ANNUAL REPORT 2022

Československá obchodní banka, a. s.

Business name	**Československá obchodní banka, a. s.**
Registered office	Radlická 333/150, Praha 5, Postal Code 150 57, Czech Republic
Legal status	Joint-stock company
Registration	Registered in the Commercial Registry of the Municipal Court in Prague, Section B XXXVI, Entry 46
Date of registration	21 December 1964
Business activities	bank pursuant to the Act No. 21/1992 Coll., on banks
ID No.	00001350
Tax registr. No.	CZ699000761 (for VAT) CZ00001350 (for other taxes)
Bank code	0300
SWIFT	CEKOCZPP
Data box	8qvdk3s
Telephone	+420 224 111 111
Internet address	https://www.csob.cz
E-mail	info@csob.cz
Supervisory body	Czech National Bank (CNB) Na Příkopě 28, Praha 1, Postal Code 115 03, Czech Republic

Year-on-year percentage changes are computed on a mathematical basis from non-rounded figures.

KEY FIGURES

Consolidated, EU IFRS	2022	2021	2020
Financial Statements Figures			
Balance sheet at the year end *(CZKm)*			
Total assets	1,805,617	1,805,479	1,756,440
Financial assets at amortised cost	1,574,761	1,624,653	1,579,942
Deposits received from other than credit institutions	1,231,800	1,156,902	1,072,771
Debt securities in issue	264,915	402,164	425,293
Subordinated liabilities	40,592	19,439	0
Shareholders' equity 1)	100,978	117,378	106,992
Statement of income *(CZKm)*			
Operating income	40,474	35,724	35,251
– of which Net interest income	31,062	22,900	26,102
– of which Net fee and commission income	8,041	7,828	7,591
Operating expenses	21,987	19,834	19,252
Impairment on financial assets at amortised cost/loans and receivables 8)	(1,142)	3,637	(5,556)
Profit before tax	16,960	19,079	10,030
Profit for the year 1)	14,571	16,160	8,488
Ratios *(%)*			
Return on average equity (ROAE)	13.6	14.3	8.2
Return on average assets (ROAA)	0.73	0.88	0.49
Cost / income ratio	54.3	55.5	54.6
Capital adequacy ratio 2)	20.2	22.7	24.2
Available MREL as a % of RWA	29.6	27.4	n.a.
Available MREL as a % of LRE	6.69	5.67	n.a.
Leverage ratio 3)	4.48	4.65	5.02
Net stable funding ratio 3)	171.8	171.3	170.6
Loan-to-deposit ratio	70.6	71.1	71.6
General Information (as at 31 December)			
Number of employees – the ČSOB group	8,105	8,087	8,349
Number of clients – the ČSOB group (in millions) 4)	4.340	4.225	4.231
Number of branches – the Bank 5)	201	208	213
Number of ATMs 6)	1,022	1,017	1,025

ČSOB's Credit Rating 7) (as at 31 December 2022)

Rating Agency	Long-term Rating	Outlook	Short-term Rating	Long-term Rating valid since
Moody's	A1	stable	P-1	21 November 2018
Standard & Poor's	A+	stable	A-1	30 July 2018

1) Attributable to equity holders of the Bank.
2) According to CRR rules as at the year end. End of period regulatory capital (ratios) does reflect retained earnings. The value for 2020 was affected by the retention of profit for 2019 and 2020 and the postponement of the payment of dividends.
3) According to CRR rules; for definition please refer to page 25.
4) Includes all clients of ČSOBS.
5) Includes ČSOB branches, i.e. without approximately 2,400 post offices.
6) Including ATMs of cooperating banks.
7) Credit ratings as of the date of this Annual Report are part of the Report of the Board of Directors.
8) (-) net creation/cost; (+) net release/revenue.

OPENING STATEMENT

Ladies and Gentlemen,

2022 was a turbulent year that brought many changes and challenges. It was a year that taught us to value freedom, peace, cohesion, health and personal encounters that we embrace once again. 2022 also taught us to value resources and energy more, avoid waste and be more considerate to one another. Last but not least, it taught us to value togetherness and humanity.

2022 will go down in history as the year when the war in Ukraine broke out. The ČSOB Group is by no means indifferent to the war and has been helping right from its beginning. During the first twelve days of the war, over CZK 58 million were raised in the humanitarian campaign we launched jointly with the "People in Need" organisation. We also prepared a package for Ukrainian refugees to make their start in the Czech Republic as smooth as possible. Our help and support continue as we are relentless in our efforts to help where it is needed most and where our assistance makes sense. I wish to thank all of my colleagues for how we have addressed this emergency.

I am also pleased to see that the ČSOB Group achieved very good business performance, successfully launching a number of innovative products and implementing a host of beneficial projects.

Let's now move on to the language of figures. Last year's good result was driven by a strong trio – growth in deposits, loans and investments. Client satisfaction and the fact that clients use us as their main bank for a whole range of services is key for us.

We are excited to report that our client base increased by 115,000 year-on-year to the current total of 4,340,000 clients and that the group generated CZK 14,6 billion in net profit. The total volume of loans was CZK 874 billion, the volume of housing loans reached CZK 507 billion and the volume of total client deposits rose to CZK 1.2 trillion.

If I had to mention just one trend that came to the fore last year, it would definitely be sustainable housing. Our group alone saw demand for these mortgages grow by 10.4%, while the number of loans for thermal insulation and solar panel installations soared by 650%. We are confident that the growth is set to continue this year. The ČSOB Group is ready for this and offers a comprehensive range of products and services to clients. In addition to mortgages and loans with a more favourable interest rate for energy-efficient housing, we also provide advice on sustainable solutions and assistance in obtaining grants from the New Green Savings scheme. Last year, we provided a total of 2,131 mortgages for energy-efficient housing in the amount of almost CZK 9 billion.

However, not all clients are in a position to plan to build or renovate a property as they are facing financial hardship due to inflation and rising costs. I want to point out here that we address each such case on an individual basis and are able to prepare a tailor-made solution for every client. To date, we have managed to mitigate the impact of inflation on nearly 1.2 million clients. Not only have they taken advantage of the great rate on our term deposits, but they have even started investing small amounts with the simple ČSOB Drobné (ČSOB Spare Change) service. With this service, more than 160 thousand clients currently save by regularly putting aside a small amount of money, which appreciates attractively due to the product's exceptional parameters.

We remain a strong partner of Czech businesses and the economy, which we have supported through loans worth nearly CZK 85 billion. Czech businesses have weathered the difficulties of 2022 and are looking out into 2023 with cautious optimism. Our ČSOB Business Expectations Index shows that business optimism has increased to a level only slightly below that measured before the pandemic. This bodes well for the years to come. Businesses expect the situation to improve, the market to recover and demand to increase. And we will be there for them with our advice and services.

For the ČSOB Group, 2022 was also a year of innovations. I am genuinely proud of our virtual assistant Kate. Available in our mobile app for Android and iOS, Kate provides assistance to both our clients and financial advisors on a 24/7 basis. And because she is built on machine learning, she is getting better every single day.

Banking identity is becoming increasingly popular, allowing users, among other things, to securely log in to online services provided by the government and private businesses. We were among the first in the Czech Republic to bring this service to our clients, and we strongly believe that the number of users and the popularity of this service will continue to grow in the future.

I also want to point out the importance of cybersecurity as the number of cyber attacks is constantly on the increase. That is why last year we signed a memorandum with the Police of the Czech Republic to cooperate more closely in tackling cybercrime. Together, we launched the “Phone and Online Scammers” awareness campaign to promote the basics of online safety. We also launched the Defend Yourself with Common Sense website, featuring all information users need to avoid falling victim to cyber attacks.

However, there were many more projects last year that I am very happy about – including the prestigious LEED Platinum environmental award for our regional headquarters in Hradec Králové. A lot of effort went to rebranding Poštovní spořitelna branches. They now sport our corporate blue and adopted our chameleon as their mascot. I am also pleased that we defended the “Best Bank for SME's” title awarded by Global Finance magazine. The jury recognised us for being the first bank to have made the bank account opening process fully online for corporate clients. We won two prizes in the TOP Responsible Company 2022 contest.

As mentioned at the beginning, we could not have achieved these and many other great things without our employees. Their sense of innovation, commitment and drive are a truly pleasant surprise for me every day. At the same time, I also want to extend a big thank you to our clients. We tremendously value their trust, and I believe they will continue to appreciate our digital innovations as well as the great service provided by our banking specialists in personal interactions.

Aleš Blažek
Chief Executive Officer of the ČSOB Group

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CZECH ECONOMY

General Economic and Market Indicators

Czech economy 2022

The Czech economy in 2022 was hit by an energy crisis due to the Russian invasion of Ukraine. Sharp increases in natural gas and electricity prices and a subsequent sharp rise in food prices led to a significant fall in real wages and a gradual decline in real household consumption. The latter was the main reason for the technical recession that the Czech economy entered in the third quarter of 2022. Weak household consumption in the second half of the year was partly offset by foreign trade and investment. The foreign trade recovered mainly thanks to a gradual ease of pressure in the supply chains, which helped automakers to revive production and exports, albeit from very low levels overall. As a result of the relatively shallow recession in the second half of the year, GDP growth for the full year slowed from 3.5% in 2021 to 2.4% in 2022.

Given that the recession in 2022 has been relatively short and shallow, it has not yet led to a significant cooling of the labor market. Thus, the unemployment rate (according to the sample surveys) rose relatively slightly from 2.1% (December 2021) to 2.3% (December 2022) during 2022. Although the number of job vacancies at the employment offices fell from 343,000 to 289,000, several sectors (especially construction) still reported staff shortages as one of their main problems.

The sharp rise in import prices began to spill over rapidly into producer prices in industry, agriculture, and producer prices in services in 2022, and was reflected relatively quickly in a sharp rise in consumer inflation. As a result, the year on year rate of consumer inflation climbed to 18% in September 2022, and slowed to 15.8% by the end of the year only because of the introduction of the energy-saving tariff. The Czech National Bank responded to the rise in inflation by continuing to tighten monetary policy. The key interest rate (2-week repo rate) rose from 3.75% (December 2021) to 7.00% in June 2022. The renewed Bank Board headed by the new Governor Ales Michl then left interest rates unchanged in the second half of 2022.

The energy crisis and the sharp rise in import prices also led to a significant deterioration in the external balance of the Czech economy. The current account of the balance of payments fell from a surplus of over 2% of GDP (in the second quarter of 2021) to a deficit of over 5% of GDP (in the third quarter of 2022). And it was the worse external balance that contributed to a rise in bets against the Czech koruna on the markets. Negative sentiment towards the entire Central European region and uncertainty related to the renewal of the bank board also weighed on the Czech koruna especially during the summer. The Czech National Bank therefore decided to dampen excessive volatility by selling foreign exchange reserves.

The energy crisis also had a negative impact on the public budgets. The government budget ended with a deficit of CZK 316.1 billion. This was deeper than originally planned (deficit of CZK 280 billion), mainly due to expenditures on coping with the energy crisis and the migration wave - e.g. spending on extraordinary pension indexation, a savings tariff on electricity and humanitarian aid.

The banking sector slowed the pace of new lending significantly in 2022 in response to higher interest rates, tighter macroprudential policy, and greater uncertainty surrounding the economic outlook. The banking sector provided mortgage loans worth CZK 162 billion in 2022, a year-on-year decline of around 60%.

The following table sets out key Czech macroeconomic indicators for the periods indicated.

Indicator [1]	Measurement Unit	2022	2021	2020	2019	2018
Nominal GDP	CZKbn	6,783	6,109	5,709	5,791	5,411
Real GDP growth	% change, Y / Y	2.4	3.6	(5.5)	3.0	3.2
Real GDP per capita	CZKths	506.4	494.3	468.5	497.2	484.5
Real GDP growth per capita	% change, Y / Y	2.4	5.5	(5.8)	2.6	2.8
Inflation rate (CPI)	%, year end	15.8	6.6	2.3	3.2	2.0
Unemployment rate	%, average	2.4	2.9	2.6	2.0	2.2
General government budget balance / Nominal GDP [3]	%	(3.9)	(5.1)	(5.8)	0.3	0.9
General government debt [3]	CZKbn	2,930	2,567	2,149	1,740	1,735
General government debt / Nominal GDP [3]	%	43.1	42.0	37.8	30.1	32.1
Exports of goods and services [2]	% change, Y / Y	14.5	11.3	(6,7)	2,8	3,1
Imports of goods and services [2]	% change, Y / Y	19.5	18.1	(8.2)	2.3	5.1
Trade balance / Nominal GDP [2]	%	(1.8)	1.2	4.9	4.1	3.7
Interest rate (three month PRIBOR) [2]	%, average	6.28	1.13	0.86	2.12	1.27
CZK / EUR exchange rate [2]	average	24.6	25.6	26.4	25.7	25.6

Source:

1) CZSO, unless stated otherwise.

2) CNB.

3) Eurostat, CZSO.

REPORT OF THE BOARD OF DIRECTORS

Highlights and Main Events

The terms used in this section are defined and further discussed below.

Key Figures of the ČSOB Group in 2022

- **The net profit of ČSOB reached CZK 14.6 billion** (-10% year-on-year). Excluding the one-off increase of the provisions for legal issues in the amount of CZK 3.7 billion (see Note 10 of the Consolidated Financial Statements), adjusted net profit would reach CZK 17.5 billion (+9% year on year).
- **The volume of loans amounted to CZK 874 billion** (+5% year-on-year).
- **The volume of deposits grew to CZK 1,232 billion** (+6% year-on-year).
- **The total volume of assets under management increased to CZK 308 billion** (+7% year-on-year).
- **Operating income reached CZK 40.5 billion** (+13% year-on-year). Operating income would reach CZK 44.1 billion (+24% year on year) excluding the one-off increase of the provisions for legal issues.
- **Operating expenses excluding banking taxes increased to CZK 20.5 billion** (+11% year-on-year). Staff expenses increased +6% year-on-year.
- **Loan loss provisions amounted to net creation of CZK 1.1 billion. Credit cost ratio** for the full year 2022 was 0.12%. The ratio of non-performing loans decreased year on year to 1.69%.
- ČSOB has a strong capital position and excellent liquidity. The **loan-to-deposit ratio** was 70.6%. The **net stable funding ratio** (NSFR) reached 171.8%. **Tier 1 (CET 1) ratio** reached 19.8%.

Corporate Social Responsibility and Sustainability

ČSOB launched joint **advertising campaign with the Police of the Czech Republic** to increase **cybersecurity awareness** among public. The campaign dubbed **"Caller and Clicker"** after the two most common cyber frauds draws attention to the activities of cyber scammers. The campaign was successful, reaching **23 million online readers** and **21.5 million online viewers**.

We provided **loans supporting transition to low emission economy** financing renewable energy and best energy performing real estate in the amount of **CZK 13.5bn**, of which CZK 0.9bn loans fulfil the EU Taxonomy criteria. In addition, corporate and SME clients can use **ČSOB advisory expertise** in area of EU subsidy schemes, ESG transition plans including carbon footprint analysis and decarbonization strategies, ESG reporting and EU Taxonomy alignment. Strong interest in **economical housing** was confirmed and our offer for economical housing was extended by **ČSOBS Unsecured Bridging Loan**.

Furthermore, ČSOB Leasing supports the transition to low emission transportation by **financing clean energy cars** with tail pipe emissions below 50g CO_2/km and our portfolio of Responsible investment funds was enriched with **ČSOB NaMíru responsibly** for very conservative and very dynamic clients. CO_2 footprint calculator was introduced to help retail clients understand the impact of their activities on climate. ČSOB **decreased its GHG emissions by 75%** compared to 2015 and our direct footprint was the same as in 2021 even though people worked from the office much more in 2022.

In response to Russia's unjustifiable attack on Ukraine, we launched a charitable fundraiser **SOS Ukraine** in cooperation with our partner organization **People in need**. More than 14ths contributions from companies and individuals were made which resulted in total amount of **CZK 58 million** of which CZK 25 million was donated by ČSOB. Beside the fundraiser, ČSOB provides financial products and assistance to Ukrainians living in the Czech Republic and Ukrainian citizens can find all information on our **website in the Ukrainian language** or use a **special client line**. We were the first bank to launch a banking identity for Ukrainian refugees so they could apply for humanitarian benefits online. In addition, hundreds of pieces of IT equipment were donated to Ukrainian pupils, students and other refugees.

Corporate Social Responsibility and Sustainability is discussed in more detail in Chapter Corporate Social Responsibility & Sustainability.

Changes to Scope of Consolidation and Business Combinations

In April 2022, ČSOB became the sole owner of fintech Skip Pay (previously MallPay), after acquiring the stake held by Mall Group.

In 1Q 2022, ČSOB included Igluu into the consolidated financial statements of the Group.

Dividends Paid

Based on a sole shareholder decision:

- from 18 May 2022: a dividend of CZK 48.10 per share was paid for 2021, representing a total dividend of CZK 14,082 m.
- from 24 June 2022: an extra dividend of CZK 54.31 per share was paid from retained earnings, representing a total dividend of CZK 15,900m.

The decision of a profit allocation for 2022 has not been taken before the date of issue of the annual report.

Changes in ČSOB's Managing and Supervisory Bodies

- As of March 2022, Héléne Goessaert was replaced by Tom Blanckaert as Senior Executive Officer of Group Risk Management.
- As of May 2022, John Arthur Hollows was replaced by Aleš Blažek as Chief Executive Officer.
- With effect from October 2022, the number of members of the ČSOB Board of Directors was reduced. Marcela Suchánková and Jan Sadil left the Board of Directors and the appointment of Martin Jarolím as Senior Executive Officer responsible for Retail was announced. Martin Jarolím began his term of office in January 2023.
- Willy Kiekens retired from ČSOB's Supervisory Board with effect from 31 December 2022 and Graeme Lints Hutchison was elected as a new member of ČSOB's Supervisory Board with effect from January 2023.
- The mandate of Štěpán Stránský (employees representative) in ČSOB's Supervisory Board ended and Josef Čada was elected as a new member of ČSOB's Supervisory Board representing the employees with effect from January 2023.
- Jana Báčová was elected as a new member of ČSOB's Audit Committee with effect from January 2023, succeeding Petr Šobotník.

Managing and Supervisory Bodies are described in detail in Chapter Corporate Governance.

Distribution Platform and Client Base

As of 31 December 2022, ČSOB group had **4.3 million clients in the Czech Republic**. The client base comprises of 4.2 million group retail clients, 6 thousand corporate clients, 140 thousand SME clients and 11 thousand private banking clients in the Czech Republic.

The total number of clients increased year on year, as well as **the number of active clients** which **increased +96 ths year on year**.

	2022	2021	Y/Y change (%)
Clients of ČSOB group (mil.)	4.340	4.225	2.7

Clients benefit from ČSOB's **wide sales network** of 181 retail or shared retail / SME branches, approximately 2,400 outlets of the Czech Post network (235 have specialized banking counters) and additional approximately 800 Czech Post franchise outlets.

In June 2022, Poštovní spořitelna was renamed and rebranded to ČSOB Poštovní spořitelna. ČSOB Poštovní spořitelna clients started benefiting from easier access to all services offered by the ČSOB group, including the most modern digital environment.

Clients can use a wide network of 1,022 ATMs, including 861 contactless, 307 enabling cash deposits and 1,003 customized for visually impaired clients.

The ČSOB group has a network of 29 SME branches, 8 regional branches devoted to serving corporate clients and 11 branches for private banking clients. Next to these, selected clients could use 2 specialized branches for the Financial and Public Sector and for Bank Relations located centrally in Prague.

ČSOB ensures the availability of financial and insurance services, in both physical and online environments. ČSOB invests in digital solutions to make financial services accessible to all.

Innovations

As of 31 December 2022, the number of **mobile banking** active users rose +50% year on year, while the number of **internet banking** active users decreased -15% year on year. The number of transactions entered via **mobile banking** increased +46% year on year, while number of transactions via **internet banking** declined -12% year on year.

Active users (ths)	2022	2021	Y/Y change (%)
Internet banking	958	1,122	(14.6)
Mobile banking	1,134	756	50.0

Transactions (ths)	2022	2021	Y/Y change (%)
Internet banking	29,479	33,654	(12.4)
Mobile banking	40,741	27,872	46.2

Transactions include only retail and private banking clients, transactions by companies are excluded.

In 2022, more than 52 thousand **consumer loans** were **initiated online**, up +30% year on year. **Online sales of travel insurance** grew +128% year on year thanks to the rebound in international travel. The number of **online initiated current and saving accounts** increased more than 10 times year on year thanks to a successful digital campaign.

Online initiated new sales (ths)	2022	2021	Y/Y change (%)
Consumer finance	52,094	40,040	30.1
Travel insurance	59,670	26,170	>100
Current accounts	53,336	23,490	>100
Saving accounts	179,542	29,568	>100

Innovation Achievements in 2022

- At the end of 2022, our personalized virtual assistant **Kate** was able to solve more than **150 situations** and answer the questions related to more than **600 topics**. Kate is available to retail as well as corporate and SME clients. The number of **active users** has grown to **nearly 340ths**. Kate is now able to work with full text, for example to search for payment transactions by name.
- **1.1 million clients** actively used **the ČSOB Smart mobile application** at the end of 2022. The application already reached the milestone of **one million active clients in September 2022**, when mobile banking users outnumbered internet banking clients for the first time.
- Thanks to **ČSOB NaDobrouVěc**, clients can make a **small contribution to charity with each card payment** and support non-profit charities. The service can be opened in ČSOB Smart or easily arranged by our virtual assistant Kate. NaDobrouVěc is a unique service on the Czech market, each client can decide how much he wants to contribute from each debit and credit card payment, namely 0.1%, 0.5% or 0.8%. The amount is then donated to one of nine charities, according to client's choice.
- **DoKapsy lifestyle application** from ČSOB reached a milestone of **100ths users**. The most popular services included buying public transport tickets or payment for parking. Since the beginning of 2022, users can buy tickets for the Prague Integrated Transport (PID) in the app. Prague and Brno are therefore two cities to have urban mobility supported by the app. DoKapsy also offers the number of discounts or news from various media including premium content. The application is **free and is also available for those who do not have an account in ČSOB**.
- With the growing number of clients investing directly with our broker company Patria, the mobile app user experience **was redesigned, and functionality and services has broadened** as well. The **Patria Finance app** now offers more responsive economic news, investments tips and analysis, brand new interactive charts, and improved search.
- Mobile application **ČSOB Drobné** is used by more than **160 thousand clients**. ČSOB Drobné is a spare change investing service offering customers the option to round up their transactions and put the difference into **ČSOB Bohatství** mutual fund which is the second largest fund on the Czech market after **ČSOB Premiéra**.

Awards

On the competitive Czech banking market, the quality of ČSOB's products and services was acknowledged by various awards:

- "Best Bank in the Czech Republic" and "Best SME Bank in the Czech Republic" (Global Finance)
- "Outstanding Leader in ESG-Related Loans in CEE, Financial Leader in Sustaining Communities in CEE, Outstanding Leader in Sustainability Transparency in CEE and The Best Bank for Sustainable Finance in the Czech Republic" (Sustainable Finance Awards by Global Finance)
- "Best Bank in the Czech Republic" (Euromoney)
- ČSOB Private Banking: "Best Private Bank in the Czech Republic" (PWM – The Banker)
- 2nd place in the "Best Bank" and "the Most Client-Friendly Bank" categories (Hospodářské noviny Awards
- "Best Leasing for Entrepreneurs" (Zlatá koruna Awards)

For a full list of awards won by the ČSOB group, please go to www.csob.cz.

The Board of Directors' Assessment of 2022

The ČSOB group delivered a solid performance in 2022, with the banking sector remaining stable in an environment of heightened uncertainty.

The net profit of the banking sector increased significantly compared to 2021, when the coronavirus pandemic was still weighing on the industry. The increase can be attributed to the growth of business volumes, the benefit of rising interest rates and the continued subdued credit risk, even as the banking sector faced global growth uncertainties and headwinds from the war in Ukraine and global inflation pressures.

The banking sector maintained strong capital and liquidity position, while the regulatory capital requirements have increased due to the countercyclical capital buffer and gradual compliance with a minimum requirement for own funds and eligible liabilities (MREL). ČSOB MREL ratios increased driven by the issuance of MREL eligible debt, which stood at CZK 40.6 billion at the end of 2022.

The Czech National Bank (CNB) has reacted to rising inflation by aggressively tightening monetary policy. The two week repo rate increased to 7.0% in Q2 2022 and remained stable since.

The activity on the mortgage market experienced a noticeable drop in year-on-year comparison. Following the exceptional year 2021, the mortgage market profoundly cooled in 2022. From April 2022, CNB reintroduced LTV, DTI and DSTI limits on mortgage loans.

The government passed tax legislation to fund extraordinary expenses associated with compensation for high energy prices for citizens and companies, including "windfall taxes" during 2023-2025 on the six largest banks.

Immediately after Russia's attack on Ukraine, ČSOB Group took steps to help Ukrainian refugees through a charitable fundraiser in cooperation with our partner organization People in Need and by providing financial products and assistance to Ukrainians in the Czech Republic.

In February 2023, ČSOB was delivered an arbitral award issued in the arbitration proceedings against the company ICEC-HOLDING, a.s. where ČSOB was sued as the legal successor of IPB, whose business ČSOB took over in 2000.The legal case resulted in a liability of CZK 3.7 billion which was settled in majority in March 2023.

ČSOB bank-insurance franchise performed well. Total loans grew mainly thanks to corporate segment. Deposits and assets under management increased. The net profit of ČSOB group decreased year on year driven by lower other income mainly due to one-off increase of the provisions for legal issues and to a lesser extent due to impairment creation in contrast to net impairment release in 2021 and higher expenses, offset in part by higher net interest income and growing net fee and commission income. The loan portfolio quality remained excellent.

ČSOB maintains strong capital position and excellent liquidity ratios to support the economy and our customers, ensuring that the group is well-positioned to withstand potential challenges in the future. ČSOB is committed to excellence, customer service, and delivering exceptional results for all stakeholders.

Strategy of the ČSOB Group and its Business Model

The ČSOB group is one of the three largest financial services groups in the Czech Republic and the market leader in home financing, building savings, private banking and retail equity brokerage. ČSOB group serves its clients through multiple brands and distribution channels. The management continuously evaluates strategic choices and manages the ČSOB group's business portfolio. Key resources (human capital, equity, liquidity and IT create capacity) are allocated to areas of the best fit with the strategic ambitions.

ČSOB Group more specifically aims to:

- Retain the reference position in banking and insurance services by offering retail, SME and mid-cap clients a hassle-free customer experience and delivering strong and sustainable performance.
- Unlock business potential through advanced use of data, AI and digital lead management to offer personalized solutions proactively to the clients, including via Kate, personalized digital assistant.
- Leverage the position as market leader in home financing and focus even more strongly on growth especially in insurance and wealth management areas.
- Increase the number of active clients and their satisfaction, number of users of ČSOB mobile applications, continue further in digitization of services and introduce new and innovative products and services, including open bank-insurance solutions aimed at boosting the financial well-being of clients.
- Concentrate on rolling out straight-through processing and further simplifying the products, head office, and distribution model, in order to operate even more cost-effectively.

The ČSOB group operates according to high ethical standards. Our corporate sustainability and responsibility focus on expected needs of the present without compromising expectations of future generations. Responsible behavior is included in our sustainability concept that is composed of four areas: longevity, environmental responsibility, entrepreneurship and financial literacy.

Our HR policy is focused on fair reward, diversity, and creation of flexible and inspiring work environment. The PEARL culture is the foundation of the ČSOB group's business strategy. It is guided by five imperatives: Performance, Empowerment, Accountability, Responsiveness and Local embeddedness. PEARL+ symbolizes the way we cooperate across KBC group, encouraging the 'smart copy' international approach which, in today's fast-changing digital world, is an exceptional advantage.

Financial Results

All financial figures hereinafter were derived or drawn from ČSOB's 2022 audited, consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS), unless otherwise stated.

Financial Ratios

	2022 (%)	2021 (%)	Y/Y change (pp)
Return on average equity (ROAE)	13.6	14.3	(0.7)
Return on average assets (ROAA)	0.73	0.88	(0.15)
Net interest margin	2.54	2.08	0.46
Cost / income ratio	54.3	55.5	(1.2)
Cost / income ratio excl. banking taxes	50.6	51.8	(1.2)
Credit cost ratio	0.12	(0.42)	0.55

	31. 12. 2022 (%)	31. 12. 2021 (%)	Y/Y change (pp)
Loan-to-deposit ratio	70.6	71.1	(0.5)
Capital adequacy ratio	20.2	22.7	(2.5)
Leverage ratio	4.48	4.65	(0.17)
Net stable funding ratio	171.8	171.3	0.6

Note:

pp = percentage point

Capital adequacy ratio, leverage ratio and Net stable funding ratio according to CRR rules.

For definitions and glossary of financial ratios please refer to the end of the Report of the Board of Directors.

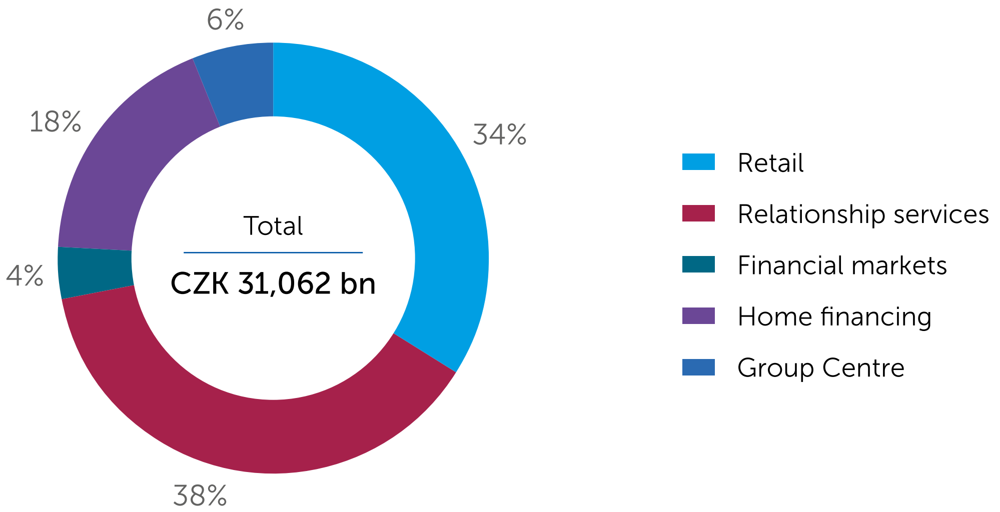
Consolidated Statement of Income

(CZKm)	2022	2021 reclassified	Y/Y change (%)
Interest income calculated using the effective interest rate method	94,465	35,203	>100
Other similar income	12,823	1,772	>100
Interest expense calculated using the effective interest rate method	(54,505)	(10,825)	>100
Other similar expense	(21,721)	(3,250)	>100
Net interest income	**31,062**	**22,900**	35.6
Fee and commission income	14,903	13,227	12.7
Fee and commission expense	(6,862)	(5,399)	27.1
Net fee and commission income	**8,041**	**7,828**	2.7
Dividend income	18	17	5.9
Net gains / (losses) from financial instruments at fair value through profit or loss and foreign exchange	3,607	3,699	(2.5)
Net realised gains on financial instruments at fair value through other comprehensive income	-	1	n.a.
Income from operating lease	1,253	1,632	(23.2)
Expense from operating lease	(1,081)	(1,470)	(26.5)
Net (increase) / decrease in provisions for legal issues and other losses	(3,652)	177	-/+
Other net income	1,227	940	30.5
Operating income	**40,475**	**35,724**	13.3
Staff expenses	(10,109)	(9,512)	6.3
General administrative expenses	(9,217)	(7,980)	15.5
Depreciation and amortisation	(2,661)	(2,342)	13.6
Operating expenses	**(21,987)**	**(19,834)**	10.9
Impairment losses	**(1,497)**	**3,253**	-/+
on financial assets at amortised cost and at fair value through other comprehensive income (OCI) and finance leases	(1,142)	3,637	-/+
on goodwill	(116)	(181)	(35.9)
on other financial and non-financial assets	(239)	(203)	17.7
Share of profit of associates and joint ventures	(30)	(64)	(53.1)
Profit before tax	**16,961**	**19,079**	(11.1)
Income tax expense	(2,390)	(2,919)	(18.1)
Profit for the year	**14,571**	**16,160**	(9.8)
Attributable to:			
Owners of the parent	14,571	16,160	(9.8)
Non-controlling interests	-	-	n/a

Discussion of the Statement of Income Main Items

With a 77% share, the **net interest income** (NII) is the largest part of the operating income. The ČSOB group's NII increased +36% year on year thanks to NII from deposits. NII increased in Home financing, Retail and Relationship services segments. The **net interest margin** (NIM) increased to 2.54% in 2022 from 2.08% in 2021 driven mainly by NII from deposits.

Net interest income by reported segment



The **net fee and commission income** (NFCI) represented 20% of operating income. In 2022, NFCI grew +2.7% year on year thanks to network income, payment card fees and asset management fees.

All other income items of the Statement of Income combined represented 3% of 2022 operating income and decreased -73% year on year mainly influenced by the increase of the provisions for legal issues in the amount of CZK 3,663 m related to the arbitral award in the arbitration proceedings against ICEC-Holding, a.s.

Staff expenses represented 46% of the ČSOB group's operating expenses in 2022. Staff expenses rose +6.3% year on year due to exceptional bonus and two wage adjustments during 2022. Average number of FTEs decreased (-20 Y/Y).

General administrative expenses (GAE) contributed 42% to the ČSOB group's operating expenses in 2022 and increased +15.5% year on year driven by marketing costs mainly related to the rebranding of ČSOB Poštovní spořitelna, Skip Pay consolidation and ICT costs.

Information technologies related expenses increased +8.8% year on year and remained the largest part of GAE (36%). Banking taxes, including deposit insurance premium, Securities Traders Guarantee Fund and contribution to the Single Resolution Mechanism increased (16% of GAE; +12.0% year on year). Marketing expenses contributed 10% to total GAE and increased +75.9% year on year.

Depreciation and amortization increased +13.6% year on year.

Impairment losses amounted to CZK 1,497m (net creation) in 2022. Loan loss provisions increased due to impairment charge to cover credit risk from direct and indirect impact of the military conflict in Ukraine and exposure vulnerable to emerging risks. The increase was partly compensated by the release of COVID-19 management overlay.

As a result of the trends described above, the **2022 net profit attributable to owners of the parent equaled CZK 14,571m** which is -9.8% lower than the figure for 2021.

Consolidated Statement of Financial Position

(Excerpt)

(CZKm)	2022	2021	Y/Y change (%)
ASSETS			
Financial assets at amortised cost	1,564,279	1,613,504	(3.1)
Total assets	**1,805,617**	**1,805,479**	0.0
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost	1,581,015	1,603,562	(1.4)
Total liabilities	**1,704,639**	**1,688,101**	1.0
Total equity	**100,978**	**117,378**	(14.0)
Total liabilities and equity	**1,805,617**	**1,805,479**	0.0

Discussion of the Statement of Financial Position Items

Total consolidated assets of ČSOB group remained stable year on year.

Financial assets at amortised cost, the largest item thereof with 87% share, decreased -3.1% year on year driven by lower balances with central banks (reverse repo transactions provided to central bank declined -23.6% year on year), while loan portfolio and debt securities increased.

Total consolidated liabilities of ČSOB group grew +1.0% year on year.

Financial liabilities at amortised cost, the largest item thereof with 93% share, decreased -1.4% year on year.

Total equity decreased -14.0% year on year mainly driven by dividend payout from retained earnings.

No treasury shares were held by the ČSOB group at 31 December 2022 and 2021.

Regulatory Capital Adequacy

The primary objectives of ČSOB's capital management are to ensure that it complies with externally and internally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.

The ČSOB group manages its capital structure in the light of changes in economic conditions, regulatory requirements and the risk characteristics of its activities.

Consolidated Capitalization and Risk Weighted Assets of the ČSOB Group

Consolidated, CZKm unless indicated otherwise	2022	2021	Y/Y change (%)
Total regulatory capital	**87,439**	**93,554**	(6.5)
– (Common Equity) Tier 1 Capital	85,793	92,585	(7.3)
– Tier 2 Capital	1,646	970	69.7
MREL eligible debt	**40,592**	**19,439**	>100
Total risk weighted assets	**432,893**	**412,628**	4.9
– Credit risk	366,892	347,370	5.6
– Market risk	481	427	12.6
– Operational risk	65,519	64,830	1.1
(Common Equity) Tier 1 ratio	**19.8%**	**22.4%**	(2.6)pp
Total capital ratio	**20.2%**	**22.7%**	(2.5)pp
Leverage ratio	**4.48%**	**4.65%**	(0.17)pp
Available MREL as a % of RWA	**29.6%**	**27.4%**	2.2pp
Available MREL as a % of LRE	**6.69%**	**5.67%**	1.02pp

Calculation is based on CRR rules.
End of period regulatory capital (and the respective ratios) reflects retained earnings.
Note: pp = percentage point.

The year on year decrease of (Common Equity) Tier 1 capital is due to the payout of dividend.

MREL ratio increased in 2022 to 29.6% of RWA and 6.69% of LRE as of year-end due to issuance of MREL eligible debt.

Intermediate MREL targets as of 1 January 2023 reached 22.2% of RWA and 5.18% of LRE. As of 1 January 2024, ČSOB will be required to comply with a MREL equal to 27.7% of RWA and 5.91% of LRE.

Credit Rating

ČSOB has been assigned credit ratings from agencies:

Rating agency	Long-term rating	Outlook	Short-term Rating
Moody's Investors Service Ltd. ("Moody's")	A1	Stable	P-1
S&P Global Ratings Europe Limited ("S&P")	A+	Stable	A-1

Both rating agencies were registered according to the Regulation (EC) No. 1060/2009 on credit rating agencies. While choosing rating agencies, ČSOB proceeded according to the obligations laid down by the article 8d of the described regulation. The market share of each of the aforementioned rating agencies exceeds 10% on the European Union market.

In accordance with obligation set in the article 8d of the Regulation on credit rating agencies, ČSOB has considered appointing a rating agency with a market share below 10%. In the final decision, with regards to the position of ČSOB on the Czech market and the market know-how of the considered rating agencies, ČSOB has decided to use the services of the aforementioned rating agencies.

Business Results

Main Factors Influencing the Financial and Business Results and the Market Position of the ČSOB Group

The ČSOB group's business results are affected by a range of economic, political and other external factors that affect business in the banking and financial sector in general and the ČSOB group's operations in particular.

The Board of Directors believes that the following several factors represent principal drivers for the development of the ČSOB group's business model, results and the market position. These factors include the development of both Czech and global macroeconomic and monetary conditions, the development of the financial markets, interest rate environment, changes in credit risk and general competitive factors in the banking industry. These factors also include the impact of the regulatory environment and developments in the field of sustainability.

In 2022, the Czech economy was hit by an energy crisis linked to Russia's invasion of Ukraine. This had a negative impact, especially on the most energy-intensive sectors, led by metal processors and the chemical industry. Simultaneously high inflation, together with higher interest rates, significantly dampened consumer demand. The negative effects of the energy crisis were slightly offset by the easing tensions in supply chains associated with the gradual fading of the COVID 19 pandemic. The development of the economic environment in which the ČSOB Group operates will continue to be influenced primarily by further development of the energy crisis and the external supply shocks.

- Although energy prices have fallen significantly from their peaks reached in 2022, we expect them to persist at elevated levels and the fading of the external stagflation shock to be only gradual. At the same time, we assume considerable persistence of elevated core inflation. Hence, average annual inflation should remain in double digits in 2023.
- Although some pro-export industries may contribute positively to economic performance due to a decline in tensions in supply chains, domestic demand should remain weak. The Czech economy may also be held back by a decline in the relatively high level of inventories.
- Although the consumer sentiment has stabilized since the end of 2022, it remains close to historical lows. A further fall in real wages combined with the restrictive effects of tight monetary policy should lead to further decline of household consumption in the first half of 2023. Thereafter, the gradual unwinding of the external stagflation shock combined with a relatively resilient labor market should lead to a stabilization of real household spending.
- Financial markets should continue to be subject to high volatility due to uncertainty associated with the fading of inflation and the policies of the major central banks.

Evolution of Key Business Volumes

Loan portfolio (selected business categories) grew to CZK 874.1 bn in 2022. The increase makes +4.7% year on year and was driven by growth in corporate loans and mortgages.

Outstanding gross amount, selected business categories CZK bn	2022	2021	Y/Y change (%)
Mortgage loans	381.7	362.1	5.4
Building savings loans	125.7	125.1	0.5
Consumer loans	37.2	35.2	5.7
Corporate	184.9	174.8	5.8
SME	97.1	93.5	3.9
Leasing	41.7	38.8	7.5
Factoring	5.8	5.6	3.6
Other	0.0	0.0	n/a
Loan portfolio	**874.1**	**835.1**	**4.7**

The outstanding amount of mortgages increased +5.4% year on year thanks to the progressive drawing of loans approved in 2021. The outstanding amount of building savings loans grew +0.5% year on year. Consumer finance increased +5.7% year on year due to significant decrease of early and extraordinary repayments and solid new sales. Outstanding amount of corporate loans rose +5.8% year on year thanks to increased drawing of working capital loans and new investment loans mainly in real estate sector. SME loans increased +3.9% year on year thanks to growing core SME lending (micro, small and mid-sized companies). Outstanding amount of Leasing increased +7.5% year on year as a result of increase in SME segment. Factoring outstanding amount increased +3.6% year on year driven by increasing interest of clients in flexible form of financing connected with management and insurance receivables.

Deposits received from other than credit institutions increased to CZK 1,231.8 bn. This represents a 6.5% increase year on year. Deposits increased driven by the growth of term deposits attributable to more attractive interest rates, while current accounts decreased.

Deposits received from other than credit institutions, CZK bn	2022	2021	Y/Y change (%)
Current accounts and overnight deposits	617.6	705.0	(12.4)
Term deposits	230.9	52.2	>100
Savings deposits	359.6	369.7	(2.7)
of which savings deposits excluding building savings deposits	234.8	229.3	2.4
of which building savings deposits	124.8	140.4	(11.1)
Repo and other deposits	23.7	30.0	(21.0)
Total	**1,231.8**	**1,156.9**	**6.5**

Total assets under management increased year on year by 6.8% to CZK 308.0bn. Mutual funds and other AM increased thanks to strong new sales. The volume of savings in pension funds increased driven by higher average pension savings per client.

Assets under management, outstanding volumes, CZK bn	2022	2021	Y/Y change (%)
Pension funds	71.2	69.2	2.9
Mutual fund and other AM	236.9	219.1	8.1
Total AUM	**308.0**	**288.3**	**6.8**

ČSOB Group Market Position

In 2022, ČSOB gained market share in total deposits, mutual funds and non-life insurance.

Position	Segment	Market share
1st	Building savings loans [1]	34.5%
	Building savings deposits [1]	37.9%
2nd	**Total Loans [1]**	**20.1%**
	Total Deposits [1]	**21.3%**
	Mortgages [1]	24.5%
	Mutual funds [1]	24.6%
	Leasing [1]	14.6%
3rd	Pension Funds [2]	14.7%
	SME/corporate loans [1]	14.3%
	Consumer lending [1, 3]	13.6%
	Factoring [4]	15.5%
4th	Insurance [5, 6] – combined	8.8%
	Non-life insurance [5]	9.4%

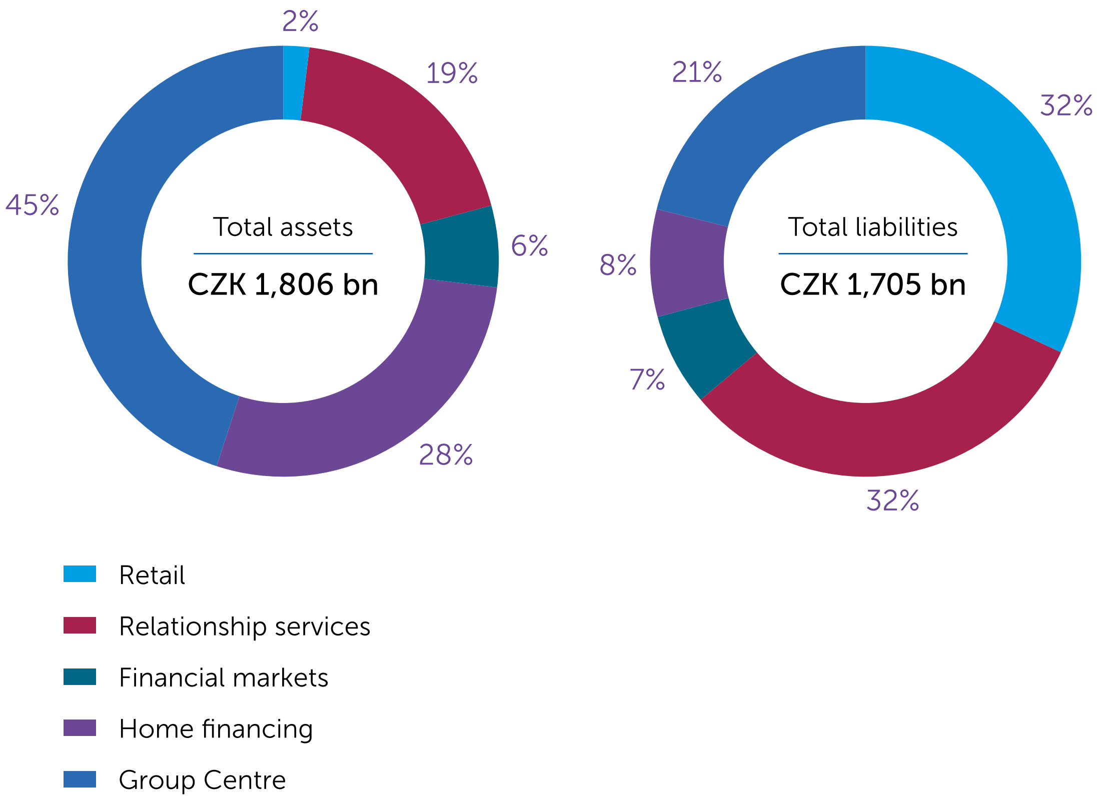
Arrows show Y/Y change. Market shares as of 31 December 2022. The ranking is ČSOB's estimate.
Market position in the insurance reflects combined position of the insurers belonging to the same business group.

1) Outstanding at the given date (including ČSOBS)
2) Number of total clients at the given date
3) Retail loans excluding mortgages and building savings loans
4) New business in the year to the given date
5) New business in the year according to gross written premium
6) Life insurance market share as of 31 December 2022 was 7.3%

Segment View

ČSOB group has **five segments**, which are the group's strategic business units: **Retail, Relationship services, Financial markets, Home financing** and **Group Centre**. The Group's segment reporting was modified following the change of organizational structure of the Group.

Total assets and liabilities by reported segments



Retail

The ČSOB Retail segment represented 2% of ČSOB's assets and 32% of ČSOB's liabilities as at the 31 December 2022.

Retail clients comprise private individuals and entrepreneurs, except of private banking customers that are reported as a part of Relationship services. This segment contains customers' deposits, consumer loans, overdrafts, payment solutions including payment cards and other transactions and balances with retail customers. Margin income from operations with retail clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions and trading with bonds). Net fee and commission income of this segment contains payment services, administration of credits, network income, distribution and other fees.

Relationship Services

The ČSOB Relationship services segment comprised 19% of assets and 32% of liabilities of the ČSOB group as at the 31 December 2022.

The Relationship services segment includes corporate companies with a turnover of greater than CZK 300 m, SME companies with a turnover of less than CZK 300 m, private banking customers with financial assets above CZK 10 m, financial and public sector institutions. This segment contains customers' deposits, loans, overdrafts, payment solutions including payment cards, leasing and other transactions and balances with corporate, SME customers and private banking customers. Margin income from the operations with corporate, SME clients and private banking clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions or trading with bonds). Net fee and commission income of this segment contains payment services, administration of credits, network income, securities, custody, service fees, distribution and other fees.

The ČSOB group provides SME and corporate clients with a **wide range of financial services**, from traditional account and payment management services and classic forms of investment and working capital financing, to solutions for managing clients' foreign currency and interest rate risks, specialized financing, financing with EU support, acquisition and project financing, cash pooling and internet-based transactional systems. The range of its products combined with its distribution network has enabled the ČSOB group to become an important service provider in key product areas, including cash management, acquisition, export and online trade finance services.

ČSOB offers to its business customers Company electronic banking (CEB) e-channel and provides biometry-based solutions in order to enable business mobility.

ČSOB also offers a range of **products for institutional clients**. This range comprises both regular banking products tailored to meet the requirements of institutional clients, and specialized services in the areas of cash management, custody of securities, and fund depository services.

Financial Markets

The ČSOB Financial markets segment represented 6% of ČSOB group's assets and 7% of its liabilities as at the 31 December 2022.

This segment contains investment products and services to institutional investors and intermediaries and fund management activities and trading included in dealing services. Net fee and commission income of this segment contains securities and custody fees and asset management income fees and commissions to agents.

Home Financing

The ČSOB Home financing segment represented 28% of ČSOB group's assets and 8% of its liabilities as at 31 December 2022.

This segment contains mortgages, building savings and building saving loans. Net fee and commission income of this segment contains administration of credits and distribution fees.

Group Centre

The Group Centre comprised 45% of ČSOB group's assets and 21% of its liabilities as at 31 December 2022.

The Group Centre segment consists of positions and results of Asset Liability Management (ALM), the Group's yield on real equity consisting of an interest charge on capital provided to subsidiaries which are a part of the Relationship services and Home financing segment, the results of the reinvestment of free equity of ČSOB and items not directly attributable to other segments. Net fee and commission income of this segment contains payment services and other fees.

Insurance

As of 31 December 2022, ČSOB Pojišťovna reached a 9.4% market share in non-life gross written premium and a 7.3% market share in life gross written (according to the Czech Insurance Association's methodology).

ČSOB Pojišťovna is a universal insurance company providing a broad range of life and non-life insurance products for both individuals and companies. As at 31 December 2022, ČSOB Pojišťovna had approximately 1.270 million clients, comprising of individuals and business entities (including SME's as well as corporates). Insurance products are mainly distributed through tied agents, brokers and the ČSOB group's branches.

Key Volumes – gross written premium (CZKm)	2022	2021	Y/Y change (%)
Single life insurance	630	1,165	(45.9)
Regular life insurance	3,581	3,521	1.7
Life insurance total	**4,211**	**4,686**	(10.1)
Non-life insurance total	**10,288**	**9,022**	14.0
Total	**14,499**	**13,708**	5.8
Number of claims settled	271,652	237,705	14.3

ČSOB's bank-insurance model is already delivering numerous commercial synergies. For example, around five to six out of ten ČSOB group clients who took out home loans with the bank in 2022 also purchased home insurance from the group. There was a further increase of 9% in the number of active clients (clients with a current account into which their income is regularly paid) who hold at least one banking product and one insurance product from the group, while the number of active clients with at least two banking and two insurance products from the group increased by 10%. At year-end 2022, bank-insurance clients (with at least one banking and one insurance product from the group) accounted for 86% of the business unit's active clients. Stable bank-insurance clients (i.e. holding two banking and two insurance products) made up 20% of active clients.

Definitions and Glossary of Financial Ratios

Active clients *include clients with a current account, active income and another ČSOB group product.*

Assets under management *include pension funds, mutual funds (assets under management in structured/capital protected funds and other mutual funds), other asset management and assets under management products and assets under management of Slovak local funds managed in the Czech Republic.*

Available MREL as a % of LRE (MREL leverage ratio) *is (Total regulatory capital + Eligible liabilities) / (On-balance + Off-balance sheet items + Counterparty exposure for Derivatives and SFT + Add-ons) (according to CRR).*

Available MREL as a % of RWA (MREL ratio) *is (Total regulatory capital + Eligible liabilities) / Total RWA (according to CRR).*

Group deposits *is item Deposits received from other than credit institutions from the consolidated balance sheet.*

Capital adequacy ratio *is total regulatory capital / total RWA (according to CRR).*

Cost / income ratio *represents Operating expenses / Operating income.*

Credit cost ratio *is Total credit costs / average credit risk loan portfolio in the year (simple average of previous year end and reported period end balances).*

Credit risk loan portfolio *includes all payment credit, guarantee credit, standby credit and credit derivatives, granted by ČSOB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included.*

Group Primary Clients *are bank clients with regular income on current account (or clients with Premium account or Premium candidates) with at least one product of ČSOB subsidiary.*

Leverage ratio *is Tier 1 capital / On-balance + Off-balance sheet items + Counterparty exposure for Derivatives and SFT + Add-ons (according to CRR).*

Loan portfolio *includes Loans and receivables to other than credit institutions plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in FVOCI portfolio).*

Loan-to-deposit ratio is *Financial assets at amortised cost to other than credit institutions minus bonds (net) / Deposits received from other then credit institutions at amortised cost minus repo operations with non-banking financial institutions*

MREL *is minimum requirement for own funds and eligible liabilities.*

Net interest margin *is Net interest income excl. volatile short-term assets used for liquidity management / average interest earnings assets excl. volatile short-term assets used for liquidity management.*

Net stable funding ratio *is available amount of stable funding / required amount of stable funding (according to CRR).*

NPL (non-performing loans) *ratio is outstanding amount of non-performing loans (incl. off-balance sheet items) / credit risk loan portfolio.*

ROAA (return on average assets) *is net profit for the year / average of total assets.*

ROAE (return on average equity) *is net profit for the year / average of total shareholders' equity.*

Tier 1 ratio *is Tier 1 capital (CET1) / Total RWA (according to CRR).*

ABOUT US

Company Profile

From ČSOB's History

1964 ČSOB established by the state as a bank to provide foreign trade financing and convertible currency operations in the then Czechoslovak market.

1993 Continuation of ČSOB's activities in both the Czech and Slovak market after the split of Czechoslovakia.

1999 ČSOB privatized – Belgium-based KBC Bank becoming the majority shareholder of ČSOB.

2000 Acquisition of Investiční a Poštovní banka (IPB).

2007 KBC Bank becoming ČSOB's sole shareholder after buying out all minority shareholders. New environmentally friendly building of ČSOB's headquarters in Prague – Radlice (Building of the Year 2007).

2008 As at 1 January, ČSOB's Slovak branch separated into a separate entity, fully controlled by KBC Bank via 100% of voting rights.

2009 In December, ČSOB sold its remaining interest in the Slovak activities to KBC Bank.

2013 The establishment of the separate Business Unit Czech Republic within the KBC Group.

2017 New 10-year (for period 2018-2027) exclusivity partnership agreement for both banking and insurance services signed with Česká pošta (Czech Post).

2019 ČSOB reached an agreement to become the sole shareholder of Českomoravská stavební spořitelna (ČMSS) by acquiring 45% stake previously owned by Bausparkasse Schwäbisch Hall. ČSOB thus strengthened its position as the largest provider of financial solutions for housing purposes.

2020 Českomoravská stavební spořitelna (ČMSS) was renamed to ČSOB Stavební spořitelna (ČSOBS), 100% ownership remains.

2022 Poštovní spořitelna was renamed to ČSOB Poštovní spořitelna. ČSOB gained 100% ownership in Mallpay, which was afterward renamed to Skip Pay.

ČSOB and ČSOB Group Profile

Československá obchodní banka, a. s. (hereinafter referred to as "ČSOB" or the "Bank") is operating in the Czech Republic as a **universal bank**. ČSOB is a wholly-owned subsidiary of the Belgian KBC Bank (since 1999, since 2007 fully). KBC Bank is a part of the integrated bank-insurance group KBC Group. As of 1 January 2013, KBC Group has organized its core markets activities into three business units – Belgium, Czech Republic (includes all KBC's business in the Czech Republic) and International Markets.

ČSOB provides its **services to all groups of clients**, i.e. retail as well as SME, corporate and institutional clients. **In retail banking in the Czech Republic**, ČSOB is operating under main recognized brands – ČSOB (branches) and Poštovní spořitelna (Postal Savings Bank – PSB; outlets of the Czech Post network). ČSOB offers to its clients a **wide range of banking products and services**, including the products and services of the entire ČSOB group.

The ČSOB group consists of the Bank and entities related with the Bank. ČSOB's financial group includes strategic companies in the Czech Republic controlled directly or indirectly by ČSOB, or KBC, which offer financial services, namely Hypoteční banka, ČSOB Pojišťovna, ČSOBS, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Factoring, Patria Finance and Ušetřeno.cz.

The ČSOB group's (Business Unit Czech Republic) product portfolio includes next to standard banking services: financing housing needs (mortgages and building savings loans), insurance products, pension funds, collective investment products and asset management, specialized services (leasing and factoring) and services related to trading equities on financial markets.

With total assets of CZK 1,805.6 bn as at 31 December 2022 and a total net profit of CZK 14.6 bn in 2022 **the ČSOB group is one of the top three banking groups in the Czech Republic**. As at 31 December 2022, the ČSOB group had CZK 1,232 bn of group deposits and a loan portfolio of CZK 874 bn.

ČSOB Group in Figures

	31. 12. 2022	31. 12. 2021
ČSOB group's clients (mil.)	**4.340**	**4.225**
ČSOB branches (bank only)	**201**	**208**
ČSOB Retail/SME branches	181	186
ČSOB Private Banking branches	11	11
ČSOB Corporate branches	9	11
ČSOB Pojišťovna branches	**95**	**95**
ČSOBS advisory centers	**215**	**246**
Leasing branches	**5**	**6**
PSB outlets of the Czech Post network	**ca. 2,400**	**ca. 2,500**
– of which specialized banking counters	235	234
Czech Post franchise outlets	**ca. 800**	**ca. 700**
ATMs [1]	**1,022**	**1,017**
– of which contactless	861	737
– of which deposit	307	288

1) Including ATMs of cooperating banks.

Employees *(FTEs)*	31. 12. 2022	31. 12. 2021
Employees of the ČSOB group (FTEs)	8,105	8,087
– of which the Bank	7,139	7,135

Annual reports and other information about ČSOB and the ČSOB group are available at www.csob.cz.

KBC Group Profile

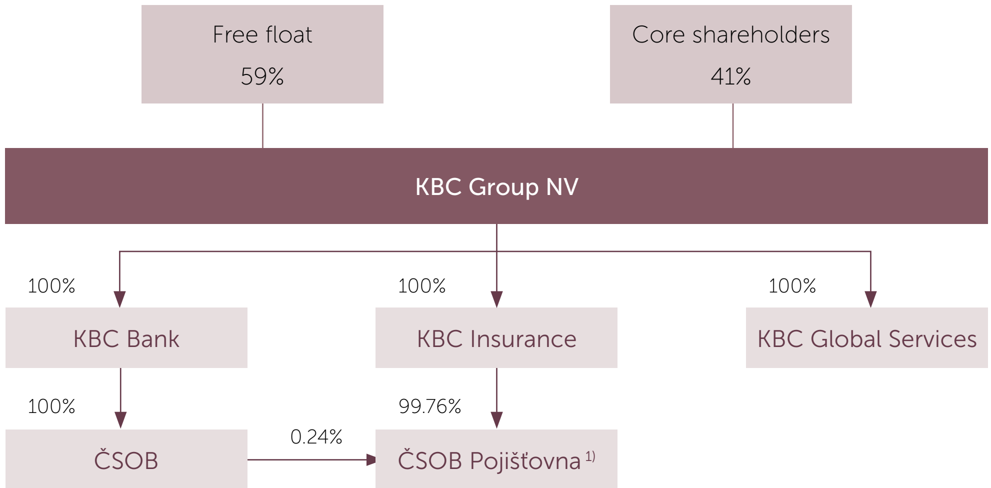
ČSOB is a wholly-owned subsidiary of KBC Bank NV, whose shares are held by KBC Group NV. KBC Bank and KBC Group are both based in Brussels, Belgium.

KBC is an integrated bank-insurance group, catering mainly for retail, private banking, SME and mid-cap clients. Geographically, KBC focuses on its home markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. Elsewhere in the world, KBC is present in several other countries to support corporate clients from its core markets. As of the end of 2022, the KBC Group served 13 million clients in its home markets, and employed approximately 42,000 employees, approximately 60% of which in Central and Eastern Europe.

The majority of KBC Group's shares is traded publicly on the Euronext Exchange in Brussels. 41% of KBC Group's shares is held by KBC Group's core shareholders (KBC Ancora, Cera, MRBB and the other core shareholders)..

The Simplified Scheme of the KBC Group

(as at 31 December 2022)



Percentages in the chart denote the ownership interest.
1) Voting rights in ČSOB Pojišťovna: 40% ČSOB, 60% KBC Insurance.

For an overview of companies of the KBC group please refer to KBC's corporate website www.kbc.com (section About us – Our structure).

KBC Group in Figures

		31. 12. 2022	31. 12. 2021
Total assets	EURbn	355.9	340.3
Loans and advances to customers (excl. rev.repo's)	EURbn	178.1	159.7
Deposits from customers (excl. repo's)	EURbn	224.4	199.5
Net profit, group share	EURm	2,743	2,614
Common equity ratio, group level (Basel III, fully loaded)	%	15.3	15.5
Cost / income ratio, group	%	57	58

Long-term ratings (as at 22 February 2023)

	Fitch	Moody's	S & P
KBC Bank	A+	A2	A+
KBC Insurance	-	-	A
KBC Group	A	Baa1	A-

Annual reports and other information about KBC are available at KBC's corporate website www.kbc.com.

ČSOB as a Controlled and Controlling Entity

Within the KBC group and the ČSOB group, ČSOB acts as both a controlled entity and a controlling entity.

ČSOB is a **controlled entity** of the sole shareholder KBC Bank NV (ID No. BE 0462.920.226), or more precisely, of its shareholder KBC Group NV (ID No. BE 0403.227.515). Both KBC Bank and KBC Group have their registered addresses at: Havenlaan 2, B-1080 Brussels (Sint-Jans Molenbeek), Belgium.

The control is exercised by decisions of the sole shareholder when exercising the general meeting's competence according to the Corporations Act. Within the limits stipulated by law, the controlling entity also exercises influence through its representatives in the Supervisory Board or the Board of Directors. The control covers cooperation and coordination in the area of risk management, audit functions and prudential rules. The Board of Directors is responsible for the management of business.

ČSOB follows the legislation applicable on the territory of the Czech Republic which protects against abuse of position of the controlling entity. In particular, ČSOB activities are governed by the Corporations Act, regulatory rules for banks and tax law including transfer pricing principles. ČSOB is also subject of supervision of the CNB. The regulatory and supervisory system is supplemented by the internal control system which is secured by the Board of Directors, the Supervisory Board, the Audit Committee and specialized departments of internal audit, compliance and risk management. The Board of Directors is responsible for internal control system efficiency.

ČSOB did not hold any shares of KBC Bank or KBC Group between 1 January and 31 December 2022.

ČSOB is also a **controlling entity**. For information on companies controlled by ČSOB as at 31 December 2022 please refer to the chapter Companies of the ČSOB group.

ČSOB is not dependent on any entity in the concern into which ČSOB belongs.

Corporate responsibility and sustainability

After challenging years adversely affected by the Covid-19 pandemic, the situation has become even more dramatic as a result of the military invasion of Ukraine and the energy crisis. In this context, the life of all people in our country has changed considerably. Perhaps more than ever before, the concepts of belonging, respect, help and consideration for others are gaining importance. With even greater commitment, we therefore continue to develop our social responsibility, continue our traditional support of non-profit organizations and local communities, support efforts to stop global warming and increase energy self-sufficiency through renewable sources.

Extraordinary activity of ČSOB supports Ukraine

In response to Russia's unjustifiable attack on Ukraine, and in cooperation with a partner from the non-governmental organization People in Need, we launched the SOS Ukraine charity collection in the very first days of the war. 14,426 companies and individuals contributed to the collection and together they donated the amount of CZK 33,348,664. Together with a donation of 25 million crowns from ČSOB, the humanitarian organization received a total of **58 million crowns for the SOS Ukraine collection**.

In addition, ČSOB provided financial products and assistance to Ukrainians living in the Czech Republic. For more than 110,000 Ukrainians, 80 percent of whom are women, we opened a current account with an initial deposit of CZK 2,500 (i. e. CZK 275 million or EUR 11.2 million). Ukrainian citizens found all information on our website in the Ukrainian language, could use bank identity services and a special client line. When it was most urgent, we operated mobile branches in humanitarian refugee centers in the 5 regional capitals (Prague, Karlovy Vary, Ostrava, Ústí nad Labem and Pilsen) and donated hundreds of pieces of IT equipment for use by Ukrainian pupils and students in order to facilitate their studies interrupted by the war.

Sustainability in entrepreneurship

Sustainability has been an integral part of ČSOB's corporate social responsibility for many years. However, in recent months it has become increasingly important globally in the context of the frequently quoted climate change. Within the KBC Group, the Bank launched detailed analysis of the impact of key sectors on the climate change in 2020 and in 2021 has already adopted a number of strict measures and policies to meet global commitments (UN Global Compact, SDGs, Equator principles, CCCA, etc.). In accordance with the code of ethics, integrity policy, anti-corruption program and other legal regulations, it does not support acts that violate human rights, endanger peaceful coexistence or devastate the environment.

We implement our sustainability strategy through three basic positions:

- Reducing the negative impact on society by strict compliance with binding policies and legal regulations in the field of respect for human rights, environmental protection, promoting business ethics and resolving controversial societal issues, as well as reducing of own carbon footprint (see **ČSOB Policies**).
- Increasing the positive impact on society in areas where we can contribute to improvement through our day-to-day activities. (see **Help for good causes**).
- Responsible behaviour externally and towards employees through support of their responsible behaviour in everyday work. (see **Responsible Business Practices**).

Facts and figures of Sustainable Business

COR / SME Advisory

- 138 SUS mandates signed by EU centrum for subsidy advisory
- 48 mandates signed by CSOB Advisory, 42 leading to new loans production, rest related to climate change advisory (e.g. nonfinancial reporting, ESG)

COR / SME Financing

- COR / SME financed CZK 13.5bn of loans supporting transition to low emission economy (i.e. 16% of total new production) outperforming the ambition of CZK 10.2bn.
  - of which CZK 0.9bn in line with EU Taxonomy
  - of which CZK 12.1bn financing real estate and CZK 1.3bn renewables
  - of which CZK 9.4bn provided to COR clients and CZK 4.0bn to SMEs
  - Amendments to other CZK 0.4bn already existing loans were signed and made the portfolio "greener".

RET / PBA

- Loans for Economical Housing new sales maintained attractive 20.5% of total new sales (≈ CZK 9.0bn) vs. target CZK 9.3bn ≈ 10.3%.
- New sales of Clean energy cars financing (# of contracts) increased to 4.2% ≈ 299 cars outperforming the target of 189 contracts ~ 2.5% as well as market average of 3.6%.
- Gross sales of Responsible Investments funds reached CZK 3.1bn ≈ 5.2% (14.9% w/o CSOB Premiera sales) staying behind the ambition of CZK 4.9bn ≈ 12%.
- FM issued ESG linked investment certificates in the amount of CZK 1.1bn (≈ 46%) fulfilling the ambition.

ČSOB is a leader in the field of sustainability on the financial market of the Czech Republic and is active in several thematic platforms aimed at **supporting the decarbonization of the Czech economy**. These involve for example the Commission for Sustainable Finance at the Czech Banking Association, Climate and Sustainable Leaders Czech Republic or the CSRD.cz platform. Given how complex the whole ESG issue is, many companies find it difficult to grasp the transformation to a sustainable model. The aim of these platforms is to offer help to interested companies and individuals, to provide guidance that will allow them to better understand what concerns them and to what extent, what tools are available to them, to set realistic goals that they will be able to meet and achieve a positive impact.

From May 2022, ČSOB also has a **representative in the National Economic Council of the Government** (NERV), he is the senior director and member of the board of directors, Ján Lučan. NERV's task is to propose the principles and parameters of reforms in key areas of public interest, such as the pension system, which have an impact on public finances and their transparency.

In the area of **financing socially beneficial projects** with an impact on the public (selected according to the CREDAC codes), we provided **loans in the amount of EUR 74 million** (CZK 1.8 billion) in 2022. Investments were directed mainly to medical care projects (hospitals, special medical facilities, spa care, laboratories), education (public universities, special pre-school education), retirement homes and nursing homes, or the construction of public sewers. Below, with the consent of the clients, we present two examples of a good practice:

PALAS ATHENA is a medical centre for the provision of surgical, orthopaedic, radio-diagnostic, and operative care. Annually, it performs more than 35,000 outpatient treatments and more than 2,500 operations under general anaesthesia. It was the first in the Czech Republic to start performing operations in the one-day surgery mode. To meet the demands of the patients, they purchased another clinic with the help of a loan from ČSOB (2 million EUR / 50 million crowns). With this plan, our client will not only improve the availability and level of infrastructure of health services for the residents of Prague (waiting and ordering times will be reduced and patient comfort will significantly increase), but the story has another dimension - the clinic will be run by his children. *"Our motto is: We don't treat everything, but what we treat, we try to treat as well as possible,"* says Mr. Winkler.

CENTRIN CZ is a provider of social services. It is a family business that operates three houses (Zruč nad Sázavou, Prague 6, Unhošť). Last year, the company dealt with the purchase of real estate for the company's headquarters (purchase price CZK 15-20 million) in the Praha-východ district. ČSOB provided a new purpose-built loan for the purchase of real estate in the amount of CZK 15 million. Thanks to a well-established relationship with the client, cooperation in the area of leasing and real estate insurance gradually expanded. We also connected the client to colleagues from the EU centre, who consult with him about the planned insulation of the property in Zruč nad Sázavou and the purchase of photovoltaic panels.

Another example of financing a socially beneficial activity, albeit on a significantly smaller scale, is the **ČSOB Start it Social** social grant program, in which we offer financial incentives and tailor-made expert advice to organizations that employ people with reduced applicability on the labour market and subscribe to the principles of social enterprise. In the tenth jubilee year, we focused mainly on projects reducing the energy demand of operations or digitization. We supported the ten best projects with the amount of 1 million crowns. In total, over the 10 years of the program's existence, we have distributed more than 9 million crowns among 63 social enterprises employing people with various types of health or mental disabilities.

Strategic pillars of ČSOB's corporate social responsibility and sustainability and their main initiatives

For nature

The ČSOB Group supports **business that is friendly to the environment** and uses natural resources sparingly. A prime example is the EUR 4.02 million loan to **Karo Leather** for raw leather processing technologies, for which it received a grant from the Operational Program Entrepreneurship and Innovation for Competitiveness:

Raw hides and skins are a waste product of the meat industry. In connection with the decline of the leather industry in the Central European region in the 1990s, these wastes are transported from the Czech Republic in an unprocessed form (often in a very inefficient way, e. g. by treatment in salt solution) to processors in neighbouring countries or disposed of without further benefit. By purchasing the new technology, the client will now be able to process raw leather in an environmentally friendly way. The result of this process will be a more efficient production process, and above all a higher quality and more ecological product. The client achieves energy and material savings: reduction of CO2 emissions, reduction of electricity consumption by approx. 18% per year, reduction of water consumption or use of recycled water for production by 80% per year and reduction of the amount of waste generated during production by 33%.

In the area of residential mortgages, we mainly motivate clients with credit products for energy-efficient housing, i. e. **Mortgage for energy-efficient housing**. This financial product offers clients advantages when they decide to finance their investment plans with energy labels of category A or B. In addition to the advantageous interest rate, the client can pay off the extraordinary mortgage payment for free if he uses the state subsidy for energy-saving measures such as photovoltaics or an ecological heating source.

A similar product is the **Unsecured bridging loan for economic housing**. By including this product in our portfolio in September 2022, we have completed the offer of economic housing financing products. Similar to the mortgage for energy-efficient housing, we motivate homeowners to energy-efficient construction and renovation, incl. investment in renewable resources. The client receives a premium of up to CZK 3,000 if he buys a property with an EPC label in category A or B. A client with credit rating A can also use a credit limit of up to CZK 2.5 million.

An **economic housing loan** is an unsecured consumer loan for financing energy-saving technologies (e. g. photovoltaics, heat pumps, house insulation) at a preferential guaranteed interest rate. From April 2022, there was an expansion of the purposes of the loan, which are linked to state subsidies, and the client can possibly repay part of the loan from the subsidy for free. From August 2022, our clients can take advantage of special conditions for products from the companies E.ON, S-Power, PRE and DAIKIN and DZ Dražice/NIBE. All of them are important and high-quality suppliers of renewable resources for households. With these partners, we cover more than half of the domestic photovoltaic market and a third of the heat pump market in the Czech Republic.

Support services for reconstruction. In cooperation with external energy specialists, we offer our clients the opportunity to consult with experts about their building plans and reconstruction of family houses. The Passive House Center has excellent know-how for the energy savings (renovation) agenda and provides advice on optimal and energy-saving renovation, calculation of achievable savings and assistance with obtaining state subsidies. The service is provided in one place and is very convenient for the client, especially when helping with the administration of the state subsidy. In addition, we provide an eBook **"Energy-efficient family house"** and plan to launch an interactive online guide to energy-optimal renovation.

We think about the nature in our own activities within the Bank. ČSOB has established its own environmental and energy policy and management in accordance with the ČSN EN ISO 14001 and ČSN EN ISO 50001 standards. They contain the company's obligations to protect the environment and prevent its pollution. We want to **achieve climate neutrality by 2040** at the latest. So far, we have managed to reduce our carbon footprint by 73% compared to 2015. Thanks to the carbon compensation, we have achieved climate neutrality in scope 1 and 2 as early as 2021.

Our buildings in Prague and Hradec Králové rank among the most ecological buildings in the country and belong to the greenest buildings in Europe, which is confirmed by the LEED Gold (NHQ) and LEED Platinum (SHQ) certificates awarded for, among others, the following attributes:

ČSOB Campus

- 177 energy wells with 4 heat pumps as a source of renewable energy producing heat and cold
- energy-saving control system saves energy
- a green roof that cools the building, improves the climate and supports urban biodiversity
- rainwater for irrigation of green roofs and surrounding greenery
- the bicycle shed and facilities for cyclists

ČSOB Hradec Králové

- 108 energy wells up to 200 meters deep use energy from the earth's massif used for heating and cooling
- biometric systems to control entrances to the building
- control lighting according to the presence of workers and the intensity of daylight
- 290 parking spaces and a special parking lot for bicycles (including a bicycle washer) and changing rooms
- residential roof gardens serve to retain rainwater and improve the microclimate
- 56 trees planted around the building, 177 bushes and another 23 multi-stemmed trees planted on the roof, inside the building 4 beds are placed and in each of them grow 370 plants

From our own operation, we can cite as an example of sustainability the purchase of electricity only from renewable sources and the reduction of the energy demand of the bank's branches and headquarters thanks to modern heating and cooling with geothermal energy and the optimization of the branch network. We light up with LED sources and switch to autonomous lighting control. The result is a **reduction** (in comparison to 2015) **in electricity consumption of 16,180 MWh, a saving of 8,847 MWh of heat, GHG emissions of 33 t and thus a reduction of our own carbon footprint by more than 73%**.

ČSOB strives for the rational use of available resources and, starting in 2020, regularly evaluates the monitored values at the level of the entire ČSOB Group. Compared to 2015, we reduced paper consumption to 42.1%, electricity consumption to 61.8%, waste production to 36.1% and greenhouse gas emissions to 27%:

Year	Water consumption (m^3)	Electricity consumption (MWh)	Paper consumption (t)	Waste production (t)	Direct CO_2 emissions (t)	Indirect CO_2 emissions (t)
2015*	138,435	42,404	1,176	2,256	11,185	35,558
2019	125,016	32,610	856	1,120	6,950	16,104
2020	96,459	30,137	608	1,116	3,243	14,206
2021	76,735	25,370	839	889	3,277	8,189
2022	76,914	26,224	495	814	3,933	8,546

* *The year 2015 has been set as a reference year in view of the conclusions of the UN Climate Change Conference in Paris and the adoption of the Paris Agreement.*

For education

ČSOB financial and digital education for schools

Since 2016, our employees - ambassadors of financial literacy - have been visiting Czech schools and teach pupils and students how to manage money in a fun and interactive way. Using practical examples from everyday life, they show how to deal with problems in a given situation. The program has six separate blocks: Money, Household Management, Modern Technologies, Responsible Lending, Financial Products and now also Ecological and Economic Sustainability.

During the course, we use presentations, videos, tablets and mobile phones. Outside of school, we offer to present an educational program in ČSOB buildings or in other suitable spaces (e.g. science centers). For the school, tuition costs are zero. We do not sell the ČSOB brand or products, but the idea of higher education.

By the end of 2022, a total of **545 ambassadors** from among our employees **participated in 3,186 teaching hours for more than 51,000 pupils** and students from the 674 schools visited.

Thanks to the **accreditation of the Ministry of Education, Culture and Sports** for the teaching of pedagogues of the 2nd level of primary and secondary schools, which we obtained in 2019, we can help teachers with the teaching of financial literacy even more effectively. Graduates of this program will receive a certificate, which also serves as a confirmation of further education of teaching staff within the program of the Ministry of Education and Culture.

The online world has gained even more importance during the covid-19 pandemic, when children have spent even more time on the Internet and social networks due to distance learning and limited contacts. In 2021, we developed the **ČSOB Filip application**, which is designed as a guide to the world of finance for children and shows real situations on the way to adulthood. The app is available on the Google Store and Appstore and has seen over 10,000 downloads so far. In 2022, we supplemented it with a new chapter **Your journey in online**, which responds to current cyber threats in the online environment. We prepared the chapter in cooperation with the Police of the Czech Republic. At the end of 2022, we added another **ECO chapter** that deals with the area of sustainability.

In the fall, we organized the **2nd year of the Filip's Cup Financial Literacy Olympiad**, in which 232 schools signed up. The competition was intended for sixth graders and elementary school students at multi-year gymnasiums.

In cooperation with the Police of the Czech Republic, we have prepared a number of thematically focused online security courses **"Your journey #online"**. The school will be visited by a ČSOB employee – an expert in online security, together with a prevention officer from the Police of the Czech Republic. Thanks to this cooperation, we work with real cases from the Czech environment when teaching.

Under the auspices of the Czech Banking Association, we are also involved in the **Bankers to Schools** project, which enables students to meet leading Czech experts in the field of banking and finance. Dozens of Czech bankers from financial institutions took part in the event, ČSOB was represented by 20 bankers who have long been dedicated to teaching financial literacy.

As part of **debt trap prevention**, we continue to cooperate with the organization People in Need and co-finance free debt counselling through the Counselling Center for Financial Distress. In addition, we offer easily accessible high-quality financial advice in the form preferred by the client (information on the bank's website, online telephone advice, personal visit to the branch).

For business

In an increasingly rapidly changing world, we cannot do without innovative products and services. That is why we help start-up entrepreneurs and small companies, support them in their efforts and projects and share our experience with them. We also support courageous women who are able to push their business ideas and succeed in the private sector despite persistent prejudices.

Our portal **www.pruvodcepodnikanim.cz** is available to both new and established entrepreneurs, which helps them navigate the rules and legal standards they must comply with. The path to success leads through reliable information and facts obtained on time and in an understandable form.

In 2022, we helped 246 budding entrepreneurs get funding from the Budding Entrepreneurs Program. The loan for start-up companies and entrepreneurs was created with the support of the European Investment Fund. The goal of the fund is to support small and medium-sized enterprises and increase the possibility of obtaining financial resources for the start-up and development of their business. The European Union guarantee under the program for employment and social innovation (EaSI) is used for financing.

Women entrepreneurs

We pay special attention to women, by whose side we want to stand not only during the founding of companies, but also during the course of business and during the overcoming of possible social prejudices. That is also why in 2022 we again became the general partner of the **Czech Businesswomen Award** and within its framework we announced our own category **Exceptional Businesswoman**. The ČSOB prize was won by Terézia Svátová, the founder of TEREZIA COMPANY s.r.o., which develops, manufactures and distributes its own food supplements made from health-promoting mushrooms and plants, medical devices, cosmetics and VEGI spice mixes.

"Women are generally a bit more cautious in business than men and think about their steps more. Nevertheless, there are more and more of them in business, and we are very happy that we, as a bank, can help them in this. We are also happy to see that Czech women entrepreneurs are doing well not only in the Czech Republic, but many abroad as well," says Martin Pěchouček, director of ČSOB's Business Development and Climate Change Relationship Banking department.

We offer corporate clients a digital platform for domestic and international trade **we.trade**. It uses blockchain technology, offers the possibility of guaranteed payment, including its financing, and enables the secure electronic conclusion of contracts for the supply of goods and services, including automatic payment between companies. Thanks to the platform, entrepreneurs can conclude new contracts and at the same time reduce the risk of outstanding invoices. Corporate clients also have access to the unique international trade support platform ČSOB Trade Club, which provides them with complete and up-to-date market information on all key indicators in the world of international trade, laws, regulations, taxes, etc. **ČSOB Trade Club** helps connect domestic entrepreneurs with partners from Worldwide. Here, clients can find information from more than 190 countries and thousands of verified business contacts from more than 50 countries. The application is managed by an alliance of 15 banking groups. The we.trade and Trade Club services are connected and complement each other. We offer them to clients under the heading **ČSOB Digital Store**.

In the acceleration program **Start it @ČSOB**, we mainly work with B2B technology startups that are entering the go-to-market phase. We help startups avoid common mistakes and provide mentoring and workshops in key startup areas. In addition, program participants will receive up to 4 jobs at the Prague Impact Hub and international support from the GAN Global Network of Accelerators for the entire duration of the company's existence, which will facilitate their eventual expansion to foreign markets. Companies can apply to the program every six months.

In 2022, we organized a **Green challenge acceleration** focused on sustainable startups. We supported a startup on the recycling of soft plastics, a database of sustainable technologies in the construction industry, calculation of the carbon footprint and reporting of ESG goals, a unique detergent in paper and a project on regenerative agriculture. In total, we have supported 72 startups since the start of the program, including 23 in 2022.

In November 2022, we launched a new **Start it @UNI** program aimed at university students. Together with the incubators of selected Czech universities, we will help student projects to strengthen their chances of success on the market. At the validation camp, students can increase their chances of success thanks to practical consultations from experienced mentors from startups and other experts. They can find other colleagues in the team, and also apply for validation grants of 20,000 CZK to verify the real demand in the market.

For longevity

In the pillar For longevity, ČSOB pays attention to seniors and those who are preparing for this period of their lives and to the so-called sandwich generation, whose representatives take care of their children and at the same time take care of their parents. There are currently almost 1.5 million clients over the age of 58 in the ČSOB group. We offer all clients aged 58+ preferential account management, which includes not only an unlimited number of free payment orders entered at branches or with the Czech Post, but also free delivery of cash to the chosen address. At every post office, we can send a request for a pension transfer to the Czech Social Security Administration on behalf of the client. Our call center has been operating a special **Senior line** for several years. The system on this toll-free line recognizes a client over the age of 70 and connects them automatically to a team of operators specially trained to communicate with the elderly. In 2022, colleagues handled 81,200 calls on this line. We are now piloting the **"Health Assistance"** benefit for clients 58+ (doctor on the phone, second medical opinion and import of prescription drugs).

ČSOB has a network of bank branches throughout the Czech Republic and, together with Czech Post counters, is the **largest provider of barrier-free banking and insurance services**. In cooperation with the Czech Association of Paraplegics (CZEPA), we verify whether our branches are really barrier-free. Any deficiencies identified on the basis of the audit are subsequently eliminated. Another activity initiated by our employees has a similar goal, namely the audit of all ČSOB applications and websites from the perspective of visually impaired users. Some employees of ČSOB, who use special readers for the visually impaired for their work, are also involved.

All our 1,017 ATMs are equipped with voice navigation for the blind. The software used was prepared in cooperation with the United Organization of the Blind and Visually Impaired of the Czech Republic (SONS). We provide eScribe, an **online speech transcription service** for the deaf that allows the hearing impaired to communicate with a banker. This service is available at all our branches, and we also offer it on our free information line.

We collaborate with the Sue Ryder Home on the **Don't Get Lost in Old Age** project, which advises seniors and their loved ones in all areas related to old age. Counseling days were held in the regions, where seniors received answers to questions from the legal, social or financial areas directly on the spot. Volunteers from ČSOB employees took part last year in the form of mentoring and specific assistance in supporting the workers of mobile hospices.

Philanthropy at ČSOB and partnerships with non-profit organisations in 2022

Supporting philanthropy, developing individual donorship of our clients and employees and linking the business world to the non-profit sector is an integral part of ČSOB's corporate social responsibility. We have been cooperating with renowned non-profit organisations for a long time and together we bring solutions that respond to the current needs of disabled people.

Among our most important partners from the non-profit sector are: Committee of Good Will – Olga Havel Foundation, Sue Ryder Home, Mathilda Endowment Fund, Safety Line, Charta 77 Foundation - Barriers Account, People in Need, Debt Advisory Centre, Neratov Association, Czech Association of Paraplegics, the Rozum a Cit Endowment Fund and many others. We also cooperate with the organizations Donors' Forum and Business for Society, which focus on the general development of CSR and philanthropy in the Czech Republic.

The most important socially responsible projects

ČSOB Helps the Regions

Our largest grant program ČSOB helps regions supports projects of non-profit organizations that focus on **community development and improving the quality of life** of people throughout the Czech Republic. The anniversary year 2022 was historically the most successful to date, when 150 projects received grant support in the total amount of CZK 10,562,754. The total revenue of the program is represented by financial contributions from the public, which amounted to CZK 5,887,754 and which non-profit organizations received according to their fundraising capabilities on the website www.csobpomaharegionum.cz. Another 4,675,000 CZK is a donation from the bank. **During the 10 years of the program's existence, a total of CZK 72,426,955 was distributed.**

Education fund

The education fund is our oldest joint philanthropic project. It was established in 1995 in cooperation with the Goodwill Committee - the Olga Havel Foundation to **support talented students** of secondary schools, higher vocational schools and universities who would otherwise not be able to afford studies due to health or social handicaps. ČSOB Education Fund currently supports 84 young people. From the start of the program until the end of 2022, we have already provided scholarship support or a one-time contribution for education and study aids to 1,293 students. In total, we have already donated 39.4 million CZK to help with education.

Volunteering

Among the responsible activities in which our employees are willingly involved is the ČSOB corporate volunteering program **We help together**. Each employee has the opportunity to dedicate one working day a year to voluntary work or professional consulting in a non-profit organization of their own choice. In 2022, we registered **1,790 volunteers**.

Together with ČSOB

The Matching Fund Together with ČSOB is intended to support the individual donation of our colleagues. Any employee can request a monetary contribution for their favourite non-profit organization or charity project. All you have to do is organize a charity collection on the www.darujspravne.cz portal for the benefit of your favourite, or combine it with any charity event, and involve other colleagues from the bank and people from your surroundings. The bank also donates the same amount that was collected (a maximum of CZK 30,000 per project). During 2022, employees organized a total of 18 allied fundraisers. To the individual contributions of CZK 867,474 and the bank added CZK 504,105, **in total we donated CZK 1,371,579 to a good cause**.

Goodwill card

Together with the card association Master Card, ČSOB supports individual donations also in the private banking segment. Thanks to the special Goodwill Debit Card, clients of ČSOB Private Banking can contribute to charitable causes. The client sets the amount of the voluntary contribution and subsequently the selected amount from each business transaction goes to **help children and adults in difficult health situations**. Both ČSOB and Master Card donate additional funds, which is why, thanks to the Goodwill Card, we have together donated an amount of almost CZK 20.5 million over the period of operation (of which CZK 2.5 million in 2022) and have **helped more than 545 needy people**.

Premium Card

We also offer a payment card with charitable functionality to clients from the Premium segment. Proceeds from contributions for the use of the payment card go to the **education and training of guide dogs**. In addition to contributions from clients, ČSOB together with the Master Card card association donates the same amount, which triples the contributions. We cooperate with our long-standing partner from the non-profit sector - the Mathilda Foundation, which is an internationally recognized expert in guide dog training. By the end of 2022, we have already supported the exit of guide dogs with an amount exceeding 5.7 million crowns.

For-Good-Thing

The service in Smart banking is intended for retail clients and allows with each payment contribute to a charity project of a specific non-profit organization. Since the launch of the service in July, 1,560 clients have already used the service. The total amount of contributions reached CZK 900,000 by the end of the year.

ČSOB Corporate Social Responsibility Awards in 2022

MasterCard Award – The Best Bank of 2022

- 3rd place Barrierless bank of the year (award for easy accessibility of our services to clients regardless of medical handicap)
- 3rd place Sustainable Bank of the Year (for innovative product - ESG investment certificates)

ČSOB in the TOP 10 large companies in the ESG rating

Our latest award in the field of sustainability is the first ESG Rating published by Forbes magazine in November 2022, where we were ranked in the TOP 10 in the Large Companies category. This ranking, i.e. ESG Rating, aims to raise awareness of the meaning and importance of ESG. It is the SDGs Prize awarded by the Association of Social Responsibility in cooperation with the university program CEMS VŠE.

Business for Society Awards:

- **TOP Responsible large company – 2nd place and title Leader of the sustainable business**
  Compared to previous years, we have jumped two places higher and can be proud of the TOP Responsible Large Company 2022 title. Our overall rating has improved from 91.9% to 94.9%, which makes us one of the leaders in the field of sustainable business.
- **TOP Responsible company in diversity – 3rd place**
  The Parent Program is one of our key pillars for promoting diversity. Our approach is truly inclusive. It helps all parents of small children without any difference, who work while they are parents. The aim of a parenting program is generally to keep in touch with parents after they start maternity/parental leave, offer job opportunities, education before returning to work or help with childcare.

Lemur Awards

- 1st place in the Internal Communication category for the Green Challenge in the Zapka employee application
- 2nd place thanks to the CSR Annual Report

Global Finance: Sustainable Finance Awards 2022

ČSOB received the following titles:

- Leader in ESG related lending in Central and Eastern Europe for 2022
- Financial leader in the area of sustainability of communities in Central and Eastern Europe for 2022
- Leader in sustainability transparency in Central and Eastern Europe for 2022
- The best bank for sustainable financing in the Czech Republic for 2022

More information can be found in the 2022 ČSOB Group Annual Social Responsibility Report and at the website www.csob.cz/csr.

Diversity

ČSOB supports diversity in a broad context, creates inclusive environment for all and offers tailor-made benefits for specific needs of each group. We are convinced that diversity, in the broad sense of the word, means a greater diversity of opinions, different styles of work and management for the company. Ultimately, it means sustainable long-term higher performance through people commitment and motivation. **ČSOB aims to use the potential and best talent of all our employees**. We create equal opportunities regardless the age, gender, sexual orientation, or nationality. However, we do not only remain at the level of equal opportunities, but we create a higher awareness among employees as to why there is value in diversity. We consider **flexibility as a key precondition for diversity**, flexibility is our focus already for a long time – e.g. part-time jobs, home-office. After the Covid-19 pandemic, when we actually worked from home for two years, we came to the point that we want to meet more in the office, share information among the teams, solve our goals together in person, that's why we decided to slightly change the home-office rules. Our employees still have the opportunity to work from home 50% of their monthly working hours, the other 50% we meet in the office.

ČSOB's Diversity strategy defines these specific areas:

1. **Gender diversity in management:** we are gradually increasing number of women in management, in a relative comparison with financial institutions it is one of our key advantages that we want to further improve. We have been working on more balanced ratio of women in managerial positions and gradually decreasing the gap not only in the quantity (2015: 32% women in management, 2022: 37%), but also in wages comparison of women to men („gender pay-gap" 2015: 6%, 2022: 2.2%).

2. **Program for parents** has been already supporting parents of small children for many years. We expanded the program with a concept of ČSOB kindergartens and within the Academy for Parents we also focus on the development of our parents on the parental leave, to motivate them to an earlier return from parental leave.

3. Age diversity: **Program 55+** - experience is an advantage, was broadened with the offer of expertise volunteering.

4. **LGBT+**: filling out the signed memorandum of Pride business forum, the fairness of benefits implemented, active employee group PROUD.

5. We include **disabled colleagues** in the Diversity Programs, e.g. 70 handicapped people already working in ČSOB Operations. We cooperate with the social company Kolibřík.

We are well aware of our role as a big employer, therefore we openly share our experience and look for an inspiration from others. We actively cooperate with:

- Non-profit organization Business for society in order to build an alliance with other employers and to inspire each other.
- Non-profit organization Pride business forum (PBF), whose principles we proudly accepted by signing their memorandum. In 2022, we organized the second LGBT+ forum of financial institutions on how to treat trans-gender employees and clients.
- Since 2022, we have been part of the OPIM organization, which connects and helps organizations positively perceive diversity and actively work with it. We share our experiences during round tables.
- A worldwide initiative She loves data whose target is to support and develop women in data and innovation areas.
- Czechitas, a non-profit organization, that aims to increase diversity in IT and fights for higher expertise of women and the new generation in the world of digitization. CSOB became the general partner of the Czechitas organization for the upcoming year 2023.

Activities in 2022 and plans for 2023

1. Gender diversity in management

We continue with an open discussion about the benefits of a diverse approach and the value of the **"male and female principle"** at work. We are aware that the corporate environment at the top level management, or in some parts of the bank, is traditionally based more on the application of male principles and we are trying to gradually balance it. This will ensure not only higher female leadership involvement, but also personal awareness, why the application of both principles is beneficial for decision making.

We want to continue focus on developing the talent of female managers in the middle management and increase their number. From 2018 (30%), we increased the % of top talent among women to 40% (2022).

In the following year, we would like to continue with the development of Authentic Leadership program, which was completed by 35 female colleagues in 2022.

We are gradually managing to reduce the gender pay gap, which is in the range of 2-3%.

2. Program for parents and ČSOB kindergarten concept

Parental support is our long-term priority in the field of diversity. The goal is to make the return to work from parental leave easier and faster. Within the program we offer:

- Keeping in touch with the bank and constant information about developments in the bank, suitable job offers or about social and educational events for parents.
- Employee application where all the information about the program is available as well as the information about maternity/parental leaves.
- An opportunity to find a job during parental leave in the form of part-time job or the employment agreement, either at the original department or at a different department within the bank.
- Individual consultations with the gestor of the Program (employment law, career consultancy, return to work execution, finding a new job, etc.).
- Free professional and personal coaching during parental leave - cooperation with the internal Coaching Center, 5 meetings available for parents.
- Workshops for parents who leave for maternity/parental leave.
- Informal meetings of parents.

In order to ease an enable our employees to return to work earlier, we have been running a kindergarten (ČSOB Sluníčka) at our head office in Prague since 2017. In 2021, we also opened a kindergarten in Hradec Králové. Due to great success and interest, we will start building a new, larger kindergarten in Prague in 2023.

On top of that, we refund half of the cost for any nursery, kindergarten or nanny, if parents work during or instead of a parental leave. With this contribution, we support parents in the regions, i.e. in places where there is not enough concentration of employees to establish our own company kindergarten.

In ČSOB, 20% of parents (mostly mothers) return to work earlier (often in the form of part-time work) than after the usual three years of parental leave. Together, it represents hundreds of high-quality employees that we would not find on the labor market easily.

We launched a pilot Academy for Parents in Hradec Králové in spring 2022, the aim is to prepare parents for a smooth return to work and to actively establish contacts between parents, managers and HR. The parents attended six on-site workshops targeted on development of soft-skills, supplemented by online training, which helped them regain the lost self-confidence, the self-presentation and broaden their horizons in the field of digital technologies currently used in the bank. After the successful evaluation of the pilot version, we decided to continue with the Academy for Parents in an on-site format for Prague and the Central Bohemian Region and an online version for the regions. The Academy also includes presentations and introductions of departments that offer the possibility of part-time work, to make it easier for parents to find out where part-time work is available. This year we will continue with another Academy, again in online and on-site form.

3. Age diversity: Program 55+ - experience is an advantage

We successfully continue with the "55plus - experience an advantage" program. The objective of the program is to use the experience of these employees to mentor younger colleagues, increase team stability through the age diversity of team members, reduce pressure and stress, prevent burnout syndrome (including expert volunteering for nonprofit organizations) and to increase the regeneration thanks to 2 days of extra paid leave. We also offer free services of employment law consultancy.In case of volunteering for non-profit organizations, our 55plus have the opportunity to take 4 days of paid leave (in individual cases even more). The aim of this activity is to enable employees to achieve greater self-realization, use their expertise, prevent burnout syndrome, and last but not least, enable them to think about how their knowledge and skills can be useful after they retire.

