Annual report
2018

Prima Banka

Content

Dear shareholders, dear clients,

Prima banka once again had its most successful year in history that confirmed our long-term strategy focused on the development of our retail business and the bank's ability to make progress in an extremely challenging market environment. We continued to improve upon our competitive advantages in 2018 and strengthened our position overall, especially in the area of services to individuals. Our growth in key business areas has continued to outpace the rest of the market and confirmed our position as the fastest growing retail bank.

Our long-term goal is to continue to reinforce the bank's position in the area of services to individuals and for small and medium enterprises and to continue to successfully develop services for cities and towns. We have taken a long-term approach to all segments, building on mutually beneficial relationships with existing and new clients. Our goal is to continue to increase the number of clients who actively bank with us, significantly improve the bank's position in the area of credit and continue efforts to simplify everything we do while also increasing efficiency.

Over the past year we once again made significant progress in the in the area of lending to individuals was driven by our maximum emphasis on transparency and fairness in the form of uniform conditions for every single client with no catches, and, in the case of mortgages, simplification of the process of transferring mortgages to the market. Simple, transparent and convenient products and services are the long-term drivers of our dynamic growth in our numbers of new, active and satisfied clients.

Positive business results received strong support from our broad network of 124 branches, which is the third largest and covers all of Slovakia's administrative districts. Over the past year, we also improved the availability of our services through new branches and ATMs and today Prima banka is has the third-largest network of branches and ATMs thanks to a continued commitment to expand our branch and ATM network. A high level of focus on the quality of services remains important to us and is the reason why we have maintained the satisfaction of our clients at such a high level over the long term. During the past year we also continued to develop services for small and medium enterprises and for cities and towns.

Thanks to stronger growth in key business areas, responsible pricing and a strong focus on internal simplicity and efficiency, the bank's overall business results represent a significant improvement over the previous year.

We will once again face a challenging economic, legislative and regulatory environment in 2019. However, we believe that we will be able to continue in our dynamic growth and once again deliver positive business results. We will also continue to fulfil our long-term strategy and invest in the development of the bank and its future. Our focus will continue to be on further simplification of our activities and on achieving greater efficiencies. The priority once again will be improvements in the area of credit, a focus on further increases in the quality of services to clients and we will also continue to reinforce our teams, their education and development and our personal and individual focus on the client and their needs.

Thank you for your support in the development of Prima banka.

Jan Rollo
chairman of the board of directors and CEO

Dear shareholders,

on behalf of the supervisory board of Prima banka Slovensko a.s., I have the honour of reporting on the activities of the supervisory board for the past year. Please allow me to first inform you that the supervisory board follows the bank's articles of association within its activities along with the supervisory board's own statute and applicable Slovak legislation.

Two ordinary sessions of the supervisory board were convened during the previous year and the supervisory board also adopted four decisions outside of its session. The supervisory board supervised the bank's activities from positions in the Audit Committee and the Credit Committee as well. Members of the supervisory board also exercised the right to control the activities of the board of directors.

With the goal of streamlining the management of the bank's activities, members of the board of directors also participated in the sessions of the supervisory board. Members of the board of directors provided information at these sessions on the bank's activities and financial results and risk developments in the credit portfolio.

The supervisory board also regularly controlled the bank's financial results, the accomplishment of its business plan and the performance of tasks assigned to the bank's board of directors. In accordance with its statutory obligations, the supervisory board reviewed and took up the ordinary individual financial statements for 2017, the proposal for the distribution of profit for 2017, the report on the activities of the internal audit department for 2017 and the report on compliance issues for 2017 and the next text of the principles for remuneration pursuant to the banking act at its ordinary sessions. In connection with internal audit activities, the supervisory board approved of the department's plan of activities for 2019 and the main audit topics for 2020 and 2021. It also took note of the risk report at 31 December 2017 and 30 September 2018, the annual report for 2017, the summary ICAAP report for 2017 and approved the bank's budget for 2019 and risk appetite parameters for 2019. The supervisory board reviewed the independence of the proposed external auditor for 2018, approved the proposal for their appointment and for the provisioning of other non-audit related services and recommended their approval to the general meeting. The supervisory board also participated in the organisation of the ordinary general meeting in 2018 and within this context approved the agenda for its session and authorised the board of directors to increase the registered capital and to issue covered bonds. Within decisions adopted outside of its ordinary session, the supervisory board approved the changes to the risk appetite parameters effective 1 August 2018, the provisioning of not-audit services by Deloitte Audit s.r.o. and appointed Ing. Stanislav Kubala as a new member of the company's board of directors and its executive manager responsible for the risk management division effective 1 November 2018.

The supervisory board states that the business activities conducted by the bank and the activities conducted by its board of directors are in compliance with valid legislation, the bank's articles of association and the instructions of the general meeting. The supervisory board also states that the bank's accounting records are properly maintained and provide a fair and accurate representation of the facts.

Iain Child,
chairman of the supervisory board

Prima banka once again confirmed its position as the fastest growing retail bank over the long-term in 2018 thanks to record growth in key areas. Prima banka continued to fulfil its long-term strategy focused on developing its retail banking business for the seventh consecutive year. Just as in previous years, focus over the past year was on significantly strengthening its position in the area of lending to individuals and especially in the area of mortgages. We continued to improve the satisfaction of our clients and in winning new clients, and the growth in their ranks was the highest every. The bank also continued to maintain very strong positions in terms of liquidity and capital.

Service availability to clients was primarily secured in 2018 by our branch network covering all 79 of Slovakia's administrative districts. By the end of the year, the bank had 124 branches and the number of ATMs had increased year-on-year by 14 to a total of 296 ATMs. The Peňaženka ("Wallet") mobile app played a major role in improving service availability and the number of app users more than doubled over the previous year.

Selected financial results of the bank

The bank's total assets were EUR 3.6 million at the end of 2018, representing a slight increase of 1.3% over 2017, which saw the merger with Sberbank Slovensko, a.s. and the takeover of its entire portfolio. The most significant component of assets continued to be credit provided to clients, which accounted for EUR 3.2 billion (before adjusting for provisions). In accordance with the bank's strategy, retail credit increased with its historically strongest every growth on a year-on-year basis to a total of EUR 2.4 billion. Return on assets was 0.61 % at 31 December 2018.

On the liabilities side, the most important part of the balance sheet continued to be client deposits, which reached a total of nearly EUR 3.1 billion by the end of the year. Retail deposits continue to account for the largest share among client deposits with a total volume of EUR 2.2 billion.

The bank also recorded a 7.6% year-on-year increase in equity ready for further credit growth in 2019 and will continue to maintain a strong capital position, even after the introduction of additional tightening capital regulations.

Jan Rollo
(from 1 April 2011)

chairman of the board of directors and general manager of the retail banking division

Prior to joining Prima banka, he was the chairman of the board of directors and general manager of Slovenská sporiteľňa. He worked for a decade before that at the Czech-based GE Money Bank as the director of corporate banking and later as the director of retail banking and a member of the bank's board of directors. He has worked in the banking industry since 1994 and was responsible for relationships with key customers, marketing and electronic banking at Bank Austria, and then led the product management department and was involved in managing the small and medium enterprise division at Citibank. He worked for the Delegation of the European Union in Prague and as a specialist in the information technology department for Swissair in Switzerland before joining the banking sector.

Henrieta Gahérová
(from 21 February 2013)

member of the board of directors, executive manager of the product management division

She joined Prima banka from Slovenská sporiteľňa, where she worked for 6 years, most recently as the director of the product management department and as the company's authorised agent. In addition to managing this department, she was actively engaged in key bank projects, including the deployment of a new information system, the creation of the central Back Office and the bank's new business model for small and medium enterprises. Her banking career began at VÚB banka, where she held numerous positions over a period of 10 years. Her competencies included managing the product portfolio, electronic channels, the call centre, and the management of a project to deploy a new information system. Over the past three years, she has worked as the director of the section for managing the individual client segment.

Renáta Andries
(from 1 October 2014)

member of the board of directors, executive manager of the finance division

Her career in the banking industry began in 1996 and she was responsible for finances and taxes for the Erste Group over the past 12 years. She joined Prima bank from the largest bank in Romania, Banka Comerciala Romana (BCR), where she was the director of the accounting and taxes division. Previously, she held important managerial positions at Slovenská sporiteľňa (SLSP), Česká sporiteľňa and at Erste Group head office in Austria. Over this period, she was responsible for group and local projects, including the centralisation of accounting, SAP system implementation and the establishment of a shared services centre for accounting. Prior to joining the Erste Group, she worked for Hypo Vereinsbank in Slovakia and was responsible for accounting.

Stanislav Kubala
(from 1 November 2018)

member of the board of directors, executive manager of the risk management division

He joined Prima banka from Deloitte Audit, where we held numerous positions since 2002. Most recently he held the position of director for financial audit and advisory services and was responsible for the overall implementation and operative management of statutory audits and other advisory projects within the financial institution sector in Slovakia and in other countries in Central and Eastern Europe, having previously worked for 3 years in Romania. He is a licensed Slovak and Romania statutory auditor and a long-term member of the Institute of Chartered Accountants of Great Britain.

