	-	***1,445,842***
Bank bonds	*128,499*	-	-	-	***128,499***
Other bonds	*37,641*	*44,071*	-	-	***81,712***
Hedging derivatives (note 14)	2,412	-	-	-	**2,412**
Total	***4,762,359***	***2,850,430***	***73,328***	***54,550***	***7,740,667***
Off-balance sheet liabilities	587,829	785,679	8,026	1,760	**1,383,294**
Total credit risk exposure	**5,350,188**	**3,636,109**	**81,354**	**56,310**	**9,123,961**

** the rating or rating model is not assigned*

31 Dec 2018	Rating				
(EUR '000)	**1 - 3**	**4 - 7**	**8 - 9**	**Undefined ***	**Total**
Mandatory minimum reserves and other demand deposits with banks at amortised cost (note 3)	26,037	21	-	10,746	**36,804**
Financial assets at fair value through profit or loss (note 4)	133,874	3,414	-	52	**137,340**
Financial trading derivatives	*8,928*	*1,913*	-	*52*	***10,893***
Government debt securities	*107,586*	-	-	-	***107,586***
Bank bonds	*13,764*	-	-	-	***13,764***
Other bonds	*3,596*	*1,501*	-	-	***5,097***
Financial assets at fair value through other comprehensive income, (excluding shares) (note 5)	119,226	-	-	-	**119,226**
Loans and receivables from financial institutions at amortised cost (note 6)	22,340	14,186	-	-	**36,526**
Loans and receivables from customers at amortised cost (note 7)	2,516,046	2,864,722	42,625	15,005	**5,438,398**
Public administration	170,770	-	-	1,639	**172,409**
Corporate	589,123	1,079,268	4,745	13,301	**1,686,437**
Retail	1,756,153	1,785,454	37,880	*65*	**3,579,552**
Mortgage loans	*1,655,001*	*1,449,556*	*7,866*	-	***3,112,423***
Consumer loans	*76,847*	*151,305*	*5,804*	-	***233,956***
Credit cards	*6,448*	*8,183*	*321*	-	***14,952***
Overdrafts	*2,478*	*7,664*	*647*	*49*	***10,838***
MicroSME	*15,379*	*168,746*	*23,242*	*16*	***207,383***
Debt securities at amortised cost (note 8)	1,728,980	80,557	-	-	**1,809,537**
Government debt securities	*1,566,979*	-	-	-	***1,566,979***
Bank bonds	*123,804*	-	-	-	***123,804***
Other bonds	*38,197*	*80,557*	-	-	***118,754***
Hedging derivatives (note 14)	35	-	-	-	**35**
Total	***4,546,538***	***2,962,900***	***42,625***	***25,803***	***7,577,866***
Off-balance sheet liabilities	696,547	718,681	13,494	4,455	**1,433,177**
Total credit risk exposure	**5,243,085**	**3,681,581**	**56,119**	**30,258**	**9,011,043**

** the rating or rating model is not assigned*

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

31 Dec 2019	Rating				
(EUR '000)	**1 - 3**	**4 - 7**	**8 - 9**	**Undefined ***	**Total**
Loans and receivables from customers at amortised cost (note 7)	21,826	303,344	246,682	11,309	**583,161**
Public administration	-	58	-	-	**58**
Corporate	3,588	182,009	65,103	10,607	**261,307**
Retail	18,238	121,277	181,579	702	**321,796**
Mortgage loans	*17,983*	*65,326*	*101,310*	-	***184,619***
Consumer loans	*33*	*14,518*	*20,233*	-	***34,784***
Credit cards	*6*	*4,092*	*4,088*	-	***8,186***
Overdrafts	*216*	*4,692*	*5,662*	-	***10,570***
MicroSME	-	*32,649*	*50,286*	*702*	***83,637***
Debt securities at amortised cost (note 8)	-	33,404	-	-	**33,404**
Total	***21,826***	***336,748***	***246,682***	***11,309***	***616,565***
Off-balance sheet liabilities	8,919	153,040	21,678	2,519	**186,156**
Total credit risk exposure	**30,745**	**489,788**	**268,360**	**13,828**	**802,721**