In 2022 we resumed physical meetings and in September we organized a meeting for employees 55+, where the main speaker was Tomáš Šebek, who talked about his very impressive experience during the foreign missions with Doctors without borders. At this meeting, we also discussed the topic of pensions in general. Based on a huge interest of our colleagues about this topic, in January 2023 we realized a webinar with a representative from OSSZ (Czech social security administration), who provided very detailed information about retirement leaves and answered every, even very specific questions from our colleagues. This event was attended by more than 360 employees and had very positive feedback. We plan to continue to organize tailor made events for 55+ population in 2023.

4. LGBT+ support:

Onward we are fulfilling the commitments we have made by signing the Pride Business Forum memorandum in the area of applying the principles of the equality in the workplace. We offer a day-off for a wedding with a partner from a foreign state, paternity leave also for the adoption of a child or a leave for accompanying the partner's child to a doctor's appointment. These are some of the examples of how we gradually revised the fairness of benefits, clarify the definitions and how we work on discrimination elimination.

The PROUD employee group which associates LGBT colleagues and their supporters was established in ČSOB. The PROUD group organizes seminars or webinars (about the history of LGBT, or the training on minorities), and informal meetings. The PROUD group was also an inspiration for KBC, where a similar Proud@KBC group was established last year. ČSOB organized two large LGBT+ events last year:

- Second Forum of LGBT+ financial institutions on how to treat transgender employees and clients.
- First international event within Diversity rocks, which was attended by 150 colleagues from the entire KBC group.

Awards in diversity area for ČSOB in 2022

TOP Responsible company (Business for Society Awards)

ČSOB won the 3rd place in diversity for Program for Parents

ČSOB ranked 2nd place as **the best company on the market** of all large companies **in the field of sustainability, a large part of which is diversity at work**.

LGBT+ Friendly Employer 2022 awards

ČSOB won the 3rd position in the main category of LGBT friendly employer competition and is the only czech bank that was ever rewarded in this ranking.

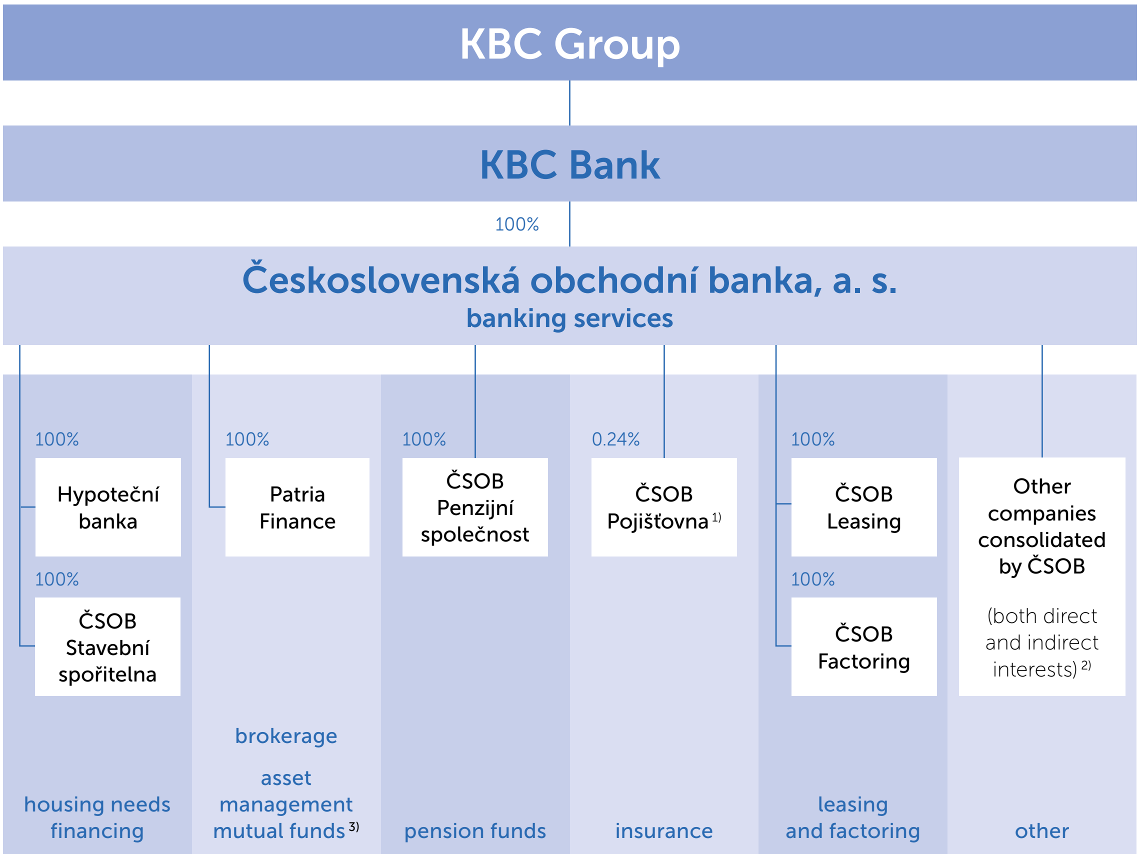
COMPANIES OF THE ČSOB GROUP

ČSOB Group

The ČSOB group is the leading player in Czech financial services industry. It is a part of the international bank-insurance KBC group which is active in Belgium and the CEE region.

As at 31 December 2022, ČSOB had ownership interests in 29 legal entities and, in addition to ČSOB, other 25 companies were included in the group of consolidated companies.

The ČSOB group offers its clients in the Czech Republic the following types of services and products: banking services, building savings and mortgages, securities brokerage, asset management, mutual funds, pension funds, insurance, leasing and factoring.



Percentages show ČSOB's ownership interests on company's equity as at 31 December 2022.

1) 99.76% of shares owned by KBC Insurance; by an equity method consolidation.

2) A complete list of companies consolidated by ČSOB is stated in this part of ČSOB Annual Report.

3) ČSOB continues offering mutual funds and other products of ČSOB Asset Management regardless of its sale within the KBC Group.

Hypoteční banka, a.s.

Date of establishment:	10. 1. 1991
Business activities:	Provision of mortgage loans and issuance of mortgage bonds
Identification number:	13584324
Registered capital:	CZK 5,076,336 ths
Shareholders:	100% ČSOB

Contact	
Address:	Radlická 333/150 150 00 Praha 5
Telephone:	+420 224 116 333
E-mail:	info@hypotecnibanka.cz
Internet:	www.hypotecnibanka.cz

Indicator		2022	2021
Total assets*	CZKm	389,591	368,462
Loans and advances to customers*	CZKm	380,894	361,321
Total equity*	CZKm	57,078	53,585
Profit for the year after tax*	CZKm	2,483	1,478
Total volume of new mortgage loans (according to the Ministry of Regional Development; CZ)	CZKm	42,295	105,352

** EU IFRS, audited.*

Agents and brokers	4,663	6,156

Hypoteční banka is a specialist in providing home mortgage loans. As part of the ČSOB Group and in conjunction with ČSOB Stavební spořitelna, Hypoteční banka holds a clear position as the Czech market leader for financing home purchases. Financing sustainable housing remains an important issue for the ČSOB Group.

Domestic banks provided their clients with housing loans of CZK 217 billion in 2022. Compared to the extraordinary result in 2021, this is a decrease to a 40% level. In terms of the volume of money lent, the market is thus returning to the situation that prevailed prior to this extreme increase. The ČSOB Group provided clients with mortgage loans in a volume of CZK 42 billion and loans from building savings in a volume of CZK 12 billion in 2022.

In 2022 HB took second place in the Mortgage section of the Zlatá koruna competition and won in the Zelená koruna ('Green Crown') category with Mortgage for Economical Housing.

ČSOB Stavební spořitelna, a.s.

Date of establishment:	26. 6. 1993
Business activities:	Building savings and loans
Identification number:	49241397
Registered capital:	CZK 1,500,000 ths
Shareholders:	100% ČSOB

Contact

Address:	Radlická 333/150 150 00 Praha 5
Telephone:	+420 225 225 225
E-mail:	info@csobstavebni.cz
Internet:	www.csobstavebni.cz

Indicator		2022	2021
Total assets*	CZKm	137,368	150,909
Volume of loans and bridging loans (Retail)*	CZKm	123,657	122,771
Volume of client deposits*	CZKm	126,428	141,628
Total equity*	CZKm	9,227	8,420
Profit for the year after tax*	CZKm	1,338	680

** EU IFRS, audited.*

Advisory centers	215	246
Tied agents	1,353	1,544

Since ČSOBS was established, it has been the largest and most successful building society in the Czech market from the point of view of the balance sheet total CZK 137.4bn (as of 31 December 2022). In the long run, it has been the biggest provider of the building savings product (in the year 2022, achieved 151ths pieces of the new savings contracts, which represented a market share of 26.4%) and building savings loans (new loans provided in the year 2022 amounted to a total of CZK 11.2bn, including construction loans and bridging loans /3rd place in the building society market/, which was a market share of 22.3% w/o commercial loans - estimation). In 2022 ČSOBS started to focus on providing unsecured building savings loans. Currently, 1.1 million clients have building savings or a building savings loan from ČSOBS.

In addition, ČSOBS is also an important provider of other products from the ČSOB group. In comparison to 2021 ČSOBS achieved significant increase of the profit mainly due to increase of net interest income and decrease of net creation of impairment losses.

Patria Finance, a.s.

Date od establishment:	23. 5. 2001
Business activities:	the securities services
Identification number:	26455064
Registered capital:	CZK 150,000 ths
Shareholders:	100% ČSOB

PATRIA FINANCE

Contact

Address:	Výmolova 353/3 150 00 Praha 5
Telephone:	+420 221 424 240
E-mail:	patria@patria.cz
Internet:	www.patria.cz

Indicator		2022	2021
Profit for the year after tax*	CZKm	351	207
Number of orders realized through personal brokers and the online trading platform WebTrader (Patria Finance)	ca.	368,219	362,814
Number of clients (Patria Finance)	ca.	49,334	42,839

** EU IFRS, unaudited.*

The main activity of Patria Finance is the provision of investment banking services in the areas of securities trading and the provision of information on financial and capital markets through the Internet platform www.patria.cz. Patria Finance services also include investment research, both for the CEE region and the developed markets of Western Europe and the USA.Securities trading and brokerage is offered through the Internet portal www.finance.patria.cz.

In 2022, securities trading focused dominantly on stock markets. Patria Finance, serves more than 49 ths. clients with the volume of AUM exceeding CZK 63 bn.

ČSOB Penzijní společnost, a. s., a member of the ČSOB group

Date of establishment:	26. 10. 1994*
Business activities:	Activities related to the pension saving
Identification number:	61859265
Registered capital:	CZK 300 m
Shareholders:	100% ČSOB

Penzijní společnost

Contact

Address:	Radlická 333/150 150 57 Praha 5
Telephone:	+420 495 800 600
E-mail:	csobps@csob.cz
Internet:	www.csob-penze.cz

** Date of establishment of ČSOB PF Stabilita. ČSOB PS was incorporated on 1 January 2013 through transformation of ČSOB PF Stabilita (the Transformed fund).*

Indicator		2022	2021
Funds registered in favour of participants of the Transformed fund Stabilita*	CZKm	54,891	55,117
Participant funds in participation funds*	CZKm	16,271	14,054
Profit for the year after tax**	CZKm	221	249

** Unconsolidated*

*** EU IFRS, unaudited.*

Customers	Number (ths)	644	656

Pension savings has been perceived as a basic product for each of us. The aim of ČSOB Penzijní společnost is to create responsible clients and pension savings makes clients responsible. Clients are offered simple and effective solutions that help in arranging pension savings and its use, on-line way included.

In 2022, the company had 644 thousand clients who have entrusted it and its funds with CZK 71.2 bn.

ČSOB Pojišťovna, a. s., a member of the ČSOB holding

Date of establishment:	17. 4. 1992	
Business activities:	Life and non-life insurance	
Identification number:	45534306	
Registered capital:	CZK 2,796,248 ths	
Shareholders:		
Registered capital	99.76%	KBC Insurance
	0.24%	ČSOB
Voting rights	60%	KBC Insurance
	40%	ČSOB

Pojišťovna

Contact

Address:	Masarykovo nám. 1458 530 02 Pardubice, Zelené předměstí
Telephone:	+420 466 100 777
E-mail:	info@csobpoj.cz
Internet:	www.csobpoj.cz

Indicator		2022	2021
Total assets*	CZKm	45,728	51,934
Total equity*	CZKm	7,649	7,664
Profit for the year after tax*	CZKm	2,153	1,763
Gross written premium life insurance	CZKm	4,212	4,686
Gross written premium non-life insurance	CZKm	10,288	9,022

** EU IFRS, audited.*

Branches		95	95
Customers, comprising individuals and business entities, including small and medium-sized businesses, as well as large corporations	ca.	1,270,034	1,230,079

ČSOB Pojišťovna is a universal insurance company providing a broad range of life and non-life insurance products for both individuals and companies. Insurance products are mainly distributed through tied agents, brokers and the ČSOB group's branches.

In 2022, ČSOB Pojišťovna posted a net profit of CZK 2,153 m mainly thanks to good business results. Gross written premium reached CZK 14.5 bn. Market share increased by 0.3 percentage point to 8.8% in 2022.

ČSOB Leasing, a.s.

Date of establishment:	31. 10. 1995
Business activities:	Financial services
Identification number:	63998980
Registered capital:	CZK 3,050,000 ths
Shareholders:	100% ČSOB

Contact

Address:	Výmolova 353/3 150 00 Praha 5
Telephone:	+420 230 029 111
E-mail:	info@csobleasing.cz
Internet:	www.csobleasing.cz

Indicator		2022	2021
Total assets*	CZKm	43,399	40,554
Amounts due from clients (gross)*	CZKm	41,723	38,843
Total equity*	CZKm	7,140	8,311
Profit for the year after tax*	CZKm	377	786
Volume of new leasing business**	CZKm	18,228	16,246

** EU IFRS, unaudited.*

*** According to methodology of Czech Leasing and Financial Association (ČLFA); Initial investment*

Branches	5	6

For more than 25 years, ČSOB Leasing has been among the largest leasing companies and providers of movable property financing in the Czech Republic.

It provides financing & insurance of passenger and commercial vehicles, heavy transport equipment, machines & equipment, computer technology, technologies and technological units, including financing of items with large acquisition values. It distributes its products to clients multi-channel. It offers a wide range of financial products and accompanying services, including subsidy advice for investments in movable property and services related to transport mobility within the framework of operational leasing.

ČSOB Leasing won 1st place for its Operative Leasing product and 3rd place for ČSOB Car Loan in its category in the prestigious Golden Crown 2022 competition.

ČSOB Factoring, a.s.

Date of establishment:	16. 7. 1992
Business activities:	Factoring
Identification number:	45794278
Registered capital:	CZK 70,800 ths
Shareholders:	100% ČSOB

Contact

Address:	Výmolova 353/3 150 00 Praha 5
Telephone:	+420 230 029 710
E-mail:	info@csobfactoring.cz
Internet:	www.csobfactoring.cz

Indicator		2022	2021
Total assets*	CZKm	5,458	5,320
Amounts due from clients (gross)*	CZKm	5,773	5,622
Total equity*	CZKm	1,020	950
Profit for the year after tax*	CZKm	151	81
Turnover of receivables	CZKm	44,440	39,138

** EU IFRS, unaudited.*

ČSOB Factoring has been offering factoring services to its clients since 1992. It is one of the pioneers of factoring financing on the Czech market and has long maintained its position among the TOP 3 Czech factoring companies. The company offers its clients flexible financing in various forms of recourse and non-recourse cooperation.

In 2022, the volume of receivables assigned to ČSOB Factoring increased by 13.5% to CZK 44.4 bn. As part of the growing turnover in 2022, the share of non-recourse factoring increase to 38%.

Skip Pay, s.r.o.

Date of establishment:	2. 5. 2018
Business activities:	Financial services
Identification number:	07093331
Registered capital:	CZK 465,000 ths
Shareholders:	100% ČSOB

Contact

Address:	U garáží 1611/1 170 00 Praha 7
Telephone:	+420 226 288 700
E-mail:	info@skippay.cz
Internet:	www.skippay.cz

Indicator		2022	2021
Total assets*	CZKm	468	242
Amounts due from clients (gross)*	CZKm	142	52
Total equity*	CZKm	298	148
Profit for the year after tax*	CZKm	(153)	(90)
Turnover of receivables	CZKm	193	160

** EU IFRS, unaudited.*

The company offers to e-shops "Buy now, pay later" (BNPL) solutions (Deferred payment and Pay in 3), which allow customers to pay after delivery and goods unpacking. Both methods are interest free, commission is paid by e-shop with integrated payment method.

Other offered product is credit card, with embedded revolving loan, where clients can pay using card as well as payment orders and payment buttons.

The company results are in line with expectation, where loss of CZK 153 million was generated in 2022. The company focuses on development of BNPL portfolio of products and increase of e-shops and credit cards client base.

Ušetřeno.cz, s.r.o.

Date of establishment:	31. 5. 2010
Business activities:	intermediation of energy products, financial services, and telecommunications
Identification number:	24684295
Registered capital:	CZK 1,000 ths
Shareholders:	100% ČSOB

Contact

Address:	Lomnického 1742/2 140 00 Praha 4
Telephone:	+420 226 289 029
E-mail:	info@usetreno.cz
Internet:	www.usetreno.cz

Indicator		2022	2021
Total assets*	CZKm	215	264
Amounts due from clients (gross)*	CZKm	16	88
Total equity*	CZKm	166	177
Profit for the year after tax*	CZKm	(41)	23
Turnover of receivables	CZKm	0	0

** EU IFRS, unaudited.*

The company has been operating on the market since 2010. The main goal is to find savings for existing and new clients in the field of energy, telecommunications services, financial services and insurance.

The year 2022 was challenging for the company due to the effects of the coronavirus situation and the ongoing military conflict in Ukraine, which caused an energy crisis. For these reasons, the company recorded a year-on-year decrease in sales and profit primarily in the energy vertical.

Companies of the ČSOB Group

(as at 31 December 2022)

Legal Entity			Share of ČSOB in:					Indirect Share of ČSOB via	Cons. EU IFRS
ID No.	Business Name of Legal Entity Business Activities	Registered Office	Registered Capital	Registered Capital			Voting Rights		
				Total	Direct	Indirect			
			CZK	%	%	%	%		Y/N
Controlled Companies									
63987686	**Bankovní informační technologie, s.r.o.** Automated data processing and software development; creation of a network of payment card reading terminals	Praha 5, Radlická 333/150	20,000,000	100.00	100.00	none	100.00	none	Y
49241397	**ČSOB Stavební spořitelna, a.s.** Building savings bank	Praha 5, Radlická 333/150	1,500,000,000	100.00	100.00	none	100.00	none	Y
27081907	**ČSOB Advisory, a.s.** Activity of entrepreneurial, financial, economic and organisation advisors	Praha 5, Radlická 333/150	2,000,000,000	100.00	100.00	none	100.00	none	Y
45794278	**ČSOB Factoring, a.s.** Factoring and related services	Praha 5, Výmolova 353/3	70,800,000	100.00	100.00	none	100.00	none	Y
63998980	**ČSOB Leasing, a.s.** Leasing	Praha 5, Výmolova 353/3	3,050,000,000	100.00	100.00	none	100.00	none	Y
61859265	**ČSOB Penzijní společnost, a. s., a member of the ČSOB group** Pension insurance	Praha 5, Radlická 333/150	300,000,000	100.00	100.00	none	100.00	none	Y
27151221	**ČSOB Pojišťovací makléř, s.r.o.** Insurance broker	Praha 5, Výmolova 353/3	2,000,000	100.00	none	100.00	100.00	ČSOB Leasing	Y
13584324	**Hypoteční banka, a.s.** Mortgage banking	Praha 5, Radlická 333/150	5,076,336,000	100.00	100.00	none	100.00	none	Y
01-09-338123	**K&H Payment Services Kft** Acquiring of payment transactions	HU, Budapest, Lechner Odon Fasor 9	7,454,000	100.00	100.00	none	100.00	none	Y
07093331	**Skip Pay s.r.o.** [1)] Payment transactions	Praha 7, U garáží 1611/1	465,000,000	100.00	100.00	none	100.00	none	Y
09763465	**Igluu s.r.o.** web portal	Praha 4, Lomnického 1742/2a	10,000	50.00	50.00	none	50.00	none	Y
00000949	**MOTOKOV a.s. in liquidation** Wholesale of machines and technical equipment	Praha 5, Radlická 333/150	62,000,000	70.09	0.50	69.59	70.09	ČSOB Advisory	Y
25671413	**Patria Corporate Finance, a.s.** Brokerage activities in financial consulting	Praha 5, Výmolova 353/3	1,000,000	100.00	100.00	none	100.00	none	Y
26455064	**Patria Finance, a.s.** Securities trader	Praha 5, Výmolova 353/3	150,000,000	100.00	100.00	none	100.00	none	Y
05154197	**Patria investiční společnost, a.s.** Management of investment funds	Praha 5, Výmolova 353/3	10,000,000	100.00	100.00	none	100.00	none	Y
02451221	**Radlice Rozvojová, a.s.** Real estate activity; rent of flats and non-residential spaces	Praha 5, Výmolova 353/3	186,000,000	100.00	100.00	none	100.00	none	Y
28188667	**Ušetřeno s.r.o.** Arranging loans	Praha 4, Lomnického 1742/2a	200,000	100.00	none	100.00	100.00	Ušetřeno.cz	Y
24684295	**Ušetřeno.cz, s.r.o.** Arranging loans, real estate activity	Praha 4, Lomnického 1742/2a	1,000,000	100.00	100.00	none	100.00	none	Y

Legal Entity				Share of ČSOB in:				Indirect Share of ČSOB via	Cons. EU IFRS
ID No.	Business Name of Legal Entity / Business Activities	Registered Office	Registered Capital	Registered Capital			Voting Rights		
				Total	Direct	Indirect			
			CZK	%	%	%	%		Y/N
Others									
09513817	**Bankovní identita, a.s.** / Activities connected with data processing and web hosting	Praha 8, Smrčkova 2485/4	3,000,000	17.00	17.00	none	17.00	none	Y
26199696	**CBCB – Czech Banking Credit Bureau, a.s.** / Software development, IT advisory, data processing, network administration databank services	Praha 4, Štětkova 1638/18	1,200,000	20.00	20.00	none	20.00	none	Y
27479714	**ČSOB Pojišťovací servis, s.r.o., a member of the ČSOB holding** / Insurance brokerage	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	400,000	0.24	none	0.24	0.00	ČSOB Pojišťovna	Y
45534306	**ČSOB Pojišťovna, a. s, a member of the ČSOB holding** [2] / Insurance company	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	2,796,248,000	0.24	0.24	none	40.00	none	Y
28985362	**EQUANS REN s.r.o.** [3] / Production and sale of electricity from the solar irradiation	Praha 4, Lhotecká 793/3	186,834,000	42.82	42.82	none	42.82	none	Y
05815614	**Pardubická Rozvojová, a.s.** / Rent of flats and non-residential spaces	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	2,000,000	0.24	none	0.24	0.00	ČSOB Pojišťovna	Y
26439395	**První certifikační autorita, a.s.** / Certification services and administration	Praha 9 - Libeň, Podvinný mlýn 2178/6	20,000,000	23.25	23.25	none	23.25	none	Y
	Other companies where ČSOB has a share in registered capital / voting rights under 20%.								N

Prudential consolidation (Decree No. 163/2014 Coll.)

1) With effect from 6 October 2022 MallPay s.r.o. changed its name to Skip Pay s.r.o.

2) Shares in registered capital: ČSOB 0.24%, KBC Insurance 99.76%;
shares in voting rights: ČSOB 40%, KBC Insurance 60%.

3) With effect from 1 April 2022 ENGIE REN s.r.o. changed its name to EQUANS REN s.r.o.

Changes as at 31. 12. 2022

Skip Pay s.r.o. - purchase of 50% stake - 30 March 2022

Skip Pay s.r.o. - increase of registered capital as of 28 April 2022

Eurincasso, s.r.o. - liquidation of Eurincasso s.r.o. was finished as of 26 November 2022

CORPORATE GOVERNANCE

Managing and Supervisory Bodies

Corporate governance and administration of Československá obchodní banka, a. s. are based on the OECD principles and, while executing them, experience collected by the KBC Group, is extensively exploited. ČSOB professes principles formulated in the Code of Governance and seeks to observe them consistently in its day-to-day activities.

ČSOB has the following bodies: General Meeting, Board of Directors, Supervisory Board, and Audit Committee. The powers and activities of ČSOB's bodies are determined in the Articles of Association of ČSOB as approved by the General Meeting. The sole shareholder (KBC Bank NV) exercises the powers of ČSOB's General Meeting.

The Board of Directors in 2022

First Name and Surname	Position	Membership since	Current Term in Office since [1]	ČSOB's Top Management [3] Position and Area of Responsibility
John Arthur Hollows	Chairman (until 2. 5. 2022)	1. 5. 2014	2. 5. 2018	Chief Executive Officer
Aleš Blažek	Chairman	6. 5. 2022	6. 5. 2022	Chief Executive Officer
Hélène Goessaert	Member (until 1. 3. 2022)	1. 3. 2018	1. 3. 2018	Senior Executive Officer, Group Risk Management
Tom Blanckaert	Member	2. 3. 2022	2. 3. 2022	Senior Executive Officer, Group Risk Management
Petr Hutla	Member	27. 2. 2008	2. 3. 2021 [2]	Senior Executive Officer, Credits Management
Michaela Bauer	Member	1. 7. 2021	1. 7. 2021	Chief Innovation Officer for KBC Group in the Czech Republic
Ján Lučan	Member	1. 6. 2021	1. 6. 2021	Senior Executive Officer, Relationship Services
Jiří Vévoda	Member	8. 12. 2010	10. 12. 2019 [2]	Senior Executive Officer, Finance Management
Marcela Suchánková	Member (until 30. 9. 2022)	1. 3. 2017	2. 3. 2021 [2]	Senior Executive Officer, IT and Operations
Jan Sadil	Member (until 30. 9. 2022)	1. 3. 2017	2. 3. 2021 [2]	Senior Executive Officer, Retail

1) The term in office of the members lasts four years.

2) Elected to a new term in office.

3) In 2022, members of ČSOB's Top Management were identical with the members of the Board of Directors of ČSOB.

For a description of areas of responsibility managed by ČSOB's Board of Directors (Top Management) as at 31 December 2022 please refer to ČSOB's Organization Chart, page 77 of this Annual Report. Descriptions of work and decision-making processes are given in Corporate Governance chapter of this Annual Report, page 71.

The Supervisory Board in 2022

First Name and Surname	Position	Membership since	Current Term in Office since [1]	Termination of Membership
Zdeněk Tůma	Chairman [2]	1. 10. 2019	1. 10. 2019	–
Franky Depickere	Member	1. 6. 2014	3. 6. 2022 [3]	–
Christine Van Rijsseghem	Member	1. 6. 2014	3. 6. 2022 [3]	–
Willy Kiekens	Member	1. 9. 2018	2. 9. 2022 [3]	31. 12. 2022
Ladislava Spielbergerová	Member	1. 1. 2019	2. 1. 2023 [3]	–
Štěpán Stránský	Member	1. 1. 2019	1. 1. 2019	1. 1. 2023

1) The term in office of the members lasts four years.

2) Chairman since 16 October 2019.

3) Elected to a new term in office.

The Audit Committee in 2022

First Name and Surname	Position		Membership since	Termination of Membership
Petr Šobotník	Chairman [1]; Independent member	Not a member of any ČSOB body	1. 2. 2011	31. 12. 2022
Ladislav Mejzlík	Independent member	Not a member of any ČSOB body	27. 1. 2016	–
Christine Van Rijsseghem	Member	Member of ČSOB's Supervisory Board (since 1. 6. 2014)	24. 6. 2019	–

1) Chairman since 7 April 2016.

Changes in ČSOB's Managing and Supervisory Bodies in 2022

As of March 2022, there is a change in the Board of Directors, Héléne Goessaert has been replaced by Tom Blanckaert as Senior Executive Officer, Group Risk Management. As of May 2022, John Arthur Hollows has been replaced by Aleš Blažek as Chief Executive Officer. With effect from 1 October 2022, we are reducing the number of members of the CSOB Board of Directors from eight to seven, changing the organizational structure, and further integrating the various agendas.

Changes in ČSOB's Managing and Supervisory Bodies in 2023

As of 1 January 2023, Martin Jarolím has become a new member of the Board of Directors of ČSOB responsible for Retail.

Willy Kiekens retired from ČSOB's Supervisory Board with effect from 31 December 2022.

Graeme Lints Hutchison was elected as a new member of ČSOB's Supervisory Board with effect from 1 January 2023.

The mandate of Štěpán Stránský (employees representative) in ČSOB's Supervisory Board ended by 1 January 2023.

Josef Čada was elected as a new member of ČSOB's Supervisory Board representing the employees with effect from 2 January 2023.

Jana Báčová was elected as a new member of ČSOB's Audit Committee with effect from 1 January 2023, succeeding Petr Šobotník whose membership ended as of 31 December 2022.

The Composition of ČSOB's Board of Directors since 1st January 2023:

Aleš Blažek (Chairman), Michaela Bauer, Tom Blanckaert, Petr Hutla, Martin Jarolím, Ján Lučan, Jiří Vévoda

For a description of areas of responsibility managed by ČSOB's Board of Directors (Top Management) since 1 January 2023 please refer to ČSOB's Organization Chart, page 78 of this Annual Report. Abbreviated curriculum vitaes of the members of the Board of Directors can be found on page 59–70.

Conflict of Interests

ČSOB hereby declares that it is not aware of any potential conflict of interests between any of the duties of any member of the Board of Directors, ČSOB's Top Management and the Supervisory Board to ČSOB and their private interests and / or other duties which may negatively influence the execution of their duties.

ČSOB does not regard entering into banking transactions by the members of the Board of Directors of ČSOB, the members of ČSOB's Top Management and the members of the Supervisory Board of ČSOB under standard terms as a conflict of interests between the duties of these persons to ČSOB and their private interests and / or other duties.

The Business Address

of members of the Board of Directors, ČSOB's Top Management and the Supervisory Board is:

Československá obchodní banka, a. s.
Radlická 333/150
150 57 Praha 5
Czech Republic

INTRODUCING MEMBERS OF ČSOB'S BOARD OF DIRECTORS

ČSOB's Board of Directors in 2022

ALEŠ BLAŽEK *Born on 8 March 1972* Chairman of the Board of Directors Chief Executive Officer	Mr. Blažek graduated from the Charles University in Prague, Faculty of Law. Mr. Blažek began his professional career as a lawyer in the Prague office of White & Case. From 2000 to 2007, he worked at Citigroup in Prague and London in various legal management positions in corporate and investment banking. He then joined GE Capital and served as General Counsel for GE Capital International, responsible for GE Capital's legal services in Europe, the Middle East and Asia, and was a member of executive management. He joined ČSOB in 2014 as the head of the legal department responsible for legal and regulatory services and corporate governance. In April 2019, he became the Director of Data and Strategy and participated in the preparation and revision of the ČSOB Group's strategy. In 2021, he was appointed CEO of KBC Bank Ireland. Since 6 May 2022, Aleš Blažek has been the Chairman of the Board of Directors and CEO of ČSOB. *Membership in bodies of other companies:* • Member of the Executive Committee of KBC Group (Belgium) • Member of the Board of Directors and member of the Executive Committee of KBC Bank (Belgium) and KBC Insurance (Belgium) • Chairman of the Supervisory Board of ČSOB Pojišťovna, a.s.
PETR HUTLA *Born on 24 August 1959* Member of the Board of Directors Credits Management and Sustainability	Mr. Hutla graduated from the Czech Technical University Prague, Faculty of Electrical Engineering. Mr. Hutla worked for Tesla Pardubice between 1983 and 1993, as the Economic Associate Director of Tesla Pardubice – RSD from 1991. He has been working for ČSOB since 1993: first as the branch manager in Pardubice and the main branch manager in Hradec Králové, then as the main branch manager in Prague 1. Mr. Hutla then served as Senior Director, Corporate and Institutional Banking (between 2000 and 2005). He has worked as Senior Executive Officer since 2005: Personnel and Strategic Management (between 2005 and 2006), Human Resources and Transformation (between 2006 and 15 November 2009), Distribution (between 16 November 2009 and 31 December 2012). Since 27 February 2008, Mr. Hutla has been a member of the Board of Directors. From 14 January 2009 to 31 December 2011, he was also the head of KBC Global Services Czech Branch, organizational unit. Between January 2013 and June 2014, Mr. Hutla was a member of ČSOB's Top Management as the Senior Executive Officer, Specialized Banking and Insurance. From 1 July 2014 to 9 March 2015, he was a member of ČSOB's Top Management responsible for Convenient Retail Services and from 1 October 2014 to 9 March 2015, also responsible for Change Zone; Mr. Hutla was responsible for Retail (after the merger of these two management areas) from March 2015 to January 2018. As of February 2018, Mr. Hutla has been in charge of Credits Management and Sustainability. *Membership in bodies of other companies:* • Member of the Supervisory Board in ČSOB Leasing (CZ) • Member of the Board of Directors in the Czech Transplant Foundation (CZ) and the Nadační fond Srdce (endowment fund; CZ)

JIŘÍ VÉVODA

Born on 4 February 1977

Member of the Board of Directors

Finance Management

Mr. Vévoda graduated from the Joint European Studies Programme at the Staffordshire University and the Prague University of Economics and Business.

Mr. Vévoda worked for GE Capital in the Czech Republic, Ireland, Finland and Sweden between 2000 to 2004. From 2004 to 2010, he worked for McKinsey & Company. Since May 2010, Jiří Vévoda has been a member of ČSOB's Top Management. As of 8 December 2010, he has become a member of ČSOB's Board of Directors. Firstly, he acted as the Senior Executive Officer responsible for HR and Transformation, afterwards he was responsible for Products and Staff Functions and subsequently he acted as the Chief Risk Officer. Since 2014, Jiří Vévoda has been appointed as the Chief Finance Officer. From 2018 is Jiří Vévoda responsible for ČSOB Group's investment services as well.

Membership in bodies of other companies:

- Chairman of the Supervisory Board in: Patria Finance (CZ), Patria Corporate Finance (CZ), ČSOB Penzijní společnost (CZ)
- Member of the Supervisory Board in: Hypoteční banka (CZ), ČSOB Stavební spořitelna (CZ), ČSOB Asset Management (CZ), Ušetřeno.cz (CZ)

TOM BLANCKAERT

Born on 17 June 1969

Member of the Board of Directors (since 2 March 2022)

Group Risk Management

Mr. Blanckaert graduated from the Catholic University of Leuven and obtained a degree in Economics with a specialization in International Economics, Financial and Monetary Economics.

Mr. Blanckaert joined KBC in 1994 as an internal auditor and has built an international career since then. Over the years, he filled in the roles of Relationship Manager Corporate Branch in Paris, Kredietbank representative in Tunisia, Risk Advisor in Belgium, Deputy Director of Corporate Banking Department and afterwards Director of Corporate and SME Credit Department at Kredyt Bank in Poland, Director Credits Directorate at ČSOB in Slovakia and Managing Director for SME and Corporate Credit Risk at K&H Bank in Hungary. In 2018 Tom got promoted to the KBC Group Top 300 and stepped into a new role as a General Manager in Corporate Audit. Tom Blanckaert was appointed a member of the ČSOB Board of Directors responsible for Group Risk Management since 2 March 2022.

Membership in bodies of other companies:

- Member of the Board of Directors in: Hypoteční banka (CZ), ČSOB Stavební spořitelna (CZ)
- Member of the Supervisory Board in: ČSOB Penzijní společnost (CZ), Patria Finance (CZ), ČSOB Leasing (CZ), K&H Payment Services Kft (HU) a Ušetřeno.cz (CZ)
- Member of Audit Committee ČSOB Pojišťovna, a. s. (CZ)

MICHAELA BAUER

Born on 24 July 1978

Member of the Board of Directors

Chief Innovation Officer for KBC Group in the Czech Republic

Mrs. Bauer graduated from Prague University of Economics and Business and obtained the CEMS Master of International Management.

Mrs. Bauer began her career at the International Corporate Desk at KBC Group in 2002. Two years later she moved to the Loans Department at ČSOB, where she was gradually in charge of various agendas and already led a team of three hundred people responsible for loans for small and medium-sized companies before her short maternity leave in 2011. In 2013, she moved to the business side in the position of Director of the Corporate Banking Segment, followed by the role of a member of the Board of Directors responsible for risk and finance at Hypoteční banka. In mid-2017, she returned to ČSOB and took charge of the transformation of the payment solutions and consumer financing area. Since July 2021, Michaela Bauer has been member of the Board of Directors of the ČSOB Group and her agenda includes IT, Innovations, Data, Digital, Daily banking and Operations. As Chief Innovation, Digital and Operations officer, Michaela is responsible for accelerating the group's digital transformation in the Czech Republic, specifically for the development and implementation of virtual assistant Kate, digital applications, data usage and the implementation of a new strategy.

Membership in bodies of other companies:

- Chairman of the Supervisory Board in: Ušetřeno.cz (CZ), Bankovní identita (CZ) and Bankovní a informační technologie (CZ)
- Member of the Supervisory Board in: Skip Pay (CZ), K&H Payment Services Kft (HU) and Igluu (CZ)

JÁN LUČAN

Born on 18 September 1972

Member of the Board of Directors

Relationship Services

Mr. Lučan graduated from Prague University of Economics and Business and also has Post Graduate degree from the Faculty of Law of Charles University in Prague.

Mr. Lučan started his professional career at IPB Bank in 1997. Three years later, he joined ČSOB where he held managerial position and was responsible for the management of cases arising from the acquisition of IPB Bank. In 2003, he became the Director of the Legal Services Department and was responsible for all of the bank's legal agenda, including significant litigation in various jurisdictions following the acquisition of IPB Bank. He also personally participated in the negotiation of the bank's key agreements, including the cooperation agreement with the Czech Post. From 2012 to 2018, he held the position of Executive Director for Corporate and Institutional Banking. At the beginning of February 2018, Ján Lučan joined top management of ČSOB Slovakia and became a member of the Board of Directors and Chief Financial Officer. He was primarily in charge of finance, risk management, controlling, asset and liability management, data quality management and procurement. He returned to ČSOB Czech Republic in April 2021 and was appointed a member of the Board of Directors responsible for Relationship Services from 1 June 2021.

Membership in bodies of other companies:

- Chairman of the Supervisory Board in: ČSOB Advisory (CZ), ČSOB Factoring (CZ), ČSOB Leasing (CZ), Skip Pay (CZ), Banit (CZ), K&H Payment Services Kft (HU)
- Member of the Supervisory Board in Patria Corporate Finance (CZ)
- Member of the Board of the Arbitration court attached to the Czech Chamber of Commerce and the Agricultural Chamber of the Czech Republic

ČSOB's Supervisory Board

ZDENĚK TŮMA

Born on 19 October 1960

Chairman of the Supervisory Board

He graduated from Prague University of Economics and Business and he joined the Institute for Forecasting of the Czechoslovak Academy of Sciences as a researcher.

After completing his postgraduate studies he became the Head of the Macroeconomics Department at the Faculty of Social Sciences at Charles University, where he was appointed as an associate professor. Later on, he worked in the private sector (Patria Finance) as the Chief Economist. In 1998-1999, he was an Executive Director of the European Bank for Reconstruction and Development in London, representing the Czech Republic, Slovakia, Hungary and Croatia.

In 1999 he returned to Prague and joined the Czech National Bank, as vice-governor. He was appointed as the Governor of the Czech National Bank on 1st December 2000. In this position, he, with other members of the Board, had a wide range of responsibilities such as monetary policy, financial market supervision, management of foreign exchange reserves, payment system, and currency processing. He was also a member of the General Council of the European Central Bank, and he also represented the Czech Republic in the IMF and in the Bank for International Settlement. He stepped down on 30th June 2010.

He returned to the private sector in 2011, working as a partner responsible for financial services in KPMG Czech Republic (till 2019). Since 1st October 2019, he is the Chairman of the Supervisory Board of ČSOB.

Membership in bodies of other companies:
- Member of Scientific Council of University of South Bohemia (CZ)
- Vice-chair of Board of Governors, English College in Prague (CZ)
- Member of Supervisory Board of Committee of Good Will – Olga Havel Foundation (Výbor dobré vůle, CZ)
- Member of Czech Economic Society (President in 1999-2001, CZ)
- Member of Advisory Board of Czech Journal of Economics and Finance (Editor-in-Chief, 1997-1999, CZ)
- Member of the Supervisory Board of The Aspen Institute Central Europe (CZ)
- Member of College of Central Bankers (Global Interdependence Center)

FRANKY DEPICKERE

Born on 26 January 1959

Member of the Supervisory Board

Mr. Depickere studied commercial and financial sciences at the University of Antwerp (UFSIA; Belgium), and obtained a Master's degree in company financial management from the VLEKHO Business School (Belgium).

Following a short period at Gemeentekrediet bank, in 1982 Mr. Depickere joined the CERA group, where he spent more than 17 years. Among other things he was an internal audit inspector at CERA Bank, financial director of CERA Lease Factors Autolease, chairman of the board of Nédée België-Luxemburg, a subsidiary of CERA Bank, a member of the Management Committee of CERA Investment Bank, and finally a Managing Director at KBC Securities. In 1999 he became managing director and chairman of the Management Committee of F. van Lanschot Bankiers België, as well as group director of F. van Lanschot Bankiers Nederland. From 2005 he was also a member of the Strategic Committee of F. van Lanschot Bankiers Nederland. Since 15 September 2006, he has been a member of Cera's Day-to-Day Management Committee and Managing Director of Cera Société de gestion and Almancora Société de gestion. Mr. Depickere is a member of the Board of Directors of the KBC Group (a non-executive director).

Since 1 June 2014, he has been a member of ČSOB's Supervisory Board.

Membership in bodies of other companies:
- Member of the Board of Directors (a non-executive director) in: KBC Group (Belgium), KBC Bank (Belgium), KBC Assurances (Belgium) and CBC Banque (Belgium)
- Chairman of the Risk and Compliance Committee in: KBC Group (Belgium), KBC Bank (Belgium) and KBC Assurances (Belgium)
- Member of the Nomination Committee of the KBC Group (Belgium)
- Member of the Nomination Committee and the Remuneration Committee of CBC Banque (Belgium)
- Vice-Chairman of the Supervisory Board and Chairman of the Audit Committee of Euro Pool System International (the Netherlands)
- Chairman of the Board of Directors in: the Flanders Business School (Belgium) and the International Raiffeisen Union (Germany)
- Member of the Supervisory Board of University of Leuven – KULAK (Belgium)
- Member of the Supervisory Board of United Bulgarian Bank, AD,Sofia, (Bulgaria)
- Chairman of the Supervisory Board of TRIaz Hospital Network (Belgium)

CHRISTINE VAN RIJSSEGHEM

Born on 24 October 1962

Member of the Supervisory Board and of the Audit Committee

She graduated in 1985 from the Faculty of Law at the University of Ghent (Belgium). Subsequently she completed an MBA in Financial Sciences at Vlerick Management School in Ghent (Belgium).

Ms. Christine Van Rijsseghem started her career at KBC (formerly Kredietbank) in 1987 at the Central Foreign Entities Department. Initially she was responsible for risk management and controlling and international acquisition strategy, and later on she became head of that department. In 1994 she was appointed Head of the Credit Department of KBC's Irish subsidiary, Irish Intercontinental Bank. In 1996, she became CEO of KBC France and in 1999 of KBC's London branch. From 2000 to 2003, she was Senior General Manager of the Securities & Derivatives Processing Directorate of KBC Group. From 2003 to 30 April 2014, she was Senior General Manager of KBC Group Finance. Since 1 May 2014, Ms. Van Rijsseghem is a member of the Executive Committee of the KBC Group and KBC Group Chief Risk Officer. Since 1 June 2014, she is a member of ČSOB's Supervisory Board. Ms. Van Rijsseghem is chair of the ČSOB Risk and Compliance Committee and a member of the Audit Committee and nomination committee.

Since 1 June 2014, she has been a member of ČSOB's Supervisory Board and since 24 June 2014 she has been also member of the ČSOB's Audit Committee.

Ms. Christine Van Rijsseghem is also the chair of the Risk and Compliance Committee and the chair of the Nomination Committee.

Membership in bodies of other companies:
- Member of the Board of Directors, Audit Committee and Risk & Compliance Committee of KBC Group NV, KBC Bank NV and KBC Insurance NV (Belgium)
- Member of the Executive Committee of KBC Group NV, KBC Bank NV and KBC Insurance NV (Belgium)
- Member of the Management Board KBC Global Services NV
- Chair of the Risk & Compliance Committee ČSOB (SK), member of the Board of Directors and Audit Committee ČSOB (SK)
- Member of the Board of Directors and of the Audit Committee and Chair of the Risk & Compliance Committee of K&H Bank (Hungary)
- Member of the Supervisory Board and the Audit Committee, Chair of the Risk and Compliance Committee of UBB (Bulgaria)
- Member of the Board of Directors and Nomination Committee, Chair of the Risk Committee and the Remuneration Committee of KBC Bank Ireland (Ireland)
- Member of the Supervisory Committee and Chair of the Risk and Compliance & Audit Committee of the KBC Bank Dublin Branch (Ireland)
- Member of the Supervisory Board and the Audit Committee, chair of the Risk and Compliance Committee of KBC Bank Bulgaria EAD (Bulgaria)

WILLY KIEKENS

Born on 17 July 1952

Member of the Supervisory Board

Mr. Kiekens graduated from Catholic University of Leuven, Belgium where he studied law (graduated 1975), notarial sciences (1976) and economics (1978).

Mr. Kiekens started his professional career as a legal counsel for National Bank of Belgium in Brussels (1981-1994). He held also a position of professor of financial law and financial operations at VLEKHO Business School in Brussels (1987-1994). From 1994 to 2016 he acted as member of the Executive Board of the International Monetary Fund (IMF), where he held a position of executive director representing 10 countries including Belgium, Czech Republic and other European countries (1994-2012) and later of first alternate executive director representing 15 countries including Benelux, Central and Eastern European countries, Caucasus countries and Israel (2012-2016). In his positions he participated in decision-making on all major aspects of the functioning of the IMF, international economic cooperation and the international financial system. He also acted as an advisor to his constituency countries' governments, central banks and prudential supervisors on economic policies and financial stability, as a chair of several IMF Board committees, including the Ethics Committee, the Committee of Interpretation of Legal Issues, and the Committee on Administrative Matters, and as a longstanding member of the IMF Pension Committee. From 2016 to 2017 he acted as a special advisor for Global Practice Finance and Markets of Worldbank in Washington, DC, where he provided technical expertise in organizing and conductiong IMF/Worldbank Financial Sector Assesments and advancing financial inclusion in emerging and developing countries.

Since September 2018, Mr. Kiekens has been a member of ČSOB's Supervisory Board.

Membership in bodies of other companies:
- Chair Executive Committee BRRYGEN-Bruges Strings vzw – Chamber Orchestra Bruges (Belgium)

LADISLAVA SPIELBERGEROVÁ

Born on 6 November 1974

Member of the Supervisory Board

Mrs. Spielbergerová graduated in 2002 from BI VŠ Prague (bachelor's degree Banking management).

She has been working for ČSOB since 1995, first as an investment and credit specialist (Trutnov branch), and later as a premium banker in Dvůr Králové branch. In years 2010 – 2014 she was a member of the Supervisory Board of ČSOB as an employee representative. She chairs the Modern trade unions organized within ČSOB. She is a member of the Supervisory Board as an employee representative since 1 January 2019.

Other professional memberships:
- Member of the bureau and vice-president of Trade Union of Employees in Financial and Insurance Sector (Odborový svaz pracovníků peněžnictví a pojišťovnictví, CZ)
- Member of the executive committee of European Works Council of KBC (Belgium)
- Member of UNI Global committee
- Member of OZP Board of Directors (CZ)

ŠTĚPÁN STRÁNSKÝ

Born on 4 December 1978

Member of the Supervisory Board

Mr. Stránský graduated from the Metropolitan university Prague (International Relations and European Studies and European Union) and from Karlovy Vary College (Business and Law).

He has been working for ČSOB for more than 20 years (since 1998). He started his career as an investment and credit advisor in Mariánské Lázně branch and moved to Prague's headquarter of ČSOB in 2007. At first, he was an authorizing officer of credits for individuals, then he rotated to Credit frauds prevention department, which he managed for several years. He is also a representative in European Works Council within the KBC Bank & Insurance group. He is a member of the Supervisory Board as an employee representative since 1 January 2019.

Other professional memberships:
- No membership

ČSOB's Audit Committee

LADISLAV MEJZLÍK

Born on 1 May 1961

Independent member of the Audit Committee

He graduated from the Prague University of Economics and Business (VŠE).

Since 1984 Mr. Mejzlík has been working at the Department of Financial Accounting and Auditing (VŠE), where he was 2006 appointed as Head of the Department. From 2014-2022, has been elected dean of the Faculty of Finance and Accounting, and from 2022 served as vice dean. In 1993 Mr. Mejzlík obtained a license as a statutory auditor of the Chamber of Auditors (CACR). From 2010–2014, he was elected twice as the First Vice President and in 2022 as the President of CACR.

Mr. Mejzlík has been representing the Faculty of Finance and Accounting of UEP in the National Accounting Council since 2004. In addition, since 2004, he has been elected twice as the National Representative for the Czech Republic to the European Accounting Association Board of Representatives. Mr. Mejzlík focuses professionally on using information and communication technology in accounting and auditing and on international regulation and harmonisation of accounting, especially implementing IFRS.

Since 27 January 2016, he has been an independent member of ČSOB's Audit Committee.

Membership in bodies of other companies:
- Chairman of the Audit Committee of ČSOB Insurance (since 2016),
- Member of the scientific committees at the UEP, the Faculty of Finance of UEP, the Faculty of Economic and Business of the Mendel University in Brno and the Faculty of Economic Informatics of Economic University in Bratislava
- Licenced statutory auditor and member of the Chamber of Auditors of the Czech Republic (since 1993)
- Member of the European Accounting Association (since 1994) and the American Accounting Association (since 2005)

PETR ŠOBOTNÍK

Born on 16 May 1954

Chairman and independent member of the Audit Committee until 31 December 2022

Mr. Šobotník graduated from the University of Economics, Prague.

Between 1983 and 1991, he acted as a chief accountant in corporations as well as in governmental bodies. Petr joined Coopers & Lybrand in 1991, was promoted to Partnership in 1995 and worked in various top management assurance positions in both Coopers & Lybrand and PricewaterhouseCoopers till 2010. Licensed statutory auditor and member of the Chamber of Auditors of the Czech Republic (1993-2018). From 2007 to 2014, he was twice elected the President of the Czech Chamber of Auditors.

Since 1 February 2011, he has been an independent member of ČSOB's Audit Committee (and its Chairman since 7 April 2016).

From 3 October 2014 to 20 March 2019, he has been a member of ČSOB's Risk and Compliance Committee.

From 1 February 2017 to 31 December 2018, he has been a member of ČSOB's Supervisory Board.

Membership in bodies of other companies:
- Chairman of the Audit Committees of Letiště Praha (CZ), ČEPRO (CZ), Kofola ČeskoSlovensko (CZ), ČSOB penzijní společnost (CZ) and ČSOBS (CZ)
- Member of the Audit Committees Severomoravské vodovody a kanalizace (CZ), MERO (CZ), Philip Morris (CZ) and ČEZ (CZ) as of 29 June 2022
- Member of Letiště Praha's Supervisory Board (CZ), as of 4 November 2022 vice chairman of Letiště Praha's Supervisory Board (CZ)

New members of the Board of Directors, Supervisory Board and Audit Committee in 2023

MARTIN JAROLÍM

Born on 16 March 1972

Member of the Board of Directors

Retail

He graduated from the Faculty of Mathematics and Physics of Charles University in Prague and continued his doctoral studies at CERGE-EI (Centre for Economic Research and Doctoral Studies of Charles University in Prague), where he received the Ph.D. degree.

Martin Jarolím joined ČSOB in 2000. He worked in various professional and managerial positions, mainly in the field of Retail. In the period 01/2011 – 01/2014, he was the executive director of Branch Network Management for private clients. Since February 2014, he worked at KBC Group as a Senior General Manager in the Core Communities Banking & International Markets division. In the period 05/2016 – 12/2022, he was a member of the Board of Directors at K&H Bank (Hungary) with responsibility for retail banking. As of 1 January 2023, he was appointed a member of the ČSOB Board of Directors responsible for the Retail area.

Membership in bodies of other companies:
- Chairman of the Supervisory Board in: Hypoteční banka (CZ), ČSOB Stavebni spořitelna (CZ) and Igluu (CZ)
- Member of the Supervisory Board in: Ušetřeno.cz (CZ) and Skip Pay (CZ)

GRAEME LINTS HUTCHISON

Born on 18 October 1958

Member of the Supervisory Board

Mr. Hutchison graduated from the University of Keele, Staffordshire, England with a BA (hons) in International Relations.

Mr. Hutchison began his career as a corporate banker, working in the London market between 1981 and 1993. In 1991 he joined the Credit Suisse Group as a corporate banking account officer and subsequently established and led the Workout Group following the 89/90 financial crash. In 1993 Mr Hutchison transferred to the Global Project Finance Group in New York where, as a Member of Senior Management, he was responsible for large debt transactions, predominantly within the energy and mining sectors. Between 1999 and 2000 he worked for Winterthur International Insurance (then part of the Credit Suisse Group) developing innovative financial guarantee insurance products. In 2000, he moved to RBC Dominion Securities where he was responsible for setting up a new Project and Structured Finance Group covering North America and from 2003 to 2007 he worked for Standard America Inc as Head of Mining & Metals covering North and South America.

In 2007 Mr. Hutchison returned to Europe initially as a Partner with Deloitte (based in Warsaw) to set up a new Debt Advisory Group covering Central Europe. In 2009 Mr. Hutchison joined the European Bank for Reconstruction and Development as the Deputy Country Director of Ukraine (based in Kyiv) where he ran the corporate banking function (2009-2014) and subsequently as the Regional Head of Hungary and Slovakia (based in Budapest) during which period he played a parallel role within the global Risk Management function (with delegated credit approval authority).

Mr. Hutchison retired from EBRD at the end of 2021.

Since 1 January 2023, has been an independent member of ČSOB's Supervisory Board.

Membership in bodies of other companies:
- No membership

JOSEF ČADA

Born on 20 April 1976

Member of the Supervisory Board elected by employees

He graduated from the University of Economics in Prague.

In 2002, after completing one-year compulsory military service, he joined the Czech National Bank as a financial markets analyst in the Financial Markets Department. There, until the end of 2006, he analysed developments in the money and capital markets and central bank's monetary policy instruments.

He has been working at ČSOB since January 2007. First, he worked in controlling in the Finance department, and later he was sent as a representative of ČSOB to the KBC Group Finance project aimed at optimising and standardising the processes of finance functions across the KBC Group. After returning from Belgium he moved to the Credits unit in September 2009, where he took over the management of the Credit Risk Reporting team of the ČSOB Group. He has been working in Credits to this day, since 2013 as Credit Risk Manager for corporate clients. He is a member of the Supervisory Board as employee representative since 2 January 2023.

Membership in bodies of other companies:
- Member of the Committee of Moderní odbory, a trade union organisation operating in the ČSOB Group.

JANA BÁČOVÁ

Born on 23 December 1961

Independent member of the Audit Committee

She graduated from the Prague University of Economics and Business (VŠE).

Since 1992 Ms. Jana Báčová had been working at the State Bank of the Czechoslovakia, thereafter in the Czech National Bank. In the departments of the financial market supervision, she dealt with management and control systems and internal audit issues. Later, she held several senior positions in the Czech National Bank (CNB) in various areas of its activity, in which she represented the CNB externally in the relevant committees of the European System of Central Banks (ESCB).

From 2002, she headed the internal audit department for ten years in the Czech National Bank and in 2012 she became the executive director of the cash and payment system section. In 2015, she was appointed by the bank board to the position of executive director of the general secretariat section, where she was responsible, among other things, for legislation, internal and external communication, operational risk management, compliance, personal data protection, ethical framework and administration of bank board meetings. She left this position in June 2022.

She is member of the Institute of Internal Auditors in the Czech Republic where she long-term focuses on the standardization of professional practice of internal auditing in the Czech Republic.

Since 1 January 2023, she has been an independent member of ČSOB's Audit Committee.

Membership in bodies of other companies:
- Member of the Audit Committee of ČSOB Pension Company (CZ) and ČSOB Stavební spořitelna (CZ)

Members of the Board of Directors who ended their terms in 2022

JOHN ARTHUR HOLLOWS

Born on 12 April 1956

Chairman of the Board of Directors until 2 May 2022

Mr. Hollows graduated from the Sidney Sussex College at the University in Cambridge with a degree in economics and law.

Upon graduation Mr. Hollows has followed a career in banking. He gained experience in the area of financial services at Barclays Bank in London and Taipei and at KBC in Hong Kong, Shanghai and Singapore. He held senior managerial positions in credit departments and in areas such as export finance, corporate and investment banking and treasury. He also focused on cost management. From August 2003 to April 2006, he was the Chief Executive Officer of K&H Bank (KBC Group) in Hungary. Between 2006 and 2009, Mr. Hollows served as the Senior General Manager of the Central and Eastern Europe Business Unit of the KBC Group. From September 2009 to April 2010, he was the CEO of KBC Group's Central and Eastern Europe and Russia Business Unit. Since September 2009 he has been a member of the Executive Committee of the KBC Group. From May 2010 to April 2014, he served as the Chief Risk Officer of the KBC Group. Between April 2006 and June 2009, Mr. Hollows was a member of ČSOB's Supervisory Board and the Chairman of its Audit Committee. From 1 May 2014 to 2 May 2022, he has been a member of the Board of Directors of ČSOB (and its Chairman since 2 May 2014). From 1 May 2014 to 2 May 2022, he has been a member of the Board of Directors of ČSOB (and its Chairman since 2 May 2014). From 1 May 2014 to 5 May 2022, Mr. Hollows has been the member of the Executive Committee of the KBC Group responsible for the Business Unit Czech Republic.

Membership in bodies of other companies:
- Member of the Executive Committee of the KBC Group (Belgium)
- Member of the Board of Directors and member of the Executive Committee of KBC Bank (Belgium) and KBC Insurance (Belgium)

HÉLÈNE GOESSAERT

Born on 3 April 1965

Member of the Board of Directors until 1 March 2022

Group Risk Management

Ms. Goessaert graduated from Ghent University, Belgium and after gaining that Post graduate degree in Financial Sciences, Vlerick School for Management.

In March 2018 Hélène Goessaert joined to ČSOB from the Belgian headquarters of KBC. She has worked at KBC since 1990. In 2002, she assumed the position of the Head of Market Risks, where she was responsible for the monitoring of the worldwide market risk in KBC Group. From 2007, she worked as the General Manager Market Risks. In that position, she led the Market risk and Modeling team. As of 2010, she became responsible for the risk management strategy for trading and corporate banking activities. In 2011, she became a member of the Management Committee, responsible for the financial reporting and performance measurement. In the same year, she also became a member of the Finance Committee of KBC Group, deciding on the strategy for the Finance function of the Group. Since 2015, she held the post of the Chief Data Manager, responsible for the Data and Reporting Architecture of KBC Group from 2015 to 28 February 2018.

Membership in bodies of other companies:
- Member of the Audit Committee in: ČSOB Pojišťovna (CZ)
- Member of Supervisory Board in: ČSOB Penzijní společnost (CZ), ČSOB Leasing (CZ), Patria Finance (CZ), Usetřeno (CZ), K&H Payment Services Kft (HU)
- Member of the Board of Directors in: Hypoteční banka (CZ), ČSOBS (CZ)

MARCELA SUCHÁNKOVÁ

Born on 3 January 1971

Member of the Board of Directors until 30 September 2022

People and Communication

She graduated from University of Economics, Prague and has an MBA diploma from US Business School Prague (Rochester Institute of Technology).

Ms. Suchánková started her professional career in consulting and public relationship area. She joined ČSOB Communication department in 1997. In 1999, she moved to retail banking, where she managed various projects and departments (product development, direct marketing, savings and investments). From 2013 to 2015, Ms. Suchánková was a member of ČSOB Pension Company Board of Directors responsible for business and later became the Chairman of the Board and CEO of ČSOB Pension Company. From 2015 to 2016, she hold ČSOB Human Resources General Manager position. As of 1 March 2017, she has been appointed as a member of ČSOB's Board of Directors responsible area of People and Communication division. Since January 2019 she is also responsible for IT and Operations.

Membership in bodies of other companies:
- No membership

JAN SADIL

Born on 16 February 1969

Member of the Board of Directors until 30 September 2022

Retail

He graduated from the Civil Engineering Faculty of the Czech Technical University in Prague and University of Economics and the Institute of Forensic Engineering of University of Technology in Brno (postgraduate studies).

Mr. Sadil started his banking career in Komerční banka, a.s. in 1995. In 2000, he was appointed as the manager responsible for private individuals loans division. In 2001, he joined Českomoravská hypoteční banka, a.s. (currently Hypoteční banka, a.s.) as a member of the Board of Directors responsible for sales and marketing. Since the end of 2003 till March 2017, he hold the position of Chairman of the Board of Directors and the CEO of Hypoteční banka. As of 1 March 2017, he has been appointed as a member of ČSOB's Board of Directors responsible for Specialised Banking and Insurance. Since 1 February 2018 he has been responsible for Retail.

Membership in bodies of other companies:
- Member of the Supervisory Board in: Centrum Paraple, o.p.s. (CZ)
- Chairman of the Supervisory Board in: ČSOB Pojišťovna, a.s. (CZ), Hypoteční banka, a.s. (CZ), ČSOB Stavební spořitelna, a.s. (CZ), Association for Real Estate Market Development (CZ)

Corporate Governance Policy

Československá obchodní banka, a. s., voluntarily meets and complies with the corporate governance guidelines set out in the Corporate Governance Code based on the OECD Principles.

The Corporate Governance Code of ČSOB, adopted by ČSOB's Board of Directors in 2012, defines the role of key bodies and sets basic rules of the Bank's governance in compliance with the Czech law and in line with internationally accepted practice. ČSOB's Corporate Governance Code is available in the department of the CEO.

Effective as from October 2012, the **Anti-Corruption Programme of ČSOB** includes the principle of zero tolerance for bribery and corrupt practices. By issuing and introducing this programme, ČSOB formalized its principles and attitudes nurtured by ČSOB on a continuous and long-term basis. Compliant with the Code of Ethics, this regulation was issued to show to both the public and our employees that corrupt practices or other unethical conduct is and will not be tolerated in ČSOB.

Similarly, ČSOB also subscribes to the principle of zero tolerance for any criminal activity. This long-stated position was formalized in a statement of the ČSOB Board of Directors in June 2020.

Československá obchodní banka, a. s., is also governed by the Guidelines on internal governance issued by the European Banking Authority (EBA).

Československá obchodní banka, a. s. has the following bodies: General Meeting, Board of Directors, Supervisory Board, and Audit Committee.

The powers and activities of ČSOB's bodies are determined in the Articles of Association of ČSOB as approved by the General Meeting.

General Meeting

The General Meeting of shareholders is the supreme body of ČSOB. The General Meeting is equipped with a standard scope of powers as set out in the applicable laws. Among other things, the General meeting takes decisions on matters such as changes in the composition of the ČSOB's bodies, or amendments to the Articles of Association of ČSOB, or changes in the registered capital. The General Meeting also approves financial statements.

The sole shareholder (KBC Bank NV) exercises the powers of ČSOB's General Meeting. Resolutions are always in writing; a notarial deed is required in cases stipulated by the applicable laws. Where an approval is required by the law, draft resolutions are submitted to the sole shareholder by the Board of Directors. ČSOB's Board of Directors and ČSOB's Supervisory Board are notified of resolutions adopted by the sole shareholder in writing by the delivery of a written notice.

Board of Directors

The Board of Directors of Československá obchodní banka, a. s. performs its tasks within the framework of competencies defined for the statutory body by legal regulations, the Articles of Association of ČSOB and relevant basic management documents of the company.

The members of the Board of Directors are elected by the company's General Meeting provided they comply with other requirements stipulated by the Banking Act. In compliance therewith, ČSOB's Board of Directors has a full-scale executive composition. ČSOB's shareholder and clients receive regular reports containing the required range of relevant data on the members of the Board of Directors and their professional and personal qualifications enabling them to duly execute their duties.

At the end of 2022, ČSOB's Board of Directors had six members and worked in the following composition: Aleš Blažek (Chairman), Michaela Bauer, Tom Blanckaert, Petr Hutla, Ján Lučan and Jiří Vévoda

Personnel changes in ČSOB's Board of Directors during the year 2022 are described in the chapter Managing and Supervisory Bodies.

The Board of Directors meets regularly, usually once a week, and follows a fixed agenda based on the strategic schedule of main topics and other documents of more operational nature submitted for discussion individually by the Board members. The members of the Board of Directors receive timely information and make their decisions on the basis of these duly processed documents in accordance with the rules of procedure of the Board of Directors. Discussions of the statutory body are attended by the Corporate Secretary of the Board of Directors who is responsible for preparing the meetings and taking their minutes. The Board of Directors has quorum if more than half of its members are present at the meeting. Any decision shall receive the votes of a majority of all members of the Board of Directors to be adopted (unless a higher number of votes is required by the articles of association or the Corporations Act). The proceedings of the Board of Directors are governed by the Articles of Association of ČSOB and the Rules of Procedure of the Board of Directors

The Board of Directors establishes expert committees to discuss specific agendas. Considering the importance of topics covered by the committees with company-wide scope of authority, a member of the Board of Directors primarily responsible for its activities usually presides over each committee. Should the responsible member of the Board of Directors be unable to take part in a committee meeting, such responsible member is substituted by a formally appointed deputy (usually another member of the Board of Directors). This approach makes it possible to achieve continuity of the consistent follow-up process focused on the committee's decision-making and to keep the Board of Directors directly informed. Depending on their roles and responsibilities, all ČSOB's units covering the subject matter are made involved in discussions and take part in committee meetings. This is why the head of such involved unit is authorized to take part and represent his / her unit in committee meetings. In his or her absence, committee meetings are attended by his or her deputy or another appointed employee unless forbidden by the applicable rule of procedure. Committee meetings are governed by the committee's rules of procedure.

Board of Directors Committees

Risk and Capital Oversight Committee (RCOC)

The Committee aims to support ČSOB's Board of Directors in the field of risk and capital management of the ČSOB group.
Chairman of the Committee: Tom Blanckaert

Credit Sanctioning Committee (CSC)

The Committee decides approvals / non-approvals of credit exposure of the ČSOB group.
Chairman of the Committee: Petr Hutla

Project Portfolio Board (PPB)

The Committee manages and monitors the project portfolio from strategic, time and budget perspective. At the same time, the Committee decides about concepts and processes of business and IT architecture.

Chairman of the Committee: Aleš Blažek

Public Affairs Committee (PAC)

The Committee intends to promote the establishment and implementation of business and strategic initiatives and projects reflecting own needs or external influences and aims to achieve the business and strategic objectives of the Bank or the companies associated in the ČSOB group.

Chairman of the Committee: Petr Hutla

Crisis Committee (CRC)

The goal is to be efficient in solving crisis situations that, if unaddressed, would adversely affect the operations of the whole Bank, or the ČSOB group, as the case may be.

Chairman of the Committee: Aleš Blažek

Sustainable Executive Committee Country Team (SUS EXCO CT)

SUS EXCO CT approves and monitors initiatives, projects and strategic alliances that are in line with the ČSOB and KBC Group Sustainability strategy and contribute to meeting defined Sustainability targets including strategic climate targets.

Chairman of the Committee: Petr Hutla

Other Bodies

EXCO – Executive Committee Relationship Services

The purpose of the Committee is to ensure implementation of business and strategic initiatives and customer value proposition for corporate banking, SME and private banking in accordance with the powers delegated by ČSOB's Board of Directors and the ČSOB group's strategic plan.

Chairman of the Committee: Ján Lučan

EXCO – Executive Committee for Retail Clients

The aim of the Committee is to review financial and business performance of Retail division in line with the plan, adherence to risk and compliance controls, and delivery of strategic and business initiatives in accordance with the powers delegated by ČSOB's Board of Directors, the ČSOB group strategic plan and Retail transformation roadmap.

Chairman of the Committee: Martin Jarolím (as of 1 January 2023)

iEXCO – Investment Executive Committee

Investment Executive Committee aims to provide winning investments products and solutions for segments and channels in order to become reference for clients and in the market and simultaneously to create value for shareholders.

Chairman of the Committee: Jiří Vévoda

Supervisory Board

The Supervisory Board of Československá obchodní banka, a. s. supervises performance of tasks by the Board of Directors and discharge of the Bank's business activities. The members of the Supervisory Board shall be elected and removed by the General Meeting.

At the end of 2022, ČSOB's Supervisory Board had six members and worked in the following composition: Zdeněk Tůma (Chairman), Christine Van Rijsseghem, Franky Depickere, Willy Kiekens, Ladislava Spielbergerová and Štěpán Stránský.

Personnel changes in ČSOB's Supervisory Board during the year 2022 are described in the chapter Managing and Supervisory Bodies.

In compliance with its plan of work, the Supervisory Board held four meetings in 2022 where it discussed issues falling under its responsibility according to the Articles of Association of ČSOB. Reading materials for meetings of the Supervisory Board were prepared and delivered well in advance for the members of the Supervisory Board to have enough time to study them. Meetings of the Supervisory Board are also regularly attended by the members of the Board of Directors who personally present submitted materials. In compliance with its powers and based on the Audit Committee recommendation, the Supervisory Board selects an external auditor prior the official appointment by the General Meeting of shareholders. The auditor attends all meetings of the Audit Committee, thus providing an independent, comprehensive and qualified opinion of whether ČSOB's financial statements reflect ČSOB's situation and performance correctly in all material respects. Pursuant to the Rules of Procedure of the Supervisory Board, administrative and organizational support is provided by the Corporate Secretary, who is responsible for taking the minutes of the meetings. Constitution of a quorum and majority necessary to adopt a decision follow the same principles as in case of the Board of Directors. Supervisory Board meetings are governed by the Articles of Association of ČSOB and by its rules of procedure.

Supervisory Board Committees

The Supervisory Board, like as the Board of Directors, may establish advisory committees and other initiative committees to ensure its activities, either on the basis of legal regulations or in accordance with the Articles of Association of ČSOB. ČSOB's Supervisory Board established the Nomination Committee and Remuneration Committee for remuneration, nomination and personal issues. Another advisory committee is the Risk and Compliance Committee.

Nomination Committee and Remuneration Committee

The Nomination Committee submits recommendations to the Supervisory Board as to the election of suitable candidates to the position of member(s) of ČSOB's Board of Directors and submits recommendations to the Supervisory Board as to removal of current member(s) of the ČSOB Board of Directors. The Nomination Committee submits proposals to ČSOB's Supervisory Board with respect to appointment to offices in committees of the Supervisory Board. The Remuneration Committee proposes a remuneration policy for the members of ČSOB's Board of Directors and member(s) of statutory bodies of the Controlled Subsidiaries including fixed as well as variable parts, and recommendations to the Supervisory Board as to principles of remuneration of the head of the internal audit. The members of both Committees are regularly informed about changes and rotations of key identified employees and their remuneration.

In 2022, the Nomination Committee was composed of the following members Christine Van Rijsseghem, Zdeněk Tůma and Willy Kiekens (Chair).

In 2022, the Remuneration Committee was composed of the following members Zdeněk Tůma (Chair), Ladislava Spielbergerová and Willy Kiekens.

The Nomination Committee held **three meetings** and Remuneration Committee held **four meetings in 2022**.

Risk and Compliance Committee

The Risk and Compliance Committee was established in 2014 by separation from the Audit Committee in compliance with the regulatory requirements. Its authority and responsibilities are determined by the Articles of Association of ČSOB and by the statutes of Risk and Compliance Committee. In particular, the Risk and Compliance Committee advises the Supervisory Body on the institution's overall current and future risk profile, appetite and risk strategy (including compliance risks). Risk and Compliance Committee reviews whether prices of liabilities and assets offered to clients take fully into account the Company's business model and risk strategy. Assists in the establishment of sound remuneration policies and practices, the risk committee shall, without prejudice to the tasks of the remuneration committee, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings. The Committee supervises the proper functioning of Compliance and Risk Management departments.

The Risk and Compliance Committee members are elected by the Supervisory Board from among the members of the Supervisory Board or third parties based on their expertise that is required to perform their duties in a professional manner. Particularly the Chairman and eventually other members of ČSOB's Board of Directors, the External Auditor and heads of ČSOB's departments – Compliance, Internal Audit and Legal participate as permanent guests in all meetings. Furthermore, some line managers or other employees who can provide the Risk and Compliance Committee with relevant information can be invited to attend any meeting. Their participation is limited to the relevant agenda topics. Constitution of a quorum of the Risk and Compliance Committee and majority necessary to adopt a decision follow the same principles as in case of the Board of Directors.

In 2022, the Risk and Compliance Committee worked in the following composition: Christine Van Rijsseghem (Chair), Zdeněk Tůma and Willy Kiekens.

The Risk and Compliance Committee held **four meetings in 2022**.

Audit Committee

The authority and responsibilities of ČSOB's Audit Committee are determined by the Articles of Association of ČSOB and the Audit Committee's Rules of Procedure. In particular, the Audit Committee monitors the compilation of the financial statement and the process of mandatory audit, supervises and monitors the quality of internal control, the work of internal audit and financial reporting. The Audit Committee recommends a statutory auditor, examines the adequacy of the auditor's independence and providing of additional services.

The Audit Committee has 3 members. The Audit Committee members are elected by the General Meeting from among the members of the Supervisory Board or third parties based on their expertise that is required to perform their control tasks in a professional manner. The Chairman and relevant members of ČSOB's Board of Directors, the External Auditor and heads of ČSOB's departments – Compliance, Internal Audit and Legal participate as permanent guests in Audit Committee's meetings. Furthermore, some line managers or other employees who can provide the Audit Committee with relevant information can be invited to attend any meeting. Their participation is limited to the relevant agenda topics. Constitution of a quorum of the Audit Committee and majority necessary to adopt a decision follow the same principles as in case of the Board of Directors.

In 2022, the Audit Committee worked in the following composition: Petr Šobotník (independent Chairman), Ladislav Mejzlík (independent member) and Christine Van Rijsseghem.

The Audit Committee held **four meetings in 2022**.

Internal Control Mechanisms to Minimize Financial Reporting Process Risks

A number of tools in several areas are used to ensure true and fair representation of transaction in the company's accounting records and correct financial statements presentation. There are both automated and manual checks incorporated in the entire process starting with the transaction registration in the company systems up to financial statements preparation.

Balances of all General Ledger accounts are subject to regular, at least monthly internal checks. The appointed person in charge, so-called Account Manager, performs logical and specific checks related to the General Ledger account balance consisting e.g. of reconciliation of data in support systems or non-accounting registers with the balances in the General Ledger, monitoring the development of the account balance, monitoring the occurrence of unusual transactions, manual entries in accounts with automatic accounting etc. Control procedures are set up to minimize the risk of accounting errors. Findings of accounting errors are listed centrally and relevant corrections are monitored. The adequacy and effectiveness of the accounting examinations are assessed on a regular basis. Findings are reported to the Internal Audit and Operational Risk Management on a quarterly basis.

The internal control system also includes internal regulations determining authorities assumed by each staff member making entries in the accounting books in order to duly segregate responsibilities within the document flow. Control procedures are integrated to accounting systems including the "four eye" check and access right authentication. The risk of unauthorised entry is minimized by defining the persons who can make a predefined scope of transactions and persons authorised to give approvals.

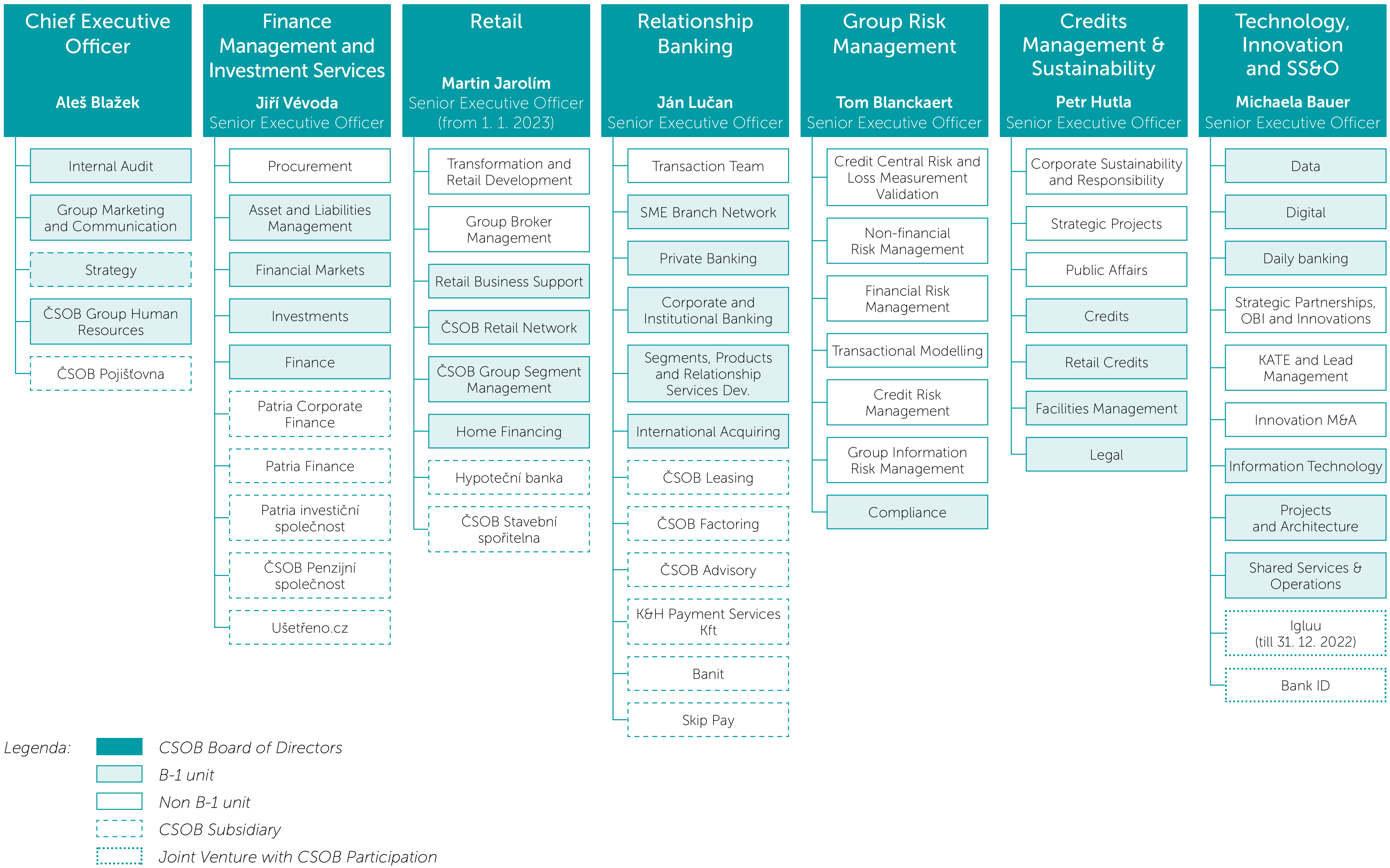
Accounting procedures and valuation rules for assets and liabilities including rules for provisions and allowances are defined within internal regulations prepared in accordance with the legal requirements and international financial reporting standards. Monitoring of compliance with the requirements and incorporation of changes is provided by Accounting Methodology in cooperation with the units concerned. Applicable accounting policies, e.g. rules for valuation financial assets or principles of creation of allowances and provisions, are described in Note 2 to the Separate Financial Statement for the year 2022 prepared in accordance with EU IFRS and in Note 2 to the Consolidated Financial Statement for the year 2022 prepared in accordance with EU IFRS.

Control mechanisms are extended based on recommendations from internal audit, which evaluates the effectiveness and efficiency of internal controls, or based on outcomes of the risk assessment reviews organized as a part of the operational risk management, please refer to Note 38.5 to the Separate Financial Statement for the year 2022 prepared in accordance with EU IFRS and to Note 41.5 to the Consolidated Financial Statement for the year 2022 prepared in accordance with EU IFRS.

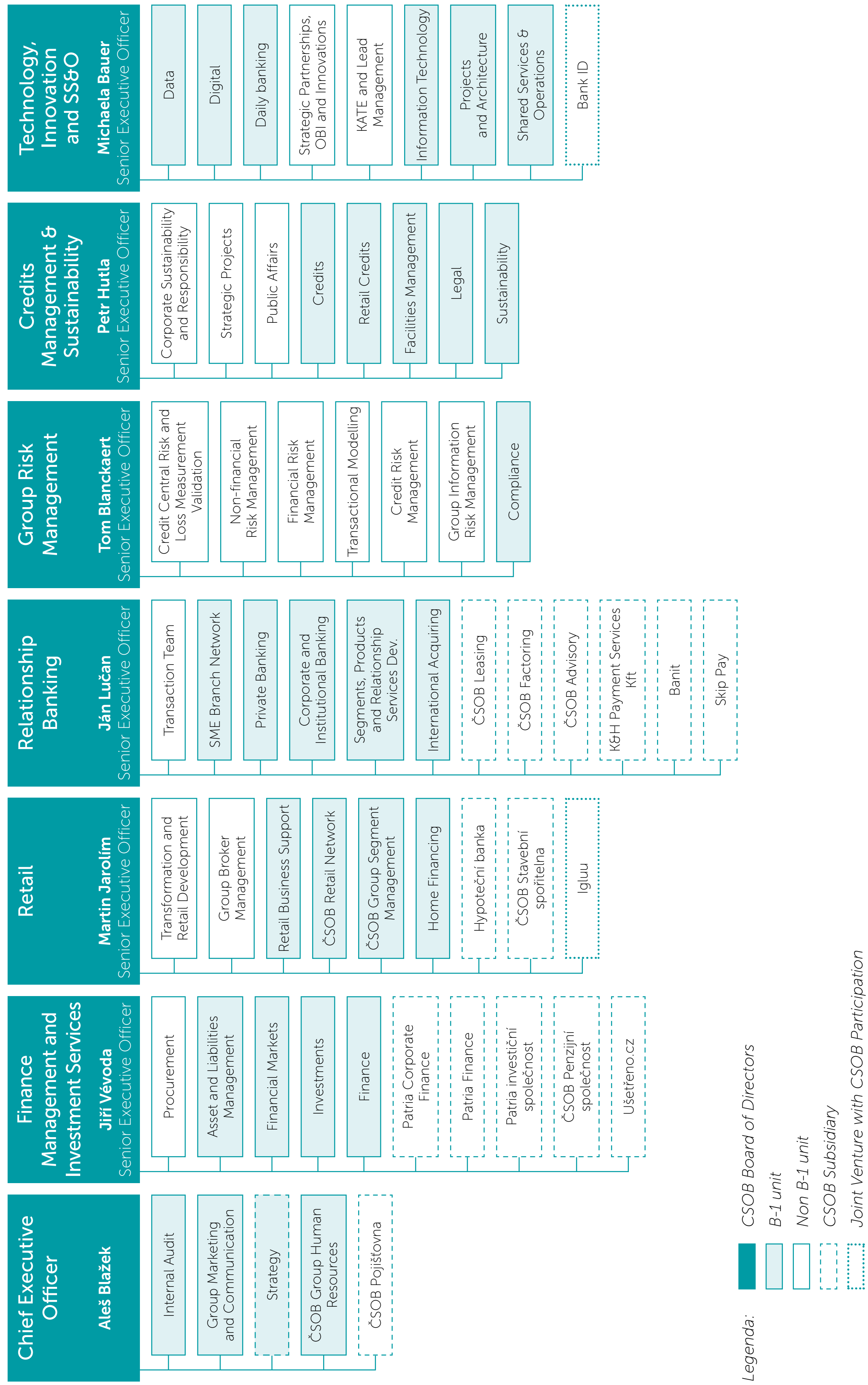
Majority of financial statements is generated automatically using the data from the central data warehouse, reconciled to the General Ledger balances.

Consolidated financial statements are submitted to ČSOB's Supervisory Board regularly and both consolidated and separate financial statements are subject to external audit review. Report on financial results is submitted to ČSOB's Audit Committee quarterly.

ČSOB Group Organizational Chart *as of December 31, 2022*



ČSOB Group Organizational Chart *as of March, 2023*



FINANCIAL PART

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021 Reclassified
Interest income calculated using the effective interest rate method	5	94,465	35,203
Other similar income	5	12,823	1,772
Interest expense calculated using the effective interest rate method	6	(54,505)	(10,825)
Other similar expense	6	(21,721)	(3,250)
Net interest income		**31,062**	**22,900**
Fee and commission income	7	14,903	13,227
Fee and commission expense	7	(6,862)	(5,399)
Net fee and commission income		**8,041**	**7,828**
Dividend income		18	17
Net gains / (losses) from financial instruments at fair value through profit or loss and foreign exchange	8	3,607	3,699
Net realised gains on financial instruments at fair value through other comprehensive income		-	1
Income from operating lease	9	1,253	1,632
Expense from operating lease	9	(1,081)	(1,470)
Net (increase) / decrease in provisions for legal issues and other losses	10	(3,652)	177
Other net income	10	1,227	940
Operating income		**40,475**	**35,724**
Staff expenses	11	(10,109)	(9,512)
General administrative expenses	12	(9,217)	(7,980)
Depreciation and amortisation	23, 24	(2,661)	(2,342)
Operating expenses before impairment losses		**(21,987)**	**(19,834)**
Impairment losses	13	**(1,497)**	**3,253**
on financial assets at amortised cost and at fair value through other comprehensive income (OCI) and finance leases		(1,142)	3,637
on goodwill		(116)	(181)
on other financial and non-financial assets		(239)	(203)
Share of profit / (loss) of associates and joint ventures	21	(30)	(64)
Profit before tax		**16,961**	**19,079**
Income tax expense	14	(2,390)	(2,919)
Profit for the year		**14,571**	**16,160**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021
Profit for the year		**14,571**	**16,160**
Other comprehensive income – to be reclassified to the statement of income			
Exchange differences on translating foreign operation		(3)	(22)
Net loss on cash flow hedges		(540)	(1,440)
Net loss on financial debt instruments at fair value through other comprehensive income		(726)	(620)
Share of other comprehensive income of associates and joint ventures		-	-
Income tax benefit relating to components of other comprehensive income		238	350
Other comprehensive income for the year, net of tax, to be reclassified to statement of income in subsequent periods	32	**(1,031)**	**(1,732)**
Other comprehensive income – not to be reclassified to the statement of income			
Net (loss) / gain on financial equity instruments at fair value through other comprehensive income		(63)	77
Income tax benefit relating to components of other comprehensive income		12	76
Other comprehensive income for the period, net of tax, not to be reclassified to statement of income in subsequent periods	32	**(51)**	**153**
Other comprehensive income for the period, net of tax		**(1,082)**	**(1,579)**
Total comprehensive income for the year, net of tax		**13,489**	**14,581**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021
ASSETS			
Cash, balances with central banks and other demand deposits	16	62,121	39,762
Financial assets held for trading	17	71,746	44,087
Non-trading financial assets mandatorily at fair value through profit or loss	17	1,322	1,410
Financial assets at fair value through other comprehensive income	18	15,585	18,566
Financial assets at fair value through other comprehensive income pledged as collateral	18	72	221
Financial assets at amortised cost	19	1,564,279	1,613,504
Financial assets at amortised cost pledged as collateral	19	24,721	33,904
Finance lease receivables	20	10,482	11,149
Fair value adjustments of the hedged items in portfolio hedge	22	(25,639)	(18,223)
Derivatives used for hedging	22	48,425	30,276
Current tax assets		70	1,020
Deferred tax assets	14	2,514	1,324
Investment in associates and joint ventures	21	66	97
Property and equipment	23	12,917	13,643
Goodwill and other intangible assets	24	11,659	11,164
Non-current assets held-for-sale	25	41	20
Receivable from Transformed fund	36	2,474	761
Other assets	26	2,762	2,794
Total assets		**1,805,617**	**1,805,479**
LIABILITIES AND EQUITY			
Financial liabilities held for trading	27	73,506	44,686
Financial liabilities designated at fair value through profit or loss	27	23,839	24,544
Financial liabilities at amortised cost	28	1,581,015	1,603,562
Fair value adjustments of the hedged items in portfolio hedge	22	(32,441)	(23,280)
Derivatives used for hedging	22	42,039	28,346
Lease liabilities		2,041	2,269
Current tax liabilities		659	80
Deferred tax liabilities	14	1,035	943
Other liabilities	29	8,404	6,411
Provisions	30	4,542	540
Total liabilities		**1,704,639**	**1,688,101**
Share capital	31	5,855	5,855
Share premium		20,929	20,929
Statutory reserve		18,687	18,687
Retained earnings		57,773	73,091
Revaluation reserve from financial assets at fair value through other comprehensive income	31	(663)	(22)
Cash flow hedge reserve	31	(1,578)	(1,140)
Foreign currency translation reserve		(25)	(22)
Total equity		**100,978**	**117,378**
Total liabilities and equity		**1,805,617**	**1,805,479**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Attributable to equity holders of the parent: Share capital (Note: 31)	Share premium	Statutory reserve[1]	Retained earnings	Other reserves (Note: 31)	Total Equity
At 1 January 2021	**5,855**	**20,929**	**18,687**	**61,126**	**395**	**106,992**
Profit for the year	-	-	-	16,160	-	16,160
Other comprehensive income for the year (Note: 32)	-	-	-	-	(1,579)	(1,579)
Total comprehensive income for the year	-	-	-	16,160	(1,579)	14,581
Equity investments disposed (Note: 33)	-	-	-	51	-	51
Dividends paid (Note: 15)	-	-	-	(4,100)	-	(4,100)
Changes in consolidation scope (Note: 3)	-	-	-	(146)	-	(146)
At 31 December 2021	**5,855**	**20,929**	**18,687**	**73,091**	**(1,184)**	**117,378**
At 1 January 2022	**5,855**	**20,929**	**18,687**	**73,091**	**(1,184)**	**117,378**
Profit for the year	-	-	-	14,571	-	14,571
Other comprehensive income for the year (Note: 32)	-	-	-	-	(1,082)	(1,082)
Total comprehensive income for the year	-	-	-	14,571	(1,082)	13,489
Equity investments disposed (Note: 33)	-	-	-	83	-	83
Dividends paid (Note: 15)	-	-	-	(29,982)	-	(29,982)
Changes in consolidation scope	-	-	-	10	-	10
At 31 December 2022	**5,855**	**20,929**	**18,687**	**57,773**	**(2,266)**	**100,978**

[1] The statutory reserve represents accumulated transfers from retained earnings in compliance with the Statutes of the Bank. This reserve is distributable based on the decision of the Board of Directors.

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

These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf on 19 April 2023 by:

Aleš Blažek
Chairman of the Board of Directors

Jiří Vévoda
Member of the Board of Directors

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021 reclassified
OPERATING ACTIVITIES			
Profit before tax		**16,961**	**19,079**
Adjustments for:			
Interest income	5	(107,288)	(36,975)
Interest expense	6	76,226	14,075
Dividend income (other than from associates and joint ventures)		(18)	(17)
Non-cash items included in profit before tax	34	6,327	(3,193)
Net losses / (gains) from investing activities		(30)	68
Cash flow used in operations before changes in operating assets, liabilities, income tax paid, interest paid and received and dividend received		**(7,822)**	**(6,963)**
Change in operating assets	34	(129,053)	(96,737)
Change in operating liabilities	34	119,871	64,125
Change in assets under operating leases		(78)	49
Income tax paid		(1,727)	(3,064)
Interest paid		(76,145)	(14,034)
Interest received		107,741	38,080
Dividend received (other than from associates and joint ventures)		18	17
Net cash flows from / (used in) operating activities		**12,805**	**(18,527)**
INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets		(2,581)	(3,393)
Proceeds from disposal of property, equipment, intangible assets and assets held-for-sale		221	1,790
Acquisition of subsidiaries, net of cash acquired	3	(130)	-
Capital decrease / increase in associates and joint ventures		1	12
Net cash flows used in investing activities		**(2,489)**	**(1,591)**
FINANCING ACTIVITIES			
Bonds issued	28	2,767	-
Repayment of bonds	34	(359)	(3,399)
Issue of subordinated debts	28	21,153	19,439
Payments of principal on leases	34	(421)	(483)
Dividends paid	15	(29,982)	(4,100)
Net cash flows (used in) / from financing activities		**(6,842)**	**11,457**
Net increase / (decrease) in cash and cash equivalents		**3,474**	**(8,661)**
Cash and cash equivalents at the beginning of the year	34	229,578	238,239
Net increase / (decrease) in cash and cash equivalents		3,474	(8,661)
Cash and cash equivalents at the end of the year	34	**233,052**	**229,578**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. CORPORATE INFORMATION

Československá obchodní banka, a. s. (the Bank or ČSOB) is a Czech joint-stock company with its registered office at Radlická 333/150, Prague 5, Czech Republic; the corporate ID is 00001350. ČSOB is a universal bank having its operations in the Czech Republic and offering its domestic and foreign customers a wide range of financial services and products in Czech Crowns and foreign currencies. The parent company of the Bank is KBC Bank NV (KBC Bank), which is controlled by the KBC Group NV (KBC Group).

The main activities of the Bank include: accepting deposits from the public, providing loans, investing in securities on the Bank's own account, financial leasing, payments and clearance, the issuance and administration of payment instruments, the provision of guarantees, the issuance of letters of credit, the provision of collection services, the provision of all investment service according to a special law, the issuance of mortgage bonds, financial brokerage, the provision of depository services, exchange office services (purchase of foreign exchange), the provision of banking information, trading in foreign exchange values and gold on the Bank's own account or on a client's account, the rental of safe-deposit boxes, identification services within the meaning of the Act on Banks. In addition, the Bank performs activities directly related to the activities described above and activities carried out for other parties if they relate to the running of the Bank and operation of other banks, financial institutions and enterprises providing ancillary banking services, controlled by the Bank.

Furthermore, the ČSOB group (Group) (Note: 3) provides its clients with financial services in the following areas: building savings and mortgages, asset management, collective investments, pension insurance, leasing, factoring and the distribution of life and non-life insurance products.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared and approved by the Board of Directors of the Bank. In addition, the financial statements are subject to approval at the General Meeting of shareholders.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. Assets held for sale are measured at fair value less cost to sell if this value is lower than their carrying amount (i.e. cost less accumulated depreciation and impairment losses).

The consolidated financial statements are presented in millions of Czech Crowns (CZKm), which is the presentation currency of the Group.

Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS).

Basis of consolidation

The consolidated financial statements include the Bank, all subsidiary companies that are controlled by the Bank (subsidiaries), all companies jointly controlled by the Bank (joint ventures) and all companies over which the Bank has significant influence (associates). The accounting policies of subsidiaries, associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

All intra-group balances, transactions, income and expenses, and gains and losses resulting from intra-group transactions are eliminated.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of income, consolidated statement of other comprehensive income and within equity in the consolidated statement of financial position, separately from the parent shareholder's equity.

Joint ventures and associates included in the Group consolidation are accounted for using the equity method.

2.2 Significant accounting judgements and estimates

While applying the Group accounting policies, the management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant judgements and estimates are as follows:

Fair value of financial instruments (Note: 33)

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the application of mathematical models. If possible, the input to these models is taken from observable markets; if not, a degree of judgement is required to establish fair values. The judgements include considerations of credit, liquidity and model inputs such as correlation and volatility for longer-dated financial instruments.

Impairment losses on financial instruments (Note: 41.2)

Calculating expected credit losses (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. The Group applies neutral and free from bias approach when dealing with uncertainties and making decisions based on significant judgments. The expected credit losses are calculated in a way that reflects:

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

Management judgement is required to assess the fair value of collateral, which has a significant effect on the impairment allowance.