Iain Child
chairman of the supervisory board

Marián Slivovič
deputy chairman of the supervisory board

Evžen Ollari
member of the supervisory board

Shareholder structure of Prima banka at 31 December 2018

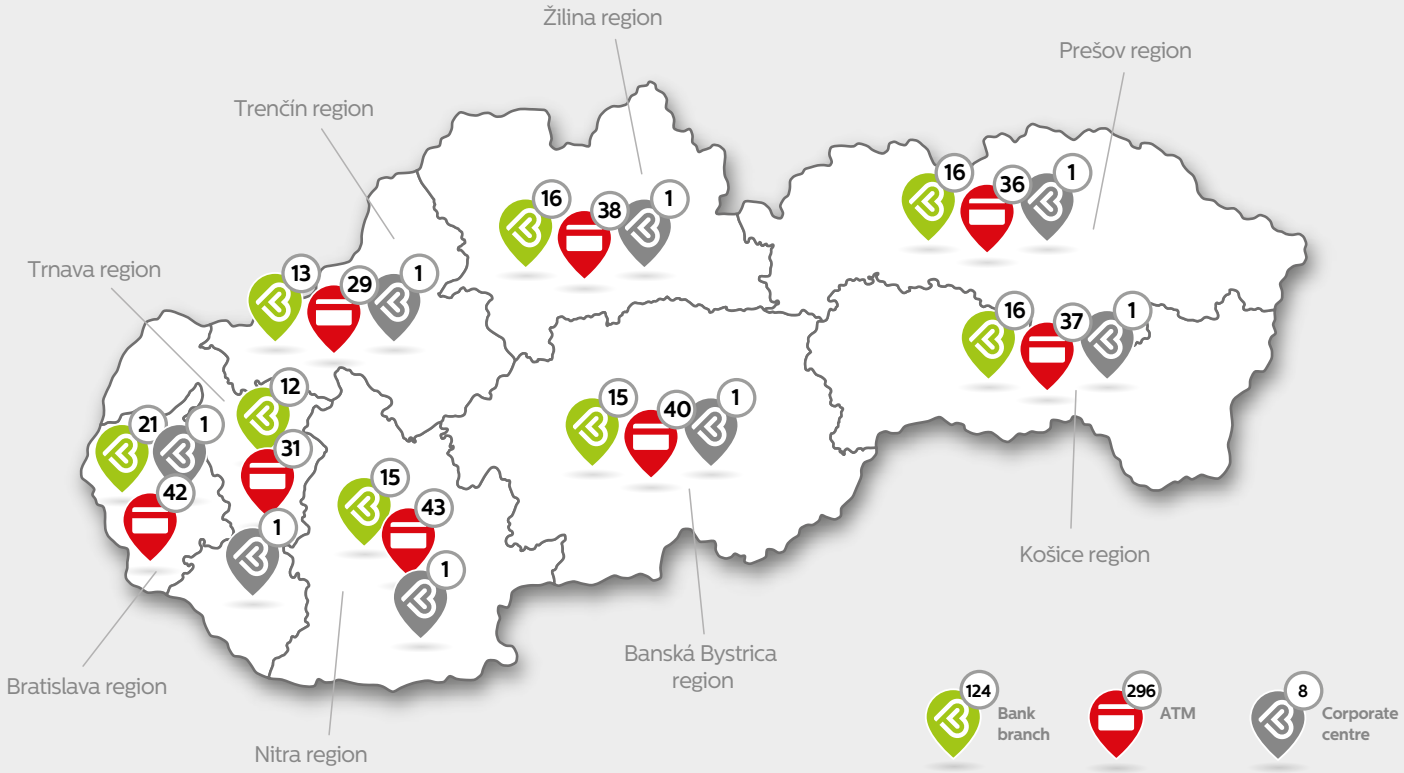
Shareholders of Prima banka Slovensko, a.s.	Number of shareholders	Share in registered capital, total (EUR)	Share in registered in % capital
Cities and towns	109	1,060,802	0.4678
Legal entities	5	225,227,895	99.3187
Natural persons	110	470,469	0.2075
Unclassified	2	13,772	0.0060
Total	**226**	**226,772,938**	**100.00**

Prima banka has been the fastest growing retail bank in Slovakia for the past few years. Consistent delivery on its long-term strategy focused on the development of its retail business and the availability and breadth of its sales network are the driving forces behind its dynamic business growth. The bank had a total of 124 branches and 296 ATMs at 31 December 2018, making it the third-largest network of branches and ATMs and one of three banks with coverage of all 79 of Slovakia's administrative districts with both branches and ATMs.

In providing its products and services, Prima banka has long focused on maximal simplicity, speed, convenience and fairness in relation to its clients. Thanks to these values and the broad network of branches and ATMs, the bank continues to win over more and more new and satisfied customers every year. According to independent surveys conducted by GfK Slovakia and Kantar Slovakia, Prima banka has maintained a high level of satisfaction among its clients for several years in a row.

In addition to significant growth in the number of new and active retail clients and growth in the credit portfolio, Prima banka continues to maintain a leading position in providing banking services to cities and towns.

The majority owner of the bank is the Central Europe-based Penta Investments Group, which currently owns more than 99% of its shares.



In terms of the development of its retail business, 2018 was the historically most successful year every for Prima banka. We recorded record growth in key business areas and configured our standing as the fastest-growing retail bank. We also continued in the consistent and long-term development of our retail strategy, thanks to which we have continued to reinforce our position on the market for several years in a row. We focused additional attention over the past year on further significantly simplification and acceleration of processes and on building up our competitive advantages, thanks to which we recorded further growth in the number of new and satisfied customers. In an ever more competitive market environment, we managed to reinforce our position and to confirm the high level of satisfaction among our clients.

It is this long-term convince, fairness and transparency that helps Prima banka success in difficult times and thanks to which it continues to attract more and more new clients every year. Clients bank more with us thanks to the fair and attractive fees we offer for their current account needs, which have remained flat for more than seven years. More than 180,000 clients currently make us of these advantages. The volume of deposits on retail current accounts increased again over the past year by 19% year-on-year. More and more current account clients are also using the bonus for card payments, SMS notifications, improved interest rates on term deposits, as well as savings and current accounts with attractive rates, and other advantages in the area of credit and mortgages every year. Our very simple, transparent and fast process of transferring an account was also able to attract a number of new clients last year. We recorded growth among the up-and-coming generation of youth and students. The number of clients for children and student accounts increased by nearly 19% year-on-year, primarily thanks to highly attractive conditions we provide for these accounts. The number of clients who take advantage of the convenient savings account product that can be added to all three types of accounts also increased. There was a 26% year-on-year increase.

The range of current account products for corporate and municipal clients also delivers maximum simplicity, transparency and convenience. Clients have all transactions and the most commonly used banking services in their accounts for a single, discounted price. Internet banking delivered significant improvements to functionality for this portion of our client base. We continue to maintain simplicity and transparency as a competitive advantage in this segment.

More than 98% of all transactions involving payment services are completed using electronic channels. We focused on developments in the area of electronic banking over the past year as well. New Internet banking functions, and especially in the Peňaženka ("Wallet") mobile app, were responsible for increasing client satisfaction last year. The Peňaženka app recorded significant growth in the number of its regular users last year. They increased by more than 200% in a year-on-year comparison, primarily thanks to simplicity and transparency for users. Clients particularly highlighted the simple login using a PIN code, fingerprint or using Face ID. We expanded and primarily simplified a number of account, payment card and credit management functions in Peňaženka over the past year. We also recorded success in the ability to apply for a pre-approved credit limit using the mobile app without the need to visit a branch. We continue to see an annual increase in the use of mobile devices to access accounts, completed transactions and manage payment cards. Thanks to numerous improvements made to the Peňaženka app over the previous year, it received its highest every rating from users among other banking applications in 2018 and recorded its highest every increase in users.

The services of our Contact Centre and its Information Line play a significant role in increasing the satisfaction of our clients. The number of incoming calls to the Information Line once again doubled over the previous year. The active approach taken towards engaging clients, professional communication and the rapid response to emails represent one of Prima banka's competitive advantages. Clients reach operators immediately, without having to pass through several menu options and their needs are met in a minimum of time necessary.

Prima banka recorded its highest every growth in the area of retail credit over the past year, despite another wave of legislative changes, which had fundamental impacts on household lending in Slovakia. We can thank our fast and transparent processes and long-term advantageous and fair offer of interest rates and strong support at all 124 of Prima banka's branches for the highest ever interest among clients in retail credit products. Our retail credit portfolio continued to grow dynamically and its growth was improved, especially in the area of mortgages. The volume of new mortgages rose by more than 50% in a year-on-year comparison. We recorded significant improvements in the area of the transfer and consolidation of housing loans, through which we have managed to strengthen our market position.

Prima banka Slovensko, a.s. ("company") follows the Code of Corporate Governance in Slovakia, which is based on OECD principles, within its business activities. The code is available to the public on the Bratislava Stock Exchange website.

The bank does deviate from certain provisions of the Code of Corporate Governance in Slovakia. In order to simplify and streamline management, the company does not publish information regarding its corporate governance strategy on a regular basis, but it is available to shareholders upon request. Likewise, shareholders are informed of which member of the supervisory board is considered independent, and therefore this information is not published. At least one of the three members of the supervisory board is considered independent. To simplify and provide more flexibility management of the company, the supervisory board conducts the activities of the audit committee and the appointment committee, and therefore these committees are not established as its subsidiary bodies. Instead of the remuneration committee, the company has appointed a person responsible for remuneration, specifically the chairman of the supervisory board. Details of the remuneration of members of the company's bodies are specified in the financial statements, which are incorporated into this annual report.

The company publishes governance-related information methods on its website and in the commercial register.

1. Structure of company management

1.1. General meeting

Position

The general meeting is the supreme body of the company. Its purview includes approval and changes to the articles of association, decisions to increase or decrease the registered capital and to issue bonds, the election and recall of members of the supervisory board, with the exception of the member of the supervisory board elected by company employees, approval of the ordinary or extraordinary individual financial statements, decisions concerning distribution of profit or coverage of losses, the definition of royalties and decisions regarding dissolution of the company and approval of agreements to transfer the company or part thereof and any other issues included within the purview of the general meeting under applicable legislation or the articles of association.

Convening the general meeting

The general meeting is convened at least once a year, with the ordinary general meeting held by 30 June of the given calendar year. The supervisory board may convene an extraordinary general meeting if required by the urgent interests of the company. The general meeting is otherwise convened by the board of directors in the form of a written invitation sent to shareholders at least 30 days in advance of its convening. The company shall publish notice of the convening of the general meeting in periodical publications publishing stock market reports with national coverage.

Agenda and decisions

The general meeting shall take up all the matters specified in the invitation and decide on them. Decisions are adopted by a simple majority of the votes of those shareholders in attendance, except in instances where legislation or the articles of association require decisions be adopted with a greater number of votes. Voting rights are assigned to shareholders based on the number of shares and the nominal value of the shares that they hold. Minutes from the general meeting are signed by the chair of the general meeting, its secretary and the two elected verifiers.