** the rating or rating model is not assigned*

31 Dec 2018	**Rating**				
(EUR '000)	**1 - 3**	**4 - 7**	**8 - 9**	**Undefined ***	**Total**
Loans and receivables from customers at amortised cost (note 7)	65,904	308,635	196,323	10,440	**581,302**
Public administration	-	146	-	9	**155**
Corporate	27,844	160,314	43,798	9,870	**241,826**
Retail	38,060	148,175	152,525	561	**339,321**
Mortgage loans	*30,366*	*96,054*	*72,873*	*-*	***199,293***
Consumer loans	*1*	*15,649*	*16,714*	*-*	***32,364***
Credit cards	*886*	*4,417*	*3,188*	*-*	***8,491***
Overdrafts	*667*	*6,271*	*5,170*	*-*	***12,108***
MicroSME	*6,140*	*25,784*	*54,580*	*561*	***87,065***
Total	***65,904***	***308,635***	***196,323***	***10,440***	***581,302***
Off-balance sheet liabilities	35,424	151,961	18,300	2,392	**208,077**
Total credit risk exposure	**101,328**	**460,596**	**214,623**	**12,832**	**789,379**

** the rating or rating model is not assigned*

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

	Rating 10 - 12	
(EUR '000)	**31 Dec 2019**	**31 Dec 2018**
Loans and receivables from financial institutions at amortised cost (note 6)	92	92
Loans and receivables from customers at amortised cost (note 7)	104,556	121,444
Public administration	61	92
Corporate	52,338	57,956
Retail	52,157	63,396
Mortgage loans	*21,089*	*26,013*
Consumer loans	*7,777*	*10,034*
Credit cards	*987*	*1,216*
Overdrafts	*1,470*	*1,848*
MicroSME	*20,834*	*24,285*
Total	***104,648***	***121,536***
Off-balance sheet liabilities	294	1,229
Total credit risk exposure	**104,942**	**122,765**

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

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

37.2.9 Collateral and other credit enhancements

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

(EUR '000)	**Real estate**	**Cash and cash equivalents**	**Other**	**31 Dec 2019**
Loans and receivables from customers at amortised cost	25,589	594	244	**26,427**
Corporate	6,621	594	244	**7,459**
Retail	18,968	-	-	**18,968**
Mortgage loans	*17,917*	*-*	*-*	***17,917***
MicroSME	*1,051*	*-*	*-*	***1,051***
Total	**25,589**	**594**	**244**	**26,427**

(EUR '000)	Real estate	Cash and cash equivalents	Other	31 Dec 2018
Loans and receivables from customers at amortised cost	26,653	61	1,183	**27,897**
Corporate	7,634	24	1,183	**8,841**
Retail	19,019	37	-	**19,056**
Mortgage loans	*18,082*	*-*	*-*	***18,082***
MicroSME	*937*	*37*	*-*	***974***
Total	**26,653**	**61**	**1,183**	**27,897**

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

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

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

A Collateral realization

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

a) Collateral realization in the RETAIL segment

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

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

b) Collateral realization in the NON-RETAIL segment

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

37.2.10 Forbearance measures

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

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

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

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

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

	Gross carrying amount			Impairment loss			Net carrying amount		
(EUR '000)	Performing	Non-performing	Total	Performing	Non-performing	Total	Performing	Non-performing	Total
Public administration	-	57	**57**	-	(56)	**(56)**	-	1	**1**
Corporate	3,922	24,203	**28,125**	(90)	(17,964)	**(18,054)**	3,832	6,239	**10,071**
Retail	4,943	7,479	**12,422**	(53)	(1,729)	**(1,782)**	4,890	5,750	**10,640**
Total	**8,865**	**31,739**	**40,604**	**(143)**	**(19,749)**	**(19,892)**	**8,722**	**11,990**	**20,712**

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

	Gross carrying amount			Impairment loss			Net carrying amount		
(EUR '000)	Performing	Non-performing	Total	Performing	Non-performing	Total	Performing	Non-performing	Total
Public administration	146	70	**216**	-	(70)	**(70)**	146	-	**146**
Corporate	7,054	29,304	**36,358**	(242)	(22,058)	**(22,300)**	6,812	7,246	**14,058**
Retail	6,025	7,467	**13,492**	(80)	(2,193)	**(2,273)**	5,945	5,274	**11,219**
Total	**13,225**	**36,841**	**50,066**	**(322)**	**(24,321)**	**(24,643)**	**12,903**	**12,520**	**25,423**