Impact of Geopolitical and emerging risks on deterioration of financial instruments

General

The Group updated the impact assessment for the risks that could adversely affect its loan portfolio. During 2022, the original COVID-19 related management overlay was completely released in the whole amount of CZK -1.6 bn. New identification of Stage 1 exposures that have suffered a significant increase in credit risk not captured by the regular staging assessment (so-called "Tier5 assessment") was introduced and on top of that, a new expert-based calculation at portfolio level was introduced via a management overlay for geopolitical and emerging risks. At the end of 2022, the ECL for the geopolitical and emerging risks amounted to CZK 3.1 bn in total (of which CZK 0.4 bn is attributed to individual exposures, CZK 0.8 bn is attributed to ECL staging effect, CZK 1.7 bn is attributed to management overlay and CZK 0.2 bn is attributed to macroeconomic model-driven ECL). The impact assessment methodology and the macroeconomic assumptions considered are described below in more detail.

Geopolitical and emerging risks impact assessment

In the light of recent development, we assessed the impact of the main macroeconomic and geopolitical risks on our loan portfolio. The ECL for geopolitical and emerging risks amounts to CZK 3.1 bn comprising following categories:

Direct exposure to Russia, Ukraine & Belarus	ECL for transfer risk exposure to Russia, Ukraine and Belarus amounts to CZK 406 m in 2022, mainly concentrated in commercial exposures to Russian banks (Note: 41.2).
Indirect impact of the military conflict on the loan portfolio	The conflict is expected to impact Corporate and SME clients through different channels: • Exposure to Corporate and SME clients with material activities in Russia, Ukraine and Belarus or a material dependency on these markets for imports or exports (either directly or indirectly through a client/supplier), where material dependency was defined as 20% of sales, cost or profit into affected countries; • Exposure to Corporate and SME clients with operations that are especially vulnerable to a disruption of oil and/or gas supplies. The analysis indicates that CZK 21.3 bn worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment and were transferred to Stage 2 due to Tier5. The total ECL for the indirect impact is CZK 358 m in 2022 (of which CZK 49 m is attributed to ECL staging effect and CZK 309 m is attributed to management overlay).
Emerging risks	Group identified the following subsegments at risk in its portfolio: • Corporate and SME clients active in economic sectors that have been hit by supply chain issues and increasing commodity and energy prices, and that already have a higher credit risk (e.g., Automotive, Chemicals and Metals); • Clients having consumer loan, mortgage loan or building loan with limited reserve repayment capacity for absorbing the higher cost of living and/or higher repayments due to increasing interest rates. Group of clients in retail segments negatively affected by emerging risks were identified based on already worsened behavioural score and refixation planned within next 18 months. The analysis indicates that CZK 72.1 bn worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment and were transferred to Stage 2 due to Tier5. The total ECL for the emerging risks amounts to CZK 2,088 m in 2022 (of which CZK 734 m is attributed to ECL staging effect and CZK 1,354 m is attributed to management overlay). Management overlay calculation is based on following basic assumptions: (i) affected portfolio is expected to record increased default rate and defaulted clients will record downturn ECL coverage and (ii) the remaining part of non-defaulted affected portfolio is expected to remain in Stage 2 with increased ECL coverage equal to average ECL Stage 2 coverage. Difference between up-to-date ECL and ECL calculated based on above mentioned assumptions was booked as management overlay.
Macroeconomic scenarios	The model-driven ECL for geopolitical and emerging risks amounted to CZK 237 m in 2022. The impact was caused by the most actual macroeconomic forecasts used in the ECL calculation and worsened probabilities applied to the base-case, optimistic and pessimistic macroeconomic scenarios (respectively 60%, 5% and 35%).

Other factors

Soaring energy prices and surging inflation have triggered initiatives to support the purchasing power of households and the viability of companies. Government is looking at the banking and insurance sector to support the economy. In 2022, the windfall tax has been approved as a main instrument. Management considers payment of tax on this title to be unlikely due to the decrease of the tax base of the Bank (Note: 14).

Business model assessment

Classification of financial assets is driven by the business model. Management applies judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity.

Assessment whether cash flows are solely payments of principal and interest (“SPPI”)

Judgement is required to determine whether a financial asset’s cash flows are solely payments of principal and interest as only features representing basic lending agreement are in line with the SPPI test. Judgement is required to assess whether risks and volatility of contractual cash flows are related to basic lending agreement. Among the features that require judgements were, for example, modification of time value of money, change of timing or amount, such as early settlement or prepayment.

Impairment of assets under operating leases (Note: 13)

The Group assesses internal and external impairment indicators and if any indications exist that the carrying amount of assets is higher than their recoverable amount, impairment loss is recognised. Recoverable amount approximates the assets' fair value less costs to sell. Residual maturity of operating leases is short and changes of selling price have the most significant impact on impairment losses. The Group uses judgement in using valuation techniques to arrive at the assets' fair value. The judgements include use of various coefficients specific to each asset class.

Goodwill impairment (Note: 24)

Goodwill is tested annually for impairment. For this purpose, goodwill acquired in a business combination is allocated to the cash-generating unit which is expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Identifying a cash-generating unit as well as determining its recoverable amount requires judgement.

Assessment of the nature of interest in Group entities

The Group considers all relevant facts and circumstances in assessing whether it has a control, joint control (and its type) or significant influence over an investee. The assessment is based on the conclusions made by taking into account the contractual arrangements with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

Determining the lease term

Significant judgements are required to assess the lease term. The Group assesses how likely it is to exercise options to extend a lease or whether or not to exercise options to terminate a lease. The Group considers all relevant facts and circumstances, such as contractual terms and conditions for the optional periods compared with market rates, significant leasehold improvements, costs relating to the termination of the lease, importance of the asset to the lessee's operations, etc., in deciding whether to exercise options in lease contracts.

2.3 Changes in accounting policies

Effective from 1 January 2022

The accounting policies adopted in the preparation of the consolidated financial statements of the Group are consistent with those used in the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following standards, amendments and interpretations. The adoption of other standards did not have any significant effect on the financial statements of the Group, unless otherwise described below.

Property, Plant and Equipment (Amendments to IAS 16) is effective for periods on or after 1 January 2022 and has been endorsed by the EU. The amendment prohibits deducting sales proceeds from the cost of property, plant and equipment before intended use.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) is effective for periods on or after 1 January 2022 and has been endorsed by the EU. The amendment clarifies what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) is effective for periods on or after 1 April 2021 and has been endorsed by the EU. The amendments extend the exemption from assessment of whether rent concession is a lease modification to lease payments on or before 30 June 2022.

Reference to Conceptual Framework (Amendments to IFRS 3) is effective for periods on or after 1 January 2022 and has been endorsed by the EU.

Annual Improvements to IFRS Standards 2018-2020 issued in May 2020 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard, all of which are applicable on or after 1 January 2022 and have been endorsed by the EU.

Effective after 1 January 2022

The following standards, amendments and interpretations have been issued and are effective after 1 January 2022. The Group has decided not to early adopt them. Unless otherwise described below, the new standards, amendments and interpretations are not expected to significantly affect the Group financial statements.

IFRS 17 Insurance Contracts (including Amendments to IFRS 17) is effective for annual periods beginning on or after 1 January 2023 and has been endorsed by the EU. The standard establishes principles for the recognition, measurement, presentation and disclosure of issued insurance and held reinsurance contracts, life and non-life. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. Implementation of IFRS 17 will not have significant impact on the Group. The Group assesses the extent of the impact within the KBC Group implementation project.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information is effective for annual periods beginning on or after 1 January 2023 and has been endorsed by the EU. A narrow-scope amendment to the transition requirements of IFRS 17 Insurance Contracts. The amendment affects any entity that first applies IFRS 17 and IFRS 9 Financial Instruments at the same time. The amendment avoids temporary accounting mismatches between financial assets and insurance contract liabilities.

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) is effective for periods on or after 1 January 2023 and has been endorsed by the EU.

Classification of Liabilities as Current and Non-current (Amendments to IAS 1) is effective for periods on or after 1 January 2023 and has not yet been endorsed by the EU. The amendment affects only the presentation of liabilities in the statement of financial position, not the amount or timing. The classification of current or non-current is based on rights that exist at the end of the reporting period and is unaffected by expectations about exercising its right.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is effective for periods on or after 1 January 2023 and has been endorsed by the EU. The amendments narrow the exemptions from recognition of deferred tax asset or liability. If on initial recognition the transaction gives rise to equal taxable and deductible temporary differences, the exemption no longer applies.

Definition of Accounting Estimates (Amendments to IAS 8) is effective for periods on or after 1 January 2023 and has been endorsed by the EU. The amendments introduce a new definition of an accounting estimate. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

Disclosure of Accounting Policies (Amendments to IAS 1) is effective for periods on or after 1 January 2023 and has been endorsed by the EU. The amendments clarify that an entity is required to disclose material accounting policy and the amendments also explain how to identify such policy. Accounting policy is material if it can influence decisions that the users of financial statements make on the basis of the financial statements. The Group is currently assessing the impact that the Amendments to IAS 1 will have on the financial statements.

Non-current Liabilities with Covenants (Amendments to IAS 1) is effective for periods on or after 1 January 2024 and has not yet been endorsed by the EU. The amendment clarifies that a liability is classified as non-current when an entity has a right to defer settlement for at least 12 months after the reporting date. The right may be subject to an entity complying with conditions of a loan arrangement.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) is effective for periods on or after 1 January 2024 and has not yet been endorsed by the EU. The amendment specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction.

2.4 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

(1) Foreign currency translation

Items included in the financial statements of each of the Group's entities are initially measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the end of the reporting period. All differences are taken to Net gains/losses from financial instruments at fair value through profit or loss and foreign exchange (Net gains/losses from financial instruments at fair value through profit or loss onwards) in the statement of income with the exception of differences in derivatives that provide an effective hedge in the cash flow hedge of currency risk which are deferred in OCI until the hedged cash flow influences the statement of income, at which time they are recognised in the statement of income as well.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the end of the reporting period. Exchange differences from non-monetary financial assets at fair value through other comprehensive income are included in the fair value through OCI reserve in equity until the assets are derecognised, and then they are transferred to retained earnings.

The results and financial position of all the Group entities, which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- assets and liabilities at the year-end exchange rates;
- income and expenses at the average exchange rates for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised through OCI as a separate component of equity in the Foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken through OCI to the Foreign currency translation reserve. When a foreign entity is sold, such exchange differences are recognised in the statement of income as part of the gain or loss on sale.

(2) Financial instruments - recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument, except for "regular way" purchases and sales of financial assets (see below). A financial asset is derecognised from the 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 the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

When during the term of a financial asset there is a change in the terms and conditions, then the Group assesses whether the new terms are substantially different from the original terms indicating that the rights to the cash flows of the initial instruments have expired. In case the conclusion is that the terms are substantially different then the transaction is accounted for as financial asset derecognition, which requires derecognising the existing financial asset and recognising a new financial asset based on the revised terms. Conversely, when the Group assesses that the terms are not substantially different then the transaction is accounted for as financial asset modification. The Group considers, among others, these factors:

- Significant extension of the loan term,

- Significant change in the interest rate,
- Introduction of collateral or credit enhancement, which may have an impact on credit risk,
- If the borrower is in financial difficulty, whether the modification reduces contractual cash flows to amounts the borrower is able to pay.

The effect of modification is reflected in modification gain or loss in Impairment losses in the statement of income. The gross carrying amount of a previously recognised financial asset is recalculated in order to reflect renegotiated or otherwise modified contractual cash flows. For modified financial assets an assessment of whether there has been a significant increase in credit risk is based on comparing the PD at the reporting date (modified terms) and PD at initial recognition (unmodified terms). The significant increase in credit risk indicators (below) are used to determine whether the expected credit losses would be lifetime or 12-month expected credit losses. More information on forbearance measures can be found in 41.2 Credit risk.

A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The Group derecognises the original financial liability and recognise a new one when the new terms are substantially different. In assessing whether terms are different, the Group compares the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and 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 at least 10% or more then the Group derecognises the original financial liability and recognises a new one at fair value. Even if the difference is less than 10% the Group can derecognise financial liabilities if the two liabilities are qualitatively different (such as a change in currency, subordination or changes in prepayment clauses).

A "regular way" purchase or sale of a financial asset is one in which the delivery of the asset is made within the time frame generally established by regulation or convention of the particular market concerned. For all categories of financial assets the Group recognises "regular way" purchases and sales using settlement date accounting. Under settlement date accounting, a financial asset is recognised or derecognised in the statement of financial position on the day it is physically transferred to or from the Group ("settlement date"). The date on which the Group becomes a party to the contractual provisions of a financial asset purchase or the Group loses control of the contractual rights from a financial asset sale is commonly referred to as the "trade date". For financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, fair value movements between the "trade date" and "settlement date" in connection with purchases and sales are recognised in Net gains/losses from financial instruments at fair value through profit or loss and in the Fair value through other comprehensive income reserve, respectively. On the settlement date, a respective financial asset or liability is recognised in or derecognised from the statement of financial position.

(3) Financial instruments - initial recognition and subsequent measurement

Classification and measurement – financial assets

The classification of financial assets depends on the purpose for which the financial instruments were acquired and their cash flow characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition.

Classification and measurement – debt instruments

Debt instruments can be allocated into one of the following categories:

- 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).

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

- This category has three sub-categories: financial assets held for trading, financial assets mandatorily at fair value through profit or loss and financial assets designated at fair value through profit or loss (FVO);

Financial assets held for trading consist of derivatives held for trading and non-derivative financial assets held for trading.

- *Derivatives held for trading*

Derivatives include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency, interest rate and commodity options. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in Net gains/losses from financial instruments at fair value through profit or loss.

Changes in the clean fair value (fair value less any net interest accrual) of derivatives used as economic hedges are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Net interest income/expense from these derivatives is recorded in Net interest income on a deal by deal basis.

The derivatives used as economic hedges are derivatives, which do not meet the IFRS requirements for applying hedge accounting but which the Group Asset Liability Management department uses for decreasing the interest rate risk of the Group, and thus lowering net interest income volatility, i.e. for hedging purposes from an economic point of view.

The Group occasionally purchases or originates financial assets containing embedded derivatives. The entire hybrid asset is assessed whether its cash flows fulfil the definition of solely principal and interest from principal outstanding. If this criterion is met, the hybrid financial asset is not classified as at fair value through profit or loss.

In the case when a stand alone derivative does not qualify as a hedging derivative, it is classified as a trading derivative.

- *Financial instruments held for trading other than derivatives*

Financial assets held for trading other than derivatives are recorded in the statement of financial position at fair value. Changes in clean fair value are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Interest income is recorded in Net interest income using the nominal interest rate. Dividends received are recorded in Dividend income. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term.

- *Financial assets mandatorily at fair value through profit or loss*

Financial assets mandatorily at fair value through profit or loss are classified into this category if their contractual terms lead to contractual cash flows, which are not solely payments of principal and interest from principal outstanding. Financial assets that are managed on the basis of fair value are also classified into this category.

- *Financial assets designated at fair value through profit or loss (FVO)*

Financial assets designated at fair value through profit or loss are financial assets irrevocably designated at initial recognition as at fair value, although the asset otherwise meets the requirements to be measured at AC or at FVOCI. The Standard allows this classification if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in clean fair value are recorded in Net gains/losses from financial instruments at fair value through profit or loss. Interest income or expense is recorded in Other similar income or Other similar expense using the nominal interest rate.

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVO:

a. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
b. and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at fair value through other comprehensive income are measured at fair value. Unrealised gains and losses are recognised in the OCI reserve on an after-tax basis, until the financial asset is derecognised. When these assets are disposed of, the unrealised gain or loss recorded in the OCI reserve is reclassified to Net realised gains/losses on FVOCI financial assets. Interest income arising from FVOCI assets, calculated using the effective interest rate method, is recorded separately in Net interest income. The losses arising from the impairment of such investments are recognised in the statement of income in Impairment losses.

(iii) Financial assets at amortised cost (AC)

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated as at FVO:

a. the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at amortised cost are measured at amortised cost using the effective interest rate method, except in the case of a fair value hedge of items in this category, which have to be fair valued to the extent of the hedged risk. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in Interest income. The losses arising from the impairment of such investments are recognised in the statement of income in Impairment losses.

If the financial guarantee is both integral to the guaranteed loan and not recognised separately, fees paid for the guarantee are an integral part of the loan's effective interest rate as transaction costs. If the guaranteed loans are measured at amortised cost, the ability to recover cash flows from financial guarantee is considered in assessing whether significant increase in credit risk occurred, however, the expected cash flows from the financial guarantee are included in the measurement of ECL of the guaranteed loan.

Uncollectible loan is written off after all the necessary procedures for collecting the loan have been completed and the amount of the loss has been determined. A loan is deemed uncollectible when there are no reasonable expectations of recovering the asset and all of the criteria are fulfilled:

- the loan is classified as Irrecoverable;
- the gross carrying amount of the loan is reduced through 100% ECL;
- the debtor does not exist or best case recovery from the receivable is considered to be immaterial.

Subsequent recoveries of amounts previously written off are recorded in the statement of income in Impairment losses. As part of its treatment of defaulted loans, the Group can take over assets that were granted as collaterals. Upon repossession, the assets are valued at their presumed realisable value and booked in inventory.

Business model

The business model assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI. In performing the assessment, the Group reviews the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported the Board of Directors;
- 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 the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cash flows are solely payments of principal and interest (SPPI)

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 of time 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, the Group considers the contractual terms of the instrument at initial recognition. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets which could occur when the Group begins or ceases to perform an activity that is significant to its operations (e.g.: when the Group acquires, disposes of, or terminates a business line). The reclassification takes place from the start of the first reporting period following the change.

Classification and Measurement – equity instruments

Financial equity instruments are categorised in one of the following categories:

- Mandatorily measured at fair value through profit or loss (FVPL);
- Equity instruments elected for fair value through other comprehensive income (FVOCI).

The election is applicable to long-term, strategic investments. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis which is interpreted by the Group as share-by-share basis. Equity categorised in the FVOCI category is subsequently measured at fair value with all changes recognised in other comprehensive income and without any recycling into the statement of income even when the investments are disposed of. The only exception applies to the dividend income which is recognised in the statement of income under the line item "Dividend Income".

Classification and measurement – financial liabilities

The Group classifies financial liabilities into three categories.

(i) Financial liabilities held for trading

Financial liabilities held for trading include derivatives held for trading and non-derivative financial liabilities held for trading.

- *Derivatives held for trading*

Derivatives include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency, interest rate and commodity options. Changes in the fair value of derivatives held for trading are included in Net gains/losses from financial instruments at fair value through profit or loss.

Changes in the clean fair value (fair value less any net interest accrual) of derivatives used as economic hedges are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Net interest income/expense from these derivatives is recorded in Net interest income on a deal by deal basis.

The derivatives used as economic hedges are derivatives, which do not meet the IFRS requirements for applying hedge accounting but which the Group Asset Liability Management department uses for reducing the interest rate risk of the Group, and thus lowering net interest income volatility, i.e. for hedging purposes from an economic point of view.

In the case when the stand-alone derivative does not qualify as a hedging derivative, it is classified as a trading derivative.

- *Financial instruments held for trading other than derivatives*

Financial liabilities held for trading other than derivatives are recorded in the statement of financial position at fair value. Changes in clean fair value are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Interest expense is recorded in Net interest income using the nominal interest rate. A financial liability is classified in this category if acquired principally for the purpose of repurchasing in the near term.

(ii) Financial liabilities upon initial recognition designated by the entity at fair value through profit or loss

IFRS 9 allows measuring a (group of) financial liability(s) on initial recognition at fair value, whereby fair value changes are recognized in statement of income except for fair value changes related to the changes in own credit risk which are presented separately in OCI. The fair value designation is used by the Group for the following reasons:

- Managed on a FV basis: The Group designates a financial liability or group of financial liabilities and assets at fair value when these are managed and their performance is evaluated on a fair value basis.
- Accounting mismatch: Fair value option can be used when the use eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- Hybrid instruments: A financial instrument is regarded as a hybrid instrument when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely related embedded derivative from the host contract and then the entire hybrid instrument can be designated at fair value.

Financial liabilities designated upon initial recognition at fair value are measured at fair value, whereby fair value changes are recognized in statement of income.

Financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in clean fair value are recorded in Net gains/losses from financial instruments at fair value through profit or loss. Interest expense is recorded in Other similar expense using the nominal interest rate.

Changes in clean fair value due to own credit risk are presented separately in other comprehensive income (OCI). The remaining fair value change is reported in Net gains/losses from financial instruments at fair value through profit or loss. The amounts recognized in OCI relating to the own credit risk are not recycled to the statement of income even when the liability is derecognized and the amounts are realised.

ČSOB applies a zero credit premium for its own credit risk as it is one of the main market makers in the CZK interbank market and also it is one of six banks whose quotations determine the representative rate in the CZK interbank market (Fixing of interest rates in the interbank deposit market - PRIBOR). The rating of ČSOB and other major market makers on the CZK interbank market is at the same level. In view of the above, ČSOB does not have any premium on quoted rates when financing on the interbank market. Thus, the difference between ČSOB's financing rate and the "representative" rate on the interbank market is zero.

(iii) Financial liabilities measured at amortised cost

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

Financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, except in the case of a fair value hedge of items in this category, which have to be fair valued to the extent of the hedged risk. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(iv) 'Day 1' profit or loss

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument, or the fair value based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and the fair value (a Day 1 profit or loss) in the statement of income in Net gains/losses from financial instruments at fair value through profit or loss. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the statement of income when the inputs become observable, or when the instrument is derecognised.

(4) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date (repos) remain in the statement of financial position. The corresponding cash received is recognised in the statement of financial position in Financial liabilities held for trading or Financial liabilities at amortised cost, reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase price is recorded as Interest expense and is accrued over the life of the agreement.

Conversely, securities purchased under agreements to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. The corresponding cash paid is recognised in the statement of financial position in Financial assets held for trading or Financial assets at amortised cost. The difference between the purchase and resale price is recorded as Interest income and is accrued over the life of the agreement.

(5) Determination of fair value

The fair value of a 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 (i.e. an exit price). Financial instruments classified as financial assets and financial liabilities at fair value through profit or loss or at fair value through other comprehensive income are fair valued using quoted market prices if there is a published price quotation in an active market. For financial instruments that are not traded on an active market their fair values are estimated using pricing models utilising quoted prices of instruments with similar characteristics, discounted cash flows methods or other models. Those fair value estimation techniques are significantly affected by assumptions used by the Group including the discount rate, liquidity and credit spreads and estimates of future cash flows.

(6) Impairment of financial assets

Definition of default

The Group uses the same definition for defaulted financial assets as used for internal risk management purposes and it is in line with guidance and standards of the financial industry regulators. More on the definition is in the Credit risk section (Note: 41.2).

General model of expected credit losses

The model for impairment of financial assets is called the Expected Credit Loss model (ECL).

The scope of the ECL model is based on the classification of financial assets. The ECL model is applicable to the following financial assets:

- Financial assets measured at amortised cost;
- Debt instruments measured at fair value through the other comprehensive income;
- Loan commitments and financial guarantees;
- Finance lease receivables; and
- Trade and other receivables.

No expected credit losses are calculated for equity investments.

Financial assets that are in scope for the ECL model carry an amount of impairments equal to the life-time expected credit losses if the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance equals to an amount of 12 month expected credit losses (see below for the references to the significant increase in credit risk).

12-month expected credit losses are defined as the portion of lifetime expected credit losses that represent expected credit losses that result from defaults possible within 12 months after the reporting date. Lifetime expected credit losses are expected credit losses resulting from all possible defaults over the expected life of the financial asset.

To distinguish between the different stages with regards the amount of expected credit losses, the Group uses the internationally accepted terminology for stage 1, stage 2 and stage 3 financial assets.

All financial assets at initial recognition, unless they are already credit impaired, are classified at stage 1 and carry 12-month expected credit losses. Once a significant increase in credit risk since initial recognition occurs, the asset migrates to stage 2 and carries life-time expected credit losses. Once an asset meets the definition of default it migrates to stage 3.

The expected credit losses for trade and other receivables are measured as the life-time expected credit losses.

Impairment gains and losses on financial assets are recognised under the heading "Impairments" in the statement of income.

Financial assets that are measured at amortised cost are presented on the balance sheet at their carrying amount being the gross carrying amount minus loss allowances. Debt instruments measured at fair value through other comprehensive income are presented on the balance sheet at their carrying amount being the fair value at the reporting date. The adjustment for the expected credit losses is recognised as a reclassification adjustment between the statement of income and the other comprehensive income.

Significant increase in credit risk (SICR) since initial recognition

In accordance to the ECL model, a financial asset attracts life-time expected credit losses once the credit risk has increased significantly since initial recognition; therefore the assessment of the significant increase in credit risk defines the staging of financial assets. The main indicators of the significant increase in credit risk are:

- Internal rating or behavioural score
- Past due information
- Changes in business, financial or economic conditions
- Expected changes to contractual framework
- External market indicators of credit risk
- Regulatory, economic and technological environment
- Change in credit management approach

The assessment of a significant increase in credit risk is a relative assessment based on the credit risk that was assigned at initial recognition. This is a multi-factor assessment, and, thus the Group has developed a multi-tier approach (MTA).

Multi-Tier Approach - Bond portfolio

For the bond portfolio the MTA consists of three tiers:

- Low credit exception: Bonds always carry 12-months expected credit losses if they have a low credit risk at the reporting date (i.e. stage 1). The Group uses the low credit risk exception for bonds which are graded as investment grade.
- 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. Financial assets are transferred from Stage 1 to Stage 2 if the internal rating at the reporting date is at least two PD notches higher than at initial recognition (or 400% in case of pooled portfolios). The Group makes the assessment on a facility level at each reporting period. Financial instruments for which the internal credit rating at reporting date corresponds to a PD9, including those which were originated in that rating, are automatically assigned to Stage 2. For these financial instruments, the internal credit rating at reporting date is not compared to the internal credit rating at initial recognition. For pooled portfolios, this corresponds to an internal credit rating of 12.8% and higher (i.e. the lower bound of the PD9 category).
- Management assessment: Finally management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

If the triggers do not result in a migration to stage 2, then 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.

The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the cause of the transfer ceases to exist.

Multi-Tier Approach - Loan portfolio

For the loan portfolio the Group uses a five-tier approach. This MTA is a waterfall approach, i.e. if after assessing the first Tier, does not 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 migrations 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. Financial assets are transferred from Stage 1 to Stage 2 if the internal rating at the reporting date is at least two PD notches higher than at initial recognition (or 400% in case of pooled portfolios). The Group makes the assessment on a facility level at each reporting period. Financial instruments for which the internal credit rating at reporting date corresponds to a PD9, including those which were originated in that rating, are automatically assigned to Stage 2. For these financial instruments, the internal credit rating at reporting date is not compared to the internal credit rating at initial recognition. For pooled portfolios, this corresponds to an internal credit rating of 12.8% and higher (i.e. the lower bound of the PD9 category).
- 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: The Group uses the backstop described in the standard. A financial asset that has more than 30 days past due, migrates to stage 2.
- Internal rating backstop: The Group uses an absolute level of PD as a backstop for financial assets to migrate to stage 2. This backstop corresponds to the highest PD (i.e. PD9 based on the Group 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.

The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the cause of the transfer ceases to exist.

Measurement of expected credit losses

The expected credit losses are calculated as the product of:

- probability of default (PD) reflecting the probability of borrower defaulting on its credit facility over the next 12 months (12M PD) or over the lifetime (Lifetime PD),
- estimated exposure at default (EAD) relates to the expected credit risk exposure for a facility at the moment of a potential default event over the next 12 months (12m EAD) or over its entire remaining lifetime (Lifetime EAD), and
- loss given default (LGD) reflecting the Group´s expectation of the loss as a percentage of the exposure at default (EAD). 12M LGD reflects the percentage loss if the default event occurs over the next 12 months and Lifetime LGD is the percentage loss if the default occurs over the remaining lifetime.

The expected credit losses are calculated in a way that reflect:

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

The life-time expected credit losses represent the sum of the expected credit losses over the life time of the financial asset discounted at the original effective interest rate. A correction is also introduced by a factor that corrects for potential prepayments, since the potential for prepayments reduces the expected lifetime of a facility and hence the probability of having a default event during this expected lifetime. Given the fact that prepayments are limited to products with a contractual repayment scheme and that often different prepayment rates can be observed by product type, prepayments are modelled by facility type.

The 12 months expected credit losses represent the portion of the life time expected credit losses that results from a default in 12-month period after the reporting date.

The Group uses specific IFRS 9 models for PD, EAD and LGD to calculate expected credit losses. To the extent possible The Group uses similar modelling techniques that have been developed for prudential purposes (i.e. Basel models) for efficiency purposes. The Group ensures that the Basel models are adapted to be in compliance with IFRS 9, for example:

- The Group removes the conservatism which is required by the regulator for Basel models
- The Group 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).
- The Group applies forward looking macroeconomic information in the models.

The Group also considers three different forward looking macro-economic scenarios with different weights in the calculation of expected credit losses. The base case macro-economic scenario represents the Group’s estimations for the most probable outcome and it also serves as a primary input for other internal and external purposes.

The forecasts of variables used in the scenarios are provided by the Group chief economist on a quarterly basis. An expert judgement is required to assess the impact of the variables on PD, EAD and LGD and is carried out by using linear regression analysis. This approach should be carried out on an appropriate level of granularity (e.g. by industry sector). Aspects that could not be incorporated in the model (e.g. because macroeconomic parameters may not have shown much variation, or only an increase/decrease in the period covered by the data) may still be incorporated in the final ECL figures through ‘management overlay’.

The maximum period for measurement of the expected credit losses is the maximum contractual period (including extensions) with the exception of specific financial assets which include a drawn and an undrawn amount available on demand which is not limited the exposure to the contractual period. Only for such assets a measurement period can extend beyond the contractual period.
In the Group, the credit revolving facilities have either fixed maturity or notice period. The notice period could be either with stated maturity or without maturity. The maturity of these products is further used in estimation of ECL.

Life-time for revolving facilities was investigated within implementation of IFRS 9 standard. The life-time depending on business segment has been implemented in IFRS 9 ECL models through the prepayment survival component of the models. Prepayment survival component can be interpreted as the probability for a revolving facility of not being fully prepaid by the end of year. The probability is estimated amount weighted using usually through-the-cycle time series of historical data and statistical methods. The life-time ECL for facilities with significant risk increase (Stage 2) is calculated as a sum of ECLs in individual years. The particular ECLs decrease in time due to existence of prepayment survival component for such facilities. Usually it is close to zero after 8 years. Performance of ECL models is regularly back-tested and prepayment survival components are ones of the best performing among other ECL model components.

The ECL for loan commitments and guarantees are presented as provisions in the statement of financial position. If a financial asset contains both a loan (a drawn component) and an undrawn loan commitment, the ECL is determined for both the drawn and undrawn part. The entire ECL amount is presented within Impairment losses.

Purchased or Originated Credit Impaired (POCI) assets

The Group defines POCI assets as financial assets in scope of the IFRS 9 impairment which at origination are already defaulted (i.e. meet the definition of default).

POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit adjusted effective interest rate. In subsequent period any changes to the estimated lifetime expected credit losses are recognised in the consolidated statement of income. Favourable changes are recognised as an impairment gain even if the lifetime expected credit losses at the reporting date is lower than the estimated lifetime expected credit losses at origination.

Interest income from assets impaired at initial recognition (POCI) is based on amortised cost (gross carrying amount minus impairment).

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due, however, the rating of the client cannot be improved only based on the restructuring. The management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject of an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(7) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

(8) Hedge accounting

The Group decided to use the option in IFRS 9 to continue with hedge accounting under IAS 39 and to await further developments at the IASB regarding macro hedging.

The Group uses instruments, designated as hedging instruments as cash flow hedges or fair value hedges to manage the Group's interest rate risk or foreign currency risk. Cash flow hedges and fair value hedges are used to minimise the variability in cash flows of interest-earning assets or interest-bearing liabilities or anticipated transactions caused by interest rate fluctuations or to minimise the variability in the fair value of asset or liability, which could affect the statement of income. Hedge accounting is used for derivatives and other financial instruments designated in this way provided certain criteria are met. The Group's criteria for the application of hedge accounting include:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented at inception showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period;
- the hedge is highly effective on an ongoing basis. The hedge is considered to be highly effective if the Group achieves offsetting changes in cash flows between 80% and 125% for the risk being hedged.

The Group has complied with the amended standard, taking into account the ‘carved out’ parts as approved by the European Commission.

(i) Cash flow hedges

The effective portion of the change in fair value of a cash flow hedging derivative is recorded in the Cash flow hedge reserve. The ineffective portion is recorded directly in Net gains/losses from financial instruments at fair value through profit or loss. Amounts in the Cash flow hedge reserve are reclassified into the statement of income in a manner consistent with the earnings recognition pattern of the underlying hedged item. If a cash flow hedge is terminated or the hedge designation removed the related remaining amounts in the Cash flow hedge reserve are reclassified into the statement of income in the same period during which the hedged item affects income. If the hedged anticipated transaction is no longer expected to occur the related remaining amounts in the Cash flow hedge reserve are recognised immediately in the statement of income.

(ii) Fair value hedges

For designated and qualifying fair value hedges, the change in clean fair value of a hedging instrument is recognised in Net gains/losses from financial instruments at fair value through profit or loss. Related interest income/expense from the hedging instrument is recorded in Net interest income. Meanwhile, the change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged financial asset at fair value through other comprehensive income or on a separate line Fair value adjustments of the hedged items in portfolio hedge if the hedged item is financial asset or liability measured at amortised cost. The change in fair value of the hedged item and is also recognised in the statement of income in Net gains/losses from financial instruments at fair value through profit or loss. If the hedging instrument expires, is sold, terminated or exercised or if the hedge is not assessed as effective any more, then the hedge accounting is discontinued.

For fair value hedges relating to items carried at amortised cost, any adjustment to the carrying value is amortised through the statement of income over the remaining term of the hedge using the effective interest rate method. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of income.

(9) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(10) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The lessee has the right to control the use of the asset and to obtain substantial economic benefits from its use.

The Group has used exceptions from the scope of the standard to:

- Short-term leases - for lease contracts shorter than one year
- Low-value leases of assets - for individual assets of less than EUR 5,000
- Intangible asset leases - when the Group acts as a lessee.

(i) The Group company as a lessee

The lessee accounts for the right to use the asset and the lease liability at the commencement of the lease. The Group enters the leasing contracts in respect of branch network buildings and IT hardware equipment.

The lease liability is initially measured at the present value of future lease payments and is subsequently increased by the interest calculated on the basis of the implicit interest rate or the incremental borrowing rate, based on internal fund transfer pricing rates, and reduced by lease payments. Interest is recognized as Other similar expense in the statement of income.

Lease payments consist of fixed payments less lease incentives, variable payments (linked to an index or a rate), payments in connection with guaranteed residual value, penalties for terminating the lease and exercise price for purchase options if it is probable that the options will be exercised.

The Group treats the lease as one single lease if the non-lease component is less than 10% of total lease. Similarly, if the lease component is less than 10%, the whole contract is considered as a non-lease contract.

The right to use the asset is initially recognized at cost and measured using the cost method. The cost of a right-of-use asset is based on the initial measurement of a lease liability and is further adjusted by any lease payments made at or before the commencement date and by lease incentives and direct costs incurred. Right-of-use assets are recognized in Property and equipment, in the sections of Buildings, IT equipment and Other. The depreciation period corresponds to the asset useful life or the useful life of the right of use. The right-of-use asset is tested for impairment.

Indefinite term leases are limited to the earliest date on which the contract can be terminated by the lessee or the lessor, or is limited to a maximum of 10 years, which is based on useful life of underlying assets and their depreciation plan. For fixed-term contracts the useful life of right of use corresponds to the contract length. If a fixed-term contract includes options, the useful life with options included is limited to 10 years.

Total payments made for operating leases with the application of exceptions (short-term rental, low-value lease of assets and rental of intangible assets) are charged to the consolidated statement of income on an accrued basis.

(ii) Group company as a lessor

Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are reflected as Finance lease receivables in the statement of financial position. A receivable is recognised over the leasing period at an amount equalling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in Other similar income in the statement of income.

Leases, in which the Group does not transfer substantially, all the risks and benefits of ownership of the asset, are classified as operating leases. The Group leases out certain of its properties under operating leases, thus generating rental income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Rental income, as well as depreciation and other expenses relating to operating lease assets are reported separately in the consolidated statement of income under Income or Expense from operating lease.

(11) Recognition of income and expenses

(i) Interest income and expense

For all financial instruments in Stage 1 and 2 measured at amortised cost and interest bearing financial instruments classified as financial assets at fair value through other comprehensive income, interest income or expense is recorded using the effective interest rate method on their gross carrying amount.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on financial assets that are not purchased or originated credit-impaired, but subsequently have become credit-impaired financial assets, should be based on the amortised costs in subsequent periods.

Interest income from assets impaired at initial recognition (POCI) is based on the effective interest rate adjusted for credit risk on initial recognition.

Interest income and expense of interest-bearing financial assets at fair value through OCI and hedging derivatives are also recognised in the caption using the effective interest rate method.

(ii) Fee and commission income

Most net fee and commission income relates to the services that the Group provides to its customers. For the recognition of revenue, the Group identifies the contract and defines the performance obligations in the transaction. Revenue is recognised at a point in time when the Group has satisfied the performance obligation.

Fees and commissions that are not an integral part of the effective interest rate are generally recognised on a straight line basis as the services have been rendered, when a client simultaneously receives and consumes benefits provided (recurring account maintenance fees or custody fees, for example).

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised at a point in time, when the Group satisfies its performance obligation, usually upon execution of the underlying transaction.

Payment services (incl. network income), where the Group charges customers for certain current account transactions, domestic or foreign payments, payment services provided through ATMs, etc., are usually settled when the actual transaction is carried out, enabling the relevant fee to be recognised directly at that time.

Recognition of management advisory and service fees is based on the applicable service contracts. Asset management fees relating to investment funds are accrued over the period for which the service is provided and only to the extent, where a significant reversal of revenue is not probable.

Distribution fee income, such as commissions from sales of insurance products, are based on the applicable contract and revenue is recognised when the performance obligation is satisfied.

The Group operates a customer loyalty programme through which retail customers can accumulate points and the points can be used to claim discounts on products or services. The promise to provide discount to the customer is a separate performance obligation. A liability is recognised for the points expected to be redeemed. Revenue from the awarded points is recognised when the points are redeemed or when they expire.

(iii) Dividend income

Income is recognised when the Group's right to receive a payment is established.

(iv) Net gains / losses from financial instruments at fair value through profit or loss

Net gains / losses from financial instruments at fair value through profit or loss include all gains and losses from changes in the clean fair value of financial assets and financial liabilities held for trading and those designated at fair value through profit or loss except for trading derivatives that are not used as economic hedges, where the interest income/expense is also included. This caption also includes net gains from fair value hedging constructions (revaluation of hedging and hedged items) and any ineffectiveness recorded in cash flow hedging transactions.

(12) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including: cash and balances with central banks, loans and advances (measured at amortised cost) to credit institutions and central banks and financial liabilities at amortised cost to credit institutions and central banks. Only highly liquid transactions contracted with general government bodies (reverse repo / repo operations, if any) are assessed by the Group as cash equivalents.

(13) Investments in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of associates and joint ventures' in the statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(14) Property and equipment

Property and equipment includes Group occupied properties, IT and communication and other machines and equipment.

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation and impairment if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	30 years
IT equipment	3 years
Office equipment	10 years
Other	4-30 years

Gains and losses on disposals are determined by comparing the proceeds received in the transaction with the carrying amount of the asset. The resulting gains and losses are included as a net amount in Other net income.

Property and equipment contains right-of-use assets in Buildings and IT equipment. They are depreciated over their useful lives or, if earlier, the end of lease term.

Property and equipment is reviewed for impairment at the end of each reporting period 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 value in use.

When it is highly probable that an asset will be sold, the asset is classified in Non-current assets held-for-sale at the lower of its carrying amount and fair value less costs to sell.

(15) Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the total of the fair values of assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Non-controlling interests in the acquirees are measured at the proportionate share of the acquiree's recognised net identifiable assets. Any acquisition-related costs are recognised in the statement of income when they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill as of the acquisition date is measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net of the identifiable assets acquired and the liabilities assumed at the date of acquisition.

If a bargain purchase is made, in which the net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed is larger than the aggregate of the consideration transferred and the amount of non-controlling interest in the acquiree, the resulting gain is recognised in the statement of income at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit which is expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment losses relating to goodwill cannot be reversed in future periods.

The pooling of interest method of accounting is used to account for the business combination of entities or businesses under common control. It means a business combination in which all of the combining entities or businesses are ultimately controlled by the same party both before and after the business combination.

The assets and liabilities of the combining entities are reflected at their carrying amounts and no new assets and liabilities are recognised at the date of combination. No new goodwill is recognised as a result of the combination.

Any difference between the consideration paid and the carrying amounts of assets and liabilities acquired is reflected through equity.

The consolidated statement of income reflects the results of the combining entities only since the date, when the control was obtained by the Group.

(16) Intangible assets

Intangible assets include software, licences, customer relationship and other intangible assets. A core system is a large-scale software application that performs important strategic group objectives.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred (Note: 2.5).

Intangible assets are carried at cost less accumulated amortisation and impairment, if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The amortisation of software and other intangible assets is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, as follows:

Core systems	8 years
Other software	5 years
Other intangible assets	5 years

Amortisation of the customer relationship is calculated using the diminishing balance method over its economic useful life. The economic useful life is the period over which the Group receives significant cash flows from the intangible assets.

Gains and losses on disposals are determined by comparing proceeds received in the transaction with the carrying amount of the assets. The resulting gains and losses are included as a net amount in Other net income.

(17) Financial guarantees

In the ordinary course of business, the Group provides financial guarantees consisting of letters of credit and letters of guarantee. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. At the end of each reporting period, financial guarantees are measured in the financial statements at the higher of the amortised premium and the loss allowance, which is based on expected credit loss. Fees are recognised in the statement of income in Fee and commission income. Any increase or decrease in the provision relating to financial guarantees is included in Impairment losses.

(18) Loan commitments

The Group issues commitments to provide loans and these commitments can be irrevocable or revocable. The loan commitments are initially measured at fair value, which is normally evidenced by the amount of fees received. One-off fees are charged directly into the statement of income, other fees are booked to the statement of income on accrued basis. The ECL for loan commitments and guarantees are presented as provisions in the statement of financial position. If a financial asset contains both a loan (a drawn component) and an undrawn loan commitment, the ECL is determined for both the drawn and undrawn part. The entire ECL amount is presented within Impairment losses.

(19) Employee benefits

Retirement benefits

Pensions are provided by the Czech Republic to resident employees financed by salary-based social security contributions of the employees and their employers.

Certain Group companies contribute to a defined contribution retirement benefit scheme for participating employees, in addition to the employer social security contributions required by the law in the Czech Republic. Contributions are charged to the statement of income as they are made.

Termination benefits

Employees dismissed by their employer are entitled to termination benefits equal to or less than three times the employees's month's average salary in accordance with the Czech employment law. Employees employed over ten years are entitled to additional termination benefits, which are scaled in accordance of the years of service. Termination benefits are recognised in the statement of income based on the approval of the restructuring programme implementation.

(20) Provisions

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

(21) Income tax

There are two components of income tax expense: current and deferred. Current income tax expense approximates amounts to be paid or refunded for taxes for the appropriate period.

Deferred tax assets and liabilities are recognised due to differences between the tax bases of assets and liabilities and their respective carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and the taxable profit will be available against which the temporary differences can be utilised.

All deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are offset in the financial statements where a right of set-off exists.

Deferred tax related to the fair value movements of cash flow hedges and financial assets at fair value through other comprehensive income, which are charged or credited to OCI, is also credited or charged to OCI and is subsequently recognised in the statement of income together with the deferred gain or loss.

The Group records a net deferred tax asset under Deferred tax assets and a net deferred tax liability under Deferred tax liabilities for each separate consolidated entity.

(22) Share capital and reserves

The issued capital (registered, subscribed and paid) as at the end of the reporting period is accounted for at an amount recorded in the Commercial register.

The statutory reserve fund is accumulated in compliance with the Statutes of the Bank and its use is limited by the Articles of association or Statutes. The fund is distributable based on the decision of the Board of Directors.

Dividends are recognised after they have been ratified by the resolution of the sole shareholder.

(23) Fiduciary activities

The Group commonly acts in fiduciary activities that result in the holding or placing of assets on behalf of individuals and institutions. The assets and income arising there on are excluded from these financial statements, as they are not assets of the Group.

(24) Operating segments

Operating segments are components of the Group that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed on the Group level to assess their performance. Discrete information is available for each operating segment.

2.5 Comparative balances

Presentation of net interest income accrued on economic hedging derivatives

In 2022, the Group made a change in the accounting policy related to presentation of interest component of the FX derivatives held in the banking book for economic hedging purposes, which do not qualify for application of hedge accounting under IFRS. Interest components of these derivatives are reported within Net interest income on the lines Other similar income or Other similar expense, based on net results of the derivatives, instead of Net gains from financial instruments at fair value through profit or loss.

This solution was adopted to avoid an asymmetric presentation as the interest accrual of the underlying transactions is also presented within Net interest income and to align presentation of FX derivatives with other interest-based derivatives held in the banking book. The Group adopted the change to be consistent with the presentation of the parent KBC Group and to provide more relevant and useful information about the results of the economic hedging derivatives, resulting in an increase of comparability among comparative reporters in the market.

The table below shows the changes in the Consolidated statement of income for the year ended 31 December 2021:

(CZKm)	At 31 December 2021 As reported	Reclassification	At 31 December 2021 Reclassified
Other similar expense	(1,840)	(1,410)	(3,250)
Net interest income	24,310	(1,410)	22,900
Net gains / (losses) from financial instruments at fair value through profit or loss and foreign exchange	2,289	1,410	3,699

3. SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

The scope of the consolidation includes 27 companies. Ownership of the Group (%) in significant companies was as follows:

Name	Abbreviation	Country of incorporation	% 2022	% 2021
Subsidiaries				
Bankovní informační technologie, s.r.o.	BANIT	Czech Republic	100.00	100.00
ČSOB Stavební spořitelna, a.s.	ČSOBS	Czech Republic	100.00	100.00
ČSOB Advisory, a.s.	ČSOB Advisory	Czech Republic	100.00	100.00
ČSOB Factoring, a.s.	ČSOB Factoring	Czech Republic	100.00	100.00
ČSOB Leasing, a.s.	ČSOB Leasing	Czech Republic	100.00	100.00
ČSOB Pojišťovací makléř, s.r.o.	ČSOB Pojišťovací makléř	Czech Republic	100.00	100.00
ČSOB Penzijní společnost, a. s., a member of the ČSOB group	ČSOB PS	Czech Republic	100.00	100.00
Hypoteční banka, a.s.	Hypoteční banka	Czech Republic	100.00	100.00
Patria Corporate Finance, a.s.	Patria CF	Czech Republic	100.00	100.00
Patria Finance, a.s.	Patria Finance	Czech Republic	100.00	100.00
Radlice Rozvojová, a.s.	Radlice Rozvojová	Czech Republic	100.00	100.00
Skip Pay s.r.o. (formerly MallPay s.r.o.)	Skip Pay	Czech Republic	100.00	50.00
Ušetřeno.cz s.r.o.	Ušetřeno	Czech Republic	100.00	100.00
K&H Pénzforgalmi Szolgáltató Korlátolt Felelősségű Társaság	K&H Payment Services	Hungary	100.00	100.00
Joint venture				
Igluu s.r.o.	Igluu	Czech Republic	50.00	50.00
Associates				
ČSOB Pojišťovna, a.s., a member of the ČSOB holding	ČSOB Pojišťovna	Czech Republic	0.24	0.24

Acquisition of the remaining share in Skip Pay (formerly MallPay)

On 30 March 2022, ČSOB reached agreement to acquire remaining share in MallPay from Titancoin International a.s. for a consideration of CZK 130 m. Until 31 March 2022, MallPay was included into the consolidated financial statements of the Group as a joint-venture using equity valuation of the interest. Based on the transaction, ČSOB has assumed 100% ownership control over MallPay and, as a consequence, MallPay lost its status of joint-venture and became a ČSOB's subsidiary. As a result, the Group started including MallPay into the consolidated financial statements using full method of consolidation since 1 April 2022.

All existing assets and liabilities, as well as new identifiable assets and liabilities of MallPay, were included into the consolidated statement of financial position of the Group at their fair value line-by-line. The excess of the aggregate of consideration transferred and fair value of the previously held equity interest over the fair value of the identifiable assets acquired and the liabilities assumed at the date of the acquisition represents goodwill.

Set out below is an analysis of the financial effect of the business combination of MallPay into the consolidated financial statements of the Group:

Assets acquired and liabilities assumed

(CZKm)	1 April 2022
ASSETS	
Cash and other demand deposits	6
Financial assets at amortised cost	67
Intangible assets	108
Other assets	3
Total assets	**184**
LIABILITIES	
Financial liabilities at amortised cost	62
Tax liabilities	18
Other liabilities	14
Total liabilities	**94**
Total identifiable net assets	**90**
Goodwill	117
Fair value of net assets acquired	**207**

There is no contingent consideration resulting from the transaction.

In October 2022, MallPay changed its registered company name to Skip Pay.

In December 2022, goodwill recognized at the acquisition date in the amount of CZK 117 m was fully impaired based on the result of the impairment test.

Change of a consolidation method of Igluu

In 2021, ČSOB together with Gobii Europe founded a new company Igluu. Igluu is a company providing web services to its customers as well as to brokers on real estate market and is controlled jointly by both interest holders. Until the end of 2021, Igluu was excluded from the consolidation scope of the ČSOB Group from the materiality reasons. In 1Q 2022, ČSOB included Igluu into the consolidated financial statements of the Group as a joint venture using equity method of consolidation in the amount of CZK 25 m.

Consolidation of K&H Payment Services

In 2019, ČSOB established a 100% owned subsidiary K&H Pénzforgalmi Szolgáltató Korlátolt Felelősségű Társaság (K&H Payment Services) in Budapest to operate payment services for the Hungarian customers. The initial investment of the Bank into the share capital of K&H Payment Services amounted to CZK 3m. The entity became material in 2021 when K&H Payment Services purchased a part of the former business of K&H Bank. Accordingly, the investment of ČSOB into the equity of the entity was increased up to CZK 342 m already in 2020. K&H Payment Services was included into the consolidated financial statements of the Group using full method of consolidation in 2021. For the first-time consolidation, a pooling of interest method was applied, i.e. assets and liabilities of the entity at their carrying amounts have been recognized in the consolidated statement of financial position. A difference between the purchase price and net asset value of the entity has been recognized directly in the consolidated equity at 31 December 2021.

Merger of Ušetřeno Finanční služby and Top-Pojištění.cz.s.r.o. (further Top-Pojištění)

Until the end of 2020, Ušetřeno.cz s.r.o., as a 100% subsidiary of ČSOB Bank providing intermediation services to retail clients in the field of energy and telecommunication via online acquisition of clients' demand, had financial investments in two entities: Ušetřeno.cz Finanční služby, a.s. and Top-Pojištění.cz s.r.o. Ušetřeno Finanční služby was subconsolidated together with Ušetřeno into the Group's figures since the date of acquisition, because of material goodwill and intangible asset recognized on the Group level and expected cash-flows generated by both companies. Top-Pojištění has never been consolidated due to immateriality.

In January 2021, Ušetřeno Finanční služby merged with Top-Pojištění. A successor company Ušetřeno s.r.o. was assessed as not material. As a result, the entity has not been included into the consolidated financial statements and reported as an investment with insignificant impact, measured at fair value in the consolidated financial statements of the Group at 31 December 2021.

As a result of the sale of significant part the ČSOB's participation in ČSOB Pojišťovna in 2012, the Group's ownership interest in ČSOB Pojišťovna is 0.24%. While, based on the Agreement on the exercise of voting rights, the Group is entitled to a total of 40% of the voting rights in ČSOB Pojišťovna. Thus, ČSOB Pojišťovna is still assessed to be an associated company of the Bank (Note: 21).

Ownership in other companies corresponds with the share of voting rights.

4. SEGMENT INFORMATION

The Group's primary segment reporting is by customer segment.

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting (controlling) structure. For each of the strategic business units, the Group's management reviews internal management reports on a quarterly/monthly basis.

Management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income tax is allocated to operating segments, but is managed on a Group basis.

Definitions of customer operating segments:

Retail: Private individuals and entrepreneurs, except of private banking customers that are reported as a part of Relationship services. This segment contains customers' deposits, consumer loans, overdrafts, payment solutions including payment cards and other transactions and balances with retail customers. Margin income from operations with retail clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions and trading with bonds). Net fee and commission income of this segment contains payment services, administration of credits, network income, distribution and other fees.

Relationship services: Corporate companies with a turnover of greater than CZK 300 m, SME companies with a turnover of less than CZK 300 m, private banking customers with financial assets above CZK 10 m, financial and public sector institutions. This segment contains customers' deposits, loans, overdrafts, payment solutions including payment cards, leasing and other transactions and balances with corporate, SME customers and private banking customers. Margin income from the operations with corporate, SME clients and private banking clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions or trading with bonds). Net fee and commission income of this segment contains payment services, administration of credits, network income, securities, custody, retail service fees, distribution and other fees.

Financial markets: This segment contains investment products and services to institutional investors and intermediaries and fund management activities and trading included in dealing services, mutual funds and pension funds and asset management. Net fee and commission income of this segment contains securities and custody fees and asset management income fees and commissions to agents.

Home financing: This segment contains mortgages, building savings and building savings loans. Net fee and commission income of this segment contains administration of credits and distribution fees.

Group Centre: The Group Centre segment consists of positions and results of Asset Liability Management (ALM), the Group's yield on real equity consisting of an interest charge on capital provided to subsidiaries which are a part of the Relationship services and Home financing segment, the results of the reinvestment of free equity of ČSOB and items not directly attributable to other segments. Net fee and commission income of this segment contains payment services and other fees.

Comparative figures in the statement of income for 2021 were reclassified to reflect change of the presentation of interest accruals for FX derivatives (Note: 2.5). This reclassification impacted Net interest income and Net gains / (losses) from financial instruments at fair value through profit or loss in segment of Financial markets.

Segment reporting information by customer segments for 2022

(CZKm)	Retail	Home financing	Relationship services	Financial markets	Group Centre	**Total**
Statement of income						
Net interest income	10,435	5,635	11,691	1,335	1,966	**31,062**
Net fee and commission income	1,922	646	3,663	1,233	577	**8,041**
Dividend income	-	-	-	2	16	**18**
Net gains / (losses) from financial instruments at fair value through profit or loss	108	(229)	2,026	751	951	**3,607**
Net realised gains on financial instruments at fair value through other comprehensive income	-	-	-	-	-	**-**
Income from operating lease	-	-	1,253	-	-	**1,253**
Expense from operating lease	-	-	(1,081)	-	-	**(1,081)**
Net increase in provisions for legal issues and other losses	-	-	-	-	(3,652)	**(3,652)**
Other net income	74	34	57	21	1,041	**1,227**
Operating income	**12,539**	**6,086**	**17,609**	**3,342**	**899**	**40,475**
of which:						
External operating income	*501*	*13,920*	*8,748*	*3,342*	*13,964*	***40,475***
Intersegment operating income	*12,038*	*(7,834)*	*8,861*	*-*	*(13,065)*	***-***
Depreciation and amortisation	(23)	(396)	(51)	(77)	(2,114)	**(2,661)**
Other operating expenses	(7,066)	(1,645)	(4,579)	(814)	(5,222)	**(19,326)**
Operating expenses before impairment losses	**(7,089)**	**(2,041)**	**(4,630)**	**(891)**	**(7,336)**	**(21,987)**
Impairment losses	(80)	83	(1,443)	-	(57)	**(1,497)**
Share of profit of associates and joint ventures	5	-	-	-	(35)	**(30)**
Profit before tax	**5,375**	**4,128**	**11,536**	**2,451**	**(6,529)**	**16,961**
Income tax expense	(1,486)	(789)	(2,487)	(463)	2,835	**(2,390)**
Segment profit	**3,889**	**3,339**	**9,049**	**1,988**	**(3,694)**	**14,571**
Assets and liabilities						
Segment assets	36,760	507,068	332,500	115,526	813,656	**1,805,510**
Investment in associates and joint ventures	22	-	-	-	44	**66**
Non-current assets held-for-sale	-	-	18	-	23	**41**
Total assets	**36,782**	**507,068**	**332,518**	**115,526**	**813,723**	**1,805,617**
Total liabilities	**552,139**	**129,156**	**544,914**	**127,434**	**350,996**	**1,704,639**
Capital expenditure	**290**	**202**	**408**	**84**	**1,826**	**2,810**

Segment reporting information by customer segments for 2021

(CZKm)	Retail	Home financing	Relationship services	Financial markets	Group Centre	**Total**
Statement of income						
Net interest income	7,066	3,242	8,780	714	3,098	**22,900**
Net fee and commission income	2,166	647	3,474	1,032	509	**7,828**
Dividend income	-	-	-	1	16	**17**
Net gains / (losses) from financial instruments at fair value through profit or loss	63	(420)	1,768	1,448	840	**3,699**
Net realised gains on financial instruments at fair value through other comprehensive income	-	-	-	-	1	**1**
Income from operating lease	-	-	1,632	-	-	**1,632**
Expense from operating lease	-	-	(1,470)	-	-	**(1,470)**
Net decrease in provisions for legal issues and other losses	-	-	-	-	177	**177**
Other net income	100	181	84	13	562	**940**
Operating income	**9,395**	**3,650**	**14,268**	**3,208**	**5,203**	**35,724**
of which:						
External operating income	*4,082*	*8,659*	*11,820*	*3,208*	*7,955*	*35,724*
Intersegment operating income	*5,313*	*(5,009)*	*2,448*	*-*	*(2,752)*	*-*
Depreciation and amortisation	(20)	(393)	(53)	(71)	(1,805)	**(2,342)**
Other operating expenses	(6,279)	(1,711)	(4,171)	(616)	(4,715)	**(17,492)**
Operating expenses before impairment losses	**(6,299)**	**(2,104)**	**(4,224)**	**(687)**	**(6,520)**	**(19,834)**
Impairment losses	181	991	2,343	-	(262)	3,253
Share of profit of associates and joint ventures	4	-	-	-	(68)	**(64)**
Profit before tax	**3,281**	**2,537**	**12,387**	**2,521**	**(1,647)**	**19,079**
Income tax expense	(1,005)	(478)	(2,543)	(484)	1,591	**(2,919)**
Segment profit	**2,276**	**2,059**	**9,844**	**2,037**	**(56)**	**16,160**
Assets and liabilities						
Segment assets	34,712	505,817	315,790	60,266	888,777	**1,805,362**
Investment in associates and joint ventures	20	-	-	-	77	**97**
Non-current assets held-for-sale	-	-	20	-	-	**20**
Total assets	**34,732**	**505,817**	**315,810**	**60,266**	**888,854**	**1,805,479**
Total liabilities	**524,360**	**145,738**	**477,947**	**85,341**	**454,715**	**1,688,101**
Capital expenditure	**200**	**358**	**360**	**55**	**2,606**	**3,579**

Interest income and interest expense are not presented separately since the Group assesses the performance of the segments primarily on the basis of the net interest income.

Intersegment transactions are transactions conducted between the different primary segments on an arm's length basis.

The Group operates predominantly in the Czech Republic.

5. INTEREST INCOME

(CZKm)	2022	2021
Interest income on financial instruments calculated using effective interest rate method		
Cash, balances with central banks and other demand deposits	1,880	225
Financial assets at amortised cost, incl. assets pledged as collateral		
Credit institutions	47,559	9,497
Other than credit institutions	32,507	22,256
Financial assets at fair value through other comprehensive income, incl. assets pledged as collateral	281	346
Derivatives used for hedging (Note: 8)	11,516	2,012
Negative interest from financial liabilities measured at amortised cost	722	867
	94,465	35,203
Other similar income		
Finance lease receivables	218	257
Financial assets held for trading, incl. assets pledged as collateral (Note: 8)	1,567	240
Derivatives used as economic hedges (Note: 8)	11,024	1,219
Negative interest from financial liabilities measured at fair value (Note: 8)	14	56
	12,823	1,772
Interest income	**107,288**	**36,975**

6. INTEREST EXPENSE

(CZKm)	2022	2021 reclassified
Interest expense on financial instruments calculated using effective interest rate method		
Financial liabilities at amortised cost		
Central banks	59	17
Credit institutions	5,132	1,753
Other than credit institutions	26,319	4,820
Debt instruments in issue	11,506	1,088
Derivatives used for hedging (Note: 8)	11,489	3,147
	54,505	10,825
Other similar expense		
Financial liabilities held for trading (Note: 8)	1,665	285
Financial liabilities designated at fair value through profit or loss (Note: 8)	643	149
Derivatives used as economic hedges (Note: 8)	19,365	2,774
Lease liabilities	48	40
Discount amortisation on other financial liabilities	-	2
	21,721	3,250
Interest expense	**76,226**	**14,075**

7. NET FEE AND COMMISSION INCOME

(CZKm)	2022	2021
Fee and commission income		
Banking services		
Payment service fees	6,860	5,629
Credit / Guarantee related fees	1,242	1,269
Network income	1,220	978
Securities	683	493
Other	913	857
Asset management services		
Custody fees	285	272
Mutual funds entry fees	216	315
Management fees	602	639
Distribution		
Mutual funds	1,287	1,109
Banking and insurance products	1,595	1,666
	14,903	**13,227**
Fee and commission expense		
Banking services		
Payment services	4,360	3,347
Credit / Guarantee related fees	312	287
Securities	182	185
Network expense	57	-
Other	859	393
Asset management services		
Custody fees	119	112
Distribution		
Banking and insurance products	973	1,075
	6,862	**5,399**
Net fee and commission income	**8,041**	**7,828**

8. NET GAINS / (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FOREIGN EXCHANGE

Net gains from financial instruments at fair value through profit or loss, as reported in the statement of income, do not include net interest income recognised on financial assets and financial liabilities at fair value through profit or loss. Net gains from financial instruments at fair value through profit or loss and the related net interest income are set out in the table below to provide a fuller presentation of the net result from financial instruments at fair value through profit or loss of the Group:

(CZKm)	2022	2021 reclassified
Net gains / (losses) from financial instruments at fair value through profit or loss and foreign exchange - as reported	**3,607**	**3,699**
Net interest income (Notes: 5, 6)	(9,041)	(2,828)
	(5,434)	**871**
Financial instruments held for trading and derivatives used for hedging		
Interest rate contracts	1,213	(983)
Foreign exchange	(4,854)	4,437
Equity contracts	(962)	1,140
Commodity contracts	1	1
	(4,602)	4,595
Non-trading financial instruments mandatorily at fair value through profit or loss		
Non-trading financial assets mandatorily at fair value through profit or loss	1,322	1,410
Financial instruments designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	166	(521)
Foreign exchange differences	(2,320)	(4,613)
Financial instruments at fair value through profit or loss and foreign exchange	**(5,434)**	**871**

Changes of fair value of hedging derivatives and hedged items, being parts of fair value hedging constructions of the Group, are presented in the table on a net basis. Split of gains and losses realised on the hedging contracts and on hedged item attributable to the hedged interest rate risk is provided in note Derivative financial instruments (Note: 22).

As from October 2018, KBC Bank started centralising ČSOB's trading activities to the Central European Financial Markets in order to align regulatory scope, risks arising from trading and streamline the trading activities. KBC Bank has outsourced the related trading activities back to ČSOB. The contracts are concluded through the Financial Markets trades specified products on behalf of KBC Bank. Related risk raised from the transactions is then transferred via a back-to-back transaction to KBC Bank with positive impact on risk weighted assets (RWA) of the Bank. Net residual profit based on trading results is distributed by KBC Bank to ČSOB; KBC Bank bears any potential loss. The profit is booked into Net gains from non-trading financial assets mandatorily at fair value through profit or loss.

9. NET RESULT FROM OPERATING LEASE

(CZKm)	2022	2021
Income from operating lease		
Income from operating leases	337	375
Income from disposal of assets under operating leases	554	895
Income from other services relating to operating leases	362	362
	1,253	**1,632**
Expense from operating lease		
Depreciation of assets under operating leases (Note: 23)	(223)	(277)
Expenses from disposal of assets under operating leases	(497)	(835)
Other services relating to operating leases	(361)	(358)
	(1,081)	**(1,470)**

10. NET (INCREASE) / DECREASE IN PROVISIONS FOR LEGAL ISSUES AND OTHER LOSSES AND OTHER NET INCOME

In February 2023, ČSOB Bank was delivered an arbitral award issued in the arbitration proceedings against the company ICEC-HOLDING, a.s. resulting in an increase of the provisions for legal issues in the amount of CZK 3,663 m (Notes: 30, 36). Together with other cases, net increase in provisions for legal issues and other losses in 2022 amounted to CZK 3,652 m (2021: decrease of CZK 177 m).

Other net income

(CZKm)	2022	2021
ICT services	716	711
Services provided to the parent and to entities under common control (excluding income from ICT services)	381	264
Net gain on disposal of property and equipment	50	77
Net gain / (loss) on disposal of intangible assets	3	(1)
Net gain on disposal of non-current assets held-for-sale	2	3
Other services provided by ČSOB Leasing	1	6
Net gain on disposal of liabilities at amortised cost	-	36
Net gain on disposal of associates, joint ventures and subsidiaries	-	34
Net loss on disposal of investments measured at amortised cost	(127)	(280)
Other	201	90
	1,227	**940**

11. STAFF EXPENSES

(CZKm)	2022	2021
Wages and salaries	7,195	6,823
Salaries and other short-term benefits of top management	96	95
Social security charges	2,395	2,235
of which pension security charges (obligatory)	*1,477*	*1,392*
Pension (voluntary) and similar expenses	188	187
Net increase in provisions for Restructuring programme	75	53
Other	160	119
	10,109	**9,512**

Number of personnel of the Group

The number (in full-time equivalents) of personnel of the Group was 8,105 at 31 December 2022 (31 December 2021: 8,087).

Management bonus scheme

Included within Salaries and other short-term benefits of top management are base salaries, annual bonuses and other short-term benefits of the Members of the Board of Directors. Salaries and remuneration of the Members of the Board of Directors, as well as the remuneration principles and structure, are subject to the approval of the Supervisory Board.

A bonus scheme of the Group follows the changes in legislation in previous years. Half of the bonus is provided in a non-cash instrument, so called 'Virtual investment certificate' (VIC). VIC is linked to the Economic Value Added of the Group which captures both finance and risk aspects (50%) and to the share price of KBC Group (50%). Another half of the bonus is paid in cash. The payment of half of the bonus (both cash and non-cash portion) is deferred for up to the next five years following the initial assignment of the benefit.

Retirement benefits

The Group provides its employees (including top management) with a voluntary defined contribution retirement scheme. Participating employees can contribute a portion of their salaries to pension companies approved by the Ministry of Finance of the Czech Republic (MF CZ), with an additional contribution of the Group of 2% or 3% of their salaries, respectively, or with fixed amount by preference of an employee.

Termination benefits

Employees dismissed by their employer according to Czech employment law are entitled to termination benefits equal to or less than three times the employee's monthly average salary. Additional termination benefits are granted to employees who were employed between 10-15 years (2 times the month's average salary), 15-20 years (2.5 times the month's average salary), 20-25 years (3 times the month's average salary), 25-30 years (4 times the month's average salary), 30-35 years (5 times the month's average salary) and over 35 years (6 times the month's average salary).

In the case of contract termination, the members of the Board of Directors are entitled to receive an amount of 0 to 12 monthly salaries as termination benefits (according to conditions of individual contracts). The compensation was CZK 8 m in 2022 (2021: CZK Nil).

12. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	2022	2021
Information technologies	3,323	3,053
Contribution to the Single Resolution Mechanism	1,138	979
Marketing	899	511
Other building expenses	640	600
Professional fees	613	618
Retail service fees	557	547
Communication	523	414
Deposit insurance premium and contribution to the Securities Traders Guarantee Fund	358	357
Administration	207	214
Travel and transportation	196	137
Payment cards and electronic banking	131	129
Insurance	53	48
Training	52	44
Rental expenses on land and buildings - minimum lease payments	40	51
Car expenses	20	16
Other	467	262
	9,217	**7,980**

13. IMPAIRMENT LOSSES

(CZKm)	2022	2021
Impairment of financial assets at amortised cost - loans and advances (Notes: 34, 41.2)	(795)	3,413
Impairment of financial assets at amortised cost - debt securities (Notes: 34, 41.2)	(36)	(70)
Impairment of finance lease receivables (Note: 34)	44	206
Provisions for loan commitments and guarantees (Notes: 30, 34)	(355)	88
Impairment of property, plant and equipment (Notes: 23, 34)	(10)	(74)
Impairment of goodwill (Notes: 24, 34)	(117)	(181)
Impairment of intangible assets (Notes: 24, 34)	(6)	(38)
Impairment of other financial assets (Note: 34)	-	-
Impairment of other non-financial assets (Note: 34)	13	(15)
Discount on receivable from Transformed fund (Note: 34, 41.2)	(235)	(76)
	(1,497)	**3,253**

14. INCOME TAX

The components of income tax expense for the years ended 31 December 2022 and 2021 are as follows:

(CZKm)	2022	2021
Current tax expense	3,270	2,307
Previous year over accrual of current tax	(33)	(10)
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(847)	622
	2,390	**2,919**

A reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 December 2022 and 2021 is as follows:

(CZKm)	2022	2021
Profit before taxation	16,961	19,079
Applicable tax rates	19%	19%
Taxation at applicable tax rates	3,223	3,625
Previous year over accrual of current tax	(33)	(10)
Tax effect of non-taxable income	(2,273)	(1,351)
Tax effect of non-deductible expenses	1,473	655
	2,390	**2,919**

The applicable tax rate for 2022 was 19% (2021: 19%). In the Czech Republic, a windfall tax was introduced. On the excess profit (the profit above the average of 2018-2021 profits plus 20%, the calculation is based on corporate income tax base) the effective tax rate will be 79% (19% standard corporate tax + 60% windfall tax) which will be applicable for large banks in the period 2023 to 2025. Management considers payment of tax on this title to be unlikely due to the decrease of the tax base of the Bank. Therefore, it was not recognized in deferred tax either.

Included in non-taxable income is interest income accrued on tax-free financial investments.

Deferred income taxes are calculated on all temporary differences under the liability method using the income tax rate of 19%.

The movement on the Net deferred tax asset is as follows:

(CZKm)	2022	2021
At 1 January	**380**	**650**
Statement of income	847	(622)
Financial assets FVOCI (Note: 32)		
Fair value remeasurement	129	49
Transfer to net profit or retained earnings	20	12
Cash-flow hedges (Note: 32)		
Fair value remeasurement	166	251
Transfer to net profit (Note: 22)	(63)	23
Impact of business combinations	-	17
At 31 December	**1,479**	**380**

Deferred tax asset and liability are attributable to the following items:

(CZKm)	2022	2021
Deferred tax asset		
Provisions for other risks and charges	765	65
Cash-flow hedging derivatives	396	285
Initial fee income	382	331
Impairment losses on loans and advances at amortised cost and credit risk provisions	352	343
Employee benefits	328	313
Interest rate bonus	292	329
Temporary difference resulting from tax depreciation	252	232
Temporary difference resulting from tax depreciation related to acquisition of ICT function	102	107
Revaluation of financial assets and liabilities at fair value through profit or loss	50	(109)
Unused tax losses applicable in the next periods	38	31
Impairment losses on debt securities	24	17
Impairment of tangible and intangible assets	9	11
Debt securities at fair value through other comprehensive income	7	(134)
Amortisation of goodwill for tax purposes	(511)	(511)
Other temporary differences	28	14
	2,514	**1,324**

(CZKm)	2022	2021
Deferred tax liability		
Temporary difference resulting from tax depreciation	1 012	890
Debt securities at fair value through other comprehensive income	171	167
Revaluation of financial assets and liabilities at fair value through profit or loss	82	37
Unused tax losses applicable in the next periods	39	30
Employee benefits	-	(8)
Provisions for other risks and charges	(20)	(18)
Finance lease valuation	(35)	(12)
Cash-flow hedging derivatives	(48)	(4)
Impairment losses on loans and advances at amortised cost and credit risk provisions	(63)	(42)
Initial fee expense	(65)	(66)
Other temporary differences	(38)	(31)
	1,035	**943**

The deferred tax benefit / (charge) in the statement of income comprises of the following temporary differences:

(CZKm)	2022	2021
Provisions for other risks and charges	702	(34)
Revaluation of financial assets and liabilities at fair value through profit or loss	114	(377)
Initial fee income	50	90
Debt securities at fair value through other comprehensive income	44	64
Impairment losses on loans and advances at amortised cost and credit risk provisions	30	(517)
Finance lease valuation	23	70
Employee benefits	7	53
Impairment losses on debt securities	7	4
Impairment of tangible and intangible assets	(2)	1
Unused tax losses applicable in the next periods	(2)	(15)
Temporary difference resulting from tax depreciation related to acquisition of ICT function	(5)	(6)
Interest rate bonus	(37)	69
Temporary difference resulting from tax depreciation	(102)	(56)
Other temporary differences	18	32
	847	**(622)**

The Group management believes it is probable that the Group fully realises its gross deferred income tax assets based upon the Group's current and expected future level of taxable profits and the expected offset within each Group company from gross deferred income tax liabilities. The Group can carry forward tax loss for up to 5 years from its initial recognition.

15. DIVIDENDS PAID

Dividends are not accounted for until they have been ratified by a resolution of the sole shareholder on a profit distribution. The decision of a profit allocation for 2022 has not been taken before the date of issue of the financial statements (Notes: 40, 42).

Based on a sole shareholder decision from 18 May 2022, a dividend of CZK 48.10 per share was paid for 2021, representing a total dividend of CZK 14,082 m.

Based on a sole shareholder decision from 24 June 2022, an extra dividend of CZK 54.31 per share was paid from retained earnings, representing a total dividend of CZK 15,900 m.

Based on a sole shareholder decision from 4 November 2021, and in accordance with the recommendation and approval of the national regulator, a dividend of CZK 14.01 per share was paid from retained earnings, representing a total dividend of CZK 4,100 m.

16. CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS

(CZKm)	2022	2021
Cash (Note: 34)	8,437	8,310
Mandatory minimum reserves (Notes: 34, 35, 41.2)	15,010	19,469
Other balances with central banks (Notes: 34, 35, 41.2)	28,415	9,267
Other demand deposits in credit institutions (Notes: 34, 35, 41.2)	10,259	2,716
	62,121	**39,762**

The Czech National Bank (CNB) pays interest on the mandatory minimum reserve balances based on the official CNB two-week repo rate. The Group is obliged to keep the balance of mandatory minimum reserve, however it is allowed to use the reserve for a liquidity management purposes during the month. Given that fact, mandatory minimum reserve is assessed to be a cash equivalent by the Group.

Other balances with central banks contain overnight loans provided to central bank in the amount of CZK 25,008 m at 31 December 2022 (31 December 2021: CZK 5,000 m). Balances with central banks are classified as Stage 1 assets, expected credit losses being immaterial.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZKm)	2022	2021 reclassified
Financial assets held for trading		
Loans and advances		
Reverse repo transactions (Note: 37)	790	-
Other loans and advances	1	1
Equity securities		
Credit institutions	3	22
Corporate	7	21
Derivative contracts (Note: 22)		
Trading derivatives	57,237	36,710
Derivatives used as economic hedges	13,708	7,333
	71,746	**44,087**
Non-trading financial assets mandatorily at fair value through profit or loss		
Loans and advances		
Credit institutions	1,322	1,410
	1,322	**1,410**
Financial assets at fair value through profit or loss	**73,068**	**45,497**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(CZKm)	2022	2021
Financial assets at fair value through other comprehensive income		
Debt securities classified as stage 1		
General government	13,839	16,138
Credit institutions	1,166	1,710
Corporate	-	174
Debt securities classified as stage 2		
Corporate	163	-
Equity securities		
Corporate	418	545
Total	15,586	18,567
Allowance for impairment losses	(1)	(1)
	15,585	**18,566**
Financial assets at fair value through other comprehensive income pledged as collateral		
Debt securities classified as stage 1		
General government	72	221
	72	**221**

Debt securities classified in Stage 1 are assessed as low credit risk financial instruments.

Included within Financial assets at fair value through other comprehensive income are securities lending in the amount of CZK 72 m (2021: CZK 221 m). Under the terms and conditions of the pledge in repo transactions or securities lending, the transferee has a right to sell or repledge the collateral.

19. FINANCIAL ASSETS AT AMORTISED COST

(CZKm)	2022 Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Debt securities					
General government	241,009	-	-	-	241,009
Credit institutions	1,947	-	-	-	1,947
Other legal entities	4,312	1,958	-	-	6,270
Debt securities – gross carrying amount	247,268	1,958	-	-	249,226
Allowance for impairment losses	(12)	(103)	-	-	(115)
Total debt securities	**247,256**	**1,855**	**-**	**-**	**249,111**
Loans and advances					
Central banks (Note: 34)	460,875	-	-	-	460,875
General government	8,512	256	826	-	9,594
Credit institutions (Note: 34)	3,379	150	606	-	4,135
Other legal entities	191,078	73,744	7,140	283	272,245
Private individuals	510,150	63,370	6,297	63	579,880
Loans and advances – gross carrying amount	1,173,994	137,520	14,869	346	1,326,729
Allowance for impairment losses	(707)	(4,228)	(6,589)	(37)	(11,561)
Total loans and advances	**1,173,287**	**133,292**	**8,280**	**309**	**1,315,168**
Total financial assets at amortised cost	**1,420,543**	**135,147**	**8,280**	**309**	**1,564,279**
Financial assets at amortised cost pledged as collateral					
Debt securities – gross carrying amount					
General government	24,721	-	-	-	24,721
Allowance for impairment losses	-	-	-	-	-
Total financial assets at amortised cost pledged as collateral	**24,721**	**-**	**-**	**-**	**24,721**

(CZKm)	2021 Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Debt securities					
General government	191,167	-	-	-	191,167
Credit institutions	3,444	-	-	-	3,444
Other legal entities	6,776	139	-	-	6,915
Debt securities – gross carrying amount	201,387	139	-	-	201,526
Allowance for impairment losses	(8)	(69)	-	-	(77)
Total debt securities	**201,379**	**70**	**-**	**-**	**201,449**
Loans and advances					
Central banks (Note: 34)	603,026	-	-	-	603,026
General government	8,870	128	-	-	8,998
Credit institutions (Note: 34)	3,328	1	-	-	3,329
Other legal entities	212,177	29,762	8,198	353	250,490
Private individuals	514,768	35,626	7,071	42	557,507
Loans and advances – gross carrying amount	1,342,169	65,517	15,269	395	1,423,350
Allowance for impairment losses	(727)	(2,953)	(7,577)	(38)	(11,295)
Total loans and advances	**1,341,442**	**62,564**	**7,692**	**357**	**1,412,055**
Total financial assets at amortised cost	**1,542,821**	**62,634**	**7,692**	**357**	**1,613,504**
Financial assets at amortised cost pledged as collateral					
Debt securities – gross carrying amount					
General government	33,904	-	-	-	33,904
Allowance for impairment losses	-	-	-	-	-
Total financial assets at amortised cost pledged as collateral	**33,904**	-	-	**-**	**33,904**

Debt securities classified in Stage 1 are assessed as low credit risk financial instruments.

The following table shows the gross carrying amount of those financial assets which are in a different impairment stage at 31 December 2022 and 2021 than they were at the beginning of the financial year or their initial recognition:

	2022					
	Transfers between stages 1 and 2		Transfers between stages 2 and 3		Transfers between stages 1 and 3	
(CZKm)	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
Debt securities						
Other legal entities	1,654	-	-	-	-	-
Total	**1,654**	**-**	**-**	**-**	**-**	**-**
Loans and advances						
General government	156	167	-	-	778	-
Credit institutions	76	-	176	-	309	-
Other legal entities	35,494	4,276	344	569	899	6
Private individuals	40,065	14,138	1,057	968	865	132
Total	**75,791**	**18,581**	**1,577**	**1,537**	**2,851**	**138**

(CZKm)	2021 Transfers between stages 1 and 2 From stage 1 to stage 2	From stage 2 to stage 1	Transfers between stages 2 and 3 From stage 2 to stage 3	From stage 3 to stage 2	Transfers between stages 1 and 3 From stage 1 to stage 3	From stage 3 to stage 1
Loans and advances						
General government	102	42	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other legal entities	7,554	5,686	870	281	502	58
Private individuals	23,139	6,175	1,098	691	980	260
Total	**30,795**	**11,903**	**1,968**	**972**	**1,482**	**318**

Balances with central banks contain reverse repo transactions provided to central bank in the amount of CZK 460,875 m at 31 December 2022 (31 December 2021: CZK 603,026 m).

Included within Financial assets at amortised cost pledged as collateral are debt securities pledged as collateral in repo transactions in the amount of CZK 42 m (2021: CZK Nil) or securities lending in the amount of CZK 24,680 m (2021: CZK 33,904 m). Under the terms and conditions of the pledge in repo transactions or securities lending, the transferee has a right to sell or repledge the collateral.

Financial assets at amortised cost contain debt securities of CZK 14,653 m (2021: CZK 10,870 m) pledged as collateral of term deposits and financial guarantees.

20. FINANCE LEASE RECEIVABLES

(CZKm)	2022 Stage 1	Stage 2	Stage 3	POCI	Total
Finance lease receivables					
Other legal entities	7,333	2,198	142	3	9,676
Private individuals	236	719	76	3	1,034
Gross carrying amount	7,569	2,917	218	6	10,710
Allowance for impairment losses	(8)	(82)	(137)	(1)	(228)
	7,561	**2,835**	**81**	**5**	**10,482**

(CZKm)	2021 Stage 1	Stage 2	Stage 3	POCI	Total
Finance lease receivables					
Other legal entities	9,035	736	119	5	9,895
Private individuals	1,212	180	128	6	1,526
Gross carrying amount	10,247	916	247	11	11,421
Allowance for impairment losses	(17)	(77)	(177)	(1)	(272)
	10,230	**839**	**70**	**10**	**11,149**

Finance lease receivables may be analysed as follows:

(CZKm)	2022	2021
Total amount of the future minimum lease payments	**10,941**	**11,489**
At not more than one year	2,648	3,098
At more than one but not more than two years	2,427	2,192
At more than two but not more than three years	2,194	1,937
At more than three but not more than four years	1,302	1,706
At more than four but not more than five years	1,300	850
At more than five years	1,070	1,706
Unearned future finance income on finance leases	(458)	(341)
Present value of the future minimum lease payments	**10,483**	**11,149**
At not more than one year	2,537	3,006
At more than one but not more than two years	2,324	2,127
At more than two but not more than three years	2,103	1,880
At more than three but not more than four years	1,248	1,655
At more than four but not more than five years	1,246	824
At more than five years	1,025	1,656
Accumulated allowance for uncollectible minimum lease payments receivable	(228)	(272)

Finance lease receivables are collateralised by the leased items. Leasing companies maintain legal ownership of the respective collateral.

As at 31 December 2022, the Group possessed assets (mainly cars related to leased assets) with an estimated value of CZK 18 m (2021: CZK 20 m), which the Group is in the process of selling (Note: 25).

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The following table illustrates the summarised financial information of the investment in the associates and joint ventures based on non-audited IFRS compliant financial statements:

	ČSOB Pojišťovna		Skip Pay		Bankovní identita		Igluu	
(CZKm)	2022	2021	2022	2021	2022	2021	2022	2021
The associate's and joint venture's assets and liabilities								
Assets	48,598	53,305	-	217	-	-	92	-
of which current assets	410	456	-	43	-	-	11	-
Liabilities	39,949	45,641	-	63	-	-	3	-
of which current liabilities	3,444	4,032	-	32	-	-	3	-
Net assets	**8,649**	**7,664**	**-**	**155**	**-**	**-**	**88**	**-**
Carrying amount of the investment	**22**	**19**	**-**	**78**	**-**	**-**	**44**	**-**
The associate's and joint venture's results								
Interest income	1,236	859	-	-	-	-	-	-
Interest expense	(29)	(189)	-	-	-	-	-	-
Total revenues	14,619	14,458	3	5	-	-	4	-
Depreciation and amortisation	(145)	(133)	(11)	(28)	-	(1)	(4)	-
Income tax expense	(435)	(407)	1	4	-	-	-	-
Profit for the year	2,153	1,763	(62)	(127)	-	(13)	(11)	-
Profit for the year – other adjustment	-	-	(11)	-	-	-	12	
Profit for the year – share of the Group	5	4	(42)	(64)	-	(4)	7	-
Dividend – share of the Bank	3	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	5	4	(42)	(64)	-	(4)	7	-

22. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are utilised by the Group for trading and hedging purposes. Derivative instruments include swaps, forwards and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Forward contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date and rate or price. An option contract is an agreement that conveys to the purchaser 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 during a period in the future.

Credit risk associated with derivative financial instruments

By using derivative instruments, the Group is exposed to credit risk in the event of non-performance by counterparties in respect of derivative instruments. If a counterparty fails to perform, credit risk is equal to the positive fair value of the derivatives with that counterparty. When the fair value of a derivative is positive, the Group bears the risk of loss; conversely, when the fair value of a derivative is negative, the counterparty bears the risk of loss (or credit risk). The Group minimises credit risk through credit approvals, limits and monitoring procedures. Furthermore, the Group obtains collateral where appropriate and uses bilateral master netting arrangements.

All derivatives are traded over-the-counter.

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

Trading derivatives

The Group's trading activities primarily involve providing various derivative products to its customers and managing trading positions for its own account. Trading derivatives also include those derivatives which are used for asset and liability management (ALM) purposes to manage the interest rate position of the Banking Book (positions managed by ALM) and which do not meet the criteria of hedge accounting; still they are used as natural or economic hedges.

The contract or notional amounts and positive and negative fair values of the Group's outstanding derivative trading positions as at 31 December 2022 and 2021 are set out in the table below. The contract or notional amounts represent the volume of outstanding transactions at a point in time; they do not represent the potential for gain or loss associated with the market risk or credit risk of such transactions.

Trading positions

	2022			2021		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
Interest rate related contracts						
Swaps	1,034,434	54,100	55,141	1,225,838	34,700	35,731
Forwards	-	-	-	3,000	-	-
Options	21,202	456	279	16,075	220	187
	1,055,636	**54,556**	**55,420**	**1,244,913**	**34,920**	**35,918**
Foreign exchange contracts						
Cross currency interest rate swaps	32,987	2,161	2,152	64,608	1,342	1,330
Options	31,306	414	406	29,470	354	340
	64,293	**2,575**	**2,558**	**94,078**	**1,696**	**1,670**
Commodity contracts						
Swaps / Options	1,749	106	106	1,360	94	89
Total trading derivatives (Notes: 17, 27)	**1,121,678**	**57,237**	**58,084**	**1,340,351**	**36,710**	**37,677**

Positions of ALM – economic hedges

(CZKm)	2022 Notional amount	2022 Fair value Positive	2022 Fair value Negative	2021 Notional amount	2021 Fair value Positive	2021 Fair value Negative
Interest rate related contracts						
Swaps	2,000	420	-	2,950	182	378
Foreign exchange contracts						
Swaps / Forwards	603,048	12,878	12,616	545,883	6,291	5,883
Cross currency interest rate swaps	2,157	120	-	2,157	96	-
	605,205	**12,998**	**12,616**	**548,040**	**6,387**	**5,883**
Equity contracts						
Swaps	4,311	12	630	4,993	174	65
Options	5,967	278	1	7,760	590	-
	10,278	**290**	**631**	**12,753**	**764**	**65**
Total derivatives used as economic hedges (Notes: 17, 27)	**617,483**	**13,708**	**13,247**	**563,743**	**7,333**	**6,326**

Hedging derivatives

The Group's ALM function utilises derivative interest rate contracts in the management of the Group's interest rate risk arising from non-trading or ALM activities, which are contained in the Group's Banking Book. Interest rate risk arises when interest-sensitive assets have different maturities or repricing characteristics than the corresponding interest-sensitive liabilities. The Group's objective for managing interest rate risk in the Banking Book is to reduce the structural interest rate risk within each currency and, thus, the volatility of net interest margins. Derivative strategies used to achieve this objective involve either swapping currency interest rate exposures or modifying repricing characteristics of certain interest-sensitive assets or liabilities so that the changes in interest rates do not have a significant adverse effect on the net interest margins and cash flows of the Banking Book. Group policies to achieve these strategies currently require the use of both cash flow hedges and fair value hedges.

In the Group, an effectiveness of hedge accounting relationship is measured by a comparison of cumulative changes in net present value of a hedging derivative and cumulative changes in net present value of a "hypothetical" derivative. Hypothetical derivative is not a real transaction. It is a virtual financial derivative representing a hedged item and hedged risk. Besides, the Group is testing whether the total amount of hedging derivatives does not exceed the volume of financial instruments eligible for hedging.

The hedging ineffectiveness results from the different floating rate repricing frequencies in hedging and hypothetical derivatives having an impact on their valuation.

Cash flow hedging derivatives

Most of the hedging derivatives are CZK single currency interest rate swaps. The Group uses these instruments to hedge floating interest income from expected reverse repo operations with the Czech National Bank earning the 14-day interest repo rate. The hedging swap contracts are arranged to swap the floating interest rate 3M PRIBOR or 6M PRIBOR paid by the Group and the fixed interest rate the Group receives. The hedging construction is effective due to the strong correlation between the 14-day interest repo rate and 3M or 6M PRIBOR.

The Group also uses single currency interest rate swaps

- to hedge the interest rate risk arising from changes in external interest rates on a group of non-retail client current accounts (the variability in the interest paid on the client deposits is effectively hedged by the fixed rate payer/floating rate receiver swaps).
- to convert floating-rate client loans to fixed rates.
- to convert floating-rate bonds to a synthetic fixed rate bonds.

Cross currency interest rate swaps are used to hedge currency risk resulting from interest income accrued on foreign currency investment debt securities. These fixed and floating interest earning securities are included in Financial assets at amortised cost of the Group's statement of financial position.

The contract or notional amounts and positive and negative fair values of the Group's outstanding cash flow hedging derivatives as at 31 December 2022 and 2021 are set out as follows:

	2022			2021		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
Cash flow hedges						
Single currency interest rate swaps						
Cash flow micro hedges	11,900	291	38	-	-	-
Cash flow portfolio hedges	26,596	393	2,766	34,589	460	1,797
Cross currency interest rate swaps						
Cash flow micro hedges	-	-	-	996	-	17
Total hedging derivatives	**38,496**	**684**	**2,804**	**35,585**	**460**	**1,814**

In 2022, a loss of CZK 7 m was recognised in the statement of income due to hedge ineffectiveness from single currency interest rate swaps cash flow hedges (2021: loss of CZK 47 m).

In 2022, the discontinuation of hedge accounting (due to sales of / impairment on underlying hedged bonds or retrospective hedge effectiveness test failure) resulted in a reclassification of the associated cumulative gains of CZK 16 m from equity to the statement of income (2021: gain of CZK 25 m). The gains / losses are included in Net gains from financial instruments at fair value through profit or loss.

The following table contains details of the hedged financial instruments as at 31 December 2022 and 2021 covered by the Group's hedging strategies:

	2022			2021		
	Cash flow hedge reserve		Change in fair value of hedged item for	Cash flow hedge reserve		Change in fair value of hedged item for
(CZKm)	Continuing hedges	Discontinued hedges	ineffectiveness assessment	Continuing hedges	Discontinued hedges	ineffectiveness assessment
Cash flow hedges	(2,102)	16	(595)	(1,530)	32	(1,616)

Net gains and losses on cash flow hedges reclassified to the statement of income are as follows:

(CZKm)	2022	2021
Net interest income (Note: 32)	(342)	142
Net gains from financial instruments at fair value through profit or loss (Note: 32)	10	(22)
Taxation (Note: 14)	63	(23)
Net (losses) / gains	**(269)**	**97**

Since the cash flows from the hedging interest rate swaps are variable and difficult to predict, the Group uses the remaining contractual maturity analysis of the hedging derivatives notional amounts instead of the expected future cash flows from the hedged items. As the objective of the hedging structure is to achieve fixed interest income, the information of the hedging swaps notional amounts remaining maturity is more relevant. Cash flows from hedged items are expected to occur in the same periods as the remaining maturity of cash flows from hedging derivatives.

The following table shows the notional amounts of hedging derivatives by remaining contractual maturity at 31 December 2022 and 2021:

	2022		2021	
(CZKm)	Single currency interest rate swaps	Cross currency interest rate swaps	Single currency interest rate swaps	Cross currency interest rate swaps
Less than 3 months	969	-	300	-
More than 3 months but not more than 6 months	1,000	-	3,600	996
More than 6 months but not more than 1 year	1,719	-	4,290	-
More than 1 year but not more than 2 years	3,375	-	3,713	-
More than 2 years but not more than 5 years	15,539	-	8,824	-
More than 5 years	15,894	-	13,862	-
	38,496	**-**	**34,589**	**996**

Fair value hedging derivatives

Cross currency interest rate swaps are used to hedge both FX risks and interest rate risks arising from the movement in the fair value of foreign currency fixed rate bonds classified as at fair value through other comprehensive income and as Financial assets at amortised cost attributable to the changes in the FX rate and the risk-free (interest rate swap) yield curve. A fixed rate payer (foreign currency)/floating rate receiver (home currency) interest rate swap is expected to be a highly effective hedge.

Interest rate swaps are used by the Group to hedge the interest rate risk arising from the movement in the fair value of bonds classified as Financial assets at fair value through other comprehensive income and as Financial assets at amortised cost attributable to changes in the risk-free (interest rate swap) yield curve. A fixed payer/floating rate receiver interest rate swap denominated in the same currency as the hedged bond is expected to be a highly effective hedge.

Interest rate swaps are used by the Group to hedge the interest rate risk arising from the movement in the fair value of long-term fixed rate wholesale funding transactions (classified as Financial liabilities at cost) attributable to changes in the risk-free (interest rate swap) yield curve. A fixed rate receiver/floating rate payer interest rate swap denominated in the same currency as the hedged funding transaction is expected to be highly effective hedge.

Fair value hedges for portfolios of retail non-maturity deposits have been used to hedge interest rate risk arising from changes in fair value of non-maturity retail deposits to changes in the risk-free yield curve. The portfolio consisting of the part of retail current accounts was designated as a hedged item. The interest rate risk is effectively hedged by the single currency fixed rate receiver/floating rate payer swaps.

Fair value hedges for portfolios of fixed rate loans have been used to hedge interest rate risk arising from changes in the fair value of fixed rate loans to changes in the risk-free yield curve. The interest rate risk is effectively hedged by the single currency fixed rate payer/floating rate receiver swaps.

Fair value hedges for portfolios of retail non-maturity deposits have been used to hedge interest rate risk arising from changes in fair value of non-maturity retail deposits to changes in the risk-free yield curve. The portfolio of ČSOBS consisting of the part of retail saving accounts was designated as a hedged item. The interest rate risk is effectively hedged by the single currency fixed rate receiver/floating rate payer swaps.

The contract or notional amounts and positive and negative fair values of the Group's outstanding fair value hedging derivatives as at 31 December 2022 and 2021 are set out as follows:

	2022			2021		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
Fair value hedges						
Single currency interest rate swaps						
Fair value micro hedges	90,735	15,295	397	81,875	9,520	1,150
Fair value portfolio hedges	767,290	32,390	38,838	776,442	20,297	25,364
Cross currency interest rate swaps						
Fair value micro hedges	516	56	-	923	-	17
Total hedging derivatives	**858,541**	**47,741**	**39,235**	**859,240**	**29,816**	**26,532**

The following table contains details of the hedged items as at 31 December 2022 and 2021 covered by the Group's hedging strategies:

	2022			
	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged items		Change in fair value of hedged item for ineffectiveness assessment
(CZKm)		Assets	Liabilities	
Fair value micro hedges				
Financial assets at amortised cost	67,798	(14,742)	-	(5,263)
Financial assets at fair value through other comprehensive income	7,679	(1,032)	-	(292)
Financial liabilities at amortised cost	-	-	-	-
Total	75,477	(15,774)	-	(5,555)
Fair value portfolio hedges				
Financial assets at amortised cost	362,428	(25,639)	-	(7,224)
Financial liabilities at amortised cost	346,750	-	(32,441)	9,166
Total	709,178	(25,639)	(32,441)	1,942
Total hedged items	**784,655**	**(41,413)**	**(32,441)**	**(3,613)**

(CZKm)	2021 Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged items: Assets	Accumulated amount of fair value adjustments on the hedged items: Liabilities	Change in fair value of hedged item for ineffectiveness assessment
Fair value micro hedges				
Financial assets at amortised cost	63,181	(9,467)	-	(8,405)
Financial assets at fair value through other comprehensive income	9,549	(686)	-	(983)
Financial liabilities at amortised cost	-	-	-	481
Total	72,730	(10,153)	-	(8,907)
Fair value portfolio hedges				
Financial assets at amortised cost	434,455	(18,223)	-	(23,957)
Financial liabilities at amortised cost	362,383	-	(23,280)	26,109
Total	796,838	(18,223)	(23,280)	2,152
Total hedged items	**869,568**	**(28,376)**	**(23,280)**	**(6,755)**

In 2022, the discontinuation of hedge accounting due to sales of underlying hedged bonds resulted in realised losses of CZK 5 m (2021: losses of CZK 2 m) included in Net gains from financial instruments at fair value through profit or loss in the statement of income.