Activities in 2018

The company convened its general meeting at its registered office on 19 April 2018. Shareholders were familiarised with the report on the company's business activities and the balance of its assets for 2017, the supervisory board's report and the report from the

audit of the financial statements. At the ordinary general meeting, shareholders also decided to approve the ordinary individual financial statements for 2017, the 2017 annual report and other related proposals (the proposal to distribute its profit) and approval of the auditor for 2018. Shareholders also approved the authorisation for the board of directors to issue covered bonds and to increase the bank's registered capital, which was issued for a period of five years.

1.2. Supervisory board

Membership in the supervisory board

The supervisory board has anywhere from three to six members who serve three-year terms. Currently three members have been elected, 2/3 of whom were elected by the general meeting from among the shareholders and other natural persons and 1/3 of whom was elected by company employees from among company employees and other natural persons.

Competencies

The supervisory board is the supreme audit authority in the company and is responsible for surveillance over the activities of the board of directors and the implementation of the company's business activities. The supervisory board eliminates potential conflicts of interest through its independence.

Activities and decisions

The activities of the supervisory board are directed by the chairman of the supervisory board, or the deputy chairman in their absence, if elected, or another member so authorised by the chairman. Ordinary sessions are convened by the chairman as needed, at least twice a year. An extraordinary session of the supervisory board is convened by the chairman if so requested in writing by a member of the supervisory board, the board of directors or a shareholder holding shares with a nominal value in excess of 5% of the company's registered capital in writing to review the activities of the board of directors in a specific area. Sessions meet quorum if a simple majority of the members of the supervisory board is in attendance. Votes are equal during voting and each member has 1 vote. Decisions are adopted by a simple majority of the votes of the members of the supervisory board in attendance at the session, unless legislation, the articles of association or the supervisory board's statute stipulate another form of adopting decisions. Minutes are completed concerning the agenda of the supervisory board session and its decisions, which is the signed by the chairman of the supervisory board.

Conflicts of interest

Members of the supervisory board must not:
- conclude transactions related to the business activity of the company on their own account or on their own behalf,
- facilitate company business for other parties,
- engage in the business activities of another company as a partner with unlimited liability,
- perform activities as a statutory body or member of a statutory body or other body in a legal entity with a similar line of business.

An exception to the rule above is granted in instances where the company is engaged in the business of such legal entities, unless the banking act specifies otherwise.

The liability of a member of the supervisory board may not be precluded or restricted upon agreement with the company.

In accordance with the accounting act, the supervisory board conducts the activities of the audit committee. Applicable provisions concerning sessions of the supervisory board are applied to sessions of the audit committee. In performing its competencies as the audit committee, the supervisory board:
- monitors the preparation of the financial statements and compliance with special regulations and submits recommendations and proposals for assuring the integrity of this process,
- monitors the effectiveness of internal controls, internal audit and risk management systems, if they

have an influence on the preparation of the financial statements,
- monitors the progress and outcomes of the statutory audit of the individual financial statements and the statutory audit of the consolidated financial statements,
- verifies and monitors the independence of the statutory auditor or audit company, primarily the appropriateness of provided non-audit services,
- takes responsibility for the process of selecting the statutory auditor or audit company and recommends the appointment of a statutory auditor or audit company for approval to perform the statutory audit,
- specifies the deadlines for the statutory auditor or audit company to submit an affidavit regarding their independence,
- informs the board of directors of the outcome of the statutory audit and explains how the statutory audit reached its conclusion regarding the integrity of the bank and the role of the audit committee in this process.

Activities of the audit committee in 2018

The members of the supervisory board convened two sessions within the performance of the activities of the audit committee on 16 March 2018 and on 13 December 2018. The sessions took up and reviewed the individual financial statements for 2017, the auditor's report and its findings, the 2017 annual report and the auditor's report verifying its conformity with the ordinary individual financial statements. It also recommended Deloitte Audit, s. r. o., serve as the auditor for 2018, while a review of its independence was conducted, and a deadline was defined for submitting an affidavit regarding its independence. In performing the duties of the audit committee, the supervisory board took the audit of the company's financial statements as at 30 June 2018 into consideration, along with the conclusions and recommendations concerning verification of the implementation of IFRS 9 standards, the audit plan for 2018 and approval of the provisioning of non-audit services by Deloitte Limited Cyprus for the majority shareholder in the company.

1.3. Board of directors

Membership in the board of directors

The board of directors is composed of three to six members, and currently four members have been elected to the board of directors. Members of the board of directors may not serve concurrently as members of the company's supervisory board. Prior approval from the National Bank of Slovakia is required to elect or re-elect a member of the board of directors, otherwise such election is null and void. Ing. Henrieta Gahérová was reappointed as a member of the board of directors effective 22 February during 2018, and a new member of the board of directors, Ing. Stanislav Kubala, was appointed effective 1 November.

Election and recall of members of the board of directors

Members of the board of directors are elected by the supervisory board from members of company management and other natural persons to serve a term of five years. The supervisory board may also recall a member of the board of directors. The chairman of the board of directors is appointed and recalled by the supervisory board. The supervisory board may propose the election or recall of a member of the board of directors. Consent from the nominated candidate and all documents required under legislation for submission with the application to issue prior consent from the National Bank of Slovakia must be submitted with such proposal to elect a member of the board of directors. If the board of directors is fully occupied, and no member's term is set to expire, a proposal to recall a specific member of the board of directors must accompany the petition to elect a member of the board of directors. The supervisory board shall forward such proposal to the board of directors, which is responsible for securing prior consent from the National Bank of Slovakia. Any election or recall is rendered null and void without such prior consent.

The process of electing a member of the board of directors is conducted as follows:

- the chairman of the supervisory board determines how many members of the board of directors will be elected,
- the chairman of the supervisory board orders the individual voting on the proposed candidates in an order of their choosing,
- candidates that receive the highest numbers of votes from those members of the supervisory board in attendance are elected as members of the board of directors.

The chairman's vote is decisive if two or more candidates for membership in the board of directors receive the same number of votes.

Only someone who meets the criteria laid down in the banking act or the securities act may be elected as a member of the board of directors, and especially with regards to the criteria of good personal standing, educational background, the incompatibilities of certain posts, past experience and managerial experience in the banking industry or other financial sector.

Competencies of the board of directors

The board of directors is the statutory body of the company that manages the company's activities and acts on its behalf. At least two members of the board of directors are required to take action on behalf of the company, alternatively one member of the board of directors together with one of its authorised agents. The board of directors shall manage the company in accordance with valid legislation and in the interests of the shareholders. It decides on all company affairs, except for those within the purview of the general meeting or the supervisory board, specifically:

- convening and organisational assurance of the general meeting, and implementation of its resolutions;
- submitting the following to the supervisory board and then the general meeting:
  a) ordinary individual and extraordinary individual financial statements
  b) proposal for distributing profit or covering losses
  c) a report on the company's business activities and the balance of its assets as part of the annual report
  d) the annual report
- submitting the following to the supervisory board for approval:
  a) information as to the principle business objectives of company management in the future, including the expected balance of company assets, finances and revenues
  b) information on all matters with the potential to significantly influence the development of the company's business activities or its balance of assets, especially liquidity
  c) a written report on the status of the company's business activities and its balance of assets compared to the plan within a term specified by the supervisory board
  d) proposals to appoint or recall the head of the company's internal audit department and other employee if so specified by legislation or the company's internal regulations
- confers and recalls written authorisations for company representatives to take action in specific instances, appoints and recalls the company's authorised agents contingent upon prior approval from the supervisory board and confers and recalls general written authorisations contingent upon the consent of the supervisory board;
- manages and coordinates all managers as specified in the company's internal regulations
- takes responsibility for the fulfilment of the company's obligations under the securities act and other legislation as its executive management
- adopts and regularly reviews the general principles of remuneration
- ensures the maintenance of the required accounting and business ledgers on the part of the company ensures the provisioning of statements on the company's activities under valid legislation to the National Bank of Slovakia and other state authorities.

Activities and decisions

The activities of the board of directors are managed by the chairman of the board of directors, or an authorised member of the board of directors in their absence. The chairman of the board of directors convenes sessions as needed, and at least once every three months. An extraordinary session may be convened by the chairman of the board of directors when so requested by at least one member. Sessions meet quorum when at least a simple majority of the members of the board of directors are in attendance. Every member has 1 vote of equal weight, except when votes are evenly split over a certain matter or issue. The chairman of the board of director has the decisive vote in such cases. Minutes are kept to record the course of the session.

Activities in 2018

A total of 4 ordinary sessions of the board of directors were held in 2018, and representatives of the National Bank of Slovakia, as the supervising authority, were also permitted to attend. At its sessions, the board of directors focused on all areas of the company‘s activities and took action to ensure the proper functioning of the company.

In addition to the decisions adopted at such ordinary sessions, the board of directors adopted a total of 41 per rollam decisions in 2018.

Conflicts of interest

A member of the board of directors must not:
- conclude transactions related to the business activity of the company on their own account or on their own behalf,
- facilitate company business for other parties,
- engage in the business activities of another company as a partner with unlimited liability,
- perform activities as a statutory body or member of a statutory body or other body in a legal entity with a similar line of business.

An exception to the rule above is granted in instances where the company is engaged in the business of such legal entities.

The liability of a member of the supervisory board may not be precluded or restricted upon agreement with the company.

Advisory bodies

The advisory role of the board of directors is implemented through special purpose committees and commissions with internal company employees charged with resolving and assessing issues requiring collective decisions. Decision-making powers only rest with the members of the board of directors.

Credit Committee, Credit Commission and Credit Board

These bodies make decisions regarding the bank’s active transactions, especially with respect to approving credit, providing guarantees, opening of uncovered letters of credit and securities trading on the bank‘s account. The credit committee discusses credit transactions approved by the credit commission and approves credit transactions exceeding internally defined limits. Information on credit approvals is provided to the supervisory board. The credit commission makes decisions in selected areas of active bank transactions that are not within the purview of the credit committee and makes decisions on the bank’s process of resolving troubled receivables, taking mitigation measures to eliminate the potential degradation of receivables, the write-off of receivables, the methodology used for provisions and reserves for credit receivables and the formation and use of provisions and reserves for credit receivables. The credit board approves credit transactions within the competencies delegated to the credit board.