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

(EUR '000)	1 Jan 2019	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments and recovery	Write-offs	Other	31 Dec 2019
Public administration	216	-	(146)	(13)	-	-	**57**
Corporate	36,358	3,071	(7,080)	(3,976)	(574)	326	**28,125**
Retail	13,492	3,719	(3,833)	(670)	(303)	17	**12,422**
Total	**50,066**	**6,790**	**(11,059)**	**(4,659)**	**(877)**	**343**	**40,604**

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

(EUR '000)	1 Jan 2018	IFRS 9 FTA impact	1 Jan 2018 *	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments and recovery	Write-offs	Other	31 Dec 2018
Public administration	321	10	331	-	(13)	(102)	-	-	**216**
Corporate	40,264	1,212	41,476	4,012	(4,605)	(5,365)	(546)	1,386	**36,358**
Retail	18,296	635	18,931	2,994	(5,804)	(1,515)	(1,346)	232	**13,492**
Total	**58,881**	**1,857**	**60,738**	**7,006**	**(10,422)**	**(6,982)**	**(1,892)**	**1,618**	**50,066**

** After IFRS 9 FTA impact*

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

(EUR '000)	1 Jan 2019	Loans which have become forborne	Loans which are no longer considered to be forborne	(Creation)/ Release on forborne loans	Other	31 Dec 2019
Public administration	(70)	-	-	14	-	**(56)**
Corporate	(22,300)	(1,637)	1,288	4,061	534	**(18,054)**
Retail	(2,273)	(317)	576	(67)	299	**(1,782)**
Total	**(24,643)**	**(1,954)**	**1,864**	**4,008**	**833**	**(19,892)**

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

(EUR '000)	1 Jan 2018	IFRS 9 FTA impact	1 Jan 2018 *	Loans which have become forborne	Loans which are no longer considered to be forborne	(Creation)/ Release on forborne loans	Other	31 Dec 2018
Public administration	(88)	(15)	(103)	-	28	5	-	**(70)**
Corporate	(23,631)	(925)	(24,556)	(933)	1,081	767	1,341	**(22,300)**
Retail	(3,080)	(692)	(3,772)	(268)	143	(146)	1,770	**(2,273)**
Total	**(26,799)**	**(1,632)**	**(28,431)**	**(1,201)**	**1,252**	**626**	**3,111**	**(24,643)**

** After IFRS 9 FTA impact*

37.3 Liquidity risk and funding management

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

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

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

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

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

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

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

(EUR '000) 31 Dec 2019	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Total
Financial liabilities at fair value through profit or loss (excluding derivatives)	41,766	2,009	2,865	3,690	-	**50,330**
Amounts owed to financial institutions at amortised cost	35,640	439,181	172,460	379,618	10,274	**1,037,173**
Amounts owed to customers at amortised cost	5,623,827	162,529	366,999	33,090	-	**6,186,445**
Debt securities issued at amortised cost	-	500	104,717	293,928	73,725	**472,870**
Subordinated debt	-	285	856	4,567	90,355	**96,063**
Lease liability	873	489	3,787	19,626	14,249	**39,024**
Other financial liabilities (excluding derivatives)	-	14,372	-	-	-	**14,372**
Total financial liabilities	**5,702,106**	**619,365**	**651,684**	**734,519**	**188,603**	**7,896,277**
Credit facilities issued but not drawn	1,349,831	-	-	-	-	**1,349,831**
Financial guarantees given	214,543	-	-	-	-	**214,543**
Letters of credit given	5,538	-	-	-	-	**5,538**
Total contingent commitments	**1,569,912**	**-**	**-**	**-**	**-**	**1,569,912**