In 2022, the net losses in the amount of CZK 3,556 m (2021: losses of CZK 6,755 m) realised on the hedged item attributable to the hedged interest rate risk is included in Net gains from financial instruments at fair value through profit or loss.

Net gains realised on the hedging contracts, which are included in Net gains from financial instruments at fair value through profit or loss, amounted to CZK 3,296 m (2021: gains of CZK 6,837 m).

23. PROPERTY AND EQUIPMENT

(CZKm)	Land and buildings	IT equipment	Office equipment	Other	Construction in progress	Total
Cost at 1 January 2021	10,672	2,046	697	2,493	2,510	18,418
Depreciation and impairment at 1 January 2021	(4,113)	(1,457)	(461)	(1,839)	-	(7,870)
Net book value at 1 January 2021	**6,559**	**589**	**236**	**654**	**2,510**	**10,548**
Transfers	2,376	431	125	356	(3,288)	-
Additions	-	-	-	-	1,857	1,857
Additions through business combination	-	99	-	-	-	99
Disposals	(1,372)	(5)	(6)	(69)	-	(1,452)
Depreciation	(410)	(386)	(43)	(246)	-	(1,085)
Impairment	(12)	-	-	15	-	3
Foreign currency translation	-	(7)	-	-	-	(7)
Net book value at 31 December 2021	**7,141**	**721**	**312**	**710**	**1,079**	**9,963**
of which						
Cost	11,450	2,345	787	2,564	1,079	18,225
Depreciation and impairment	(4,309)	(1,624)	(475)	(1,854)	-	(8,262)

(CZKm)	Land and buildings	IT equipment	Office equipment	Other	Construction in progress	Total
Cost at 1 January 2022	11,450	2,345	787	2,564	1,079	18,225
Depreciation and impairment at 1 January 2022	(4,309)	(1,624)	(475)	(1,854)	-	(8,262)
Net book value at 1 January 2022	**7,141**	**721**	**312**	**710**	**1,079**	**9,963**
Transfers	340	659	109	310	(1,418)	-
Additions	-	-	-	-	1,050	1,050
Disposals	(7)	(5)	(3)	(38)	-	(53)
Transfers to non-current assets held-for-sale (Note: 25)	(23)	-	-	-	-	(23)
Depreciation	(444)	(456)	(56)	(255)	-	(1,211)
Impairment	(11)	(1)	-	-	-	(12)
Foreign currency translation	-	(11)	-	-	-	(11)
Net book value at 31 December 2022	**6,996**	**907**	**362**	**727**	**711**	**9,703**
of which						
Cost	11,231	2,814	855	2,645	711	18,256
Depreciation and impairment	(4,235)	(1,907)	(493)	(1,918)	-	(8,553)

Right of use assets

(CZKm)	Land and buildings	IT equipment	Other	Total
Cost at 1 January 2021	3,093	214	-	3,307
Depreciation and impairment at 1 January 2021	(878)	(48)	-	(926)
Net book value at 1 January 2021	**2,215**	**166**	**-**	**2,381**
Additions	491	7	14	512
Disposals	(156)	-	(1)	(157)
Depreciation	(365)	(48)	(1)	(414)
Impairment	(77)	-	-	(77)
Net book value at 31 December 2021	**2,108**	**125**	**12**	**2,245**
of which				
Cost	3,428	221	13	3,662
Depreciation and impairment	(1,320)	(96)	(1)	(1,417)

(CZKm)	Land and buildings	IT equipment	Other	Total
Cost at 1 January 2022	3,428	221	13	3,662
Depreciation and impairment at 1 January 2022	(1,320)	(96)	(1)	(1,417)
Net book value at 1 January 2022	**2,108**	**125**	**12**	**2,245**
Additions	14	69	-	83
Disposals	(23)	-	(12)	(35)
Depreciation	(301)	(70)	-	(371)
Impairment	2	-	-	2
Net book value at 31 December 2022	**1,800**	**124**	**-**	**1,924**
of which				
Cost	3,419	290	-	3,709
Depreciation and impairment	(1,619)	(166)	-	(1,785)

Assets under operating leases

(CZKm)	Total
Cost at 1 January 2021	2,722
Depreciation and impairment at 1 January 2021	(961)
Net book value at 1 January 2021	**1,761**
Additions	258
Disposals	(307)
Depreciation	(277)
Net book value at 31 December 2021	**1,435**
of which	
Cost	2,308
Depreciation and impairment	(873)

(CZKm)	Total
Cost at 1 January 2022	2,308
Depreciation and impairment at 1 January 2022	(873)
Net book value at 1 January 2022	**1,435**
Additions	296
Disposals	(218)
Depreciation	(223)
Net book value at 31 December 2022	**1,290**
of which	
Cost	2,109
Depreciation and impairment	(819)

ČSOB Leasing owns assets leased out under operating leases (mainly vehicles and production facilities).

Property and equipment are assessed as non-current assets.

24. GOODWILL AND OTHER INTANGIBLE ASSETS

(CZKm)	Goodwill	Acquired software	Internally developed software	Other intangible assets	Construction in progress	Total
Cost at 1 January 2021	8,061	6,392	3,454	661	940	19,508
Amortisation and impairment at 1 January 2021	(1,095)	(5,452)	(1,613)	(581)	-	(8,741)
Net book value at 1 January 2021	**6,966**	**940**	**1,841**	**80**	**940**	**10,767**
Transfers	-	179	1,067	41	(1,287)	-
Additions	-	-	-	-	1,464	1,464
Additions through business	-	-	-	34	-	34
Disposals	-	(35)	-	-	-	(35)
Amortisation	-	(330)	(478)	(35)	-	(843)
Impairment (Note: 13)	(181)	-	-	(38)	-	(219)
Foreign currency translation	-	-	-	(4)	-	(4)
Net book value at 31 December 2021	**6,785**	**754**	**2,430**	**78**	**1,117**	**11,164**
of which						
Cost	8,061	6,316	4,521	725	1,117	20,740
Amortisation and impairment	(1,276)	(5,562)	(2,091)	(647)	-	(9,576)

(CZKm)	Goodwill	Acquired software	Internally developed software	Other intangible assets	Construction in progress	Total
Cost at 1 January 2022	8,061	6,316	4,521	725	1,117	20,740
Amortisation and impairment at 1 January 2022	(1,276)	(5,562)	(2,091)	(647)	-	(9,576)
Net book value at 1 January 2022	**6,785**	**754**	**2,430**	**78**	**1,117**	**11,164**
Transfers	-	237	997	(4)	(1,230)	-
Additions	-	-	-	-	1,464	1,464
Additions through business combination	117	-	-	131	-	248
Disposals	-	-	-	(9)	-	(9)
Amortisation	-	(338)	(717)	(24)	-	(1,079)
Impairment (Note: 13)	(117)	-	-	(6)	-	(123)
Foreign currency translation	-	-	-	(6)	-	(6)
Net book value at 31 December 2022	**6,785**	**653**	**2,710**	**160**	**1,351**	**11,659**
of which						
Cost	8,178	6,359	5,518	882	1,351	22,288
Amortisation and impairment	(1,393)	(5,706)	(2,808)	(722)	-	(10,629)

Internally developed software in the net amount of CZK 1,286 m as at 31 December 2022 (31 December 2021: CZK 1,067 m) is included in Construction in progress.

Goodwill and other intangible assets are assessed as non-current assets.

Goodwill does not generate cash flows independently of other groups of assets and thus is assigned to cash generating units (CGUs) for the purposes of impairment testing. These CGUs are based upon how management monitors the business and represents the lowest level to which goodwill can be allocated on a reasonable basis.

An allocation to CGUs of the Group’s goodwill attributable to shareholders is shown below:

(CZKm)	2022	2021
Retail segment and SME clients – Bank	2,511	2,511
Retail segment and SME clients – subsidiaries	4,274	4,274
	6,785	**6,785**

Retail segment and SME clients - Bank

The recoverable amount for the Retail segment and SME clients - Bank was determined based on the value-in-use methodology. The calculation uses cash flow projections from business plans for the forthcoming three years which are then extrapolated for a five further years using the expected average growth rate of 3%; after that a terminal value is applied.

Cash flows in the Retail segment and SME clients – Bank are based on the net profit generated by the cash-generating unit above the required capital and a terminal value of the business. For the calculation of the terminal value a sustainable discount rate of 12.6% in 2022 (2021: 9.7%) and no long term growth rates were used in 2022 and 2021.

The value in use is particularly sensitive to a number of key assumptions:

- The growth rate in forecasted cash flows beyond the terminal year of the budget. The Group has a conservative approach when calculating the terminal value, which implies that no growth rate for Retail segment and SME clients - Bank has been used for extrapolation purposes beyond the budget period.
- The risk discount rate. For Retail segment and SME clients - Bank an average risk discount rate of 12.8% has been applied (2021: 9.9%). This reflects a risk-free rate in the Eurozone, the credit default swap spread for the Czech Republic relative to the Eurozone, an average ‘beta’ factor for relative market risk, including the market risk premium.

The key assumptions described above may change as economic and market conditions change.

The outcome of the impairment assessment was that it is considered unlikely that goodwill in respect of the Retail segment and SME clients - Bank would be impaired given that the value-in-use is significantly higher than the carrying value of goodwill.

The management believes that reasonable potential changes in the key assumptions on which the recoverable amount is based would not cause it to fall below the carrying amount.

Retail segment and SME clients - ČSOBS

In April 2019, the Group acquired 45% share in ČSOBS. As part of the acquisition, the Group recognised goodwill in the amount of CZK 4,244 m. The recoverable amount for this cash generating unit was determined based on the value-in-use methodology. The calculation uses cash flow projections from business plans for the forthcoming ten years. Besides the cash flows generated by the business, synergy effects for the Group are reflected. After that a terminal value is applied.

Cash flows in ČSOBS are based on the net profit generated by the cash generating unit above the required capital and a terminal value of the business. For the calculation of the terminal value a sustainable discount rate of 12.8% (2021: 8.8%) and a long-term growth rate of 4.0% were used.

The value in use is particularly sensitive to a number of key assumptions:

- The growth rate in forecasted cash flows beyond the terminal year of the budget. The Group used a realistic expectations when calculating the terminal value, which implies that growth rate of 4% for ČSOBS has been used for extrapolation purposes beyond the budget period.
- The risk discount rate. For ČSOBS an average risk discount rate of 12.8% (2021: 9.8%) has been applied. This reflects a risk-free rate in the Eurozone, the credit default swap spread for the Czech Republic relative to the Eurozone, an average 'beta' factor for relative market risk, including the market risk premium.

Based on the impairment assessment, there is no evidence of impairment of goodwill in respect of ČSOBS given the fact that the value-in-use is higher than the carrying value of the CGU.

There is a negative sensitivity of the value-in-use to the risk discount rate, as a key assumption. An increase / (decrease) of the discount rate by 1% would (decrease) / increase the recoverable amount of the CGU by CZK 946 m and CZK 1,438 m. Such a potential change in the key assumption on which the recoverable amount is based would not result in the impairment of the goodwill.

ČSOBS is closely monitoring proposals for structural changes in the state budget expenditures with a possible impact on the amount of state support for building savings. In this area, ČSOBS will actively communicate the advantages of building savings, both on its own and together with other building savings banks within the Association of Czech Building Savings Banks with the support of the ČBA.

The topic of the amount of state support is only a narrowly isolated topic in the area of housing support in the Czech Republic, the topic is broader and has implications for the very form of the Building Savings Act, the legal certainty of clients of building societies, their options for guaranteed appreciation of deposits, but also for loans from building savings with a guaranteed interest rate. There may be many changes to be implemented, at the same time the legal regulations of the Czech Republic must be respected and therefore, it is impossible to estimate the impact of possible changes on the operation of ČSOBS, its distribution network and product offer from the available information.

25. NON-CURRENT ASSETS HELD-FOR-SALE

(CZKm)	Other (Note: 20)	Total
Net book value at 1 January 2021	**15**	**15**
Additions	72	72
Disposals	(67)	(67)
Net book value at 31 December 2021	**20**	**20**
of which		
Cost	20	20
Impairment	-	-

(CZKm)	Land and buildings	Other (Note: 20)	Total
Net book value at 1 January 2022	**-**	**20**	**20**
Transfer from Property and equipment (Note: 23)	23	-	23
Additions	-	67	67
Disposals	-	(69)	(69)
Net book value at 31 December 2022	**23**	**18**	**41**
of which			
Cost	23	18	41
Impairment	-	-	-

26. OTHER ASSETS

(CZKm)	2022	2021
Other financial assets		
Other debtors, net of provisions (Notes: 33, 35, 41.2)	803	679
Receivables from pension funds (Notes: 33, 35, 36, 41.2)	608	644
Accrued income (Notes: 33, 35, 41.2)	515	472
Other receivables from clients (Notes: 33, 35, 41.2)	35	80
	1,961	**1,875**
Other non-financial assets		
Prepaid charges	680	729
Assets subject of terminated operating leasing contracts	30	23
VAT and other tax receivables	9	20
Other	82	147
	801	**919**
Total other assets	**2,762**	**2,794**

The following table shows staging and detail of cumulative impairment losses on other financial assets for 2022 and 2021:

	2022			2021		
(CZKm)	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
Other financial assets						
Gross carrying amount	1,964	8	1,972	1,889	11	1,900
Allowance for impairment losses	(5)	(6)	(11)	(19)	(6)	(25)
	1,959	**2**	**1,961**	**1,870**	**5**	**1,875**

Expected credit losses of Other financial assets are assessed using simplified approach.

Other assets are assessed as current assets.

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZKm)	2022	2021 reclassified
Financial liabilities held for trading		
Derivative contracts (Note: 22)		
Trading derivatives	58,084	37,677
Derivatives used as economic hedges	13,247	6,326
Term deposits	1,071	530
Repo transactions	1,104	153
	73,506	**44,686**
Financial liabilities designated at fair value through profit or loss		
Bonds issued	13,077	6,412
of which hybrid contracts	*559*	*203*
Investment certificates – hybrid contracts	10,762	18,132
	23,839	**24,544**
Financial liabilities at fair value through profit or loss	**97,345**	**69,230**

The amount that the Group would contractually be required to pay at the maturity of the financial liabilities designated at fair value through profit or loss is by CZK 684 m higher than the carrying amount at 31 December 2022 (31 December 2021: lower by CZK 342 m).

The changes in the fair value of the Financial liabilities designated at fair value through profit or loss attributable to changes in own credit risk were not significant.

The investment certificates and bonds issued reported as Financial liabilities designated at fair value through profit or loss are hybrid contracts which contain an embedded derivative and financial instruments managed at fair value on portfolio basis. The Group has assessed the contract, where the separation of the embedded derivative would require unreasonable cost and therefore the Group has decided to apply the fair value option on measurement of these hybrid contracts as a whole.

28. FINANCIAL LIABILITIES AT AMORTISED COST

(CZKm)	2022	2021
Deposits received from credit institutions		
Current accounts and overnight deposits (Note: 34)	31,989	15,537
Term deposits (Note: 34)	11,678	9,520
Repo transactions (Note: 34)	41	-
	43,708	**25,057**
Deposits received from other than credit institutions		
Current accounts and overnight deposits	617,597	704,967
Term deposits	230,882	52,195
Savings deposits	359,596	369,704
Pension funds clients deposits	16	11
Repo transactions	11,725	8,350
Other deposits	11,984	21,675
	1,231,800	**1,156,902**
Debt securities in issue		
Bonds issued	5,147	2,739
Promissory notes (Note: 34)	259,768	399,425
	264,915	**402,164**
Subordinated debt	**40,592**	**19,439**
Financial liabilities at amortised cost	**1,581,015**	**1,603,562**

At 31 December 2021, the Group accumulated cash deposits from retail investors in the amount of CZK 11,530 m used for the subscription of the Czech sovereign bonds. These financial liabilities have been recognized as Other deposits measured at amortised cost. The liabilities were settled on 3 January 2022.

In 2022, the Group issued coupon bonds in the nominal amount of CZK 4,058 m having a contractual maturity between 1 and 4 years and EIR in the range of PRIBOR 6M -1.15% to PRIBOR 6M -0.65%. All bonds contain both-side option allowing premature purchase or sale at every coupon payment date.

From 1 January 2022, the Group has to meet the Minimum Requirement for own funds and eligible liabilities (MREL) at the interim level set by ČNB and therefore ČSOB issued the subordinated debts described below (Notes: 35, 39).

In December 2022, the Group issued subordinated debt in the nominal amount of EUR 170 m (CZK 4,100 m) to KBC Bank NV. Subordinated debt is repayable after 4 years (2026). Its coupon rate is EURIBOR 3M + 1.26%. The Group may prepay the debt at any time following the first three-year period.

In June 2022, the Group issued subordinated debt in the nominal amount of EUR 330 m (CZK 7,958 m) to KBC Bank NV. Subordinated debt is repayable after 3 years (2025). Its coupon rate is EURIBOR 3M + 1.05%. The Group may prepay the debt at any time following the first two-year period.

In June 2022, the Group issued subordinated debt in the nominal amount of EUR 400 m (CZK 9,646 m) to KBC Bank NV. Subordinated debt is repayable after 6 years (2028). Its coupon rate is EURIBOR 3M + 1.3%. The Group may prepay the debt at any time following the first five-year period.

In December 2021, the Group issued subordinated debt in the nominal amounts of EUR 276 m (CZK 6,656 m) to KBC Bank NV. Subordinated debt is repayable after 5 years (2026). Its coupon rate is EURIBOR 3M + 0.75% for the first four-year period (0.55% reflecting the initial credit spread and 0.20% reflecting the Issue Price above par) and EURIBOR 3M + 0.55% for last year before maturity date. The Group may prepay the debt at any time following the first four-year period.

In December 2021, the Group issued subordinated debt in the nominal amounts of EUR 500 m (CZK 12,058 m) to KBC Bank NV. Subordinated debt is repayable after 6 years (2027). Its coupon rate is EURIBOR 3M + 0.75% for the first five-year period (0.60% reflecting the initial credit spread and 0.15% reflecting the Issue Price above par) and EURIBOR 3M + 0.60% for last year before maturity date. The Group may prepay the debt at any time following the first five-year period.

The repayment of the debt is subordinated to all other classes of liabilities in the event of the liquidation of the Bank.

29. OTHER LIABILITIES

(CZKm)	2022	2021
Other financial liabilities		
Payables to employees including social security charges (Notes: 33, 35, 41.3)	2,571	2,454
Accrued charges (Notes: 33, 35, 41.3)	2,392	1,824
Other creditors (Notes: 33, 35, 41.3)	1,615	1,519
Other debts to clients (Notes: 33, 35, 41.3)	1,370	161
Other (Notes: 33, 35, 41.3)	24	53
	7,972	**6,011**
Other non-financial liabilities		
Income received in advance	49	92
VAT and other tax payables	383	308
	432	**400**
Total other liabilities	**8,404**	**6,411**

Other liabilities are assessed as current liabilities.

30. PROVISIONS

(CZKm)	Pending legal issues and other losses	Restructuring	Contractual engagements	Total
At 1 January 2021	**267**	**107**	**-**	**374**
Additions	15	80	23	118
Amounts utilised	(181)	(81)	(2)	(264)
Unused amounts reversed	(14)	(27)	(10)	(51)
At 31 December 2021	**87**	**79**	**11**	**177**
Additions	3,665	82	6	3,753
Amounts utilised	(7)	(73)	(4)	(84)
Unused amounts reversed	(8)	(7)	-	(15)
At 31 December 2022	**3,737**	**81**	**13**	**3,831**

Loan commitments and guarantees (Note: 36):

(CZKm)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	**114**	**60**	**289**	**463**
Origination and acquisition	114	2	-	116
Change in credit risk not leading to stage transfers	(78)	(12)	(89)	(179)
Change in credit risk leading to stage transfer	(4)	4	-	-
Derecognition	(17)	(1)	(8)	(26)
Foreign currency translation	9	(12)	(8)	(11)
At 31 December 2021	**138**	**41**	**184**	**363**
Origination and acquisition	122	5	-	127
Change in credit risk not leading to stage transfers	(52)	(24)	3	(73)
Change in credit risk leading to stage transfer	(34)	224	123	313
Derecognition	(11)	(1)	-	(12)
Foreign currency translation	(8)	5	(4)	(7)
At 31 December 2022	**155**	**250**	**306**	**711**

Restructuring

During 2021 and 2022, the Group started a new restructuring programme, resulting in the creation of a provision of CZK 80 m and CZK 82 m, respectively. In the framework of this restructuring programme the total number of personnel will be reduced in the period of 2022 - 2023.

Pending legal issues and other losses

Provisions for legal issues and other losses represent an obligation to cover potential risks resulting from litigation, where the Group is the defendant.

The Group is involved in a number of ongoing legal disputes, the resolution of which may have an adverse financial impact on the Group. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for.

The Group's policy is to create a provision, where the possibility of an outflow of resources embodying economic benefits to settle the obligation is more than 50%. In such cases the Group creates a provision in the full amount to cover the possible cost in the event of loss.

In 2022, the Group had a provision for pending legal issues and other losses in the total amount of CZK 3,737 m. This amount includes a provision for the legal proceedings against the company ICEC-HOLDING, a.s. in the amount of CZK 3,663 m (Note: 36). The legal case resulted in a liability of the Group of CZK 3,663 m payable till 15 days past 17 February, the day when the arbitral award entered into legal force. The liability was settled in March 2023.

It is expected that the majority of other legal issues costs will be incurred in the next 3 years.

On a quarterly basis, the Group monitors the status of all cases and makes a decision whether to create, utilise or reverse any provision.

The Group does not disclose the details underlying the disputes as the disclosure may have an impact on the outcome of the disputes and may seriously harm the Group's interests.

31. SHARE CAPITAL AND OTHER RESERVES

As at 31 December 2022, the total authorised share capital was CZK 5,855 m (31 December 2021: CZK 5,855 m) and comprised of 292,750,002 ordinary shares with a nominal value of CZK 20 each (31 December 2021: 292,750,002 ordinary shares with a nominal value of CZK 20 each) and is fully paid up.

No Treasury shares were held by the Group at 31 December 2022 and 2021.

On 31 December 2022, the Bank was directly controlled by KBC Bank whose ownership interest in ČSOB was 100% (31 December 2021: 100%). On the same date, KBC Bank was controlled by the KBC Group and, therefore, KBC Group was the company indirectly exercising ultimate control over the Bank.

Other reserves

The movement of Other reserves in 2022 and 2021 are as follows:

(CZKm)	Revaluation reserve from financial assets at fair value through OCI	Cash flow hedge reserve	Foreign translation reserve	Total
At 1 January 2021	**369**	**26**	**-**	**395**
Other comprehensive income (Note: 32)	(391)	(1,166)	(22)	(1,579)
At 31 December 2021	**(22)**	**(1,140)**	**(22)**	**(1,184)**
Other comprehensive income (Note: 32)	(641)	(438)	(3)	(1,082)
At 31 December 2022	**(663)**	**(1,578)**	**(25)**	**(2,266)**

32. COMPONENTS OF OTHER COMPREHENSIVE INCOME

(CZKm)	2022	2021
Other comprehensive income – to be reclassified to the statement of income		
Exchange differences on translating foreign operation	(3)	(22)
Cash flow hedges		
Net unrealised losses on cash flow hedges	(872)	(1,320)
Net losses / (gains) on cash flow hedges reclassified to the statement of income (Note: 22)	332	(120)
Tax effect relating to cash flow hedges (Note: 14)	102	274
	(438)	(1,166)
Financial debt instruments FVOCI		
Net unrealised losses on financial debt instruments FVOCI	(726)	(619)
Realised gains on financial debt instruments FVOCI reclassified to the statement of income on disposal	-	(1)
Tax effect relating to financial debt instruments FVOCI (Note: 14)	136	76
	(590)	(544)
Other comprehensive income for the year, net of tax, to be reclassified to statement of income in subsequent periods	**(1,031)**	**(1,732)**
Other comprehensive income – not to be reclassified to the statement of income		
Financial equity instruments FVOCI		
Net unrealised gains on financial equity instruments FVOCI	40	140
Net realised gains on financial equity instruments FVOCI reclassified to the retained earnings on disposal	(103)	(63)
Tax effect relating to financial equity instruments FVOCI	12	76
Other comprehensive income for the period, net of tax, not to be reclassified to statement of income in subsequent periods	**(51)**	**153**
Other comprehensive income for the year, net of tax	**(1,082)**	**(1,579)**

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities at fair value

The Group's accounting policy on fair value measurements is discussed in the Accounting policies (Note 2.4 (3)).

Financial assets and liabilities at fair value, i.e. financial assets FVOCI, held for trading, designated at fair value through profit or loss, are valued as follows:

- Level 1

  If available, published price quotations in active markets are used to determine the fair value of financial assets or financial liabilities. Revaluation is obtained using prices of an identical asset or liability, which means that no model is involved in the process of a revaluation. Financial instruments valued on this basis include spot foreign exchange contracts and listed shares and bonds.

  Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

- Level 2

  Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar 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.

  Financial instruments valued on this basis include forward interest rate, foreign exchange and commodity contracts, mortgage bonds, money market loans and deposits.

- Level 3

  Valuation techniques using significant unobservable inputs. This category includes all 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. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

  Financial instruments for which the parameters are not observable include unlisted shares, a part of the portfolio of trading derivatives, a part of the portfolio of mortgage bonds and selected listed but not traded bonds.

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 spreads and other premia 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 determine a fair value 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.

The Group uses widely recognised valuation models for determining the fair value of common and less complex financial instruments like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, the determination of expected future cash flows on the financial instrument being valued, the determination of the probability of counterparty default and prepayments and the selection of appropriate discount rates. The Valuation policy is subject to approval of the ČSOB Risk and Capital Oversight Committee and KBC Group Valuation Committee. The process for the approval of any new product consist also of an assessment of the valuation of the product and the eventual new valuation model for the product has to be approved before the product is endorsed or approval of the model is a blocking condition for the product implementation. The New and Active Product Process also requires a regular review of all products and the assessment of valuation quality is an important part of the review. Any valuation model, which uses not directly observable inputs, is subject to the Parameter review policy. The policy requires quarterly assessment of all parameters correctness. The Group currently checks the valuation of all bonds quarterly.

The Group also monitors the quality of asset valuations on a daily basis. If an asset quote quality does not meet the required criteria for Level 1 or Level 2 the asset is transferred to Level 3 and vice versa. The monitoring process evaluates among others the frequency of quote updates.

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2022:

(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets recorded at fair value				
Financial assets held for trading				
Loans and advances	-	791	-	791
Equity securities	10	-	-	10
Derivative contracts	-	67,124	3,821	70,945
Non-trading financial assets mandatorily at fair value through profit or loss				
Loans and advances	-	1,322	-	1,322
Financial assets FVOCI				
Debt securities	13,270	-	1,898	15,168
Equity securities	66	-	352	418
Financial assets FVOCI pledged as collateral				
Debt securities	72	-	-	72
Fair value adjustments of the hedged items in portfolio hedge	-	(25,639)	-	(25,639)
Derivatives used for hedging	-	48,425	-	48,425
Financial liabilities recorded at fair value				
Financial liabilities held for trading				
Derivative contracts	-	67,341	3,990	71,331
Term deposits	-	1,071	-	1,071
Repo transactions	-	1,104	-	1,104
Financial liabilities designated at fair value through profit or loss				
Bonds and investment certificates issued	-	-	23,839	23,839
Fair value adjustments of the hedged items in portfolio hedge	-	(32,441)	-	(32,441)
Derivatives used for hedging	-	42,039	-	42,039

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2021:

(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets recorded at fair value				
Financial assets held for trading				
Loans and advances	-	1	-	1
Equity securities	43	-	-	43
Derivative contracts	-	43,178	865	44,043
Non-trading financial assets mandatorily at fair value through profit or loss				
Loans and advances	-	1,410	-	1,410
Financial assets FVOCI				
Debt securities	15,520	-	2,501	18,021
Equity securities	-	-	545	545
Financial assets FVOCI pledged as collateral				
Debt securities	221	-	-	221
Fair value adjustments of the hedged items in portfolio hedge	-	(18,223)	-	(18,223)
Derivatives used for hedging	-	30,276	-	30,276
Financial liabilities recorded at fair value				
Financial liabilities held for trading				
Derivative contracts	-	43,837	166	44,003
Term deposits	-	530	-	530
Repo transactions	-	153	-	153
Financial liabilities designated at fair value through profit or loss				
Bonds and investment certificates issued	-	-	24,544	24,544
Fair value adjustments of the hedged items in portfolio hedge	-	(23,280)	-	(23,280)
Derivatives used for hedging	-	28,346	-	28,346

Yield curve used in the mortgage bonds valuation model for discounting future cash flows is constructed from IRS rates and respective credit spreads. The credit spreads for all maturities were derived from market unobservable inputs. The credit spread curve for mortgage bonds was derived from newly issued mortgage bonds for 5Y bucket (as the most frequent maturity) and spreads for other maturities were calculated using slope from mortgage bonds credit spread curve with rating grade A. The management considers this a significant market unobservable input, and as a consequence, all mortgage bonds are reported as part of Level 3

The spread according to bond maturity was 5 bps (1-year) to 47 bps (20-year) in 2021 and 0 bps (1-year) to 44 bps (20-year) in 2022.

Valuation of bonds issued by Česká Exportní Banka (ČEB) was based on model using unobservable inputs. Yield curve used in the ČEB bonds valuation model for discounting future cash flows was constructed from IRS rates and respective credit spreads. The credit spreads were derived from the quotes of the most liquid bonds issued by ČEB and IRS rates. Direct quotes are used for ČEB bonds. As quotes come from less liquid market the management considers this a significant market unobservable input and, as a consequence, the bonds issued by ČEB are classified as Level 3.

The Group's share in Visa Inc. unquoted C-class classified as a financial asset at fair value through other comprehensive income is subject to fair value measurement based on the quoted price of Visa Inc. adjusted for applied liquidity spreads and conversion ratio. In 2020, the Group converted a part of the Visa shares position to quoted Visa Inc. A-class. The Group reported the transaction as a sale of Visa Inc. C-class from Level 3, including realised gain reclassified to the retained earnings on disposal of CZK 238 m. And, a recognition of new Visa Inc. A-class shares classified as Level 1 financial assets. In 2021, Visa A-class shares were sold out of the Group. A gain realised on the sale amounted to CZK 51 m (net of tax) directly recognized in Retained earnings in equity. In 2022, the Group converted a part of the Visa shares position to quoted Visa Inc. A-class. The Group reported the transaction as a sale of Visa Inc. C-class from Level 3, including realised gain reclassified to the retained earnings on disposal of CZK 83 m. And, a recognition of new Visa Inc. A-class shares classified as Level 1 financial assets. Subsequently part of Visa A-class shares was sold out of the Group.

Investment certificate is a financial liability composed of term deposit and index linked option / swap. The Group valuates the certificates using valuation of the underlying option / swap component in combination with the calculation of the deposit component value. Issued bonds are hybrid financial liabilities composed of the floating coupon rate bond and callable / puttable option. Valuation of the embedded derivative is based on model using both, market observable and unobservable inputs. Unobservable inputs represents a significant portion of the valuation, and as a consequence, the investment certificates and bonds issued are classified as Level 3 financial instruments.

All transfers of financial instruments among the levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Movements in Level 3 financial instruments measured at fair value

The following table shows the reconciliation of the opening and closing amount of financial assets which are recorded at fair value using valuation techniques based on non-market observable inputs:

	Financial assets held for trading	Financial assets FVOCI (incl. assets pledged as collateral)		Total
(CZKm)	Financial derivatives	Debt securities	Equity securities	
At 1 January 2021	**729**	**2,779**	**798**	**4,306**
Total gains / (losses) recorded in profit or loss	1,141	(64)	-	1,077
Total gains / (losses) recorded in OCI	-	(148)	25	(123)
Purchases	-	-	64	64
Settlement	(1,005)	-	-	(1,005)
K&H Payment Services transferred from financial assets at FVOCI to consolidated entities (Note: 3)	-	-	(342)	(342)
Foreign currency differences	-	(66)	-	(66)
At 31 December 2021	**865**	**2,501**	**545**	**3,911**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	1,141	(64)	-	**1,077**
At 1 January 2022	**865**	**2,501**	**545**	**3,911**
Total gains / (losses) recorded in profit or loss	868	(35)	-	833
Total gains / (losses) recorded in OCI	-	(76)	17	(59)
Purchases	-	-	15	15
Sales	-	-	(225)	(225)
Settlement	-	(455)	-	(455)
Transfers into level 3	2,088	-	-	2,088
Foreign currency differences	-	(37)	-	(37)
At 31 December 2022	**3,821**	**1,898**	**352**	**6,071**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	868	(35)	-	**833**

Total gains / (losses) recorded in profit or loss are included within the captions Interest income calculated using the effective interest rate method, Net gains from financial instruments at fair value through profit or loss, Net realised gains on financial instruments at fair value through other comprehensive income and Impairment losses of the statement of income.

The following table shows the reconciliation of the opening and closing amount of financial liabilities which are recorded at fair value using valuation techniques based on non-market observable inputs:

	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss	Total
(CZKm)	Debt instruments	Financial derivatives	Debt instruments	
At 1 January 2021	**2,224**	**340**	**25,575**	**28,139**
Total (gains) / losses recorded in profit or loss	(186)	(39)	(158)	(383)
Issued	-	-	6,410	6,410
Sales	(1)	-	(6,094)	(6,095)
Settlement	(2,037)	(135)	(1,189)	(3,361)
At 31 December 2021	**-**	**166**	**24,544**	**24,710**
Total (gains) / losses recorded in profit or loss related to liabilities held at the end of the reporting period	-	(39)	(260)	(299)
At 1 January 2022	**-**	**166**	**24,544**	**24,710**
Total (gains) / losses recorded in profit or loss	-	1,809	(1,293)	516
Issued	-	-	7,374	7,374
Sales	-	-	(715)	(715)
Transfers into level 3	-	2,015	-	2,015
Settlement	-	-	(6,071)	(6,071)
At 31 December 2022	**-**	**3,990**	**23,839**	**27,829**
Total (gains) / losses recorded in profit or loss related to liabilities held at the end of the reporting period	-	1,809	(1,293)	516

Total (gains) / losses recorded in profit or loss are included within the captions Net gains / losses from financial instruments at fair value through profit or loss of the statement of income.

Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions

Management considers the value of the credit spread included in the discount factor applied on estimated future cash flows from the mortgage bonds in periods after the first year from the balance sheet date as a key assumption not derived from observable market inputs which is influencing the fair value of Level 3 financial instruments.

As at 31 December 2022, an increase / (decrease) of the credit spread by 50 basis points would (decrease) / increase the fair value of the mortgage bonds and bonds issued by ČEB included in Level 3 by CZK 12 m and CZK 3 m, respectively (2021: CZK 17 m and CZK 6 m, respectively). Such a change in the credit spread is based on the variability of mortgage bond and ČEB bond quotes that were observed by the management on the market.

Management believes that reasonably possible changes in other non-observable market inputs in the valuation models used would not have a material impact on the estimated fair values.

Transfers between Level 1 and 2 of the fair value hierarchy for financial instruments

In 2021 and 2022, no transfers were made between a group of financial instruments with a market quoted price and those for which the fair value is calculated using valuation techniques based on market observable inputs.

Financial assets and liabilities not carried at fair value

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the financial statements:

	2022		2021	
(CZKm)	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash, balances with central banks and other demand deposits	62,121	62,121	39,762	39,762
Financial assets at amortised cost	1,564,279	1,418,123	1,613,504	1,535,978
Debt securities	*249,111*	*222,635*	*201,449*	*194,502*
Loans and advances	*1,315,168*	*1,195,488*	*1,412,055*	*1,341,476*
Financial assets at amortised cost pledged as collateral	24,721	24,537	33,904	33,452
Finance lease receivables	10,482	10,213	11,149	11,120
Other assets (Note: 26)	1,961	1,961	1,875	1,875
Financial liabilities				
Financial liabilities at amortised cost	1,581,015	1,581,802	1,603,562	1,602,704
Deposits	*1,275,508*	*1,274,716*	*1,181,959*	*1,182,035*
Debt securities in issue	*264,915*	*266,812*	*402,164*	*401,230*
Subordinated debt	*40,592*	*40,274*	*19,439*	*19,439*
Lease liabilities	2,041	2,041	2,269	2,269
Other liabilities (Note: 29)	7,972	7,972	6,011	6,011

The following table shows an analysis of financial instruments for which fair values are disclosed, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2022:

	2022			
(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets for which fair values are disclosed				
Cash, balances with central banks and other demand deposits	8,437	53,684	-	62,121
Financial assets at amortised cost	210,500	460,887	746,736	1,418,123
Debt securities	*210,500*	-	*12,135*	*222,635*
Loans and advances	-	*460,887*	*734,601*	*1,195,488*
Financial assets at amortised cost pledged as collateral	24,537	-	-	24,537
Finance lease receivables	-	-	10,213	10,213
Other assets (Note: 26)	-	1,961	-	1,961
Financial liabilities for which fair values are disclosed				
Financial liabilities at amortised cost	-	1,388,337	193,465	1,581,802
Deposits	-	*1,135,300*	*139,416*	*1,274,716*
Debt securities in issue	-	*253,037*	*13,775*	*266,812*
Subordinated debt	-	-	*40,274*	*40,274*
Lease liabilities	-	2,041	-	2,041
Other liabilities (Note: 29)	-	7,972	-	7,972

The following table shows an analysis of assets and liabilities for which fair values are disclosed, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2021:

	2021			
(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets for which fair values are disclosed				
Cash, balances with central banks and other demand deposits	8,310	31,452	-	39,762
Financial assets at amortised cost	179,602	589,556	766,820	1,535,978
Debt securities	*179,602*	*21*	*14,879*	*194,502*
Loans and advances	*-*	*589,535*	*751,941*	*1,341,476*
Financial assets at amortised cost pledged as collateral	33,452	-	-	33,452
Finance lease receivables	-	-	11,120	11,120
Other assets (Note: 26)	-	1,875	-	1,875
Financial liabilities for which fair values are disclosed				
Financial liabilities at amortised cost	-	1,421,284	181,420	1,602,704
Deposits	*-*	*1,026,023*	*156,012*	*1,182,035*
Debt securities in issue	*-*	*395,261*	*5,970*	*401,230*
Subordinated debt	*-*	*-*	*19,439*	*19,439*
Lease liabilities	-	2,269	-	2,269
Other liabilities (Note: 29)	-	6,011	-	6,011

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

Financial debt securities at amortised cost

Fair values for securities measured at amortised cost are based on quoted market prices, where available. Such quotes are obtained from relevant exchanges, if exchange activity for the particular security is considered sufficiently liquid, or from reference rates averaging market maker quotes. If quoted market prices are not available, fair values are estimated from quoted market prices of comparable instruments or using the valuation model based on discounted future cash flows.

Loans and advances to credit institutions and balances with central banks measured at amortised cost

The carrying values of current account balances are equal to their fair values. The fair values of term placements with credit institutions and central banks are estimated by discounting their future cash flows using current interbank market rates, including the respective credit spread derived from the Group's own experience of probability of default and loss given default. A majority of the loans reprice within relatively short time periods, therefore, it is assumed that their carrying values approximate their fair values.

Loans and advances to other than credit institutions measured at amortised cost

A substantial majority of the loans to customers reprice within relatively short time periods; therefore, it is assumed that their carrying values approximate their fair values. The fair values of fixed-rate loans to customers are estimated by discounting their future cash flows using current market rates including the respective credit spread derived from the Group's own experience of probability of default and loss given default.

Deposits received from credit institutions and subordinated liabilities

The carrying values of current account balances are equal to their fair values. For other amounts due to credit institutions with equal to or less than one year remaining maturity, it is assumed that their carrying values approximate their fair values. The fair values of other amounts due to credit institutions are estimated by discounting their future cash flows using IRS rates modified by market unobservable credit spread.

Deposits received from other than credit institutions

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

Debt securities in issue

The fair values of bonds issued are estimated by discounting their future cash flows using Czech government bond rates adjusted by credit spread derived from market observable transactions with respective or comparable bonds. The carrying values of promissory notes and certificates of deposit approximate their fair values.

Other assets and other liabilities

A majority of other assets and liabilities have a remaining maturity equal to or less than one year or reprice within relatively short time periods; therefore, it is assumed that their carrying values approximate their fair values.

34. ADDITIONAL CASH FLOW INFORMATION

Analysis of the balances of cash and cash equivalents as shown in the statement of financial position

(CZKm)	2022	2021
Cash, balances with central banks and other demand deposits (Note: 16)	62,121	39,762
Loans and advances to central banks (Note: 19)	460,875	603,026
Loans and advances to credit institutions (Note: 19)	2,873	1,792
Financial liabilities at amortised cost to credit institution – Current accounts and overnight deposits (Note: 28)	(31,989)	(15,537)
Financial liabilities at amortised cost to credit institution – Term deposits and Repo transactions (Note: 28)	(1,060)	(40)
Financial liabilities at amortised cost – promissory notes issued to credit institutions (Note: 28)	(259,768)	(399,425)
Cash and cash equivalents	**233,052**	**229,578**

Change in operating assets

(CZKm)	2022	2021
Net change in financial assets held for trading (incl. assets pledged as collateral)	(27,659)	(7,956)
Net change in non-trading financial assets mandatorily at fair value through profit or loss	88	382
Net change in financial assets at FVOCI (incl. assets pledged as collateral)	2,368	2,590
Net change in financial assets at amortised cost (excluding items classified as cash equivalents)	(83,259)	(69,223)
Net change in derivatives used for hedging	(18,689)	(21,747)
Net change in other assets	(1,902)	(783)
	(129,053)	**(96,737)**

Change in operating liabilities

(CZKm)	2022	2021
Net change in financial liabilities held for trading	28,820	4,994
Net change in financial liabilities designated at fair value through profit or loss	(705)	(1,031)
Net change in financial liabilities at amortised cost (excluding items classified as cash equivalents)	76,077	47,202
Net change in derivatives used for hedging	13,693	13,461
Net change in other liabilities	1,986	(501)
	119,871	**64,125**

Non-cash items included in profit before tax

(CZKm)	2022	2021
Provisions	3,654	(195)
Depreciation and amortisation	2,661	2,342
Impairment losses (Note: 13)	1,497	(3,253)
Depreciation related to operating leases assets (Note: 23)	223	277
Share of profit of associates and joint ventures	30	64
Net change in fair value adjustments of the hedged items in portfolio hedge	(1,745)	(2,403)
Other	7	(25)
	6,327	**(3,193)**

The table below sets out the movements of the debt instruments issued by the Group and lease liabilities in 2022 and 2021. The debt items are those that are reported within net cash flows used in financing activities in the consolidated statement of cash flows:

(CZKm)	Bonds issued and Subordinated debt (Note: 28)	Lease liabilities
At 1 January 2021	**6,138**	**2,368**
Cash flows in respect of issuance, repayment and interest paid on bonds	16,040	-
Cash flows in respect of payments for the principal of lease liabilities	-	(483)
Cash flows in respect of payments for the interest of lease liabilities	-	(40)
Non-cash adjustments	-	424
At 31 December 2021	**22,178**	**2,269**
Cash flows in respect of issuance, repayment and interest paid on bonds	23,561	-
Cash flows in respect of payments for the principal of lease liabilities	-	(421)
Cash flows in respect of payments for the interest of lease liabilities	-	(46)
Non-cash adjustments	-	239
At 31 December 2022	**45,739**	**2,041**

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table sets out the financial assets and liabilities of the Group by expected remaining maturity as at 31 December 2022:

(CZKm)	Less than 1 year	1 year to 5 years	More than 5 years	Without maturity	**Total**
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 16)	62,121	-	-	-	**62,121**
Financial assets held for trading					
Financial derivatives	23,376	36,330	11,239	-	**70,945**
Other than financial derivatives	801	-	-	-	**801**
Non-trading financial assets mandatorily at fair value through profit or loss	1,322	-	-	-	**1,322**
Financial assets FVOCI	1,567	8,882	4,718	418	**15,585**
Financial assets FVOCI pledged as collateral	1	-	71	-	**72**
Financial assets at amortised cost	620,492	261,028	682,759	-	**1,564,279**
Financial assets at amortised cost pledged as collateral	583	10,083	14,055	-	**24,721**
Finance lease receivables	2,537	6,920	1,025	-	**10,482**
Fair value adjustments of the hedged items in portfolio hedge	(5,688)	(16,834)	(3,117)	-	**(25,639)**
Derivatives used for hedging	13,722	26,261	8,442	-	**48,425**
Other assets (Note: 26)	1,961	-	-	-	**1,961**
Total carrying value	**722,795**	**332,670**	**719,192**	**418**	**1,775,075**
LIABILITIES					
Financial liabilities held for trading					
Financial derivatives	23,008	37,044	11,279	-	**71,331**
Other than financial derivatives	2,175	-	-	-	**2,175**
Financial liabilities designated at fair value through profit or loss	7,564	12,559	3,716	-	**23,839**
Financial liabilities at amortised cost	754,006	420,344	406,665	-	**1,581,015**
Fair value adjustments of the hedged items in portfolio hedge	(8,846)	(17,972)	(5,623)	-	**(32,441)**
Derivatives used for hedging	12,305	23,210	6,524	-	**42,039**
Lease liabilities	450	1,145	446	-	**2,041**
Other liabilities (Note: 29)	7,972	-	-	-	**7,972**
Total carrying value	**798,634**	**476,330**	**423,007**	**-**	**1,697,971**

For derivatives, disclosed amounts are calculated based on assumption, that fair value will be evenly settled each year up to maturity date.

The following table sets out the financial assets and liabilities of the Group by expected remaining maturity as at 31 December 2021:

(CZKm)	Less than 1 year	1 year to 5 years	More than 5 years	Without maturity	Total
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 16)	39,762	-	-	-	**39,762**
Financial assets held for trading					
Financial derivatives	13,582	23,170	7,291	-	**44,043**
Other than financial derivatives	-	-	-	44	**44**
Non-trading financial assets mandatorily at fair value through profit or loss	1,410	-	-	-	**1,410**
Financial assets FVOCI	3,723	8,532	5,766	545	**18,566**
Financial assets FVOCI pledged as collateral	-	-	221	-	**221**
Financial assets at amortised cost	757,011	255,812	600,681	-	**1,613,504**
Financial assets at amortised cost pledged as collateral	11,581	7,120	15,203	-	**33,904**
Finance lease receivables	3,006	6,487	1,656	-	**11,149**
Fair value adjustments of the hedged items in portfolio hedge	(6,333)	(10,914)	(976)	-	**(18,223)**
Derivatives used for hedging	7,776	16,752	5,748	-	**30,276**
Other assets (Note: 26)	1,875	-	-	-	**1,875**
Total carrying value	**833,393**	**306,959**	**635,590**	**589**	**1,776,531**
LIABILITIES					
Financial liabilities held for trading					
Financial derivatives	13,472	23,271	7,260	-	**44,003**
Other than financial derivatives	683	-	-	-	**683**
Financial liabilities designated at fair value through profit or loss	9,626	10,381	4,537	-	**24,544**
Financial liabilities at amortised cost	722,315	438,318	442,929	-	**1,603,562**
Fair value adjustments of the hedged items in portfolio hedge	(6,090)	(13,335)	(3,855)	-	**(23,280)**
Derivatives used for hedging	7,795	16,103	4,448	-	**28,346**
Lease liabilities	361	1,197	711	-	**2,269**
Other liabilities (Note: 29)	6,315	-	-	-	**6,315**
Total carrying value	**754,477**	**475,935**	**456,030**	**-**	**1,686,442**

36. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments

The contingent liabilities and commitments at 31 December 2022 and 2021 are as follows:

(CZKm)	2022	2021
Loan commitments – irrevocable (Note: 41.2)	170,963	188,388
Loan commitments – revocable	55,319	50,218
Financial guarantees (Note: 41.2)	45,548	42,815
Other commitments (Note: 41.2)	2,074	2,499
	273,904	**283,920**
Provisions for loan commitments and guarantees (Notes: 30, 41.2)	711	363

Revocable loan commitments are such commitments in which the Group may at any time limit the amount that may be drawn under the credit limit. Further the Group may not provide any drawdown under the credit facility requested by the client or the Group can suspend further drawdowns under the credit facility all together. The Group can do so with or without specifying the reason, giving a prior notice or stipulating any time limit. Loan commitments which do not meet the above definition are assessed as irrevocable.

The contractual amounts described above represent the maximum credit risk that would arise if the contracts were fully drawn, the customers defaulted and the value of any existing collateral became worthless. Many of the commitments are collateralised and most are expected to expire without being drawn upon; therefore, the total commitment contractual amounts do not necessarily represent the risk of loss or future cash requirements (Note: 41.3).

Based on the pension fund system reform in the Czech Republic in 2013, the net assets of the forming pension funds were split to the group of net assets of pension fund shareholders forming the pension fund management company ČSOB Penzijní společnost and to the group of net assets of pension scheme participants forming the Transformed fund (as a part of Pillar III), which is closed to new participants. ČSOB PS is responsible for management of the Transformed fund. This company is entitled to up to 15% of the profits of the Transformed fund in addition to a regular assets management fee and needs to guarantee the positive results and equity position of the Transformed fund. Activities and decision-making powers of the Transformed fund are strictly limited by law and by conservative investment policy embedded in the Statutes. The management fees received by ČSOB PS are in line with market norms when compared to other funds and taking into account the guarantee provided. The exposure of the ČSOB PS to variability of expected returns is low and consistent with the market terms for remuneration of the asset managers. With regard to these characteristics, ČSOB PS has a position of an agent of the Transformed fund. As a result, the Group does not exercise a control over the Transformed fund and therefore the entity has been excluded from the consolidation scope.

As a result of the increase of market interest rates in 2021 and 2022, Transformed fund recognized unrealised losses from the revaluation of financial assets at fair value through other comprehensive income. Given that fact, the Group used the guarantee and increased the equity of the Transformed fund by CZK 2,474 m in 2022 (2021: CZK 761 m). In the consolidated statement of financial position, this was recognized as a receivable from Transformed fund.

Litigation

Other than the litigations, for which provisions have already been made (Note: 30), the Group is named in and is defending a number of legal actions in various jurisdictions arising in the ordinary course of business. The Group does not believe that the ultimate resolution of these legal actions will result in a material impact on the financial position of the Group.

The Group is subject to a few claims in the context of the IPB acquisition amounting to tens of billions of Czech Crowns. Dominant part of this amount is claimed in the arbitration proceedings commenced by the claimant ICEC-HOLDING, a.s. In the arbitration proceedings, ČSOB is being sued as the legal successor of IPB, whose business ČSOB took over in 2000. The plaintiff, the company ICEC-HOLDING, a.s., claims that IPB breached its contractual duties in 1999, and ICEC-HOLDING, a.s. is thus entitled to damages and contractual penalty. The claim itself is thus not in any way related with the business activities of ČSOB and represents “a heritage” after former IPB.

In this proceedings, in February 2023 ČSOB Bank was delivered an arbitral award, in which ČSOB was imposed to pay the company ICEC-HOLDING, a.s. the amount of CZK 3,663 m, incl. costs of the proceedings in the amount of CZK 5 m. The plaintiff failed in the remainder of his claim and the arbitration panel ordered him to pay ČSOB the costs of the proceedings in the amount of CZK 17 m. ČSOB will consider possible further legal steps leading to the revision of this award. The Group recognized an additional provision for pending legal issues of CZK 3,663 m to cover the risk (Note: 30).

Further, the Group has initiated a number of legal actions to protect its assets.

Taxation

Czech tax legislation, interpretation and guidance are still evolving. Consequently, under the current taxation environment, it is difficult to predict the interpretations that the respective tax authorities may apply in a number of areas. As a result, the Group has used its current understanding of the tax legislation in the design of its planning and accounting policies. The effect of the uncertainty cannot be quantified.

Operating lease receivables (Group is the lessor)

Future minimum lease payments (including sublease payments) under operating leases related to land and buildings and movables are as follows:

(CZKm)	2022	2021
Not later than 1 year	219	266
Later than 1 year and not later than 5 years	247	262
Later than 5 years	6	1
	472	**529**

These operating leases can be technically cancelled under the Czech law; however, the lessees are commercially bound to continue with these leases for the periods set out above.

37. REPURCHASE AGREEMENTS AND COLLATERAL

The following table shows an analysis of the loans the Group has made to counterparties in reverse repurchase agreements and loans, where the Group is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, according to the lines of the statement of financial position in which they are included:

(CZKm)	2022	2021
Financial assets		
Financial assets held for trading	790	-
Financial assets at amortised cost	463,655	605,737
	464,445	**605,737**

Under reverse repurchase agreements, the Group obtains legal ownership of the respective collateral received and, thus, is permitted to use the collateral; however, the same collateral must be delivered back to the borrower of the funds on maturity.

Under loans, where the Group is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral (collaterals of factoring loans), the Group obtains legal ownership of the respective collateral received and, thus, is permitted to use the same collateral. The Group has no obligations to return collateral to the borrower of the funds on maturity.

The fair value of financial assets accepted as collateral as at 31 December 2022 was CZK 512,522 m, of which CZK 37,999 m has been either sold or repledged (31 December 2021: CZK 676,221 m and CZK 48,208 m, respectively).

The following table shows an analysis of the loans the Group has received from counterparties in repurchase agreements according to the lines of the statement of financial position in which they are included:

(CZKm)	2022	2021
Financial liabilities		
Financial liabilities held for trading	1,104	153
Financial liabilities at amortised cost	11,766	8,350
	12,870	**8,503**

The Group contracts repo operations under the standard conditions currently applied on the market. Amounts of financial assets pledged as collateral in repo transactions and securities lending are described in Financial assets at fair value through profit or loss (Note: 17), Financial assets at fair value through OCI (Note: 18) and Financial assets at amortised cost (Note: 19).

38. OFFSET FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table shows an analysis of the financial assets and liabilities of the Group that have been set-off or that have not been set-off as at 31 December 2022:

(CZKm)	Gross amounts of recognised financial instrument	Gross amounts of recognised financial instrument set-off	Net amounts of financial instrument
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	116,970	-	116,970
Derivatives not set-off that are not subject to an enforceable master netting arrangement	2,400	-	2,400
Total trading and hedging derivatives	**119,370**	**-**	**119,370**
Repurchase agreements set-off	15,027	15,027	-
Repurchase agreements not set-off that are not subject to an enforceable master netting arrangement	464,445	-	464,445
Total repurchase agreements (Note: 37)	**479,472**	**15,027**	**464,445**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	93,064	-	93,064
Derivatives not set-off that are not subject to an enforceable master netting arrangement	20,306	-	20,306
Total trading and hedging derivatives	**113,370**	**-**	**113,370**
Repurchase agreements set-off	15,971	15,027	944
Repurchase agreements not set-off that are subject to an enforceable master netting arrangement	11,926	-	11,926
Total repurchase agreements (Note: 37)	**27,897**	**15,027**	**12,870**

The following table shows an analysis of the financial assets and liabilities of the Group that have not been set-off as at 31 December 2021:

(CZKm)	Gross amounts of recognised financial instrument	Gross amounts of recognised financial instrument set-off	Net amounts of financial instrument
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	72,143	-	72,143
Derivatives not set-off that are not subject to an enforceable master netting arrangement	2,176	-	2,176
Total trading and hedging derivatives	**74,319**	**-**	**74,319**
Repurchase agreements set-off	27,092	27,092	-
Repurchase agreements not set-off that are not subject to an enforceable master netting arrangement	605,737	-	605,737
Total repurchase agreements (Note: 37)	**632,829**	**27,092**	**605,737**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	63,250	-	63,250
Derivatives not set-off that are not subject to an enforceable master netting arrangement	9,099	-	9,099
Total trading and hedging derivatives	**72,349**	**-**	**72,349**
Repurchase agreements set-off	27,092	27,092	-
Repurchase agreements not set-off that are subject to an enforceable master netting arrangement	8,503	-	8,503
Total repurchase agreements (Note: 37)	**35,595**	**27,092**	**8,503**

The following table shows an analysis of the financial assets and liabilities of the Group that have not been set-off and are subject to an enforceable master netting arrangement or similar agreement as at 31 December 2022:

(CZKm)	Net amounts of financial assets and liabilities	Amounts not set-off			Total net amount
		Financial instruments	Cash collateral	Securities collateral	
FINANCIAL ASSETS					
Derivatives not set-off that are subject to an enforceable master netting arrangement	116,970	89,078	27,625	-	267
Debt securities pledged as collateral in repo transaction not set-off	944	944	-	-	-
Total carrying value	**117,914**	**90,022**	**27,625**	**-**	**267**
FINANCIAL LIABILITIES					
Derivatives not set-off that are subject to an enforceable master netting arrangement	93,064	78,583	2,633	-	11,848
Repurchase agreements not set-off	944	-	-	944	-
Total carrying value	**94,008**	**78,583**	**2,633**	**944**	**11,848**

The following table shows an analysis of the financial assets and liabilities of the Group that have not been set-off and are subject to an enforceable master netting arrangement or similar agreement as at 31 December 2021:

(CZKm)	Net amounts of financial assets and liabilities	Amounts not set-off			Total net amount
		Financial instruments	Cash collateral	Securities collateral	
FINANCIAL ASSETS					
Derivatives not set-off that are subject to an enforceable master netting arrangement	72,143	61,053	10,509	-	581
Debt securities pledged as collateral in repo transaction not set-off that are subject to an enforceable master netting arrangements	-	-	-	-	-
Total carrying value	**72,143**	**61,053**	**10,509**	**-**	**581**
FINANCIAL LIABILITIES					
Derivatives not set-off that are subject to an enforceable master netting arrangement	63,250	54,820	1,444	-	6,986
Repurchase agreements not set-off that are subject to an enforceable master netting arrangement	-	-	-	-	-
Total carrying value	**63,250**	**54,820**	**1,444**	**-**	**6,986**

The amounts in both tables are subject to master netting agreement in accordance with International Swaps and Derivatives Association (ISDA), however with no intention to settle them on a net basis.

Counterparties are, on a daily basis, exchanging their current exposure (MTM) of derivative position and then based upon agreed parameters in CSA (Credit Support Annex) are exchanging collateral (variation margin) to cover this exposure and its daily changes.

39. RELATED PARTY DISCLOSURES

A number of transactions are executed with related parties in the normal course of business.

The outstanding balances of assets from related party transactions as at 31 December 2022 are as follows:

(CZKm)	Cash, balances with central banks and other demand deposits	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at amortised cost	Derivatives used for hedging	Other assets
KBC Bank	7,811	50,272	1,322	212	46,651	-
Entities under common control						
ČSOB SK	9	-	-	-	-	18
Other	32	-	-	77	-	190
Associates						
ČSOB Pojišťovna	-	-	-	-	-	34

The outstanding balances of liabilities from related party transactions as at 31 December 2022 are as follows:

(CZKm)	Financial liabilities held for trading	Financial liabilities at amortised cost	Derivatives used for hedging	Other liabilities
Directors / Top management	-	22	-	69
KBC Bank	36,096	309,022	39,892	1
Entities under common control				
ČSOB AM	-	770	-	-
ČSOB SK	2	53	-	-
K&H Bank Zrt.	1	375	-	-
Other	100	274	-	3
Associates				
ČSOB Pojišťovna	881	943	-	9

The outstanding balances of assets from related party transactions as at 31 December 2021 are as follows:

(CZKm)	Cash, balances with central banks and other demand deposits	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at amortised cost	Derivatives used for hedging	Other assets
KBC Bank	1,057	28,655	1,410	322	28,690	-
Entities under common control						
ČSOB SK	15	1	-	-	-	-
Other	395	22	-	-	-	-
Joint ventures						
MallPay	-	-	-	43	-	-
Associates						
ČSOB Pojišťovna	-	15	-	-	-	69

The outstanding balances of liabilities from related party transactions as at 31 December 2021 are as follows:

(CZKm)	Financial liabilities held for trading	Financial liabilities at amortised cost	Derivatives used for hedging	Other liabilities
Directors / Top management	-	36	-	69
KBC Bank	24,311	417,468	26,794	-
Entities under common control				
ČSOB AM	-	670	-	-
ČSOB SK	8	81	-	-
K&H Bank Zrt.	-	25	-	-
Other	-	148	-	36
Associates				
ČSOB Pojišťovna	518	1,093	-	11

The outstanding balances of financial assets and liabilities held for trading comprise positive and negative fair values of derivative financial instruments (mainly single currency and cross-currency interest rate swaps). Majority of these transactions are collateralised by cash deposit or by securities. Financial assets at amortised cost from related parties represent balances on current accounts. Financial liabilities to related parties measured at amortised cost consist of balances on demand deposits. Liabilities to KBC Bank NV represent balances on money-market products, specifically promissory notes with maturities up to one year issued by the Bank, repo transactions, subordinated debts (Notes: 28, 42) and short-term deposits.

The Group provides banking services to its associates and joint ventures such as provided loans, overdrafts, interest bearing deposits and current accounts as well as other services.

The outstanding balances, described above, arose in the ordinary course of business and are subject to the substantially same terms, including interest rates and security, as for comparable transactions with third party counterparties.

The balances of interest income and expense from related party transactions for the year ended 31 December are as follows:

	2022		2021	
(CZKm)	Interest income	Interest expense	Interest income	Interest expense
KBC Bank	12,406	26,057	2,410	5,468
Entities under common control				
ČSOB AM	-	33	-	5
ČSOB SK	1	118	-	12
K&H Bank Zrt.	-	120		
Other	6	7	4	3
Associates				
ČSOB Pojišťovna	-	272	-	72

The balances of fee and commission income and expenses from related party transactions for the year ended 31 December are as follows:

	2022		2021	
(CZKm)	Fee and commission income	Fee and commission expense	Fee and commission income	Fee and commission expense
KBC Bank NV	74	43	86	18
Entities under common control				
ČSOB AM	703	57	559	56
ČSOB SK	20	-	20	-
KBC Asset Management	515	-	506	-
Other	14	39	18	8
Associates				
ČSOB Pojišťovna	1,106	4	1,040	4

In 2022, the Group received income of CZK 237 m (2021: CZK 179 m) from the provision of administration services and paid expense of CZK 601 m (2021: CZK 511 m) for IT services, including rental expenses on information technologies.

In 2022, the Group received income of CZK 659 m (2021: CZK 632 m) from ČSOB SK and ČSOB Pojišťovna arising from providing services and support in the following areas such as: ICT services, electronic banking, cards, payment processing, financial management and risk management.

The outstanding contractual balances of the contingent assets and liabilities to the related parties at 31 December are as follows:

	2022		2021	
(CZKm)	Guarantees received	Guarantees given	Guarantees received	Guarantees given
KBC Bank NV	2,189	99	2,173	146
Entities under common control				
ČSOB SK	1,250	230	1,695	12
K&H Bank Zrt.	280	600	287	400

The outstanding balances of guarantees received from KBC Bank and the entities under common control principally comprise sub-participation arrangements and other compensation commitments.

40. EVENTS AFTER THE REPORTING PERIOD

In February 2023, ČSOB Bank was delivered an arbitral award, in which ČSOB was imposed to pay the company ICEC-HOLDING, a.s. the amount of CZK 3,663 m, incl. costs of the proceedings in the amount of CZK 5 m. The Group assessed this case as an adjusting event for 2022 consolidated financial statements and recognized an additional provision for pending legal issues of CZK 3,663 m in the consolidated statement of income for the period ended 31 December 2022. The Group paid the amount of CZK 3,663 m for which it is sued to ICEC-HOLDING, a.s. in March 2023 and the respective provision was utilized. ČSOB will consider possible further legal steps leading to the revision of the arbitral award.

There were no other significant events after the reporting period in addition to those mentioned above and elsewhere in these notes to the financial statements.

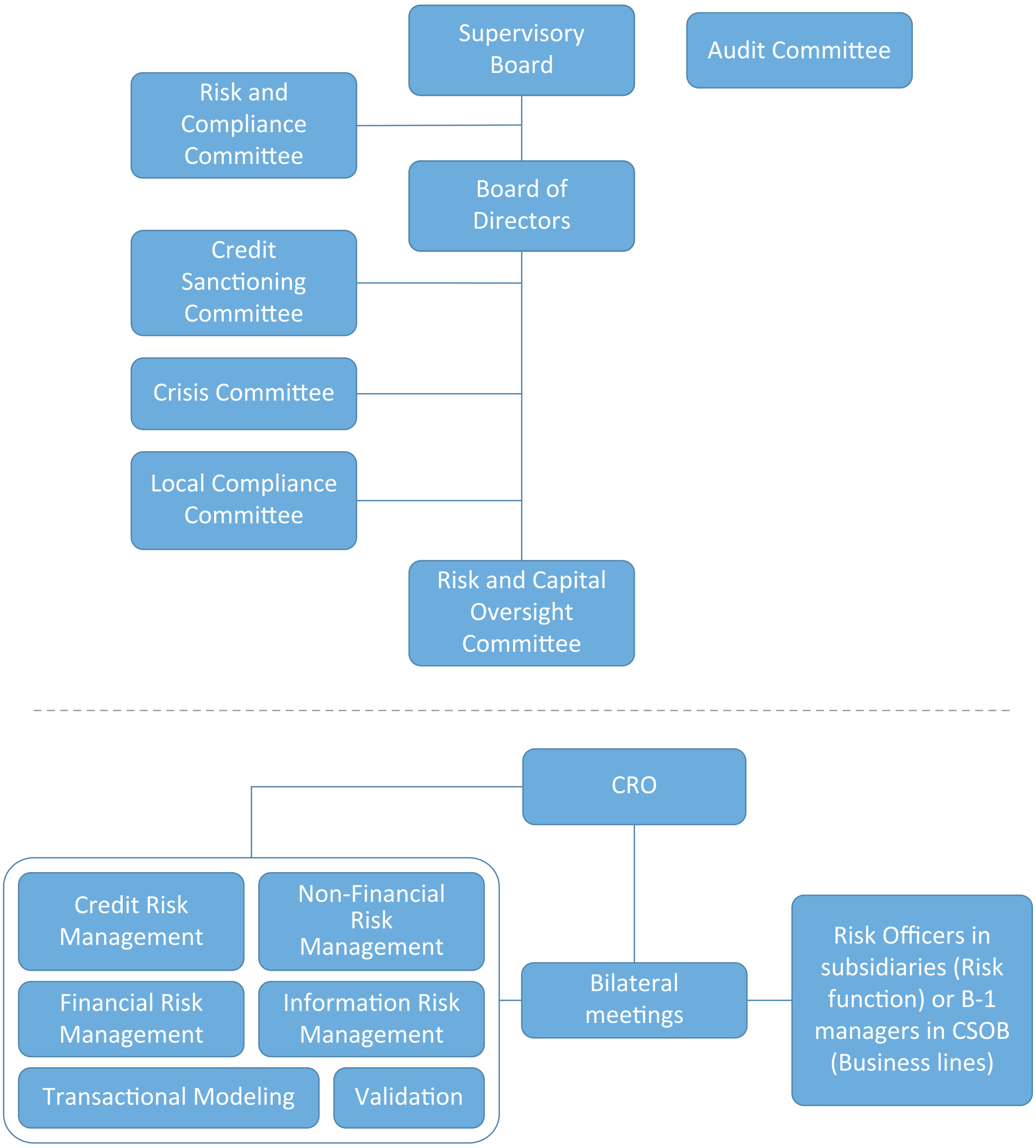
41. RISK MANAGEMENT

41.1 Introduction

Risk is an inherent part of the Group's activities, and risk and capital management is critical to the results of operations and financial condition of the Group. The principal risks that the Group faces are credit risk, liquidity risk, market risk, operational and other non-financial risks. This section is focused on our risk governance model and the most material risks the Group faces.

Risk and Capital Management Governance

The chart below depicts an overview of the principal bodies of the risk and capital governance model in the Group.



The Group operates a three-line of defense (LoD) risk management model whereby front office functions, risk management oversight and assurance roles are played by functions independent of one another. The model is characterised primarily by:

- the Board of Directors, assisted by the Audit Committee, Supervisory Board and its Committees,
- the Risk and Capital Oversight Committee and Local Compliance Committee,
- an independent Chief Risk Officer, supported by the independent Risk Function, and
- risk-aware business people, who act as the first line of defence ensuring that a risk control environment is established as part of day-to-day operations.

Supervisory Board

In its main role, the Supervisory Board oversees whether the governance of the Group is efficient, comprehensive and adequate, and regularly evaluates the findings obtained from this activity. Its oversight role consists in providing constructive challenge when developing the strategy of the Group; monitoring of the performance of the management function and the realisation of agreed goals and objectives, business and risk strategies; and ensuring the integrity of the financial information, effective risk management and internal controls (including proper segregation of duties within the Group).

Risk and Compliance Committee

The Supervisory Board established the Risk and Compliance Committee which is mainly responsible for advising the Supervisory Board on the Group's overall current and future risk profile, appetite and strategy, and for overseeing the implementation of that strategy.

Audit Committee

The Audit Committee, inter alia, monitors the effectiveness of the Group's internal control, internal audit, risk management systems, establishment of accounting policies by the institution and procedures in preparing the financial statements and consolidated financial statements of the Group.

Board of Directors (BoD)

The Board of Directors generally ensures that comprehensive and adequate internal control and risk governance system is established, well functioning and efficient, in its entirety and in parts.

Risk and Capital Oversight Committee (RCOC)

The RCOC assists the Board of Directors with risk and capital monitoring within the Group. The RCOC is responsible for the whole ČSOB Holding. In case of subsidiaries or entities that have a separate legal structure, the decisions of the RCOC are to be considered as advices to the Management Board of those entities.

Local Compliance Committee

The Local Compliance Committee assists the Board of Directors with monitoring of compliance related issues within the Group. The Local Compliance Committee is responsible for the whole ČSOB Holding. In case of subsidiaries or entities that have a separate legal structure, the decisions of the Local Compliance Committee are to be considered as advices to the Management Board of those entities.

Chief Risk Officer (CRO)

The Chief Risk Officer (CRO), who is a member of the Board of Directors, is in general responsible for the identification, assessment and reporting of risks arising within operations across all business and all risk types, and has a direct management responsibility for all risk management functions / departments.

Risk Officer

Role of Risk officer is crucial for effective 2nd line in the entities of ČSOB Holding. The Risk officer thus acts as a CRO of the particular company based on a delegation from ČSOB CRO.

Risk Function

The risk function is organized in the following risk specific departments: Financial Risk Management, Non-financial Risk Management, Group Information Management, Transactional Modeling and Credit Risk Management which are complemented by one team responsible for Central Credit risk and loss Measurement Validation. Common activities and shared processes are coordinated by Integrated risk management team (part of Financial Risk Management).

The risk departments at group level support the CRO of ČSOB group and are the sparring partner of the business lines via the Bilateral Meetings. This support mainly consists of formulating proposals with regard to the definition of the Risk Appetite and providing reporting and advice in the field of risk and capital management.

Other Departments and Committees Participating in Risk and Capital Management

In addition to the Board of Directors, the Audit Committee, the Supervisory Board, the RCOC, the CRO and the Risk Function, the following other departments and committees are involved in day-to-day risk and capital management at the Group level:

Credits departments

Departments within Credits are responsible for implementing and maintaining the individual credit processes within the frameworks designed by the Risk Function and the limits determined by the risk appetite and capital allocation approved by the Board of Directors.

The key responsibilities of the Credits departments are to:

(i) approve individual credit applications;

(ii) approve contractual documentation concerning individual credits;

(iii) monitor credit behaviour of individual credits during their lifetime; and

(iv) manage the work-out process in respect of individual credits.

Asset and Liability Management Department (ALM Department)

The ALM Department is responsible for managing the assets and liabilities of the Group's investment portfolio within the frameworks designed by the Risk Function and the risk appetite and capital allocation approved by the Board of Directors. The ALM Department is also primarily responsible for managing the funding and liquidity position of the Group. The ALM Department reports to the CFO.

Internal Audit Department

The Internal Audit Department regularly audits / assesses risk and capital management processes throughout the Group examining both the adequacy of its risk and capital management procedures and the Group's compliance with the same. The Internal Audit Department discusses the results of its assessments with management and reports its findings and recommendations to the Board of Directors and the Audit Committee. The Internal Audit Department reports to the CEO.

Credit Sanctioning Committee (CSC)

The CSC is a committee with group-wide responsibility and authority to take decisions on individual credit applications falling within the delegated decision powers of the CSC. As such, it acts as the highest decision-making committee for the Group with respect to credit risk. The members of the CSC are a member of ČSOB BoD responsible for Credits, who is the CSC's chairman, and the Head of ČSOB Credits; Head for Credits for Corporates and Banks; Head for Corporate Advice and Underwriting; Head of Corporate Banking; Head of Specialized and Institutional Banking and Executive Director SME and appointed Risk Manager. The CSC reports to the Board of Directors.

Bilateral Meetings

Bilateral Meetings are established for each Business Line in ČSOB Holding (including subsidiaries and ČSOB Insurance) where business specific risk issues are regularly discussed. Currently, Bilateral Meetings do not take place within Hypoteční banka and ČSOBS where the same CRO as in ČSOB is appointed.

The CRO has sole decision rights within the delegated decision authorities which can always be escalated to the BoD on request of the BoD member responsible for that area.

As a general approach, RCOC approves (majority of) limits, while CRO approves (via Bilateral Meetings) risk measurement methods and methodology.

Components of sound risk management

Risk management refers to the coordinated set of activities to proactively identify and manage the many risks that can affect the Group in its ability to achieve its objectives and in order to support the realisation of the Group strategy.

The KBC Risk Management Framework (RMF) sets strict governance and clear rules and procedures on how risk management should be performed throughout the Group. It also refers to a set of minimum standards and risk methods, processes and tools that all entities and risk-type specific RMF must adhere to for which Group Risk is primarily responsible.

In the risk management process, the process steps are not strictly sequential and interact with one another. The generic risk management process steps are dealt with in more detail under each risk type separately in the sections below.

Risk identification

Risk identification is the process of systematically and proactively discovering, recognising, assessing and describing risks, both within and outside KBC, that could negatively impact the Group's strategic objectives today and in the future. In addition to possible sources of risk, it also identifies their potential consequences and materiality for the Group. Risk identification ensures that the risk management covers all material risks the company is exposed to. For this purpose, robust processes have been set up that cover risk identification from different perspectives, including the Risk Scan, the 'New and Active Products Process' (NAPP) and risk signals.

The Risk Scan is a strategic group-wide exercise aimed at identifying and assessing financial and non-financial top risks, i.e. 'risks that keep managers awake at night' and that can significantly impact Group's business model. The identified top risks are used as input for the yearly financial planning process and for several risk management exercises, including risk appetite setting and stress testing.

The NAPP is a group-wide, highly formalised process to identify and mitigate all material risks related to new and existing products and services which may negatively impact the client. Within the Group, no client-facing products, processes and/or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the Group's risk profile.

The internal and external environment are scanned on a continuous basis and using all possible sources of information in order to detect events or changes that might or will impact the Group, either directly or indirectly. Risk signals are collected at all levels of the organisation and provide a summary of the risks identified and the potential impact for Group and, where possible, propose remedial action.

Risk measurement

Risk measurement aims to quantify the various risks that we are exposed to. Once risks have been identified, certain attributes can be assessed, such as impact, probability of occurrence, size of exposure, etc. with the help of risk measures. Each risk-type-specific framework provides an overview of the risk measures, both regulatory and internally defined, used within the Group.

Setting and cascading risk appetite

The Group's tolerance for risk is captured via the notion of 'risk appetite'. It helps us to better understand and manage risks by explicitly expressing – both qualitatively and quantitatively – how much and what kind of risk we want to take.

The ability to accept risk (risk-taking capacity) is limited by financial constraints (available capital, liquidity, borrowing capacity, earnings-generating capacity, etc.), non-financial constraints (strategic ability, skills, legal constraints, etc.) and regulatory restrictions (e.g., regulatory floors on capital and liquidity ratios). The willingness to accept risk depends on the interests of the various stakeholders. A key component in defining risk appetite is therefore an understanding of the organisation's key stakeholders and their expectations.

Risk appetite is made explicit via the 'risk appetite statement' (RAS), which is produced at both Group and local level. The RAS reflects the view of the Board of Directors and top management on risk-taking in general, the acceptable level and composition of risks that ensure coherence with the desired return. The statement is built on risk appetite objectives that are directly linked to the corporate strategy and provides a qualitative description of the Group's playing field. The high-level risk appetite objectives are further detailed in a set of qualitative and quantitative statements for each of the different risk types. The long-term risk appetite is specified as High, Medium or Low based on the measures and thresholds described in the 'risk appetite underpinning exercise' performed for the main risk types. Lastly, risk appetite is translated into risk-type-specific group limits/targets, which are further cascaded down to the entities.

Risk analysis, reporting and follow-up

Risk analysis and reporting aim to give management transparency on the risk it is taking by ensuring a comprehensive, forward-looking and ex-post view of the changing risk profile and the context in which the Group operates.

In addition to internal reporting, external reports are prepared for the various stakeholders. As management is expected to take relevant action based on the risk analysis and risk reporting, the output should be complete, well balanced, easy to understand and focused on key messages/proposed actions. It is essential that the proposed actions are tailored to the relevant stakeholders.

Stress testing

Stress testing is a tool that supports the decision-making process and encompasses various techniques used to assess the potential negative impact on Group's (financial) condition, caused by specific events and/or movements in risk factors ranging from plausible to exceptional or even extreme.

41.2 Credit risk

Credit risk is the risk of a potential loss expected to arise as a consequence of the non-payment or non-performance by an obligor (a borrower, guarantor, counterparty to a commercial transaction or issuer of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. The latter is also referred to as country risk.

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations. The Group monitors exposures in relation to these limits. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. This includes also regular collateral revisions.

Since September 2012, the Group is allowed by both Belgian and Czech banking regulators to use the IRB Advanced approach for the capital calculations of its non-retail (Corporate, non-retail SME, Banks, Non-Banking financial institutions) as well as retail exposures. As a result, credit risk is measured, monitored and managed based on the principles of this approach.

For the non-retail exposure (Corporate, non-retail SME, Banks, Non-Banking financial institutions), counterparty risk (i.e. default risk) is managed based on statistical default prediction models that establish a rating (PD / Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default).

For the retail exposures, statistical models have been developed for PD, LGD and EAD. Contrary to the non-retail exposure, where risk factors are determined on an individual basis, risk factors are determined in Retail based on risk-homogenous sets of exposure (so-called pools).

The model results are used for the capital calculation and for credit decision purposes too.

The Group implemented a new default definition as of March 2020. This implementation is in line with relevant European and local regulations. The impacts of this implementation are, among other things, in the method of calculating days past due. Overdue days are newly defined as the number of consecutive days when the "arrears" of the client facility are continuous and simultaneously above both "materiality thresholds" (absolute threshold and relative materiality threshold).

The default is defined as a situation where at least one of the following conditions is met:

(i) it may be assumed that the customer will not fulfil its obligations in a proper and timely manner without the Group seeking to collect its outstanding receivable through credit protection;

(ii) at least one payment of the principal or interest and fees of any obligation of the customer towards the Group is more than 90 days past the due date.

At the Group, default status may occur when a forbearance measure-concession is granted. Forbearance measures are concessions towards a borrower who is facing or is about to face financial difficulties. Both conditions should be fulfilled. For more, see the section "Forbearance measures".

Non-retail exposure

Rating system: PD (Probability of Default)

The Group manages its non-retail credit exposure by establishing counterparty limits that are based on individually assigned internal ratings. These ratings are based on IRB Advanced compliant statistical rating models that take into account financial and non-financial data. The individual PD rating is scaled according to the KBC master scale, which has 12 grades going from PD 1 - the best rating to PD 12, which is the worst.

PD 1 to PD 9 represent the performing exposures.

PD 10 contains: customers where the relevant Group credit decision authority has judged the exposure to be 'unlikely to pay' and none of the obligations are more than 90 days overdue and no Group credit decision authority has judged the exposure to be 'partly or fully lost' without recourse to credit protection.

PD 11 represents customers, who have been overdue for 90 days or more, but not subject to bankruptcy proceeds yet.

PD 12 represents customers, where Group credit decision authority has judged the exposure to be 'partly or fully lost' without recourse to credit protection.

PD ratings are used not only for the measurement, monitoring and management of credit risk, but also to determine, among other things, the level at which a credit approval must be obtained, the required collateral and pricing.

The following table sets forth a breakdown of the Group's risk categories, including the internal and external ratings, for non-retail exposure:

ČSOB risk categories for Non-retail exposure

Category	PD Rating	PD %	S&P's Rating	Stage	Performance	Impairment	Default
Normal	1-7	0.0-6.4	AAA - B	Stage 1/ Stage 2	Performing customers	Model based	Non-defaulted
Monitored	8-9	6.4-100	(B-) - C	Stage 1/ Stage 2	Performing customers	Model based	Non-defaulted
Uncertain	10	100	D	Stage 3	Non-performing customers	Model based/ Individually assessed	Defaulted
Doubtful	11	100	D	Stage 3	Non-performing customers	Model based/ Individually assessed	Defaulted
Irrecoverable	12	100	D	Stage 3	Non-performing customers	Model based/ Individually assessed	Defaulted

Individual Credit Processes

The individual approval, monitoring and work-out processes are subject to risk and capital management frameworks approved by the Group Risk Management (GRM) and/or the CRO but developed, maintained and implemented by the Credit departments in the Group. These Credit departments are also responsible for the implementation of these frameworks in the day-to-day operations of the credit processes and for assuring that individual risk acceptance remains within the limits set by the risk appetite statement.

Application Process

The loan or credit application process for non-retail credit exposures involves three steps. Firstly, the employee maintaining the overall relationship with the customer prepares a credit application containing the credit request, the reason for the application and an analysis of the risks (including a financial analysis). Secondly, a credit risk advisor operating independently from the business line, who reports to the Credits department, provides a written non-binding advice. Thirdly, a decision is taken by the Credit Sanctioning Committee (CSC), the highest local decision taking body, or one of its sub-committees consisting of business line employees and employees in the Credits department above the certain threshold. The Committee adopts its decisions by consensus based on a draft decision formulated by the Chairman or Vice - Chairman.

Delegations are granted ad personam. The delegations are risk based and take into account the total exposure with respect to a customer or customer group.

All credit decisions must be taken according to the "four eyes principle", i.e. at least two persons with appropriate delegation authority need to be involved.

Individual Monitoring Process

An individual credit monitoring process is applicable to non-retail exposures (corporate, large non-retail SME). For small non-retail SME, an automated behavioural monitoring process is being used. Credit exposures with a rating between PD 1 – 8 (non-retail SME) / PD 1 – 9 (corporate) are reviewed by the business function with the support of monitoring applications. Credit exposures with a rating between PD 9 – 12 (non-retail SME) / PD 10 – 12 (corporate) are reviewed by the Bad Debt department, which is a sub-department of the Credits departments.

Regardless of the PD rating, a full credit application must be submitted to the applicable decision authority for a review at least once a year in accordance with the same application process as for the new exposures. Additionally, certain triggers lead to a more frequent review of credit applications. These triggers include breaches of contractual conditions (such as the breach of financial or non-financial covenants or the non-payment of fees, interest or principal), but also events that do not constitute a breach of contract such as a sudden unexpected change in management that could lead to a deterioration of the customer's financial situation.

In addition to the annual review process, commercial real estate finance, acquisition finance and project finance are subject to a quarterly review by the CSC, pursuant to which all major exposure is subject to a short review of its main credit risk characteristics. Based on the outcome of the general quarterly review, the CSC can take immediate action or request an early full review of the file.

Collective Monitoring Process

In addition to the required annual review process, a collective monitoring process is applied to non-retail SME customers. The monitoring of compliance by the customer with covenants specified in the relevant financing documentation is based on information provided by the customer in covenant compliance reports and financial statements. A breach of the internal thresholds and covenants specified in the financing documentation triggers the individual review process as described above.

Bad Debts Treatment

For both corporate and non-retail SME customers, the management of bad debts is the sole responsibility of the Bad Debt department. The credit customer relationship is transferred to the Bad Debt department when an exposure reaches a PD rating of 9 in the case of non-retail SME and PD rating of 10, in the case of corporate customers.

Retail exposure (Entrepreneurs, retail SMEs and Individuals)

Risk Categories

The following table sets forth a breakdown of the Group's risk categories for retail exposure:

ČSOB risk categories for Retail exposure

Category	PD rating	Stage	Performance	Impairment	Default
Normal	n/a	Stage 1/ Stage 2	Performing	Model based	Non-defaulted
Monitored	n/a	Stage 1/ Stage 2	Performing	Model based	Non-defaulted
Uncertain	10	Stage 3	Non-performing	Model based	Defaulted
Doubtful	11	Stage 3	Non-performing	Model based	Defaulted
Irrecoverable	12	Stage 3	Non-performing	Model based	Defaulted

Application Process

The application process in the retail segment is based on the usage of application scorecards for new customers and behavioural scorecards for existing customers. For consumer finance products (personal unsecured loans, retail overdrafts and credit cards) decisions are fully automated based on scorecards in the vast majority of cases. Mortgage decisions are supported by scorecards but decision-taking is essentially manual.

The application process makes extensive use of several external credit bureau databases that include both positive and negative information.

Monitoring Process

The monitoring process in the retail segment is performed regularly by the relevant Credit Departments. It is based on aggregated data. It does not involve individual reviews and looks at the development of defaults and probability of default within different sub-portfolios and the development of Credit Cost Ratios within the different sub-portfolios. The development of the mortgage portfolio is monitored also on the basis of pool migration (i.e. migration between different risk pools).

Collection Process

The collection process in retail consists of two major phases: early collection and late collection. Early collection is generally based on a rapid succession of reminders (via a call centre or automated written notices) starting when any payment is few days overdue and may involve the restructuring of the loan. Late collection is focused on legal proceedings and the recovery of collateral. In addition, mortgage collection also uses field collection for customers whose payments are less than 180 days overdue and which precedes late collection.

Financial derivative instruments

Counterparty credit risk of derivative instruments, as foreign exchange derivatives and interest rate swaps, are determined as the sum of the (positive) current replacement cost (mark-to-market value) of an instrument and the potential future exposure (addon). For mitigation of the counterparty credit risk are used close-out netting and collateralization.

Credit-related commitments risk

The Group provides guarantees and letters of credit on behalf of its customers, as a result of which the Group may be required to make payments on such customers' behalf. Such payments are subsequently required to be reimbursed to ČSOB by the customer based on the terms of the underlying credit documentation. These guarantees expose the Group to similar risks as loans and such risks are managed using the same credit risks control processes and policies.

The following two main commitment risks are treated as off-balance sheet within the Group:

(i) *Undrawn but Committed Exposure*. This exposure arises when the Group has a legal commitment to provide a borrower with a facility or credit when asked and such facility or credit has not yet been drawn. This type of exposure comprises to a large extent of short-term exposure, where the Group's commitment has a duration equal to or shorter than one year.

(ii) *Off-Balance Sheet Products*. This exposure consists of bank guarantees and/or letters of credit. Off-balance sheet products are granted predominantly in the corporate segment and often consist of bid, performance or advance payment bonds for domestic construction companies.

Commitment risks expose the Group to similar risks as loans and such risks are monitored and managed using the same credit risk control processes and policies.

The Group manages credit risk in three major portfolios: Credit portfolio, Investment portfolio and Trading portfolio. Besides these there is a credit exposure connected with settlement activities (correspondent banking, settlement of receivables generated within system of electronic toll, which ČSOB administers for the Czech Government - e-Toll), where the risk is limited as counterparties are either highly rated banks, government institutions or entities with guarantees by highly rated banks.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position as at 31 December 2022 and 2021. The maximum exposure is shown as net carrying amount without taking account of any collateral and other credit enhancements.

(CZKm)	2022				
	Credits	Investment	Trading	Other assets	Total
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 16)	9,929	43,755	-	-	53,684
Financial assets held for trading (Note: 17)	-	13,708	58,028	-	71,736
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,322	-	-	1,322
Financial assets FVOCI (Note: 18)	1,664	13,503	-	-	15,167
Financial assets FVOCI pledged as collateral	-	72	-	-	72
Financial assets at AC	850,687	711,162	-	2,430	1,564,279
Financial assets at AC pledged as collateral	-	24,721	-	-	24,721
Finance lease receivables	10,482	-	-	-	10,482
Fair value adjustments of the hedged items in portfolio hedge	-	(25,639)	-	-	(25,639)
Derivatives used for hedging	-	48,425	-	-	48,425
Other assets (Note: 26)	-	-	-	1,961	1,961
Total	872,762	831,029	58,028	4,391	1,766,210
Contingent liabilities (Note: 36)	46,975	-	-	329	47,304
Commitments – irrevocable (Note: 36)	170,574	-	-	-	170,574
Total	217,549	-	-	329	217,878
Total credit risk exposure	**1,090,311**	**831,029**	**58,028**	**4,720**	**1,984,088**

(CZKm)	2021				
	Credits	Investment	Trading	Other assets	Total
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 16)	1,832	29,621	-	-	31,453
Financial assets held for trading (Note: 17)	-	7,333	36,711	-	44,044
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,410	-	-	1,410
Financial assets FVOCI (Note: 18)	1,948	16,073	-	-	18,021
Financial assets FVOCI pledged as collateral	-	221	-	-	221
Financial assets at AC	811,076	800,507	-	1,921	1,613,504
Financial assets at AC pledged as collateral	-	33,904	-	-	33,904
Finance lease receivables	11,149	-	-	-	11,149
Fair value adjustments of the hedged items in portfolio hedge	-	(18,223)	-	-	(18,223)
Derivatives used for hedging	-	30,276	-	-	30,276
Other assets (Note: 26)	-	-	-	1,875	1,875
Total	826,005	901,122	36,711	3,796	1,767,634
Contingent liabilities (Note: 36)	44,840	-	-	310	45,150
Commitments – irrevocable (Note: 36)	188,190	-	-	-	188,190
Total	233,030	-	-	310	233,340
Total credit risk exposure	**1,059,035**	**901,122**	**36,711**	**4,106**	**2,000,974**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Set out below is an analysis of the maximum exposure to credit risk of the Group before and after taking into account the collateral held:

	2022			2021		
(CZKm)	Gross maximum exposure	Financial effect of collateral	Net maximum exposure	Gross maximum exposure	Financial effect of collateral	Net maximum exposure
ASSETS						
Cash, balances with central banks and other demand deposits (Note: 16)	53,684	-	53,684	31,453	-	31,453
Financial assets held for trading (incl. assets pledged as collateral)	71,736	28,098	43,638	44,044	10,414	33,630
Financial derivatives	70,945	27,308	43,637	44,043	10,414	33,629
Financial assets other than derivatives	791	790	1	1	-	1
Non-trading financial assets mandatorily at fair value through profit or loss	1,322	-	1,322	1,410	-	1,410
Financial assets FVOCI (incl. assets pledged as collateral) (Note: 18)	15,239	-	15,239	18,242	-	18,242
Financial assets at amortised cost (incl. assets pledged as collateral)	1,589,000	1,108,717	480,283	1,647,408	1,215,979	431,429
of which non-performing assets	*8,485*	*5,994*	*2,491*	*7,947*	*6,198*	*1,749*
Finance lease receivables	10,482	8,815	1,667	11,149	9,238	1,911
Fair value adjustments of the hedged items in portfolio hedge	(25,639)	-	(25,639)	(18,223)	-	(18,223)
Derivatives used for hedging	48,425	380	48,045	30,276	259	30,017
Other assets (Note: 26)	1,961	-	1,961	1,875	-	1,875
Total	1,766,210	1,146,010	620,200	1,767,634	1,235,890	531,744
Contingent liabilities and Commitments – irrevocable (Note: 36)	217,878	63,299	154,579	233,340	65,911	167,429
of which non-performing exposures	*589*	*386*	*203*	*527*	*327*	*200*
Total credit risk exposure	**1,984,088**	**1,209,309**	**774,779**	**2,000,974**	**1,301,801**	**699,173**

Set out below is an analysis of the non-performing exposure to credit risk of the Group before and after taking into account the collateral held by type of the business:

	2022			2021		
(CZKm)	Gross maximum exposure	Financial effect of collateral	Net maximum exposure	Gross maximum exposure	Financial effect of collateral	Net maximum exposure
Non-performing exposures						
Mortgage loans	1,679	1,679	-	1,892	1,892	-
Building savings loans	1,061	688	373	1,179	772	407
Consumer loans	600	6	594	514	4	510
SME	1,955	1,634	321	1,959	1,648	311
Leasing	182	114	68	154	132	22
Corporate	3,549	2,260	1,289	2,716	2077	639
Factoring	31	-	31	49	-	49
Other	18	-	18	11	-	11
Total non-performing exposures	**9,075**	**6,381**	**2,694**	**8,474**	**6,525**	**1,949**

Financial effect of collateral represents a fair value of collateral received by the Group against a credit exposure limited to the outstanding amount of the exposure.