Risk Management Committee

The role of the risk management committee is to define the overall risk management strategy for the bank and the fulfilment of other tasks laid down under valid legislation.

ALCO (Assets Liabilities) Committee

The ALCO committee is responsible for managing liquidity, capital and financial risks with the goal of achieving an optimal structure of bank assets and liabilities at an acceptable level of profit and risk.

Damage and Scrapping Committee

This is an advisory body to the general manager with the competency to assess and approve the scrapping of surplus bank assets (through disposal, sale or gifting), to assess damages and to decide on their liquidation and their consequences and the amount of any damage compensation to the relevant employee.

Product & Pricing Committee

The Product & Pricing Committee was established to create a body within the company responsible for approving:
- new bank products provided by the bank,
- changes to the products provided by the bank,
- the bank's pricing strategy (interest rates, fees and other prices) for products provided by the bank,
- changes to interest rates of products provided by the bank.

1.4. By-laws

The board of directors of the company is responsible for ensuring the company's by-laws comply with legislation.

Proposed changes to the by-laws may be completed by the board of directors or a company shareholder, with their proposal then submitted to the board of directors. If a proposal is not compliance, the board of directors shall notify the shareholder to rectify the proposal. The board of directors is authorised to amend the proposal so long as the shareholders are notified at the general meeting of the amendments that were made. If counter-proposals or amendment of the original proposal is raised at the general meeting, voting shall first be performed on these counter-proposals and amendments individually based on the order of their submission. A two-thirds majority of the votes of the shareholders in attendance is required to approve such counter-proposal or amendment. If a proposal is adopted, no other counter-proposals concerning the same issue are voted upon. A two-thirds majority of the votes of those shareholders in attendance is required to approve changes to the by-laws. When decisions are made regarding changes to the by-laws, a notary deed must be completed to record the course of the general meeting.

Consent from the National Bank of Slovakia is a mandatory requirement for any change to the by-laws to become valid and take effect. After every change to the by-laws, the board of directors is obliged to complete the full text of the by-laws without undue delay and is responsible for its accuracy. Every change to the by-laws and the full text of the by-laws must be archived in the Collection of Documents maintained by the commercial register, at the National Bank of Slovakia and in other institutions pursuant to valid legislation.

2. Capital and the company's shareholders

2.1. Capital

The company's registered capital at 31 December 2018 is EUR 226,772,938 and is divided into a total of 177,474,538 registered shares, specifically:
- 100,200 shares with a nominal value of EUR 399
- 100,200 shares with a nominal value of EUR 67
- 701,400 shares with a nominal value of EUR 5
- 176,572,738 shares with a nominal value of EUR 1.

The majority shareholder in the company is PENTA INVESTMENTS LIMITED< which owned at 31 December 2018 99.3128% of all shares. As at 31 December 2018, PENTA INVESTMENTS LIMITED, PENTA INVESTMENTS LIMITED (Jersey) and PENTA INVESTMENTS GROUP LIMITED (indirectly through participation in the registered capital of PENTA INVESTMENTS

LIMITED) are the companies with a qualified participation in the registered capital of the company.

During 2018, the company acquired its own shares for a total purchase price of EUR 15,727,86. These shares were acquired by accepting the offers of two shareholders who were originally shareholders of Sberbank Slovensko, a.s. and who expressed an interest in selling their shares. The purchase price was defined in accordance with the approved merger agreement involving Prima banka Slovensko, a.s. and Sberbank Slovensko, a.s. The company acquired the following shares:

- 12,006 shares with a nominal value of EUR 1, representing a share in the registered capital of 0.00529%.

The total share of the nominal value of the shares to the registered capital that the company owned during the year is 0.00529%.

The company transferred all the above shares to a third party during 2018 for a total of EUR 15,727.86 and did not own any of its own shares at 31 December 2018.

2.2. Shares

The company may only issue dematerialised registered shares. Their transfer is completed pursuant to the securities act by the central depository, which maintains a list of shareholders. The transferability of shares is not limited.

2.3. Specification of the rights of shareholders and manner of their exercise

Shareholder have all rights pursuant to the Commercial Code and the company's by-laws, specifically:

Overview of shares not admitted to trading on a regulated market:

ISIN	type of share	number of shares	nominal value per share	% share in registered capital
SK1110017037	dematerialised, registered	24,000,000	€1.00	10.58%
SK1110017508	dematerialised, registered	22,257,415	€1.00	9.81%
SK1110019579	dematerialised, registered	115,609,441	€1.00	50.98%

- the right to a profit share (dividend) determined by the general meeting for distribution through profit or loss. This share is the ratio of the nominal value of the shareholder's shares to the nominal value of the company's registered capital.
- the right to access the minutes from the supervisory board's sessions
- the right to a share of a liquidation surplus upon the dissolution of the company
- the right to participate in and vote in the general meeting, request information and explanations concerning matters of the company or affairs of persons controlled by the company relating to the subject of the general meeting and to put forward proposals during the general meeting
- the right to request the board of directors at the general meeting to provide complete and truthful explanations and information related to the subject of the general meeting. In the event the board of directors is unable to provide complete information to the shareholder at the general meeting or in the event the shareholder requests the board of directors to do so at the general meeting, the board of directors is required to provide the requested information in writing no later than 30 days after the general meeting. The board of directors shall send

the requested information in writing to the shareholder's given address or provide the information at the company's registered office.

- a shareholder or shareholders who hold shares with a nominal value of at least 5% of the registered capital, may request in writing the convocation of an extraordinary general meeting in order to discuss the proposed matters while stating the reasons for such request. At the request of such shareholders:
  a) the board of directors shall place the matter determined by them on the general meeting's agenda; the general meeting is obliged to discuss such matter
  b) the supervisory board shall review the performance of the board of directors in the given matters
  c) the board of directors shall, on behalf of the company, assert claims for repayment of the issue price of the shares against shareholders who are in delay with its repayment or assert the company's claims for recovery of the payment which the company had paid to shareholders contrary to the legal regulations
  d) the supervisory board shall, on behalf of the company, assert claims for damages or other claims that the company has against the members of the board of directors
  e) the supervisory board shall, on behalf of the company, assert claims for repayment of the issue price of the shares, in the event the company has subscribed the shares constituting its registered capital contrary to the legal regulations
  f) the board of directors shall, on behalf of the company, assert the company's claims against the members of the board of directors serving as guarantors pursuant to the legal regulations
- the right to seek annulment of a general meeting resolution in the event the shareholder attended the general meeting and lodged a protest in the general meeting's minutes
- the right to access documents deposited in the Collection of Documents at the company's registered office pursuant to the legal regulations and to request copies of such documents or request them to be sent to a specified address at their own expense and risk.

The procedure for exercising these rights is governed by the company's by-laws and legal regulations. Shareholders' voting rights are not limited. The company is not aware of agreements concluded between shareholders that may lead to limitations on the transferability of shares and restrictions on voting rights.

3. Description of internal control and risk management systems

The internal control system is a set of control activities performed at all levels of the company's organisational structure and job positions and includes direct and indirect process control, as well as out-of-process control. The internal control system helps to achieve the following objectives in particular:

- efficiency and cost-effectiveness of the performed activities
- consistency, accuracy, timeliness, and reliability of financial and non-financial information,
- risk control and cautious performance of activities
- compliance with the legislation, regulatory requirements and internal regulations and decisions
- protection of the company's resources and property against abuse and inefficient use
- protection against abuse of power and fraudulent activities.

It is the responsibility of the board of directors to implement an internal control system and to create an adequate and efficient internal control system. The executive and the management personnel are responsible for the establishment, practical implementation, maintenance and improvement of the internal control system within the control areas they manage. The employees are responsible for the proper and efficient performance of their professional activities with due professional care and cautiousness in line with the company's ethical principles and objectives and in line with the internal regulations and the applicable laws. An independent part of the internal control system is the internal audit department, the rights, and obligations of which are determined by the board of directors, in addition to those defined by the law. The internal audit department provides an independent and objective assessment of the

adequacy and efficiency of the internal control system performs its activities in all organisational units and processes of the company. The internal audit department performs its control activities separately and independently and is accountable to the board of directors and the supervisory board.

The company adheres to the procedures for the exercise of its banking activities and has established and currently maintains an efficient risk management system. The company regularly reviews the system's efficiency and adequacy by taking into consideration the company's ability to expose itself to risks, it regularly adjusts the risk management system and the way it is updated by internal regulations.

The risk management system includes a strategy and organisation of risk and capital management, information flows and information system for risk management, a system for concluding business deals, a system for introducing new types of businesses and an assessment system for the adequacy of internal capital.

The board of directors is ultimately responsible for implementing the risk management system and for managing all the risks of the company. The supervisory board defines the framework of the company's general risk management policy. The company has established advisory bodies – risk management committees. At the same time, the company has shared responsibilities in the risk management field and has implemented procedures for identifying, measuring, monitoring and mitigating risks.

External audit

In accordance with the applicable legal regulations, the company is obliged to ensure that the annual account is audited and to prepare the auditor's reports in line with the requirements of the National Bank of Slovakia. At the same time, the company is obliged to announce the selected auditor, who was approved by the general meeting, to the National Bank of Slovakia. The annual audit for 2018 was performed by Deloitte Audit, s.r.o. with registered office at Digital Park II, Einsteinova 23, Bratislava, Company ID No.: 31 343 414, which also carried out an audit of interim individual financial information at 30 June 2018.

4. Information on all agreements entered into by and between the company and the members of its bodies or employees, that serve as a basis for providing them compensation in the event their employment relationship is terminated as a result of a resignation, removal, dismissal or giving notice without stating a reason for doing so or in the event their employment relationship is terminated as a result of a takeover bid.

The company is not a contracting party to any such agreements.

5. Information on all significant agreements in which the company partakes as a contractual party and which take effect, are amended or expire as a result of a change in the control measures related to the takeover bid and its effects.

The company is not a contracting party to any such agreements.