(EUR '000) 31 Dec 2018	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Total
Financial liabilities at fair value through profit or loss (excluding derivatives)	34,899	2,640	911	6,752	-	**45,202**
Amounts owed to financial institutions at amortised cost	62,868	223,862	299,477	331,078	53,917	**971,202**
Amounts owed to customers at amortised cost	5,272,366	279,123	553,217	8,529	-	**6,113,235**
Debt securities issued at amortised cost	1,138	10,412	31,003	369,688	76,275	**488,516**
Subordinated debt	-	304	912	4,862	91,754	**97,832**
Other financial liabilities (excluding derivatives)	-	14,718	-	-	-	**14,718**
Total financial liabilities	**5,371,271**	**531,059**	**885,520**	**720,909**	**221,946**	**7,730,705**
Credit facilities issued but not drawn	1,399,323	-	-	-	-	**1,399,323**
Financial guarantees given	228,768	-	-	-	-	**228,768**
Letters of credit given	14,674	-	-	-	-	**14,674**
Total contingent commitments	**1,642,765**	**-**	**-**	**-**	**-**	**1,642,765**

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

(EUR '000)	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Undefined	Total
Cash, balances with central bank and other demand deposits with banks	256,704	-	-	-	-	-	**256,704**
Financial assets at fair value through profit or loss	-	-	-	671	-	35,571	**36,242**
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-	-	-	**850**
Financial assets at fair value through other comprehensive income	-	506	305	89,781	10,981	13,149	**114,722**
Loans and receivables from financial institutions at amortised cost	34,215	4,533	4,587	5,603	-	-	**48,938**
Loans and receivables from customers at amortised cost	87,072	78,127	810,777	1,725,634	3,624,445	49,195	**6,375,250**
Debt securities at amortised cost	10,523	9,872	17,887	442,707	1,206,410	-	**1,687,399**
Other financial assets	4	7,185	545	10,522	474	-	**18,730**
Total financial assets	**389,368**	**100,223**	**834,101**	**2,274,918**	**4,842,310**	**97,915**	**8,538,835**

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

(EUR '000)	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 years and more	Undefined	Total
Cash, balances with central bank and other demand deposits with banks	223,041	-	-	-	-	-	**223,041**
Financial assets at fair value through profit or loss	6	955	4,274	14,070	107,142	10,893	**137,340**
Financial assets at fair value through other comprehensive income	-	506	2,099	89,394	27,224	8,495	**127,718**
Loans and receivables from financial institutions at amortised cost	22,814	187	5,189	7,928	402	-	**36,520**
Loans and receivables from customers at amortised cost	104,250	74,218	833,999	1,519,144	3,434,869	48,019	**6,014,499**
Debt securities at amortised cost	9,777	5,070	157,816	365,215	1,271,314	-	**1,809,192**
Other financial assets	104	9,121	175	4,263	88	-	**13,751**
Total financial assets	**359,992**	**90,057**	**1,003,552**	**2,000,014**	**4,841,039**	**67,407**	**8,362,061**

37.4 Market risk

Market risk for financial instruments in ČSOB Bank'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 Bank classifies exposures to market risk into either its trading (trading book) or non-trading portfolios (banking book).

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

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

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

37.4.1 Market risk – Trading Book

A Effective as at 31 December 2019

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

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

Overview of trading book market risk neutrality:

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

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

B Effective as at 31 December 2018

ČSOB Bank's Board of Directors defines the maximum acceptable level of risk by using VaR and BPV limits. ČSOB Bank applies a VaR method to estimate the market risk in the financial instruments recorded in ČSOB Bank'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 Bank 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 Bank currently uses the method of historical simulation based over a two-year period of the development of market risk factors. The reliability level is set at 99% within a 10 working-day horizon. The adequacy and accuracy of the internal model is regularly evaluated using the results of back-tests performed daily.

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

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

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

VaR summary as at 31 December 2018 is as follows.

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

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

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

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

37.4.2 Market risk – Banking Book

A Interest rate risk

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

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

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

B Models used in interest rate risk calculation

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

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

(EUR '000)	Growth in basis points	Net interest income sensitivity	Profit or loss sensitivity	Capital sensitivity
EUR	+10	(2,331)	(507)	(245)
CZK	+10	(1)	-	-
USD	+10	(77)	-	(98)

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

(EUR '000)	Growth in basis points	Net interest income sensitivity	Profit or loss sensitivity	Capital sensitivity
EUR	+10	(2,418)	(211)	(253)
CZK	+10	1	-	(1)
USD	+10	(108)	-	(131)