The credit portfolio is structured according to the type of the business the Group enters into:

2022 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**	Allowances	Provisions	**Net exposure**
Mortgage loans	381,665	-	29,782	**411,447**	(767)	(26)	**410,654**
Building savings loans	125,681	-	6,307	**131,988**	(1,662)	(16)	**130,310**
Consumer loans	37,207	-	13,102	**50,309**	(1,569)	(18)	**48,722**
SME	97,114	5,159	51,823	**154,096**	(3,096)	(124)	**150,876**
Leasing	41,723	-	-	**41,723**	(988)	-	**40,735**
Corporate	184,936	42,113	69,822	**296,871**	(3,409)	(523)	**292,939**
Factoring	5,773	-	-	**5,773**	(386)	-	**5,387**
Other	10,541	22	127	**10,690**	(1)	(1)	**10,688**
Total credits	**884,640**	**47,294**	**170,963**	**1,102,897**	**(11,878)**	**(708)**	**1,090,311**

2021 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**	Allowances	Provisions	**Net exposure**
Mortgage loans	362,127	-	46,134	**408,261**	(789)	(17)	**407,455**
Building savings loans	125,050	-	11,218	**136,268**	(1,806)	(23)	**134,439**
Consumer loans	35,159	-	12,391	**47,550**	(1,546)	(16)	**45,988**
SME	93,494	4,800	49,184	**147,478**	(3,155)	(95)	**144,228**
Leasing	38,843	-	-	**38,843**	(828)	-	**38,015**
Corporate	174,816	40,192	69,350	**284,358**	(3,120)	(210)	**281,028**
Factoring	5,622	-	-	**5,622**	(374)	-	**5,248**
Other	2,513	12	111	**2,636**	(1)	(1)	**2,634**
Total credits	**837,624**	**45,004**	**188,388**	**1,071,016**	**(11,619)**	**(362)**	**1,059,035**

The following tables show a reconciliation of the allowances for impairment losses, incl. management overlay as part of Stage 2, on credit portfolio for 2021 and 2022 by classes of financial instruments:

(CZKm)	Mortgage loans	Building savings loans	Consumer loans	SME	Leasing	Corporate	Factoring	Other	Total
At 1 January 2021	**1,384**	**2,339**	**1,747**	**4,890**	**1,144**	**3,870**	**371**	**18**	**15,763**
STAGE 1									
At 1 January 2021	**37**	**94**	**150**	**167**	**94**	**264**	**6**	**1**	**813**
Origination and acquisition	3	24	76	60	45	71	-	-	279
Change in credit risk not leading to stage transfers	(24)	(10)	(85)	(8)	(31)	(133)	(1)	(1)	(293)
Change in credit risk leading to stage transfer	(4)	(2)	(4)	(4)	(2)	2	-	-	(14)
Modification without derecognition	-	-	(3)	-	-	-	-	-	(3)
Derecognition	(5)	(16)	(32)	(21)	(9)	-	-	-	(83)
Write-offs	-	(1)	-	-	-	-	-	-	(1)
Foreign currency translation	-	-	54	-	-	(4)	-	-	50
At 31 December 2021	**7**	**89**	**156**	**194**	**97**	**200**	**5**	**-**	**748**
Origination and acquisition	7	8	55	53	25	164	-	-	312
Change in credit risk not leading to stage transfers	12	(10)	(40)	(10)	(19)	(19)	-	-	(86)
Change in credit risk leading to stage transfer	-	(15)	(34)	(87)	(40)	(19)	(1)	-	(196)
Modification without derecognition	-	-	(2)	-	-	-	-	-	(2)
Derecognition	-	(8)	(21)	(23)	(6)	-	-	-	(58)
Write-offs	-	(1)	-	-	-	-	-	-	(1)
Foreign currency translation	-	-	-	-	-	1	-	-	1
At 31 December 2022	**26**	**63**	**114**	**127**	**57**	**327**	**4**	**-**	**718**

(CZKm)	Mortgage loans	Building savings loans	Consumer loans	SME	Leasing	Corporate	Factoring	Other	Total
STAGE 2									
At 1 January 2021	**384**	**649**	**846**	**2,220**	**534**	**1,154**	**217**	**3**	**6,007**
Origination and acquisition	5	45	-	-	62	-	-	-	112
Change in credit risk not leading to stage transfers	(288)	(157)	(124)	(1,313)	(155)	(533)	(10)	(2)	(2,582)
Change in credit risk leading to stage transfer	(29)	10	24	31	(173)	(13)	40	-	(110)
Modification without derecognition	(2)	(4)	2	(10)	-	-	-	-	(14)
Derecognition	(13)	(50)	(28)	(57)	(31)	-	-	-	(179)
Write-offs	-	(1)	-	-	-	-	-	-	(1)
Foreign currency translation	-	-	(151)	(2)	-	6	-	-	(147)
At 31 December 2021	**57**	**492**	**569**	**869**	**237**	**614**	**247**	**1**	**3,086**
Origination and acquisition	20	43	-	-	225	-	-	-	288
Change in credit risk not leading to stage transfers	78	35	(171)	8	(81)	(29)	(56)	-	(216)
Change in credit risk leading to stage transfer	39	169	222	398	138	350	92	-	1,408
Modification without derecognition	-	-	2	(9)	-	-	-	-	(7)
Derecognition	(4)	(34)	(21)	(44)	(17)	-	-	-	(120)
Write-offs	-	(1)	-	-	-	-	-	-	(1)
Foreign currency translation	-	-	-	-	-	(40)	-	-	(40)
At 31 December 2022	**190**	**704**	**601**	**1,222**	**502**	**895**	**283**	**1**	**4,398**

(CZKm)	Mortgage loans	Building savings loans	Consumer loans	SME	Leasing	Corporate	Factoring	Other	Total
STAGE 3									
At 1 January 2021	**963**	**1,596**	**749**	**2,457**	**499**	**2,445**	**148**	**14**	**8,871**
Origination and acquisition	-	9	-	-	2	-	-	-	11
Change in credit risk not leading to stage transfers	(82)	(76)	42	(16)	63	(418)	(13)	27	(473)
Change in credit risk leading to stage transfer	10	95	273	140	12	292	(1)	41	862
Modification without derecognition	24	53	71	51	-	-	-	-	199
Derecognition	(136)	(200)	(46)	(201)	(37)	-	-	-	(620)
Write-offs	(54)	(251)	(272)	(362)	(53)	(12)	(12)	(82)	(1,098)
Foreign currency translation	-	-	-	(3)	-	(1)	-	-	(4)
At 31 December 2021	**725**	**1,226**	**817**	**2,066**	**486**	**2,306**	**122**	**-**	**7,748**
Origination and acquisition	1	15	-	-	2	-	-	-	18
Change in credit risk not leading to stage transfers	(71)	(87)	16	(190)	67	(841)	(22)	-	(1,128)
Change in credit risk leading to stage transfer	6	93	254	224	29	1,014	-	-	1,620
Modification without derecognition	26	16	70	23	-	-	-	-	135
Derecognition	(93)	(168)	(49)	(152)	(92)	-	-	-	(554)
Write-offs	(43)	(200)	(261)	(249)	(67)	(300)	(1)	-	(1,121)
Foreign currency translation	-	-	-	(2)	-	8	-	-	6
At 31 December 2022	**551**	**895**	**847**	**1,720**	**425**	**2,187**	**99**	**-**	**6,724**

(CZKm)	Mortgage loans	Building savings loans	Consumer loans	SME	Leasing	Corporate	Factoring	Other	Total
POCI									
At 1 January 2021	**-**	**-**	**2**	**46**	**17**	**7**	**-**	**-**	**72**
Change in credit risk not leading to stage transfers	-	-	2	3	(2)	(3)	-	-	-
Change in credit risk leading to stage transfer	-	-	-	(6)	(2)	-	-	-	(8)
Derecognition	-	-	-	(7)	(6)	-	-	-	(13)
Write-offs	-	-	-	(10)	-	(4)	-	-	(14)
At 31 December 2021	**-**	**-**	**4**	**26**	**7**	**-**	**-**	**-**	**37**
Change in credit risk not leading to stage transfers	-	-	6	7	(3)	2	-	-	12
Change in credit risk leading to stage transfer	-	-	(1)	(1)	-	-	-	-	(2)
Derecognition	-	-	(1)	(2)	-	-	-	-	(3)
Write-offs	-	-	(1)	(3)	-	(2)	-	-	(6)
At 31 December 2022	**-**	**-**	**7**	**27**	**4**	**-**	**-**	**-**	**38**

In 2022 and 2021, the most significant changes in gross carrying amount of credit exposures that have an impact on ECL allowance include: origination and acquisition of new assets, changes in credit risk leading to transfers between stages (Note: 19), derecognition of loans and write-offs.

The following table shows a consistence of the movements of expected credit losses with the impairment losses as reported in the consolidated statement of income:

(CZKm)	2022	2021
Balance of allowances for credit losses at 1 January	11,619	15,763
Balance of allowances for credit losses at 31 December	11,878	11,619
Net increase / (decrease) of allowances for credit losses for the year	**259**	**(4,144)**
Adjusted for:		
Write-offs	1,129	1,114
Recoveries	(619)	(607)
Sales of loans	(21)	(13)
Foreign currency translation	39	101
Net impairment losses / (gains) as reported in the statement of income	**787**	**(3,549)**

An industry sector analysis of the Group's Credit portfolio, before taking into account any collateral held or other credit enhancements, is as follows:

	2022		2021	
Sector	Granted exposure (CZKm)	Percentage of total exposure	Granted exposure (CZKm)	Percentage of total exposure
Private persons	591,407	53.6	589,882	55.2
Distribution	90,656	8.2	85,962	8.1
Commercial Real Estate	67,936	6.2	58,229	5.4
Services	61,685	5.6	61,143	5.7
Building and Construction	53,098	4.8	50,335	4.7
Automotive	48,917	4.4	45,375	4.2
Oil, Gas and other Fuels	21,808	2.0	20,633	1.9
Finance and Insurance	20,631	1.9	12,008	1.1
Machinery and Heavy Equipment	19,932	1.8	16,973	1.6
Metals	18,673	1.7	17,512	1.6
Agriculture, Farming and Fishing	16,335	1.5	16,020	1.5
Authorities	15,751	1.4	17,472	1.6
Other sectors	76,068	6.9	79,472	7.4
Total	**1,102,897**	**100.0**	**1,071,016**	**100.0**

The investment portfolio is structured according to the type of the instrument.

2022 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	Cumulative impairment loss	**Granted exposure**
Debt securities	279,920	-	-	(11)	**279,909**
Loans and receivables within investment portfolio	445,232	-	-	-	**445,232**
Derivatives used for hedging	48,425	-	-	-	**48,425**
Derivatives held for trading	13,708	-	-	-	**13,708**
Cash, balances with central banks and other demand deposits	43,755	-	-	-	**43,755**
Total investment	**831,040**	**-**	**-**	**(11)**	**831,029**

2021 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	Cumulative impairment loss	**Granted exposure**
Debt securities	241,924	-	-	(13)	**241,911**
Loans and receivables within investment portfolio	591,981	-	-	-	**591,981**
Derivatives used for hedging	30,276	-	-	-	**30,276**
Derivatives held for trading	7,333	-	-	-	**7,333**
Cash, balances with central banks and other demand deposits	29,621	-	-	-	**29,621**
Total investment	**901,135**	**-**	**-**	**(13)**	**901,122**

The investment portfolio is monitored from a counterparty sector point of view:

(CZKm)	2022 Granted exposure (CZKm)	2022 Percentage of total exposure	2021 Granted exposure (CZKm)	2021 Percentage of total exposure
Central banks	469,180	56.4	617,476	68.5
General government	278,579	33.5	240,027	26.6
Credit institutions	83,107	10.0	43,445	4.8
Corporate	163	0.1	174	0.1
Total investment	**831,029**	**100.0**	**901,122**	**100.0**

The trading portfolio is structured according to the type of the instrument.

2022 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**
Loans and advances	790	-	-	**790**
Derivatives held for trading	57,238	-	-	**57,238**
Total trading portfolio	**58,028**	**-**	**-**	**58,028**

2021 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**
Loans and advances	1	-	-	**1**
Derivatives held for trading	36,710	-	-	**36,710**
Total trading portfolio	**36,711**	**-**	**-**	**36,711**

The trading portfolio is monitored from a counterparty sector point of view:

Sector	2022 Granted exposure (CZKm)	2022 Percentage of total exposure	2021 Granted exposure (CZKm)	2021 Percentage of total exposure
Credit institutions	55,536	95.7	34,134	93.0
Corporate	2,492	4.3	2,577	7.0
Total trading portfolio	**58,028**	**100.0**	**36,711**	**100.0**

Risk concentrations of the maximum exposure to credit risk

The concentration of risk is managed by geographical region, industry and by client/counterparty. The Group's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

(CZKm)	2022 Total risk	2022 of which General government	2021 Total risk	2021 of which General government
Czech Republic	1,810,233	282,854	1,864,804	237,470
Belgium	105,102	-	58,835	-
Slovak Republic	18,866	3,386	20,644	6,592
Hungary	1,890	-	1,804	-
Spain	1,557	-	1,507	-
Belarus	756	-	1,074	-
Ukraine	384	-	421	-
Russia	356	-	803	-
Italy	170	-	168	-
Greece	32	-	22	-
Other Europe	35,085	2,972	40,492	6,353
Other	9,657	-	10,400	-
Total	**1,984,088**	**289,212**	**2,000,974**	**250,415**

Credit risk exposures of the Group towards the countries are reported before taking into account of collateral. Gross credit exposure to Belarus, Russia and Ukraine amounts to CZK 1,496 m at 31 December 2022 (31 December 2021: CZK 2,298 m). If collaterals, guarantees and other credit enhancements received by the Group to limit the exposure are taken into account, then the net unsecured exposure to Belarus, Russia and Ukraine decreases to CZK 304 m at 31 December 2022 (31 December 2021: CZK 665 m).

Client concentration is monitored on the level of individual portfolios. In the credit portfolio the exposure towards groups of economically connected subjects are monitored:

Client	2022 Granted exposure (CZKm)	2022 Percentage of total exposure	2021 Granted exposure (CZKm)	2021 Percentage of total exposure
1 largest client	10,479	1.0	9,607	0.9
10 largest clients	71,439	6.5	68,788	6.4
25 largest clients	119,768	10.9	114,470	10.7

The largest exposures to single clients in the investment and trading portfolio as at 31 December 2022 and 31 December 2021 were:

Client	2022 Granted exposure (CZKm)	2022 % of total investment portfolio	2021 Granted exposure (CZKm)	2021 % of total investment portfolio
Investment portfolio				
Czech Ministry of Finance (S&P's rating AA)	272,685	32.8	227,693	25.4
CNB	504,324	60.7	631,762	70.6
Trading portfolio				
KBC Bank	37,649	64.9	23,410	63.8

Exposures to counter parties by risk rating class in the investment and trading portfolio as at 31 December 2022 and 31 December 2021 were:

Rating (S&P)	2022 Granted exposure (CZKm)	2022 % of total portfolio	2021 Granted exposure (CZKm)	2021 % of total portfolio
Investment portfolio				
AAA up to and including A-	826,295	99.4	898,450	99.7
BBB+ up to and including BB-	2,543	0.3	1,779	0.2
Unrated	2,191	0.3	893	0.1
Total	**831,029**	**100.0**	**901,122**	**100.0**
Trading portfolio				
AAA up to and including A-	49,145	84.7	30,566	83.3
BBB+ up to and including BB-	7,643	13.2	5,757	15.7
Unrated	1,240	2.1	388	1.0
Total	**58,028**	**100.0**	**36,711**	**100.0**

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, pledges over real estate properties, trade receivables and inventory;
- For retail lending, pledges over residential properties are used for mortgage financing.

The Group complies with CNB recommendation regarding retail loans secured by residential properties. The Group continuously monitors the market value of all collateral, monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses and requests additional collateral in accordance with the underlying agreement when necessary. The amount of collateral reported for an individual receivable does not exceed the carrying amount of the receivable.

Within concluding derivatives transaction to hedge counterparty's risk the Group uses Master netting agreements and collateralisation annex (i.e. CSA or its equivalents).

Impairment assessment

The Group complies with the IFRS 9 accounting standard and as a result uses the expected credit loss model methodology to calculate its impairments.

The portfolio can be divided into three stages while the main considerations for stage allocation include whether there has been a significant increase in credit risk since initial recognition, any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, worsening of their credibility reflected by credit rating downgrades or infringement of the original terms of the contract.

A symmetric Group-wide 5-tier waterfall staging approach was developed to assess whether there has been a significant increase in credit risk since initial recognition triggering transfer to stage 2. The five tiers are following:

1. Increase of internal rating (mapped to Basel probability of default) by 2 notches or more since initial recognition, for Retail exposures 400% increase of probability of default being equivalent of 2 notches;
2. The exposure is forborne;
3. The exposure is more than 30 days past due;
4. The internal PD rating is 9 or its equivalent for Retail exposures;
5. Collective assessment – manual expert judgement based on forward looking information not captured by PD models such as social, political, regional, economic conditions.

A default event triggers transfer directly to stage 3.

The Group takes the advantage of low credit risk exemption for its debt securities in the Treasury and ALM portfolios, i.e. all such exposures internally rated PD1 - PD3 stay in stage 1.

The accounting standard introduced also staging rules for purchased or originated credit impaired (so called POCI) assets which upon cure event move from stage 3 to stage 2, but may never transfer to stage 1. This concerns also modified financial assets in case the modification resulted into derecognition of the original asset and recognition of a new forborne asset.

The expected credit loss (impairment) is calculated on 12-month basis for stage 1 and on lifetime basis for stage 2 and stage 3.

Various IFRS 9 models were developed within the Group for certain combinations of products and types of counterparty to arrive at the impairment as a sum of discounted products of IFRS 9 Probability of default (PD), Exposure at default (EAD), and Loss given default (LGD) adjusted for survival factor across the 12 months or lifetime to maturity for stage 1 or stage 2 and stage 3, respectively. The final impairment is a weighted sum of calculated impairments resulting from three different macroeconomic scenarios.

A sensitivity analysis of the impact of these multiple economic scenarios on the collectively calculated ECL (i.e. without the ECL on individually assessed files of CZK 3,610 m at year-end 2022 and CZK 3,783 m in 2021), shows that the base scenario results in an ECL of CZK 7,932 m (CZK 7,821 m in 2021), which is CZK 1,061 m lower than the "down"-scenario (CZK 663 m in 2021) and CZK 144 m higher than the "up"-scenario (CZK 264 m in 2021). The collectively calculated weighted ECL results (which was booked) amounts to CZK 8,296 m (CZK 7,861 m in 2021). Note that these amounts take into account the management overlay (per scenario) (Note: 2.2).

Different macroeconomic factors are taken into consideration and the Group applies three scenarios to evaluate a range of possible outcomes. The macroeconomic variables include GDP growth, the unemployment rate, policy interest rates, the exchange rate, government bond yields, house prices and inflation.

Management has the possibility to reflect its expertise in the final result of the impairment numbers in the exceptional case that the model-based calculation does not result in relevant and reliable impairment amounts based on available forward looking information.

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

Quality of credit portfolio

The Group sorts exposures into five categories for the purpose of credit risk management. The table below shows the credit quality by class of asset for loan-related statement of financial position lines (in gross amounts), based on the Group's credit rating system as at 31 December 2022 and 2021:

Credit portfolio

(CZKm)	2022 Non-defaulted assets Normal	Monitored	Defaulted assets Uncertain	Doubtful	Irrecoverable	Total
Mortgage loans	347,240	32,195	1,214	443	573	381,665
Building savings loans	106,750	16,979	733	187	1,032	125,681
Consumer loans	30,465	5,292	520	161	769	37,207
SME	69,442	29,119	2,208	211	1,293	102,273
Leasing	25,956	15,074	-	219	474	41,723
Corporate	165,936	55,513	3,453	1,240	907	227,049
Factoring	3,771	1,872	-	31	99	5,773
Other	10,528	16	7	-	12	10,563
Total	**760,088**	**156,060**	**8,135**	**2,492**	**5,159**	**931,934**

(CZKm)	2021 Non-defaulted assets Normal	Monitored	Defaulted assets Uncertain	Doubtful	Irrecoverable	Total
Mortgage loans	338,059	21,450	1,487	478	653	362,127
Building savings loans	112,584	10,061	771	148	1,486	125,050
Consumer loans	31,414	2,410	406	148	781	35,159
SME	78,721	15,517	2,353	207	1,496	98,294
Leasing	35,241	2,879	-	124	599	38,843
Corporate	194,565	15,639	3,740	-	1,064	215,008
Factoring	3,943	1,508	-	65	106	5,622
Other	2,513	-	-	-	12	2,525
Total	**797,040**	**69,464**	**8,757**	**1,170**	**6,197**	**882,628**

Loan portfolio breakdown by risk class (in gross amounts) based on internal rating scale:

(CZKm)	2022 Stage 1	2022 Stage 2	2022 Stage 3	2021 Stage 1	2021 Stage 2	2021 Stage 3
Non-defaulted assets						
PD 1 (default probability 0.00% - 0.10%)	27,110	655	-	24,674	7	-
PD 2 (0.10% - 0.20%)	100,047	4,850	-	75,390	687	-
PD 3 (0.20% - 0.40%)	58,035	4,068	-	324,632	1,964	-
PD 4 (0.40% - 0.80%)	348,445	13,328	-	90,556	2,282	-
PD 5 (0.80% - 1.60%)	158,324	47,417	-	172,885	19,804	-
PD 6 (1.60% - 3.20%)	59,823	20,614	-	72,193	10,466	-
PD 7 (3.20% - 6.40%)	7,252	35,906	-	30,458	11,119	-
PD 8 (6.40% - 12.80%)	892	11,505	-	5,599	11,052	-
PD 9 (> 12.80%)	132	17,707	-	652	12,050	-
Unrated	28	10	-	2	33	-
Defaulted assets						
PD 10	-	-	8,135	-	-	8,756
PD 11	-	-	2,492	-	-	1,170
PD 12	-	-	5,159	-	-	6,197
Total	**760,088**	**156,060**	**15,786**	**797,041**	**69,464**	**16,123**

Investment portfolio

	2022			
	Non-defaulted assets		Defaulted assets	Total
(CZKm)	Normal	Monitored	Irrecoverable	
Debt securities	277,892	2,017	-	279,909
Loans and receivables within investment portfolio	445,232	-	-	445,232
Derivatives used for hedging	48,425	-	-	48,425
Derivative contracts held for trading	13,708	-	-	13,708
Cash, balances with central banks and other demand deposits	43,755	-	-	43,755
Total	**829,012**	**2,017**	**-**	**831,029**

	2021			
	Non-defaulted assets		Defaulted assets	Total
(CZKm)	Normal	Monitored	Irrecoverable	
Debt securities	241,841	70	-	**241,911**
Loans and receivables within investment portfolio	591,981	-	-	**591,981**
Derivatives used for hedging	30,276	-	-	**30,276**
Derivative contracts held for trading	7,333	-	-	**7,333**
Cash, balances with central banks and other demand deposits	29,621	-	-	**29,621**
Total	**901,052**	**70**	**-**	**901,122**

Trading portfolio

	2022		
	Non-defaulted assets	Defaulted assets	Total
(CZKm)	Normal	Irrecoverable	
Loans and advances	790	-	790
Derivative contracts held for trading	57,238	-	57,238
Total	**58,028**	**-**	**58,028**

	2021		
	Non-defaulted assets	Defaulted assets	Total
(CZKm)	Normal	Irrecoverable	
Loans and advances	1	-	1
Derivative contracts held for trading	36,710	-	36,710
Total	**36,711**	**-**	**36,711**

The table below shows a credit quality analysis of gross exposures of performing financial assets in the Credit portfolio:

(CZKm)	2022 Neither past due nor defaulted	2022 Past due (< 30 days) but not defaulted	2022 Past due (> 30 days) but not defaulted	2021 Neither past due nor defaulted	2021 Past due (< 30 days) but not defaulted	2021 Past due (> 30 days) but not defaulted
Mortgage loans	378,996	322	117	359,144	246	118
Building savings loans	123,155	444	130	122,162	358	126
Consumer loans	35,262	391	104	33,471	299	54
SME	98,178	313	70	89,303	154	27
Leasing	40,122	775	133	37,498	540	82
Corporate	221,441	7	-	170,271	-	-
Factoring	5,643	-	-	5,451	-	-
Other	10,545	-	-	2,513	-	-
Total	**913,342**	**2,252**	**554**	**819,813**	**1,597**	**407**

Performing assets reported within neither past due nor defaulted consist of Normal risk category assets based on the Group's credit rating system.

There were no past due but not impaired assets in the Investment and Trading portfolios.

Gross amounts of non-performing financial assets included in the credit portfolio and the related impairment are as follows:

(CZKm)	2022 Gross amount	2022 Impairment	2021 Gross amount	2021 Impairment
Mortgage loans	2,230	(551)	2,618	(725)
Building savings loans	1,952	(895)	2,405	(1,226)
Consumer loans	1,450	(849)	1,335	(821)
SME	3,712	(1,757)	4,055	(2,097)
Leasing	694	(427)	724	(489)
Corporate	5,600	(2,467)	4,803	(2,447)
Factoring	130	(99)	171	(122)
Other	18	(1)	12	(1)
Total	**15,786**	**(7,046)**	**16,123**	**(7,928)**

There are no individually impaired financial assets included in the investment portfolio.

Forbearance measures

Forbearance measure is concession towards a borrower who is facing or is about to face financial difficulties. Both conditions should be fulfilled. Contracts for which forbearance measures have been taken and for which the exit criteria are not fulfilled are referred to as "Forborne credits". Such an approach enables the Group to control and limit potential future losses stemming from troubled credits.

In the context of IFRS 9, a forbearance measure is considered as a significant increase in credit risk. Therefore, a forborne tag always leads to a transfer of the file to stage 2 (in case of non-default) or stage 3 (in case of default). Consequently, impairment is measured at an amount equal to lifetime expected credit losses instead of 12-month expected credit losses, while the forborne tag is attached.

The minimum probation period for forbearance measures is 2 years after the date the forborne facility has been considered as non-default. However, according to the default definition, a client/facility remains in default at least 1 year, which brings in that case the total minimum probation period to 3 years.

COVID-19 related concessions provided under public and private moratoria schemes (e.g. imposed by Czech government in the form of the law) were not considered as forborne facilities in line with Czech National Bank expectations and in line with European Banking Authority guidelines.

Outstanding gross amounts and gross amounts of forborne exposures included in the credit portfolio and the related impairment and collateral and financial guarantees as at 31 December 2022 and 2021 are as follows:

	2022				
		Forborne exposures			
(CZKm)	Outstanding gross amount	Total exposure	Percentage of outstanding gross amount (%)	Total impairment	Collateral and financial guarantees
Mortgage loans	381,665	2,062	0.5	80	1,981
Building savings loans	125,681	580	0.5	165	344
SME	97,114	1,824	1.9	789	823
Leasing	41,723	284	0.7	103	113
Corporate	184,936	2,963	1.6	1,180	1,643
Other	53,521	1,104	2.1	300	2
Total	**884,640**	**8,817**	**1.0**	**2,617**	**4,906**

	2021				
		Forborne exposures			
(CZKm)	Outstanding gross amount	Total exposure	Percentage of outstanding gross amount (%)	Total impairment	Collateral and financial guarantees
Mortgage loans	362,127	2,212	0.6	96	2,116
Building savings loans	125,050	650	0.5	279	294
SME	93,494	5,193	5.6	1,080	3,262
Leasing	38,843	157	0.4	46	71
Corporate	174,816	5,441	3.1	1,571	2,769
Other	43,294	1,128	2.6	264	4
Total	**837,624**	**14,781**	**1.8**	**3,336**	**8,516**

Detail analysis of forborne exposures included in the credit portfolio and the related impairment as at 31 December 2022 and 2021 are as follows:

	2022				
(CZKm)	Non-defaulted exposure	Of which past due	Defaulted exposure	Impairment of defaulted exposure	Impairment of non-defaulted exposure
Mortgage loans	1,234	18	828	76	4
Building savings loans	241	-	339	159	6
SME	146	4	1,678	775	14
Leasing	127	5	157	102	1
Corporate	468	-	2,495	1,175	5
Other	576	13	528	262	38
Total	**2,792**	**40**	**6,025**	**2,549**	**68**

(CZKm)	2021 Non-defaulted exposure	Of which past due	Defaulted exposure	Impairment of defaulted exposure	Impairment of non-defaulted exposure
Mortgage loans	1,212	22	1,000	94	2
Building savings loans	77	-	573	278	1
SME	3,136	14	2,057	978	102
Leasing	94	7	63	42	4
Corporate	2,003	-	3,438	1,529	42
Other	723	31	405	199	65
Total	**7,245**	**74**	**7,536**	**3,120**	**216**

The following table shows a reconciliation of Gross amounts of forborne exposures for 2022 and 2021 by classes of financial instruments:

(CZKm)	Corporate	SME	Mortgage loans	Building savings loans	Leasing	Other	Total
At 1 January 2021	**5,932**	**5,859**	**2,133**	**550**	**241**	**902**	**15,617**
Loans which have become forborne	890	471	740	344	50	513	3,008
Loans which are no longer considered to be forborne	(1,111)	(571)	(185)	(96)	(57)	(165)	(2,185)
Increase of exposure	447	51	8	-	-	2	508
Decrease of exposure	(717)	(617)	(484)	(148)	(77)	(124)	(2,167)
At 31 December 2021	**5,441**	**5,193**	**2,212**	**650**	**157**	**1,128**	**14,781**
Loans which have become forborne	1,079	266	707	281	251	501	3,085
Loans which are no longer considered to be forborne	(2,883)	(3,394)	(482)	(188)	(99)	(452)	(7,498)
Increase of exposure	37	8	1	-	-	3	49
Decrease of exposure	(711)	(249)	(376)	(163)	(25)	(76)	(1,600)
At 31 December 2022	**2,963**	**1,824**	**2,062**	**580**	**284**	**1,104**	**8,817**

The following table shows a reconciliation of impairments of forborne exposure for 2022 and 2021 by classes of financial instruments:

(CZKm)	Corporate	SME	Mortgage loans	Building savings loans	Leasing	Other	Total
At 1 January 2021	**1,490**	**1,276**	**128**	**251**	**57**	**184**	**3,386**
Loans which have become forborne	284	115	31	7	2	117	556
Loans which are no longer considered to be forborne	(90)	(170)	(3)	(5)	(5)	(29)	(302)
Increase of exposure	124	186	15	136	7	43	511
Decrease of exposure	(237)	(327)	(75)	(110)	(15)	(51)	(815)
At 31 December 2021	**1,571**	**1,080**	**96**	**279**	**46**	**264**	**3,336**
Loans which have become forborne	577	86	29	4	98	100	894
Loans which are no longer considered to be forborne	(814)	(232)	(1)	(21)	(35)	(53)	(1,156)
Increase of exposure	36	42	7	34	-	45	164
Decrease of exposure	(190)	(187)	(51)	(131)	(6)	(56)	(621)
At 31 December 2022	**1,180**	**789**	**80**	**165**	**103**	**300**	**2,617**

41.3 Liquidity risk and funding management

Liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without normal business operations being disrupted. Liquidity and funding are managed centrally in the Group. To align internal management approach with regulatory view, the Group established, following approval of ČNB, a liquidity subgroup as laid down by Capital Requirements Regulation (CRR). The liquidity subgroup comprised ČSOB and Hypoteční banka, with ČSOB Stavební spořitelna having joined as of June 2021. To limit this risk, the Group pays significant attention to both operational and strategic liquidity management.

Operational Liquidity Management

The aim of operational liquidity management is to ensure the smooth processing of the Group's current payment obligations in CZK as well as in other currencies while minimizing associated cost. Operational liquidity is based on cash flow projections with an outlook of up to ten working days for CZK and one day for other currencies.

Funding Management

The actual development of liquidity might vary from ALM's liquidity prediction. The Group can address an adverse liquidity development in several ways. Most typically, the Group would adjust its investment policy, i.e. decrease the percentage of liabilities reinvested in a cash form and use the liquidity from maturing bonds for other purposes. In the event of a more sudden decrease of liquidity, the Group can borrow via repo operations on the market or use regulatory repo facilities (in the ČNB or ECB). The capacity and readiness to withstand adverse liquidity development is regularly reviewed by the means of stress tests.

Starting from October 2015, the Group reports on Liquidity Coverage Ratio (LCR), which compares available liquidity buffers to expected net cash outflows within the 30 day horizon under gravely stressed conditions.

The LCR during 2022 and 2021 was as follows:

(%)	2022	2021
31 March	133.6	148.7
30 June	136.7	144.6
30 September	149.4	145.6
31 December	156.2	143.5

The LCR ratio is regularly monitored and reported to the regulator and top management of the Group.

Strategic Liquidity Management

The aim of strategic liquidity management is to provide sufficient funding for the Group's business activities in the medium- and long-term horizon. For the strategic liquidity management, the Group uses 'E-NSFR', KBC Group adjusted the net-stable-funding-ratio (NSFR) which is defined as a ratio of available stable funding (numerator) to required stable funding (denominator). It has been developed by KBC Group to better reflect business of the Group and penalize funding concentrations in order for the ratio to provide a better picture about funding profile's stability. The strategy of the Group is to maintain the value of the E-NSFR well above one. That means the Group aims to maintain matched funding, i.e. to ensure that long-term assets are funded by stable liabilities (contractually or statistically), while short-term liabilities are used for the funding of assets that are short-term and/or liquid.

Both E-NSFR and NSFR are monitored on a monthly basis and are regularly reported to the top management of the Group. NSFR is also quarterly reported to the regulator.

The NSFR / E-NSFR during 2022 and 2021 were as follows:

(%)	NSFR 2022	NSFR 2021	E- NSFR 2022	E- NSFR 2021
31 March	184.7	164.0	138.2	131.4
30 June	184.1	171.1	138.7	137.1
30 September	175.9	177.2	137.3	136.7
31 December	171.8	171.3	139.9	135.6

In addition to internally defined limits, the Group must also comply with a regulatory limit on the basis of mandatory minimum reserve deposited with CNB. The limit presently equals to 2% of customer deposits.

Analysis of financial liabilities by remaining contractual maturity

The tables below summarise the contractual maturity profile of the Group's financial liabilities based on the contractual undiscounted repayment obligations (outflows / inflows shown as negative / positive figures).

The following table sets out the financial liabilities of the Group by remaining contractual maturity as at 31 December 2022:

(CZKm)	On demand	Less than 1 year	1 year to 5 years	More than 5 years	**Total**
Financial liabilities					
Financial liabilities held for trading other than financial derivatives	-	(2,262)	-	-	(2,262)
Financial liabilities designated at fair value through profit or loss	-	(7,864)	(14,620)	(4,964)	(27,448)
Financial liabilities at amortised cost	(871,380)	(633,131)	(89,257)	(39,923)	(1,633,691)
Fair value adjustments of the hedged items in portfolio hedge	32,441	-	-	-	32,441
Lease liabilities	-	(465)	(1,351)	(682)	(2,498)
Other liabilities (Note: 29)	-	(8,233)	-	-	(8,233)
Contractual cash flows excluding derivatives	**(838,939)**	**(651,955)**	**(105,228)**	**(45,569)**	**(1,641,691)**
Net settled derivatives	-	(40,586)	(54,349)	(12,650)	(107,585)
Trading derivatives	-	(20,787)	(29,441)	(8,739)	(58,967)
Hedging derivatives	-	(19,799)	(24,908)	(3,911)	(48,618)
Gross settled derivatives	-	(13,171)	(8,500)	(867)	(22,538)
Trading derivatives	-	(13,171)	(8,500)	(867)	(22,538)
Inflows	-	*306,160*	*67,948*	*6,374*	*380,482*
Outflows	-	*(319,331)*	*(76,448)*	*(7,241)*	*(403,020)*
Hedging derivatives	-	-	-	-	-
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
Contractual cash flows from derivatives	**-**	**(53,757)**	**(62,849)**	**(13,517)**	**(130,123)**
Contractual cash flows from financial liabilities	**(838,939)**	**(705,712)**	**(168,077)**	**(59,086)**	**(1,771,814)**
Loan commitments – irrevocable (note 36)	(170,963)	-	-	-	(170,963)
Loan commitments – revocable (note 36)	(55,319)	-	-	-	(55,319)
Financial guarantees (note 36)	(45,548)	-	-	-	(45,548)
Other commitments (note 36)	(2,074)	-	-	-	(2,074)
Contractual cash flows from contingent liabilities	**(273,904)**	**-**	**-**	**-**	**(273,904)**

The following table sets out the financial liabilities of the Group by remaining contractual maturity as at 31 December 2021:

(CZKm)	On demand	Less than 1 year	1 year to 5 years	More than 5 years	**Total**
Financial liabilities					
Financial liabilities held for trading other than financial derivatives	-	(700)	-	-	(700)
Financial liabilities designated at fair value through profit or loss	-	(9,875)	(11,637)	(5,638)	(27,150)
Financial liabilities at amortised cost	(945,183)	(595,796)	(60,813)	(30,531)	(1,632,323)
Fair value adjustments of the hedged items in portfolio hedge	23,281	-	-	-	23,281
Lease liabilities	-	(369)	(1,352)	(954)	(2,675)
Other liabilities (Note: 29)	-	(6,140)	-	-	(6,140)
Contractual cash flows excluding derivatives	**(921,902)**	**(612,880)**	**(73,802)**	**(37,123)**	**(1,645,707)**
Net settled derivatives	-	(20,577)	(42,702)	(5,303)	(68,582)
Trading derivatives	-	(12,044)	(23,685)	(2,324)	(38,053)
Hedging derivatives	-	(8,533)	(19,016)	(2,979)	(30,528)
Gross settled derivatives	-	(8,235)	(1,519)	(197)	(9,951)
Trading derivatives	-	(8,261)	(1,578)	(197)	(10,036)
Inflows	-	*255,967*	*85,651*	*8,878*	*350,496*
Outflows	-	*(264,228)*	*(87,229)*	*(9,075)*	*(360,532)*
Hedging derivatives	-	25	59	-	84
Inflows	-	*2,878*	*1,097*	-	*3,975*
Outflows	-	*(2,853)*	*(1,038)*	-	*(3,891)*
Contractual cash flows from derivatives	**-**	**(28,812)**	**(44,221)**	**(5,500)**	**(78,533)**
Contractual cash flows from financial liabilities	**(921,902)**	**(641,692)**	**(118,023)**	**(42,623)**	**(1,724,240)**
Loan commitments – irrevocable (note 36)	(188,388)	-	-	-	(188,388)
Loan commitments – revocable (note 36)	(50,218)	-	-	-	(50,218)
Financial guarantees (note 36)	(42,815)	-	-	-	(42,815)
Other commitments (note 36)	(2,499)	-	-	-	(2,499)
Contractual cash flows from contingent liabilities	**(283,920)**	**-**	**-**	**-**	**(283,920)**

The maturity of contingent liabilities and commitments is on demand. This represents the undiscounted cash flows of the Group's contingent liabilities and commitments on the basis of their earliest possible contractual maturity. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The liquidity risk of the Group is not managed based on the remaining contractual maturities of the financial instruments, as such the Group's expected cash flows on these instruments vary significantly from this analysis (Note: 35). For example, undrawn loan commitments are not expected to be drawn down immediately.

41.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored using Basis Point Value (BPV) sensitivity. As from September 2019, only residual technical position remains in the Group's trading portfolio after the full implementation of the programme of trading portfolios centralization on the KBC group level. New positions in trading portfolio are immediately closed by back-to-back transactions to the department

KBC Central European Financial Markets. The Group's trading portfolio is not exposed to market risk from that time. Non-trading positions are managed and monitored using BPV sensitivity analysis.

Market risk – Trading

The Board of Directors has set limits on the level of risk that may be accepted. The Group has no net position in FX options, commodity derivatives nor any position in equity. A nominal technical limit for reminder products, in particular interest rate options and structured bonds. Positions in these products are not allowed to be material as back-to-back approach is required.

Only minimal BPV limits are applied for individual products and portfolios since January 2020 after transfer of trading positions to KBC Bank.

The capital requirements for interest rate and foreign exchange risks are calculated by application of standardized method since January 2020.

Market risk – Investment portfolio

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the BPV sensitivity. The Board of Directors has set secondary limits on interest rate gaps for stipulated periods. Positions are monitored on a weekly basis and hedging strategies are used to ensure positions are maintained within the established limits.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's statement of income and equity.

The sensitivity of the statement of income is calculated by revaluing financial assets designated at fair value through profit or loss for the effects of the assumed changes in interest rates. The sensitivity of the statement of income is analysed by the maturity of the asset. The total sensitivity of the statement of income is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity also to non-parallel changes.

The sensitivity of equity is calculated by revaluing Financial assets at fair value through other comprehensive income, including the effect of any associated hedges, and swaps designated as cash-flow hedges, for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by the maturity of the asset or swap. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity also to non-parallel changes.

The Group's investment portfolio consists of predominantly linear interest rate sensitive products.

Interest Rate Benchmark Reform became effective since 1 January 2021. The changes resulting directly from IBOR reform are accounted for by updating the effective interest rate. If there are changes solely due to IBOR reform there is no need to discontinue existing hedging relationships. ČSOB group incorporated all necessary changes in reference rates related to Benchmark reform based on EU directive 2016/1011 Benchmark regulation (BMR) and the process of changing from LIBOR to new risk-free rates was completed before 1 January 2022. All contracts based on GBP and EUR LIBOR were renegotiated to new risk-free rates as of 1 January 2022. Derivatives based on LIBOR were transferred to new risk-free rates in February 2023.

	Carrying amount at 31 Dec 2022		Notional amount at 31 Dec 2022
(CZKm)	Loans and advances	Deposits	Derivatives
referenced to -IBOR (all tenors)			
of which: USD (LIBOR)	-	-	10,486
of which: GBP (LIBOR)	-	-	-
of which: EUR (LIBOR)	-	-	-

	Carrying amount at 31 Dec 2021		Notional amount at 31 Dec 2021
(CZKm)	Loans and advances	Deposits	Derivatives
referenced to -IBOR (all tenors)			
of which: USD (LIBOR)	1,902	54	31,392
of which: GBP (LIBOR)	-	1	-
of which: EUR (LIBOR)	75	1	-

The table below shows the sensitivity of the statement of income and other comprehensive income (before tax) due to revaluation of assets and liabilities that are measured at fair value on recurring basis as at 31 December 2022:

(CZKm)	Change in basis points	Sensitivity of other comprehensive income Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	0.1	0.5	(34.8)	(103.5)	(137.7)
EUR	+ 10	(0.1)	(0.6)	(6.7)	(3.8)	(11.2)
USD	+ 10	0.0	0.0	0.0	0.0	0.0
CZK	- 10	(0.1)	(0,5)	34.8	103.5	137.7
EUR	- 10	0.1	0.6	6.7	3.8	11.2
USD	- 10	0.0	0.0	0.0	0.0	0.0

(CZKm)	Change in basis points	Sensitivity of the statement of income Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	(0.4)	(2.9)	21.5	28.1	46.3
EUR	+ 10	(0.2)	0.2	1.7	0.0	1.7
USD	+ 10	0.0	0.0	0.0	0.4	0.4
CZK	- 10	0.4	2.9	(21.5)	(28.1)	(46.3)
EUR	- 10	0.2	(0.2)	(1.7)	0.0	(1.7)
USD	- 10	0.0	0.0	0.0	(0.4)	(0.4)

The table below shows the sensitivity of the statement of income and other comprehensive income (before tax) due to revaluation of assets and liabilities that are measured at fair value on recurring basis as at 31 December 2021:

(CZKm)	Change in basis points	Sensitivity of other comprehensive income Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	0.1	0.8	(5.7)	(54.5)	(59.3)
EUR	+ 10	(0.2)	0.2	(11.0)	(1.7)	(12.7)
USD	+ 10	0.0	0.0	0.0	0.0	0.0
CZK	- 10	(0.1)	(0.8)	5.7	54.5	59.3
EUR	- 10	0.2	(0.2)	11.0	1.7	12.7
USD	- 10	0.0	0.0	0.0	0.0	0.0

(CZKm)	Change in basis points	Sensitivity of the statement of income Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	1.3	6.1	12.0	24.6	44.0
EUR	+ 10	0.0	(0.1)	0.0	0.0	(0.1)
USD	+ 10	0.0	0.0	0.0	0.0	0.0
CZK	- 10	(1.3)	(6.1)	(12.0)	(24.6)	(44.0)
EUR	- 10	0.0	0.1	0.0	0.0	0.1
USD	- 10	0.0	0.0	0.0	0.0	0.0

Currency risk

Currency risk is the risk that the value of a financial instrument would fluctuate due to changes in foreign exchange rates. The Group adopted a strategy under which the banking book has no open positions in foreign currencies. Positions are monitored on a daily basis and hedging strategies are used to close such positions. Minimum technical residual open positions in foreign currencies are allowed; the Group sets limits for these positions. The technical currency position is added to the currency position of the trading book position and reported in aggregate.

The table below shows the foreign currency risk sensitivity of the statement of income (before tax) as at 31 December 2022 and 2021:

(CZKm)	2022 Net position in foreign currency	2022 Increase of foreign exchange rate by 1 CZK/EUR	2022 Decrease of foreign exchange rate by 1 CZK/EUR	2021 Net position in foreign currency	2021 Increase of foreign exchange rate by 1 CZK/EUR	2021 Decrease of foreign exchange rate by 1 CZK/EUR
EUR	12	1	(1)	10	-	-

Sensitivity of the statement of income to currencies other than EUR is not significant.

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Investment equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments included in Financial assets at fair value through other comprehensive income) due to a reasonably possible change in equity indices (before tax), with all other variables held constant, is as follows:

(CZKm)	Change in equity price (%)	Effect on equity 2022	Effect on equity 2021
Visa Inc. quotation	- 10	(26)	(36)
	+ 10	26	36

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

Prepayment risk is regularly monitored and assessed in the Group. Convenient tools for prepayment risk limitation are applied in the area of mortgage loans particularly.

41.5 Operational risk

The Group defines operational risk in line with Basel III as the risk of loss resulting from inadequate or failed internal procedures, people and systems, or from external events. Operational risks include legal, fraud and tax risks. The impact of incidents on the Group's reputation is taken into consideration when assessing the Group's vulnerability in respect of operational risk incidents.

Operational Risk Management Framework

Operational Risk Management Framework consists of four key building blocks:

1. Risk identification
2. Risk measurement
3. Risk response
4. Reporting & follow-up

Operational risk management starts with the identification of operational risks having materialized within the Group, as well as an assessment of the Group's vulnerability in respect of potential risks that have not materialised yet. Operational risk management focuses primarily on the key risks and the most risky areas for potential losses, business and reputational impact. The assessment involves ranking the risks and risk events in terms of their severity and anticipated frequency. The assessment is followed by the decision of an accountable manager, i.e. acceptance of risk or its mitigation by implementing appropriate control measures and/or risk transferring to the 3rd parties and/or risk insurance. Risk events that cannot be prevented may be also mitigated by business continuity arrangements.

Operational Risk Management Governance

The basic objective is to make operational risk management a natural part of the decision-making in business units. Operational risk management governance is promoted by the CRO and the Risk Function.

Non-financial Risk Management Department (NFR)

The NFR is responsible for management and monitoring in the non-financial risk management area and is responsible for the reporting in the area of non-financial risk. This includes coordination, implementation of methodology, assurance of independent control, advisory to business units and training. Other risks related to operational risk are coordinated by special units, including the Compliance Unit, Legal Unit and Tax Unit.

Information Risk Management Department (IRM)

The IRM is responsible for management, monitoring and reporting in the information risk management area and business continuity.

Local Operational Risk Managers (the "LORMs")

LORMs are the first line support for business managers in respect of non-financial risks. Their role is to monitor, analyse and prevent operational risk events, informational risks and business continuity events. Beside frequent contacts, regular meetings of LORMs are organised by the NFR every quarter for training and exchange of information.

Key Elements of Risk Identification and of Operational Risk Management

Loss Data Collection Process

Loss Data Collection is a process of analysing and collection of realized or potential loss events and near misses resulting from an operational risk event. This method is a key element for estimation of future expected losses.

The Group collects data about loss events with both direct and indirect impact, as well as events which could potentially impact the profit & loss but which do not lead to a financial impact – so called near misses. Losses and near misses are registered into a database ´GLORY´.

Operational loss and near miss data are used for reporting towards the regulator and management. They are also used as an important source of information for identification of gaps in the internal control environment.

Deep Dive

The Deep Dive aims to identify and quantify operational risks in products, activities, processes and systems. This method is usually selected when there has not been any previous risk assessment in a process or its part or there are other reasons for risk reassessment, e.g. unexpected increase of the operational loss events, breach of the risk appetite or repetitive breaches of the Key Risk Indicators.

NAPP and the Process of Change Management

New and Active Product Process (NAPP) ensures that all products and services offered to clients are analysed in order to identify and assess operational risks. NAPP applies to all the subjects in the ČSOB group in the financial sector or acting as an independent intermediary, and to all the products, services and processes with an impact on external clients.

Besides NAPP, a Process of Change Management dealing with non-product changes is also used. Each material change must be analysed and identified risks are further managed according to valid rules.

Outsourcing

A specific area of operational risk management are the risks related to outsourcing of activities, which is a subject to a specific regulation. Outsourcing is any agreement between ČSOB and a product provider (intra-group or external), based on which the service provider performs a process, service or activity, which would or could be otherwise performed by ČSOB itself.

Outsourcing contract is categorized as critical/important or non-critical, whereby the intention to outsource a critical activity needs to be report to the regulator beforehand. The final accountability for the risks related to the outsourced activity cannot be transferred to a third party.

Business Continuity Management

Business continuity is based on two main pillars:

- Proactive approach (prevention): setting up the strategy, tactical solutions and processes towards solving various non-standard situations. It is based on risk assessment of individual activities in the bank with the aim to identify vulnerabilities, assess their probabilities and impact. Based on this assessment, business continuity plans are defined in order to ensure business continuity in case of non-standard situations (4 main scenarios).
- Reactive approach (crisis management): deals with originated crisis situations. Based on the severity of potential impact of the non-standard situations, 3 levels of crisis management are defined for each type of crisis.

Global Risk Scan

Every year, before the risk appetite statement is defined, the Group executes a risk scan identifying and assessing its top risks. All material risk types are explicitly considered, but it is not necessary that a top risk is ultimately withheld for every risk type. The Risk Scan is executed and reported based on the KBC Group Risk Scan Guidance.

The results of the risk scan, as well as the risk response thereto (acceptance, non-acceptance, mitigating actions), can lead to changes to the existing business plans. Furthermore, they are used as input for the definition of risk appetite in the strategic planning process.

Group Key Controls, Zero Tolerances and Local Risk and Control Assessment (LRCA)

LRCA is a process used for identification and measurement of local Key Risks of individual processes and the related Key Controls which mitigate the potential inherent impact of the identified risks. On the Group level, the Group Key Controls and Zero Tolerances (GKC/ZT) determine the basic control objectives to mitigate key & killer non-financial risks that are inherent to the processes of the business entities. Each GKC/ZT contain the key & killer operational risks related to the involved business process. For registering the results of the LRCA a group-wide application BWise is used.

Besides Group Key Controls and Zero Tolerances, local approach aims to identify new local key risks and controls and/or revise GKC risks and controls to have one local view of risk exposure per process.

Operational Risk Measurement

The basic aim of the risk measurement is quantification of their impact. Risk impacts of identified risks are reflected in the overall risk exposure of the Group which is measured using defined risk indicators.

Uniform Risk Scale

All operational risks must be assessed according to Uniform Risk Scale consisting of 4 levels (low-medium-high-critical risk), where financial limits and also non-financial criteria are taken into account and evaluated based on the probability of their occurrence.

Key Risk Indicators (KRI)

KRIs inform on the state of the control environment in a given process. Indicators are linked to particular risks, i.e. they must include at the minimum their owner, limit for a breach, frequency and way of measurement and escalation process.

Measurement of risk exposure – GORA

The approach and indicators for measurement of risk exposure towards the risk appetite of the Bank, are defined on the Group level, using a Group-wide GORA measurement tool. GORA includes a uniform set of quantitative and qualitative risk indicators for every sub-risk type (Business Continuity, Fraud, Legal, Information Security, Information Technology, Process, Personal and physical security, Model and Outsourcing & 3rd party risks).

Risk Assessment Approval and Risk Response

The final accountability for the operational risk management lies within the line management, which ensures adherence to the established working procedures and implementation of the operational risk management building blocks in their departments. Risks are approved by the respective managerial level based on the level of their risk impact.

The assessment is followed by the decision of an accountable manager, i.e. acceptance of risk or its mitigation by implementing appropriate control measures and/or risk transferring to the 3rd parties and/or risk insurance.

Action plans

The aim of the action plan is to close the identified control deficiencies and thus mitigate the risk exposure. The action plan must include description of the measures taken, their owners and deadlines. These measures should be measurable and reachable in the defined timeframe. For evidence and follow-up of the action plans a group-wide application BWise is used.

Reporting

The goal of operational risk reporting is to provide the management with the information about risk exposure in order to support their decision-making. NFR reports amongst others about breaches of the Zero Tolerances, highest operational risk events, breaches of the risk appetite and others. In the yearly Internal Control Statement the internal control system of the Group is evaluated for the individual GKC processes independently by the three lines of defence.

42. CAPITAL

Capital Adequacy

Capital adequacy measures the financial strength and stability of an institution. It compares the amount of the capital held by a financial institution to the risk of possible decline in value of assets on its statement of financial position.

Capital adequacy (or solvency) risk is the risk that the capital base of the Group might fall below an acceptable level. In practice, this entails checking solvency against the minimum regulatory and in-house solvency ratios and its active steering.

Capital targets and structure

Regarding the capital targets and structure, the Group fully follows the KBC Group Capital Adequacy Policy stating that fully owned subsidiaries within the Group shall hold at least the regulatory minimum capital. All capital in excess of the targeted level shall be held at the KBC Group level.

For the purpose of the ICAAP process, available capital of the Pillar II in the Group coincides with the Common equity Tier 1 capital under Pillar I.

Managing solvency

The Group reports its solvency calculated on the basis of IFRS balances, taking into account all relevant regulatory requirements. Solvency targets based on external regulatory capital requirements were met throughout 2022 and 2021 with adequate buffers above the regulatory minimum standards, underpinning the very strong capital position of the Group.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

In accordance with capital adequacy legislation requirements, the Group has an Internal Capital Adequacy Assessment Process (ICAAP) in place. The ICAAP examines both the current and future capital situation. To assess the latter situation, a four-year forecast is drawn up for required and available capital, both regulatory and economic, according to a basic scenario that takes account of anticipated internal and external growth, and according to various likely alternative scenarios. The

Group uses also other instruments as required by Pillar 2 mainly in the area of capital planning, stress testing and risk strategies.

According to European Directive and Regulation (CRD / CRR), the legal minimum tier-1 ratio is set to 6.0% of risk weighted assets (with a minimum common equity ratio of 4.5%). On top of this, the institution shall hold the following capital buffers: the capital conservation buffer, the buffer for systemic risk, and the countercyclical buffer. The Group has incorporated these requirements into the regular management of the risk and capital positions.

In line with European Banking Authority guidelines, we conduct an outlier stress test on a quarterly basis by applying six different scenarios to the banking books (material currencies). The worst-case scenario is set off against Tier-1 capital. For the banking book of the Group banking entities at individual level, this risk came to -2.41% of Tier-1 capital for ČSOB bank, -4.32% of Tier-1 capital for Hypoteční banka and -4.31% of Tier-1 capital for ČSOBS at year-end 2022. All results are well below the -15% Tier-1 threshold on individual levels, which are monitored by the ČNB.

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain the optimum capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue capital instruments.

Within the ICAAP approach the capital economic model (ICM – internal capital model) has been developed in KBC Bank in cooperation with the Group. The model is more risk sensitive and built in way that allows decomposition of the undergone credit risk to various categories (like default risk, migration risk, single-name risk, sector and region concentration and diversifications). Model was presented to the regulators and approved. The Group plans to roll out the internal model also for the purpose of the pricing and various business analyses to support business decisions.

It was expected that COVID-19 crisis would hit the banking sector materially. As a result, national regulator recommended not to pay any dividends from 2020 and 2019 profits to the shareholders. The Group decided to fully follow this recommendation and strengthened its capital for expected portfolio worsening by retaining the full profits for year 2020 and 2019. During 2021, when the COVID-19 was remarkably overcome, ČNB relaxed its position regarding dividend pay-out and set up limits for the distribution of the previous year profits taking place by the year end 2021. The Group paid out CZK 4,100 m out of retained earnings to the sole shareholder in line with amended ČNB rules. In 2022, the Group paid out the full profit for year 2021 as a dividend, and further, the Group paid out part of the retained earnings which reflects the above mentioned fact of full retention of profits for years 2020 and 2019.

From 28 June 2021, the Group has to meet the minimum leverage ratio at the level of 3%. The requirement has been met with a sufficient buffer.

From 1 January 2022, the Group has to meet the Minimum Requirement for own funds and eligible liabilities (MREL) at the interim level set by ČNB. This requirement will increase to the ultimate level as of 1 January 2024. This requirement is set only on the level of the Group, not on the level of ČSOB individual position. The Group manages its MREL positions altogether with capital position and leverage ratio exposure.

In February 2023, ČSOB Bank was delivered an arbitral award issued in the arbitration proceedings against the company ICEC-HOLDING, a.s. resulting in an increase of the provisions for pending legal issues in the amount of CZK 3,663 m (Notes: 30, 36). Despite this fact, ČSOB maintains a strong capital and liquidity position.

The following table shows the capital, capital requirements and CAD ratio as of 31 December 2022 and 31 December 2021 for the Group.

(CZKm)	2022	2021
Tier 1 capital	85,793	92,585
Tier 2 capital	1,646	970
Total capital	**87,439**	**93,554**
Regulatory capital requirements	34,631	33,010
Risk weighted assets	**432,893**	**412,628**
Capital adequacy ratio	20.20%	22.67%
Eligible liabilities	40,592	19,439
Leverage ratio	4.48%	4.65%

SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021 reclassified
Interest income calculated using the effective interest rate method	4	86,698	28,588
Other similar income	4	8,867	1,506
Interest expense calculated using the effective interest rate method	5	(52,382)	(8,564)
Other similar expense	5	(19,645)	(3,171)
Net interest income		**23,538**	**18,359**
Fee and commission income	6	11,683	10,656
Fee and commission expense	6	(6,099)	(4,891)
Net fee and commission income		**5,584**	**5,765**
Dividend income	13	3,563	2,361
Net gains / (losses) from financial instruments at fair value through profit or loss and foreign exchange	7	4,465	2,600
Net realised gains on financial instruments at fair value through other comprehensive income		-	1
Net (increase) / decrease in provisions for legal issues and other losses	8	(3,653)	177
Other net income	8	1,876	1,421
Operating income		**35,373**	**30,684**
Staff expenses	9	(8,845)	(8,238)
General administrative expenses	10	(7,839)	(6,644)
Depreciation and amortisation	20, 21	(1,894)	(1,631)
Operating expenses before impairment losses		**(18,578)**	**(16,513)**
Impairment losses	11	**(1,743)**	**1,858**
on financial assets at amortised cost and at fair value through other comprehensive income (OCI)		(1,023)	2,364
on other financial and non-financial assets		(720)	(506)
Profit before tax		**15,052**	**16,029**
Income tax expense	12	(1,402)	(1,947)
Profit for the year		**13,650**	**14,082**

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

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021
Profit for the year		**13,650**	**14,082**
Other comprehensive income – to be reclassified to the statement of income			
Net loss on cash flow hedges		(588)	(1,570)
Net loss on financial debt instruments at fair value through other comprehensive income		(195)	(997)
Income tax benefit relating to components of other comprehensive income		148	488
Other comprehensive income for the year, net of tax, to be reclassified to statement of income in subsequent periods	29	**(635)**	**(2,079)**
Other comprehensive income – not to be reclassified to the statement of income			
Net (loss) / gain on financial equity instruments at fair value through other comprehensive income		(62)	78
Income tax benefit / (expense) relating to components of other comprehensive income		12	(15)
Other comprehensive income for the period, net of tax, not to be reclassified to statement of income in subsequent periods	29	**(50)**	**63**
Other comprehensive income for the period, net of tax		**(685)**	**(2,016)**
Total comprehensive income for the year, net of tax		**12,965**	**12,066**

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

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021
ASSETS			
Cash, balances with central banks and other demand deposits	14	60,729	37,290
Financial assets held for trading	15	91,665	56,257
Non-trading financial assets mandatorily at fair value through profit or loss	15	1,322	1,410
Financial assets at fair value through other comprehensive income	16	31,594	34,036
Financial assets at fair value through other comprehensive income pledged as collateral	16	72	221
Financial assets at amortised cost	17	1,347,386	1,386,904
Financial assets at amortised cost pledged as collateral	17	24,722	33,904
Fair value adjustments of the hedged items in portfolio hedge	19	(14,269)	(11,052)
Investments in subsidiaries, associates and joint ventures	18	83,726	79,464
Derivatives used for hedging	19	35,974	23,533
Current tax assets		-	654
Deferred tax assets	12	1,623	765
Property and equipment	20	8,229	8,797
Goodwill and other intangible assets	21	5,795	5,323
Non-current assets held-for-sale	22	23	-
Other assets	23	1,484	1,374
Total assets		**1,680,075**	**1,658,880**
LIABILITIES AND EQUITY			
Financial liabilities held for trading	24	91,884	57,170
Financial liabilities designated at fair value through profit or loss	24	23,839	24,544
Financial liabilities at amortised cost	25	1,444,686	1,451,552
Fair value adjustments of the hedged items in portfolio hedge	19	(32,140)	(22,731)
Derivatives used for hedging	19	42,416	27,912
Lease liabilities		2,959	3,378
Current tax liabilities		259	-
Other liabilities	26	5,656	3,602
Provisions	27	4,447	450
Total liabilities		**1,584,006**	**1,545,877**
Share capital	28	5,855	5,855
Share premium		20,093	20,093
Statutory reserve		18,687	18,687
Retained earnings		53,168	69,417
Revaluation reserve from financial assets at fair value through other comprehensive income	28	(44)	165
Cash flow hedge reserve	28	(1,690)	(1,214)
Total equity		**96,069**	**113,003**
Total liabilities and equity		**1,680,075**	**1,658,880**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Share capital (Note: 28)	Share premium	Statutory reserve[1]	Retained earnings	Other reserves (Note: 28)	Total Equity
At 1 January 2021	**5,855**	**20,093**	**18,687**	**59,384**	**967**	**104,986**
Profit for the year	-	-	-	14,082	-	14,082
Other comprehensive income for the year (Note: 29)	-	-	-	-	(2,016)	(2,016)
Total comprehensive income for the year	-	-	-	14,082	(2,016)	12,066
Equity investments disposed (Note: 30)	-	-	-	51	-	51
Dividends paid (Note: 13)	-	-	-	(4,100)	-	(4,100)
At 31 December 2021	**5,855**	**20,093**	**18,687**	**69,417**	**(1,049)**	**113,003**
Profit for the year	-	-	-	13,650	-	13,650
Other comprehensive income for the year (Note: 29)	-	-	-	-	(685)	(685)
Total comprehensive income for the year	-	-	-	13,650	(685)	12,965
Equity investments disposed (Note: 30)	-	-	-	83	-	83
Dividends paid (Note: 13)	-	-	-	(29,982)	-	(29,982)
At 31 December 2022	**5,855**	**20,093**	**18,687**	**53,168**	**(1,734)**	**96,069**

(1) The statutory reserve represents accumulated transfers from retained earnings in compliance with the Statutes of the Bank. This reserve is distributable based on the decision of the Board of Directors.

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

These separate financial statements were approved for issue by the Board of Directors and signed on its behalf on 19 April 2023 by:

Aleš Blažek
Chairman of the Board of Directors

Jiří Vévoda
Member of the Board of Directors

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

(CZKm)	Note	2022	2021 reclassified
OPERATING ACTIVITIES			
Profit before tax		**15,052**	**16,029**
Adjustments for:			
Interest income	4	(95,565)	(30,094)
Interest expense	5	72,027	11,735
Dividend income	13	(3,563)	(2,361)
Non-cash items included in profit before tax	31	1,086	(10,507)
Net losses / (gains) from investing activities		24	182
Cash flow used in operations before changes in operating assets, liabilities, income tax paid, interest paid and received and dividend received		**(10,939)**	**(15,016)**
Change in operating assets	31	(126,734)	(92,981)
Change in operating liabilities	31	144,173	70,761
Income tax paid		(1,206)	(2,180)
Interest paid		(71,947)	(11,679)
Interest received		96,715	31,817
Dividend received	13	3,563	2,361
Net cash flows from / (used in) operating activities		**33,625**	**(16,917)**
INVESTING ACTIVITIES			
Acquisition and equity increase of subsidiary, associate and joint venture companies		(4,984)	(9,570)
Purchase of property, equipment and intangible assets		(1,842)	(1,764)
Proceeds from disposal of property, equipment, intangible assets and assets held-for-sale		99	72
Net cash flows used in investing activities		**(6,727)**	**(11,262)**
FINANCING ACTIVITIES			
Bonds issued	25	4,098	-
Issue of subordinated debts	25	21,153	19,439
Payments of principal on leases	31	(574)	(590)
Dividends paid	13	(29,982)	(4,100)
Net cash flows (used in) / from financing activities		**(5,305)**	**14,749**
Net increase / (decrease) in cash and cash equivalents		**21,593**	**(13,430)**
Cash and cash equivalents at the beginning of the year	31	218,096	231,526
Net increase / (decrease) in cash and cash equivalents		21,593	(13,430)
Cash and cash equivalents at the end of the year	31	**239,689**	**218,096**

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. CORPORATE INFORMATION

Československá obchodní banka, a. s. (the Bank or ČSOB) is a Czech joint-stock company with its registered office at Radlická 333/150, Prague 5, Czech Republic. The Corporate ID is 00001350. The parent company of the Bank is KBC Bank NV (KBC Bank), which is controlled by the KBC Group NV (KBC Group).

The Bank is operating in the Czech Republic. It is a universal bank offering to its clients a wide range of banking products and services, including the products and services of the entire ČSOB Group. The main activities services of the ČSOB include: accepting deposits from the public, providing loans, investing in securities on the Bank's own account, payments and clearance, the issuance and administration of payment instruments, the provision of guarantees, the issuance of letters of credit, the provision of collection services, the provision of all investment service according to a special law, the issuance of mortgage bonds, financial brokerage, the provision of depository services, exchange office services (purchase of foreign exchange), the provision of banking information, trading in foreign exchange values and gold on the Bank's own account or on a client's account, the rental of safe-deposit boxes, identification services within the meaning of the Act on Banks. Furthermore, the Bank performs activities directly related to the activities described above and activities carried out for other parties if they relate to the running of the Bank and operation of other banks, financial institutions and enterprises providing ancillary banking services, controlled by the Bank.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared and approved by the Board of Directors of the Bank. In addition, the financial statements are subject to approval at the General Meeting of shareholders.

The separate financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. Assets held for sale are measured at fair value less cost to sell if this value is lower than their carrying amount (i.e. cost less accumulated depreciation and impairment losses). The separate financial statements are presented in millions of Czech Crowns (CZKm) which is the Bank's presentation currency. The preparation of separate financial statements is required by the Act on Accounting. Simultaneously, the Bank also prepares consolidated financial statements of the ČSOB Group in accordance with the International Financial Reporting Standards as adopted by the European Union (EU IFRS).

Statement of compliance

The separate financial statements of ČSOB have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.2 Significant accounting judgements and estimates

While applying the Bank accounting policies, the management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant judgements and estimates are as follows:

Fair value of financial instruments (Note: 30)

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the application of mathematical models. If possible, the input to these models is taken from observable markets; if not, a degree of judgement is required to establish fair values. The judgements include considerations of credit, liquidity and model inputs such as correlation and volatility for longer-dated financial instruments.

Impairment losses on financial instruments (Note: 38.2)

Calculating expected credit losses (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. The Bank applies neutral and free from bias approach when dealing with uncertainties and making decisions based on significant judgments. The expected credit losses are calculated in a way that reflects:

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

Management judgement is required to assess the fair value of collateral, which has a significant effect on the impairment allowance.

Impact of Geopolitical and emerging risks on deterioration of financial instruments

General

ČSOB updated the impact assessment for the risks that could adversely affect its loan portfolio. During 2022, the original COVID-19 related management overlay was completely released in the whole amount CZK -1.2b n. New identification of Stage 1 exposures that have suffered a significant increase in credit risk not captured by the regular staging assessment (so-called "Tier5 assessment") was introduced and on top of that, a new expert-based calculation at portfolio level was introduced via a management overlay for geopolitical and emerging risks. At the end of 2022, the ECL for the geopolitical and emerging risks amounted to CZK 2.2 bn in total (of which CZK 0.4 bn is attributed to individual exposures, CZK 0.6 bn is attributed to ECL staging effect, CZK 1.1 bn is attributed to management overlay and CZK 0.1 bn is attributed to macroeconomic model-driven ECL). The impact assessment methodology and the macroeconomic assumptions considered are described below in more detail.

Geopolitical and emerging risks impact assessment

In the light of recent development, we assessed the impact of the main macroeconomic and geopolitical risks on our loan portfolio. The ECL for geopolitical and emerging risks amounts to CZK 2.2 bn comprising following categories:

Direct exposure to Russia, Ukraine & Belarus	ECL for transfer risk exposure to Russia, Ukraine and Belarus amounts to CZK 406 m in 2022, mainly concentrated in commercial exposures to Russian banks (Note: 38.2).
Indirect impact of the military conflict on the loan portfolio	The conflict is expected to impact Corporate and SME clients through different channels: • Exposure to Corporate and SME clients with material activities in Russia, Ukraine and Belarus or a material dependency on these markets for imports or exports (either directly or indirectly through a client/supplier), where material dependency was defined as 20% of sales, cost or profit into affected countries; • Exposure to Corporate and SME clients with operations that are especially vulnerable to a disruption of oil and/or gas supplies. The analysis indicates that CZK 20.5 bn worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment and were transferred to Stage 2 due to Tier5. The total ECL for the indirect impact is CZK 358 m in 2022 (of which CZK 49 m is attributed to ECL staging effect and CZK 294 m is attributed to management overlay).
Emerging risks	Bank identified the following subsegments at risk in its portfolio: • Corporate and SME clients active in economic sectors that have been hit by supply chain issues and increasing commodity and energy prices, and that already have a higher credit risk (e.g., Automotive, Chemicals and Metals); • Clients having consumer loan with limited reserve repayment capacity for absorbing the higher cost of living and/or higher repayments due to increasing interest rates. Group of clients in retail segments negatively affected by emerging risks were identified based on already worsened behavioural score and refixation planned within next 18 months. The analysis indicates that CZK 28.9 bn worth of Stage 1 exposures have suffered a significant increase in credit risk not captured by the regular staging assessment and were transferred to Stage 2 due to Tier5. The total ECL for the emerging risks amounts to CZK 1.067 m in 2022 (of which CZK 534 m is attributed to ECL staging effect and CZK 773 m is attributed to management overlay). Management overlay calculation is based on following basic assumptions: (i) affected portfolio is expected to record increased default rate and defaulted clients will record downturn ECL coverage and (ii) the remaining part of non-defaulted affected portfolio is expected to remain in Stage 2 with increased ECL coverage equal to average ECL Stage 2 coverage. Difference between up-to-date ECL and ECL calculated based on above mentioned assumptions was booked as management overlay.
Macroeconomic scenarios	The model-driven ECL for geopolitical and emerging risks amounted to CZK 135 m in 2022. The impact was caused by the most actual macroeconomic forecasts used in the ECL calculation and worsened probabilities applied to the base-case, optimistic and pessimistic macroeconomic scenarios (respectively 60%, 5% and 35%).

Other factors

Soaring energy prices and surging inflation have triggered initiatives to support the purchasing power of households and the viability of companies. Government is looking at the banking and insurance sector to support the economy. In 2022, the windfall tax has been approved as a main instrument. Management considers payment of tax on this title to be unlikely due to the decrease of the tax base of the Bank (Note: 12).

Business model assessment

Classification of financial assets is driven by the business model. Management applies judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity.

Assessment whether cash flows are solely payments of principal and interest ("SPPI")

Judgement is required to determine whether a financial asset's cash flows are solely payments of principal and interest as only features representing basic lending agreement are in line with the SPPI test. Judgement is required to assess whether risks and volatility of contractual cash flows are related to basic lending agreement. Among the features that require judgements were, for example, modification of time value of money, change of timing or amount, such as early settlement or prepayment.

Goodwill impairment (Note: 21)

Goodwill is tested annually for impairment. For this purpose, goodwill acquired in a business combination is allocated to the cash-generating unit which is expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes. Identifying a cash-generating unit as well as determining its recoverable amount requires judgement.

Impairment of investment in subsidiaries (Note: 18)

Investments in subsidiaries are reviewed for impairment indicators at least annually. In cases where impairment indicators are identified, investment is tested for impairment by comparing the recoverable amount with the investment carrying amount. Determining and assessing of the impairment indicators as well as determining the recoverable amount requires judgment.

Assessment of the nature of interest in Group entities

The Bank considers all relevant facts and circumstances in assessing whether it has a control, joint control (and its type) or significant influence over an investee. The assessment is based on the conclusions made by taking into account the contractual arrangements with the other vote holders of the investee, rights arising from other contractual arrangements and the Bank's voting rights and potential voting rights.

Determining the lease term

Significant judgements are required to assess the lease term. The Bank assesses how likely it is to exercise options to extend a lease or whether or not to exercise options to terminate a lease.
The Bank considers all relevant facts and circumstances, such as contractual terms and conditions for the optional periods compared with market rates, significant leasehold improvements, costs relating to the termination of the lease, importance of the asset to the lessee's operations, etc., in deciding whether to exercise options in lease contracts.

2.3 Changes in accounting policies

Effective from 1 January 2022

The accounting policies adopted in the preparation of the financial statements of the Bank are consistent with those used in the Bank's annual financial statements for the year ended 31 December 2021, except for the adoption of the following standards, amendments and interpretations. The adoption of other standards did not have any significant effect on the financial statements of the Bank, unless otherwise described below.

Property, Plant and Equipment (Amendments to IAS 16) is effective for periods on or after 1 January 2022 and has been endorsed by the EU. The amendment prohibits deducting sales proceeds from the cost of property, plant and equipment before intended use.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) is effective for periods on or after 1 January 2022 and has been endorsed by the EU. The amendment clarifies what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) is effective for periods on or after 1 April 2021 and has been endorsed by the EU. The amendments extend the exemption from assessment of whether rent concession is a lease modification to lease payments on or before 30 June 2022.

Reference to Conceptual Framework (Amendments to IFRS 3) is effective for periods on or after 1 January 2022 and has been endorsed by the EU.

Annual Improvements to IFRS Standards 2018-2020 issued in May 2020 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard, all of which are applicable on or after 1 January 2022 and have been endorsed by the EU.

Effective after 1 January 2022

The following standards, amendments and interpretations have been issued and are effective after 1 January 2022. The Bank has decided not to early adopt them. Unless otherwise described below, the new standards, amendments and interpretations are not expected to significantly affect the Bank financial statements.

IFRS 17 Insurance Contracts (including Amendments to IFRS 17) is effective for annual periods beginning on or after 1 January 2023 and has been endorsed by the EU. The standard establishes principles for the recognition, measurement, presentation and disclosure of issued insurance and held reinsurance contracts, life and non-life. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. Implementation of IFRS 17 will not have significant impact on the Bank. The Bank assesses the extent of the impact within the KBC Group implementation project.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information is effective for annual periods beginning on or after 1 January 2023 and has been endorsed by the EU. A narrow-scope amendment to the transition requirements of IFRS 17 Insurance Contracts. The amendment affects any entity that first applies IFRS 17 and IFRS 9 Financial Instruments at the same time. The amendment avoids temporary accounting mismatches between financial assets and insurance contract liabilities.

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) is effective for periods on or after 1 January 2023 and has been endorsed by the EU.

Classification of Liabilities as Current and Non-current (Amendments to IAS 1) is effective for periods on or after 1 January 2023 and has not yet been endorsed by the EU. The amendment affects only the presentation of liabilities in the statement of financial position, not the amount or timing. The classification of current or non-current is based on rights that exist at the end of the reporting period and is unaffected by expectations about exercising its right.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is effective for periods on or after 1 January 2023 and has been endorsed by the EU. The amendments narrow the exemptions from recognition of deferred tax asset or liability. If on initial recognition the transaction gives rise to equal taxable and deductible temporary differences, the exemption no longer applies.

Definition of Accounting Estimates (Amendments to IAS 8) is effective for periods on or after 1 January 2023 and has been endorsed by the EU. The amendments introduce a new definition of an accounting estimate. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

Disclosure of Accounting Policies (Amendments to IAS 1) is effective for periods on or after 1 January 2023 and has been endorsed by the EU. The amendments clarify that an entity is required to disclose material accounting policy and the amendments also explain how to identify such policy. Accounting policy is material if it can influence decisions that the users of financial statements make on the basis of the financial statements. The Bank is currently assessing the impact that the Amendments to IAS 1 will have on the financial statements.

Non-current Liabilities with Covenants (Amendments to IAS 1) is effective for periods on or after 1 January 2024 and has not yet been endorsed by the EU. The amendment clarifies that a liability is classified as non-current when an entity has a right to defer settlement for at least 12 months after the reporting date. The right may be subject to an entity complying with conditions of a loan arrangement.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) is effective for periods on or after 1 January 2024 and has not yet been endorsed by the EU. The amendment specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction.

2.4 Significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below.

(1) Foreign currency translation

Items included in the financial statements of each of the Bank's entities are initially measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the end of the reporting period. All differences are taken to Net gains/losses from financial instruments at fair value through profit or loss and foreign exchange (Net gains/losses from financial instruments at fair value through profit or loss onwards) in the statement of income with the exception of differences in derivatives that provide an effective hedge in the cash flow hedge of currency risk which are deferred in OCI until the hedged cash flow influences the statement of income, at which time they are recognised in the statement of income as well.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the end of the reporting period. Exchange differences from non-monetary financial assets at fair value through other comprehensive income are included in the fair value through OCI reserve in equity until the assets are derecognised, and then they are transferred to retained earnings.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken through OCI to the Foreign currency translation reserve. When a foreign entity is sold, such exchange differences are recognised in the statement of income as part of the gain or loss on sale.

(2) Investments in subsidiaries, associates and jointly controlled entities

A subsidiary is an entity which is controlled by the Bank (parent entity). The Bank controls an investee when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. A contractual arrangement between the venturers establishes joint control over the economic activity of the entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in subsidiaries, associates and joint ventures are carried at cost less any provision for impairment. Dividends received from investments in subsidiaries, associates and joint ventures are recorded in Dividend income.

(3) Financial instruments - recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the financial instrument, except for "regular way" purchases and sales of financial assets (see below). A financial asset is derecognised from the 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 the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the 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, the Bank assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Bank has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

When during the term of a financial asset there is a change in the terms and conditions, then the Bank assesses whether the new terms are substantially different from the original terms indicating that the rights to the cash flows of the initial instruments have expired. In case the conclusion is that the terms are substantially different then the transaction is accounted for as financial asset derecognition, which requires derecognising the existing financial asset and recognising a new financial asset based on the revised terms. Conversely, when the Bank assesses that the terms are not substantially different then the transaction is accounted for as financial asset modification. The Bank considers, among others, these factors:

- Significant extension of the loan term,
- Significant change in the interest rate,
- Introduction of collateral or credit enhancement, which may have an impact on credit risk,
- If the borrower is in financial difficulty, whether the modification reduces contractual cash flows to amounts the borrower is able to pay.

The effect of modification is reflected in modification gain or loss in Impairment losses in the statement of income. The gross carrying amount of a previously recognised financial asset is recalculated in order to reflect renegotiated or otherwise modified contractual cash flows. For modified financial assets an assessment of whether there has been a significant increase in credit risk is based on comparing the PD at the reporting date (modified terms) and PD at initial recognition (unmodified terms). The significant increase in credit risk indicators (below) are used to determine whether the expected credit losses would be lifetime or 12-month expected credit losses. More information on forbearance measures can be found in 38.2 Credit risk.

A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The Bank derecognises the original financial liability and recognise a new one when the new terms are substantially different. In assessing whether terms are different, the Bank compares the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and 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 at least 10% or more then the Bank derecognises the original financial liability and recognises a new one at fair value. Even if the difference is less than 10% the Bank can derecognise financial liabilities if the two liabilities are qualitatively different (such as a change in currency, subordination or changes in prepayment clauses).

A "regular way" purchase or sale of a financial asset is one in which the delivery of the asset is made within the time frame generally established by regulation or convention of the particular market concerned. For all categories of financial assets the Bank recognises "regular way" purchases and sales using settlement date accounting. Under settlement date accounting, a financial asset is recognised or derecognised in the statement of financial position on the day it is physically transferred to or from the Bank ("settlement date"). The date on which the Bank becomes a party to the contractual provisions of a financial asset purchase or the Bank loses control of the contractual rights from a financial asset sale is commonly referred to as the "trade date". For financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, fair value movements between the "trade date" and "settlement date" in connection with purchases and sales are recognised in Net gains/losses from financial instruments at fair value through profit or loss and in the Fair value through other comprehensive income reserve, respectively. On the settlement date, a respective financial asset or liability is recognised in or derecognised from the statement of financial position.

(4) Financial instruments - initial recognition and subsequent measurement

Classification and measurement – financial assets

The classification of financial assets depends on the purpose for which the financial instruments were acquired and their cash flow characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition.

Classification and measurement – debt instruments

Debt instruments can be allocated into one of the following categories:

- 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).

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

- This category has three sub-categories: financial assets held for trading, financial assets mandatorily at fair value through profit or loss and financial assets designated at fair value through profit or loss (FVO);

Financial assets held for trading consist of derivatives held for trading and non-derivative financial assets held for trading.

- *Derivatives held for trading*

Derivatives include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency, interest rate and commodity options. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in Net gains/losses from financial instruments at fair value through profit or loss.

Changes in the clean fair value (fair value less any net interest accrual) of derivatives used as economic hedges are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Net interest income/expense from these derivatives is recorded in Net interest income on a deal by deal basis.

The derivatives used as economic hedges are derivatives, which do not meet the IFRS requirements for applying hedge accounting but which the Bank Asset Liability Management department uses for decreasing the interest rate risk of the Bank, and thus lowering net interest income volatility, i.e. for hedging purposes from an economic point of view.

The Bank occasionally purchases or originates financial assets containing embedded derivatives. The entire hybrid asset is assessed whether its cash flows fulfil the definition of solely principal and interest from principal outstanding. If this criterion is met, the hybrid financial asset is not classified as at fair value through profit or loss.

In the case when a stand alone derivative does not qualify as a hedging derivative, it is classified as a trading derivative.

- *Financial instruments held for trading other than derivatives*

Financial assets held for trading other than derivatives are recorded in the statement of financial position at fair value. Changes in clean fair value are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Interest income is recorded in Net interest income using the nominal interest rate. Dividends received are recorded in Dividend income. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term.

- *Financial assets mandatorily at fair value through profit or loss*

Financial assets mandatorily at fair value through profit or loss are classified into this category if their contractual terms lead to contractual cash flows, which are not solely payments of principal and interest from principal outstanding. Financial assets that are managed on the basis of fair value are also classified into this category.

- *Financial assets designated at fair value through profit or loss (FVO)*

Financial assets designated at fair value through profit or loss are financial assets irrevocably designated at initial recognition as at fair value, although the asset otherwise meets the requirements to be measured at AC or at FVOCI. The Standard allows this classification if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in clean fair value are recorded in Net gains/losses from financial instruments at fair value through profit or loss. Interest income or expense is recorded in Other similar income or Other similar expense using the nominal interest rate.

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVO:

a. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

b. and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at fair value through other comprehensive income are measured at fair value. Unrealised gains and losses are recognised in the OCI reserve on an after-tax basis, until the financial asset is derecognised. When these assets are disposed of, the unrealised gain or loss recorded in the OCI reserve is reclassified to Net realised gains/losses on FVOCI financial assets. Interest income arising from FVOCI assets, calculated using the effective interest rate method, is recorded separately in Net interest income. The losses arising from the impairment of such investments are recognised in the statement of income in Impairment losses.

(iii) Financial assets at amortised cost (AC)

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated as at FVO:

a. the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at amortised cost are measured at amortised cost using the effective interest rate method, except in the case of a fair value hedge of items in this category, which have to be fair valued to the extent of the hedged risk. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in Interest income. The losses arising from the impairment of such investments are recognised in the statement of income in Impairment losses.

If the financial guarantee is both integral to the guaranteed loan and not recognised separately, fees paid for the guarantee are an integral part of the loan's effective interest rate as transaction costs. If the guaranteed loans are measured at amortised cost, the ability to recover cash flows from financial guarantee is considered in assessing whether significant increase in credit risk occurred, however, the expected cash flows from the financial guarantee are included in the measurement of ECL of the guaranteed loan.

Uncollectible loan is written off after all the necessary procedures for collecting the loan have been completed and the amount of the loss has been determined. A loan is deemed uncollectible when there are no reasonable expectations of recovering the asset and all of the criteria are fulfilled:

- the loan is classified as Irrecoverable;
- the gross carrying amount of the loan is reduced through 100% ECL;
- the debtor does not exist or best case recovery from the receivable is considered to be immaterial.

Subsequent recoveries of amounts previously written off are recorded in the statement of income in Impairment losses. As part of its treatment of defaulted loans, the Bank can take over assets that were granted as collaterals. Upon repossession, the assets are valued at their presumed realisable value and booked in inventory.

Business model

The business model assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI. In performing the assessment, the Bank reviews the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported the Board of Directors;
- 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 the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cash flows are solely payments of principal and interest (SPPI)

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 of time 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, the Bank considers the contractual terms of the instrument at initial recognition. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets which could occur when the Bank begins or ceases to perform an activity that is significant to its operations (e.g.: when the Bank acquires, disposes of, or terminates a business line). The reclassification takes place from the start of the first reporting period following the change.

Classification and Measurement – equity instruments

Financial equity instruments are categorised in one of the following categories:

- Mandatorily measured at fair value through profit or loss (FVPL);
- Equity instruments elected for fair value through other comprehensive income (FVOCI).

The election is applicable to long-term, strategic investments. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis which is interpreted by the Bank as share-by-share basis. Equity categorised in the FVOCI category is subsequently measured at fair value with all changes recognised in other comprehensive income and without any recycling into the statement of income even when the investments are disposed of. The only exception applies to the dividend income which is recognised in the statement of income under the line item "Dividend Income".

Classification and measurement – financial liabilities

The Bank classifies financial liabilities into three categories.

(i) Financial liabilities held for trading

Financial liabilities held for trading include derivatives held for trading and non-derivative financial liabilities held for trading.

- Derivatives held for trading

Derivatives include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency, interest rate and commodity options. Changes in the fair value of derivatives held for trading are included in Net gains/losses from financial instruments at fair value through profit or loss.

Changes in the clean fair value (fair value less any net interest accrual) of derivatives used as economic hedges are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Net interest income/expense from these derivatives is recorded in Net interest income on a deal by deal basis.

The derivatives used as economic hedges are derivatives, which do not meet the IFRS requirements for applying hedge accounting but which the Bank Asset Liability Management department uses for reducing the interest rate risk of the Bank, and thus lowering net interest income volatility, i.e. for hedging purposes from an economic point of view.

In the case when the stand-alone derivative does not qualify as a hedging derivative, it is classified as a trading derivative.

- Financial instruments held for trading other than derivatives

Financial liabilities held for trading other than derivatives are recorded in the statement of financial position at fair value. Changes in clean fair value are recognised in Net gains/losses from financial instruments at fair value through profit or loss. Interest expense is recorded in Net interest income using the nominal interest rate. A financial liability is classified in this category if acquired principally for the purpose of repurchasing in the near term.

(ii) Financial liabilities upon initial recognition designated by the entity at fair value through profit or loss

IFRS 9 allows measuring a (group of) financial liability(s) on initial recognition at fair value, whereby fair value changes are recognized in statement of income except for fair value changes related to the changes in own credit risk which are presented separately in OCI. The fair value designation is used by the Bank for the following reasons:

- Managed on a FV basis: The Bank designates a financial liability or group of financial liabilities and assets at fair value when these are managed and their performance is evaluated on a fair value basis.
- Accounting mismatch: Fair value option can be used when the use eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- Hybrid instruments: A financial instrument is regarded as a hybrid instrument when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely related embedded derivative from the host contract and then the entire hybrid instrument can be designated at fair value.

Financial liabilities designated upon initial recognition at fair value are measured at fair value, whereby fair value changes are recognized in statement of income.

Financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in clean fair value are recorded in Net gains/losses from financial instruments at fair value through profit or loss. Interest expense is recorded in Other similar expense using the nominal interest rate.

Changes in clean fair value due to own credit risk are presented separately in other comprehensive income (OCI). The remaining fair value change is reported in Net gains/losses from financial instruments at fair value through profit or loss. The amounts recognized in OCI relating to the own credit risk are not recycled to the statement of income even when the liability is derecognized and the amounts are realised.

ČSOB applies a zero credit premium for its own credit risk as it is one of the main market makers in the CZK interbank market and also it is one of six banks whose quotations determine the representative rate in the CZK interbank market (Fixing of interest rates in the interbank deposit market - PRIBOR). The rating of ČSOB and other major market makers on the CZK interbank market is at the same level. In view of the above, ČSOB does not have any premium on quoted rates when financing on the interbank market. Thus, the difference between ČSOB's financing rate and the “representative” rate on the interbank market is zero.

(iii) Financial liabilities measured at amortised cost

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

Financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, except in the case of a fair value hedge of items in this category, which have to be fair valued to the extent of the hedged risk. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(iv) 'Day 1' profit or loss

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument, or the fair value based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and the fair value (a Day 1 profit or loss) in the statement of income in Net gains/losses from financial instruments at fair value through profit or loss. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the statement of income when the inputs become observable, or when the instrument is derecognised.

(5) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date (repos) remain in the statement of financial position. The corresponding cash received is recognised in the statement of financial position in Financial liabilities held for trading or Financial liabilities at amortised cost, reflecting its economic substance as a loan to the Bank. The difference between the sale and repurchase price is recorded as Interest expense and is accrued over the life of the agreement.

Conversely, securities purchased under agreements to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. The corresponding cash paid is recognised in the statement of financial position in Financial assets held for trading or Financial assets at amortised cost. The difference between the purchase and resale price is recorded as Interest income and is accrued over the life of the agreement.

(6) Determination of fair value

The fair value of a 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 (i.e. an exit price). Financial instruments classified as financial assets and financial liabilities at fair value through profit or loss or at fair value through other comprehensive income are fair valued using quoted market prices if there is a published price quotation in an active market. For financial instruments that are not traded on an active market their fair values are estimated using pricing models utilising quoted prices of instruments with similar characteristics, discounted cash flows methods or other models. Those fair value estimation techniques are significantly affected by assumptions used by the Bank including the discount rate, liquidity and credit spreads and estimates of future cash flows.

(7) Impairment of financial assets

Definition of default

The Bank uses the same definition for defaulted financial assets as used for internal risk management purposes and it is in line with guidance and standards of the financial industry regulators. More on the definition is in the Credit risk section (Note: 38.2).

General model of expected credit losses

The model for impairment of financial assets is called the Expected Credit Loss model (ECL).

The scope of the ECL model is based on the classification of financial assets. The ECL model is applicable to the following financial assets:

- Financial assets measured at amortised cost;
- Debt instruments measured at fair value through the other comprehensive income;
- Loan commitments and financial guarantees;
- Finance lease receivables; and
- Trade and other receivables.

No expected credit losses are calculated for equity investments.

Financial assets that are in scope for the ECL model carry an amount of impairments equal to the life-time expected credit losses if the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance equals to an amount of 12 month expected credit losses (see below for the references to the significant increase in credit risk).

12-month expected credit losses are defined as the portion of lifetime expected credit losses that represent expected credit losses that result from defaults possible within 12 months after the reporting date. Lifetime expected credit losses are expected credit losses resulting from all possible defaults over the expected life of the financial asset.

To distinguish between the different stages with regards the amount of expected credit losses, the Bank uses the internationally accepted terminology for stage 1, stage 2 and stage 3 financial assets.

All financial assets at initial recognition, unless they are already credit impaired, are classified at stage 1 and carry 12-month expected credit losses. Once a significant increase in credit risk since initial recognition occurs, the asset migrates to stage 2 and carries life-time expected credit losses. Once an asset meets the definition of default it migrates to stage 3.

The expected credit losses for trade and other receivables are measured as the life-time expected credit losses.

Impairment gains and losses on financial assets are recognised under the heading “Impairments” in the statement of income.

Financial assets that are measured at amortised cost are presented on the balance sheet at their carrying amount being the gross carrying amount minus loss allowances. Debt instruments measured at fair value through other comprehensive income are presented on the balance sheet at their carrying amount being the fair value at the reporting date. The adjustment for the expected credit losses is recognised as a reclassification adjustment between the statement of income and the other comprehensive income.

Significant increase in credit risk (SICR) since initial recognition

In accordance to the ECL model, a financial asset attracts life-time expected credit losses once the credit risk has increased significantly since initial recognition; therefore the assessment of the significant increase in credit risk defines the staging of financial assets. The main indicators of the significant increase in credit risk are:

- Internal rating or behavioural score
- Past due information
- Changes in business, financial or economic conditions
- Expected changes to contractual framework
- External market indicators of credit risk
- Regulatory, economic and technological environment
- Change in credit management approach

The assessment of a significant increase in credit risk is a relative assessment based on the credit risk that was assigned at initial recognition. This is a multi-factor assessment, and, thus the Bank has developed a multi-tier approach (MTA).

Multi-Tier Approach - Bond portfolio

For the bond portfolio the MTA consists of three tiers:

- Low credit exception: Bonds always carry 12-months expected credit losses if they have a low credit risk at the reporting date (i.e. stage 1). The Bank uses the low credit risk exception for bonds which are graded as investment grade.
- 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. Financial assets are transferred from Stage 1 to Stage 2 if the internal rating at the reporting date is at least two PD notches higher than at initial recognition (or 400% in case of pooled portfolios). The Bank makes the assessment on a facility level at each reporting period. Financial instruments for which the internal credit rating at reporting date corresponds to a PD9, including those which were originated in that rating, are automatically assigned to Stage 2. For these financial instruments, the internal credit rating at reporting date is not compared to the internal credit rating at initial recognition. For pooled portfolios, this corresponds to an internal credit rating of 12.8% and higher (i.e. the lower bound of the PD9 category).
- Management assessment: Finally management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

If the triggers do not result in a migration to stage 2, then 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.

The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the cause of the transfer ceases to exist.

Multi-Tier Approach - Loan portfolio

For the loan portfolio the Bank uses a five-tier approach. This MTA is a waterfall approach, i.e. if after assessing the first Tier, does not 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 migrations 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. Financial assets are transferred from Stage 1 to Stage 2 if the internal rating at the reporting date is at least two PD notches higher than at initial recognition (or 400% in case of pooled portfolios). The Bank makes the assessment on a facility level at each reporting period. Financial instruments for which the internal credit rating at reporting date corresponds to a PD9, including those which were originated in that rating, are automatically assigned to Stage 2. For these financial instruments, the internal credit rating at reporting date is not compared to the internal credit rating at initial recognition. For pooled portfolios, this corresponds to an internal credit rating of 12.8% and higher (i.e. the lower bound of the PD9 category).
- 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: The Bank uses the backstop described in the standard. A financial asset that has more than 30 days past due, migrates to stage 2.
- Internal rating backstop: The 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. PD9 based on the Bank 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.

The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the cause of the transfer ceases to exist.

Measurement of expected credit losses

The expected credit losses are calculated as the product of:

- probability of default (PD) reflecting the probability of borrower defaulting on its credit facility over the next 12 months (12M PD) or over the lifetime (Lifetime PD),
- estimated exposure at default (EAD) relates to the expected credit risk exposure for a facility at the moment of a potential default event over the next 12 months (12m EAD) or over its entire remaining lifetime (Lifetime EAD), and
- loss given default (LGD) reflecting the Bank's expectation of the loss as a percentage of the exposure at default (EAD). 12M LGD reflects the percentage loss if the default event occurs over the next 12 months and Lifetime LGD is the percentage loss if the default occurs over the remaining lifetime.

The expected credit losses are calculated in a way that reflect:

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

The life-time expected credit losses represent the sum of the expected credit losses over the life time of the financial asset discounted at the original effective interest rate. A correction is also introduced by a factor that corrects for potential prepayments, since the potential for prepayments reduces the expected lifetime of a facility and hence the probability of having a default event during this expected lifetime. Given the fact that prepayments are limited to products with a contractual repayment scheme and that often different prepayment rates can be observed by product type, prepayments are modelled by facility type.

The 12 months expected credit losses represent the portion of the life time expected credit losses that results from a default in 12-month period after the reporting date.

The Bank uses specific IFRS 9 models for PD, EAD and LGD to calculate expected credit losses. To the extent possible The Bank uses similar modelling techniques that have been developed for prudential purposes (i.e. Basel models) for efficiency purposes. The Bank ensures that the Basel models are adapted to be in compliance with IFRS 9, for example:

- The Bank removes the conservatism which is required by the regulator for Basel models
- The Bank 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).
- The Bank applies forward looking macroeconomic information in the models.

The Bank also considers three different forward looking macro-economic scenarios with different weights in the calculation of expected credit losses. The base case macro-economic scenario represents the Bank’s estimations for the most probable outcome and it also serves as a primary input for other internal and external purposes.

The forecasts of variables used in the scenarios are provided by the Bank chief economist on a quarterly basis. An expert judgement is required to assess the impact of the variables on PD, EAD and LGD and is carried out by using linear regression analysis. This approach should be carried out on an appropriate level of granularity (e.g. by industry sector). Aspects that could not be incorporated in the model (e.g. because macroeconomic parameters may not have shown much variation, or only an increase/decrease in the period covered by the data) may still be incorporated in the final ECL figures through ‘management overlay’.

The maximum period for measurement of the expected credit losses is the maximum contractual period (including extensions) with the exception of specific financial assets which include a drawn and an undrawn amount available on demand which is not limited the exposure to the contractual period. Only for such assets a measurement period can extend beyond the contractual period.
In the Group, the credit revolving facilities have either fixed maturity or notice period. The notice period could be either with stated maturity or without maturity. The maturity of these products is further used in estimation of ECL.

Life-time for revolving facilities was investigated within implementation of IFRS 9 standard. The life-time depending on business segment has been implemented in IFRS 9 ECL models through the prepayment survival component of the models. Prepayment survival component can be interpreted as the probability for a revolving facility of not being fully prepaid by the end of year. The probability is estimated amount weighted using usually through-the-cycle time series of historical data and statistical methods. The life-time ECL for facilities with significant risk increase (Stage 2) is calculated as a sum of ECLs in individual years. The particular ECLs decrease in time due to existence of prepayment survival component for such facilities. Usually it is close to zero after 8 years. Performance of ECL models is regularly back-tested and prepayment survival components are ones of the best performing among other ECL model components.