Prima banka applies the core values of speediness, simplicity, and clarity, professionalism and credibility, but above all fairness and transparency in all its fields of activities. At the same time, these values are the values of responsible business conduct and responsible approach both to our clients and to our employees and regions in which we operate. When designing our portfolio of products and services, we do our best to provide clear rules and be of real advantage to our clients. Bankers, therefore, offer clearly-formulated and transparent products without imposing additional conditions and without hitches. Fair approach and maximum transparency are also applied by the operators in our call centre when communicating with clients and addressing their requests and the same principles form the core of our marketing communication efforts. We act and conduct business ethically and transparently and follow the Code of Conduct. Transparency, fairness, and honesty are our core values in respecting human rights and fighting against any non-transpa-

rent actions, corruption or bribery. We also respect the principles of a responsible business conduct when ensuring a regular procurement of goods and services, as well as through individual activities of our branches, which are annually involved in cooperating with selected cities and villages in carrying out their social and public-service activities, such as sporting events, city days, village days, children's days etc. Even when providing care to our employees, we try to go beyond the standard care and, in addition to employee benefits and remuneration, our employees also have the opportunity to participate twice a year in informal team meetings of the individual departments and divisions and at the same time have the opportunity to participate once a year in a bank-wide sporting day aiming at providing sporting, social and movement activities.

The main risk in the field of social responsibility concerning the activities of an accounting entity is the risk of legitimizing the proceeds from criminal activities, the so-called money laundering. We pursue activities aimed at preventing the misuse of the bank for purposes of money laundering

and terrorist financing. The board of directors of Prima banka presents its clear position to all the clients and the general public, the position being a zero tolerance of money laundering and terrorist financing and strict adherence to all preventive measures stipulated by the anti-money laundering regulations. We continually and regularly ensure the prevention of such activities as well as the detection of such incidents that have already occurred. Prima banka implements a risk-based approach in relation to all the customers. When entering into a business relationship with a client, we follow the "know-your-client" principle. The bank does not tolerate any form of anonymity within the business relationship with the clients and does not carry out the clients' operations, which involve funds with an unclear or doubtful origin. The front-line employees who carry out the process of identification and verification of clients serve as an important protection measure against money laundering and terrorist funding. All upcoming business activities are analysed and any potential abnormalities are looked into. The front-line employees gather the necessary information about the clients in order to create a client profile. By being aware of the indicator of abnormalities, the employees are able to distinguish the abnormal behavioural characteristics of clients or abnormal transactions of clients. In order to ensure the bank's protection measures against money laundering and terrorist funding, we also conduct system monitoring of operations in all accounts of our clients to capture any abnormalities in the clients' transactions. Pursuant to § 17 of Act No. 297/2008 Coll., all abnormal business transactions are reported to the Financial Intelligence Unit with whom we cooperate closely.

People who prioritise values such as simplicity, clarity, fairness, transparency, and credibility thrive in Prima banka. We apply the same values when selecting our employees and encouraging their development. We care about adherence to the principles of impartiality and equality and give the graduates a fair chance to jump-start their careers and grow professionally in the fastest growing retail bank in Slovakia. We have set up a simple and intensive system of in-house trainings, not only in the form of in-house e-learning courses and managerial skills, but also practical training sessions and field trainings – in our branches. We support smart, competent and ambitious people in their professional and personal growth and provide them with space to move to another interesting job within the company. We provide our promising colleagues with space to grow professionally and as a result, a large portion of our managerial positions is currently occupied by our in-house employees who moved to these jobs as part of their career growth. We are the only bank on the market that has implemented a system of the so-called regular weekly bank employee exchanges within our customer-oriented approach and quality improvement of our services. It is a unique education system, where each headquarters employee is sent once a year to another retail branch for a week as a personal banker to provide comprehensive customer service. Due to this type of training, the employees in our headquarters better understand the needs of the clients as well as the work of our personal bankers and as a result, they work faster and more efficiently.

Separate Financial Statements
for the year Ended 31 December 2018

Prepared in Accordance with International Financial Reporting Standards as Adopted by the Europian Union and Independent Auditor's Report

Prima Banka

Contents

I. FINANCIAL STATEMENTS

Separate Statement of Financial Position

	Note	31.12.2018	31.12.2017
Cash		95 750	101 054
Financial assets at amortised cost, of which:	1	3 464 239	3 410 713
Balances with central banks		97 006	204 839
Due from banks		7 095	82 590
Loans and advances to customers		3 054 489	2 768 274
Debt securities		305 649	355 010
Financial assets held for trading – derivatives	2	52	0
Financial assets at fair value through other comprehensive income	3	2 141	1 914
Hedging derivatives	4	0	35
Non-current tangible assets	5	14 412	21 270
Non-current intangible assets	6	1 894	1 162
Deferred tax asset	7	9 570	9 671
Other assets	8	11 988	6 873
Assets total		**3 600 046**	**3 552 692**
Liabilities and equity			
Financial liabilities at amortised cost, of which:	9	3 220 271	3 229 549
Loans and deposits received from central banks		100 000	0
Due to banks		30 517	30 367
Customer deposits		3 087 787	3 079 660
Debt securities		1 967	119 522
Subordinated debt		0	0
Financial liabilities held for trading – derivatives	10	0	667
Hedging derivatives	11	427	1 140
Provisions and reserves	12	15 942	16 814
Current tax liability	13	0	3
Other liabilities	14	36 633	817
Liabilities total		**3 273 273**	**3 248 990**
Equity (except profit for the current year)		304 760	288 758
Profit/loss for the current year after tax		22 013	14 944
Equity total	**15**	**326 773**	**303 702**
Liabilities and equity total		**3 600 046**	**3 552 692**

The notes on pages 5 to 57 are an integral part of these separate financial statements. The separate financial statements were signed and authorised for issue on 28 February 2019:

Jan Rollo
Chairman of Management Board
and Chief Executive Officer

Renáta Andries
Member of Management Board
and Chief Financial Officer

Separate Statement of Comprehensive Income

	Note	31.12.2018	31.12.2017
Interest income and similar income		82 513	73 739
Interest expense and similar expenses		(17 226)	(17 414)
Net interest income	**16**	**65 287**	**56 325**
Fee and commission income		27 763	22 865
Fee and commission expenses		(5 467)	(4 569)
Net fee and commission income	**17**	**22 296**	**18 296**
Net profit from financial transactions	18	489	373
Other operating income	19	2 266	(42)
Dividend income		6	6
Specific contributions of selected financial institutions	20	(7 017)	(5 831)
Net income from banking activities		**83 327**	**69 127**
Personnel expenses		(24 144)	(21 533)
Depreciation and provisions for assets		(3 852)	(2 823)
Purchased output and services and other expenses		(27 075)	(23 136)
General and administrative expenses	**21**	**(55 071)**	**(47 492)**
Net operating income		**28 256**	**21 635**
Net allocation to provisions for receivables		(3 320)	(3 763)
Net allocation to provisions for off-balance sheet exposures		(1 729)	(1 247)
Write-off and assignment of receivables		(1 093)	(4 169)
Net allocation to provisions and reserves	**22**	**(6 142)**	**(9 179)**
Profit before tax		**22 114**	**12 456**
Current tax		0	(3)
Deferred tax		(101)	2 491
Total tax		**(101)**	**2 488**
Net earnings	**23**	**22 013**	**14 944**
Net earnings per share (face value of € 399) in €		38.731	37.354
Net earnings per share (face value of € 67) in €		6.504	6.273
Net earnings share (face value of € 5) in €		0.485	0.468
Net earnings per share (face value of € 1) in €		0.097	0.094

Other Comprehensive Income and Loss

	Note	31.12.2018	31.12.2017
Items that may be reclassified to profit or loss			
Amortisation of reclassified financial assets		1 555	2 207
Revaluation of cash flow hedge		(177)	713
Items that may not be reclassified to profit or loss			
Equity instruments at fair value through other comprehensive income		394	0
Actuarial gains (losses)		(74)	74
Total	**15**	**1 698**	**2 994**
Comprehensive income total		**23 711**	**17 938**

Separate Statement of Cash Flows

	31.12.2018	31.12.2017
Cash flows from operating activities		
Profit before tax	22 114	12 457
Adjustments:		
Depreciation and amortisation	3 852	2 823
(Profit)/loss from the sale non-current tangible and intangible assets	(1 805)	(318)
Loss from revaluation of financial liabilities at fair value through profit and loss	0	4
Profit/(loss) from amortisation of revaluation of reclassified financial assets	1 555	683
(Profit)/loss from revaluation of financial assets held for trading – derivatives	(52)	0
(Profit)/loss from revaluation of hedging derivatives	(1 522)	(1 207)
Profit from revaluation of financial assets at fair value through other comprehensive income	167	0
Dividend income	(6)	(6)
Interest expense	17 226	17 414
Interest income	(82 513)	(73 741)
Provisions and reserves for losses, net	5 099	1 438
Net loss on written-off receivables	554	4 165
Net loss from assigned receivables	540	5
Other non-cash transactions	(3 368)	(154 045)
Net cash flows from operating activities before changes in operating assets and liabilities	**(38 159)**	**(190 328)**
(Increase) decrease in operating assets		
Due to the NBS – compulsory reserve	79 820	(106 552)
Interbank loans and advances	55 790	283 697
Loans and advances to customers	(246 578)	(197 542)
Financial assets at fair value remeasured through profit or loss	0	129
Financial assets at fair value through other comprehensive income	0	10 994
Other assets	(5 115)	(1 254)
Asset available for sale	0	2 512
Changes in operating liabilities		
Loans received from the central banks	100 000	(25 000)
Due to other banks	150	17 966
Customer deposits	7 157	102 136
Debt securities	(117 500)	0
Other liabilities	35 816	113 265
Interest paid	(16 311)	(20 969)
Interest received	76 982	74 811
Tax on income paid	0	0
Net cash flows from operating activities	**(68 249)**	**63 865**
Cash flows from investment activities		
Purchase of non-current tangible and intangible assets	(2 108)	(2 224)
Proceeds from the sale of non-current tangible and intangible assets	6 187	(807)
Proceeds from assigned receivables	(540)	0
Debt securities at amortised cost	22 661	33 194
Proceeds from shares and equity interests	6	6
Net cash flows from investment activities	**26 207**	**30 169**
Net cash inflows	(52 240)	94 034
Cash and cash equivalents at the beginning of the period (Note 25)	171 903	77 868
Cash and cash equivalents at the end of the period (Note 25)	119 662	171 902