C Equity price risk

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

37.4.3 Foreign exchange risk

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

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

(EUR '000)	EUR	USD	CZK	AUD	Other *	Total
Financial assets						
Cash, balances with central bank and other demand deposits with banks (note 3)	187,385	41,591	7,042	200	20,486	**256,704**
Financial assets at fair value through profit or loss (note 4)	36,242	-	-	-	-	**36,242**
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	-	-	-	**850**
Financial assets at fair value through other comprehensive income, excluding shares (note 5)	58,594	42,984	-	-	-	**101,578**
Loans and receivables from financial institutions at amortised cost (note 6)	48,938	-	-	-	-	**48,938**
Loans and receivables from customers at amortised cost (note 7)	6,345,686	8,450	21,114	-	-	**6,375,250**
Debt securities at amortised cost (note 8)	1,649,144	38,255	-	-	-	**1,687,399**
Other financial assets (note 14)	18,659	2	1	-	68	**18,730**
Total financial assets	***8,345,498***	***131,282***	***28,157***	***200***	***20,554***	***8,525,691***
Financial liabilities						
Financial liabilities at fair value through profit or loss (note 16)	57,543	8,332	980	21,921	5,330	**94,106**
Amounts owed to financial institutions at amortised cost (note 17)	1,038,548	1,144	632	-	778	**1,041,102**
Amounts owed to customers at amortised cost (note 18)	5,900,168	122,758	73,098	17,340	73,650	**6,187,014**
Debt securities issued at amortised cost (note 19)	411,210	1,841	4,700	11,875	3,911	**433,537**
Subordinated debt (note 20)	87,551	-	-	-	-	**87,551**
Lease liability	37,675	-	-	-	-	**37,675**
Other financial liabilities (note 22)	25,458	143	2,436	-	95	**28,132**
Total financial liabilities	***7,558,153***	***134,218***	***81,846***	***51,136***	***83,764***	***7,909,117***
Off balance sheet items – assets	7,282,669	35,834	138,237	125,075	118,686	**7,700,501**
Off balance sheet items - liabilities	7,450,853	33,511	85,544	74,179	55,532	**7,699,619**
Net FX position at 31 Dec 2019	**619,161**	**(613)**	**(996)**	**(40)**	**(56)**	**617,456**
Total financial assets as at 31 Dec 2018	8,130,874	108,493	98,563	133	15,504	**8,353,567**
Total financial liabilities as at 31 Dec 2018	7,339,615	132,301	106,405	39,173	78,218	**7,695,712**
Off balance sheet items – assets as at 31 Dec 2018	4,900,300	73,830	115,399	78,171	103,829	**5,271,529**
Off balance sheet items - liabilities as at 31 Dec 2018	5,032,951	51,809	107,854	38,732	40,273	**5,271,619**
Net FX position at 31 Dec 2018	**658,608**	**(1,787)**	**(297)**	**399**	**842**	**657,765**