The ECL for loan commitments and guarantees are presented as provisions in the statement of financial position. If a financial asset contains both a loan (a drawn component) and an undrawn loan commitment, the ECL is determined for both the drawn and undrawn part. The entire ECL amount is presented within Impairment losses.

Purchased or Originated Credit Impaired (POCI) assets

The Bank defines POCI assets as financial assets in scope of the IFRS 9 impairment which at origination are already defaulted (i.e. meet the definition of default).

POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit adjusted effective interest rate. In subsequent period any changes to the estimated lifetime expected credit losses are recognised in the statement of income. Favourable changes are recognised as an impairment gain even if the lifetime expected credit losses at the reporting date is lower than the estimated lifetime expected credit losses at origination.

Interest income from assets impaired at initial recognition (POCI) is based on amortised cost (gross carrying amount minus impairment).

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due, however, the rating of the client cannot be improved only based on the restructuring. The management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject of an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(8) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

(9) Hedge accounting

The Bank decided to use the option in IFRS 9 to continue with hedge accounting under IAS 39 and to await further developments at the IASB regarding macro hedging.

The Bank uses instruments, designated as hedging instruments as cash flow hedges or fair value hedges to manage the Bank's interest rate risk or foreign currency risk. Cash flow hedges and fair value hedges are used to minimise the variability in cash flows of interest-earning assets or interest-bearing liabilities or anticipated transactions caused by interest rate fluctuations or to minimise the variability in the fair value of asset or liability, which could affect the statement of income. Hedge accounting is used for derivatives and other financial instruments designated in this way provided certain criteria are met. The 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 reporting period;
- the hedge is highly effective on an ongoing basis. The hedge is considered to be highly effective if the Bank achieves offsetting changes in cash flows between 80% and 125% for the risk being hedged.

The Bank has complied with the amended standard, taking into account the 'carved out' parts as approved by the European Commission.

(i) Cash flow hedges

The effective portion of the change in fair value of a cash flow hedging derivative is recorded in the Cash flow hedge reserve. The ineffective portion is recorded directly in Net gains/losses from financial instruments at fair value through profit or loss. Amounts in the Cash flow hedge reserve are reclassified into the statement of income in a manner consistent with the earnings recognition pattern of the underlying hedged item. If a cash flow hedge is terminated or the hedge designation removed the related remaining amounts in the Cash flow hedge reserve are reclassified into the statement of income in the same period during which the hedged item affects income. If the hedged anticipated transaction is no longer expected to occur the related remaining amounts in the Cash flow hedge reserve are recognised immediately in the statement of income.

(ii) Fair value hedges

For designated and qualifying fair value hedges, the change in clean fair value of a hedging instrument is recognised in Net gains/losses from financial instruments at fair value through profit or loss. Related interest income/expense from the hedging instrument is recorded in Net interest income. Meanwhile, the change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged financial asset at fair value through other comprehensive income or on a separate line Fair value adjustments of the hedged items in portfolio hedge if the hedged item is financial asset or liability measured at amortised cost. The change in fair value of the hedged item and is also recognised in the statement of income in Net gains/losses from financial instruments at fair value through profit or loss. If the hedging instrument expires, is sold, terminated or exercised or if the hedge is not assessed as effective any more, then the hedge accounting is discontinued.

For fair value hedges relating to items carried at amortised cost, any adjustment to the carrying value is amortised through the statement of income over the remaining term of the hedge using the effective interest rate method. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of income.

(10) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(11) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The lessee has the right to control the use of the asset and to obtain substantial economic benefits from its use.

The Bank has used exceptions from the scope of the standard to:

- Short-term leases - for lease contracts shorter than one year
- Low-value leases of assets - for individual assets of less than EUR 5,000
- Intangible asset leases - when the Bank acts as a lessee.

(i) Bank as a lessee

The lessee accounts for the right to use the asset and the lease liability at the commencement of the lease. The Bank enters the leasing contracts in respect of branch network buildings, cars and IT hardware equipment.

The lease liability is initially measured at the present value of future lease payments and is subsequently increased by the interest calculated on the basis of the implicit interest rate or the incremental borrowing rate, based on internal fund transfer pricing rates, and reduced by lease payments. Interest is recognized as Other similar expense in the statement of income.

Lease payments consist of fixed payments less lease incentives, variable payments (linked to an index or a rate), payments in connection with guaranteed residual value, penalties for terminating the lease and exercise price for purchase options if it is probable that the options will be exercised.

ČSOB treats the lease as one single lease if the non-lease component is less than 10% of total lease. Similarly, if the lease component is less than 10%, the whole contract is considered as a non-lease contract.

The right to use the asset is initially recognized at cost and measured using the cost method. The cost of a right-of-use asset is based on the initial measurement of a lease liability and is further adjusted by any lease payments made at or before the commencement date and by lease incentives and direct costs incurred. Right-of-use assets are recognized in Property and equipment, in the sections of Buildings, IT equipment and Other. The depreciation period corresponds to the asset useful life or the useful life of the right of use. The right of use asset is tested for impairment.

Indefinite term leases are limited to the earliest date on which the contract can be terminated by the lessee or the lessor, or is limited to a maximum of 10 years, which is based on useful life of underlying assets and their depreciation plan. For fixed-term contracts the useful life of right of use corresponds to the contract length. If a fixed-term contract includes options, the useful life with options included is limited to 10 years.

Total payments made for operating leases with the application of exceptions (short-term rental, low-value lease of assets and rental of intangible assets) are charged to the statement of income on an accrued basis.

(ii) Bank as a lessor

Finance leases, where the Bank transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are reflected as finance lease receivables in the statement of financial position in Financial assets at amortised cost. A receivable is recognised over the leasing period at an amount equalling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in Other similar income in the statement of income.

Leases, in which the Bank does not transfer substantially, all the risks and benefits of ownership of the asset, are classified as operating leases. The Bank leases out certain of its properties under operating leases, thus generating rental income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

(12) Recognition of income and expenses

(i) Interest income and expense

For all financial instruments in Stage 1 and 2 measured at amortised cost and interest bearing financial instruments classified as financial assets at fair value through other comprehensive income, interest income or expense is recorded using the effective interest rate method on their gross carrying amount.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on financial assets that are not purchased or originated credit-impaired, but subsequently have become credit-impaired financial assets, should be based on the amortised costs in subsequent periods.

Interest income from assets impaired at initial recognition (POCI) is based on the effective interest rate adjusted for credit risk on initial recognition.

Interest income and expense of interest-bearing financial assets at fair value through OCI and hedging derivatives are also recognised in the caption using the effective interest rate method.

(ii) Fee and commission income

Most net fee and commission income relates to the services that the Bank provides to its customers. For the recognition of revenue, the Bank identifies the contract and defines the performance obligations in the transaction. Revenue is recognised at a point in time when the Bank has satisfied the performance obligation.

Fees and commissions that are not an integral part of the effective interest rate are generally recognised on a straight line basis as the services have been rendered, when a client simultaneously receives and consumes benefits provided (recurring account maintenance fees or custody fees, for example).

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised at a point in time, when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction.

Payment services (incl. network income), where the Bank charges customers for certain current account transactions, domestic or foreign payments, payment services provided through ATMs, etc., are usually settled when the actual transaction is carried out, enabling the relevant fee to be recognised directly at that time.

Recognition of management advisory and service fees is based on the applicable service contracts. Asset management fees relating to investment funds are accrued over the period for which the service is provided and only to the extent, where a significant reversal of revenue is not probable.

Distribution fee income, such as commissions from sales of insurance products, are based on the applicable contract and revenue is recognised when the performance obligation is satisfied.

The Bank operates a customer loyalty programme through which retail customers can accumulate points and the points can be used to claim discounts on products or services. The promise to provide discount to the customer is a separate performance obligation. A liability is recognised for the points expected to be redeemed. Revenue from the awarded points is recognised when the points are redeemed or when they expire.

(iii) Dividend income

Income is recognised when the Bank's right to receive a payment is established.

(iv) Net gains / losses from financial instruments at fair value through profit or loss

Net gains / losses from financial instruments at fair value through profit or loss include all gains and losses from changes in the clean fair value of financial assets and financial liabilities held for trading and those designated at fair value through profit or loss except for trading derivatives that are not used as economic hedges, where the interest income/expense is also included. This caption also includes net gains from fair value hedging constructions (revaluation of hedging and hedged items) and any ineffectiveness recorded in cash flow hedging transactions.

(13) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including: Cash and balances with central banks, loans and advances (measured at amortised cost) to credit institutions and central banks and financial liabilities at amortised cost to credit institutions and central banks. Only highly liquid transactions contracted with general government bodies (reverse repo / repo operations, if any) are assessed by the Bank as cash equivalents.

(14) Property and equipment

Property and equipment includes Bank occupied properties, IT and communication and other machines and equipment.

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation and impairment if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	30 years
IT equipment	3 years
Office equipment	10 years
Other	4-30 years

Gains and losses on disposals are determined by comparing the proceeds received in the transaction with the carrying amount of the asset. The resulting gains and losses are included as a net amount in Other net income.

Property and equipment contains right-of-use assets in Buildings, IT equipment and Other. They are depreciated over their useful lives or, if earlier, the end of lease term.

Property and equipment is reviewed for impairment at the end of each reporting period 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 value in use.

When it is highly probable that an asset will be sold, the asset is classified in Non-current assets held-for-sale at the lower of its carrying amount and fair value less costs to sell.

(15) Business combinations and goodwill

Business combination are generally reflected in separate financial statements only if the Bank acquires business that doesn't represent separate legal entity.

The acquisition method of accounting is used to account for business by the Bank that are not under common control as the Bank was. The cost of an acquisition is measured as the total of the fair values of assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Non-controlling interests in the acquirees are measured at the proportionate share of the acquiree's recognised net identifiable assets. Any acquisition-related costs are recognised in the statement of income when they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill as of the acquisition date is measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net of the identifiable assets acquired and the liabilities assumed at the date of acquisition.

If a bargain purchase is made, in which the net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed is larger than the aggregate of the consideration transferred and the amount of non-controlling interest in the acquiree, the resulting gain is recognised in the statement of income at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit which is expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes.

Impairment losses relating to goodwill cannot be reversed in future periods.

The pooling of interest method of accounting is used to account for the business combination of entities or businesses under common control. It means a business combination in which all of the combining entities or businesses are ultimately controlled by the same party both before and after the business combination.

The assets and liabilities of the combining entities are reflected at their carrying amounts and no new assets and liabilities are recognised at the date of combination. No new goodwill is recognised as a result of the combination.

Any difference between the consideration paid and the carrying amounts of assets and liabilities acquired is reflected through equity.

The statement of income reflects the results of the combining entities only since the date, when the control was obtained by the entity.

(16) Intangible assets

Intangible assets include software, licences and other intangible assets. A core system is a large-scale software application that performs important strategic group objectives.

Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred (Note: 2.5).

Intangible assets are carried at cost less accumulated amortisation and impairment, if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
The amortisation of software and other intangible assets is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, as follows:

Core systems	8 years
Other software	5 years
Other intangible assets	5 years

Gains and losses on disposals are determined by comparing proceeds received in the transaction with the carrying amount of the assets. The resulting gains and losses are included as a net amount in Other net income.

(17) Financial guarantees

In the ordinary course of business, the Bank provides financial guarantees consisting of letters of credit and letters of guarantee. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. At the end of each reporting period, financial guarantees are measured in the financial statements at the higher of the amortised premium and the loss allowance, which is based on expected credit loss. Fees are recognised in the statement of income in Fee and commission income. Any increase or decrease in the provision relating to financial guarantees is included in Impairment losses.

(18) Loan commitments

The Bank issues commitments to provide loans and these commitments can be irrevocable or revocable. The loan commitments are initially measured at fair value, which is normally evidenced by the amount of fees received. One-off fees are charged directly into the statement of income, other fees are booked to the statement of income on accrued basis. The ECL for loan commitments and guarantees are presented as provisions in the statement of financial position. If a financial asset contains both a loan (a drawn component) and an undrawn loan commitment, the ECL is determined for both the drawn and undrawn part. The entire ECL amount is presented within Impairment losses.

(19) Employee benefits

Retirement benefits

Pensions are provided by the Czech Republic to resident employees financed by salary-based social security contributions of the employees and their employers.

Bank contributes to a defined contribution retirement benefit scheme for participating employees, in addition to the employer social security contributions required by the law in the Czech Republic. Contributions are charged to the statement of income as they are made.

Termination benefits

Employees dismissed by their employer are entitled to termination benefits equal to or less than three times the employees's month's average salary in accordance with the Czech employment law. Employees employed over ten years are entitled to additional termination benefits, which are scaled in accordance of the years of service. Termination benefits are recognised in the statement of income based on the approval of the restructuring programme implementation.

(20) Provisions

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

(21) Income tax

There are two components of income tax expense: current and deferred. Current income tax expense approximates amounts to be paid or refunded for taxes for the appropriate period.

Deferred tax assets and liabilities are recognised due to differences between the tax bases of assets and liabilities and their respective carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and the taxable profit will be available against which the temporary differences can be utilised.

All deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are offset in the financial statements where a right of set-off exists.

Deferred tax related to the fair value movements of cash flow hedges and financial assets at fair value through other comprehensive income, which are charged or credited to OCI, is also credited or charged to OCI and is subsequently recognised in the statement of income together with the deferred gain or loss.

The Bank records a net deferred tax asset under Deferred tax assets and a net deferred tax liability under Deferred tax liabilities.

(22) Share capital and reserves

The issued capital (registered, subscribed and paid) as at the end of the reporting period is accounted for at an amount recorded in the Commercial register.

The statutory reserve fund is accumulated in compliance with the Statutes of the Bank and its use is limited by the Articles of association or Statutes. The fund is distributable based on the decision of the Board of Directors.

Dividends are recognised after they have been ratified by the resolution of the sole shareholder.

(23) Fiduciary activities

The Bank commonly acts in fiduciary activities that result in the holding or placing of assets on behalf of individuals and institutions. The assets and income arising there on are excluded from these financial statements, as they are not assets of the Bank.

(24) Operating segments

Operating segments are components of the Bank that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed on the Bank level to assess their performance. Discrete information is available for each operating segment.

2.5 Comparative balances

Presentation of net interest income accrued on economic hedging derivatives

In 2022, the Bank made a change in the accounting policy related to presentation of interest component of the FX derivatives held in the banking book for economic hedging purposes, which do not qualify for application of hedge accounting under IFRS. Interest components of these derivatives are reported within Net interest income on the lines Other similar income or Other similar expense, based on net results of the derivatives, instead of Net gains from financial instruments at fair value through profit or loss.

This solution was adopted to avoid an asymmetric presentation as the interest accrual of the underlying transactions is also presented within Net interest income and to align presentation of FX derivatives with other interest-based derivatives held in the banking book. The Bank adopted the change to be consistent with the presentation of the parent KBC Group and to provide more relevant and useful information about the results of the economic hedging derivatives, resulting in an increase of comparability among comparative reporters in the market.

The table below shows the changes in the Separate statement of income for the year ended 31 December 2021:

(CZKm)	At 31 December 2021 As reported	Reclassification	At 31 December 2021 Reclassified
Other similar expense	(1,761)	(1,410)	(3,171)
Net interest income	19,769	(1,410)	18,359
Net gains / (losses) from financial instruments at fair value through profit or loss and foreign exchange	1,190	1,410	2,600

3. SEGMENT INFORMATION

The Bank's primary segment reporting is by customer segment.

The Bank has four reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Bank's management and internal reporting (controlling) structure. For each of the strategic business units, the Bank's management reviews internal management reports on a quarterly/monthly basis.

Management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income tax is allocated to operating segments, but is managed on a Bank basis.

Definitions of customer operating segments:

Retail: Private individuals and entrepreneurs, except of private banking customers that are reported as a part of Relationship services. This segment contains customers' deposits, consumer loans, overdrafts, payment solutions including payment cards, mortgages and other transactions and balances with retail customers. Margin income from operations with retail clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions and trading with bonds). Net fee and commission income of this segment contains payment services, administration of credits, network income, distribution and other fees.

Relationship services: Corporate companies with a turnover of greater than CZK 300 m, SME companies with a turnover of less than CZK 300 m, private banking customers with financial assets above CZK 10 m, financial and public sector institutions. This segment contains customers' deposits, loans, overdrafts, payment solutions including payment cards and other transactions and balances with corporate, SME customers and private banking customers. Margin income from the operations with corporate, SME clients and private banking clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions or trading with bonds). Net fee and commission income of this segment contains payment services, administration of credits, network income, securities, custody, retail service fees, distribution and other fees.

Financial markets: This segment contains investment products and services to institutional investors and intermediaries and fund management activities and trading included in dealing services. Net fee and commission income of this segment contains securities and custody fees and asset management income fees and commissions to agents.

Group Centre: The Group Centre segment consists of positions and results of Asset Liability Management (ALM), the results of the reinvestment of free equity of the Bank, dividends from subsidiaries, associates and joint ventures and items not directly attributable to other segments. Net fee and commission income of this segment contains payment services and other fees.

Comparative figures in the statement of income for 2021 were reclassified to reflect change of the presentation of interest accruals for FX derivatives (Note: 2.5). This reclassification impacted Net interest income and Net gains / (losses) from financial instruments at fair value through profit or loss in segment of Financial markets.

Segment reporting information by customer segments for 2022

(CZKm)	Retail	Relationship services	Financial markets	Group Centre	Total
Statement of income					
Net interest income	10,435	10,789	1,450	864	23,538
Net fee and commission income	2,097	3,222	181	84	5,584
Dividend income	-	-	-	3,563	3,563
Net gains / (losses) from financial instruments at fair value through profit or loss	108	1,989	676	1,692	4,465
Net realised gains on financial instruments at fair value through OCI	-	-	-	-	-
Net increase in provisions for legal issues and other losses	-	-	-	(3,653)	(3,653)
Other net income	136	14	13	1,713	1,876
Operating income	**12,776**	**16,014**	**2,320**	**4,263**	**35,373**
of which:					
External operating income	*738*	*7,153*	*2,320*	*25,162*	*35,373*
Intersegment operating income	*12,038*	*8,861*	*-*	*(20,899)*	*-*
Depreciation and amortisation	(23)	(4)	-	(1,867)	(1,894)
Other operating expenses	(7,066)	(3,825)	(297)	(5,496)	(16,684)
Operating expenses before impairment losses	**(7,089)**	**(3,829)**	**(297)**	**(7,363)**	**(18,578)**
Impairment losses	(80)	(1,256)	-	(407)	(1,743)
Profit before tax	**5,607**	**10,929**	**2,023**	**(3,507)**	**15,052**
Income tax expense	(1,486)	(2,326)	(382)	2,792	(1,402)
Segment profit	**4,121**	**8,603**	**1,641**	**(715)**	**13,650**
Assets and liabilities					
Segment assets	36,782	282,426	108,940	1,251,904	1,680,052
Non-current assets held-for-sale	-	-	-	23	23
Total assets	**36,782**	**282,426**	**108,940**	**1,251,927**	**1,680,075**
Total liabilities	**552,139**	**527,501**	**125,582**	**378,784**	**1,584,006**
Capital expenditure	**290**	**21**	**-**	**1,531**	**1,842**

Segment reporting information by customer segments for 2021

(CZKm)	Retail	Relationship services	Financial markets	Group Centre	Total
Statement of income					
Net interest income	7,066	7,876	685	2,732	18,359
Net fee and commission income	2,476	3,051	186	52	5,765
Dividend income	-	-	-	2,361	2,361
Net gains / (losses) from financial instruments at fair value through profit or loss	63	1,763	1,360	(585)	2,600
Net realised gains on financial instruments at fair value through OCI	-	-	-	1	1
Net increase in provisions for legal issues and other losses	-	-	-	177	177
Other net income	100	15	11	1,295	1,421
Operating income	**9,705**	**12,705**	**2,242**	**6,033**	**30,684**
of which:					
External operating income	*4,392*	*10,083*	*2,242*	*13,968*	*30,684*
Intersegment operating income	*5,313*	*2,622*	-	*(7,935)*	-
Depreciation and amortisation	(20)	(5)	-	(1,606)	(1,631)
Other operating expenses	(6,279)	(3,439)	(271)	(4,893)	(14,882)
Operating expenses before impairment losses	**(6,299)**	**(3,444)**	**(271)**	**(6,499)**	**(16,513)**
Impairment losses	181	2,068	-	(391)	1,858
Profit before tax	**3,587**	**11,329**	**1,971**	**(857)**	**16,029**
Income tax expense	(1,005)	(2,349)	(373)	1,780	(1,947)
Segment profit	**2,582**	**8,980**	**1,598**	**923**	**14,082**
Assets and liabilities					
Segment assets	34,732	268,526	55,580	1,300,041	1,658,880
Total assets	**34,732**	**268,526**	**55,580**	**1,300,041**	**1,658,880**
Total liabilities	**524,360**	**465,451**	**84,197**	**471,870**	**1,545,878**
Capital expenditure	**200**	**21**	**-**	**1,543**	**1,764**

Interest income and interest expense are not presented separately since the Bank assesses the performance of the segments primarily on the basis of the net interest income.

Intersegment transactions are transactions conducted between the different primary segments on an arm's length basis.

The Bank operates predominantly in the Czech Republic.

4. INTEREST INCOME

(CZKm)	2022	2021
Interest income on financial instruments calculated using effective interest rate method		
Cash balances with central banks and other demand deposits	1,795	213
Financial assets at amortised cost, incl. assets pledged as collateral		
Credit institutions	54,687	14,083
Other than credit institutions	19,135	10,565
Financial assets at fair value through other comprehensive income, incl. assets pledged as collateral	844	764
Derivatives used for hedging (Note: 7)	9,515	2,094
Negative interest from financial liabilities measured at amortised cost	722	869
	86,698	28,588
Other similar income		
Financial assets held for trading incl. assets pledged as collateral (Note: 7)	1,564	239
Derivatives used as economic hedges (Note: 7)	7,289	1,211
Negative interest from financial liabilities measured at fair value (Note: 7)	14	56
	8,867	1,506
Interest income	**95,565**	**30,094**

5. INTEREST EXPENSE

(CZKm)	2022	2021 reclassified
Interest expense on financial instruments calculated using effective interest rate method		
Financial liabilities at amortised cost		
Central banks	59	17
Credit institutions	5,201	2,076
Other than credit institutions	24,565	2,772
Debt instruments in issue	11,345	992
Derivatives used for hedging (Note: 7)	11,212	2,707
	52,382	8,564
Other similar expense		
Financial liabilities held for trading (Note: 7)	1,665	285
Financial liabilities designated at fair value through profit or loss (Note: 7)	643	149
Derivatives used as economic hedges (Note: 7)	17,257	2,681
Lease liabilities	80	55
Discount amortisation on other financial liabilities	-	1
	19,645	3,171
Interest expense	**72,027**	**11,735**

6. NET FEE AND COMMISSION INCOME

(CZKm)	2022	2021
Fee and commission income		
Banking services		
Payment service fees	6,312	5,533
Credit / Guarantee related fees	1,075	1,078
Network income	1,186	978
Securities	189	182
Other	257	281
Asset management services		
Custody fees	286	274
Mutual funds entry fees	216	315
Distribution		
Mutual funds	1,280	1,095
Banking and insurance products	882	920
	11,683	**10,656**
Fee and commission expense		
Banking services		
Payment services	4,289	3,536
Credit / Guarantee related fees	312	287
Securities	109	112
Other	801	335
Asset management services		
Custody fees	33	28
Distribution		
Banking and insurance products	555	593
	6,099	**4,891**
Net fee and commission income	**5,584**	**5,765**

7. NET GAINS / (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FOREIGN EXCHANGE

Net gains from financial instruments at fair value through profit or loss, as reported in the statement of income, do not include net interest income recognised on financial assets and financial liabilities at fair value through profit or loss. Net gains from financial instruments at fair value through profit or loss and the related net interest income are set out in the table below to provide a fuller presentation of the net result from financial instruments at fair value through profit or loss of the Bank:

(CZKm)	2022	2021 reclassified
Net gains / (losses) from financial instruments at fair value through profit or loss and foreign exchange - as reported	**4,465**	**2,600**
Net interest income (Notes: 4, 5)	(12,395)	(2,223)
	(7,929)	**377**
Financial instruments held for trading and derivatives used for hedging		
Interest rate contracts	(1,172)	(1,390)
Foreign exchange	(4,851)	4,450
Equity contracts	(960)	1,132
Commodity contracts	1	1
	(6,983)	4,193
Non-trading financial instruments mandatorily at fair value through profit or loss		
Non-trading financial assets mandatorily at fair value through profit or loss	1,322	1,410
Financial instruments designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	166	(521)
Foreign exchange differences	(2,435)	(4,705)
Financial instruments at fair value through profit or loss and foreign exchange	**(7,929)**	**377**

Changes of fair value of hedging derivatives and hedged items, being parts of fair value hedging constructions of the Bank, are presented in the table on a net basis. Split of gains and losses realised on the hedging contracts and on hedged item attributable to the hedged interest rate risk is provided in note Derivative financial instruments (Note: 19).

As from October 2018, KBC Bank started centralising ČSOB's trading activities to the Central European Financial Markets in order to align regulatory scope, risks arising from trading and streamline the trading activities. KBC Bank has outsourced the related trading activities back to ČSOB. The contracts are concluded through the Financial Markets trades specified products on behalf of KBC Bank. Related risk raised from the transactions is then transferred via a back-to-back transaction to KBC Bank with positive impact on risk weighted assets (RWA) of the Bank. Net residual profit based on trading results is distributed by KBC Bank to ČSOB; KBC Bank bears any potential loss. The profit is booked into Net gains from non-trading financial assets mandatorily at fair value through profit or loss.

8. NET (INCREASE) / DECREASE IN PROVISIONS FOR LEGAL ISSUES AND OTHER LOSSES AND OTHER NET INCOME

In February 2023, ČSOB Bank was delivered an arbitral award issued in the arbitration proceedings against the company ICEC-HOLDING, a.s. resulting in an increase of the provisions for legal issues in the amount of CZK 3,663 m (Notes: 30, 36). Together with other cases, net increase in provisions for legal issues and other losses in 2022 amounted to CZK 3,653 m (2021: decrease of CZK 177 m).

Other net income

(CZKm)	2022	2021
ICT services	786	779
Services provided to Československá obchodná banka, a.s. (ČSOB SK) (excluding income from ICT services)	46	50
Net operating leasing and rental income	46	50
Net gain on disposal of liabilities at amortised cost	-	36
Net (loss) / gain on disposal of associates, joint ventures and subsidiaries	-	26
Net loss on disposal of investments measured at amortised cost	(127)	(271)
Other	1,125	751
	1,876	**1,421**

9. STAFF EXPENSES

(CZKm)	2022	2021
Wages and salaries	6,264	5,888
Salaries and other short-term benefits of top management	96	95
Social security charges	2,103	1,942
of which pension security charges (obligatory)	*1,298*	*1,197*
Pension (voluntary) and similar expenses	182	180
Net increase in provisions for Restructuring programme	72	53
Other	128	80
	8,845	**8,238**

Number of Bank personnel

The number (in full-time equivalents) of Bank personnel was 7,139 at 31 December 2022 (31 December 2021: 7,135).

Management bonus scheme

Included within Salaries and other short-term benefits of top management are base salaries, annual bonuses and other short-term benefits of the Members of the Board of Directors. Salaries and remuneration of the Members of the Board of Directors, as well as the remuneration principles and structure, are subject to the approval of the Supervisory Board.

A bonus scheme of the Bank follows the changes in legislation in previous years. Half of the bonus is provided in a non-cash instrument, so called “Virtual investment certificate” (VIC). VIC is linked to the Economic Value Added of the Group which captures both finance and risk aspects (50%) and to the share price of KBC Group (50%). Another half of the bonus is paid in cash. The payment of half of the bonus (both cash and non-cash portion) is deferred for up to the next five years following the initial assignment of the benefit.

Retirement benefits

The Bank provides its employees (including top management) with a voluntary defined contribution retirement scheme. Participating employees can contribute a portion of their salaries to pension companies approved by the Ministry of Finance of the Czech Republic (MF CZ), with an additional contribution of the Bank of 2% or 3% of their salaries, respectively, or with fixed amount by preference of an employee.

Termination benefits

Employees dismissed by their employer according to Czech employment law are entitled to termination benefits equal to or less than three times the employee's monthly average salary. Additional termination benefits are granted to employees who were employed between 10-15 years (2 times the month's average salary), 15-20 years (2.5 times the month's average salary), 20-25 years (3 times the month's average salary), 25-30 years (4 times the month's average salary), 30-35 years (5 times the month's average salary) and over 35 years (6 times the month's average salary).

In the case of contract termination, the members of the Board of Directors are entitled to receive an amount of 0 to 12 monthly salaries as termination benefits (according to conditions of individual contracts). The compensation was CZK 8 m in 2022 (2021: CZK Nil).

10. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	2022	2021
Information technologies	2,990	2,727
Contribution to the Single Resolution Mechanism	910	782
Marketing	773	377
Other building expenses	600	532
Retail service fees	557	547
Professional fees	521	521
Communication	363	331
Deposit insurance premium and contribution to the Securities Traders Guarantee Fund	285	280
Travel and transportation	192	136
Payment cards and electronic banking	131	129
Administration	112	106
Rental expenses on land and buildings – minimum lease payments	53	45
Insurance	51	48
Training	44	37
Car expenses	29	25
Other	228	21
	7,839	**6,644**

11. IMPAIRMENT LOSSES

(CZKm)	2022	2021
Impairment of financial assets at amortised cost - loans and advances (Notes: 31, 38.2)	(657)	2,290
Impairment on investments in subsidiaries, associates and joint ventures (Note: 18)	(708)	(419)
Impairment of financial assets at amortised cost - debt securities (Notes: 31, 38.2)	(15)	(4)
Provisions for loan commitments and guarantees (Notes: 27, 31)	(352)	78
Impairment of property and equipment (Notes: 20, 31)	(10)	(89)
Impairment of other financial assets (Notes: 31)	(1)	2
	(1,743)	**1,858**

12. INCOME TAX

The components of income tax expense for the years ended 31 December 2022 and 2021 are as follows:

(CZKm)	2022	2021
Current tax expense	2,147	1,626
Previous year over accrual of current tax	(47)	(19)
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(698)	340
	1,402	**1,947**

A reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 December 2022 and 2021 is as follows:

(CZKm)	2022	2021
Profit before taxation	15,052	16,029
Applicable tax rates	19%	19%
Taxation at applicable tax rates	2,860	3,045
Previous year over accrual of current tax	(47)	(19)
Tax effect of non-taxable income	(2,672)	(1,506)
Tax effect of non-deductible expenses	1,261	427
	1,402	**1,947**

The applicable tax rate for 2022 was 19% (2021: 19%). In the Czech Republic, a windfall tax was introduced. On the excess profit (the profit above the average of 2018-2021 profits plus 20%, the calculation is based on corporate income tax base) the effective tax rate will be 79% (19% standard corporate tax + 60% windfall tax) which will be applicable for large banks in the period 2023 to 2025. Management considers payment of tax on this title to be unlikely due to the decrease of the tax base of the Bank. Therefore, it was not recognized in deferred tax either.

Included in non-taxable income are tax-free interest income and dividend income.

Deferred income taxes are calculated on all temporary differences under the liability method using the income tax rate of 19%.

The movement on the Net deferred tax asset is as follows:

(CZKm)	2022	2021
At 1 January	**765**	**632**
Statement of income	698	(340)
Financial assets FVOCI (Note: 29)		
Fair value remeasurement	29	163
Transfer to net profit or retained earnings	20	12
Cash-flow hedges (Note: 29)		
Fair value remeasurement	174	275
Transfer to net profit (Note: 19)	(63)	23
At 31 December	**1,623**	**765**

Deferred tax assets / (liability) are attributable to the following items:

(CZKm)	2022	2021
Deferred tax assets / (liability)		
Provisions for other risk and charges	749	48
Cash-flow hedging derivatives	396	285
Employee benefits	328	312
Impairment losses on loans and advances at amortised cost and provisions for credit risk	266	268
Temporary difference resulting from tax depreciation	234	266
Temporary difference resulting from tax depreciation related to acquisition of ICT function	102	107
Impairment losses on debt securities	24	17
Debt securities at fair value through other comprehensive income	4	(46)
Impairment losses on tangible and intangible assets	2	4
Amortisation of goodwill for tax purposes	(511)	(511)
Other temporary differences	29	15
	1,623	**765**

The deferred tax benefit / (charge) in the statement of income comprises of the following temporary differences:

(CZKm)	2022	2021
Provisions for other risk and charges	701	(30)
Employee benefits	16	60
Impairment losses on debt securities	7	3
Impairment losses on tangible and intangible assets	(2)	1
Impairment losses on loans and advances at amortised cost and provisions for credit risk	(2)	(388)
Temporary difference resulting from tax depreciation related to acquisition of ICT function	(5)	(6)
Temporary difference resulting from tax depreciation	(32)	4
Other temporary differences	15	16
	698	**(340)**

The Bank's management believes it is probable that the Bank fully realises its gross deferred income tax assets based upon the Bank's current and expected future level of taxable profits and the expected offset from gross deferred income tax liabilities.

13. DIVIDENDS PAID AND RECEIVED

Dividends paid

Dividends paid are not accounted for until they have been ratified by a resolution of the sole shareholder on a profit distribution. The decision of a profit allocation for 2022 has not been taken before the date of issue of the financial statements (Notes: 37, 39).

Based on a sole shareholder decision from 18 May 2022, a dividend of CZK 48.10 per share was paid for 2021, representing a total dividend of CZK 14,082 m.

Based on a sole shareholder decision from 24 June 2022, an extra dividend of CZK 54.31 per share was paid from retained earnings, representing a total dividend of CZK 15,900 m.

Based on a sole shareholder decision from 4 November 2021, and in accordance with the recommendation and approval of the national regulator, a dividend of CZK 14.01 per share was paid from retained earnings, representing a total dividend of CZK 4,100 m.

Dividends received

The following table shows a dividend received by the companies for 2022 and 2021:

(CZKm)	2022	2021
Hypoteční banka, a.s.	1,478	1,568
ČSOB Leasing, a.s.	800	21
ČSOB Stavební spořitelna, a.s.	680	493
ČSOB Penzijní společnost, a.s.	248	-
Patria Finance, a.s.	214	160
ČSOB Factoring, a.s.	81	62
Bankovní informační technologie, s. r. o.	33	41
Patria Corporate Finance, a.s.	10	-
První certifikační autorita, a.s.	9	9
ČSOB Pojišťovna, a.s.	3	-
Visa Inc.	3	5
CBCB - Czech Banking Credit Bureau, a.s.	3	2
BCPB	1	-
	3,563	**2,361**

14. CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS

(CZKm)	2022	2021
Cash (Note: 31)	8,436	8,309
Mandatory minimum reserves (Note: 31, 32, 38.2)	13,768	18,188
Other balances with central banks (Notes: 31, 32, 38.2)	28,415	8,850
Other demand deposits in credit institutions (Notes: 31, 32, 38.2)	10,110	1,943
	60,729	**37,290**

The Czech National Bank (CNB) pays interest on the mandatory minimum reserve balances based on the official CNB two-week repo rate. The Bank is obliged to keep the balance of mandatory minimum reserve, however it is allowed to use the reserve for a liquidity management purposes during the month. Given that fact, mandatory minimum reserve is assessed to be a cash equivalent by the Bank.

Other balances with central banks contain overnight loans provided to central bank in the amount of CZK 25,008 m at 31 December 2022 (31 December 2021: CZK 5,000 m). Balances with central banks are classified as Stage 1 assets, expected credit losses being immaterial.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZKm)	2022	2021 reclassified
Financial assets held for trading		
Loans and advances		
Reverse repo transactions	790	-
Other loans and advances	1	1
Derivative contracts (Note: 19)		
Trading derivatives	57,744	37,340
Derivatives used as economic hedges	33,130	18,916
	91,665	**56,257**
Non-trading financial assets mandatorily at fair value through profit or loss		
Loans and advances		
Credit institutions	1,322	1,410
	1,322	**1,410**
Financial assets at fair value through profit or loss	**92,987**	**57,667**

SEPARATE FINANCIAL STATEMENTS

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(CZKm)	2022	2021
Financial assets at fair value through other comprehensive income		
Debt securities classified as stage 1		
General government	8,037	9,540
Credit institutions	23,045	23,846
Corporate	-	174
Debt securities classified as stage 2		
Corporate	162	-
Equity securities		
Corporate	356	482
Total	31,600	34,042
Allowance for impairment losses – stage 1	(6)	(6)
Allowance for impairment losses – stage 2	-	-
	31,594	**34,036**
Financial assets at fair value through other comprehensive income pledged as collateral		
Debt securities classified as stage 1		
General government	72	221
	72	**221**

Debt securities classified in Stage 1 are assessed as low credit risk financial instruments.

Included within Financial assets at fair value through other comprehensive income are securities lending in the amount of CZK 72 m (2021: CZK 221 m). Under the terms and conditions of the pledge in repo transactions or securities lending, the transferee has a right to sell or repledge the collateral.

17. FINANCIAL ASSETS AT AMORTISED COST

	2022				
(CZKm)	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Debt securities					
General government	235,023	-	-	-	235,023
Credit institutions	308,891	-	-	-	308,891
Other legal entities	22,200	1,958	-	-	24,158
Debt securities – gross carrying amount	566,114	1,958	-	-	568,072
Allowance for impairment losses	(76)	(103)	-	-	(179)
Total debt securities	**566,038**	**1,855**	**-**	**-**	**567,893**
Loans and advances					
Central banks	460,875	-	-	-	460,875
General government	8,504	250	826	-	9,580
Credit institutions	3,107	150	606	-	3,863
Other legal entities	184,843	67,246	6,814	261	259,164
Private individuals	45,402	6,703	1,822	52	53,979
Loans and advances – gross carrying amount	702,731	74,349	10,068	313	787,461
Allowance for impairment losses	(564)	(2,631)	(4,739)	(34)	(7,968)
Total loans and advances	**702,167**	**71,718**	**5,329**	**279**	**779,493**
Total financial assets at amortised cost	**1,268,205**	**73,573**	**5,329**	**279**	**1,347,386**
Financial assets at amortised cost pledged as collateral					
Debt securities – gross carrying amount					
General government	24,722	-	-	-	24,722
Allowance for impairment losses	-	-	-	-	-
Total financial assets at amortised cost pledged as collateral	**24,722**	**-**	**-**	**-**	**24,722**

(CZKm)	2021 Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Debt securities					
General government	184,570	-	-	-	184,570
Credit institutions	290,803	-	-	-	290,803
Other legal entities	23,129	139			23,268
Debt securities – gross carrying amount	498,502	139	-	-	498,641
Allowance for impairment losses	(68)	(69)	-	-	(137)
Total debt securities	**498,434**	**70**	**-**	**-**	**498,504**
Loans and advances					
Central banks	589,518	-	-	-	589,518
General government	8,850	124	-	-	8,974
Credit institutions	3,094	1	-	-	3,095
Other legal entities	206,297	27,303	7,863	321	241,784
Private individuals	47,898	3,130	1,734	31	52,793
Loans and advances – gross carrying amount	855,657	30,558	9,597	352	896,164
Allowance for impairment losses	(550)	(1,996)	(5,187)	(31)	(7,764)
Total loans and advances	**855,107**	**28,562**	**4,410**	**321**	**888,400**
Total financial assets at amortised cost	**1,353,541**	**28,632**	**4,410**	**321**	**1,386,904**
Financial assets at amortised cost pledged as collateral					
Debt securities – gross carrying amount					
General government	33,904	-	-	-	33,904
Allowance for impairment losses	-	-	-	-	-
Total financial assets at amortised cost pledged as collateral	**33,904**	**-**	**-**	**-**	**33,904**

Debt securities classified in Stage 1 are assessed as low credit risk financial instruments.

The following table shows the gross carrying amount of those financial assets which are in a different impairment stage at 31 December 2022 and 2021 than they were at the beginning of the financial year or their initial recognition:

	2022					
	Transfers between stages 1 and 2		Transfers between stages 2 and 3		Transfers between stages 1 and 3	
(CZKm)	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
Debt securities						
Other legal entities	1,654	-	-	-	-	-
Total	**1,654**	**-**	**-**	**-**	**-**	**-**
Loans and advances						
General government	154	167	-	-	778	-
Credit institutions	76	-	176	-	309	-
Other legal entities	32,059	4,109	326	568	852	5
Private individuals	2,857	374	262	75	268	16
Total	**35,146**	**4,650**	**764**	**643**	**2,207**	**21**

(CZKm)	2021 Transfers between stages 1 and 2 From stage 1 to stage 2	From stage 2 to stage 1	Transfers between stages 2 and 3 From stage 2 to stage 3	From stage 3 to stage 2	Transfers between stages 1 and 3 From stage 1 to stage 3	From stage 3 to stage 1
Loans and advances						
General government	102	42	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other legal entities	7,179	4,493	821	177	483	38
Private individuals	1,290	696	335	23	344	10
Total	**8,571**	**5,231**	**1,156**	**200**	**827**	**48**

Balances with central banks contain reverse repo transactions provided to central bank in the amount of CZK 460,875 m at 31 December 2022 (31 December 2021: CZK 589,518 m).

Included within Financial assets at amortised cost pledged as collateral are debt securities pledged as collateral in repo transactions in the amount of CZK 42 (2021: CZK Nil) or securities lending in the amount of CZK 24,680 m (2021: CZK 33,904 m). Under the terms and conditions of the pledge in repo transactions or securities lending, the transferee has a right to sell or repledge the collateral.

Financial assets at amortised cost contain debt securities of CZK 14,653 m (2021: CZK 10,870 m) pledged as collateral of term deposits and financial guarantees.

18. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Direct ownership of the Bank (%) in significant subsidiaries, associates and joint ventures was as follows:

Name	Abbreviation	2022 (%)	2022 Carrying amount	2021 (%)	2021 Carrying amount
Subsidiaries					
Bankovní informační technologie, s.r.o.	BANIT	100.00	390	100.00	260
ČSOB Stavební spořitelna, a.s.	ČSOBS	100.00	11,623	100.00	11,323
ČSOB Advisory, a.s.	ČSOB Advisory	100.00	1,458	100.00	1,458
ČSOB Factoring, a.s.	ČSOB Factoring	100.00	1,175	100.00	1,175
ČSOB Leasing, a.s.	ČSOB Leasing	100.00	6,200	100.00	7,000
ČSOB Penzijní společnost, a. s., a member of the ČSOB group	ČSOB PS	100.00	4,423	100.00	2,275
Hypoteční banka, a.s.	Hypoteční banka	100.00	54,235	100.00	52,178
K&H Pénzforgalmi Szolgáltató Korlátolt Felelősségű Társaság	K&H Payment Services	100.00	488	-	342
Patria Corporate Finance, a.s.	Patria CF	100.00	16	100.00	16
Patria Finance, a.s.	Patria Finance	100.00	389	100.00	389
Radlice Rozvojová, a.s.	Radlice Rozvojová	100.00	2,766	100.00	2,766
Skip Pay s.r.o. (formerly MallPay s.r.o.)	Skip Pay	100.00	306	50.00	93
Ušetřeno.cz, s.r.o.	Ušetřeno	100.00	210	100.00	180
Joint venture					
Igluu s.r.o.	Igluu	50,00	38	0.00	-
Associate					
ČSOB Pojišťovna, a. s., a member of the ČSOB holding	ČSOB Pojišťovna	0.24	9	0.24	9
			83,726		**79,464**

All companies excluding K&H Payment Services are incorporated in the Czech Republic.

Acquisition of the remaining share in Skip Pay (formerly MallPay)

On 30 March 2022, ČSOB reached agreement to acquire remaining share in MallPay from Titancoin International a.s. for a consideration of CZK 130 m. Until 31 March 2022, MallPay was a joint-venture. Based on the transaction, ČSOB has assumed 100% ownership control over MallPay and, as a consequence, MallPay lost its status of joint-venture and became a ČSOB's subsidiary.

In October 2022, MallPay changed its registered company name to Skip Pay.

Other changes in 2022 and 2021.

In January 2022, the Bank increased its investment in MallPay by CZK 10 m through the registered capital of the company.

In March 2022, the Bank increased its investment in MallPay by CZK 32 m through the registered capital of the company.

In April 2022, the Bank increased its investment in MallPay by CZK 108 m through the registered capital of the company.

In December 2022, the Bank increased its investment in Skip Pay by CZK 198 m through an additional charge apart from the registered capital of the company.

In April 2021, the Bank increased its investment in MallPay by CZK 25 m through an additional charge apart from the registered capital of the company.

In October 2021, the Bank increased its investment in MallPay by CZK 10 m through an additional charge apart from the registered capital of the company.

Change of a consolidation method of Igluu

In 2021, ČSOB together with Gobii Europe founded a new company Igluu. Igluu is a company providing web services to its customers as well as to brokers on real estate market and is controlled jointly by both interest holders. In 1Q 2022, ČSOB included Igluu into significant participations in the amount of CZK 25 m.

In October 2022, the Bank increased its investment in Igluu by CZK 13 m through an additional charge apart from the registered capital of the company.

K&H Payment Services

In 2019, ČSOB established a 100% owned subsidiary K&H Pénzforgalmi Szolgáltató Korlátolt Felelősségű Társaság (K&H Payment Services) in Budapest to operate payment services for the Hungarian customers. The initial investment of the Bank into the share capital of K&H Payment Services amounted to CZK 3 m. The entity was included in significant participations in June 2021 after the increase of the investment up to CZK 342 m. In October 2022, the Bank increased its investment in K&H Payment Services by CZK 146 m through a registered capital and an additional charge apart from the registered capital of the company.

Other changes

In January 2022, the Bank increased its investment in ČSOB PS by CZK 300 m through an additional charge apart from the registered capital of the company.

In March 2022, the Bank increased its investment in ČSOB PS by CZK 700 m through an additional charge apart from the registered capital of the company.

In April 2022, the Bank increased its investment in ČSOB PS by CZK 400 m through an additional charge apart from the registered capital of the company.

In May 2022, the Bank increased its investment in ČSOB PS by CZK 400 m through an additional charge apart from the registered capital of the company.

In June 2022, the Bank increased its investment in Hypoteční banka by CZK 2,500 m through an additional charge apart from the registered capital of the company.

In June 2022, the Bank increased its investment in ČSOB PS by CZK 748 m through an additional charge apart from the registered capital of the company.

In August 2022, the Bank increased its investment in BANIT by CZK 30 m through an additional charge apart from the registered capital of the company.

In December 2022, the Bank increased its investment in Ušetřeno by CZK 20 m through an additional charge apart from the registered capital of the company.

In December 2022, the Bank decreased its investment in ČSOB PS by CZK 400 m through the redemption of other capital funds of the company.

In December 2022, the Bank decreased its investment in ČSOB Leasing by CZK 800 m through the redemption of other capital funds of the company.

In December 2022, the Bank increased its investment in ČSOBS by CZK 300 m through an additional charge apart from the registered capital of the company.

In December 2022, the Bank increased its investment in BANIT by CZK 100 m through an additional charge apart from the registered capital of the company.

In January 2021, the Bank increased its investment in Radlice Rozvojová by CZK 850 m through an additional charge apart from the registered capital of the company.

In March 2021, the Bank increased its investment in Ušetřeno by CZK 27 m through an additional charge apart from the registered capital of the company.

In May 2021, the Bank increased its investment in Hypoteční banka by CZK 3,500 m through an additional charge apart from the registered capital of the company.

In June 2021, the Bank increased its investment in ČSOBS by CZK 1,400 m through an additional charge apart from the registered capital of the company.

In September 2021, the Bank increased its investment in BANIT by CZK 45 m through an additional charge apart from the registered capital of the company.

In September 2021, the Bank increased its investment in Hypoteční banka by CZK 3,000 m through an additional charge apart from the registered capital of the company.

In October 2021, the Bank increased its investment in ČSOB PS by CZK 500 m through an additional charge apart from the registered capital of the company.

In November 2021, the Bank increased its investment in ČSOB PS by CZK 300 m through an additional charge apart from the registered capital of the company.

In November 2021, the Bank increased its investment in Ušetřeno by CZK 20 m through an additional charge apart from the registered capital of the company.

In December 2021, the Bank decreased its investment in Radlice Rozvojová by CZK 120 m through the redemption of other capital funds of the company.

At 31 December 2022 and 2021, the Bank considered the value of interests in certain subsidiaries to be impaired.

In 2021, the value of interests in Ušetřeno was impaired as a result of a decrease in projected discounted cash flows. As a result, a provision for an impairment loss of CZK 322 m, has been recognised.

In 2022 and 2021, the value of interests in Skip Pay (formerly MallPay) was impaired as a result of a decrease in projected discounted cash flows. As a result, a provision for an impairment loss of CZK 265 m, respectively 97 m, has been recognised.

In 2022 and 2021, the Bank performed an impairment test of subsidiary Hypoteční banka and impairment was indicated by the test in 2022 in the amount of CZK 443 m. The recoverable amount for Hypoteční banka was determined based on the value-in-use methodology. The calculation uses cash flow projections from business plans for the forthcoming three years which are then extrapolated for twenty years using the expected average growth rate of 5.4%; after that a terminal value is applied. Period of twenty years is used due to long term nature of the business of Hypoteční banka.

Cash flows in Hypoteční banka are based on the net profit generated by the Hypoteční banka above the required capital and a terminal value of the business. For the calculation of the terminal value a sustainable discount rate of 12.8% in 2022 (2021: 8.8.%) and long term growth rates of 4% were used.

The value in use is particularly sensitive to a number of key assumptions:

- The growth rate in forecasted cash flows beyond the terminal year of the budget. The Bank implies no growth rate for Hypoteční banka has been used for extrapolation purposes beyond the budget period.
- The risk discount rate. For Hypoteční banka an average risk discount rate of 12.8% (2021: 9.5%) has been applied. This reflects a risk-free rate in the Eurozone, the credit default swap spread for the Czech Republic relative to the Eurozone, an average 'beta' factor for relative market risk, including the market risk premium.

The key assumptions described above may change as economic and market conditions change.

The outcome of the impairment assessment was that the value-in-use is higher than the carrying value of amount of investment.

The following table shows key assumptions and sensitivity of value-in-use to changes in key assumptions as at 31 December 2022:

(CZKm)	+1%	-1%
Assets grow rate	484	(607)
Discount rate	(1,750)	2,285

There is a negative sensitivity of the value-in-use of Hypoteční banka to the risk discount rate, as a key assumption. An increase of the discount rate by 1% would result to the increase impairment of the investment.

The following table shows key assumptions and sensitivity of value-in-use to changes in key assumptions as at 31 December 2021:

(CZKm)	+1%	-1%
Assets grow rate	485	(566)
Discount rate	(2,144)	2,840

In 2022 and 2021, the Bank performed an impairment test of subsidiary ČSOBS and no impairment was indicated by the test. The recoverable amount for ČSOBS was determined based on the value-in-use methodology. The calculation uses cash flow projections from business plans for the forthcoming ten years; after that a terminal value is applied.

Cash flows in ČSOBS are based on the net profit generated by the ČSOBS above the required capital and a terminal value of the business. For the calculation of the terminal value a sustainable discount rate of 12.8% in 2022 (2021: 8.8%) and long term growth rates of 4% were used.

The value in use is particularly sensitive to a number of key assumptions:

- The risk discount rate. For ČSOBS an average risk discount rate of 12.8% (2021: 9.8%) has been applied. This reflects a risk-free rate in the Eurozone, the credit default swap spread for the Czech Republic relative to the Eurozone, an average 'beta' factor for relative market risk, including the market risk premium.

The key assumptions described above may change as economic and market conditions change.

The outcome of the impairment assessment was that the value-in-use is higher than the carrying value of amount of investment.

The following table shows key assumptions and sensitivity of value-in-use to changes in key assumptions as at 31 December 2022:

(CZKm)	+1%	-1%
Discount rate	(946)	1,438

There is a negative sensitivity of the value-in-use of ČSOBS to the risk discount rate, as a key assumption. An increase of the discount rate by 1% would not result to the impairment of the investment.

The following table shows key assumptions and sensitivity of value-in-use to changes in key assumptions as at 31 December 2021:

(CZKm)	+1%	-1%
Discount rate	(1,773)	2,406

ČSOBS is closely monitoring proposals for structural changes in the state budget expenditures with a possible impact on the amount of state support for building savings. In this area, ČSOBS will actively communicate the advantages of building savings, both on its own and together with other building savings banks within the Association of Czech Building Savings Banks with the support of the ČBA.

The topic of the amount of state support is only a narrowly isolated topic in the area of housing support in the Czech Republic, the topic is broader and has implications for the very form of the Building Savings Act, the legal certainty of clients of building societies, their options for guaranteed appreciation of deposits, but also for loans from building savings with a guaranteed interest rate. There may be many changes to be implemented, at the same time the legal regulations of the Czech Republic must be respected and therefore, it is impossible to estimate the impact of possible changes on the operation of ČSOBS, its distribution network and product offer from the available information.

The Bank's management believes that there is no other indication of impairment in the value of its investments in subsidiaries, associates and joint ventures.

The following table shows a reconciliation of the impairment losses on investment in subsidiaries, associates and joint ventures for 2021 and 2022:

(CZKm)	Hypoteční banka	Ušetřeno	Skip Pay (formerly MallPay)	Total
At 1 January 2021	**-**	**-**	**-**	**-**
Increase (Note: 11)	-	322	97	419
At 31 December 2021	**-**	**322**	**97**	**419**
Increase (Note: 11)	443	-	265	708
At 31 December 2022	**443**	**322**	**362**	**1,127**

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19. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are utilised by the Bank for trading and hedging purposes. Derivative instruments include swaps, forwards and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Forward contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date and rate or price. An option contract is an agreement that conveys to the purchaser 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 during a period in the future.

Credit risk associated with derivative financial instruments

By using derivative instruments, the Bank is exposed to credit risk in the event of non-performance by counterparties in respect of derivative instruments. If a counterparty fails to perform, credit risk is equal to the positive fair value of the derivatives with that counterparty. When the fair value of a derivative is positive, the 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). The Bank minimises credit risk through credit approvals, limits and monitoring procedures. Furthermore, the Bank obtains collateral where appropriate and uses bilateral master netting arrangements.

All derivatives are traded over-the-counter.

The maximum credit risk on the 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 bilateral netting arrangements and collateral held. The Bank's actual credit exposures are less than the positive fair value amounts shown in the derivative tables below as netting arrangements and collateral have not been considered.

Trading derivatives

The Bank's trading activities primarily involve providing various derivative products to its customers and managing trading positions for its own account. Trading derivatives also include those derivatives which are used for asset and liability management (ALM) purposes to manage the interest rate position of the Banking Book (positions managed by ALM) and which do not meet the criteria of hedge accounting; still they are used as natural or economic hedges.

The contract or notional amounts and positive and negative fair values of the Bank's outstanding derivative trading positions as at 31 December 2022 and 2021 are set out in the table below.
The contract or notional amounts represent the volume of outstanding transactions at a point in time; they do not represent the potential for gain or loss associated with the market risk or credit risk of such transactions.

Trading positions

	2022			2021		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
Interest rate related contracts						
Swaps	1,034,434	54,618	54,920	1,225,838	35,333	35,942
Forwards	-	-	-	3,000	-	-
Options	21,202	456	279	16,075	220	187
	1,055,636	**55,074**	**55,199**	**1,244,913**	**35,553**	**36,129**
Foreign exchange contracts						
Swaps / Forwards	-	-	-	-	-	-
Cross currency interest rate swaps	32,617	2,150	2,143	64,608	1,338	1,327
Options	30,945	414	406	29,470	355	340
	63,562	**2,564**	**2,549**	**94,078**	**1,693**	**1,667**
Commodity contracts						
Swaps / Options	1,749	106	106	1,360	94	89
Total trading derivatives (Notes: 15, 24)	**1,120,947**	**57,744**	**57,854**	**1,310,351**	**37,340**	**37,885**

Positions of ALM – economic hedges

	2022			2021		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
Interest rate related contracts						
Swaps	441,434	19,842	18,609	441,238	11,765	12,654
Forwards	-	-	-	-	-	-
	441,434	**19,842**	**18,609**	**441,238**	**11,765**	**12,654**
Foreign exchange contracts						
Swaps / Forwards	603,048	12,878	12,616	545,595	6,291	5,883
Cross currency interest rate swaps	2,157	120	-	2,156	96	-
	605,205	**12,998**	**12,616**	**547,751**	**6,387**	**5,883**
Equity contracts						
Swaps	4,311	12	630	4,993	174	65
Options	5,965	278	1	7,760	590	-
	10,276	**290**	**631**	**12,753**	**764**	**65**
Total derivatives used as economic hedges (Notes: 15, 24)	**1,056,915**	**33,130**	**31,856**	**1,001,742**	**18,916**	**18,602**

Hedging derivatives

The Bank's ALM function utilises derivative interest rate contracts in the management of the Bank's interest rate risk arising from non-trading or ALM activities, which are contained in the Bank's Banking Book. Interest rate risk arises when interest-sensitive assets have different maturities or repricing characteristics than the corresponding interest-sensitive liabilities. The Bank's objective for managing interest rate risk in the Banking Book is to reduce the structural interest rate risk within each currency and, thus, the volatility of net interest margins. Derivative strategies used to achieve this objective involve either swapping currency interest rate exposures or modifying repricing characteristics of certain interest-sensitive assets or liabilities so that the changes in interest rates do not have a significant adverse effect on the net interest margins and cash flows of the Banking Book. Bank policies to achieve these strategies currently require the use of both cash flow hedges and fair value hedges.

In ČSOB, an effectiveness of hedge accounting relationship is measured by a comparison of cumulative changes in net present value of a hedging derivative and cumulative changes in net present value of a "hypothetical" derivative. Hypothetical derivative is not a real transaction. It is a virtual financial derivative representing a hedged item and hedged risk. Besides, the Bank is testing whether the total amount of hedging derivatives does not exceed the volume of financial instruments eligible for hedging.

The hedging ineffectiveness results from the different floating rate repricing frequencies in hedging and hypothetical derivatives having an impact on their valuation.

Cash flow hedging derivatives

Most of the hedging derivatives are CZK single currency interest rate swaps. The Bank uses these instruments to hedge floating interest income from expected reverse repo operations with the Czech National Bank earning the 14-day interest repo rate. The hedging swap contracts are arranged to swap the floating interest rate 3M PRIBOR or 6M PRIBOR paid by the Bank and the fixed interest rate the Bank receives. The hedging construction is effective due to the strong correlation between the 14-day interest repo rate and 3M or 6M PRIBOR.

The Bank also uses single currency interest rate swaps

- to hedge the interest rate risk arising from changes in external interest rates on a group of non-retail client current accounts (the variability in the interest paid on the client deposits is effectively hedged by the fixed rate payer/floating rate receiver swaps).
- to convert floating-rate client loans to fixed rates.
- to convert floating-rate bonds to a synthetic fixed rate bonds

Cross currency interest rate swaps are used to hedge currency risk resulting from interest income accrued on foreign currency investment debt securities. These fixed and floating interest earning securities are included in Financial assets at amortised cost of the Bank's statement of financial position.

The contract or notional amounts and positive and negative fair values of the Bank's outstanding cash flow hedging derivatives as at 31 December 2022 and 2021 are set out as follows:

	2022			2021		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
Cash flow hedges						
Single currency interest rate swaps						
Cash flow micro hedges	11,900	291	38	-	-	-
Cash flow portfolio hedges	27,496	393	2,910	35,489	460	1,879
Cross currency interest rate swaps						
Cash flow micro hedges	-	-	-	996	-	17
Total hedging derivatives	**39,396**	**684**	**2,948**	**36,485**	**460**	**1,896**

In 2022, a loss of CZK 7 m was recognised in the statement of income due to hedge ineffectiveness from single currency interest rate swaps cash flow hedges (2021: loss of CZK 47 m).

In 2022, the discontinuation of hedge accounting (due to sales of / impairment on underlying hedged bonds or retrospective hedge effectiveness test failure) resulted in a reclassification of the associated cumulative gains of CZK 16 m from equity to the statement of income (2021: gains of CZK 25 m). The gains / losses are included in Net gains from financial instruments at fair value through profit or loss.

The following table contains details of the hedged financial instruments as at 31 December 2022 and 2021 covered by the Bank's hedging strategies:

	2022			2021		
	Cash flow hedge reserve		Change in fair value of hedged item for ineffectiveness assessment	Cash flow hedge reserve		Change in fair value of hedged item for ineffectiveness assessment
(CZKm)	Continuing hedges	Discontinued hedges		Continuing hedges	Discontinued hedges	
Cash flow hedges	(2,102)	16	(595)	(1,530)	32	(1,616)

Net gains and losses on cash flow hedges reclassified to the statement of income are as follows:

(CZKm)	2022	2021
Net interest income (Note: 29)	(342)	142
Net gains / (losses) from financial instruments at fair value through profit or loss (Note: 29)	10	(22)
Taxation (Note: 12)	63	(23)
Net (losses) / gains	**(269)**	**97**

Since the cash flows from the hedging interest rate swaps are variable and difficult to predict, the Bank uses the remaining contractual maturity analysis of the hedging derivatives notional amounts instead of the expected future cash flows from the hedged items. As the objective of the hedging structure is to achieve fixed interest income, the information of the hedging swaps notional amounts remaining maturity is more relevant. Cash flows from hedged items are expected to occur in the same periods as the remaining maturity of cash flows from hedging derivatives.

The following table shows the notional amounts of hedging derivatives by remaining contractual maturity at 31 December 2022 and 2021:

	2022		2021	
(CZKm)	Single currency interest rate swaps	Cross currency interest rate swaps	Single currency interest rate swaps	Cross currency interest rate swaps
Less than 3 months	969	-	300	-
More than 3 months but not more than 6 months	1,000	-	3,600	996
More than 6 months but not more than 1 year	1,719	-	4,290	-
More than 1 year but not more than 2 years	3,375	-	3,713	-
More than 2 years but not more than 5 years	15,539	-	8,824	-
More than 5 years	16,794	-	14,762	-
	39,396	**-**	**35,489**	**996**

Fair value hedging derivatives

Cross currency interest rate swaps are used to hedge both FX risks and interest rate risks arising from the movement in the fair value of foreign currency fixed rate bonds classified as at fair value through other comprehensive income and as Financial assets at amortised cost attributable to the changes in the FX rate and the risk-free (interest rate swap) yield curve. A fixed rate payer (foreign currency)/floating rate receiver (home currency) interest rate swap is expected to be a highly effective hedge.

Interest rate swaps are used by the Bank to hedge the interest rate risk arising from the movement in the fair value of bonds classified as Financial assets at fair value through other comprehensive income and as Financial assets at amortised cost attributable to changes in the risk-free (interest rate swap) yield curve. A fixed payer/floating rate receiver interest rate swap denominated in the same currency as the hedged bond is expected to be highly effective hedge.

Interest rate swaps are used by the Bank to hedge the interest rate risk arising from the movement in the fair value of long-term fixed rate wholesale funding transactions (classified as Financial liabilities at cost) attributable to changes in the risk-free (interest rate swap) yield curve. A fixed rate receiver/floating rate payer interest rate swap denominated in the same currency as the hedged funding transaction is expected to be highly effective hedge.

Fair value hedges for portfolios of retail non-maturity deposits have been used to hedge interest rate risk arising from changes in fair value of non-maturity retail deposits to changes in the risk-free yield curve. The portfolio consisting of the part of retail current accounts was designated as a hedged item. The interest rate risk is effectively hedged by the single currency fixed rate receiver/floating rate payer swaps.

Fair value hedges for portfolios of fixed rate loans have been used to hedge interest rate risk arising from changes in the fair value of fixed rate loans to changes in the risk-free yield curve. The interest rate risk is effectively hedged by the single currency fixed rate payer/floating rate receiver swaps.

Fair value hedges for portfolios of fixed rate mortgage bonds classified as at fair value through other comprehensive income have been used to hedge interest rate risk arising from changes in the fair value of fixed rate bonds to changes in the risk-free yield curve. The interest rate risk is effectively hedged by the single currency fixed rate payer/floating rate receiver swaps.

The contract or notional amounts and positive and negative fair values of the Bank's outstanding fair value hedging derivatives as at 31 December 2022 and 2021 are set out as follows:

	2022			2021		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
Fair value hedges						
Single currency interest rate swaps						
Fair value micro hedges	90,735	15,295	397	81,875	9,520	1,150
Fair value portfolio hedges	673,979	19,939	39,071	667,946	13,553	24,849
Cross currency interest rate swaps						
Fair value micro hedges	516	56	-	923	-	17
Total hedging derivatives	**765,230**	**35,290**	**39,468**	**750,744**	**23,073**	**26,016**

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The following table contains details of the hedged items as at 31 December 2022 covered by the Bank‘s hedging strategies:

(CZKm)	2022 Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged items: Assets	Accumulated amount of fair value adjustments on the hedged items: Liabilities	Change in fair value of hedged item for ineffectiveness assessment
Fair value micro hedges				
Financial assets at amortised cost	67,798	(14,742)	-	(5,263)
Financial assets at fair value through other comprehensive income	7,679	(1,032)	-	(292)
Financial liabilities at amortised cost	-	-	-	
Total	75,477	(15,774)	-	(5,555)
Fair value portfolio hedges				
Financial assets at amortised cost	288,469	(14,269)	-	(3,217)
Financial assets at fair value through other comprehensive income	2,718	(32)	-	160
Financial liabilities at amortised cost	336,351	-	(32,140)	9,414
Total	627,538	(14,301)	(32,140)	6,357
Total fair value hedged items	**703,015**	**(30,075)**	**(32,140)**	**802**

The following table contains details of the hedged items as at 31 December 2021 covered by the Bank‘s hedging strategies:

(CZKm)	2021 Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged items: Assets	Accumulated amount of fair value adjustments on the hedged items: Liabilities	Change in fair value of hedged item for ineffectiveness assessment
Fair value micro hedges				
Financial assets at amortised cost	63,181	(9,467)	-	(8,405)
Financial assets at fair value through other comprehensive income	9,549	(686)	-	(983)
Financial liabilities at amortised cost	-	-	-	481
Total	72,730	(10,153)	-	(8,907)
Fair value portfolio hedges				
Financial assets at amortised cost	279,153	(11,052)	-	(15,739)
Financial assets at fair value through other comprehensive income	7,808	(192)	-	(321)
Financial liabilities at amortised cost	347,011	-	(22,731)	25,821
Total	633,972	(11,244)	(22,731)	9,761
Total fair value hedged items	**706,702**	**(21,397)**	**(22,731)**	**854**

In 2022, the discontinuation of hedge accounting due to sales of underlying hedged bonds resulted in realised losses of CZK 5 m (2021: losses of CZK 2 m) included in Net gains from financial instruments at fair value through profit or loss in the statement of income.

In 2022, the net gains in the amount of CZK 802 m (2021: gains of CZK 854 m) realised on the hedged item attributable to the hedged interest rate risk is included in Net gains from financial instruments at fair value through profit or loss.

Net losses realised on the hedging contracts, which are included in Net gains from financial instruments at fair value through profit or loss, amounted to CZK 1,061 m (2021: losses of CZK 673 m).

20. PROPERTY AND EQUIPMENT

(CZKm)	Land and buildings	IT equipment	Office equipment	Other	Construction in progress	Total
Cost at 1 January 2021	7,597	1,737	605	1,421	935	12,295
Depreciation and impairment at 1 January 2021	(3,959)	(1,228)	(434)	(1,127)	-	(6,748)
Net book value at 1 January 2021	**3,638**	**509**	**171**	**294**	**935**	**5,547**
Transfers	301	324	111	82	(818)	-
Additions	-	-	-	-	784	784
Disposals	(47)	(2)	(4)	(14)	-	(67)
Depreciation	(306)	(335)	(31)	(97)	-	(769)
Impairment	(13)	-	-	-	-	(13)
Net book value at 31 December 2021	**3,573**	**496**	**247**	**265**	**901**	**5,482**
of which						
Cost	7,705	1,884	689	1,378	901	12,557
Depreciation and impairment	(4,132)	(1,388)	(442)	(1,113)	-	(7,075)

(CZKm)	Land and buildings	IT equipment	Office equipment	Other	Construction in progress	Total
Cost at 1 January 2022	7,705	1,884	689	1,378	901	12,557
Depreciation and impairment at 1 January 2022	(4,132)	(1,388)	(442)	(1,113)	-	(7,075)
Net book value at 1 January 2022	**3,573**	**496**	**247**	**265**	**901**	**5,482**
Transfers	425	623	75	122	(1,245)	-
Additions	-	-	-	-	804	804
Disposals	(33)	(4)	(2)	(7)	-	(46)
Transfers to non-current assets	(23)	-	-	-	-	(23)
Depreciation	(290)	(391)	(44)	(99)	-	(824)
Impairment	(11)	-	-	-	-	(11)
Net book value at 31 December 2022	**3,641**	**724**	**276**	**281**	**460**	**5,382**
of which						
Cost	7,832	2,358	726	1,398	460	12,774
Depreciation and impairment	(4,191)	(1,634)	(450)	(1,117)	-	(7,392)

RIGHT OF USE ASSETS

(CZKm)	Land and buildings	IT equipment	Other	Total
Cost at 1 January 2021	3,595	214	27	3,836
Depreciation and impairment at 1 January 2021	(867)	(48)	(13)	(928)
Net book value at 1 January 2021	**2,728**	**166**	**14**	**2,908**
Additions	977	7	14	998
Disposals	(3)	-	(1)	(4)
Depreciation	(452)	(48)	(9)	(509)
Impairment	(77)	-	-	(77)
Net book value at 31 December 2021	**3,173**	**125**	**18**	**3,316**
of which				
Cost	4,388	221	40	4,649
Depreciation and impairment	(1,215)	(96)	(22)	(1,333)

(CZKm)	Land and buildings	IT equipment	Other	Total
Cost at 1 January 2022	4,388	221	40	4,649
Depreciation and impairment at 1 January 2022	(1,215)	(96)	(22)	(1,333)
Net book value at 1 January 2022	**3,173**	**125**	**18**	**3,316**
Additions	13	69	4	86
Disposals	(54)	-	-	(54)
Depreciation	(426)	(70)	(6)	(502)
Impairment	1	-	-	1
Net book value at 31 December 2022	**2,707**	**124**	**16**	**2,847**
of which				
Cost	4,290	291	46	4,627
Depreciation and impairment	(1,583)	(167)	(30)	(1,780)

Property and equipment are assessed as non-current assets.

21. GOODWILL AND OTHER INTANGIBLE ASSETS

(CZKm)	Goodwill	Acquired software	Internally developed software	Other intangible assets	Construction in progress	Total
Cost at 1 January 2021	2,752	3,209	1,474	408	837	8,680
Amortisation and impairment at 1 January 2021	(63)	(2,901)	(624)	(397)	-	(3,985)
Net book value at 1 January 2021	**2,689**	**308**	**850**	**11**	**837**	**4,695**
Transfers	-	64	756	5	(825)	-
Additions	-	-	-	-	980	980
Disposals	-	-	-	-	-	-
Amortisation	-	(115)	(236)	(1)	-	(352)
Impairment (Note: 11)	-	-	-	-	-	-
Net book value at 31 December 2021	**2,689**	**257**	**1,370**	**15**	**992**	**5,323**
of which						
Cost	2,752	3,250	2,230	408	992	9,632
Amortisation and impairment	(63)	(2,993)	(860)	(393)	-	(4,309)

(CZKm)	Goodwill	Acquired software	Internally developed software	Other intangible assets	Construction in progress	Total
Cost at 1 January 2022	2,752	3,250	2,230	408	992	9,632
Amortisation and impairment at 1 January 2022	(63)	(2,993)	(860)	(393)	-	(4,309)
Net book value at 1 January 2022	**2,689**	**257**	**1,370**	**15**	**992**	**5,323**
Transfers	-	19	804	(8)	(815)	-
Additions	-	-	-	-	1,038	1,038
Disposals	-	-	-	-	-	-
Amortisation	-	(111)	(455)	-	-	(566)
Impairment (Note: 11)	-	-	-	-	-	-
Net book value at 31 December 2022	**2,689**	**165**	**1,719**	**7**	**1,215**	**5,795**
of which						
Cost	2,752	3,102	3,034	396	1,215	10,499
Amortisation and impairment	(63)	(2,937)	(1,315)	(389)	-	(4,704)

Internally developed software in the net amount of CZK 1,215 m as at 31 December 2022 (31 December 2021: CZK 992 m) is included in Construction in progress.

Goodwill and other intangible assets are assessed as non-current assets.

Goodwill has been allocated to the Retail segment and SME clients, representing a cash-generating unit (CGU). The recoverable amount for the Retail segment and SME clients was determined based on the value-in-use methodology. The calculation uses cash flow projections from business plans for the forthcoming three years which are then extrapolated for a five further years using the expected average growth rate of 3%; after that a terminal value is applied.

Cash flows in the Retail segment and SME clients are based on the net profit generated by the CGU above the required capital and a terminal value of the business. For the calculation of the terminal value a sustainable discount rate of 12.6% in 2022 (2021: 9.7%) and no long term growth rates were used in 2022 and 2021.

The value in use is particularly sensitive to a number of key assumptions:

- The growth rate in forecasted cash flows beyond the terminal year of the budget. The Bank has a conservative approach when calculating the terminal value, which implies that no growth rate for Retail segment and SME clients has been used for extrapolation purposes beyond the budget period.
- The risk discount rate. For Retail segment and SME clients an average risk discount rate of 12.8% has been applied (2021: 9.9%). This reflects a risk-free rate in the Eurozone, the credit default swap spread for the Czech Republic relative to the Eurozone, an average 'beta' factor for relative market risk, including the market risk premium.

The key assumptions described above may change as economic and market conditions change.

The outcome of the impairment assessment was that it is considered unlikely that goodwill in respect of the Retail segment and SME clients would be impaired given that the value-in-use is significantly higher than the carrying value of goodwill.

The management believes that reasonable potential changes in the key assumptions on which the recoverable amount is based would not cause it to fall below the carrying amount.

22. NON-CURRENT ASSETS HELD-FOR-SALE

There were no non-current assets held for sale in 2021.

(CZKm)	Land and buildings	Total
Net book value at 1 January 2022	**-**	**-**
Transfer from Property and equipment (Note: 20)	23	23
Net book value at 31 December 2022	**23**	**23**
of which		
Cost	23	23
Impairment	-	-

23. OTHER ASSETS

(CZKm)	2022	2021
Other financial assets		
Other debtors, net of provisions (Notes: 30, 32, 38.2)	766	584
Accrued income (Notes: 30, 32, 38.2)	199	217
	965	**801**
Other non-financial assets		
Prepaid charges	518	572
VAT and other tax receivables	1	1
	519	**573**
Total other assets	**1,484**	**1,374**

The following table shows staging and detail of cumulative impairment losses on other financial assets for 2022 and 2021:

	2022			2021		
(CZKm)	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
Other financial assets						
Gross carrying amount	968	8	976	800	11	811
Allowance for impairment losses	(5)	(6)	(11)	(4)	(6)	(10)
	963	**2**	**965**	**796**	**5**	**801**

Expected credit losses of Other financial assets are assessed using simplified approach.

Other assets are assessed as current assets.

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24. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZKm)	2022	2021 reclassified
Financial liabilities held for trading		
Derivative contracts (Note: 19)		
Trading derivatives	57,854	37,885
Derivatives used as economic hedges	31,856	18,602
Term deposits	1,070	530
Repo transactions	1,104	153
Bonds and investment certificates issued	-	-
	91,884	**57,170**
Financial liabilities designated at fair value through profit or loss		
Bonds issued	13,077	6,412
of which hybrid contracts	*559*	*203*
Investment certificates – hybrid contracts	10,762	18,132
	23,839	**24,544**
Financial liabilities at fair value through profit or loss	**115,723**	**81,714**

The amount that the Bank would contractually be required to pay at the maturity of the financial liabilities designated at fair value through profit or loss is CZK 684 m higher than the carrying amount at 31 December 2022 (31 December 2021: lower by CZK 342 m).

The changes in the fair value of the Financial liabilities designated at fair value through profit or loss attributable to changes in own credit risk were not significant.

The investment certificates and bonds issued reported as Financial liabilities designated at fair value through profit or loss are hybrid contracts which contain an embedded derivative or financial instruments managed at fair value on portfolio basis. The Bank has assessed the contract, where the separation of the embedded derivative would require unreasonable cost and therefore the Bank has decided to apply the fair value option on measurement of these hybrid contracts as a whole.

25. FINANCIAL LIABILITIES AT AMORTISED COST

(CZKm)	2022	2021
Deposits received from credit institutions		
Current accounts and overnight deposits (Note: 31)	33,500	15,558
Term deposits (Note: 31)	11,652	9,015
Repo transactions (Note: 31)	41	-
	45,193	**24,573**
Deposits received from other than credit institutions		
Current accounts and overnight deposits	618,507	705,144
Term deposits	231,414	52,265
Savings deposits	234,821	229,345
Repo transactions	11,725	8,347
Other deposits	7,492	17,520
	1,103,959	**1,012,621**
Debt securities in issue		
Bonds issued	4,099	1
Promissory notes (Note:31)	250,843	394,918
	254,942	**394,919**
Subordinated debt	**40,592**	**19,439**
Financial liabilities at amortised cost	**1,444,686**	**1,451,552**

At 31 December 2021, the Bank accumulated cash deposits from retail investors in the amount of CZK 11,530 m used for the subscription of the Czech sovereign bonds. These financial liabilities have been recognized as Other deposits measured at amortised cost. The liabilities were settled on 3 January 2022.

In 2022, the Bank issued coupon bonds in the nominal amount of CZK 4,058 m having a contractual maturity between 1 and 4 years and EIR in the range of PRIBOR 6M -1.15% to PRIBOR 6M -0.65%. All bonds contain both-side option allowing premature purchase or sale at every coupon payment date.

From 1 January 2022, the Bank has to meet the Minimum Requirement for own funds and eligible liabilities (MREL) at the interim level set by ČNB and therefore ČSOB issued the subordinated debts described below (Notes: 35, 39).

In December 2022, the Bank issued subordinated debt in the nominal amounts of EUR 170 m (CZK 4,100 m) to KBC Bank NV. Subordinated debt is repayable after 4 years (2026). Its coupon rate is EURIBOR 3M + 1.26%. The Bank may prepay the debt at any time following the first three-year period.

In June 2022, the Bank issued subordinated debt in the nominal amounts of EUR 330 m (CZK 7,958 m) to KBC Bank NV. Subordinated debt is repayable after 3 years (2025). Its coupon rate is EURIBOR 3M + 1.05%. The Bank may prepay the debt at any time following the first two-year period.

In June 2022, the Bank issued subordinated debt in the nominal amounts of EUR 400 m (CZK 9,646 m) to KBC Bank NV. Subordinated debt is repayable after 6 years (2028). Its coupon rate is EURIBOR 3M + 1.3%. The Bank may prepay the debt at any time following the first five-year period.

In December 2021, the Bank issued subordinated debt in the nominal amounts of EUR 276 m (CZK 6,656 m) to KBC Bank NV. Subordinated debt is repayable after 5 years (2026). Its coupon rate is EURIBOR 3M + 0.75% for the first four-year period (0.55% reflecting the initial credit spread and 0.20% reflecting the Issue Price above par) and EURIBOR 3M + 0.55% for last year before maturity date. The Bank may prepay the debt at any time following the first four-year period.

In December 2021, the Bank issued subordinated debt in the nominal amounts of EUR 500 m (CZK 12,058 m) to KBC Bank NV. Subordinated debt is repayable after 6 years (2027). Its coupon rate is EURIBOR 3M + 0.75% for the first five-year period (0.60% reflecting the initial credit spread and 0.15% reflecting the Issue Price above par) and EURIBOR 3M + 0.60% for last year before maturity date. The Bank may prepay the debt at any time following the first five-year period.

The repayment of the debt is subordinated to all other classes of liabilities in the event of the liquidation of the Bank.

26. OTHER LIABILITIES

(CZKm)	2022	2021
Other financial liabilities		
Payables to employees including social security charges (Notes: 30, 32, 38.3)	2,387	2,267
Accrued charges (Notes: 30, 32,38.3)	1,682	1,061
Other creditors (Notes: 30, 32, 38.3)	1,359	121
	5,428	**3,449**
Other non-financial liabilities		
Income received in advance	38	65
VAT and other tax payables	190	88
	228	**153**
Total other liabilities	**5,656**	**3,602**

Other liabilities are assessed as current liabilities.

27. PROVISIONS

(CZKm)	Pending legal issues and other losses	Restructuring	Contractual engagements	Total
At 1 January 2021	**213**	**108**	**-**	**321**
Additions	4	80	23	107
Amounts utilised	(174)	(81)	(2)	(257)
Unused amounts reversed	(7)	(27)	(10)	(44)
At 31 December 2021	**36**	**80**	**11**	**127**
At 1 January 2022	**36**	**80**	**11**	**127**
Additions	3,666	79	6	3,751
Amounts utilised	(7)	(73)	(4)	(84)
Unused amounts reversed	(7)	(7)	-	(14)
At 31 December 2022	**3,688**	**79**	**13**	**3,780**

Loan commitments and guarantees (Note: 33):

(CZKm)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	**76**	**54**	**281**	**411**
Origination and acquisition	81	-	-	81
Change in credit risk not leading to stage transfers	(62)	(9)	(88)	(159)
Change in credit risk leading to stage transfer	(3)	4	-	1
Foreign currency translation	10	(12)	(9)	(11)
At 31 December 2021	**102**	**37**	**184**	**323**
Origination and acquisition	101	-	-	101
Change in credit risk not leading to stage transfers	(40)	(22)	3	(59)
Change in credit risk leading to stage transfer	(32)	219	123	310
Foreign currency translation	(8)	5	(5)	(8)
At 31 December 2022	**123**	**239**	**305**	**667**

Restructuring

During 2021 and 2022, the Bank started a new restructuring programme, resulting in the creation of a provision of CZK 80 m and CZK 79 m respectively. In the framework of this restructuring programme the total number of personnel will be reduced in the period of 2022 - 2023.

Pending legal issues and other losses

Provisions for legal issues and other losses represent an obligation to cover potential risks resulting from litigation, where the Bank is the defendant.

The Bank is involved in a number of ongoing legal disputes, the resolution of which may have an adverse financial impact on the Bank. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for.

The Bank's policy is to create a provision, where the possibility of an outflow of resources embodying economic benefits to settle the obligation is more than 50%. In such cases the Bank creates a provision in the full amount to cover the possible cost in the event of loss.

In 2022, the Bank had a provision for pending legal issues and other losses in the total amount of CZK 3,688 m. This amount includes a provision for the legal proceedings against the company ICEC-HOLDING, a.s. in the amount of CZK 3,663 m (Note: 33). The legal case resulted in a liability of the Bank of CZK 3,663 m payable till 15 days past 17 February 2023, the day when the arbitral award entered into legal force. The liability was settled in March 2023.

It is expected that the majority of other legal issues costs will be incurred in the next 3 years.

On a quarterly basis, the Bank monitors the status of all cases and makes a decision as to whether to create, utilise or reverse any provision.

The Bank does not disclose the details underlying the disputes as the disclosure may have an impact on the outcome of the disputes and may seriously harm the Bank's interests.

28. SHARE CAPITAL AND OTHER RESERVES

As at 31 December 2022, the total authorised share capital was CZK 5,855 m (31 December 2021: CZK 5,855 m) and comprised of 292,750,002 ordinary shares with a nominal value of CZK 20 each (31 December 2021: 292,750,002 ordinary shares with a nominal value of CZK 20 each) and is fully paid up.

No Treasury shares were held by the Bank at 31 December 2022 and 2021.

On 31 December 2022, the Bank was directly controlled by KBC Bank whose ownership interest in ČSOB was 100% (31 December 2021: 100%). On the same date, KBC Bank was controlled by the KBC Group and, therefore, KBC Group was the company indirectly exercising ultimate control over the Bank.

Other reserves

The movement of Other reserves in 2022 and 2021 are as follows:

(CZKm)	Revaluation reserve from financial assets at fair value through OCI	Cash flow hedge reserve	Total
At 1 January 2021	**909**	**58**	**967**
Other comprehensive income (Note: 29)	(744)	(1,272)	(2,016)
At 31 December 2021	**165**	**(1,214)**	**(1,049)**
Other comprehensive income (Note: 29)	(209)	(476)	(685)
At 31 December 2022	**(44)**	**(1,690)**	**(1,734)**

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29. COMPONENTS OF OTHER COMPREHENSIVE INCOME

(CZKm)	2022	2021
Other comprehensive income – to be reclassified to the statement of income		
Cash flow hedges		
Net unrealised losses on cash flow hedges	(920)	(1,450)
Net loss / (gains) on cash flow hedges reclassified to the statement of income (Note: 19)	332	(120)
Tax effect relating to cash flow hedges (Note: 12)	111	298
	(477)	(1,272)
Financial debt instruments FVOCI		
Net unrealised losses on financial debt instruments FVOCI	(195)	(996)
Realised gains on financial debt instruments FVOCI reclassified to the statement of income on disposal	-	(1)
Tax effect relating to financial debt instruments FVOCI (Note: 12)	37	190
	(158)	(807)
Other comprehensive income for the year, net of tax, to be reclassified to statement of income in subsequent periods	**(635)**	**(2,079)**
Other comprehensive income – not to be reclassified to the statement of income		
Financial equity instruments FVOCI		
Net unrealised gains on financial equity instruments FVOCI	41	141
Net realised gains on financial equity instruments FVOCI reclassified to the retained earnings on disposal	(103)	(63)
Tax effect relating to financial equity instruments FVOCI	12	(15)
Other comprehensive income for the period, net of tax, not to be reclassified to statement of income in subsequent periods	**(50)**	**63**
Other comprehensive income for the year, net of tax	**(685)**	**(2,016)**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities at fair value

The Bank's accounting policy on fair value measurements is discussed in the Accounting policies (Note 2.4 (4)).

Financial assets and liabilities at fair value, i.e. financial assets FVOCI, held for trading, designated at fair value through profit or loss, are valued as follows:

- Level 1

  If available, published price quotations in active markets are used to determine the fair value of financial assets or financial liabilities. Revaluation is obtained using prices of an identical asset or liability, which means that no model is involved in the process of a revaluation. Financial instruments valued on this basis include spot foreign exchange contracts and listed shares and bonds.

  Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

- Level 2

  Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar 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.

  Financial instruments valued on this basis include forward interest rate, foreign exchange and commodity contracts, mortgage bonds, money market loans and deposits.

- Level 3

  Valuation techniques using significant unobservable inputs. This category includes all 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. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

  Financial instruments for which the parameters are not observable include unlisted shares, a part of the portfolio of trading derivatives, a part of the portfolio of mortgage bonds and selected listed but not traded bonds.

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 spreads and other premia 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 determine a fair value 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.

The Bank uses widely recognised valuation models for determining the fair value of common and less complex financial instruments like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Bank uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, the determination of expected future cash flows on the financial instrument being valued, the determination of the probability of counterparty default and prepayments and the selection of appropriate discount rates. The Valuation policy is subject to approval of the ČSOB Risk and Capital Oversight Committee and KBC Group Valuation Committee. The process for the approval of any new product consist also of an assessment of the valuation of the product and the eventual new valuation model for the product has to be approved before the product is endorsed or approval of the model is a blocking condition for the product implementation. The New and Active Product Process also requires a regular review of all products and the assessment of valuation quality is an important part of the review. Any valuation model, which uses not directly observable inputs, is subject to the Parameter review policy. The policy requires quarterly assessment of all parameters correctness. The Bank currently checks the valuation of all bonds quarterly.

The Bank also monitors the quality of asset valuations on a daily basis. If an asset quote quality does not meet the required criteria for Level 1 or Level 2 the asset is transferred to Level 3 and vice versa. The monitoring process evaluates among others the frequency of quote updates.

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2022:

(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets recorded at fair value				
Financial assets held for trading				
Loans and advances	-	791	-	791
Derivative contracts	-	87,053	3,821	90,874
Non-trading financial assets mandatorily at fair value through profit or loss				
Loans and advances	-	1,322	-	1,322
Financial assets FVOCI				
Debt securities	7,466	-	23,772	31,238
Equity securities	67	-	289	356
Financial assets FVOCI pledged as collateral				
Debt securities	72	-	-	72
Fair value adjustments of the hedged items in portfolio hedge	-	(14,269)	-	(14,269)
Derivatives used for hedging	-	35,974	-	35,974
Financial liabilities recorded at fair value				
Financial liabilities held for trading				
Derivative contracts	-	85,720	3,990	89,710
Term deposits	-	1,070	-	1,070
Repo transactions	-	1,104	-	1,104
Financial liabilities designated at fair value through profit or loss				
Bonds and Investment certificates issued	-	-	23,839	23,839
Fair value adjustments of the hedged items in portfolio hedge	-	(32,140)	-	(32,140)
Derivatives used for hedging	-	42,416	-	42,416

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2021

(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets recorded at fair value				
Financial assets held for trading				
Loans and advances	-	1	-	1
Derivative contracts	-	55,391	865	56,256
Non-trading financial assets mandatorily at fair value through profit or loss				
Loans and advances	-	1,410	-	1,410
Financial assets FVOCI				
Debt securities	8,922	-	24,632	33,554
Equity securities	-	-	482	482
Financial assets FVOCI pledged as collateral				
Debt securities	221	-	-	221
Fair value adjustments of the hedged items in portfolio hedge	-	(11,052)	-	(11,052)
Derivatives used for hedging	-	23,533	-	23,533
Financial liabilities recorded at fair value				
Financial liabilities held for trading				
Derivative contracts	-	56,321	166	56,487
Term deposits	-	530	-	530
Repo transactions	-	153	-	153
Financial liabilities designated at fair value through profit or loss				
Bonds and Investment certificates issued	-	-	24,544	24,544
Fair value adjustments of the hedged items in portfolio hedge	-	(22,731)	-	(22,731)
Derivatives used for hedging	-	27,912	-	27,912

Yield curve used in the mortgage bonds valuation model for discounting future cash flows is constructed from IRS rates and respective credit spreads. The credit spreads for all maturities were derived from market unobservable inputs. The credit spread curve for mortgage bonds was derived from newly issued mortgage bonds for 5Y bucket (as the most frequent maturity) and spreads for other maturities were calculated using slope from mortgage bonds credit spread curve with rating grade A. The management considers this a significant market unobservable input, and as a consequence, all mortgage bonds are reported as part of Level 3.

The spread according to bond maturity was 0 bps (1-year) to 44 bps (20-year) in 2022 and (5) bps (1-year) to 47 bps (20-year) in 2021.

Valuation of bonds issued by Česká Exportní Banka (ČEB) was based on model using unobservable inputs. Yield curve used in the ČEB bonds valuation model for discounting future cash flows was constructed from IRS rates and respective credit spreads. The credit spreads were derived from the quotes of the most liquid bonds issued by ČEB and IRS rates. Direct quotes are used for ČEB bonds. As quotes come from less liquid market the management considers this a significant market unobservable input and, as a consequence, the bonds issued by ČEB are classified as Level 3.

The Bank's share in Visa Inc. unquoted C-class classified as a financial asset at fair value through other comprehensive income is subject to fair value measurement based on the quoted price of Visa Inc. adjusted for applied liquidity spreads and conversion ratio. In 2020, the Bank converted a part of the Visa shares position to quoted Visa Inc. A-class. The Bank reported the transaction as a sale of Visa Inc. C-class from Level 3, including realised gain reclassified to the retained earnings on disposal of CZK 238 m. And, a recognition of new Visa Inc. A-class shares classified as Level 1 financial assets. In 2021, Visa A-class shares were sold out of the Bank. A gain realised on the sale amounted to CZK 51 m (net of tax) directly recognized in Retained earnings in equity. In 2022, the Bank converted a part of the Visa shares position to quoted Visa Inc. A-class. The Bank reported the transaction as a sale of Visa Inc. C-class from Level 3, including realised gain reclassified to the retained earnings on disposal of CZK 83 m. And, a recognition of new Visa Inc. A-class shares classified as Level 1 financial assets. Subsequently part of Visa A-class shares was sold out of the Bank.

Investment certificate is a financial liability composed of term deposit and index linked option/swap. The Bank valuates the certificates using valuation of the underlying option/swap component in combination with the calculation of the deposit component value. Issued bonds are hybrid financial liabilities composed of the floating coupon rate bond and callable / puttable option. Valuation of the embedded derivative is based on model using both market observable and unobservable inputs. Unobservable inputs represents a significant portion of the valuation, and as a consequence, the investment certificates and bonds issued are classified as Level 3 financial instruments.

All transfers of financial instruments among the levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Movements in Level 3 financial instruments measured at fair value

The following table shows the reconciliation of the opening and closing amount of financial assets which are recorded at fair value using valuation techniques based on non-market observable inputs:

	Financial assets held for trading	Financial assets FVOCI (incl. assets pledged as collateral)		Total
(CZKm)	Financial derivatives	Debt securities	Equity securities	
At 1 January 2021	**729**	**26,511**	**737**	**27,977**
Total gains / (losses) recorded in profit or loss	1,141	(375)	-	766
Total gains recorded in other comprehensive income	-	(1,302)	25	(1,277)
Purchases	-	192	62	254
Settlement	(1,005)	(394)	-	(1,399)
Sales	-	-	(342)	(342)
At 31 December 2021	**865**	**24,632**	**482**	**25,979**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	1,141	(375)	-	766
At 1 January 2022	**865**	**24,632**	**482**	**25,979**
Total gains / (losses) recorded in profit or loss	868	(89)	-	779
Total gains / (losses) recorded in other comprehensive income	-	105	17	122
Purchases	-	35	15	50
Settlement	-	(911)	-	(911)
Sales	-	-	(225)	(225)
Transfers into level 3	2,088	-	-	2,088
At 31 December 2022	**3,821**	**23,772**	**289**	**27,882**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	868	(86)	-	782

Total gains / (losses) recorded in profit or loss are included within the captions Interest income calculated using the effective interest rate method, Net gains from financial instruments at fair value through profit or loss, Net realised gains on financial instruments at fair value through other comprehensive income and Impairment losses of the statement of income.

The following table shows the reconciliation of the opening and closing amount of financial liabilities which are recorded at fair value using valuation techniques based on non-market observable inputs:

	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss	Total
(CZKm)	Debt instruments	Financial derivatives	Debt instruments	
At 1 January 2021	**2,224**	**340**	**25,575**	**28,139**
Total (gains) / losses recorded in profit or loss	(186)	(39)	(158)	(383)
Issued	-	-	6,410	6,410
Settlement	(2,037)	(135)	(1,190)	(3,362)
Sales	(1)	-	(6,093)	(6,094)
At 31 December 2021	**-**	**166**	**24,544**	**24,710**
Total (gains) / losses recorded in profit or loss related to liabilities held at the end of the reporting period	-	(39)	(260)	(299)
At 1 January 2022	**-**	**166**	**24,544**	**24,710**
Total (gains) / losses recorded in profit or loss	-	1,809	(1,025)	784
Issued	-	-	8,904	8,904
Settlement	-	-	(7,845)	(7,845)
Sales	-	-	(739)	(739)
Transfers into level 3	-	2,015	-	2,015
At 31 December 2022	**-**	**3,990**	**23,839**	**27,829**
Total (gains) / losses recorded in profit or loss related to liabilities held at the end of the reporting period	-	1,809	(920)	889

Total (gains) / losses recorded in profit or loss are included within the captions Net gains from financial instruments at fair value through profit or loss of the statement of income.

Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions

Management considers the value of the credit spread included in the discount factor applied on estimated future cash flows from the mortgage bonds in periods after the first year from the balance sheet date as a key assumption not derived from observable market inputs, which is influencing the fair value of Level 3 financial instruments.

As at 31 December 2022, an increase / (decrease) of the credit spread by 50 basis points would (decrease) / increase the fair value of the mortgage bonds and bonds issued by ČEB included in Level 3 by CZK 373 m and CZK 3 m, respectively (2021: CZK 155 m and CZK 6 m, respectively). Such a change in the credit spread is based on the variability of mortgage bond and ČEB bond quotes that were observed by the management on the market.

Management believes that reasonably possible changes in other non-observable market inputs in the valuation models used would not have a material impact on the estimated fair values.