Separate Statement of Changes in Equity

	Share capital	Share premium funds	Legal reserve fund	Other capital funds	Revaluation reserves	Profit/loss for previous years	Profit/loss for the current year	Equity total
Balance at 1.1.2017	**111 163**	**11**	**552**	**46 000**	**(5 531)**	**(17 079)**	**10 453**	**145 569**
Distribution/settlement of profit/(loss) for 2016			1 046			9 407	(10 453)	0
Profit/(loss) for 2017							14 944	14 944
Profit on revaluation of available-for-sale financial assets					2 207			2 207
Revaluation of cash flow hedge					713			713
Actuarial gains					74			74
Issue of shares*	115 610							115 610
Share premium*		71 179						71 179
Legal reserve fund*			1 145	8 078				9 223
Transfer of profit/(loss)*						(55 817)		(55 817)
Balance at 31.12.2017	**226 773**	**71 190**	**2 743**	**54 078**	**(2 537)**	**(63 489)**	**14 944**	**303 702**
Balance at 1.1.2018	**226 773**	**71 190**	**2 743**	**54 078**	**(2 537)**	**(63 489)**	**14 944**	**303 702**
Distribution/settlement of profit/(loss) for 2017			1 494			13 450	(14 944)	0
Profit/(loss) for 2018							22 013	22 013
Effect of IFRS 9 adoption						(640)		(640)
Profit on revaluation of available-for-sale financial assets					1 555			1 555
Revaluation of cash flow hedge					(177)			(177)
Revaluation of equity instruments					394			394
Actuarial gain					(74)			(74)
Balance at 31.12.2018	**226 773**	**71 190**	**4 237**	**54 078**	**(839)**	**(50 679)**	**22 013**	**326 773**

*The items: issue of shares, share premium, legal reserve fund and transfer of the profit/(loss) include movements related to the merger of Sberbank Slovensko, a.s. with Prima banka Slovensko, a.s. as at 1 August 2017.

II. NOTES TO THE FINANCIAL STATEMENTS

1. General Information about Prima banka

Basic Information

Prima banka Slovensko, a. s., (hereinafter "Prima banka" or the "Bank") is a joint-stock company whose registered seat is at Hodžova 11, Žilina. The Bank was established on 14 May 1992 and incorporated with the Commercial Register on 1 January 1993. The Bank has a general banking licence, issued by the National Bank of Slovakia (hereinafter "NBS"). The identification number of the Bank is 31 575 951 and its tax identification number is 202 037 2541.

Prima banka does not have a branch abroad and is not an unlimited guarantor in any other business entity.

Statutory and Management Bodies

Board of Directors

Chairman:	Iain Child
Vice-Chairman:	Marián Slivovič
Member:	Evžen Ollari

Management Board

Chairman:	Jan Rollo
Members:	Henrieta Gahérová
	Renáta Andries
	Stanislav Kubala – start of office on 1 November 2018

Proxy

Igor Tušl

In line with the entry in the Commercial Register dated 12 July 2013, a member of the Management Board acts together with a proxy, and the proxy attaches their signature with a comment specifying the procura.

Scope of Activities

Prima banka is a universal bank offering a wide range of banking and financial services, which operates only in the Slovak Republic. Its core activities include deposit taking, loan provision, domestic and cross-border money transfers, provision of investment services, investment activities, and supplementary services under Act No. 566/2001 Coll. on Securities and Investment Services, etc. The valid list of all the Bank activities is disclosed in the Commercial Register.

Prima banka does not carry out any research and development activities.

Shareholder Structure of Prima banka

	Stake in Share Capital in %	
	31.12.2018	31.12.2017
PENTA INVESTMENTS LIMITED, Cyprus	99.31	99.31
Shareholders under 1%	0.69	0.69
Total	**100.00**	**100.00**

The direct parent company is PENTA INVESTMENTS LIMITED, Agias Fylaxeos & Polygnostou, 212 C&I CENTER, 2nd floor, P.C. 3082 Limassol, Cyprus, registered in the Companies Register, maintained by the Ministry of Industry, Trade and Tourism, Company Registrar and Bankruptcy Administrator Department, Nicosia, registration number: HE158996.

The ultimate parent company that prepares the consolidated financial statements is Penta Investments Limited seated at 47 The Esplanade, JE1 OBD, St Helier, Jersey, registration number: 109645.

The consolidated financial statements are available at Penta Investments Limited Jersey.

Share Capital and its Structure

Prima banka may only issue registered shares issued in book-entry form. Their transfer is made in accordance with the Securities Act in the Central Securities Depository, which maintains the list of shareholders. The transferability of shares is unlimited. The Bank's ordinary shares, excluding shares ISIN: SK1110017037, ISIN: SK1110017508 and SK1110019579, are publicly traded at the Bratislava Stock Exchange.

The structure of ordinary shares as at 31 December 2018 and 31 December 2017 is presented in the following overview:

Type	ISIN	Kind	Form*	Number	Face value
Ordinary shares	SK1110001270	Registered	Book-entered	100 200 pcs	€ 399
Ordinary shares	SK1100013671	Registered	Book-entered	100 200 pcs	€ 67
Ordinary shares	SK1110014927	Registered	Book-entered	701 400 pcs	€ 5
Ordinary shares	SK1110015676	Registered	Book-entered	14 705 882 pcs	€ 1
Ordinary shares	SK1110017037	Registered	Book-entered	24 000 000 pcs	€ 1
Ordinary shares	SK1110017508	Registered	Book-entered	22 257 415 pcs	€ 1
Ordinary shares	SK1110019579	Registered	Book-entered	115 609 441 pcs	€ 1

*all shares are book-entered in the Central Securities Depository of the Slovak Republic

Number of Employees

	31.12.2018
Average number of employees, of which:	**866**
Average number of managers	6

As at 31 December 2018, Prima banka had 873 employees (31 December 2017: 959) and offered its services at 128 branches (31 December 2017: 127 branches).

2. Basis for the Preparation of Financial Statements

The key accounting principles applied for the preparation of these financial statements are outlined in the text below:

Purpose of Preparation
The purpose of preparing these separate financial statements in the Slovak Republic is to comply with Act on Accounting No. 431/2002 Coll. as amended. Prima banka prepares its separate financial statements under special regulations - Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Financial Reporting Standards (hereinafter "IFRS"). The financial statements are intended for general use and information, and are not intended for a specific user or the consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

The Bank's separate financial statements for the previous reporting period (as at 31 December 2017) were approved and authorised for issue on 28 February 2018 and subsequently approved on 19 April 2018 by the General Meeting.

Basis of Presentation
The separate financial statements of the Bank (the "financial statements") for the year ended 31 December 2018 and comparative data for the year ended 31 December 2017 have been prepared in accordance with IFRS as adopted by the European Union (the "EU") in Commission Regulation (EC) 1126/2008, and current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Commission Regulation (EC) 1126/2008 of 3 November 2008 was issued to integrate all standards and interpretations issued by the International Accounting Standards Board (hereinafter "IASB") and the International Financial Reporting Interpretations Committee (hereinafter "IFRIC") that have been fully adopted for use in the Community as at 15 October 2008, except for IAS 39 relating to the recognition and measurement of financial instruments in a single document. Commission Regulation (EC) 1126/2008 of 3 November 2008 replaces Commission Regulation (EC) 1725/2003 of 29 September 2003.

IFRS, as adopted by the EU, do not currently differ from IFRS as issued by the IASB, except for certain requirements for portfolio hedge accounting under IAS 39, which has not been approved by the EU. Prima banka has determined that portfolio hedge accounting under IAS 39 would have had no impact on its financial statements had it been approved by the EU at the balance sheet date.

Standards and interpretations effective in the current period
The Bank adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB as adopted for use in the EU that are relevant to its operations and are effective for reporting periods beginning on 1 January 2018. The following standards and amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current reporting period:

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "The Effective Date of IFRS 15" – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – Clarifications to IFRS 15 "Revenue from Contracts with Customers" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 4 "Insurance Contracts"** – Applying IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts" – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018, or when IFRS 9 "Financial Instruments" applies for the first time);

- **IFRS 9 "Financial Instruments"** – adopted by the EU on 22 November 2016 (effective for annual periods on or after 1 January 2018);

- **Amendments to IFRS 2 "Share-based Payment"** – Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018);

• **Amendments to IAS 40 "Investment Property"** – Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018);

• **Amendments to various standards "Improvements to IFRS (cycle 2014 – 2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 a IAS 28), primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 12 shall be applied for annual periods beginning on or after 1 January 2017, and amendments to IFRS 1 and IAS 28 shall be applied for annual periods beginning on or after 1 January 2018),

• **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The application of these standards and amendments to the existing standards caused no material changes in the Bank's accounting principles. IFRS 9 was adopted by the Bank for the first time on 1 January 2018 as issued in July 2014.

Standards and amendments to the existing standards issued by the IASB and approved by the EU, which have not yet entered into force

• **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);

• **Amendments to IFRS 9 "Financial Instruments"** – Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);

• **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

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

The Bank assesses the impacts of the application of these standards, and their impact on the financial statements up to the moment of the financial statements preparation is estimated at EUR 6 – 7 million (adoption of IFRS 16). The Bank adopted the requirements for the classification of financial instruments in accordance with IFRS 9. As a result of the new standard adoption there were changes that are described in more detail in the section "IFRS 9 Financial Instruments".

New standards and amendments to existing standards issued by the IASB, which the EU has not yet approved

At present, IFRS as adopted by the EU do not significantly differ from regulation adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards, and interpretations that were not endorsed for use in the EU as at the reporting date (the effective dates stated below are for IFRS in full):

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on after 1 January 2021);
- **Amendments to IAS 28 "Investment in Associated and Joint Venture"** – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to various standards "Improvements to IFRS (cycle 2015 – 2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 a IAS 23), primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – clarifies when it is recognised (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material for the inclusion of

information in the financial statements (effective for annual periods beginning on or after 1 January 2020);

- **Revised Conceptual Framework for Financial Reporting** effective for annual periods beginning on or after 1 January 2020.