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

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

37.5 Operational risk

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

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

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

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

38 Current and non-current assets and liabilities

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

	31 Dec 2019			31 Dec 2018		
(EUR '000)	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Assets						
Cash, balances with central bank and demand deposit with banks (note 3)	256,704	-	**256,704**	223,041	-	**223,041**
Financial assets at fair value through profit or loss (note 4)	-	36,242	**36,242**	5,235	132,105	**137,340**
Non-trading financial assets mandatorily at fair value through profit or loss	850	-	**850**	-	-	**-**
Financial assets at fair value through other comprehensive income (note 5)	811	113,911	**114,722**	2,605	125,113	**127,718**
Loans and receivables from financial institutions at amortised cost (note 6)	43,335	5,603	**48,938**	28,190	8,330	**36,520**
Loans and receivables from customers at amortised cost (note 7)	975,976	5,399,274	**6,375,250**	1,012,467	5,002,032	**6,014,499**
Debt securities at amortised cost (note 8)	38,282	1,649,117	**1,687,399**	172,663	1,636,529	**1,809,192**
Investments in subsidiaries (note 9)	-	76,542	**76,542**	-	76,302	**76,302**
Current income tax asset (note 32)	160	-	**160**	914	-	**914**
Deferred income tax asset (note 32)	-	13,942	**13,942**	-	15,164	**15,164**
Property and equipment (note 10)	-	42,329	**42,329**	-	37,912	**37,912**
Intangible assets (note 11)	-	25,974	**25,974**	-	11,500	**11,500**
Right of use assets (note 12)	-	38,289	**38,289**	n/a	n/a	n/a
Assets held for sale (note 13)	857	-	**857**	-	-	-
Other assets (note 14)	9,341	10,996	**20,337**	12,196	4,351	**16,547**
Total assets	**1,326,316**	**7,412,219**	**8,738,535**	**1,457,311**	**7,049,338**	**8,506,649**
Liabilities and equity						
Financial liabilities at fair value through profit or loss (note 16)	10,155	83,951	**94,106**	8,957	48,201	**57,158**
Amounts owed to financial institutions at amortised cost (note 17)	648,259	392,843	**1,041,102**	586,924	380,489	**967,413**
Amounts owed to customers at amortised cost (note 18)	824,694	5,362,320	**6,187,014**	2,682,181	3,433,685	**6,115,866**
Debt securities issued at amortised cost (note 19)	102,424	331,113	**433,537**	38,798	405,842	**444,640**
Subordinated debt (note 20)	51	87,500	**87,551**	51	87,500	**87,551**
Lease liability	5,149	32,526	**37,675**	n/a	n/a	**n/a**
Provisions (note 15 and 21)	-	6,172	**6,172**	-	8,213	**8,213**
Other liabilities (note 22)	30,774	14,707	**45,481**	29,734	10,284	**40,018**
Equity (note 24)	-	805,897	**805,897**	-	785,790	**785,790**
Total liabilities and equity	**1,621,506**	**7,117,029**	**8,738,535**	**3,346,645**	**5,160,004**	**8,506,649**

39 Capital

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

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

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

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Own funds	**880,040**	**825,598**
Tier 1 Capital	***771,522***	***717,224***
Common Equity Tier 1 Capital (CET 1)	**771,522**	**717,224**
Share capital	295,015	295,015
Share premium	484,726	484,726
Legal reserve fund	59,003	59,003
Retained earnings	101,574	101,574
Eligible profit	70,147	-
Accumulated other comprehensive income	11,594	8,476
Value adjustments due to the requirements for prudent valuation	(278)	(280)
Intangible assets	(25,974)	(11,500)
Other revaluation reserve	(216,162)	(216,162)
Other deduction	(2,169)	(1,639)
IRB shortfall of credit risk adjustments to expected losses	(5,954)	(1,989)
Tier 2 Capital	***108,518***	***108,374***
Subordinated debt	87,551	87,551
IRB Excess of impairment losses over expected losses eligible	20,967	20,823

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

40 Changes in liabilities arising from financing activities

(EUR '000)	Debt securities issued at amortised cost	Subordinated debt	Lease liability
1 January 2018	**517,926**	**87,543**	n/a
Proceeds from issue of Debt securities issued at amortised cost	1,885	-	n/a
Repayment of Debt securities issued at amortised cost	(74,810)	-	n/a
Interest paid	(5,711)	(1,217)	n/a
Non-cash adjustment	5,350	1,225	n/a
31 December 2018	**444,640**	**87,551**	n/a
1 January 2019	**444,640**	**87,551**	**39,366**
Proceeds from issue of Debt securities issued at amortised cost	28,799	-	-
Repayment of Debt securities issued at amortised cost	(39,826)	-	-
Interest paid	(4,700)	(1,201)	-
Payments for the principal portion of the lease liability	-	-	(4,934)
Payments for the interest portion of the lease liability	-	-	(291)
Effect of changes in foreign exchange rates	36	-	-
Non-cash adjustment	4,588	1,201	3,534
31 December 2019	**433,537**	**87,551**	**37,675**

41 Cash and cash equivalents

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

(EUR '000)	Note	31 Dec 2019	31 Dec 2018
Cash, balances with central bank and other demand deposits with banks	3	256,704	223,041
Loans and receivables from financial institutions at amortised cost		4,284	474
Total		**260,988**	**223,515**

42 Post balance sheet events

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

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

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

Juraj Ebringer
Chief Officer for Retail and private banking

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