Transfers between Level 1 and 2 of the fair value hierarchy for financial instruments

In 2021 and 2022, no transfers were made between a group of financial instruments with a market quoted price and those for which the fair value is calculated using valuation techniques based on market observable inputs.

Financial assets and liabilities not carried at fair value

Set out below is a comparison of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements:

	2022		2021	
(CZKm)	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash, balances with central banks and other demand deposits	60,729	60,729	37,290	37,290
Financial assets at amortised cost	1,347,386	1,202,137	1,386,904	1,348,506
Debt securities	*567,893*	*518,749*	*498,504*	*473,962*
Loans and advances	*779,493*	*683,388*	*888,400*	*874,544*
Financial assets at amortised cost pledged as collateral	24,722	24,537	33,904	33,452
Other assets (Note: 23)	965	965	801	801
Financial liabilities				
Financial liabilities at amortised cost	1,444,686	1,443,478	1,451,552	1,451,705
Deposits	*1,149,152*	*1,148,124*	*1,037,194*	*1,037,500*
Debt securities in issue	*254,942*	*255,080*	*394,919*	*394,766*
Subordinated debt	*40,592*	*40,274*	*19,439*	*19,439*
Lease liabilities	2,959	2,959	3,378	3,378
Other liabilities (Note: 26)	5,428	5,428	3,449	3,449

The following table shows an analysis of financial instruments for which fair values are disclosed, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2022:

	2022			
(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets for which fair values are disclosed				
Cash, balances with central banks and other demand deposits	8,309	52,420	-	60,729
Financial assets at amortised cost	208,772	400,158	593,207	1,202,137
Debt securities	*208,772*	-	*309,977*	*518,749*
Loans and advances	-	*400,158*	*283,230*	*683,388*
Financial assets at amortised cost pledged as collateral	24,537	-	-	24,537
Other assets (Note: 23)	-	965	-	965
Financial liabilities for which fair values are disclosed				
Financial liabilities at amortised cost	-	1,387,325	56,153	1,443,478
Deposits	-	*1,136,326*	*11,798*	*1,148,124*
Debt securities in issue	-	*250,999*	*4,081*	*255,080*
Subordinated debt	-	-	*40,274*	*40,274*
Lease liabilities	-	2,959	-	2,959
Other liabilities (Note: 26)	-	5,428	-	5,428

The following table shows an analysis of financial instruments for which fair values are disclosed, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2021:

	2021			
(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets for which fair values are disclosed				
Cash, balances with central banks and other demand deposits	8,309	28,981	-	37,290
Financial assets at amortised cost	177,862	589,534	581,110	1,348,506
Debt securities	*177,862*	-	*296,100*	*473,962*
Loans and advances	-	*589,534*	*285,010*	*874,544*
Financial assets at amortised cost pledged as collateral	33,452	-	-	33,452
Other assets (Note: 23)	-	801	-	801
Financial liabilities for which fair values are disclosed				
Financial liabilities at amortised cost	-	1,420,235	31,470	1,451,705
Deposits	-	*1,025,469*	*12,031*	*1,037,500*
Debt securities in issue	-	*394,766*	-	*394,766*
Subordinated debt	-	-	*19,439*	*19,439*
Lease liabilities	-	3,378	-	3,378
Other liabilities (Note: 26)	-	3,449	-	3,449

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

Financial debt securities at amortised cost

Fair values for securities measured at amortised cost are based on quoted market prices, where available. Such quotes are obtained from relevant exchanges, if exchange activity for the particular security is considered sufficiently liquid, or from reference rates averaging market maker quotes. If quoted market prices are not available, fair values are estimated from quoted market prices of comparable instruments or using the valuation model based on discounted future cash flows.

Loans and advances to credit institutions and balances with central banks measured at amortised cost

The carrying values of current account balances are equal to their fair values. The fair values of term placements with credit institutions and central banks are estimated by discounting their future cash flows using current interbank market rates, including the respective credit spread derived from the Bank's own experience of probability of default and loss given default. A majority of the loans reprice within relatively short time periods, therefore, it is assumed that their carrying values approximate their fair values.

Loans and advances to other than credit institutions measured at amortised cost

A substantial majority of the loans to customers reprice within relatively short time periods; therefore, it is assumed that their carrying values approximate their fair values. The fair values of fixed-rate loans to customers are estimated by discounting their future cash flows using current market rates including the respective credit spread derived from the Bank's own experience of probability of default and loss given default.

Deposits received from credit institutions and subordinated liabilities

The carrying values of current account balances are equal to their fair values. For other amounts due to credit institutions with equal to or less than one year remaining maturity, it is assumed that their carrying values approximate their fair values. The fair values of other amounts due to credit institutions are estimated by discounting their future cash flows using IRS rates modified by market unobservable credit spread.

Deposits received from other than credit institutions

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

Debt securities in issue

The fair values of bonds issued are estimated by discounting their future cash flows using Czech government bond rates adjusted by credit spread derived from market observable transactions with respective or comparable bonds. The carrying values of promissory notes and certificates of deposit approximate their fair values.

Other assets and other liabilities

A majority of other assets and liabilities have a remaining maturity equal to or less than one year or reprice within relatively short time periods; therefore, it is assumed that their carrying values approximate their fair values.

31. ADDITIONAL CASH FLOW INFORMATION

Analysis of the balances of cash and cash equivalents as shown in the statement of financial position

(CZKm)	2022	2021
Cash, balances with central banks and other demand deposits (Note: 14)	60,729	37,290
Loans and advances to central banks (Note: 17)	460,875	589,518
Loans and advances to credit institutions (Note: 17)	2,866	1,789
Financial liabilities at amortised cost to credit institutions – Current accounts and overnight deposits (Note: 25)	(33,500)	(15,558)
Financial liabilities at amortised cost to credit institutions - Term deposits and Repo transactions (Note: 25)	(438)	(25)
Financial liabilities at amortised cost – promissory notes issued to credit institutions (Note: 25)	(250,843)	(394,918)
Cash and cash equivalents	**239,689**	**218,096**

Change in operating assets

(CZKm)	2022	2021
Net change in financial assets held for trading (incl. assets pledged as collateral)	(35,408)	(16,209)
Net change in non-trading financial assets mandatorily at fair value through profit or loss	89	382
Net change in financial assets at FVOCI (including assets pledged as collateral)	2,119	2,657
Net change in financial assets at amortised cost (excluding items classified as cash equivalents)	(80,393)	(64,838)
Net change in derivatives used for hedging	(13,029)	(15,080)
Net change in other assets	(112)	107
	(126,734)	**(92,981)**

Change in operating liabilities

(CZKm)	2022	2021
Net change in financial liabilities held for trading	34,714	13,984
Net change in financial liabilities designated at fair value through profit or loss	(705)	(1,031)
Net change in financial liabilities at amortised cost (excluding items classified as cash equivalents)	93,592	42,968
Net change in derivatives used for hedging	14,504	14,582
Net change in other liabilities	2,068	258
	144,173	**70,761**

Non-cash items included in profit before tax

(CZKm)	2022	2021
Provisions	3,653	(194)
Depreciation and amortisation	1,892	1,631
Impairment losses (Note: 11)	1,743	(1,858)
Net change in fair value adjustments of the hedged items in portfolio hedge	(6,192)	(10,076)
Other	(10)	(10)
	1,086	**(10,507)**

The table below sets out the movements of the debt instruments issued by the Bank and lease liabilities in 2022 and 2021. The debt items are those that are reported within net cash flows used in financing activities in the statement of cash flows:

(CZKm)	Financial liabilities at amortised cost (Note: 25) – Bonds issued and Subordinated debt	Financial liabilities at amortised cost (Note: 25) – Lease liabilities
At 1 January 2021	**-**	**2,932**
Cash flows in respect of issuance, repayment and interest paid on bonds	19,439	-
Cash flows in respect of payments for the principal of lease liabilities	-	(590)
Cash flows in respect of payments for the interest of lease liabilities	-	(55)
Non-cash adjustments	-	1,091
At 31 December 2021	**19,439**	**3,378**
At 1 January 2022	**19,439**	**3,378**
Cash flows in respect of issuance, repayment and interest paid on bonds	25,251	-
Cash flows in respect of payments for the principal of lease liabilities	-	(574)
Cash flows in respect of payments for the interest of lease liabilities	-	(80)
Non-cash adjustments	1	235
At 31 December 2022	**44,691**	**2,959**

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table sets out the financial assets and liabilities of the Bank by expected remaining maturity as at 31 December 2022:

(CZKm)	Less than 1 year	1 year to 5 years	More than 5 years	Without maturity	Total
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 14)	60,729	-	-	-	60,729
Financial assets held for trading					
Financial derivatives	29,933	46,542	14,400	-	90,875
Other than financial derivatives	790	-	-	-	790
Non-trading financial assets mandatorily at fair value through profit or loss	1,322	-	-	-	1,322
Financial assets at fair value through other comprehensive income	1,313	23,881	6,044	356	31,594
Financial assets at fair value through other comprehensive income pledged as collateral	1	-	71	-	72
Financial assets at amortised cost	642,002	324,152	381,231	-	1,347,385
Financial assets at amortised cost pledged as collateral	583	10,083	14,056	-	24,722
Fair value adjustments of the hedged items in portfolio hedge	(4,843)	(9,019)	(407)	-	(14,269)
Derivatives used for hedging	10,193	19,509	6,272	-	35,974
Other assets (Note: 23)	965	-	-	-	965
Total carrying value	**742,988**	**415,148**	**421,667**	**356**	**1,580,159**
LIABILITIES					
Financial liabilities held for trading					
Financial derivatives	29,012	46,551	14,147	-	89,710
Other than financial derivatives	2,174	-	-	-	2,174
Financial liabilities designated at fair value through profit or loss	7,564	12,559	3,716	-	23,839
Financial liabilities at amortised cost	666,850	375,331	402,505	-	1,444,686
Fair value adjustments of the hedged items in portfolio hedge	(8,759)	(17,794)	(5,587)	-	(32,140)
Derivatives used for hedging	12,416	23,418	6,582	-	42,416
Lease liabilities	582	1,631	746	-	2,959
Other liabilities (Note: 26)	5,428	-	-	-	5,428
Total carrying value	**715,267**	**441,696**	**422,109**	**-**	**1,579,072**

For derivatives, disclosed amounts are calculated based on assumption, that fair value will be evenly settled each year up to maturity date.

The following table sets out the financial assets and liabilities of the Bank by expected remaining maturity as at 31 December 2021:

(CZKm)	Less than 1 year	1 year to 5 years	More than 5 years	Without maturity	Total
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 14)	37,290	-	-	-	37,290
Financial assets held for trading					
Financial derivatives	17,348	29,597	9,311	-	56,256
Other than financial derivatives	1	-	-	-	1
Non-trading financial assets mandatorily at fair value through profit or loss	1,410	-	-	-	1,410
Financial assets at fair value through other comprehensive income	3,675	14,057	15,822	482	34,036
Financial assets at fair value through other comprehensive income pledged as collateral	-	-	221	-	221
Financial assets at amortised cost	740,244	300,404	346,256	-	1,386,904
Financial assets at amortised cost pledged as collateral	11,581	7,120	15,203	-	33,904
Fair value adjustments of the hedged items in portfolio hedge	(3,841)	(6,619)	(592)	-	(11,052)
Derivatives used for hedging	6,032	12,994	4,507	-	23,533
Other assets (Note: 23)	801	-	-	-	801
Total carrying value	**814,541**	**357,553**	**390,728**	**482**	**1,563,304**
LIABILITIES					
Financial liabilities held for trading					
Financial derivatives	17,294	29,873	9,319	-	56,486
Other than financial derivatives	684	-	-	-	684
Financial liabilities designated at fair value through profit or loss	9,626	10,381	4,537	-	24,544
Financial liabilities at amortised cost	617,675	391,050	442,827	-	1,451,552
Fair value adjustments of the hedged items in portfolio hedge	(5,946)	(13,021)	(3,764)	-	(22,731)
Derivatives used for hedging	7,659	15,822	4,431	-	27,912
Lease liabilities	514	1,774	1,090	-	3,378
Other liabilities (Note: 26)	3,449	-	-	-	3,449
Total carrying value	**650,955**	**435,879**	**458,440**	**-**	**1,545,274**

33. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments

The contingent liabilities and commitments at 31 December 2022 and 2021 are as follows:

(CZKm)	2022	2021
Loan commitments - irrevocable (Note: 38.2)	138,637	131,704
Loan commitments - revocable	69,695	53,635
Financial guarantees (Note: 38.2)	52,281	50,777
Other commitments (Note: 38.2)	2,074	2,499
	262,687	**238,615**
Provisions for loan commitments and guarantees (Notes: 27, 38.2)	667	323

Revocable loan commitments are such commitments in which the Bank may at any time limit the amount that may be drawn under the credit limit. Further the Bank may not provide any drawdown under the credit facility requested by the client or the Bank can suspend further drawdowns under the credit facility all together. The Bank can do so with or without specifying the reason, giving a prior notice or stipulating any time limit. Loan commitments which do not meet the above definition are assessed as irrevocable.

The contractual amounts described above represent the maximum credit risk that would arise if the contracts were fully drawn, the customers defaulted and the value of any existing collateral became worthless. Many of the commitments are collateralised and most are expected to expire without being drawn upon; therefore, the total commitment contractual amounts do not necessarily represent the risk of loss or future cash requirements (Note: 38.3).

Litigation

Other than the litigations, for which provisions have already been made (Note: 27), the Bank is named in and is defending a number of legal actions in various jurisdictions arising in the ordinary course of business. The Bank does not believe that the ultimate resolution of these legal actions will result in a material impact on the financial position of the Bank.

The Bank is subject to a few claims in the context of the IPB acquisition amounting to tens of billions of Czech Crowns. Dominant part of this amount is claimed in the arbitration proceedings commenced by the claimant ICEC-HOLDING, a.s. In the arbitration proceedings, ČSOB is being sued as the legal successor of IPB, whose business ČSOB took over in 2000. The plaintiff, the company ICEC-HOLDING, a.s., claims that IPB breached its contractual duties in 1999, and ICEC-HOLDING, a.s. is thus entitled to damages and contractual penalty. The claim itself is thus not in any way related with the business activities of ČSOB and represents “a heritage” after former IPB.

In this proceedings, in February 2023 ČSOB Bank was delivered an arbitral award, in which ČSOB was imposed to pay the company ICEC-HOLDING, a.s. the amount of CZK 3,663 m, incl. costs of the proceedings in the amount of CZK 5 m. The plaintiff failed in the remainder of his claim and the arbitration panel ordered him to pay ČSOB the costs of the proceedings in the amount of CZK 17 m. ČSOB will consider possible further legal steps leading to the revision of this award. The Bank recognized an additional provision for pending legal issues of CZK 3,663 m to cover the risk (Note: 27).

Further, the Bank has initiated a number of legal actions to protect its assets.

Taxation

Czech tax legislation, interpretation and guidance are still evolving. Consequently, under the current taxation environment, it is difficult to predict the interpretations that the respective tax authorities may apply in a number of areas. As a result, the Bank has used its current understanding of the tax legislation in the design of its planning and accounting policies. The effect of the uncertainty cannot be quantified.

Operating lease receivables (Bank is the lessor)

Future minimum lease payments (including sublease payments) under operating leases related to land and buildings are as follows:

(CZKm)	2022	2021
Not later than 1 year	42	40
Later than 1 year and not later than 5 years	128	50
	170	**90**

These operating leases can be technically cancelled under the Czech law; however, the lessees are commercially bound to continue with these leases for the periods set out above.

34. REPURCHASE AGREEMENTS AND COLLATERAL

The following table shows an analysis of the loans the Bank has made to counterparties in reverse repurchase agreements according to the lines of the statement of financial position in which they are included:

(CZKm)	2022	2021
Financial assets		
Financial assets held for trading	790	-
Financial assets at amortised cost	460,919	589,562
	461,709	**589,562**

Under reverse repurchase agreements, the Bank obtains legal ownership of the respective collateral received and, thus, is permitted to use the collateral; however, the same collateral must be delivered back to the borrower of the funds on maturity.

The fair value of financial assets accepted as collateral in connection with reverse repo transactions and securities lending as at 31 December 2022 was CZK 509,786 m, of which CZK 37,999 m has been either sold or repledged (31 December 2021: CZK 662,359 m and CZK 48,208 m, respectively).

The following table shows an analysis of the loans the Bank has received from counterparties in repurchase agreements according to the lines of the statement of financial position in which they are included:

(CZKm)	2022	2021
Financial liabilities		
Financial liabilities held for trading	1,104	153
Financial liabilities at amortised cost	11,766	8,347
	12,870	**8,500**

The Bank contracts repo operations under the standard conditions currently applied on the market. Amounts of financial assets pledged as collateral in repo transactions and securities lending are described in Financial assets at fair value through profit or loss (Note: 15) and Financial assets at fair value through other comprehensive income (Note: 16) and Financial assets at amortised cost (Note: 17).

35. OFFSET FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table shows an analysis of the financial assets and liabilities of the Bank that have been set-off or that have not been set-off as at 31 December 2022 and 2021:

(CZKm)	2022 Gross amounts of recognised financial instrument	2022 Gross amounts of recognised financial instrument set off	2022 Net amounts of financial instrument
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	124,448	-	124,448
Derivatives not set-off that are not subject to an enforceable master netting arrangement	2,400	-	2,400
Total trading and hedging derivatives	**126,848**	**-**	**126,848**
Repurchase agreements set-off	15,027	15,027	-
Repurchase agreements not set-off that are not subject to an enforceable master netting arrangement	461,708	-	461,708
Total repurchase agreements (Note: 34)	**476,735**	**15,027**	**461,708**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	111,037	-	111,037
Derivatives not set-off that are not subject to an enforceable master netting arrangement	21,089	-	21,089
Total trading and hedging derivatives	**132,126**	**-**	**132,126**
Repurchase agreements set-off	15,971	15,027	944
Repurchase agreements not set-off that are not subject to an enforceable master netting arrangement	11,926	-	11,926
Total repurchase agreements (Note: 34)	**27,897**	**15,027**	**12,870**

(CZKm)	2021 Gross amounts of recognised financial instrument	2021 Gross amounts of recognised financial instrument set off	2021 Net amounts of financial instrument
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	77,596	-	77,596
Derivatives not set-off that are not subject to an enforceable master netting arrangement	2,193	-	2,193
Total trading and hedging derivatives	**79,789**	**-**	**79,789**
Repurchase agreements set-off	27,092	27,092	-
Repurchase agreements not set-off that are not subject to an enforceable master netting arrangement	589,563	-	589,563
Total repurchase agreements (Note: 34)	**616,655**	**27,092**	**589,563**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	74,936	-	74,936
Derivatives not set-off that are not subject to an enforceable master netting arrangement	9,462	-	9,462
Total trading and hedging derivatives	**84,398**	**-**	**84,398**
Repurchase agreements set-off	27,092	27,092	-
Repurchase agreements not set-off that are subject to an enforceable master netting arrangement	8,500	-	8,500
Total repurchase agreements (Note: 34)	**35,592**	**27,092**	**8,500**

The following table shows an analysis of the financial assets and liabilities of the Bank that have not been set-off and are subject to an enforceable master netting arrangement or similar agreement as at 31 December 2022:

(CZKm)	Net amounts of financial assets and liabilities	Amounts not set off			Total net amount
		Financial instruments	Cash collateral	Securities collateral	
FINANCIAL ASSETS					
Derivatives not set-off that are subject to an enforceable master netting arrangement	124,448	96,556	27,625	-	267
Debt securities pledged as collateral in repo transaction not set-off	944	944	-	-	-
Total carrying value	**125,392**	**97,500**	**27,625**	**-**	**267**
FINANCIAL LIABILITIES					
Derivatives not set-off that are subject to an enforceable master netting arrangement	111,037	96,556	2,633	-	11,848
Repurchase agreements not set-off	944	-	-	944	-
Total carrying value	**111,981**	**96,556**	**2,633**	**944**	**11,848**

The following table shows an analysis of the financial assets and liabilities of the Bank that have not been set-off and are subject to an enforceable master netting arrangement or similar agreement as at 31 December 2021:

(CZKm)	Net amounts of financial assets and liabilities	Amounts not set off			Total net amount
		Financial instruments	Cash collateral	Securities collateral	
FINANCIAL ASSETS					
Derivatives not set-off that are subject to an enforceable master netting arrangement	77,596	66,506	10,509	-	581
Debt securities pledged as collateral in repo transaction not set-off that are subject to an enforceable master netting arrangements	-	-	-	-	-
Total carrying value	**77,596**	**66,506**	**10,509**	**-**	**581**
FINANCIAL LIABILITIES					
Derivatives not set-off that are subject to an enforceable master netting arrangement	74,936	66,506	1,444	-	6,986
Repurchase agreements not set-off that are subject to an enforceable master netting arrangement	-	-	-	-	-
Total carrying value	**74,936**	**66,506**	**1,444**	**-**	**6,986**

The amounts in both tables are subject to master netting agreement in accordance with International Swaps and Derivatives Association (ISDA), however with no intention to settle them on a net basis.

Counterparties are on a daily basis exchanging their current exposure (MTM) of derivative position and then based upon agreed parameters in CSA (Credit Support Annex) are exchanging collateral (variation margin) to cover this exposure and its daily changes.

36. RELATED PARTY DISCLOSURES

A number of transactions are executed with related parties in the normal course of business.

The outstanding balances of assets from related party transactions as at 31 December 2022 are as follows:

(CZKm)	Cash, balances with central banks and other demand deposits	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives used for hedging	Other assets
Directors / Top management	-	-	-	-	-	-	-
KBC Bank NV	7,810	63,224	1,322	-	107	33,699	-
Entities under common control							
ČSOB SK	8	-	-	-	-	-	18
Other	32	-	-	38	77	-	190
Subsidiaries							
BANIT	-	-	-	-	23	-	1
ČSOBS	-	4,735	-	-	-	-	20
ČSOB Factoring	-	-	-	-	2,808	-	-
ČSOB Leasing	-	-	-	-	19,871	-	-
Hypoteční banka	181	899	-	21,562	306,880	1,323	-
Patria Finance	-	-	-	-	1,017	-	-
Radlice Rozvojová	-	-	-	-	1,306	-	16
Skip Pay (former MallPay)	-	-	-	-	140	-	-
Associates							
ČSOB Pojišťovna	-	-	-	-	-	-	4

The outstanding balances of liabilities from related party transactions as at 31 December 2022 are as follows:

(CZKm)	Financial liabilities held for trading	Financial liabilities at amortised cost	Derivatives used for hedging	Other liabilities
Directors / Top management	-	22	-	69
KBC Bank NV	36,896	308,904	39,093	1
Entities under common control				
ČSOB AM	-	770	-	-
ČSOB SK	2	53	-	-
K&H Bank Zrt	1	375	-	-
Other	100	274	-	-
Subsidiaries				
BANIT	-	-	-	64
ČSOBS	6,113	39	606	-
ČSOB Advisory	-	36	-	-
ČSOB Leasing	783	96	-	-
ČSOB Penzijní společnost	-	460	-	-
Hypoteční banka	10,900	8,094	571	-
Patria Corporate Finance	-	12	-	-
Patria Finance	-	514	-	-
Radlice Rozvojová	-	993	-	-
Skip Pay (former MallPay)	-	219	-	-
Ušetřeno	-	56	-	-
Associates				
ČSOB Pojišťovna	881	412	-	-

The outstanding balances of assets from related party transactions as at 31 December 2021 are as follows:

(CZKm)	Cash, balances with central banks and other demand deposits	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives used for hedging	Other assets
Directors / Top management	-	-	-	-	-	-	-
KBC Bank NV	1,056	36,643	1,410	-	204	20,702	-
Entities under common control							
ČSOB SK	14	1	-	-	-	-	-
Other	395	22	-	-	-	-	161
Subsidiaries							
BANIT	-	-	-	-	39	-	4
ČSOBS		2,925					
ČSOB Factoring	-	-	-	-	2,519	-	-
ČSOB Leasing	-	-	-	-	19,773	-	-
Hypoteční banka	112	574		22,208	287,302	1,636	
Patria Finance	-	-	-	-	1,107	-	-
Radlice Rozvojová	-	-	-	-	1,344	-	12
Joint ventures							
MallPay	-	-	-	-	43	-	-
Associates							
ČSOB Pojišťovna	-	15	-	-	-	-	6

The outstanding balances of liabilities from related party transactions as at 31 December 2021 are as follows:

(CZKm)	Financial liabilities held for trading	Financial liabilities at amortised cost	Derivatives used for hedging	Other liabilities
Directors / Top management	-	36	-	69
KBC Bank NV	25,256	417,328	25,849	-
Entities under common control				
ČSOB AM	-	113	-	-
ČSOB SK	8	81	-	-
Other	-	173	-	31
Subsidiaries				
BANIT	-	2	-	27
ČSOBS	3,899	16	315	-
ČSOB Advisory	-	43	-	-
ČSOB Leasing	-	75	-	-
Hypoteční banka	7,407	6,625	87	-
Patria Corporate Finance	-	22	-	-
Patria Finance	-	83	-	-
Radlice Rozvojová	-	1,103	-	-
Ušetřeno	-	29	-	-
Joint ventures				
MallPay	-	-	-	-
Associates				
ČSOB Pojišťovna	518	463	-	-

The outstanding balances of financial assets and liabilities held for trading comprise positive and negative fair values of derivative financial instruments (mainly single currency and cross-currency interest rate swaps). Majority of these transactions are collateralised by cash deposit or by securities. Financial assets at amortised cost from related parties represent balances on current accounts or, in a specific cases, term loans with fixed maturity granted to subsidiaries of the Bank (ČSOB Leasing). Financial assets included in the portfolio held for trading, financial assets at fair value through other comprehensive income, financial assets at amortised cost contracted between ČSOB and Hypoteční banka represent mortgage debenture bonds with the contractual maturities from 3 years up to 30 years issued by Hypoteční banka and purchased by the Bank on a primary capital market. Financial liabilities to related parties measured at amortised cost consist of balances on demand deposits. Liabilities to KBC Bank NV represent balances on money-market products, specifically promissory notes with maturities up to one year issued by the Bank, repo transactions, subordinated debts (Notes: 25, 39) and short-term deposits.

The Bank provides banking services to its subsidiaries, associates and joint ventures such as provided loans, overdrafts, interest bearing deposits and current accounts as well as other services. In addition, the Bank acquired interest bearing debt instruments issued by its subsidiaries.

The outstanding balances, described above, arose in the ordinary course of business and are subject to the substantially same terms, including interest rates and security, as for comparable transactions with third party counterparties.

The balances of interest income and expense from related party transactions for the year ended 31 December are as follows:

	2022		2021	
(CZKm)	Interest income	Interest expense	Interest income	Interest expense
Directors / Top management	-	-	-	-
KBC Bank NV	12,406	26,057	2,409	5,468
Entities under common control				
ČSOB AM	-	33	-	-
ČSOB SK	1	118	-	12
Other	6	33	4	3
Subsidiaries				
BANIT	5	-	2	-
ČSOBS	9	3	1	-
ČSOB Factoring	64	-	12	-
ČSOB Leasing	449	-	179	-
Hypoteční banka	7,698	433	5,162	325
Patria Finance	25	13	21	-
Radlice Rozvojová	41	34	42	15
Skip Pay (former MallPay)	5	-	-	-
Associates				
ČSOB Pojišťovna	-	247	-	53

The balances of fee and commission income and expenses from related party transactions for the year ended 31 December are as follows:

(CZKm)	2022 Fee and commission income	2022 Fee and commission expense	2021 Fee and commission income	2021 Fee and commission expense
KBC Bank NV	74	2	86	26
Entities under common control				
ČSOB AM	703	-	559	-
ČSOB SK	20	-	20	-
KBC Asset Management	515	-	506	-
Other	14	2	18	2
Subsidiaries				
BANIT	1	365	1	294
ČSOBS	10	82	22	-
ČSOB Factoring	1	-	1	-
ČSOB Leasing	39	-	38	-
ČSOB Penzijní společnost	29	-	25	-
Hypoteční banka	192	108	338	151
Patria Finance	25	1	28	1
Associates				
ČSOB Pojišťovna	655	-	556	-

Dividend income received from subsidiaries, associates and joint ventures in 2022 amounted to CZK 3,547 m (2021: CZK 2,345 m). Rental expenses paid to subsidiaries, associates and joint ventures in 2022 amounted to CZK 29 m (2021: CZK 27 m).

In 2022, the Bank received income of CZK 237 m (2021: CZK 179 m) from the provision of administration services and paid expense of CZK 574 m (2021: CZK 474 m) for IT services, including rental expenses on information technologies.

In 2022, the Bank received income of CZK 659 m (2021: CZK 632 m) from ČSOB SK and ČSOB Pojišťovna arising from providing services and support in the following areas such as: ICT services, electronic banking, cards, payment processing, financial management and risk management.

In 2022, the Bank continued with integration of Group and thus received income of CZK 471 m (2021: CZK 450 m) from Hypoteční banka and ČSOBS for the provision of loan services, such as debt management and collection and for the provision of administration services, such as human resources and accounting services.

The outstanding contractual balances of the contingent assets and liabilities to the related parties at 31 December are as follows:

(CZKm)	2022 Guarantees received	2022 Guarantees given	2021 Guarantees received	2021 Guarantees given
KBC Bank NV	2,189	99	2,173	146
Entities under common control				
ČSOB SK	1,250	230	1,695	12
K&H Bank Zrt	280	600	287	400
Subsidiaries				
ČSOB Leasing	-	5,033	-	7,962

The outstanding balances of guarantees received from KBC Bank and the entities under common control principally comprise sub-participation arrangements and other compensation commitments.

37. EVENTS AFTER THE REPORTING PERIOD

In February 2023, ČSOB Bank was delivered an arbitral award, in which ČSOB was imposed to pay the company ICEC-HOLDING, a.s. the amount of CZK 3,663 m, incl. costs of the proceedings in the amount of CZK 5 m. The Bank assessed this case as an adjusting event for 2022 separate financial statements and recognized an additional provision for pending legal issues of CZK 3,663 m in the separated statement of income for the period ended 31 December 2022. The Bank paid the amount of CZK 3,663 m for which it is sued to ICEC-HOLDING, a.s. in March 2023 and the respective provision was utilized. ČSOB will consider possible further legal steps leading to the revision of the arbitral award.

There were no other significant events after the reporting period in addition to those mentioned above and elsewhere in these notes to the financial statements.

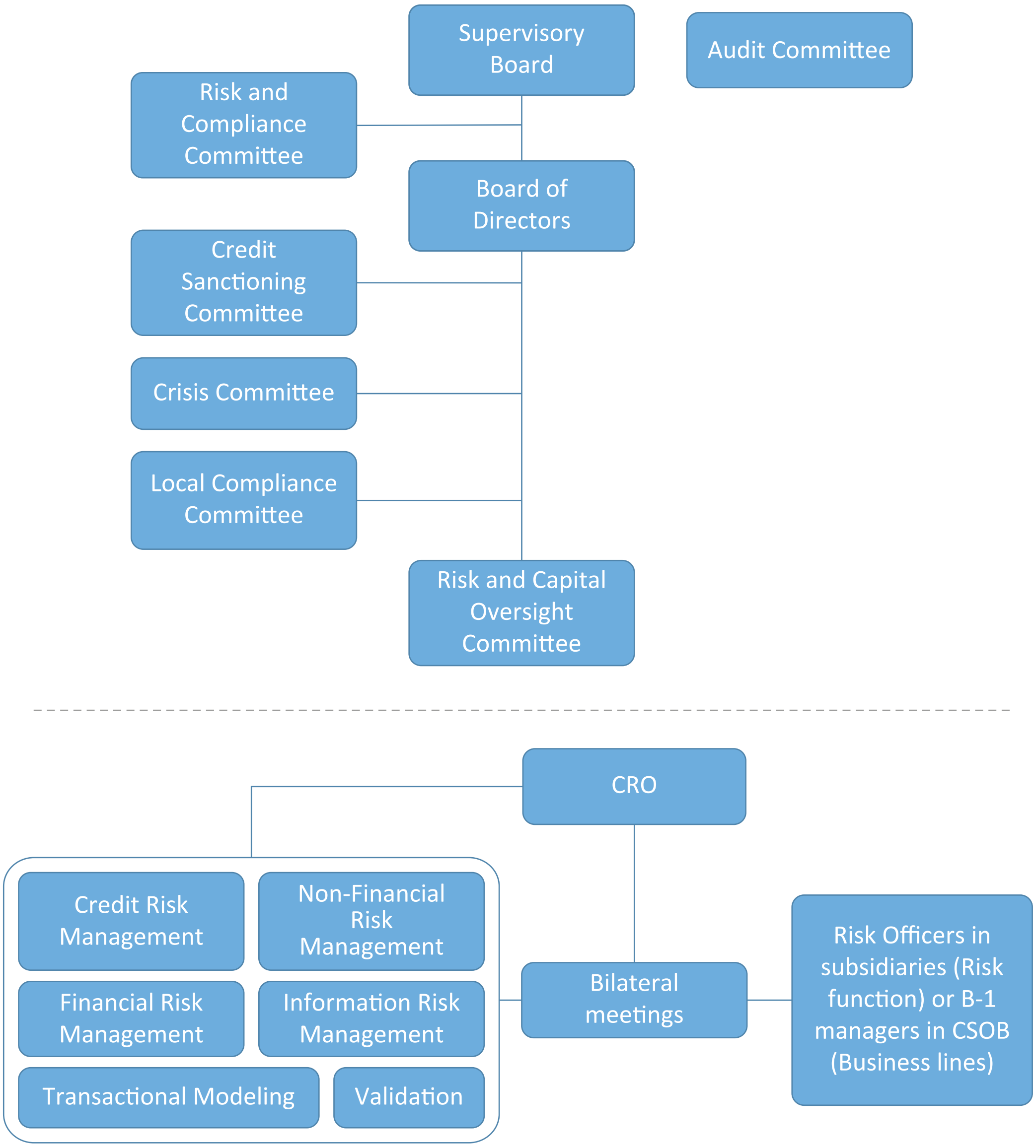
38. RISK MANAGEMENT

38.1 Introduction

Risk is an inherent part of ČSOB's activities, and risk and capital management is critical to the results of operations and financial condition of ČSOB. The principal risks that ČSOB faces are credit risk, liquidity risk, market risk, operational and other non-financial risks. This section is focused on our risk governance model and the most material risks the Bank faces.

Risk and Capital Management Governance

The chart below depicts an overview of the principal bodies of the risk and capital governance model in the Bank.



The Bank operates a three-line of defense (LoD) risk management model whereby front office functions, risk management oversight and assurance roles are played by functions independent of one another. The model is characterised primarily by:

- the Board of Directors, assisted by the Audit Committee, Supervisory Board and its Committees,
- the Risk and Capital Oversight Committee and Local Compliance Committee,
- an independent Chief Risk Officer, supported by the independent Risk Function, and
- risk-aware business people, who act as the first line of defence ensuring that a risk control environment is established as part of day-to-day operations.

Supervisory Board

In its main role, the Supervisory Board oversees whether the governance of the Bank is efficient, comprehensive and adequate, and regularly evaluates the findings obtained from this activity. Its oversight role consists in providing constructive challenge when developing the strategy of the Bank; monitoring of the performance of the management function and the realisation of agreed goals and objectives, business and risk strategies; and ensuring the integrity of the financial information, effective risk management and internal controls (including proper segregation of duties within the Bank).

Risk and Compliance Committee

The Supervisory Board established the Risk and Compliance Committee which is mainly responsible for advising the Supervisory Board on the Bank's overall current and future risk profile, appetite and strategy, and for overseeing the implementation of that strategy.

Audit Committee

The Audit Committee, inter alia, monitors the effectiveness of the Bank's internal control, internal audit, risk management systems, establishment of accounting policies by the institution and procedures in preparing the financial statements of the Bank.

Board of Directors (BoD)

The Board of Directors generally ensures that comprehensive and adequate internal control and risk governance system is established, well functioning and efficient, in its entirety and in parts.

Risk and Capital Oversight Committee (RCOC)

The RCOC assists the Board of Directors with risk and capital monitoring within ČSOB’s.

Local Compliance Committee

The Local Compliance Committee assists the Board of Directors with monitoring of compliance related issues within the Group. The Local Compliance Committee is responsible for the whole ČSOB Holding. In case of subsidiaries or entities that have a separate legal structure, the decisions of the Local Compliance Committee are to be considered as advices to the Management Board of those entities.

Chief Risk Officer (CRO)

The Chief Risk Officer (CRO), who is a member of the Board of Directors, is in general responsible for the identification, assessment and reporting of risks arising within operations across all business and all risk types, and has a direct management responsibility for all risk management functions / departments.

Risk Officer

Role of Risk officer is crucial for effective 2nd line in the entities of ČSOB Holding. The Risk officer thus acts as a CRO of the particular company based on a delegation from ČSOB CRO.

Risk Function

The risk function is organized in the following risk specific departments: Financial Risk Management, Non-financial Risk Management, Group Information Management, Transactional Modeling and Credit Risk Management which are complemented by one team responsible for Central Credit risk and loss Measurement Validation. Common activities and shared processes are coordinated by Integrated risk management team (part of Financial Risk Management).

The risk departments at group level support the CRO of ČSOB Group and are the sparring partner of the business lines via the Bilateral Meetings. This support mainly consists of formulating proposals with regard to the definition of the Risk Appetite and providing reporting and advice in the field of risk and capital management.

Other Departments and Committees Participating in Risk and Capital Management

In addition to the Board of Directors, the Audit Committee, the Supervisory Board, the RCOC, the CRO and the Risk Function, the following other departments and committees are involved in day-to-day risk and capital management at the ČSOB level:

Credits departments

Departments within Credits are responsible for implementing and maintaining the individual credit processes within the frameworks designed by the Risk Function and the limits determined by the risk appetite and capital allocation approved by the Board of Directors.

The key responsibilities of the Credits departments are to:

(i) approve individual credit applications;

(ii) approve contractual documentation concerning individual credits;

(iii) monitor credit behaviour of individual credits during their lifetime; and

(iv) manage the work-out process in respect of individual credits.

Asset and Liability Management Department (ALM Department)

The ALM Department is responsible for managing the assets and liabilities of ČSOB's investment portfolio within the frameworks designed by the Risk Function and the risk appetite and capital allocation approved by the Board of Directors. The ALM Department is also primarily responsible for managing the funding and liquidity position of ČSOB. The ALM Department reports to the CFO.

Internal Audit Department

The Internal Audit Department regularly audits / assesses risk and capital management processes throughout ČSOB examining both the adequacy of its risk and capital management procedures and the Bank's compliance with the same. The Internal Audit Department discusses the results of its assessments with management, and reports its findings and recommendations to the Board of Directors and the Audit Committee. The Internal Audit Department reports to the CEO.

Credit Sanctioning Committee (CSC)

The CSC is a committee with group-wide responsibility and authority to take decisions on individual credit applications falling within the delegated decision powers of the CSC. As such, it acts as the highest decision-making committee for the ČSOB Group with respect to credit risk. The members of the CSC are a member of ČSOB BoD responsible for Credits, who is the CSC's chairman, and the Head of ČSOB Credits, Head for Credits for Corporates and Banks; Head for Corporate Advice and Underwriting; Head of Corporate Banking; Head of Specialized and Institutional Banking and Executive Director SME and appointed Risk Manager. The CSC reports to the Board of Directors.

Bilateral Meetings

Bilateral Meetings are established for each Business Line in ČSOB Holding (including subsidiaries and ČSOB Insurance) where business specific risk issues are regularly discussed. Currently, Bilateral Meetings do not take place within Hypoteční banka and ČSOBS where the same CRO as in ČSOB is appointed.

The CRO has sole decision rights within the delegated decision authorities, which can always be escalated to the BoD on request of the BoD member responsible for that area.

As a general approach, RCOC approves (majority of) limits, while CRO approves (via Bilateral Meetings) risk measurement methods and methodology.

Components of sound risk management

Risk management refers to the coordinated set of activities to proactively identify and manage the many risks that can affect the Bank in its ability to achieve its objectives and in order to support the realisation of the Group strategy.

The KBC Risk Management Framework (RMF) sets strict governance and clear rules and procedures on how risk management should be performed throughout the Group. It also refers to a set of minimum standards and risk methods, processes and tools that all entities and risk-type specific RMF must adhere to for which Group Risk is primarily responsible.

In the risk management process, the process steps are not strictly sequential and interact with one another. The generic risk management process steps are dealt with in more detail under each risk type separately in the sections below.

Risk identification

Risk identification is the process of systematically and proactively discovering, recognising, assessing and describing risks, both within and outside KBC, that could negatively impact the Group's strategic objectives today and in the future. In addition to possible sources of risk, it also identifies their potential consequences and materiality for the Group. Risk identification ensures that the risk management covers all material risks the company is exposed to. For this purpose, robust processes have been set up that cover risk identification from different perspectives, including the Risk Scan, the 'New and Active Products Process' (NAPP) and risk signals.

The Risk Scan is a strategic group-wide exercise aimed at identifying and assessing financial and non-financial top risks, i.e. 'risks that keep managers awake at night' and that can significantly impact Group's business model. The identified top risks are used as input for the yearly financial planning process and for several risk management exercises, including risk appetite setting and stress testing.

The NAPP is a group-wide, highly formalised process to identify and mitigate all material risks related to new and existing products and services which may negatively impact the client. Within the Group, no client-facing products, processes and/or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the Group's risk profile.

The internal and external environment are scanned on a continuous basis and using all possible sources of information in order to detect events or changes that might or will impact the Group, either directly or indirectly. Risk signals are collected at all levels of the organisation and provide a summary of the risks identified and the potential impact for Group and, where possible, propose remedial action.

Risk measurement

Risk measurement aims to quantify the various risks that we are exposed to. Once risks have been identified, certain attributes can be assessed, such as impact, probability of occurrence, size of exposure, etc. with the help of risk measures. Each risk-type-specific framework provides an overview of the risk measures, both regulatory and internally defined, used within the Group.

Setting and cascading risk appetite

The Group's tolerance for risk is captured via the notion of 'risk appetite'. It helps us to better understand and manage risks by explicitly expressing – both qualitatively and quantitatively – how much and what kind of risk we want to take.

The ability to accept risk (risk-taking capacity) is limited both by financial constraints (available capital, liquidity, borrowing capacity, earnings-generating capacity, etc.), non-financial constraints (strategic ability, skills, legal constraints, etc.) and regulatory restrictions (e.g., regulatory floors on capital and liquidity ratios). The willingness to accept risk depends on the interests of the various stakeholders. A key component in defining risk appetite is therefore an understanding of the organisation's key stakeholders and their expectations.

Risk appetite is made explicit via the 'risk appetite statement' (RAS), which is produced at both Group and local level. The RAS reflects the view of the Board of Directors and top management on risk-taking in general, the acceptable level and composition of risks that ensure coherence with the desired return. The statement is built on risk appetite objectives that are directly linked to the corporate strategy and provides a qualitative description of the Group's playing field. The high-level risk appetite objectives are further detailed in a set of qualitative and quantitative statements for each of the different risk types. The long-term risk appetite is specified as High, Medium or Low based on the measures and thresholds described in the 'risk appetite underpinning exercise' performed for the main risk types. Lastly, risk appetite is translated into risk-type-specific group limits/targets, which are further cascaded down to the entities.

Risk analysis, reporting and follow-up

Risk analysis and reporting aim to give management transparency on the risk it is taking by ensuring a comprehensive, forward-looking and ex-post view of the changing risk profile and the context in which the Group operates.

In addition to internal reporting, external reports are prepared for the various stakeholders. As management is expected to take relevant action based on the risk analysis and risk reporting, the output should be complete, well balanced, easy to understand and focused on key messages/proposed actions. It is essential that the proposed actions are tailored to the relevant stakeholders.

Stress testing

Stress testing is a tool that supports the decision making process and encompasses various techniques used to assess the potential negative impact on Group's (financial) condition, caused by specific events and/or movements in risk factors ranging from plausible to exceptional or even extreme.

38.2 Credit risk

Credit risk is the risk of a potential loss expected to arise as a consequence of the non-payment or non-performance by an obligor (a borrower, guarantor, counterparty to a commercial transaction or issuer of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. The latter is also referred to as country risk.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations. The Bank monitors exposures in relation to these limits. The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. This includes also regular collateral revisions.

Since September 2012, the Bank is allowed by both Belgian and Czech banking regulators to use the IRB Advanced approach for the capital calculations of its non-retail (Corporate, non-retail SME, Banks, Non-Banking financial institutions) as well as retail exposures. As a result, credit risk is measured, monitored and managed based on the principles of this approach.

For the non-retail exposure (Corporate, non-retail SME, Banks, Non-Banking financial institutions), counterparty risk (i.e. default risk) is managed based on statistical default prediction models that establish a rating (PD / Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default).

For the retail exposures, statistical models have been developed for PD, LGD and EAD. Contrary to the non-retail exposure, where risk factors are determined on an individual basis, risk factors are determined in Retail based on risk-homogenous sets of exposure (so-called pools).

The model results are used for the capital calculation and for credit decision purposes too.

The Bank implemented a new default definition as of March 2020. This implementation is in line with relevant European and local regulations. The impacts of this implementation are, among other things, in the method of calculating days past due. Overdue days are newly defined as the number of consecutive days when the "arrears" of the client facility are continuous and simultaneously above both "materiality thresholds" (absolute threshold and relative materiality threshold).

The default is defined as a situation where at least one of the following conditions is met:

(i) it may be assumed that the customer will not fulfil its obligations in a proper and timely manner without ČSOB seeking to collect its outstanding receivable through credit protection,

(ii) at least one payment of the principal or interest and fees of any obligation of the customer towards ČSOB is more than 90 days past the due date.

At ČSOB, default status may occur when a forbearance measure-concession is granted. Forbearance measures are concessions towards a borrower who is facing or is about to face financial difficulties. Both conditions should be fulfilled. For more, see the section "Forbearance measures".

Non-retail exposure

Rating system: PD (Probability of Default)

The Bank manages its non-retail credit exposure by establishing counterparty limits that are based on individually assigned internal ratings. These ratings are based on IRB Advanced compliant statistical rating models that take into account financial and non-financial data. The individual PD rating is scaled according to the KBC master scale, which has 12 grades going from PD 1 - the best rating to PD 12, which is the worst.

PD 1 to PD 9 represent the performing exposures.

PD 10 contains: customers where the relevant Bank credit decision authority has judged the exposure to be "unlikely to pay" and none of the obligations are more than 90 days overdue and no Bank credit decision authority has judged the exposure to be 'partly or fully lost' without recourse to credit protection.

PD 11 represents customers, who have been overdue for 90 days or more, but not subject to bankruptcy proceeds yet.

PD 12 represents customers, where Bank credit decision authority has judged the exposure to be "partly or fully lost" without recourse to credit protection.

PD ratings are used not only for the measurement, monitoring and management of credit risk, but also to determine, among other things, the level at which a credit approval must be obtained, the required collateral and pricing.

The following table sets forth a breakdown of the Bank's risk categories, including the internal and external ratings, for non-retail exposure:

ČSOB risk categories for Non-retail exposure

Category	PD Rating	PD %	S&P's Rating	Stage	Performance	Impairment	Default
Normal	1-7	0.0-6.4	AAA - B	Stage 1/ Stage 2	Performing customers	Model based	Non-defaulted
Monitored	8-9	6.4-100	(B-) - C	Stage 1/ Stage 2	Performing customers	Model based	Non-defaulted
Uncertain	10	100	D	Stage 3	Non-performing customers	Model based/ Individually assessed	Defaulted
Doubtful	11	100	D	Stage 3	Non-performing customers	Model based/ Individually assessed	Defaulted
Irrecoverable	12	100	D	Stage 3	Non-performing customers	Model based/ Individually assessed	Defaulted

Individual Credit Processes

The individual approval, monitoring and work-out processes are subject to risk and capital management frameworks approved by the Group Risk Management (GRM) and/or the CRO but developed, maintained and implemented by the Credits departments in the Bank. These Credits departments are also responsible for the implementation of these frameworks in the day-to-day operations of the credit processes and for assuring that individual risk acceptance remains within the limits set by the risk appetite statement.

Application Process

The loan or credit application process for non-retail credit exposures involves three steps. Firstly, the employee maintaining the overall relationship with the customer prepares a credit application containing the credit request, the reason for the application and an analysis of the risks (including a financial analysis). Secondly, a credit risk advisor operating independently from the business line, who reports to the Credits department, provides a written non-binding advice. Thirdly, a decision is taken by the Credit Sanctioning Committee (CSC), the highest local decision taking body, or one of its sub-committees consisting of business line employees and employees in the Credits department above the certain threshold. The Committee adopts its decisions by consensus based on a draft decision formulated by the Chairman or Vice - Chairman.

Delegations are granted *ad personam*. The delegations are risk based and take into account the total exposure with respect to a customer or customer group.

All credit decisions must be taken according to the "four eyes principle", i.e. at least two persons with appropriate delegation authority need to be involved.

Individual Monitoring Process

An individual credit monitoring process is applicable to non-retail exposures (corporate, large non-retail SME). For small non-retail SME an automated behavioural monitoring process is being used. Credit exposures with a rating between PD 1 – 8 (non-retail SME) / PD 1 – 9 (corporate) are reviewed by the business function with the support of monitoring applications. Credit exposures with a rating between PD 9 – 12 (non-retail SME) / PD 10 – 12 (corporate) are reviewed by the Bad Debt department, which is a sub-department of the Credits Departments.

Regardless of the PD rating, a full credit application must be submitted to the applicable decision authority for a review at least once a year in accordance with the same application process as for the new exposures. Additionally, certain triggers lead to a more frequent review of credit applications. These triggers include breaches of contractual conditions (such as the breach of financial or non-financial covenants or the non-payment of fees, interest or principal), but also events that do not constitute a breach of contract such as a sudden unexpected change in management that could lead to a deterioration of the customer's financial situation.

In addition to the annual review process, commercial real estate finance, acquisition finance and project finance are subject to a quarterly review by the CSC, pursuant to which all major exposure is subject to a short review of its main credit risk characteristics. Based on the outcome of the general quarterly review, the CSC can take immediate action or request an early full review of the file.

Collective Monitoring Process

In addition to the required annual review process, a collective monitoring process is applied to non-retail SME customers. The monitoring of compliance by the customer with covenants specified in the relevant financing documentation is based on information provided by the customer in covenant compliance reports and financial statements. A breach of the internal thresholds and covenants specified in the financing documentation triggers the individual review process as described above.

Bad Debts Treatment

For both corporate and non-retail SME customers, the management of bad debts is the sole responsibility of the Bad Debt department. The credit customer relationship is transferred to the Bad Debt department when an exposure reaches a PD rating of 9 in the case of non-retail SME and PD rating of 10, in the case of corporate customers.

Retail exposure (Entrepreneurs, retail SMEs and Individuals)

Risk Categories

The following table sets forth a breakdown of the Bank's risk categories for retail exposure:

ČSOB risk categories for Retail exposure

Category	PD rating	Stage	Performance	Impairment	Default
Normal	n/a	Stage 1/ Stage 2	Performing	Model based	Non-defaulted
Monitored	n/a	Stage 1/ Stage 2	Performing	Model based	Non-defaulted
Uncertain	10	Stage 3	Non-performing	Model based	Defaulted
Doubtful	11	Stage 3	Non-performing	Model based	Defaulted
Irrecoverable	12	Stage 3	Non-performing	Model based	Defaulted

Application Process

The application process in the retail segment is based on the usage of application scorecards for new customers and behavioural scorecards for existing customers. For consumer finance products (personal unsecured loans, retail overdrafts and credit cards) decisions are fully automated based on scorecards in the vast majority of cases. Mortgage decisions are supported by scorecards but decision-taking is essentially manual.

The application process makes extensive use of several external credit bureau databases that include both positive and negative information.

Monitoring Process

The monitoring process in the retail segment is performed regularly by the relevant Credit Departments. It is based on aggregated data. It does not involve individual reviews and looks at the development of defaults and probability of default within different sub-portfolios and the development of Credit Cost Ratios within the different sub-portfolios.

Collection Process

The collection process in retail consists of two major phases: early collection and late collection. Early collection is generally based on a rapid succession of reminders (via a call centre or automated written notices) starting when any payment is few days overdue and may involve the restructuring of the loan. Late collection is focused on legal proceedings and the recovery of collateral.

Financial derivative instruments

Counterparty credit risk of derivative instruments, as foreign exchange derivatives and interest rate swaps, are determined as the sum of the (positive) current replacement cost (mark-to-market value) of an instrument and the potential future exposure (addon). For mitigation of the counterparty credit risk are used close-out netting and collateralization.

Credit-related commitments risk

The Bank provides guarantees and letters of credit on behalf of its customers, as a result of which the Bank may be required to make payments on such customers' behalf. Such payments are subsequently required to be reimbursed to ČSOB by the customer based on the terms of the underlying credit documentation. These guarantees expose the Bank to similar risks as loans and such risks are managed using the same credit risks control processes and policies.

The following two main commitment risks are treated as off-balance sheet within the Bank:

(i) *Undrawn but Committed Exposure*. This exposure arises when the Bank has a legal commitment to provide a borrower with a facility or credit when asked and such facility or credit has not yet been drawn. This type of exposure comprises to a large extent of short-term exposure, where the Bank's commitment has a duration equal to or shorter than one year.

(ii) *Off-Balance Sheet Products*. This exposure consists of bank guarantees and/or letters of credit. Off-balance sheet products are granted predominantly in the corporate segment and often consist of bid, performance or advance payment bonds for domestic construction companies.

Commitment risks expose the Bank to similar risks as loans and such risks are monitored and managed using the same credit risk control processes and policies.

The Bank manages credit risk in three major portfolios: Credit portfolio, Investment portfolio and Trading portfolio. Besides these there is a credit exposure connected with settlement activities (correspondent banking, settlement of receivables generated within system of electronic toll, which ČSOB administers for the Czech Government – e-Toll), where the risk is limited as counterparties are either highly rated banks, government institutions or entities with guarantees by highly rated banks.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position as at 31 December 2022 and 2021. The maximum exposure is shown as net carrying amount without taking account of any collateral and other credit enhancements.

	2022				
(CZKm)	Credits	Investment	Trading	Other assets	Total
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 14)	9,929	42,364	-	-	52,293
Financial assets held for trading (Note: 15)	-	33,130	58,535	-	91,665
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,322	-	-	1,322
Financial assets FVOCI (Note: 16)	1,827	29,412	-	-	31,239
Financial assets FVOCI pledged as collateral	-	72	-	-	72
Financial assets at AC	309,839	1,035,117	-	2,430	1,347,386
Financial assets at AC pledged as collateral	-	24,722	-	-	24,722
Fair value adjustments of the hedged items in portfolio hedge	-	(14,269)	-	-	(14,269)
Derivatives used for hedging	-	35,974	-	-	35,974
Other assets (Note: 23)	-	-	-	965	965
Total	321,595	1,187,844	58,535	3,395	1,571,369
Contingent liabilities (Note: 33)	46,974	6,733	-	329	54,036
Commitments – irrevocable (Note: 33)	134,526	3,763	-	-	138,289
Total	181,500	10,496	-	329	192,325
Total credit risk exposure	**503,095**	**1,198,340**	**58,535**	**3,724**	**1,763,694**

(CZKm)	2021 Credits	Investment	Trading	Other assets	Total
ASSETS					
Cash, balances with central banks and other demand deposits (Note: 14)	1,943	27,038	-	-	28,981
Financial assets held for trading (Note: 15)	-	18,916	37,341	-	56,257
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,410	-	-	1,410
Financial assets FVOCI (Note: 16)	1,949	31,606	-	-	33,555
Financial assets FVOCI pledged as collateral	-	221	-	-	221
Financial assets at AC	294,268	1,090,715	-	1,921	1,386,904
Financial assets at AC pledged as collateral	-	33,904	-	-	33,904
Fair value adjustments of the hedged items in portfolio hedge	-	(11,052)	-	-	(11,052)
Derivatives used for hedging	-	23,533	-	-	23,533
Other assets (Note: 23)	-	-	-	801	801
Total	298,160	1,216,291	37,341	2,722	1,554,514
Contingent liabilities (Note: 33)	44,841	7,943	-	328	53,112
Commitments – irrevocable (Note: 33)	130,878	667	-	-	131,545
Total	175,719	8,610	-	328	184,657
Total credit risk exposure	**473,879**	**1,224,901**	**37,341**	**3,050**	**1,739,171**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Set out below is an analysis of the maximum exposure to credit risk of the Bank before and after taking into account the collateral held:

	2022			2021		
(CZKm)	Gross maximum exposure	Financial effect of collateral	Net maximum exposure	Gross maximum exposure	Financial effect of collateral	Net maximum exposure
ASSETS						
Cash, balances with central banks and other demand deposits (Note: 14)	52,293	-	52,293	28,981	-	28,981
Financial assets held for trading (incl. assets pledged as collateral)	91,665	28,097	63,568	56,257	10,414	45,843
Financial derivatives	90,874	27,307	63,567	56,256	10,414	45,842
Financial assets other than derivatives	791	790	1	1	-	1
Non-trading financial assets mandatorily at fair value through profit or loss	1,322	-	1,322	1,410	-	1,410
Financial assets FVOCI (incl. assets pledged as collateral)	31,311	-	31,311	33,776	-	33,776
Financial assets at amortised cost (incl. assets pledged as collateral)	1,372,108	605,651	766,457	1,420,808	727,652	693,156
of which non-performing assets	*5,535*	*3,517*	*2,018*	*4,673*	*3,402*	*1,271*
Fair value adjustments of the hedged items in portfolio hedge	(14,269)	-	(14,269)	(11,052)	-	(11,052)
Derivatives used for hedging	35,974	380	35,594	23,533	259	23,274
Other assets (Note: 23)	965	-	965	801	-	801
Total	1,571,369	634,128	937,241	1,554,514	738,325	816,189
Contingent liabilities and commitments – irrevocable (Note: 33)	192,325	50,407	141,918	184,657	48,037	136,620
of which non-performing exposures	*587*	*383*	*204*	*527*	*327*	*200*
Total credit risk exposure	**1,763,694**	**684,535**	**1,079,159**	**1,739,171**	**786,362**	**952,809**

Set out below is an analysis of the non-performing exposure to credit risk of the Bank before and after taking into account the collateral held by type of the business:

(CZKm)	2022 Gross maximum exposure	2022 Financial effect of collateral	2022 Net maximum exposure	2021 Gross maximum exposure	2021 Financial effect of collateral	2021 Net maximum exposure
Non-performing exposures total						
Corporate	*3,549*	*2,260*	*1,289*	*2,716*	*2,077*	*639*
SME	*1,955*	*1,634*	*321*	*1,959*	*1,648*	*311*
Retail	*600*	*6*	*594*	*514*	*4*	*510*
Other	*18*	*-*	*18*	*11*	*-*	*11*
Total non-performing exposures	***6,122***	***3,900***	***2,222***	***5,200***	***3,729***	***1,471***

Financial effect of collateral represents a fair value of collateral received by the Bank against a credit exposure limited to the outstanding amount of the exposure.

The credit portfolio is structured according to the type of the business the Bank enters into:

2022 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**	Allowances	Provisions	**Net exposure**
Corporate	184,936	42,113	69,822	**296,871**	(3,408)	(523)	**292,940**
SME	97,114	5,158	51,823	**154,095**	(3,096)	(124)	**150,875**
Retail	37,064	-	13,102	**50,166**	(1,556)	(18)	**48,592**
Other	10,542	22	126	**10,690**	(1)	(1)	**10,688**
Total credits	**329,656**	**47,293**	**134,873**	**511,822**	**(8,061)**	**(666)**	**503,095**

2021 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**	Allowances	Provisions	**Net exposure**
Corporate	174,816	40,193	69,350	**284,359**	(3,119)	(210)	**281,030**
SME	93,494	4,800	49,184	**147,478**	(3,155)	(95)	**144,228**
Retail	35,159	-	12,391	**47,550**	(1,547)	(16)	**45,987**
Other	2,513	12	111	**2,636**	(1)	(1)	**2,634**
Total credits	**305,982**	**45,005**	**131,036**	**482,023**	**(7,822)**	**(322)**	**473,879**

The following tables show a reconciliation of the allowances for impairment losses, incl. management overlay as part of Stage 2, on credit portfolio for 2021 and 2022 by classes of financial instruments:

(CZKm)	Corporate	SME	Retail	Other	Total
At 1 January 2021	**3,868**	**4,890**	**1,747**	**18**	**10,523**
Stage 1					
At 1 January 2021	**264**	**167**	**150**	**1**	**582**
Origination and acquisition	71	60	76	-	207
Change in credit risk not leading to stage transfers	(133)	(8)	(85)	(1)	(227)
Change in credit risk leading to stage transfer	2	(4)	(4)	-	(6)
Modification without derecognition	-	-	(3)	-	(3)
Derecognition	-	(21)	(32)	-	(53)
Foreign currency translation	(4)	-	54	-	50
At 31 December 2021	**200**	**194**	**156**	**-**	**550**
Origination and acquisition	164	53	55	-	272
Change in credit risk not leading to stage transfers	(19)	(10)	(40)	-	(69)
Change in credit risk leading to stage transfer	(19)	(87)	(34)	-	(140)
Modification without derecognition	-	-	(2)	-	(2)
Derecognition	-	(23)	(21)	-	(44)
Foreign currency translation	1	-	-	-	1
At 31 December 2022	**327**	**127**	**114**	**-**	**568**
Stage 2					
At 1 January 2021	**1,154**	**2,220**	**846**	**3**	**4,223**
Origination and acquisition	-	-	-	-	-
Change in credit risk not leading to stage transfers	(533)	(1,313)	(124)	(2)	(1,972)
Change in credit risk leading to stage transfer	(13)	31	24	-	42
Modification without derecognition	-	(10)	2	-	(8)
Derecognition	-	(57)	(28)	-	(85)
Foreign currency translation	6	(2)	(151)	-	(147)
At 31 December 2021	**614**	**869**	**569**	**1**	**2,053**
Origination and acquisition	-	-	-	-	-
Change in credit risk not leading to stage transfers	(29)	8	(171)	-	(192)
Change in credit risk leading to stage transfer	350	398	222	-	970
Modification without derecognition	-	(9)	2	-	(7)
Derecognition	-	(44)	(21)	-	(65)
Foreign currency translation	(40)	-	-	-	(40)
At 31 December 2022	**895**	**1,222**	**601**	**1**	**2,719**

Stage 3					
At 1 January 2021	**2,443**	**2,457**	**749**	**14**	**5,663**
Origination and acquisition	-	-	-	-	-
Change in credit risk not leading to stage transfers	(417)	(16)	43	27	(363)
Change in credit risk leading to stage transfer	292	140	273	41	746
Modification without derecognition	-	51	71	-	122
Derecognition	-	(201)	(46)	-	(247)
Write-offs	(12)	(362)	(272)	(82)	(728)
Foreign currency translation	(1)	(3)	-	-	(4)
At 31 December 2021	**2,305**	**2,066**	**818**	**-**	**5,189**
Origination and acquisition	-	-	-	-	-
Change in credit risk not leading to stage transfers	(841)	(190)	2	-	(1,029)
Change in credit risk leading to stage transfer	1,014	224	254	-	1,492
Modification without derecognition	-	23	70	-	93
Derecognition	-	(152)	(49)	-	(201)
Write-offs	(300)	(249)	(261)	-	(810)
Foreign currency translation	8	(2)	-	-	6
At 31 December 2022	**2,186**	**1,720**	**834**	**-**	**4,740**
POCI					
At 1 January 2021	**7**	**46**	**2**	**-**	**55**
Change in credit risk not leading to stage transfers	(3)	3	2	-	2
Change in credit risk leading to stage transfer	-	(6)	-	-	(6)
Derecognition	-	(7)	-	-	(7)
(Write-offs) / recoveries	(4)	(10)	-	-	(14)
At 31 December 2021	**-**	**26**	**4**	**-**	**30**
Change in credit risk not leading to stage transfers	2	7	6	-	15
Change in credit risk leading to stage transfer	-	(1)	(1)	-	(2)
Derecognition	-	(2)	(1)	-	(3)
(Write-offs) / recoveries	(2)	(3)	(1)	-	(6)
At 31 December 2022	**-**	**27**	**7**	**-**	**34**

In 2022 and 2021, the most significant changes in gross carrying amount of credit exposures that have an impact on ECL allowance include: origination and acquisition of new assets, changes in credit risk leading to transfers between stages (Note: 17), derecognition of loans and write-offs.

The following table shows a consistence of the movements of expected credit losses with the impairment losses as reported in the consolidated statement of income:

(CZKm)	2022	2021
Balance of allowances for credit losses at 1 January	7,822	10,523
Balance of allowances for credit losses at 31 December	8,061	7,822
Net increase / (decrease) of allowances for credit losses for the year	**239**	**(2,701)**
Adjusted for:		
Write-offs	812	720
Recoveries	(431)	(432)
Sales of loans	4	22
Foreign currency translation	33	101
Net impairment losses / (gains) as reported in the statement of income	**657**	**(2,290)**

An industry sector analysis of the Bank's Credit portfolio, before taking into account any collateral held or other credit enhancements, is as follows:

	2022		2021	
Sector	Granted exposure (CZKm)	Percentage of total exposure	Granted exposure (CZKm)	Percentage of total exposure
Distribution	82,924	16.1	79,363	16.4
Commercial Real Estate	67,893	13.3	58,185	12.1
Services	56,130	11.0	55,945	11.6
Building and Construction	49,629	9.7	47,003	9.8
Private persons	47,249	9.2	44,828	9.3
Automotive	35,752	7.0	32,501	6.7
Oil, Gas and other Fuels	21,790	4.3	20,617	4.3
Finance and Insurance	20,448	4.0	11,852	2.5
Machinery and Heavy Equipment	18,609	3.6	15,814	3.3
Metals	15,707	3.1	14,905	3.1
Authorities	15,699	3.1	17,416	3.6
Agriculture, farmers and fishing	11,337	2.2	11,349	2.4
Electrotechnics	8,739	1.7	8,239	1.7
Media	6,415	1.3	6,928	1.4
Electricity	6,317	1.2	6,253	1.3
Beverages	6,252	1.2	7,414	1.5
Other sectors	40,932	8.0	43,411	9.0
Total	**511,822**	**100.0**	**482,023**	**100.0**

The investment portfolio is structured according to the type of the instrument:

2022 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	Cumulative impairment loss	**Granted exposure**
Debt securities	597,149	-	-	(72)	**597,077**
Loans and receivables within investment portfolio	479,304	6,733	3,763	(5)	**489,795**
Derivatives used for hedging	35,974	-	-	-	**35,974**
Derivatives held for trading	33,130	-	-	-	**33,130**
Cash, balances with central banks and other demand deposits	42,364	-	-	-	**42,364**
Total investment	**1,187,921**	**6,733**	**3,763**	**(77)**	**1,198,340**

2021 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	Cumulative impairment loss	**Granted exposure**
Debt securities	538,659	-	-	(69)	**538,590**
Loans and receivables within investment portfolio	608,218	7,943	667	(4)	**616,824**
Derivatives used for hedging	23,533	-	-	-	**23,533**
Derivatives held for trading	18,916	-	-	-	**18,916**
Cash, balances with central banks and other demand deposits	27,038	-	-	-	**27,038**
Total investment	**1,216,364**	**7,943**	**667**	**(73)**	**1,224,901**

The following tables show a reconciliation of the allowances for impairment losses on investment portfolio for 2021 and 2022 by classes of financial instruments:

(CZKm)	Debt securities: Financial assets FVOCI	Debt securities: Financial assets at amortised cost	Total
Stage 1			
At 1 January 2021	**6**	**62**	**68**
Change in credit risk not leading to stage transfers	(1)	6	5
At 31 December 2021	**5**	**68**	**73**
Change in credit risk not leading to stage transfers	-	4	4
At 31 December 2022	**5**	**72**	**77**
Stage 2			
At 1 January 2021	**-**	**-**	**-**
Change in credit risk not leading to stage transfers	-	-	-
At 31 December 2021	**-**	**-**	**-**
Change in credit risk not leading to stage transfers	-	-	-
At 31 December 2022	**-**	**-**	**-**

The investment portfolio is monitored from a counterparty sector point of view:

Sector	2022 Granted exposure (CZKm)	2022 Percentage of total exposure	2021 Granted exposure (CZKm)	2021 Percentage of total exposure
Central banks	503,239	42.0	616,556	50.3
General government	267,120	22.3	227,442	18.6
Credit institutions	388,947	32.4	345,897	28.2
Corporate	39,034	3.3	35,006	2.9
Total investment	**1,198,340**	**100.0**	**1,224,901**	**100.0**

The trading portfolio is structured according to the type of the instrument:

2022 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**
Loans and advances	791	-	-	791
Derivatives held for trading	57,744	-	-	57,744
Total trading portfolio	**58,535**	**-**	**-**	**58,535**

2021 (CZKm)	Outstanding gross amount	Contingent liabilities gross	Credit commitments gross	**Granted exposure**
Loans and advances	1	-	-	1
Derivatives held for trading	37,340	-	-	37,340
Total trading portfolio	**37,341**	**-**	**-**	**37,341**

The trading portfolio is monitored from counterparty sector point of view:

Sector	2022 Granted exposure (CZKm)	2022 Percentage of total exposure	2021 Granted exposure (CZKm)	2021 Percentage of total exposure
Credit institutions	56,046	95.7	34,746	93.1
Corporate	2,489	4.3	2,595	6.9
Total trading portfolio	**58,535**	**100.0**	**37,341**	**100.0**

Risk concentrations of the maximum exposure to credit risk

The concentration of risk is managed by geographical region, industry and by client/counterparty. The Bank's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2022		2021	
(CZKm)	Total risk	of which General government	Total risk	of which General government
Czech Republic	1,605,049	271,053	1,617,716	224,252
Belgium	104,931	-	58,647	-
Slovak Republic	11,033	3,386	13,816	6,592
Hungary	1,636	-	1,609	-
Spain	1,496	-	1,442	-
Belarus	744	-	1,050	-
Ukraine	214	-	248	-
Russia	91	-	506	-
Italy	16	-	12	-
Greece	1	-	2	-
Other Europe	31,179	2,972	35,902	6,353
Other	7,304	-	8,221	-
Total	**1,763,694**	**277,411**	**1,739,171**	**237,197**

Credit risk exposures of the Bank towards the countries are reported before taking into account of collateral. Gross credit exposure to Belarus, Russia and Ukraine amounts to CZK 1,049 m at 31 December 2022 (31 December 2021: CZK 1,804 m). If collaterals, guarantees and other credit enhancements received by the Bank to limit the exposure are taken into account, then the net unsecured exposure to Belarus, Russia and Ukraine decreases to CZK 215 m at 31 December 2022 (31 December 2021: CZK 658 m).

Client concentration is monitored on the level of individual portfolios. In the credit portfolio the exposure towards groups of economically connected subjects are monitored:

	2022		2021	
Client	Granted exposure (CZK m)	% of total credit portfolio	Granted exposure (CZK m)	% of total credit portfolio
1 largest client	10,479	2.0	9,605	2.0
10 largest clients	70,425	13.8	67,996	14.1
25 largest clients	117,531	23.0	112,587	23.4

The largest exposures to single clients in the investment portfolio as at 31 December 2022 and 31 December 2021 were:

	2022		2021	
Client	Granted exposure (CZK m)	% of total investment portfolio	Granted exposure (CZK m)	% of total investment portfolio
CNB	503,058	42.0	616,556	50.3
Hypoteční banka	329,946	27.5	311,258	25.4
Czech Ministry of Finance (S&P's rating AA)	260,764	21.8	214,498	17.5

The largest exposures to single clients in the trading portfolio as at 31 December 2022 and 31 December 2021 were:

	2022		2021	
Client	Granted exposure (CZK m)	% of total trading portfolio	Granted exposure (CZK m)	% of total trading portfolio
KBC Bank	37,649	64.3	23,410	62.7

Exposures to counter parties by risk rating class in the investment and trading portfolio as at 31 December 2022 and 31 December 2021 were:

Rating (S&P)	2022 Granted exposure (CZK m)	2022 % of total portfolio	2021 Granted exposure (CZK m)	2021 % of total portfolio
Investment portfolio				
AAA up to and including A-	837,767	69.9	884,475	72.2
BBB+ up to and including BB-	2,543	0.2	1,779	0.1
Unrated	358,030	29.9	338,647	27.7
Total	**1,198,340**	**100.0**	**1,224,901**	**100.0**
Trading portfolio				
AAA up to and including A-	49,145	84.0	30,565	81.9
BBB+ up to and including BB	7,643	13.0	5,757	15.4
Unrated	1,747	3.0	1,019	2.7
Total	**58,535**	**100.0**	**37,341**	**100.0**

Included in the item unrated, there are loans granted to the ČSOB's subsidiaries Hypoteční banka, ČSOB Leasing and ČSOB Factoring, as well as securities issued by these companies held by the Bank as part of the investment portfolio.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, pledges over real estate properties, trade receivables and inventory;
- For retail lending, pledges over residential properties are used for mortgage financing.

The Bank complies with CNB recommendation regarding retail loans secured by residential properties. The Bank continuously monitors the market value of all collateral, monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses and requests additional collateral in accordance with the underlying agreement when necessary. The amount of collateral reported for an individual receivable does not exceed the carrying amount of the receivable.

Within concluding derivatives transaction to hedge counterparty’s risk the Bank uses Master netting agreements and collateralisation annex (i.e. CSA or its equivalents).

Impairment assessment

The Bank complies with the IFRS 9 accounting standard and as a result uses the expected credit loss model methodology to calculate its impairments.

The portfolio can be divided into three stages while the main considerations for stage allocation include whether there has been a significant increase in credit risk since initial recognition, any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, worsening of their credibility reflected by credit rating downgrades or infringement of the original terms of the contract.

A symmetric 5-tier waterfall staging approach was developed to assess whether there has been a significant increase in credit risk since initial recognition triggering transfer to stage 2. The five tiers are following:

1. Increase of internal rating (mapped to Basel probability of default) by 2 notches or more since initial recognition, for Retail exposures 400% increase of probability of default being equivalent of 2 notches;
2. The exposure is forborne;
3. The exposure is more than 30 days past due;
4. The internal PD rating is 9 or its equivalent for Retail exposures;
5. Collective assessment – manual expert judgement based on forward looking information not captured by PD models such as social, political, regional, economic conditions.

A default event triggers transfer directly to stage 3.

The Bank takes the advantage of low credit risk exemption for its debt securities in the Treasury and ALM portfolios, i.e. all such exposures internally rated PD1 - PD3 stay in stage 1.

The accounting standard introduced also staging rules for purchased or originated credit impaired (so called POCI) assets which upon cure event move from stage 3 to stage 2, but may never transfer to stage 1. This concerns also modified financial assets in case the modification resulted into derecognition of the original asset and recognition of a new forborne asset.

The expected credit loss (impairment) is calculated on 12-month basis for stage 1 and on lifetime basis for stage 2 and stage 3.

Various IFRS 9 models were developed within the Bank for certain combinations of products and types of counterparty to arrive at the impairment as a sum of discounted products of IFRS 9 Probability of default (PD), Exposure at default (EAD), and Loss given default (LGD) adjusted for survival factor across the 12 months or lifetime to maturity for stage 1 or stage 2 and stage 3, respectively. The final impairment is a weighted sum of calculated impairments resulting from three different macroeconomic scenarios.

A sensitivity analysis of the impact of these multiple economic scenarios on the collectively calculated ECL (i.e. without the ECL on individually assessed files of CZK 3,185 m at year-end 2022 and CZK 3,270 m in 2021), shows that the base scenario results in an ECL of CZK 4,612 m (CZK 4,604 in 2021), which is CZK 822 m lower than the "down"-scenario (CZK 547 m in 2021) and CZK 105 m higher than the "up"-scenario (CZK 227 m in 2021). The collectively calculated weighted ECL results (which was booked) amounts to CZK 4,894 m (CZK 4,636 m in 2021). Note that these amounts take into account the management overlay (per scenario) (Note: 2.2).

Different macroeconomic factors are taken into consideration and the Bank applies three scenarios to evaluate a range of possible outcomes. The macroeconomic variables include GDP growth, the unemployment rate, policy interest rates, the exchange rate, government bond yields, house prices and inflation.

Management has the possibility to reflect its expertise in the final result of the impairment numbers in the exceptional case that the model-based calculation does not result in relevant and reliable impairment amounts based on available forward looking information.

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

Quality of credit portfolio

The Bank sorts exposures into five categories for the purpose of credit risk management. The table below shows the credit quality by class of asset for loan-related statement of financial position lines (in gross amounts), based on the Bank's credit rating system as at 31 December 2022 and 2021:

Credit portfolio	2022					
	Non-defaulted assets		Defaulted assets			Total
(CZKm)	Normal	Monitored	Uncertain	Doubtful	Irrecoverable	
Corporate	165,936	55,513	3,453	1,240	907	227,049
SME	69,442	29,119	2,208	211	1,292	102,272
Retail	30,334	5,291	517	154	768	37,064
Other	10,529	16	7	-	12	10,564
Total	**276,241**	**89,939**	**6,185**	**1,605**	**2,979**	**376,949**

Credit portfolio	2021					
	Non-defaulted assets		Defaulted assets			Total
(CZKm)	Normal	Monitored	Uncertain	Doubtful	Irrecoverable	
Corporate	194,565	15,639	3,740	-	1,064	215,008
SME	78,722	15,517	2,353	207	1,496	98,295
Retail	31,415	2,410	406	148	781	35,160
Other	2,512	-	-	-	12	2,524
Total	**307,214**	**33,566**	**6,499**	**355**	**3,353**	**350,987**

Loan portfolio breakdown by risk class (in gross amounts) based on internal rating scale:

	2022			2021		
(CZKm)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Non-defaulted assets						
PD 1 (default probability 0:00% - 0.10%)	27,010	651	-	24,588	7	-
PD 2 (0.10% - 0.20%)	28,118	4,123	-	37,040	90	-
PD 3 (0.20% - 0.40%)	46,358	3,065	-	53,111	105	-
PD 4 (0.40% - 0.80%)	64,542	9,816	-	67,250	1,914	-
PD 5 (0.80% - 1.60%)	65,455	25,022	-	63,856	5,016	-
PD 6 (1.60% - 3.20%)	42,743	14,742	-	45,217	8,963	-
PD 7 (3.20% - 6.40%)	1,670	19,098	-	13,010	6,801	-
PD 8 (6.40% - 12.80%)	280	6,578	-	3,022	5,948	-
PD 9 (> 12.80%)	37	6,839	-	118	4,692	-
Unrated	28	5	-	2	30	-
Defaulted assets						
PD 10	-	-	6,186	-	-	6,499
PD 11	-	-	1,605	-	-	355
PD 12	-	-	2,978	-	-	3,353
Total	**276,241**	**89,939**	**10,769**	**307,214**	**33,566**	**10,207**

Investment portfolio	2022			
	Non-defaulted assets		Defaulted assets	Total
(CZKm)	Normal	Monitored	Irrecoverable	
Debt securities	595,060	2,017	-	597,077
Loans and receivables within investment portfolio	489,795	-	-	489,795
Derivatives used for hedging	35,974	-	-	35,974
Derivative contracts held for trading	33,130	-	-	33,130
Cash, balances with central banks and other demand deposits	42,364	-	-	42,364
Total	**1,196,323**	**2,017**	**-**	**1,198,340**

Investment portfolio	2021			
	Non-defaulted assets		Defaulted assets	Total
(CZKm)	Normal	Monitored	Irrecoverable	
Debt securities	538,520	70	-	538,590
Loans and receivables within investment portfolio	616,824	-	-	616,824
Derivatives used for hedging	23,533	-	-	23,533
Derivative contracts held for trading	18,916	-	-	18,916
Cash, balances with central banks and other demand deposits	27,038	-	-	27,038
Total	**1,224,831**	**70**	**-**	**1,224,901**

Trading portfolio	2022		
	Non-defaulted assets	Defaulted assets	Total
(CZKm)	Normal	Irrecoverable	
Loans and advances	791	-	791
Derivative contracts held for trading	57,744	-	57,744
Total	**58,535**	**-**	**58,535**

Trading portfolio	2021		
	Non-defaulted assets	Defaulted assets	Total
(CZKm)	Normal	Irrecoverable	
Loans and advances	1	-	1
Derivative contracts held for trading	37,340	-	37,340
Total	**37,341**	**-**	**37,341**

The table below shows a credit quality analysis of gross exposures of performing financial assets in the Credit portfolio:

(CZKm)	2022 Neither past due nor defaulted	2022 Past due (< 30 days) but not defaulted	2022 Past due (> 30 days) but not defaulted	2021 Neither past due nor defaulted	2021 Past due (< 30 days) but not defaulted	2021 Past due (> 30 days) but not defaulted
Corporate	221,441	7	-	170,271	-	-
SME	98,178	313	70	89,303	154	27
Retail	35,133	389	103	33,471	300	54
Other	10,545	-	-	2,513	-	-
Total	**365,297**	**709**	**173**	**295,558**	**454**	**81**

Performing assets reported within neither past due nor defaulted consist of Normal risk category assets based on the Bank's credit rating system.

There were no past due but not impaired assets in the Investment and Trading portfolios.

Gross amounts of non-performing financial assets included in the credit portfolio and the related impairment are as follows:

(CZKm)	2022 Gross amount	2022 Impairment	2021 Gross amount	2021 Impairment
Credit portfolio				
Corporate	5,600	2,467	4,804	2,447
SME	3,711	1,757	4,056	2,097
Retail	1,439	839	1,335	821
Other	19	1	12	1
Total	**10,769**	**5,064**	**10,207**	**5,366**

There are no individually impaired financial assets included in the investment portfolio.

Forbearance measures

Forbearance measure is concession towards a borrower who is facing or is about to face financial difficulties. Both conditions should be fulfilled. Contracts for which forbearance measures have been taken and for which the exit criteria are not fulfilled are referred to as "Forborne credits". Such an approach enables the Bank to control and limit potential future losses stemming from troubled credits.

In the context of IFRS 9, a forbearance measure is considered as a significant increase in credit risk. Therefore, a forborne tag always leads to a transfer of the file to stage 2 (in case of non-default) or stage 3 (in case of default). Consequently, impairment is measured at an amount equal to lifetime expected credit losses instead of 12-month expected credit losses, while the forborne tag is attached.

The minimum probation period for forbearance measures is 2 years after the date the forborne facility has been considered as non-default. However, according to the default definition, a client/facility remains in default at least 1 year, which brings in that case the total minimum probation period to 3 years.

COVID-19 related concessions provided under public and private moratoria schemes (e.g. imposed by Czech government in the form of the law) were not considered as forborne facilities in line with Czech National Bank expectations and in line with European Banking Authority guidelines.

Outstanding gross amounts and gross amounts of forborne exposures included in the credit portfolio and the related impairment and collateral and financial guarantees as at 31 December 2022 and 2021 are as follows:

	2022				
		Forborne exposures			
(CZKm)	Outstanding gross amount	Total exposure	Percentage of outstanding gross amount (%)	Total impairment	Collateral and financial guarantees
Corporate	184,936	2,963	1.60	1,180	1,643
SME	97,114	1,824	1.88	789	823
Retail	37,064	972	2.62	284	2
Other	10,542	-	0.00	-	-
Total	**329,656**	**5,759**	**1.75**	**2,253**	**2,468**

	2021				
		Forborne exposures			
(CZKm)	Outstanding gross amount	Total exposure	Percentage of outstanding gross amount (%)	Total impairment	Collateral and financial guarantees
Corporate	174,816	5,441	3.11	1,571	2,769
SME	93,494	5,193	5.55	1,080	3,262
Retail	35,159	1,064	3.03	252	4
Other	2,512	-	0.00	-	-
Total	**305,981**	**11,698**	**3.82**	**2,903**	**6,035**

Detail analysis of forborne exposures included in the credit portfolio and the related impairment as at 31 December 2022 and 2021 are as follows:

	2022				
(CZKm)	Non-defaulted exposure	Of which past due	Defaulted exposure	Impairment of defaulted exposure	Impairment of non-defaulted exposure
Corporate	468	-	2,495	1,175	5
SME	146	4	1,678	775	14
Retail	444	13	528	262	22
Other	-	-	-	-	-
Total	**1,058**	**17**	**4,701**	**2,212**	**41**

	2021				
(CZKm)	Non-defaulted exposure	Of which past due	Defaulted exposure	Impairment of defaulted exposure	Impairment of non-defaulted exposure
Corporate	2,003	-	3,438	1,529	42
SME	3,136	14	2,057	978	102
Retail	659	31	405	199	53
Other	-	-	-	-	-
Total	**5,798**	**45**	**5,900**	**2,706**	**197**

The following table shows a reconciliation of Gross amounts of forborne exposure for 2022 and 2021 by classes of financial instruments:

(CZKm)	Corporate	SME	Retail	Other	Total
At 1 January 2021	**5,932**	**5,859**	**873**	**29**	**12,693**
Loans which have become forborne	890	471	449	-	1,810
Loans which are no longer considered to be forborne	(1,111)	(571)	(165)	-	(1,847)
Increase of exposure	447	51	2	-	500
Decrease of exposure	(717)	(617)	(95)	(29)	(1,458)
At 31 December 2021	**5,441**	**5,193**	**1,064**	**-**	**11,698**
Loan which have become forborne	1,079	266	433	-	1,778
Loans which are no longer considered to be forborne	(2,883)	(3,394)	(452)	-	(6,729)
Increase of exposure	37	8	3	-	48
Decrease of exposure	(711)	(249)	(76)	-	(1,036)
At 31 December 2022	**2,963**	**1,824**	**972**	**-**	**5,759**

The following table shows a reconciliation of Impairments of forborne exposures for 2022 and 2021 by classes of financial instruments:

(CZKm)	Corporate	SME	Retail	Other	Total
At 1 January 2021	**1,490**	**1,276**	**179**	**4**	**2,949**
Loans which have become forborne	284	115	105	-	504
Loans which are no longer considered to be forborne	(90)	(170)	(29)	-	(289)
Increase of exposure	124	186	43	-	353
Decrease of exposure	(237)	(327)	(46)	(4)	(614)
At 31 December 2021	**1,571**	**1,080**	**252**	**-**	**2,903**
Loan which have become forborne	577	86	95	-	758
Loans which are no longer considered to be forborne	(814)	(232)	(53)	-	(1,099)
Increase of exposure	36	42	45	-	123
Decrease of exposure	(190)	(187)	(55)	-	(432)
At 31 December 2022	**1,180**	**789**	**284**	**-**	**2,253**

38.3 Liquidity risk and funding management

Liquidity risk is the risk that the Bank will not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without normal business operations being disrupted. Liquidity and funding are managed centrally in the Group. To align internal management approach with regulatory view, the Group established, following approval of ČNB, a liquidity subgroup as laid down by Capital Requirements Regulation (CRR). The liquidity subgroup comprised ČSOB and Hypoteční banka, with ČSOB Stavební spořitelna having joined as of June 2021. To limit this risk, the Group pays significant attention to both operational and strategic liquidity management.

Operational Liquidity Management

The aim of operational liquidity management is to ensure the smooth processing of the Bank's current payment obligations in CZK as well as in other currencies while minimizing associated cost. Operational liquidity is based on cash flow projections with an outlook of up to ten working days for CZK and one day for other currencies.

Funding Management

The actual development of liquidity might vary from ALM's liquidity prediction. The Bank can address an adverse liquidity development in several ways. Most typically, the Bank would adjust its investment policy, i.e. decrease the percentage of liabilities reinvested in a cash form and use the liquidity from maturing bonds for other purposes. In the event of a more sudden decrease of liquidity, the Bank can borrow via repo operations on the market or use regulatory repo facilities (in the ČNB or ECB). The capacity and readiness to withstand adverse liquidity development is regularly reviewed by the means of stress tests.

Starting from October 2015 the Bank reports on Liquidity Coverage Ratio (LCR), which compares available liquidity buffers to expected net cash outflows within the 30 day horizon under gravely stressed conditions.

Starting from June 2021 LCR is not monitored and reported at Bank level. Monitoring and regulatory reporting is executed at Liquidity subgroup level (ČSOB, HB and ČSOBS).

The LCR ratio is regularly monitored and reported to the regulator and top management of the Bank.

Strategic Liquidity Management

The aim of strategic liquidity management is to provide sufficient funding for the Bank's business activities in the medium- and long-term horizon. For the strategic liquidity management, the Bank uses 'E-NSFR', KBC Group adjusted the net-stable-funding-ratio (NSFR) which is defined as a ratio of available stable funding (numerator) to required stable funding (denominator). It has been developed by KBC Group to better reflect ČSOB's business and penalize funding concentrations in order for the ratio to provide a better picture about funding profile's stability. The strategy of the Bank is to maintain the value of the E-NSFR well above one. That means the Bank aims to maintain matched funding, i.e. to ensure that long-term assets are funded by stable liabilities (contractually or statistically), while short-term liabilities are used for the funding of assets that are short-term and/or liquid.

Both E-NSFR and NSFR are monitored on a monthly basis and regularly reported to the top management of the Group. NSFR is also quarterly reported to the regulator. Both E-NSFR and NSFR are not monitored at Bank level.

In addition to internally defined limits, the Bank must also comply with a regulatory limit on the basis of mandatory minimum reserve deposited with CNB. The limit presently equals to 2% of customer deposits.

Analysis of financial liabilities by remaining contractual maturity

The tables below summarise the contractual maturity profile of the Bank's financial liabilities based on the contractual undiscounted repayment obligations (outflows shown as negative; inflows as positive).

The following table sets out the financial liabilities of the Bank by remaining contractual maturity as at 31 December 2022:

(CZKm)	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Financial liabilities					
Financial liabilities held for trading other than financial derivatives	-	(2,261)	-	-	(2,261)
Financial liabilities designated at fair value through profit or loss	-	(7,864)	(14,620)	(4,964)	(27,448)
Financial liabilities at amortised cost	(871,917)	(541,666)	(42,562)	(23,697)	(1,479,842)
Fair value adjustments of the hedged items in portfolio hedge	32,140	-	-	-	32,140
Lease liabilities	-	(605)	(1,920)	(1,044)	(3,569)
Other liabilities (Note: 26)	-	(5,644)	-	-	(5,644)
Contractual cash flows excluding derivatives	**(839,777)**	**(558,040)**	**(59,102)**	**(29,705)**	**(1,486,624)**
Net settled derivatives	**-**	**(46,901)**	**(65,808)**	**(17,127)**	**(129,836)**
Trading derivatives	-	(26,987)	(40,655)	(13,127)	(80,769)
Hedging derivatives	-	(19,914)	(25,153)	(4,000)	(49,067)
Gross settled derivatives	**-**	**(13,171)**	**(8,500)**	**(867)**	**(22,538)**
Trading derivatives	-	(13,171)	(8,500)	(867)	(22,538)
Inflows	-	*306,160*	*67,948*	*6,374*	*380,482*
Outflows	-	*(319,331)*	*(76,448)*	*(7,241)*	*(403,020)*
Hedging derivatives	-	-	-	-	-
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
Contractual cash flows from derivatives	**-**	**(60,072)**	**(74,308)**	**(17,994)**	**(152,374)**
Contractual cash flows from financial liabilities	**(839,777)**	**(618,112)**	**(133,410)**	**(47,699)**	**(1,638,998)**
Loan commitments – irrevocable (note 33)	(138,637)	-	-	-	(138,637)
Loan commitments – revocable (note 33)	(69,695)	-	-	-	(69,695)
Financial guarantees (note 33)	(52,281)	-	-	-	(52,281)
Other commitments (note 33)	(2,074)	-	-	-	(2,074)
Contractual cash flows from contingent liabilities	**(262,687)**	**-**	**-**	**-**	**(262,687)**

The following table sets out the financial liabilities of the Bank by remaining contractual maturity as at 31 December 2021:

(CZKm)	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Financial liabilities					
Financial liabilities held for trading other than financial derivatives	-	(701)	-	-	(701)
Financial liabilities designated at fair value through profit or loss	-	(9,875)	(11,637)	(5,638)	(27,150)
Financial liabilities at amortised cost	(942,631)	(491,475)	(14,375)	(22,875)	(1,471,352)
Fair value adjustments of the hedged items in portfolio hedge	22,731	-	-	-	22,731
Lease liabilities	-	(500)	(1,682)	(1,209)	(3,391)
Other liabilities (Note: 26)	-	(3,538)	-	-	(3,538)
Contractual cash flows excluding derivatives	**(919,900)**	**(506,089)**	**(27,690)**	**(29,722)**	**(1,483,401)**
Net settled derivatives	**-**	**(24,342)**	**(49,841)**	**(8,043)**	**(82,226)**
Trading derivatives	-	(15,948)	(31,142)	(5,087)	(52,177)
Hedging derivatives	-	(8,394)	(18,699)	(2,956)	(30,049)
Gross settled derivatives	**-**	**(8,235)**	**(1,519)**	**(197)**	**(9,951)**
Trading derivatives	-	(8,261)	(1,578)	(197)	(10,036)
Inflows	-	*255,967*	*85,651*	*8,878*	*350,496*
Outflows	-	*(264,228)*	*(87,229)*	*(9,075)*	*(360,532)*
Hedging derivatives	-	25	59	-	84
Inflows	-	*2,878*	*1,097*	-	*3,975*
Outflows	-	*(2,853)*	*(1,038)*	-	*(3,891)*
Contractual cash flows from derivatives	**-**	**(32,577)**	**(51,360)**	**(8,240)**	**(92,177)**
Contractual cash flows from financial liabilities	**(919,900)**	**(538,666)**	**(79,050)**	**(37,962)**	**(1,575,578)**
Loan commitments – irrevocable (note 33)	(131,704)	-	-	-	(131,704)
Loan commitments – revocable (note 33)	(53,635)	-	-	-	(53,635)
Financial guarantees (note 33)	(50,777)	-	-	-	(50,777)
Other commitments (note 33)	(2,499)	-	-	-	(2,499)
Contractual cash flows from contingent liabilities	**(238,615)**	**-**	**-**	**-**	**(238,615)**

The maturity of contingent liabilities and commitments is on demand. This represents the undiscounted cash flows of the Bank's contingent liabilities and commitments on the basis of their earliest possible contractual maturity. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The liquidity risk of the Bank is not managed based on the remaining contractual maturities of the financial instruments, as such the Bank's expected cash flows on these instruments vary significantly from this analysis (Note: 32). For example, undrawn loan commitments are not expected to be drawn down immediately.

38.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored using Basis Point Value (BPV) sensitivity. As from September 2019, only residual technical position remains in the Bank trading portfolio after the full implementation of the programme of trading portfolios centralization on the KBC Group level. New positions in trading portfolio are immediately closed by back-to-back transactions to the department KBC Central European Financial Markets. The Bank trading portfolio is not exposed to market risk from that time. Non-trading positions are managed and monitored using BPV sensitivity analysis.

Market risk – Trading

The Board of Directors has set limits on the level of risk that may be accepted. The Bank has no net position in FX options, commodity derivatives nor any position in equity. A nominal technical limit for reminder products, in particular interest rate options, and structured bonds. Positions in these products are not allowed to be material as back-to-back approach is required.

Only minimal BPV limits are applied for individual products and portfolios since January 2020 after transfer of trading positions to KBC Bank.

The capital requirements for interest rate and foreign exchange risks are calculated by application of standardized method.

Market risk – Investment portfolio

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the BPV sensitivity. The Board of Directors has set secondary limits on interest rate gaps for stipulated periods. Positions are monitored on a weekly basis and hedging strategies are used to ensure positions are maintained within the established limits.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's statement of income and equity.

The sensitivity of the statement of income is calculated by revaluing financial assets designated at fair value through profit or loss for the effects of the assumed changes in interest rates. The sensitivity of the statement of income is analysed by the maturity of the asset. The total sensitivity of the statement of income is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity also to non-parallel changes.

The sensitivity of equity is calculated by revaluing Financial assets at fair value through other comprehensive income, including the effect of any associated hedges, and swaps designated as cash-flow hedges, for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by the maturity of the asset or swap. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity also to non-parallel changes.

The Bank’s investment portfolio consists of predominantly linear interest rate sensitive products.