The Bank anticipates that adopting these standards, amendments to the existing standards and interpretations will have no material impact on its financial statements in the period of initial application.

IFRS 9 Financial Instruments
IFRS 9 "Financial Instruments" (hereinafter "IFRS 9") replaces IAS 39 *"Financial Instruments: Recognition and Measurement*" (hereinafter "IAS 39"), except for the fair value hedging of interest rate risk for the portfolio of financial assets and liabilities, which remains in effect.

For hedge accounting, the reporting entity may opt between an accounting policy under IFRS 9 or IAS 39. At the first application of IFRS, the Bank opted to continue to apply the accounting policy under IAS 39.

Under IFRS 9, the Bank classifies financial assets as subsequently measured at amortised cost (hereinafter "AC"), at fair value through other comprehensive income (hereinafter "FVTOCI"), or at fair value through profit or loss (hereinafter "FVTPL") based on the following two aspects:

a) The business model of the reporting entity for managing financial assets; and

b) Contractual characteristics of the underlying financial asset as regards cash flows.

<u>Financial assets measured at amortised cost ("AC")</u>

Both of the following conditions must be met:

- The financial asset is held in a business model whose objective is to hold financial assets to collect contractual cash flows; 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.

<u>Financial assets measured at fair value through other comprehensive income ("FVTOCI")</u>

Both of the following conditions must be met:

- The financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

<u>Financial assets measured at fair value through profit or loss ("FVTPL")</u>

In this portfolio, the Bank only recognises derivative financial instruments (interest rate or currency forwards, swaps, and options).

Impairment
For financial instruments, impairment-related requirements are based on the expected credit loss model (hereinafter "ECL") that supersedes the incurred loss model. Hence, when using the ECL model, an event that may cause a loss need not occur prior to the provision recognition.

The ECL model applies to debt financial instruments measured at amortised cost or FVOCI, it does not apply to financial assets at FVTPL and financial assets classified as equity investments.

The following is recognised:

- 12-month value of expected credit losses;
- Lifetime expected credit losses;

depending on whether the credit risk of the counterparty has significantly increased since initial recognition.

<u>12-month value of expected credit losses</u>
If there was no significant increase in the risk of default as at the reporting date since the initial recognition, a credit loss in an amount equal to 12-month expected credit losses will be recognised.

Lifetime expected credit losses

If there was a significant increase in the risk of default as at the reporting date since the initial recognition, an impairment equal to expected credit losses over the full lifetime of a financial asset is recognised.

The ECL estimation must reflect a probability-weighted result and the effect of the time value of money. It must also be based on reasonable and supportable information. The weighted probability must include at least 2 scenarios (an event occurs and an event does not occur).

Definition of default

The Bank considers a financial asset to be defaulted if:
- Any substantial financial asset of a debtor is overdue by more than 90 days; or
- It is not likely that the debtor will repay its liability in full without the Bank taking action, such as realisation of the collateral.

Application of IFRS 9

The application of IFRS 9 affected the classification and measurement of financial instruments held as at 1 January 2018 as follows (the Bank did not change comparable data for 2017 due to IFRS 9 adoption):

Financial instruments	IAS 39	IFRS 9
Loans and receivables/payables	AC	AC
Securities	AC	AC
Securities	FVOTPL	AC
Equity instruments	FVTOCI	FVTOCI
Derivative financial instruments	FVTPL	FVTPL

Application of IFRS 9: impacts on the separate statement of financial position as at 1 January 2018:

Classification Under IAS 39	Classification Under IFRS 9	Measurement Under IAS 39	Effect of IFRS 9			Measurement Under IFRS 9
			Reclassification		Measurement Change	
Cash	Cash	101 054				101 054
	Financial assets at amortised cost, of which:					
Balances with central banks	Balances with central banks	204 839				204 839
Due from banks	Due from banks	82 590				82 590
Loans and advances to customers	Loans and advances to customers	2 791 455	(23 181)*		712	2 768 986
Held-to-maturity financial assets	Debt securities	329 134	23 181*	2 695		355 010
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss (FVTPL)	2 695		(2 695)		0
Positive fair value of derivatives		35	(35)			0
	Hedging derivatives		35			35
Available-for-sale financial assets	Financial assets at fair value through other comprehensive income (FVTOCI)	1 914				1 914
Non-current tangible assets	Non-current tangible assets	21 270				21 270
Non-current intangible assets	Non-current intangible assets	1 162				1 162
Deferred tax asset	Deferred tax asset	9 671				9 671
Other assets	Other assets	6 873				6 873
Assets total		**3 552 692**	**0**	**0**	**712**	**3 553 404**

*It includes corporate bonds presented in accordance with IAS 39 in 2017 as "Due from customers", and as at 1 January 2018 they are presented by the Bank as debt securities.

Application of IFRS 9: impacts on the separate statement of financial position as at 1 January 2018 – continued:

Classification Under IAS 39	Classification Under IFRS 9	Measurement Under IAS 39	Effect of IFRS 9			
			Reclassification		Measurement Change	Reclassification
	Financial liabilities at amortised cost, of which:					
Loans and deposits received from central banks	Loans and deposits received from central banks	0				0
Due to banks	Due to banks	30 367				30 367
Customer deposits	Customer deposits	3 079 660				3 079 660
Debt securities	Debt securities	119 522				119 522
Subordinated debt	Subordinated debt	0				0
Negative fair value of derivatives		1 807	(1 140)	(667)		0
	Financial liabilities held for trading – derivatives	0		667		667
	Hedging derivatives	0	1 140			1 140
Provisions and reserves	Provisions and reserves	16 814			1 352	18 166
Current tax liability	Current tax liability	3				3
Other liabilities	Other liabilities	817				817
Liabilities total	**Liabilities total**	**3 248 990**	**0**	**0**	**1 352**	**3 250 342**
Equity (except profit for the current year)	Equity (except profit for the current year)	288 758			(640)	288 118
Profit/loss for the current year after tax	Profit/loss for the current year after tax	14 944				14 944
Equity total	**Equity total**	**303 702**			**(640)**	**303 062**
Liabilities and equity total		**3 552 692**	**0**	**0**	**712**	**3 553 404**

The table below shows the reconciliation of closing balances of provisions for assets under IAS 39 and off-balance sheet exposures (provisions for loan commitments and financial guarantees) under IAS 37 as at 31 December 2017 and opening balances of provisions and reserves calculated in accordance with IFRS 9 as at 1 January 2018:

	31.12.2017 (IAS 39/IAS 37)	Reclassification +/-	Remeasurement */-	1.1.2018 (IFRS 9)
Financial assets at amortised cost	(204 091)	0	712	(203 379)
Financial assets at fair value through other comprehensive income	-	-	-	-
Off-balance sheet exposures (loan commitments and provided guarantees)	(3 250)	0	(1 352)	(4 602)

Basis for the Preparation of Financial Statements

The financial statements were prepared using the accrual basis of accounting, ie the effects of transactions and other events are recognised by the Bank when they occur. Transactions and events are reported in the financial statements for the periods to which they relate.

The financial statements have been prepared under the assumption that the Bank will continue its operations as a going concern in the foreseeable future. The financial statements are prepared under the historical cost convention; certain financial instruments were revalued to fair value.

The reporting currency used in these financial statements is the euro ("€"). Value figures are presented in thousands unless stipulated otherwise. Value figures in brackets represent negative values. Tables in these financial statements may contain rounding differences.

If necessary, comparative data was reclassified to ensure the comparability of presented data.

Segment Reporting

Due to the fact that the internal management of business activities of the Bank is not divided into operating segments with a specific approach, the Bank does not publish information on segments according to *IFRS 8 Operating segments*.

3. Significant Accounting Procedures

a) Transaction Date

The transaction date with respect to the purchase and sale of financial assets and liabilities such as term deposits, securities, and derivatives is the date when the deal is arranged. On such a date it is recognised in the off-balance sheet accounts. On the settlement date, the entry on the off-balance sheet accounts is reversed and recognised on the balance sheet accounts.

b) Transactions in a Foreign Currency

Transactions made in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank (ECB) on the date preceding the transaction date. Assets and liabilities denominated in a foreign currency are translated to euros as at the reporting date using the exchange rate valid as at the reporting date. Exchange rate gains/(losses) from all foreign exchange transactions are included in the statement of comprehensive income item *"Net trading income"*.

c) Cash and Balances with Central Banks

Cash and balances with central banks comprise cash held, and cash balances with the National Bank of Slovakia (NBS), including the compulsory minimum reserve. The compulsory minimum reserve with the NBS is a required deposit with restricted drawing to be held by all commercial banks licensed in the Slovak Republic.

d) Cash and Cash Equivalents in the Statement of Cash Flows

Cash and cash equivalents consist of cash on hand, asset balances on correspondent banks' accounts and cash deposits with the NBS, which are considered to be liquid, ie their maturity is up to three months. This category does include the minimum compulsory reserves held with the NBS, whose use (drawing) is restricted, however, they can be used if liquidity is required.

e) Sale and Repurchase Agreements (Repo Transactions)

A repo transaction is the provision of a loan secured by a security transfer. Securities sold under selling and repurchasing contracts are recognised in the Statement of Financial Position as assets under *"Financial assets at fair value through profit or loss"* or "*Financial assets at AC"*. Depending on the nature of the liability, a payment received from a counterparty is recognised under *"Due to banks"* or *"Customer deposits"*.

Securities purchased under agreements to purchase and resell ("reverse repo transactions") are recognised in the statement of financial position in the account *"Due from banks"* or *"Loans and advances to customers"* as appropriate. Received collateral, which is a security, is recognised in the off-balance sheet accounts from the settlement date until the maturity date of the deal. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

f) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. With effect from 1 January 2018, the Bank classifies financial instruments based on the business model for management of financial instruments in accordance with its investment strategy and differentiates the following categories of financial instruments:

- Financial assets/financial liabilities measured at amortised cost (AC)
- Financial assets/financial liabilities measured at fair value through profit or loss (FVTPL);
- Financial assets measured at fair value through other comprehensive income (FVOCI).