Interest Rate Benchmark Reform became effective since 1 January 2021. The changes resulting directly from IBOR reform are accounted for by updating the effective interest rate. If there are changes solely due to IBOR reform there is no need to discontinue existing hedging relationships. ČSOB incorporated all necessary changes in reference rates related to Benchmark reform based on EU directive 2016/1011 Benchmark regulation (BMR) and the process of changing from LIBOR to new risk-free rates was completed before 1 January 2022. All contracts based on GBP and EUR LIBOR were renegotiated to new risk-free rates as of 1 January 2022. Derivatives based on LIBOR were transferred to new risk-free rates in February 2023.

	Carrying amount at 31 Dec 2022		Notional amount at 31 Dec 2022
(CZKm)	Loans and advances	Deposits	Derivatives
referenced to -IBOR (all tenors)			
of which: USD (LIBOR)	-	-	10,486
of which: GBP (LIBOR)	-	-	-
of which: EUR (LIBOR)	-	-	-

	Carrying amount at 31 Dec 2021		Notional amount at 31 Dec 2021
(CZKm)	Loans and advances	Deposits	Derivatives
referenced to -IBOR (all tenors)			
of which: USD (LIBOR)	1,728	54	31,392
of which: GBP (LIBOR)	-	1	-
of which: EUR (LIBOR)	75	1	-

The table below shows the sensitivity of the statement of income and other comprehensive income (before tax) due to revaluation of assets and liabilities that are measured at fair value on recurring basis as at 31 December 2022:

		Sensitivity of the statement of income				
(CZKm)	Change in basis points	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	0.8	2.4	(2.9)	48.9	49.2
EUR	+ 10	(0.2)	0.2	0.1	(7.8)	(7.7)
USD	+ 10	-	-	-	0.4	0.4
CZK	- 10	(0.8)	(2.4)	2.9	(48.9)	(49.2)
EUR	- 10	0.2	(0.2)	(0.1)	7.8	7.7
USD	- 10	-	-	-	(0.4)	(0.4)

		Sensitivity of other comprehensive income				
(CZKm)	Change in basis points	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	0.1	0.5	(89.6)	(116.5)	(205.5)
EUR	+ 10	(0.1)	(0.6)	(6.7)	(3.8)	(11.1)
USD	+ 10	-	-	-	-	-
CZK	- 10	(0.1)	(0.5)	89.6	116.5	205.5
EUR	- 10	0.1	0.6	6.7	3.8	11.1
USD	- 10	-	-	-	-	-

The table below shows the sensitivity of the statement of income and other comprehensive income (before tax) due to revaluation of assets and liabilities that are measured at fair value on recurring basis as at 31 December 2021:

		Sensitivity of the statement of income				
(CZKm)	Change in basis points	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	3.8	10.3	21.2	4.3	39.5
EUR	+ 10	-	(0.1)	(1.8)	(4.1)	(5.9)
USD	+ 10	-	-	-	-	-
CZK	- 10	(3.8)	(10.3)	(21.2)	(4.3)	(39.5)
EUR	- 10	-	0.1	1.8	4.1	5.9
USD	- 10	-	-	-	-	-

		Sensitivity of other comprehensive income				
(CZKm)	Change in basis points	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
CZK	+ 10	0.1	0.6	(13.0)	(75.7)	(88.1)
EUR	+ 10	(0.2)	0.2	(11.0)	(1.7)	(12.7)
USD	+ 10	-	-	-	-	-
CZK	- 10	(0.1)	(0.6)	13.0	75.7	88.1
EUR	- 10	0.2	(0.2)	11.0	1.7	12.7
USD	- 10	-	-	-	-	-

Currency risk

Currency risk is the risk that the value of a financial instrument would fluctuate due to changes in foreign exchange rates. The Bank adopted a strategy under which the banking book has no open positions in foreign currencies. Positions are monitored on a daily basis and hedging strategies are used to close such positions. Minimum technical residual open positions in foreign currencies are allowed; the Bank sets limits for these positions. The technical currency position is added to the currency position of the trading book position and reported in aggregate.

The table below shows the foreign currency risk sensitivity of the statement of income (before tax) as at 31 December 2022 and 2021:

	2022			2021		
(CZKm)	Net position in foreign currency	Increase of foreign exchange rate by 1 CZK/EUR	Decrease of foreign exchange rate by 1 CZK/EUR	Net position in foreign currency	Increase of foreign exchange rate by 1 CZK/EUR	Decrease of foreign exchange rate by 1 CZK/EUR
EUR	13	1	(1)	15	1	(1)

Sensitivity of the statement of income to currencies other than EUR is not significant.

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Investment equity price risk exposure arises from the Bank's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments included in Financial assets at fair value through other comprehensive income) due to a reasonably possible change in equity indices (before tax), with all other variables held constant, is as follows:

(CZKm)	Change in equity price (%)	Effect on equity 2022	2021
Visa Inc. quotation	- 10	(26)	(36)
	+ 10	26	36

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

Prepayment risk of the Bank's products is negligible, however, it is regularly monitored and assessed. Convenient tools for prepayment risk limitation are applied in the area of mortgage loans particularly.

38.5 Operational risk

The Bank defines operational risk in line with Basel III as the risk of loss resulting from inadequate or failed internal procedures, people and systems, or from external events. Operational risks include legal, fraud and tax risks. The impact of incidents on the Bank's reputation is taken into consideration when assessing the Bank's vulnerability in respect of operational risk incidents.

Operational Risk Management Framework

Operational Risk Management Framework consists of four key building blocks:

1. Risk identification
2. Risk measurement
3. Risk response
4. Reporting & follow-up

Operational risk management starts with the identification of operational risks having materialized within the ČSOB, as well as an assessment of the Bank's vulnerability in respect of potential risks that have not materialised yet. Operational risk management focuses primarily on the key risks and the most risky areas for potential losses, business and reputational impact. The assessment involves ranking the risks and risk events in terms of their severity and anticipated frequency. The assessment is followed by the decision of an accountable manager, i.e. acceptance of risk or its mitigation by implementing appropriate control measures and/or risk transferring to the 3rd parties and/or risk insurance. Risk events that cannot be prevented may be also mitigated by business continuity arrangements.

Operational Risk Management Governance

The basic objective is to make operational risk management a natural part of the decision making in business units. Operational risk management governance is promoted by the CRO and the Risk Function.

Non-financial Risk Management Department (NFR)

The NFR is responsible for management and monitoring in the non-financial risk management area and is responsible for the reporting in the area of non-financial risk. This includes coordination, implementation of methodology, assurance of independent control, advisory to business units and training. Other risks related to operational risk are coordinated by special units, including the Compliance Unit, Legal Unit and Tax Unit.

Information Risk Management Department (IRM)

The IRM is responsible for management, monitoring and reporting in the information risk management area and business continuity.

Local Operational Risk Managers (the "LORMs")

LORMs are the first line support for business managers in respect of non-financial risks Their role is to monitor, analyse and prevent operational risk events, informational risks and business continuity events. Beside frequent contacts, regular meetings of LORMs are organised by the NFR every quarter for training and exchange of information.

Key Elements of Risk Identification and of Operational Risk Management

Loss Data Collection Process

Loss Data Collection is a process of analysing and collection of realized or potential loss events and near misses resulting from an operational risk event. This method is a key element for estimation of future expected losses.

The Bank collects data about loss events with both direct and indirect impact, as well as events which could potentially impact the profit & loss but which do not lead to a financial impact – so called near misses. Losses and near misses are registered into a database GLORY.

Operational loss and near miss data are used for reporting towards the regulator and management. They are also used as an important source of information for identification of gaps in the internal control environment.

Deep Dive

The *Deep Dive* aims to identify and quantify operational risks in products, activities, processes and systems. This method is usually selected when there has not been any previous risk assessment in a process or its part or there are other reasons for risk reassessment, e.g. unexpected increase of the operational loss events, breach of the risk appetite or repetitive breaches of the Key Risk Indicators.

NAPP and the Process of Change Management

New and Active Product Process (NAPP) ensures that all products and services offered to clients are analysed in order to identify and assess operational risks. NAPP applies to all the subjects in the ČSOB group in the financial sector or acting as an independent intermediary, and to all the products, services and processes with an impact on external clients.

Besides NAPP, a Process of Change Management dealing with non-product changes is also used. Each material change must be analysed and identified risks are further managed according to valid rules.

Outsourcing

A specific area of operational risk management are the risks related to outsourcing of activities, which is a subject to a specific regulation. Outsourcing is any agreement between ČSOB and a product provider (intra-group or external), based on which the service provider performs a process, service or activity, which would or could be otherwise performed by ČSOB itself.

Outsourcing contract is categorized as critical / important or non-critical, whereby the intention to outsource a critical activity needs to be report to the regulator beforehand. The final accountability for the risks related to the outsourced activity cannot be transferred to a third party.

Business Continuity Management

Business continuity is based on two main pillars:

- Proactive approach (prevention): setting up the strategy, tactical solutions and processes towards solving various non-standard situations. It is based on risk assessment of individual activities in the bank with the aim to identify vulnerabilities, assess their probabilities and impact. Based on this assessment, business continuity plans are defined in order to ensure business continuity in case of non-standard situations (4 main scenarios).
- Reactive approach (crisis management): deals with originated crisis situations. Based on the severity of potential impact of the non-standard situations, 3 levels of crisis management are defined for each type of crisis.

Global Risk Scan

Every year, before the risk appetite statement is defined, the Bank executes a risk scan identifying and assessing its top risks. All material risk types are explicitly considered, but it is not necessary that a top risk is ultimately withheld for every risk type. The Risk Scan is executed and reported based on the KBC Group Risk Scan Guidance.

The results of the risk scan, as well as the risk response thereto (acceptance, non-acceptance, mitigating actions), can lead to changes to the existing business plans. Furthermore, they are used as input for the definition of risk appetite in the strategic planning process.

Group Key Controls, Zero Tolerances and Local Risk and Control Assessment (LRCA)

LRCA is a process used for identification and measurement of local Key Risks of individual processes and the related Key Controls which mitigate the potential inherent impact of the identified risks. On the Group level, the Group Key Controls and Zero Tolerances (GKC/ZT) determine the basic control objectives to mitigate key & killer non-financial risks that are inherent to the processes of the business entities. Each GKC/ZT contain the key & killer operational risks related to the involved business process. For registering the results of the LRCA a group-wide application BWise is used.

Besides Group Key Controls and Zero Tolerances, local approach aims to identify new local key risks and controls and/or revise GKC risks and controls to have one local view of risk exposure per process.

Operational Risk Measurement

The basic aim of the risk measurement is quantification of their impact. Risk impacts of identified risks are reflected in the overall risk exposure of ČSOB which is measured using defined risk indicators.

Uniform Risk Scale

All operational risks must be assessed according to Uniform Risk Scale consisting of 4 levels (low-medium-high-critical risk) , where financial limits and also non-financial criteria are taken into account and evaluated based on the probability of their occurrence.

Key Risk Indicators (KRI)

KRIs inform on the state of the control environment in a given process. Indicators are linked to particular risks, i.e. they must include at the minimum their owner, limit for a breach, frequency and way of measurement and escalation process.

Measurement of risk exposure – GORA

The approach and indicators for measurement of risk exposure towards the risk appetite of the Bank, are defined on the Group level, using a group-wide GORA measurement tool. GORA includes a uniform set of quantitative and qualitative risk indicators for every sub-risk type (Business Continuity, Fraud, Legal, Information Security, Information Technology, Process, Personal and physical security, Model and Outsourcing & 3rd party risks).

Risk Assessment Approval and Risk Response

The final accountability for the operational risk management lies within the line management, which ensures adherence to the established working procedures and implementation of the operational risk management building blocks in their departments. Risks are approved by the respective managerial level based on the level of their risk impact.

The assessment is followed by the decision of an accountable manager, i.e. acceptance of risk or its mitigation by implementing appropriate control measures and/or risk transferring to the 3rd parties and/or risk insurance.

Action plans

The aim of the action plan is to close the identified control deficiencies and thus mitigate the risk exposure. The action plan must include description of the measures taken, their owners and deadlines. These measures should be measurable and reachable in the defined timeframe. For evidence and follow-up of the action plans a group-wide application BWise is used.

Reporting

The goal of operational risk reporting is to provide the management with the information about risk exposure in order to support their decision-making. NFR reports amongst others about breaches of the Zero Tolerances, highest operational risk events, breaches of the risk appetite and others. In the yearly Internal Control Statement the internal control system of the Bank is evaluated for the individual GKC processes independently by the three lines of defence.

39. CAPITAL

Capital Adequacy

Capital adequacy measures the financial strength and stability of an institution. It compares the amount of the capital held by a financial institution to the risk of possible decline in value of assets on its statement of financial position.

Capital adequacy (or solvency) risk is the risk that the capital base of the bank might fall below an acceptable level. In practice, this entails checking solvency against the minimum regulatory and in- house solvency ratios and its active steering.

Capital targets and structure

Regarding the capital targets and structure, the Bank fully follows the KBC Group Capital Adequacy Policy stating that fully owned subsidiaries within the Group shall hold at least the regulatory minimum capital. All capital in excess of the targeted level shall be held at the KBC Group level.

For the purpose of the ICAAP process, available capital of the Pillar II in the Bank coincides with the Common equity Tier 1 capital under Pillar I.

Managing solvency

ČSOB reports its solvency calculated on the basis of IFRS balances taking into account all relevant regulatory requirements. Solvency targets based on external regulatory capital requirements were met throughout 2022 and 2021 with adequate buffers above the regulatory minimum standards, underpinning the very strong capital position of the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

In accordance with capital adequacy legislation requirements, the Bank has an Internal Capital Adequacy Assessment Process (ICAAP) in place. The ICAAP examines both the current and future capital situation. To assess the latter situation, a four-year forecast is drawn up for required and available capital, both regulatory and economic, according to a basic scenario that takes account of anticipated internal and external growth, and according to various likely alternative scenarios. The Bank uses also other instruments as required by Pillar 2 mainly in the area of capital planning, stress testing and risk strategies.

According to European Directive and Regulation (CRD / CRR), the legal minimum tier-1 ratio is set to 6.0% of risk weighted assets (with a minimum common equity ratio of 4.5%). On top of this, the institution shall hold the following capital buffers: the capital conservation buffer, the buffer for systemic risk, and the countercyclical buffer The Bank has incorporated these requirements into the regular management of the risk and capital positions.

In line with European Banking Authority guidelines, we conduct an outlier stress test on a quarterly basis by applying six different scenarios to the banking book (material currencies). The worst-case scenario is set off against Tier-1 capital. For the banking book of ČSOB, this risk came to -2.41% of Tier-1 capital at year-end 2022. This -2.41% is well below the -15% Tier-1 threshold, which is monitored by the ČNB.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain the optimum capital structure, the bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue capital instruments.

It was expected that COVID-19 crisis would hit the banking sector materially. As a result, national regulator recommended not to pay any dividends from 2020 and 2019 profits to the shareholders. The Bank decided to fully follow this recommendation and strengthened its capital for expected portfolio worsening by retaining the full profits for years 2020 and 2019. During 2021, when the COVID-19 was remarkably overcome, ČNB relaxed its position regarding dividend pay-out and set up limits for the distribution of the previous year profits taking place by the year end 2021. The Bank paid out CZK 4,100 m out of retained earnings to the sole shareholder in line with amended ČNB rules. In 2022, the Bank paid out the full profit for year 2021 as a dividend, and further, the Bank paid out part of the retained earnings which reflects the above mentioned fact of full retention of profits for years 2020 and 2019.

From 28 June 2021, the Bank has to meet the minimum leverage ratio at the level of 3%. The requirement has been met with a sufficient buffer.

From 1 January 2022, the Group has to meet the Minimum Requirement for own funds and eligible liabilities (MREL) at the interim level set by ČNB (Notes: 25, 35) . This requirement will increase to the ultimate level as of 1 January 2024. This requirement is set only on the level of the Group, not on the level of ČSOB individual position. The Group manages its MREL positions altogether with capital position and leverage ratio exposure.

In February 2023, ČSOB Bank was delivered an arbitral award issued in the arbitration proceedings against the company ICEC-HOLDING, a.s. resulting in an increase of the provisions for pending legal issues in the amount of CZK 3,663 m (Notes: 27, 33). Despite this fact, ČSOB maintains a strong capital and liquidity position.

The following table shows the capital, capital requirements and CAD ratio as of 31 December 2022 and 31 December 2021 for ČSOB:

(CZKm)	2022	2021
Tier 1 capital	87,708	95,891
Tier 2 capital	1,577	1,402
Total capital	**89,285**	**97,293**
Regulatory capital requirements	33,669	30,101
Risk weighted assets	**420,856**	**376,263**
Capital adequacy ratio	21.22%	25.86%
Eligible liabilities	40,592	19,439
Leverage ratio	4.97%	5.34%

REPORT ON RELATIONS

Report of the Board of Directors of Československá obchodní banka, a. s. on Relations between Related Entities

1. Controlled Entity

Československá obchodní banka, a. s., with its registered office at Prague 5, Radlická 333/150, Postcode 150 57, identification number 000 01 350, incorporated in the Commercial Registry maintained by the Municipal Court in Prague, Section B XXXVI, Entry 46 (hereinafter **"ČSOB"**).

2. Controlling Entity

KBC Bank NV, with its registered office at Havenlaan 2, B-1080 Brussels, Kingdom of Belgium, is the sole shareholder in ČSOB.

All shares issued by KBC Bank NV are held (directly or indirectly) by the **KBC Group NV** (legal entity).

3. Structure of relationships between the controlling person and the controlled person and between the controlled person and persons controlled by the same controlling person (hereinafter referred to as Related Persons)

KBC Bank NV is a bank regulated by the National Bank of Belgium. It is part of the KBC Group, a bancassurance financial group. KBC Group operates primarily in the markets of the Kingdom of Belgium, the Czech Republic, the Slovak Republic, the Republic of Bulgaria, the Republic of Hungary and Ireland. It also operates to a limited extent in other countries around the world.

An overview of the companies of the ČSOB and KBC Group can be found in Annex 1 to this report or on the websites of www.kbc.com.

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In the period under review, ČSOB had relationships primarily with the following Related Parties:

Business name	Registered office	
Bankovní informační technologie, s.r.o.	Radlická 333/150, 150 00 Prague 5	Czech Republic
CBC Banque SA	Grand-Place 5, 1000 Brussels	Kingdom of Belgium
Československá obchodní banka, a.s.	Žižkova 11, 811 02 Bratislava	Slovak Republic
ČSOB Advisory, a.s.	Radlická 333/150, 150 57 Prague 5	Czech Republic
ČSOB Factoring, a.s.	Výmolova 353/3, 150 00 Prague 5	Czech Republic
ČSOB Leasing, a.s.	Výmolova 353/3, 150 00 Prague 5	Czech Republic
ČSOB Leasing, a.s.	Žižkova 11, 815 10 Bratislava	Slovak Republic
ČSOB Penzijní společnost, a. s., member of the ČSOB Group	Radlická 333/150, 150 57 Prague 5	Czech Republic
ČSOB Pojišťovna a.s.	Žižkova 11, 811 02 Bratislava	Slovak Republic
ČSOB Pojišťovací makléř, s.r.o.	Výmolova 353/3, 150 00 Prague 5	Czech Republic
ČSOB Pojišťovací servis, s.r.o., a member of the ČSOB holding	Masarykovo náměstí 1458, 530 02 Pardubice- Zelené předměstí	Czech Republic
ČSOB Pojišťovna a. s., member of the ČSOB Holding	Masarykovo náměstí 1458, 530 02 Pardubice- Zelené předměstí	Czech Republic
ČSOB Stavební spořitelna, a.s.	Žižkova 11, 811 02 Bratislava	Slovak Republic
ČSOB Stavební spořitelna, a.s.	Radlická 333/150, 150 00 Prague 5	Czech Republic
Hypoteční banka, a.s.	Radlická 333/150, 150 57 Prague 5	Czech Republic
Igluu s.r.o.	Lomnického 1742/2a, Nusle, 140 00 Praha 4	Czech Republic
KBC Asset Management NV	Havenlaan 2, 1080 Brussels (Saint-Jean Molenbeek)	Kingdom of Belgium
KBC Bank NV	Havenlaan 2, 1080 Brussels (Saint-Jean Molenbeek)	Kingdom of Belgium
KBC Group NV (legal entity)	Havenlaan 2, 1080 Brussels (Saint-Jean Molenbeek)	Kingdom of Belgium
KBC Global Services Czech Branch	Radlická 333/150, 150 57 Prague 5	Czech Republic
KBC Investments Ltd	111 Old Broad Street, EC2N 1FP London	Great Britain
KBC Securities NV	Havenlaan 2, 1080 Brussels (Saint-Jean Molenbeek)	Kingdom of Belgium
K&H BANK Zrt.	Lechner Ödön fasor 9, 1095 Budapest	Hungary
K&H Biztosító Zrt.	Lechner Ödön fasor 9, 1095 Budapest	Hungary
K&H Payment Services Kft	Lechner Ödön fasor 9, 1095 Budapest	Hungary
Patria Finance, a.s.	Výmolova 353/3, 150 00 Prague 5	Czech Republic
Patria Corporate Finance, a.s.	Výmolova 353/3, 150 00 Prague 5	Czech Republic
Patria investiční společnost, a.s.	Výmolova 353/3, 150 00 Prague 5	Czech Republic
Radlice Rozvojová, a.s.	Výmolova 353/3, 150 00 Prague 5	Czech Republic
Skip Pay, s.r.o.	U garáží 1611/1, Holešovice, 170 00 Prague 7	Czech Republic
Ušetřeno.cz s.r.o.	Lomnického 1742/2a, 140 00 Prague 4	Czech Republic

4. Role of the Controlled Entity, Measures and Means of Control

The KBC Group NV indirectly, or more precisely KBC Bank NV as a direct controlling entity controls ČSOB through decision-making as a sole shareholder acting in the capacity of the General Meeting under Section 12(1) of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Corporations Act) (hereinafter referred to as the **"CA"**).

The controlling entity also exercises its influence through its representatives on the governing bodies of ČSOB, i.e. the Supervisory Board and/or the Board of Directors. First and foremost, this involves cooperation and coordination of activities related to consolidated risk management, auditing and compliance with the prudential rules that apply to banks and other financial institutions on the basis of laws and regulations.

ČSOB is a bank within the meaning of Act No. 21/1992 Coll., on banks, operating on the Czech financial services market. It specializes in banking services for individuals and business entities. ČSOB is subject to supervision by the Czech National Bank.

ČSOB is a controlling entity of most companies within the ČSOB Group (the Czech part of the multinational KBC Group, further information can be found at https://www.csob.cz/portal/csob/about-the-csob-group) (hereinafter referred to as the **"ČSOB Group"**) and it usually provides these highly specialized companies (factoring, leasing, etc.) with a range of support services (e.g. HR and Personnel, IT, Internal Audit services).

ČSOB operates a large network of branches, is also a point of distribution for the products offered by ČSOB Group companies. Within the ČSOB Group, ČSOB also ensures that prudential rules are followed on a consolidated basis.

5. Review of Activities in the Accounting Period, Induced by or in the Interest of the Controlling Entity or its Controlled Entities

Unless otherwise stated, no activities were carried out in the accounting period induced by or in the interest of the controlling entity or its controlled entities that would affect more than 10% of the equity of ČSOB, including transactions in the ordinary course of business.

During the accounting period, ČSOB repeatedly accepted liabilities towards KBC Bank NV, including short-term money market trading deposits and promissory notes, the value of which exceeded 10% of the company's equity. These activities aimed at improving the efficiency of the use of the financial assets within the group. The aforementioned commitments arise from current transactions and are subject to comparable terms and conditions (including interest rates and securing) to transactions with third parties and as such they have not been detrimental to the ČSOB.

6. Review of Mutual Agreements between the Controlled Entity and the Controlling Entity or among the Controlled Entities

During the accounting period, ČSOB had various relations with the controlling entity, as well as other companies controlled by the controlling entity (for the purpose of this Report on Relation also referred to as **"counterparties"**) based on common business activities.

The contractual relations took place in the following areas:

BANKING SERVICES

Accounts, Deposit Products, Domestic and International Payments Services, Domestic and International Cash Management

During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods to provide services for maintaining various types of accounts – current and term accounts, interbank deposits, (including amendments on the early termination (default) of some deposits, along with settling interest and compensation payments), accounts for the deposit of funds intended to acquire or increase a partnership in a company, and to provide the following products and domestic and international payments services, such as Cash Management NightLine, Virtual Cash Pooling and Real One-Way Cash Pooling. During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods in the field of financial market trading. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Payment cards

During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods to issue, accept and process payment card transactions. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Electronic Banking

During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods under which it provided the following electronic banking products: ČSOB Phone banking, ČSOB Smartbanking, ČSOB Internet banking, ČSOB Internetbanking 24, ČSOB Businessbanking 24, ČSOB CEB – Virtual branch, and ČSOB MultiCash 24. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Cheques and Bills of Exchange

During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods for procuring bills of exchange and their custody, and contracts for securing the bill-of-exchange programme. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Credit Products and Guarantees

During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods under which it provided the following credit products: overdrafts, commercial loans, revolving loans, specific-purpose credit facilities, subordinated loans, interbank loans (including amendments on the early termination (default) of some loan agreements, along with interest settlements and payment of compensation) and current account overdrafts, and accepted and issued guarantees, confirmed or open letters of credit, and/or bought back claims from letters of credit, and provided guarantees. The counterparties paid contractual fees, remuneration and interest for these services. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Investment Services

During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods for purchasing and selling investment instruments, ISDA contracts, escrow agreements, contracts for settling investment instrument transactions, contracts for administering securities, depository contracts, agreements on the contact bank, on the provision of specialized consultancy and agreements on the authorization of fax instructions for settling and administering securities, transactions monitoring. The remuneration provided by the counterparties consisted of commissions and contractual fees. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Mortgage Bonds and Bonds

During the accounting period, ČSOB concluded or had concluded from the previous accounting periods mandate contracts for the provision of the issuance of mortgage bonds issued on the domestic market under the bond programme and mandate contracts for the provision of the issuance of bonds, contracts for subscription and the purchase of mortgage bonds/bonds and contracts for the management of the issuance and provision of payments. The counterparties provided contractual rewards for these services. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Receivables

During the accounting period, ČSOB concluded contracts or had concluded contracts in previous accounting periods for the management or assignment of claims/receivables. The ČSOB provided contractual rewards to the counterparties for these services. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Collateral Services Agreement

During the accounting period, ČSOB entered into, or from previous accounting periods had entered into, agreements for the collateral exchange process by KBC Bank for OTC derivative transactions negotiated by ČSOB. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

OTHER RELATIONS

Insurance Policies

During the accounting period, ČSOB concluded insurance policies or had concluded insurance policies in previous accounting periods. The consideration consisted of insurance and indemnity. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Rental, lease and rental agreements

In the accounting period, ČSOB entered into, or in previous accounting periods had entered into, lease, rental or leasing agreements for non-residential premises, car parks, movable assets or sets of movable assets, and for the settlement of technical improvements. The consideration consisted of contractual prices, or the rental of the items or parts of the items or a collection of items. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

Cooperation Agreements – Employee Benefits

During the accounting period, ČSOB concluded cooperation agreements – employee benefits – or had concluded contracts in previous accounting periods. The consideration consisted of providing employee benefits. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Cooperation Agreements – Selling Products and Services

During the accounting period, ČSOB concluded cooperation agreements and framework, mandate and commission agent's contracts or had concluded these contracts and agreements in previous accounting periods, particularly concerning cooperation on product sales, product sales agency, sales support and the use of technology for this purpose, consultancy, and opportunity-seeking. The consideration consisted of cooperation, contractual commissions, contractual rewards or the sale of products. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Cooperation Agreements - Joint Observance of Tax Obligations (VAT)

On 9 December 2016, ČSOB entered into a cooperation agreement with some of the entities controlled by the same controlling entity for the purpose of fulfilling tax obligations (VAT) on behalf of the Group. The consideration consisted in the fulfilment of a tax obligation. The contract was concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks are derived from them for ČSOB.

In 2022, the contract included ČSOB, ČSOB stavební spořitelna, a.s., ČSOB Advisory, a.s., ČSOB Asset Management, a.s., an investment company, ČSOB Penzijní společnost, a.s., a member of the ČSOB Group, ČSOB Pojišťovna, a.s., a member of the ČSOB holding, ČSOB Pojišťovací servis, s.r.o., Hypoteční banka, a.s., Patria Corporate Finance, a.s., Patria Finance, a.s., Patria Investment Company, a.s. and Patria Foundation.

Agreements in the field of ICT Services

During the accounting period, ČSOB concluded agreements or had concluded agreements in previous accounting periods on providing ICT services. The consideration consisted of contractual rewards. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Agreements on Providing Services – Call Centre

In the accounting period, ČSOB concluded, or had concluded from previous accounting periods, contracts for the provision of call centre and call recording services. The consideration consisted of contractual fees. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

Agreements on Providing Services – Back Office and Other Related Services

During the accounting period, ČSOB concluded agreements or had concluded agreements in previous accounting periods to provide back-office services and supporting processes, i.e. developing models, management consultancy, central procurement, accounting and tax services and processing foreign payments. The consideration consisted of contractual rewards and consultations. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Agreements on Providing Services – Facilities Management

In the accounting period, ČSOB concluded or from previous accounting periods had concluded contracts for the provision of services in the area of facilities management, such as accounting, property management and rental, meals and catering, accommodation, postal services, archiving and digitisation of documents, telephone exchange, fleet management and maintenance and transfer or purchase of movable assets. The consideration consisted of contractual fees. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

Agreements on Providing Services – Processing Financial Reporting

During the accounting period, ČSOB concluded agreements or had concluded agreements in previous accounting periods to provide the processing of financial reports for external users services, especially for the Czech National Bank. The consideration consisted of contractual rewards. The contracts were concluded under standard business terms and conditions and ČSOB does not incur any non-standard advantages, disadvantages or additional risks therefrom.

Agreements on Providing Services – advertising, marketing, internal and external communication

During the accounting period, ČSOB concluded contracts for the provision of advertising, marketing, internal and external communication services to clients, such as media buying, communication strategies, event marketing, sponsorship, client brand management and audiovisual studio services. The consideration consisted of contractual fees. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

Agreements on Providing Services – other support services

In the accounting period, ČSOB concluded, or had concluded from previous accounting periods, agreements for cooperation and provision of services in the areas of internal audit, compliance, credit risk assessment, risk management, asset and liability management, legal support, project management, administrative support in the area of finance including accounting, human resources management including labour relations and employee utilization, and administrative support. During the accounting period, ČSOB concluded agreements on cooperation, processing and exchange of information in the area of macroeconomic analyses, scenarios and forecasts. ČSOB entered into, or had entered into in previous accounting periods, contracts for the processing of personal data or the provision of information, confidentiality agreements, contracts for the joint ownership and development of a common client database, etc. in the accounting period, ČSOB entered into, or had entered into in previous accounting periods, contracts for the provision of services in the area of automation of processing, such as robotics, automation of communication. Contracts for the provision of data management and protection, data analysis, and modelling services. Licensing agreements and software license agreements, software as a service agreements. During the accounting period, ČSOB entered into, or had entered into, contracts for the valuation of immovable property from previous accounting periods. ČSOB has concluded, or had concluded, relationship management agreements from previous accounting periods. The consideration consisted of services and contractual fees. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

Agreements on the provision of voluntary monetary contributions

During the accounting period, ČSOB entered into agreements for the provision of a voluntary cash supplement outside the share capital. The counterpart consisted in strengthening capital resources. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

Contracts were concluded with the following companies: Bankovní informační technologie, s.r.o., ČSOB Penzijní společnost, a.s., a member of the ČSOB Group, ČSOB Stavební spořitelna, a.s., Hypoteční banka a.s., Igluu s.r.o., K&H Payment Services Kft, Skip Pay, s.r.o. and Ušetřeno.cz, s.r.o.

Holding agreement

During the previous accounting periods, ČSOB, as the controlling entity, entered into with other companies belonging to the ČSOB Group (a current list of these agreements is available at: https://www.csob.cz/portal/csob/o-csob-a-skupine/koncern-csob), concern agreement which sets out the Group's interest and defines certain rights and obligations of the controlled entities within the business group in question. The sub-areas of unified management are then defined by specific Group policies, which are the basic tools for the implementation of the Group's interest and which are issued by the Board of Directors of ČSOB and accepted by the persons managed.

Credit agreement for the purpose of meeting the minimum capital requirement and eligible liabilities

During the accounting period, ČSOB entered into, or had entered into from the previous accounting periods, agreements with the controlling person for possible drawdown of credit for the purpose of meeting the minimum requirement for capital and eligible liabilities ("MREL") pursuant to Section 127 et seq. of Act No. 374/2015 Coll., on Recovery and Resolution Procedures in the Financial Market, as amended. In addition, ČSOB has concluded or had concluded agreements for the issue of "MREL" bonds and for the custody, administration and performance of depositary activities for "MREL" bonds. The contracts were concluded under standard commercial terms and conditions and no non-standard advantages, disadvantages or additional risks arise from them for ČSOB.

MISCELLANEOUS

On the basis of the agreement on the transfer of shares in Skip Pay, s.r.o. (i.e. MallPay, s.r.o.) of 30 March 2022, ČSOB increased its stake from 50% to 100%.

On 6 October 2022, the name of the company MallPay, s.r.o. was changed to Skip Pay, s.r.o.

On 26 November 2022, Eurincasso, s.r.o., in liquidation, ceased to exist by deletion from the Commercial Register. The reason for the deletion was the completed liquidation of the company.

SHARE IN PROFITS AND OTHER FACTS

On 18 May 2022, KBC Bank NV, as sole shareholder, resolved in exercising the powers of the General Meeting to distribute the net profit for the financial year 2021 in the amount of CZK 14.1 billion was paid to the sole shareholder. The total amount of this transaction was 12% of the company's equity.

On 24 June 2022, KBC Bank NV, as sole shareholder, resolved in exercising the powers of the General Meeting to pay a dividend of CZK 15.9 billion on the retained earnings account from previous years, which was not paid out due to the conservative approach at the time of COVID-19 to a sole shareholder. The total amount of this transaction was 13.5 % of the company's equity.

In addition, in the accounting period, ČSOB made decisions of the sole shareholder / partner of companies, in which it is a sole shareholder / partner. These include, in particular, the approval of financial statements, decisions on the settlement of the economic result, payments of profit shares and payments from capital funds, election and dismissal of members of its bodies, including approval of their remuneration, amendments to the articles of association, appointment of the auditor, increase/decrease of the share capital and changes in the form of shares.

In the accounting period, ČSOB decided to increase the share capital of the companies, in which it is a sole shareholder / partner by a decision of the sole shareholder / partner: Skip Pay, s.r.o. (i.e. MallPay, s.r.o.) and K&H Payment Services Kft.

In the accounting period, ČSOB decided by a resolution of the sole shareholder of the companies, in which it is a sole shareholder to pay out capital funds. The reason for the payout was a partial repayment of previously granted sole shareholder bonuses outside the share capital. Disbursements from capital funds were made from ČSOB Leasing, a.s. and ČSOB Penzijní společnost, a.s., a member of the ČSOB Group.

In contrast, ČSOB collected income in the form of profit shares from companies in the accounting period: Hypoteční banka, a.s., ČSOB stavební spořitelna, a.s., ČSOB Factoring, a.s., ČSOB Leasing, a.s., Patria Corporate Finance, a.s., Bankovní informační technologie, s.r.o., ČSOB Penzijní společnost, a.s., a member of the ČSOB Group, Patria Finance a.s., ČSOB Pojišťovna, a.s., a member of the ČSOB Holding.

7. Evaluation of the relationships between the Controlling Entity and the Controlled Entity, as well as between the Controlled Entity and the Entities Controlled by the same Controlling Entity

Joint synergies within the ČSOB Financial Group or KBC Group bring positive effects in the areas of cost management efficiency, human resources and help to set up processes in line with ČSOB's corporate strategy. At the same time, this cooperation helps to mitigate certain transactional risks, such as those associated with providing sensitive information and data to third parties.

ČSOB primarily provides banking services to companies in the ČSOB Group, which mainly include loans, overdrafts, interest-bearing deposits, current accounts and other services.

Mutual cooperation between companies within the KBC and ČSOB Groups, or other companies controlled by ČSOB, helps to strengthen their joint market position and enables them to expand their offer of financial services to their clients in the areas of building savings and mortgages, asset management, collective investment, pension insurance, leasing, factoring and distribution of life and non-life insurance, as well as services related to trading on financial markets.

8. Accounting period

This report describes the relationships for the accounting period from 1 January 2022 to 31 December 2022.

9. Conclusion

The Board of Directors of ČSOB hereby declares that this report has been prepared within the statutory time limit and in accordance with Section 82 of CA. While compiling the report, the ČSOB Board of Directors proceeded with due professional diligence and its scope reflects the purpose of the legislation governing the report under CA in relation to the ownership structure of ČSOB.

Prague, 31 March 2023

on behalf of **Československá obchodní banka, a. s.**,

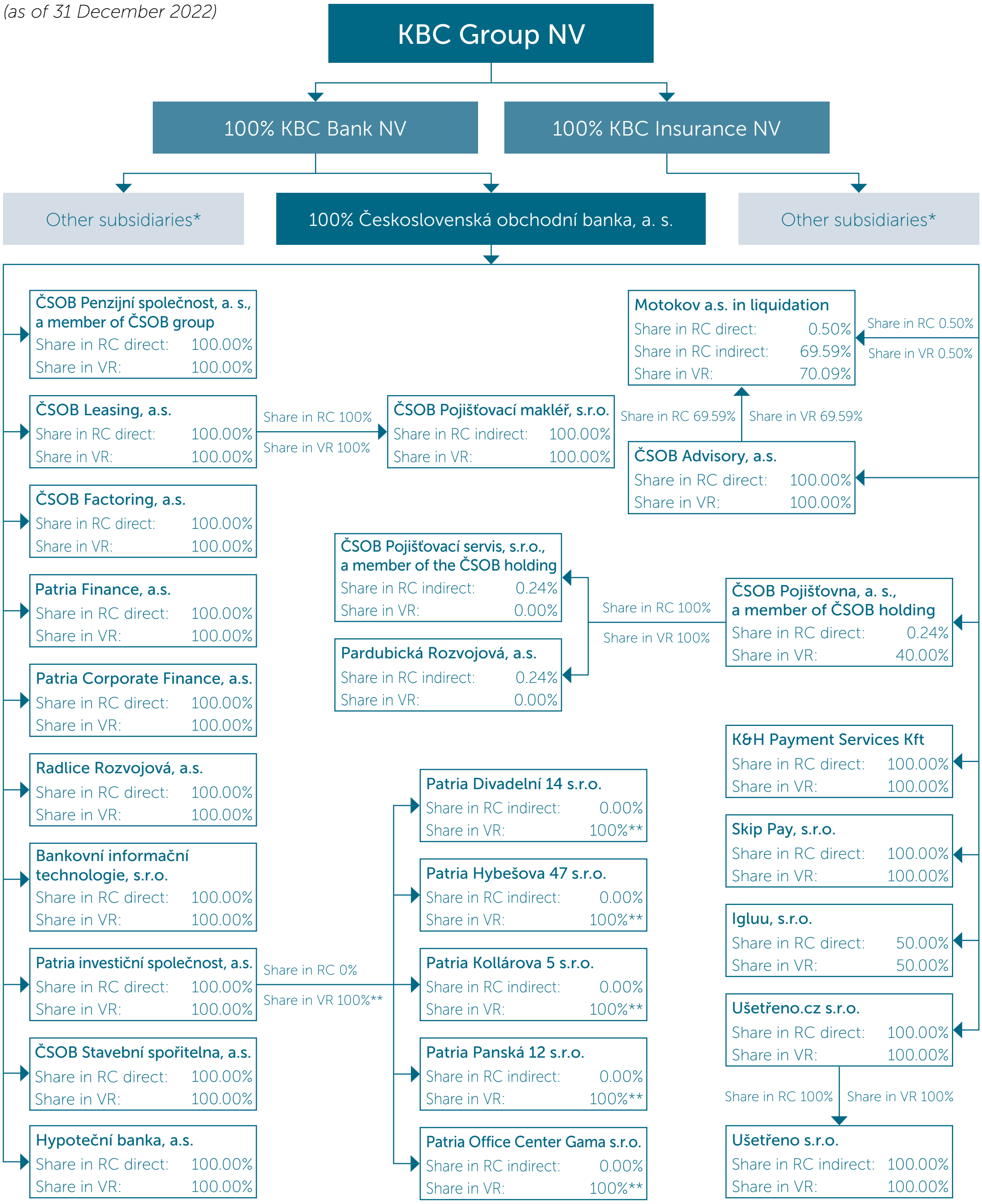
Aleš Blažek
Chairman of the Board

Jiří Vévoda
Member of the Board

Appendix to the Report on Relations

List of entities controlling Československá obchodní banka, a. s. and entities controlled by the same controlling entity

(as of 31 December 2022)



Explanatory notes

Percentage shares shown for individual companies are expressed from the ČSOB point of view as a parent company.
All shares of KBC Bank and KBC Insurance are held (directly or indirectly) by the KBC Group.
ČSOB is 100% owned and fully controlled by KBC Bank.
** For complete overview of "Other subsidiaries" of the KBC Group please refer to KBC's corporate website www.kbc.com, where other details regarding the KBC Group are available.*
*** to the account of shareholders in the funds of qualified investors*

RC: registered capital (deposit)
VR: voting rights

ADDITIONAL INFORMATION

ČSOB Securities

Shares

Shares and Share Capital of ČSOB

	as at 31 December 2022
ISIN	CZ0008000288
Class	Ordinary shares
Type	Bearer shares
Edition	Book-entered
Number of shares	292,750,002
Nominal value	CZK 20
Total issue volume	CZK 5,855,000,040
Amount of share capital	**CZK 5,855,000,040**
Paid up in full	100%

KBC Bank NV, with its registered address at: Havenlaan 2, B-1080 Brussels (Sint-Jans Molenbeek), Belgium, is the sole shareholder of ČSOB.

Shares issued by the ČSOB (hereinafter referred to as the "ČSOB Shares") are not publicly tradable on any official regulated market in either an EU member state, or an EEC member state.

ČSOB has not issued any convertible bonds or priority bonds as defined by Section 286 of the Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Corporations act). In 2022, ČSOB neither held any own shares, nor issued stock certificates.

Rights Attached to ČSOB Shares

Rights and obligations of a shareholder are stipulated by legal regulations, in particular by the Act on Commercial Companies and Cooperatives and the Articles of Association of ČSOB.

Shareholder rights attached to ČSOB Shares include in particular:

a) The right to obtain a share in the company's profit (dividend) approved by the General Meeting for distribution according to the company's economic results and according to the conditions laid down by generally binding legal regulations.

b) The right of qualified shareholder to ask the Board of Directors to convene a General Meeting in accordance with legal regulations.

c) The right to attend the General Meeting of Shareholders. At a General Meeting, shareholders have the right to
   1. vote;
   2. request and receive explanation to matters related to the company, should such explanation be necessary to assess a topic discussed at the General Meeting or for the exercise of its shareholder rights at the General Meeting; and
   3. put forward proposals and counter-proposals.

d) In the event of the dissolution of the company, the shareholder is entitled to a share in the liquidation balance of the company.

Voting rights attached to ČSOB Shares are unlimited. One share confers one vote.

Bonds and Investment Certificates

(outstanding)

In the Czech Republic, ČSOB is an issuer of bonds issued under the ČSOB's bond issuance program. ČSOB is issuing bonds under bond issuance program (program is lasting for 30 years) with a maximum amount of CZK 100 bn of outstanding bonds and public bond issuance program with a maximum amount of CZK 300 bn of outstanding bonds.

As of 31 December 2022, ČSOB recorded the following **bond issues** in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Bonds Issued (Nominal Value)	
Dluhopisy ČSOB likvidní var 2024 6M	CZ0003704678	3. 10. 2018	CZKm	876.40
Dluhopisy ČSOB var 2025 1M	CZ0003705477	11. 9. 2020	CZKm	8,266.30
ČSOB STRUKTUROVANÝ DLUHOPIS NOVÉ TRENDY – ENERGIE A LIDÉ 2027	CZ0003706293	11. 8. 2021	CZKm	75.80
ČSOB LIKVIDNÍ DLUHOPIS 6M 102025	CZ0003706673	13. 10. 2021	CZKm	2,500.00
ČSOB LIKVIDNÍ DLUHOPIS 6M 112025	CZ0003706764	15. 11. 2021	CZKm	2,500.00
ČSOB STRUKTUROVANÝ DLUHOPIS KYBERNETICKÁ BEZPEČNOST 2027	CZ0003706681	29. 12. 2021	CZKm	137.00
ČSOB STRUKTUROVANÝ DLUHOPIS SVĚTOVÉ INFORMAČNÍ TECHNOLOGIE 2028	CZ0003706863	9. 3. 2022	CZKm	93.50
ČSOB LIKVIDNÍ DLUHOPIS 6M 04/2025	CZ0003707028	7. 4. 2022	CZKm	500.00
STRUKTUROVANÝ DLUHOPIS ČSOB UMĚLÁ INTELIGENCE 2028	CZ0003707044	8. 6. 2022	CZKm	67.30
STRUKTUROVANÝ DLUHOPIS ČSOB PARTICIPACE PLUS SVĚTOVÍ LÍDŘI 2028	CZ0003707150	7. 7. 2022	CZKm	23.80
ČSOB LIKVIDNÍ DLUHOPIS 6M 06/2026	CZ0003707283	27. 6. 2022	CZKm	2,300.00
STRUKTUROVANÝ DLUHOPIS ČSOB BONUSOVÝ CLICK KYBERNETICKÁ BEZPEČNOST 2028	CZ0003707382	7. 9. 2022	CZKm	102.00
STRUKTUROVANÝ DLUHOPIS ČSOB PARTICIPACE PLUS SVĚTOVÍ LÍDŘI 2027	CZ0003707432	5. 10. 2022	CZKm	41.30
ČSOB LIKVIDNÍ DLUHOPIS 6M 09/2026	CZ0003707440	6. 9. 2022	CZKm	800.00
ČSOB LIKVIDNÍ DLUHOPIS 6M 10/2026	CZ0003707465	3. 10. 2022	CZKm	500.00
STRUKTUROVANÝ DLUHOPIS ČSOB PARTICIPACE PLUS SVĚTOVÉ INFORMAČNÍ TECHNOLOGIE 2027	CZ0003707457	5. 12. 2022	USDm	0.21
STRUKTUROVANÝ DLUHOPIS ZALESŇOVACÍ DLUHOPIS ČSOB SVĚTOVÉ KLIMA 2027	CZ0003707549	29. 12. 2022	CZKm	59.20
ČSOB LIKVIDNÍ DLUHOPIS 6M 11/2023	CZ0003707663	15. 11. 2022	CZKm	700.00

In the first three months 2023*. ČSOB issued the following **bond issues** in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Bonds Issued (Nominal Value)	
ČSOB LIKVIDNÍ DLUHOPIS 6M 01/2024	CZ0003707903	12. 1. 2023	CZKm	500.00
ČSOB LIKVIDNÍ DLUHOPIS 6M 02/2024	CZ0003707994	6. 2. 2023	CZKm	300.00
ČSOB LIKVIDNÍ DLUHOPIS WO 6M 02/2024	CZ0003708000	6. 2 .2023	CZKm	300.00
Strukturovaný Dluhopis ČSOB Participace Plus Trendy Budoucnosti 2028	CZ0003707853	3. 3. 2023	CZKm	1,000.00
ČSOB LIKVIDNÍ DLUHOPIS 6M 03/2024	CZ0003708166	7. 3. 2023	CZKm	500.00
Dluhopisy ČSOB var 2025 1M	CZ0003705477	11. 9. 2020	CZKm	8,766.30**

** Issued until 31 March 2023*

*** 6th tranche, size CZKm 500,00 was issued on 15th March 2023.*

None of CSOB bonds is listed (publicly tradable on any official regulated market in either an EU member state, or an EEC member state).

Since 2012, ČSOB is an issuer of investment certificates issued under the certificate issuance program (public or non public) in the Czech Republic.

As of 31 December 2022, ČSOB recorded the following **investment certificate issues** in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
Europe 5 2024	CZ0000301544	27. 12. 2017	CZKm	342.71
ČSOB Investiční certifikát Unit link XXXI.	CZ0000301577	12. 2. 2018	CZKm	103.76
Best of Participation 2023	CZ0000301627	7. 3. 2018	CZKm	141.60
ČSOB Investiční certifikát Unit link XXXII.	CZ0000301635	12. 3. 2018	CZKm	96.70
Global Multi Asset Strategy 2023	CZ0000301676	4. 5. 2018	CZKm	336.00
BNP Multi-Asset Diversified	CZ0000301759	1. 8. 2018	CZKm	200.00
ČSOB Investiční certifikát Unit link XXXIII.	CZ0000301841	24. 10. 2018	CZKm	397.70
ČSOB Investiční certifikát Unit link XXXIV.	CZ0000301874	27. 12. 2018	CZKm	149.43
ČSOB Investiční certifikát Unit link XXXV.	CZ0000301882	20. 12. 2018	CZKm	351.86
100 % Sustainable Development Goals World 2024	CZ0000301940	7. 3. 2019	CZKm	52.37
ČSOB Investiční certifikát Unit link XXXVI.	CZ0000301932	12. 3. 2019	CZKm	233.64
100% European Value Select Jump 30 % 2024	CZ0000301981	3. 4. 2019	CZKm	127.51
ČSOB Investiční certifikát Unit link XXXVII.	CZ0000301973	12. 4. 2019	CZKm	187.50
Technologie budoucnosti	CZ0000301999	26. 4. 2019	CZKm	168.00
ČSOB Investiční certifikát Unit link XXXVIII.	CZ0000302054	10. 6. 2019	CZKm	119.50
ČSOB Investiční certifikát Unit link XL.	CZ0000302096	10. 7. 2019	CZKm	28.20
Síla české koruny	CZ0000302112	5. 8. 2019	CZKm	327.00
Capped PRIBOR Floater 01/2023	CZ0000302120	24. 7. 2019	CZKm	515.00
100 % Global Diversity Jump 25 % 2024	CZ0000302138	24. 7. 2019	CZKm	205.00
ČSOB Investiční certifikát Unit link XLI.	CZ0000302146	10. 9. 2019	CZKm	267.50
Capped PRIBOR Floater 03/2023	CZ0000302179	4. 9. 2019	CZKm	100.00
ČSOB Investiční certifikát Unit link XLII.	CZ0000302211	23. 10. 2019	CZKm	140.30

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
Capped PRIBOR Floater 04/2023	CZ0000302245	3. 10. 2019	CZKm	172.00
ČSOB Investiční certifikát Unit link XLIII.	CZ0000302294	10. 12. 2019	CZKm	90.20
Capped PRIBOR Floater 2,3 04-2023	CZ0000302302	22. 10. 2019	CZKm	350.00
Capped PRIBOR Floater 05/2023	CZ0000302328	13. 11. 2019	CZKm	96.00
ČSOB Investiční certifikát Unit link XLIV.	CZ0000302369	12. 2. 2020	CZKm	112.40
Capped PRIBOR Floater 08/2023	CZ0000302401	12. 2. 2020	CZKm	200.00
ČSOB Investiční certifikát Unit link XLV.	CZ0000302443	25. 3. 2020	CZKm	163.00
Capped PRIBOR Floater 09/2023	CZ0000302484	25. 3. 2020	CZKm	96.00
Stay Online 5 2027	CZ0000302633	21. 8. 2020	CZKm	91.00
Lookback Racer Transatlantic 2026	CZ0000302724	21. 10. 2020	CZKm	297.00
Piling Racer Severní Amerika a Evropa 2027	CZ0000302823	24. 2. 2021	CZKm	144.00
Lookback Racer Transatlantic 2027	CZ0000302864	30. 12. 2020	CZKm	100.00
Defensive New Pharma 5,5 2028	CZ0000302948	31. 3. 2021	CZKm	270.00
ČSOB Investiční certifikát Unit link XLVI.	CZ0000303003	28. 4. 2021	CZKm	368.30
Defensive Eurostoxx 4,3 05/2028	CZ0000303060	28. 4. 2021	CZKm	92.00
Cyber Security 6,5 2028	CZ0000303086	5. 5. 2021	CZKm	318.00
Cirkulární Ekonomika 5 2028	CZ0000303169	2. 6. 2021	CZKm	221.00
Lookback Global Diversified 2027	CZ0000303177	2. 6. 2021	CZKm	134.00
Cestovní ruch Defenzivní 6 2028	CZ0000303284	21. 7. 2021	CZKm	186.00
Zalesňovací investiční certifikát Pro udržitelnou budoucnost 2027	CZ0000303300	4. 8. 2021	CZKm	124.00
ČSOB Investiční certifikát Unit link XLVII. - Nové trendy – energie a lidé 2027	CZ0000303292	11. 8. 2021	CZKm	144.20
Zalesňovací investiční certifikát Inovativní technologie Participační Autocall 7 2028	CZ0000303466	6. 10. 2021	CZKm	300.00
Capped PRIBOR Floater 04/2025	CZ0000303490	20. 10. 2021	CZKm	239.00
Zalesňovací investiční certifikát Inovativní technologie Participační Autocall 7 2028 II	CZ0000303565	20. 10. 2021	CZKm	370.00
Robotika a automatizace Participační Autocall 8 2028	CZ0000303607	18. 11. 2021	CZKm	505.00
KYBERNETICKÁ BEZPEČNOST 2027	CZ0000303615	29. 12. 2021	CZKm	160.40
Defensive Eurostoxx 3. rok 5,4 12/2028	CZ0000303664	8. 12. 2021	CZKm	85.00
Capped PRIBOR Floater 06/2025	CZ0000303706	15. 12. 2021	CZKm	216.00
Trendy Budoucnosti Defenzivní 3. rok 6,3 2028	CZ0000303714	29. 12. 2021	CZKm	180.00
Lookback Global Diversified Megatrends 2029	CZ0000303805	12. 1. 2022	CZKm	70.00
ČSOB Investiční certifikát Unit link XLIX.	CZ0000303847	9. 3. 2022	CZKm	98.50
Evropa 2050 Autocall Participační 2029	CZ0000303888	16. 3. 2022	CZKm	112.00
Capped PRIBOR Floater 09-2025	CZ0000303904	16. 3. 2022	CZKm	135.00
Lookback Racer Světové informační technologie 2028	CZ0000303953	20. 4. 2022	CZKm	193.00
Capped PRIBOR Floater 11-2025	CZ0000304019	18. 5. 2022	CZKm	150.00
Mobilita Budoucnosti Participační Autocall Plus 2029	CZ0000304035	1. 6. 2022	CZKm	76.00
Lookback Racer World Climate Care 2028	CZ0000304142	20. 7. 2022	CZKm	74.50
ČSOB Investiční certifikát UL Maximal Invest umělá inteligence 2028	CZ0000304050	8. 6. 2022	CZKm	33.40
ČSOB Investiční certifikát UL Maximal Invest Světoví lídři 2028	CZ0000304100	7. 7. 2022	CZKm	37.90

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
Bonusový Click Cyber Security	CZ0000304191	3. 8. 2022	CZKm	42.70
Capped PRIBOR Floater 01/2026	CZ0000304225	27. 7. 2022	CZKm	153.50
Capped PRIBOR Floater 04/2026	CZ0000304340	5. 10. 2022	CZKm	20.20
Participace Plus Energetická transformace 2026	CZ0000304316	12. 10. 2022	CZKm	27.00
IC Defenzivní Autocall Globální progres 2029	CZ0000304357	12. 10. 2022	CZKm	54.00
ČSOB Investiční certifikát Maximal Invest Bonusový click Kybernetická bezpečnost 2028	CZ0000304241	7. 9. 2022	CZKm	114.90
ČSOB Investiční certifikát Maximal Invest Participace Plus Světoví lídři 2027	CZ0000304332	5. 10. 2022	CZKm	19.90
S&P 500 Autocall 2029 USD	CZ0000304464	9. 11. 2022	CZKm	3.18
S&P 500 Autocall 2029	CZ0000304456	9. 11. 2022	CZKm	324.00
Lookback Racer Světové informační technologie 2027	CZ0000304498	23. 11. 2022	CZKm	33.50
ČSOB Investiční certifikát Maximal Invest Světové klima 2027	CZ0000304530	29. 12. 2022	CZKm	57.30
S&P 500 Participační Autocall 2030	CZ0000304597	29. 12. 2022	CZKm	218.00

In the first three months 2023* ČSOB issued the following **investment certificates issues** in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
ČSOB Investiční certifikát Maximal Invest Participace Plus Trendy Budoucnosti 2028	CZ0000304647	3. 3. 2023	CZKm	89.50
S&P 500 Participační Autocall 3/2023	CZ0000304621	22. 2. 2023	CZKm	233.00
S&P 500 Autocall USD 2030	CZ0000304654	22. 2. 2023	USDm	3.05
Evropská inflace 2026	CZ0000304712	29. 3. 2023	CZKm	151.00
Zdravotnictví Participační Autocall 2030	CZ0000304738	22. 3. 2023	CZKm	246.00

** Issued until 31. March 2023*

All ČSOB's investment certificates are unlisted (not publicly tradable on any official regulated market in either an EU member state. or an EEC member state).

The prospectus of investment certificates. amendments thereto and pricing supplements are available at ČSOB's website www.csob.cz.

The purpose of the issuance of bonds and of investment certificates by ČSOB is mainly to enlarge the offer of investment products for the Bank's clients.

Subordinated Bonds (outstanding)

From 1 January 2022, the Group has to meet the Minimum Requirement for own funds and eligible liabilities (MREL) at the interim level set by ČNB and therefore ČSOB issued the subordinated bonds described in the following table. The owner of all these bonds is the mother company KBC NV.

Issue Name	ISIN	Issue Date	First Call Date	Maturity	Volume of Bonds Issued (nominal value)	
ČSOB MREL 01 VAR/27	CZ0003706806	23. 12. 2021	15. 12. 2026	15. 12. 2027	EURm	500.0
ČSOB MREL 02 VAR/26	CZ0003706798	23. 12. 2021	15. 12. 2025	15. 12. 2026	EURm	276.0
ČSOB MREL 03 VAR/28	CZ0003707168	8. 6. 2022	15. 12. 2027	15. 12. 2028	EURm	400.0
ČSOB MREL 04 VAR/25	CZ0003707176	8. 6. 2022	15. 12. 2024	15. 12. 2025	EURm	330.0
ČSOB MREL 05 VAR/26	CZ0003707796	15. 12. 2022	15. 12. 2025	15. 12. 2026	EURm	170.0

Activity of ČSOB

ČSOB is active as a universal bank in the Czech Republic.

As a legal entity subject to the Czech law, ČSOB follows the applicable legislation in force in the territory of the Czech Republic. Its activities are regulated primarily under the Banking Act, the Capital Market Undertakings Act and by the Corporations Act. **A single banking licence** is of fundamental importance for ČSOB's business activities.

ČSOB is also authorized to provide services of a tied insurance intermediary, an independent intermediary of consumer loans, an independent intermediary of supplementary pension savings, the activity of a securities trader, the administrator of a qualified electronic identification system,and is participant of the Central Depository.

Main Areas of Activities

ČSOB's Scope of Business is defined in the Articles of Association of ČSOB (in the part III. Scope of Business).

ČSOB, being a universal bank, carries out banking transactions and renders financial services according to the generally binding legal regulations of the Czech Republic regulating the domestic and foreign activities of banks. In particular, **it accepts deposits from the public and provides loans**.

In addition to these basic services, ČSOB is authorized to carry out the following activities according to the applicable Czech legal regulations:

- Investment in securities on the Bank's own account,
- Financial leasing,
- Payments and clearance,
- Issuance and administration of payment instruments,
- Provision of guarantees,
- Issuance of letters of credit,
- Provision of collection services,
- Provision of all investment services according to a special law,
- Issuance of mortgage bonds,
- Financial brokerage,
- Provision of depository services,
- Exchange office services (purchase of foreign exchange),
- Provision of banking information,
- Trading in foreign exchange values and gold on the Bank's own account or on a client's account,
- Rental of safe-deposit boxes,
- Activities directly related to the activities mentioned above,
- Activities carried out for other parties if they relate to the running of the company and operation of other banks, financial institutions and enterprises providing ancillary banking services, controlled by the company, and
- Identification services within the meaning of Sec 1/4 c) of the Act No. 21/1992 Coll., on Banks.

ČSOB Holding

On the day of March 1, 2019, the ČSOB has published in accordance with Sec 79/3 of the Act No. 90/2012 Coll., the Corporations Act ("CA"), on its web site the existence of ČSOB Holding, where ČSOB is a controlling person within the meaning of Sec 79/1 of the CA. More detailed information about ČSOB Holding can be found here https://www.csob.cz/portal/csob/about-the-csob-group/csob-holding.

Significant Contracts

Out of the ordinary course of ČSOB's business, the Bank has entered into no contracts which could result in any group member being under an obligation or entitlement that is material to ČSOB's ability to meet its obligation to security holders in respect of the securities being issued.

With effect from 1st January 2018, ČSOB and Česká pošta, s.p. (the "Czech Post") concluded the Agreement on the Provision of Services and related Implementation Agreement. Under these Agreements, the Czech Post provides financial services and related activities for ČSOB. The Agreements were concluded for ten years.

Trademarks, Licenses, Patents

Being aware of the ever-growing importance of intellectual property as a vital and integral part of the modern society, ČSOB pays extraordinary attention to the intellectual property rights and their protection.

ČSOB is the applicant/owner of more than a hundred **trademarks** registered with the trademark authorities established to protect industrial or other intellectual property rights and uses the trademarks for product and service identification when performing its business activities.

ČSOB is a holder of many **licenses**, mainly software products licenses, to support ČSOB's business activities.

ČSOB is not a **patent** applicant/owner.

Governmental, Legal or Arbitration Proceedings

which may have, or have had in the recent past, significant effects on ČSOB's and / or the ČSOB group's financial position or profitability

Information on Court Disputes

For information on court disputes please refer to the Separate Financial Statements for the year 2022 (Notes 27 and 33) and to the Consolidated Financial Statements for the year 2022 (Notes 30 and 36).

The most significant ČSOB's court disputes as at 31 December 2022, are shown in the following table including the dispute amount (with accessories).

Litigation against ČSOB (the Defendant)

Counterparty of the Dispute	Liability (CZKm)
ICEC-HOLDING, a.s., Boleslavova 710/19, Ostrava	27,608

In February 2023 ČSOB was delivered a legally binding arbitral award and was imposed to pay the plaintiff the amount of CZK 3.7 bn.

Other information

Remuneration Charged by Auditors for 2022

Information in accordance with Section 118 (4) (k) of the Act No. 256/2004 Coll., Capital Market Undertakings Act

(CZKths; excl. VAT*)	Audit services	Other assurance services	Other services	Total
ČSOB	16,521	2,236	-	18,757
Other consolidated companies	12,833	-	-	12,833
Total	**29,354**	**2,236**	**-**	**31,590**

The costs of audit services are stated including the costs of preparing The Report on the adequacy of the measures taken in order to protect the customer's property ("MiFiD Report"), for the review of quarterly consolidated special standard statements KBC Group N.V. ("Group Financial Statements").

Services in addition to the Statutory Audit Provided by Statutory Auditor and its Affiliated Company during 2022

Company	Recipient of the service	Service description	Price without VAT* (CZKths.)
PricewaterhouseCoopers Audit, s.r.o.	ČSOB, a.s.	Review of accounting information for special purposes	1,474
PricewaterhouseCoopers Audit, s.r.o.	ČSOB, a.s.	ISAE3402 Type II report	477
PricewaterhouseCoopers Audit, s.r.o.	ČSOB, a.s.	Review of the issuer's prospectuses	254
PricewaterhouseCoopers Audit, s.r.o.	ČSOB, a.s.	Auditor's confirmations for insolvency proceedings	31
Total			**2,236**

** Published information includes relevant part of VAT, which is not deductible.*

Contribution to the Securities Traders Guarantee Fund

Information in accordance with Section 16 (1) of the Act No. 256/2004 Coll., Capital Market Undertakings Act

As a securities trader, ČSOB contributes to the Guarantee Fund, which ensures the guarantee system from which compensation is paid to the clients of a securities trader that is not able to fulfil its obligations to its clients.

Contribution to the Securities Traders Guarantee Fund for 2022 (CZKths)	ČSOB	Consolidated ČSOB Unit
Basis for calculation of the contribution	1,736,331	2,342,869
The contribution	**34,727**	**46,857**

Information Published within this Annual Report

Information	Reference [1]
Important Events and Significant Changes in 2022	Report of the Board of Directors
	Corporate Governance Policy
	Note 3 [2]
New Products and Services Introduced in 2022	Report of the Board of Directors
Description of Markets where ČSOB Competes	Company Profile
	Report of the Board of Directors
Profit Distribution	Note 15
Activities Undertaken in the Area of Environmental Protection [3]	Corporate Social Responsibility
Information on Entities Included into the ČSOB Consolidated Financial Statements as at 31 December 2022	Companies of the ČSOB group
	Note 3 [2]
Expected Economic and Financial Situation of ČSOB in 2023	Report of the Board of Directors

1) The content refers to another section of this Annual Report or to a note in Notes to the Separate Financial Statements for the year 2022 (unless stated otherwise).

2) The content refers to a note in Notes to the Consolidated Financial Statements for the year 2022.

3) Together with this Annual Report, ČSOB also publishes the ČSOB Social Responsibility Report 2022.

Annex to Additional Information

Information according to Annex 14 of the Decree No. 163/2014 Coll., on the Performance of the Activities of Banks, Credit Unions and Investment Firms

Events after the Reporting Period

Chapter	Part
Corporate Governance	Managing and Supervisory Bodies, ČSOB's Organisation Chart
Additional Information	Bonds and Investment Certificates
Notes to the Consolidated Financial Statements for the year 2022	Events after the Reporting Period (Note 40)
Notes to the Separate Financial Statements for the year 2022	Events after the Reporting Period (Note 37)

Information on the Publication of the ČSOB Annual Report 2022

ČSOB will publish its Annual Report 2022 on its Internet website at www.csob.cz.

The **Czech National Bank** will add the ČSOB Annual Report 2022 to the collection of deeds of the **Register of Companies** pursuant to Section 21a of the Accounting Act.

Information in accordance with Section 99 of Decree No. 163/2014 Coll., on the Performance of the Activities of Banks, Credit Unions and Investment Firms

Annual reports and other obligatory information are available (by the date of release of this Annual Report) on ČSOB's Internet website in the section ČSOB – **Obligatory Published Information** (Povinně uveřejňované informace):
https://www.csob.cz/portal/csob/obligatory-published-information#annual-reports.

Annex to Additional Information

About the Report

Československá obchodní banka (ČSOB) is subject to the obligation to disclose non-financial information in accordance with Directive 2014/95 / EU of the European Parliament and of the Council amending Directive 2013/34 / EU, this EU Directive was implemented in Czech Act No. 563/1991 Sb., on accounting and further modified by Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (Taxonomy Regulation).

In accordance with this legislation, since 2018 ČSOB has published in its annual report the non-financial information in question, which captures the environmental, social and economic impacts of its activities.

However, in view of the group approach to this issue and the changes introduced by the Taxonomy Regulation, we have decided to take advantage of the legislative option and refer to the KBC Group's annual report at this link https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/jvs-2022/jvs-2022-grp-en.pdf when publishing non-financial information.

In this report, you will find all the necessary information, including information on our portfolio of loans, insurance and climate-related investments as part of KBC's Sustainable Finance program that describes ČSOB's approach to socially responsible sustainable business undertaken in the form of not only economy-oriented activities but also a number of related non-business activities which take into consideration the needs and interests of society in the Czech Republic where ČSOB is doing business. To be able to identify and respond to them accordingly, we regularly communicate with our key partners through questionnaires, public surveys or specific events targeting relevant addressees. These are clients, employees, investors, suppliers, representatives of state institutions and NGOs and, last but not least, our competitors, the regulator and government authorities.

The Report applies to all members of ČSOB Group and reports events during the period of January 1 – December 31, 2022. This means it links to the time reported by the preceding Annual Report and *ČSOB Group Social Responsibility Report 2021*.

We have chosen the globally recognised Global Reporting Initiative, specifically the GRI Standards, Core Option, as the most appropriate inspiration for our Report compilation. The non-financial information in the Report has not been verified by an external auditor.

Key Themes from the Stakeholders' Perspective (Material Aspects)

Aspect	Justification	Solution
Ethical business conduct and Responsible behaviour	Ethics and integrity are essential components of sound business practice. Responsible behaviour and business ethics are an integral part of the ethical standards to which we adhere.	Integrity Policy, Code of Conduct, Status Compliance ČSOB, Code of Conduct, Act on the Protection of Competition, Anti-Money Laundering Act, Tax Fraud Prevention, Anti-Corruption Program, Gift Policy, Whistle Blowing Policy
Partner in the transformation to a more sustainable future	We are a bank that specifically helps solve the transition to an emission-free society and helps with projects that are friendly to nature and that take climate change into account.	We have experience, expertise and tools (products/ services beyond banking). We know what changes need to be made in the entire company (in individual sectors) and how beneficial they are. We do a lot for this from awareness, education to securing available public finance, energy audits/ expert consultations to financing/insurance to interactive calculators and reducing our carbon footprint take climate change into account.

Privacy, Data Protection and Cyber security	Credibility is a basic prerequisite for a bank undertaking business in the financial sector.	MiFID regulations for investor protection, consumer right protection in the field of consumer loans and mortgages, unfair business practices, client complaint handling.
Sustainable and responsible asset management and investing	Striving to ensure sustainable profit growth.	Developing a unique collaboration between the clients, banking and insurance business to allow us to better understand our clients and devise suitable, complex solutions.
Long-term resilience of our business model	Respecting the limits for the determining the risk, capital and liquidity in our business activities.	Risk management rules, principles and measures, activities of the Risk and Compliance Committee.
Sustainable and responsible service and product offering	Aiming to become the first company to come to mind when people think about financial products and services or consider purchasing investment instruments.	Placing the client's interest first, honesty in our business and correctness in our relationships; discretion and responsibility in business handlings.

Strategic Objectives and Fundamental Corporate Values (Management Approach)

Social

Stimulating Czech economy, preparing solutions to potential future problems and developing innovative tools to manage the current social challenges, we aim to contribute to the whole Czech society and are involved in socially sensitive topics. We intend to become the first company that springs to mind when people think about financial products and services, or search for an interesting job. We wish to be first choice for investors considering a purchase of investment instruments.

Economic

Striving to ensure sustainable profit growth, intending to defend and further facilitate our corporate existence in the long term. Respecting the limits for the determination of risk, capital and liquidity in our business activities. Developing a unique collaboration between banking and insurance businesses to allow us to better understand our clients and devise suitable complex solutions. We wish to be the quality standard in the field of bank-insurance in the Czech market.

Environmental

We are aware of the climate threats posed by global warming and are ready to contribute to a faster transition to a more sustainable society and a low-carbon economy through new business models. ČSOB has its own environmental and energy policies incorporating the company's commitments to environmental protection, pollution prevention, permanent improvement of the environmental management system and other specific commitments in full compliance with the requirements of ČSN EN ISO 14001:2016 (EMS) and ISO 50001 (EnMS).

Ways of Achieving This

Strictly complying with legal standards and regulations on one hand and acting politely and respectfully to express equal partnership on the other hand. We approach mutual collaboration with our partners with an open mind, we listen to them and learn about their needs in order to be able to meet them. We place the client's interest first; we are honest in business and correct in relationships, discreet and responsible in negotiations. We believe that respect to those values reflected in our behavior will not only help us build trust in our company but will also serve as a reference for both existing and new partners.

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Global Reporting Initiative (GRI) Content index*

General Standard Disclosures

General disclosures 2022	Description	cross-reference
Organizational Profile		
102-1	Name of the organization	Annual Report 2022, p. 1.
102-2	Activities, brands, products, and services	Annual Report 2022, p. 26-28, 44-55, 331.
102-3	Location of headquarters	Annual Report 2022, p. 1.
102-4	Location of operations	Annual Report 2022, p. 13, 44, 331.
102-5	Ownership and legal form	Annual Report 2022, p. 26, 28.
102-6	Markets served	Annual Report 2022, p. 26, 28.
102-7	Scale of the organization	Annual Report 2022, p. 13, 21, 27.
102-8	Information on employees and other workers	Annual Report 2022, p. 2, 9, 13, 16, 27, 34, 40-42; ČSOB Group Report to Society 2022.
102-9	Supply chain	Suppliers Policy, ČSOB Group Report to Society 2022.
102-10	Significant changes to the organization and its supply chain	Annual Report 2022, p. 9, 57
102-11	Precautionary Principle or approach	Integrity Policy ČSOB, Statut Compliance ČSOB, Code of Conduct společnosti, Code of Administration and Management ČSOB, Annual Report 2022, p. 8, 13, 19, 338; ČSOB Group Report to Society 2022.
102-12	External initiatives	Annual Report 2022, p. 3-4, 8, 11, 30, 34-38, 333; ČSOB Group Report to Society 2022.
102-13	Members of associations	not stated
Strategy		
102-14	Statement from CEO	Annual Report 2022, p. 3-4.
Ethics and Integrity		
102-16	Values, principles, standards and norms of behavior	Code of Conduct, Integrity Policy ČSOB, Statut Compliance ČSOB, Annual Report 2022, p. 3-4, 13, 30, 37, 40, 71, 338; ČSOB Group Report to Society 2022.
Governance		
102-18	Governance structure	Annual Report 2022, p. 44, 77-78, 324.
Stakeholder Engagement		
102-40	List of stakeholder groups	ČSOB Group Report to Society 2022.
102-42	Identifying and selecting stakeholders	ČSOB Group Report to Society 2022.
102-43	Approach to stakeholder engagement	ČSOB Group Report to Society 2022.
102-44	Key topics and concerns raised	ČSOB Group Report to Society 2022.

General disclosures 2022	Description	cross-reference
Report Profile		
102-45	Entities included in the consolidated financial statements	Annual Report 2022, p. 44, 54-55.
102-46	Defining report content and topic boundaries	Annual Report 2022, p. 5.
102-47	List of material topics	Annual Report 2022, p. 337-341; ČSOB Group Report to Society 2022.
102-49	Changes in reporting	Annual Report 2022, p. 9, 57-58.
102-50	Reporting period	Annual Report 2022, p. 323, 337.
102-51	Date of most recent report	Annual Report 2022, p. 323, 337.
102-52	Reporting cycle	Annual Report 2022, p. 323, 337.
102-53	Contact point for questions regarding the report	Annual Report 2022, p. 356.
Specific GRI Standards		
103-1	Explanation to the material topic and its boundary	Annual Report 2022, 337-338; Integrity Policy ČSOB, Statut Compliance ČSOB, Code of Conduct; ČSOB Group Report to Society 2022.
103-2	The management approach	Integrity Policy ČSOB, Statut Compliance ČSOB, Code of Conduct, Annual Report 2022, p. 3-4, 13, 30, 56, 337-338; ČSOB Group Report to Society 2022.
103-3	Evaluation of the management approach	Annual Report 2022, p. 337-338; Integrity Policy ČSOB, Statut Compliance ČSOB, Code of Conduct; ČSOB Group Report to Society 2022.
Economic (GRI 200)		
201-1	Direct economic value generated and distributed	Annual Report 2022, p. 2-3, 8-9, 12-17.
201-2	Financial implications and other risk and opportunities due to climate change	Annual Report 2022, p. 3, 8, 19, 31-33.
203-1	Infrastructure investments and services supported	Annual Report 2022, p. 22-24, 26-27, 331.
203-2	Significant indirect economic impacts	Annual Report 2022, p. 3-4, 6-9.
205-1	Operations assessed for risks related to corruption	Annual Report 2022, p. 71.
205-2	Communication and training about anti-corruption policies and procedures	ČSOB Whistle-blowing Policy, Code of Conduct, ČSOB Anticorruption program, ČSOB Policy for Donations and Similar Performances, Policies for Notification, Investigation and Documentation of Unethical, Fraudulent and Criminal Law in ČSOB, Strategy for the Prevention and Detection of Fraud and Ethics of ČSOB Group.
Environmental (GRI 300)		
302-1	Energy consumption within the organization	Annual Report 2022, p. 32-34; ČSOB Group Report to Society 2022; Environmental Policy ČSOB.
302-4	Reduction of energy consumption	Annual Report 2022, p. 32-34; ČSOB Group Report to Society 2022; Environmental Policy ČSOB.

General disclosures 2022	Description	cross-reference
305-1	Direct (Scope 1) GHG emissions	Annual Report 2022, p. 32-34; ČSOB Group Report to Society 2022; Environmental Policy ČSOB.
305-2	Energy indirect (Scope 2) GHG emissions	Annual Report 2022, p. 32-34; ČSOB Group Report to Society 2022; Environmental Policy ČSOB.
305-3	Other indirect (Scope 3) GHC emissions	Annual Report 2022, p. 32-34; ČSOB Group Report to Society 2022; Environmental Policy ČSOB.
305-5	Reduction of GHG emissions	Annual Report 2022, p. 32-34; ČSOB Group Report to Society 2022; Environmental Policy ČSOB.
Social (400)		
401-1	New employee hires and employee turnover	Annual Report 2022, p. 16, 27, 40.
404-1	Average hours of training per year per employee	ČSOB Group Report to Society 2022.
404-3	Percentage of employees receiving regular performance and careed development reviews	100%, Collective Agreement
405-1	Diversity of governance bodies and employees	Annual Report 2022, p. 40-42; ČSOB Group Report to Society 2022.
Own indicators		
	Initiatives to improve access to fianncial services for disadvantaged people	Annual Report 2022, p. 3, 10-11, 30, 36-37; ČSOB Group Report to Society 2022.
	Anti-corruption policies and procedures	ČSOB Whistle-blowing Policy, Code of Conduct, ČSOB Anticorruption program, ČSOB Policy for Donations and Similar Performances, Policies for Notification, Investigation and Documentation of Unethical, Fraudulent and Criminal Law in ČSOB, Strategy for the Prevention and Detection of Fraud and Ethics of ČSOB Group; ČSOB Group Report to Society 2022.
	Policies with specific environmental and social components applied to business lines.	Environmental Policy ČSOB, Energetická politika společnosti ČSOB, Směrnice ochrana životního prostředí; ČSOB Group Report to Society 2022.
	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	ČSOB Environmental Policy, ČSOB Energetic Policy, ČSOB Anticorruption Policy, ČSOB Whistle-blowing Policy, Code of Conduct, ČSOB Anticorruption program; ČSOB Group Report to Society 2022.

* *This sustainability Report has been prepared in accordance with the GRI Standards, "Core" option, non-financial data have not been externally audited.*

Information according to Annex 14 of Decree No. 163/2014 Coll.,

on the Performance of the Activities of Banks, Credit Unions and Investment Firms

Information about Capital and Capital Requirements pursuant to Article 437 (1) (a) of Regulation (EU) 575/2013

(CZKths)		the Bank 31. 12. 2022	Regulated Cons. Unit 31. 12. 2022
Items from Statement of Finacial Position	**Total Shareholders' Equity**	**96,068,453**	**100,992,662**
	Share capital	5,855,000	5,855,000
	Share premium	20,092,666	20,928,552
	Accumulated Other comprehensive income	(1,733,581)	(2,239,808)
	Reserve funds	18,686,648	18,686,648
	Retained earnings for the previous periods	39,517,798	43,193,779
	Own shares	0	0
	Net profit for the period	13,649,922	14,568,491
	Non-controlling interest	0	0
Adjustments to CET1	**Total Adjustments to CET1**	**(8,360,779)**	**(15,199,246)**
	Gains / (losses) on hedging instruments (Cash Flow Hedging)	1,689,927	1,577,284
	Additional value adjustment	(136,996)	(84,901)
	Goodwill	(2,178,017)	(6,274,487)
	Other intangible assets, net of tax	(2,172,141)	(3,643,523)
	Insufficient coverage of expected credit losses (lack of provisions)	(304,230)	(561,286)
	Unusable profit	(5,249,922)	(6,168,491)
	Non-controlling interest	0	0
	Insufficient coverage for non-performing exposures	(9,401)	(12,562)
	Deferred tax assets	0	(31,279)
	Other transitional adjustments to CET 1	0	0
Tier 2 Capital	**Total Tier 2 Capital**	**1,577,297**	**1,646,031**
	IRB Excess of provisions over expected losses eligible	1,577,297	1,646,031
	Total Capital	**89,284,971**	**87,439,447**
	Tier 1 (T1) Capital	**87,707,674**	**85,793,416**
	Common Equity Tier 1 (CET1) Capital	**87,707,674**	**85,793,416**
	Tier 2 (T2) Capital	**1,577,297**	**1,646,031**

Information about Capital and Capital Requirements pursuant to Article 438 (c) to (f) of Regulation (EU) 575/2013

(CZKths)			the Bank 31. 12. 2022	Regulated Cons. Unit 31. 12. 2022
In the case of institutions that calculate the exposure values according to part three title II chapter 2. 8% of the exposure value for each category of exposure indicated in Article 112 of Regulation (EU) 575/2013	Exposures to central governments or central banks	Article 438 (c)	0	0
	Exposures to regional governments or local authorities		0	0
	Exposures to public sector entities		0	0
	Exposures to multilateral development banks		0	0
	Exposures to international organisations		0	0
	Exposures to institutions		0	51,837
	Exposures to corporates		0	486,388
	Retail exposures		0	58,489
	Exposures secured by mortgages on immovable property		0	1,158
	Exposures in default		0	2,646
	Exposures associated with particularly high risk		0	0
	Exposures in the form of covered bonds		0	0
	Items representing securitisation positions		0	0
	Exposures to institutions and corporates with a short-term credit assessment		0	0
	Exposures in the form of units or shares in collective investment undertakings		0	0
	Equity exposures		6,743,682	50,670
	Other items		0	421,203
Capital requirements calculated according to Article 92 (3) (b) and (c) of Regulation (EU) 575/2013	For position risk	Article 438 (e)	37,242	32,675
	For large exposures exceeding the limits set in Articles 395 to 401, if the institution is permitted to exceed these limits		0	0
	For currency risk		0	5,816
	For settlement risk		0	0
	For commodity risk		0	0
Capital requirements calculated according to part three title III chapters 2, 3 and 4 of Regulation (EU) 575/2013 and made available separately	Capital requirement pursuant to title III chapter 2	Article 438 (f)	0	0
	Capital requirement pursuant to title III chapter 3		4,672,054	5,241,551
	Capital requirement pursuant to title III chapter 4		0	0
In the case of institutions that calculate the exposure values according to part three title II chapter 3. 8% of the exposure value for each category of exposure indicated in Article 147. In the case of the retail exposure category, this requirement is used for each category of exposure that corresponds to differing correlation according to Article 154 (1) to (4) of Regulation (EU) 575/2013.	Exposures to central governments or central banks	Article 438 (d)	1,466,134	1,548,258
	Exposures to institutions		4,368,349	825,021
	Exposures to corporates		11,313,901	10,756,072
	Retail exposures		1,761,737	11,482,299
	Equity exposures		0	0
	Items representing securitisation positions		0	0
	Other assets not having the character of a credit liability		2,120,502	2,482,232
In the case of the equity exposures category this requirement is used for	Equity exposures traded on regulated markets		0	0
	Equity exposures not traded on regulated markets in sufficiently diversified portfolios and other exposures		0	0
	Exposures that in the area of capital requirements are subject to transitional supervision rules		0	0
	Exposures that in the area of capital requirements are subject to provisions relating to retention of legal effects		0	0
	Each of the approaches indicated in Article 155		0	0
*Risk exposure for credit valuation adjustment**			*152,735*	*152,735*
*Risk exposure amount for Position, foreign exchange and commodities risks under internal models**			*0*	*0*

** These items have been added in order to maintain the scope of mandatory reporting CNB.*

Capital Ratios

	the Bank 31. 12. 2022	Regulated Cons. Unit 31. 12. 2022
Capital ratio for Equity capital Tier 1	20.84%	19.82%
Capital ratio for Tier 1 capital	20.84%	19.82%
Capital ratio for Total capital	21.22%	20.20%

Ratios Indicators

		the Bank 31. 12. 2022
Return on average assets (ROAA)		0.70%
Return on average Tier 1 capital (ROAE)		15.32%
Assets per employee*	CZKths	228,768
Administrative costs per employee*	CZKths	2,271
Profit after tax per employee*	CZKths	1,859

** According to CNB's methodology (Registered number of employees).*

DOCUMENTS

Sworn Statement

Persons Responsible for the ČSOB Annual Report 2022

hereby declare that, to their best knowledge, the ČSOB Annual Report 2022 gives a true and fair account of ČSOB and its consolidation unit's financial situation, business activities and business results achieved in the previous financial year as well as the outlook for the future trends in the financial situation, business activities and business results and on non-financial information.

In Prague, 19 April 2023

Československá obchodní banka, a. s.

Aleš Blažek
Chairman of the Board of Directors

Jiří Vévoda
Member of the Board of Directors

Independent Auditor's Report

Independent Auditor's Report

To the shareholder of Československá obchodní banka, a. s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of Československá obchodní banka, a. s., with its registered office at Radlická 333/150, Prague 5 (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2022, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2022, and of the Bank's separate financial performance and separate cash flows for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of income for the year ended 31 December 2022;
- the consolidated statement of other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022; and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The Bank's separate financial statements comprise:

- the separate statement of income for the year ended 31 December 2022;
- the separate statement of other comprehensive income for the year ended 31 December 2022;
- the separate statement of financial position as at 31 December 2022;
- the separate statement of changes in equity for the year ended 31 December 2022;
- the separate statement of cash flows for the year ended 31 December 2022; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the "EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

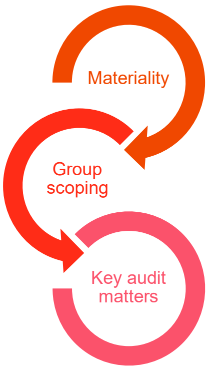
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, the Act on Auditors and the EU Regulation.

Our audit approach

Overview



The overall materiality for the consolidated financial statements represents 5% of the three-year average from the Group's profit before tax and before non-recurring transactions and has been determined as CZK 828 million. The overall materiality for the separate financial statements represents 5% of the three-year average from the Bank's profit before tax and before non-recurring transactions and has been determined as CZK 790 million.

Our audit work addressed 97.9% of the Group's assets and 90.9% of the Group's profit before tax. Our specified procedures on ČSOB Leasing, a.s. addressed additional 1.3% of the Group's assets and 4% of the Group's profit before tax.

Risk of impairment of loans and advances, including the impact of the emerging risks

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each set of 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 each set of financial statements as a whole.

Overall Group materiality	CZK 828 million
Overall Bank materiality	CZK 790 million
How we determined it	Materiality for the Group and the Bank was determined as 5% of the three-year average from the Group's and the Bank's profit before tax and before non-recurring transactions for the years 2020 - 2022.
Rationale for the materiality benchmark applied	We have chosen the three-year average from profit before tax as the benchmark for estimating materiality, as the Group and the Bank are profit-oriented entities. We understand that profit before tax is one of the key performance indicators for the Group's and the Bank's stakeholders. The COVID-19 pandemic had significant impact on the profitability of the Group and the Bank and therefore we have eliminated the consequential high volatility of materiality using the three-year average. We excluded a significant non-recurring transaction from the benchmark calculation (recognition of provision for the litigation of CZK 3,663 million impacting both the consolidated and separate profit before tax for 2022). We have chosen 5%, which is within the range of acceptable quantitative materiality thresholds for Public Interest Entities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of each set of 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
Risk of impairment of loans and advances, including the impact of the emerging risks	
The Group recognized Financial assets at amortised cost of CZK 1,564,279 million in the Consolidated statement of financial position and within those assets Loans and advances of CZK 1,315,168 million as at 31 December 2022. The Bank recognized Financial assets at amortised cost of CZK 1,347,386 million in the Separate statement of financial position and within those	Our audit procedures relating to risk of impairment of loans and advances were specifically focused on the impact of emerging risks, for the purpose of an assessment of their effect on the net carrying amount of loans and advances and the estimated allowance for expected credit losses.

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assets Loans and advances of CZK 779,493 million as at 31 December 2022.

The risk of non-payment of loans and advances is an inherent part of banking activities. The allowance for expected credit losses represents the most significant estimate and a highly complex area with a direct and significant impact on the financial results.

Management's approach to assumptions with the most significant impact on the estimation of the allowance for expected credit losses is described in Notes 2 to the consolidated and separate financial statements, in Note 41 to the consolidated financial statements and in Note 38 to the separate financial statements.

The allowance for expected credit losses is calculated using models that reflect the impact of current economic conditions, credit quality of loans and advances as well as forward-looking information and forecasts of macroeconomic variables on the credit portfolio of the Group and the Bank.

The current economic and political situation is characterised by emerging risks arising as a consequence of the ongoing war in Ukraine, high inflation and interest rate environment and irregularities in the supply chains. All these factors bring increased uncertainty regarding the future state of the economy and behaviour of credit portfolios.

It is critical that significant increase in credit risk is timely identified in the light of the current economic and political situation and that the emerging risks are adequately and timely reflected in the allowance for expected credit losses.

The Group and the Bank maintain an additional amount of allowance for expected credit losses ("management overlay"), which was added on top of the results of standard ECL models, as they could not fully capture the emerging risks brought by the current situation. The overlay is based on identification of clients and groups of clients with increased credit risks, for whom these risks are reflected in their staging and the allowance for expected credit losses. The identification is done by analysing direct impact of the war on selected industries and analysing the expected impact of the significant increase in interest rates on the loans (repricing) in the near future.

Due to the uniqueness of the current situation, the impact of back testing of the credit models was limited.

Our approach was based on testing of the internal control system established by the Group and the Bank for this area and on direct testing of the amounts recognized in the Group's and the Bank's financial statements.

We assessed the existing policies applicable to the allowance for expected credit losses, including the system of collateral valuation, their compliance with the requirements of IFRS 9 and we also assessed adherence to the existing control system.

We engaged our financial risk modelling experts in assessing the models (including the approach to the calculation of the management overlay) used for the quantification of the allowance for expected credit losses.

We also assessed that the approach to identification of significant increase in credit risk, taking into consideration regulatory recommendations, is consistent with the requirements of IFRS 9.

Due to the key role of the core banking systems and internal control systems in the identification of significant increase in credit risk and the quantification of the allowance for expected credit losses, including the assignment of internal rating or credit score and pooling, we involved our information technology specialists, who verified access rights, data processing and automated calculations in the core systems, including the calculation of the allowance for expected credit losses.

For a sample of loans, we verified the classification of loans into three stages as defined by IFRS 9. We also checked the identification of significant increase in credit risk and quantification of the probability of default, the amount of credit exposure and the loss given default and also the reflection of forward-looking information, as these factors have crucial impact on the calculation of the allowance for credit losses.

For a sample of loans, we tested the individual calculation of the allowance for expected credit losses.

We also reviewed adequacy of disclosures required by the respective IFRS standards.

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How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each set of financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the share of individual subsidiaries on the Group financial position and performance and specifics of the industry in which the Group and the Bank operate.

Decisions regarding multi-location scoping require a significant degree of professional judgment based on the unique facts and circumstances of each entity. Most importantly, we considered each entity's contribution to total assets and profit before tax of the Group.

Our coverage for the 2022 year-end audit of the consolidated financial statements of the Group is 97.9% of total consolidated assets (after eliminations), which is covered by full scope audit procedures, and additional 1.3% covered by specified procedures on ČSOB Leasing, a.s. At the same time this also represents 90.9% of the consolidated profit before tax covered by full scope audit procedures and 4% covered by specified procedures on ČSOB Leasing, a.s.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include both of the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Group and the Bank obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and the Bank and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors, supervisory board and audit committee of the Bank for the financial statements

The board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Group and 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 the board of directors either intends to liquidate the Group or the Bank or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Bank is responsible for overseeing the financial reporting process.

The audit committee of the Bank is responsible for monitoring the financial statements' preparation process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 the Audit regulations 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 financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the board of directors, supervisory board and audit committee 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.

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We also provide the audit committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board and audit committee, we determine those matters that were of most significance in the audit of the 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.

Report on other legal and regulatory requirements

Information required by the EU Regulation

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Group and the Bank for years 2022 to 2024 by the general meeting of shareholders of the Bank on 18 May 2022. Our uninterrupted engagement as auditors of the Group and the Bank has lasted for 7 years.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the Bank and its subsidiaries that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

The non-audit services that we have provided to the Bank and its subsidiaries in the period from 1 January 2022 to 31 December 2022 are disclosed in Section Additional information of the annual report.

The engagement partner on the audit resulting in this independent auditor's report is Marek Richter.

19 April 2023

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

Marek Richter
Statutory Auditor, Licence No. 1800

ABBREVIATIONS

Abbreviation	Business Company
ČSOB the Bank	Československá obchodní banka, a. s.
PSB	Poštovní spořitelna (Postal Savings Bank; part of ČSOB)
ČSOB group; the Group	group of companies of the ČSOB group (not a legal entity)

Abbreviation	Business Company
BANIT	Bankovní informační technologie, s.r.o.
Bankovní identita / Bank ID	Bankovní identita, a.s.
Bausparkasse Schwäbisch Hall	Bausparkasse Schwäbisch Hall AG
CBCB	CBCB - Czech Banking Credit Bureau, a.s.
CNB	Czech National Bank
ČSOB Advisory	ČSOB Advisory, a.s.
ČSOB AM / ČSOB Asset Management	ČSOB Asset Management, a.s., investment company
ČSOB Factoring	ČSOB Factoring, a.s.
ČSOB Leasing	ČSOB Leasing, a.s.
ČSOB Pojišťovací makléř	ČSOB Pojišťovací makléř, s.r.o.
ČSOB PF Stabilita	ČSOB Penzijní fond Stabilita, a. s., a member of the ČSOB group
ČSOB Pojišťovací servis	ČSOB Pojišťovací servis, s.r.o., a member of the ČSOB holding
ČSOB Pojišťovna	ČSOB Pojišťovna, a. s., a member of the ČSOB holding
ČSOB PS / ČSOB Penzijní společnost	ČSOB Penzijní společnost, a. s., a member of the ČSOB group
ČSOB SK	Československá obchodná banka, a. s. (Slovak Republic)
ČSOBS	ČSOB Stavební spořitelna, a.s.
CZSO	Czech Statistical Office
Hypoteční banka	Hypoteční banka, a.s.
Igluu	Igluu s.r.o.
IPB	Investiční a Poštovní banka, a.s.
K&H Payment Services	K&H Payment Services Kft
KBC Bank	KBC Bank NV
KBC Group	KBC Group NV (legal entity)
KBC group	group of companies of the KBC Group NV
KBC Group Czech Branch	KBC Group NV Czech Branch, organizational unit
KBC Insurance / KBC Verzekeringen	KBC Insurance NV (i.e. KBC Verzekeringen NV)
KBC Lease Holding	KBC Lease Holding NV
KBC Participations Renta C	KBC Participations Renta C SA
KBC Securities	KBC Securities NV
MallPay	MallPay, s.r.o.
MF CR	Ministry of Finance of the Czech Republic
Motokov	MOTOKOV a.s. in liquidation
Patria Corporate Finance	Patria Corporate Finance, a.s.
Patria Finance	Patria Finance, a.s.
Patria investiční společnost / Patria IS	Patria investiční společnost, a.s.
Radlice Rozvojová	Radlice Rozvojová, a.s.

Abbreviation	Business Company
Skip Pay	Skip Pay, s.r.o.
Top-Pojištění	Top-Pojištění.cz s.r.o.
Transformed fund / Transformed pension fund	Transformovaný fond Stabilita ČSOB Penzijní společnosti, a. s., a member of the ČSOB group
Ušetřeno	Ušetřeno s.r.o.
Ušetřeno finanční služby	Ušetřeno.cz finanční služby, a.s.
Ušetřeno.cz	Ušetřeno.cz, s.r.o.

FINANCIAL CALENDAR

Financial Calendar for 2023

ČSOB Group Unaudited Financial Results Releases
(according to EU IFRS)

Financial Results		Date of Release
as at 31 December 2022	4Q / FY 2022	10 February 2023
as at 31 March 2023	1Q 2023	16 May 2023
as at 30 June 2023	2Q / 1H 2023	10 August 2023
as at 30 September 2023	3Q / 9M 2023	9 November 2023
as at 31 December 2023	4Q / FY 2023	8 February 2024

Note:
This schedule is indicative only; terms might be subject to change during the year.

CONTACT DETAILS

Investor Relations

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The 2022 ČSOB Annual Report was released in electronic version at www.csob.cz on 26 April 2023.