<u>Business model assessment</u>

- Classification of financial assets into separate groups or portfolios based on their management;
- Identification of the objectives which the Bank uses to manage each group or portfolio;
- Based on such objectives, the Bank classifies each group or portfolio of financial assets into the relevant business model;
- For assets classified as held to collect contractual cash flows, an assessment of the correct classification based on the analysis of the cash flows characteristics (the SPPI test "Solely payments of principal and interest").

The Bank has the following business models:

- Loan and investment portfolio (financial assets held only to collect contractual cash flows);

- Portfolio for trading (mainly derivatives);
- Equity share portfolio;
- Hedging portfolio.

Contractual cash flows

The Bank assesses whether 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 (under a standard loan agreement, consideration for the time value of money and credit risk are usually the most significant elements of interest). However, in such an agreement, interest may also include consideration for other basic risks (eg liquidity risk) and expenses (eg administrative expenses) related to holding a financial asset over a certain period. Interest may also include a profit margin which is consistent with the standard loan agreement.

The time value of money is the element of interest that only provides consideration for the passage of time, ie the time value of the money element does not provide consideration for other risks or expenses related to holding a financial asset.

Financial assets measured at amortised cost

Financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held in a business model whose objective is to hold financial assets to collect contractual cash flows; 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.

In this business model, the Bank holds the following financial assets:

- Loans and receivables;
- Debt securities;

ie non-derivative financial instruments with fixed or determinable payments and maturity.

Loans and receivables are measured at amortised cost using the effective interest rate less provisions. Upon signing a loan agreement, a confirmation on the provision of a credit facility is recognised in the off-balance sheet accounts on the trade date. On the date the funds are drawn, the loan is reclassified to the statement of financial position. The unused portion of the loan recognised in the off-balance sheet accounts represents for the Bank, contingent liabilities with an inherent credit risk for which the Bank records a provision and a reserve. Provisions and reserves are recorded for off-balance sheet liabilities, such as unused credit facilities, issued bank guarantees, and letters of credit.

Debt securities are mainly securities issued by the government, or other securities of good quality, which the Bank intends to hold to maturity. They are also measured at amortised cost using the effective interest rate and potential impairment is reflected in provisioning. Interest income, discounts and premiums are accrued on a daily basis and recognised in the statement of comprehensive income line "*Interest and similar income*".

Financial assets measured at fair value through other comprehensive income (FVTOCI)

To classify a financial instrument in this portfolio, both of the following conditions must be met:

- The financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

The Bank holds the following financial assets in this business model:

- Equity instruments: solely equity securities of companies, in which participation is compulsory for the Bank (S. W. I. F. T. s. c., Belgium and VISA INC., USA).
  Dividends are recognised in the statement of comprehensive income under "Dividend income".

To determine the fair value of these securities, the Bank uses Level 3.

Impairment of financial assets measured at amortised cost and fair value through other comprehensive income

The calculation of expected credit losses requires the use of accounting estimates and judgments. For expected credit losses, the Bank recognises a provision for financial assets measured at amortised cost and at fair value through other comprehensive income as at the reporting date. Provisions are recognised in the statement of financial position.

The Bank measures expected credit losses to reflect:

- The unbiased and probability-weighted amount of a loss that is determined by assessing various possible outcomes;
- The time value of money;
- Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions available as at the reporting date without unreasonable costs or disproportionate effort.

IFRS 9 sets a 3-stage impairment model that is based on changes that have occurred in credit quality since the initial recognition date, ie a financial asset must be monitored over its full lifetime.

Upon its initial recognition, a financial asset is classified in stage 1. At this stage, a financial asset is measured at a provision equal to a 1-year expected credit loss.

If a significant increase in credit risk is subsequently identified since the initial recognition without the asset being impaired, the asset is moved to stage 2. If a financial asset is credit-impaired, it is classified in stage 3. In stages 2 and 3, a financial asset is measured at a provision equal to the expected credit loss over the full lifetime of the asset.
If the impairment of a financial asset was measured in an amount equal to expected credit losses over the asset's full lifetime in the previous reporting period, but such conditions are not met as at the current reporting date, the Bank measures the impairment loss in an amount equal to a 1-year expected credit loss as at the current reporting date.

The assessment of a financial asset's credit risk is based on the estimates as to the determination of the probability of default (PD), exposure at default (EaD) and loss given default (LGD).

The assessment of credit impairment is performed on a collective or individual basis.

At each reporting date, the Bank assesses whether there has been a change in the risk of default over the expected lifetime of a financial asset since the initial recognition by comparing the risk of default at the initial recognition to the risk of default as at the reporting date, taking into account reasonable and supportable information.

Significant increase in credit risk

The assessment of significance comprises future-focused information and is always performed as at the reporting date.

Receivables in portfolios measured solely using statistical models are classified in stage 2 if the client has at least one significant receivable overdue by more than 6 days.
Other receivables are classified in stage 2 on an individual basis. A decision to change the classification and the required coverage amount, if any, is made by the Credit Committee for individually assessed cases based on a monthly review when individual cases are discussed. The review process includes consultation on the opinion of the responsible approval department that expertly and comprehensively assesses the condition of the counterparty and change thereof.

Defaulted financial assets

A financial asset is in default if:

- The debtor is in arrears with material receivables whose contractual instalments are overdue by more than 90 days;
- It is likely that the debtor will not repay its liabilities in full without the Bank taking action, such as realisation of the collateral.

The above criteria are applied to all financial assets held by the Bank and are compliant with the definition of default used for internal credit risk management purposes.

Probability of default
Probability of default is a risk parameter determining the probability that a debtor will fail to repay its financial liability over the next 12 months, or over the remaining lifetime of the liability. Hence, it is the probability that an exposure not in default will default within 12 months, or over the remaining lifetime.

Loss given default
Loss given default is a risk parameter defined as the difference between the value of 100% and the value of the recovery rate at the moment of completion of the debt collection or its write-off. Loss given default represents the Bank's expectation in terms of the loss on a defaulted exposure.

Exposure at default
Exposure at default is the volume of funds the Bank expects to be repaid at the time of default over the next 12 months, or over the remaining lifetime. The assumption of an early repayment of a debt is also taken into consideration in the calculation.

Hedging
The Bank primarily accepts the following types of collateral:

- Immovable assets;
- Movable assets;
- Cash collateral;
- Receivables;
- Securities;
- Guarantees.

The Bank uses the following legal instruments:

- Pledge;
- Blocking of cash;
- Security transfer of receivables;
- Security transfer of the right.

The Bank remeasures individual types of collateral on a regular basis, and the measurement methodology and its frequency depends on the type of collateral. The recoverable amount of collateral is derived from the pledge value, up to the amount of the current value of the receivable. The recoverable amount consists of a number of uncertainties and risks; therefore, the amounts upon realisation of collateral may differ from the estimates, and such a difference may be significant.

When realising collateral, the Bank uses:

- Voluntary auction;
- Foreclosure proceedings;
- Sale of receivables;
- Sale of the pledge over the Bank's receivable in bankruptcy proceedings.

Write-off of Receivables
The existence of unrecoverable receivables is connected with business risk, which is to a various degree inherent in all banking activities. If a particular receivable meets the conditions for a write-off, Prima banka writes off the receivable directly into expenses in the statement of comprehensive income under *"Net profit/(loss) on write-off of receivables"* and recognised impairment provisions are reversed. Receivables for which the right of collection did not expire continue to be recognised in off-balance sheet accounts. The Committee for Non-Performing Loans decides which write-off method will be applied with respect to a particular receivable. When a written-off receivable is collected, income is recognised in the statement of comprehensive income under *"Net profit/(loss) on write-off of receivables"*.

Financial Assets Measured at Fair Value Through Profit or Loss
This portfolio consists of financial instruments held for trading, including derivatives used solely to manage position exposures, mainly liquidity risk and currency risk.

Financial assets disclosed in the portfolio at fair value through profit or loss are initially recognised at cost excluding transaction costs and are subsequently re-valued to fair value through statement of comprehensive income.

The Bank records unrealised gains and losses from the revaluation of these assets to their fair values in the statement of comprehensive income line *"Net trading income"*. Interest income from financial instruments at fair value through statement of comprehensive income is accrued on a daily basis and recorded in the statement of comprehensive income line *"Interest and similar income"*.

Financial Liabilities

Financial liabilities measured at amortised cost (AC)

All of the Bank's financial liabilities, except for derivative financial liabilities, are recognised at amortised cost.

Financial liabilities measured at fair value through profit or loss (FVTPL)

In this category, the Bank only recognises derivatives with negative values.

Derecognition of Financial Instruments

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Bank substantially retains all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Bank derecognises financial liabilities only when the Bank's obligations are discharged or cancelled, or when they expire.

Offsetting Financial Instruments

The Bank only offsets financial assets and financial liabilities if this results from a contractual arrangement and the Bank's intention is to settle an asset and a liability on a net basis, and/or concurrently. Financial instruments subject to offsetting are presented in the statement of financial position in a net amount.

g) Financial Derivatives

Prima banka's financial derivatives include currency and interest rate swaps and forwards. They are held to hedge risk. In the statement of financial position, they are recognised at fair value under "*Financial assets held for trading – derivatives" and "Hedging derivatives"*. An underlying derivative financial instrument is recognised in off-balance sheet accounts on the transaction date. It is derecognised from the off-balance sheet accounts on the date the respective derivative is closed.

Changes in the fair value of derivatives are recognised on the balance sheet accounts to ensure that the positive fair values of derivatives are shown as an asset and negative fair values of derivatives are shown as a liability with a corresponding entry in revenues and expenses recognised in the statement of comprehensive income under *"Net profit from financial transactions".*

The revaluation of swaps and other derivatives in the Banking Book and the hedging instruments takes place once a month based on their discounted cash flows using the market curves.

h) Hedging

Prima banka is hedged against volatility risk in the fair values ("Fair Value Hedge") of recognised assets, which relates to the risk of interest rate volatility and may affect the Bank's expenses or revenues. Hedged items include are long-term loans with a structured interest rate. The gain or loss from the fair value measurement of a hedging instrument is recognised in revenues or expenses. The gain or loss on a hedged item attributable to the hedged risk is recognised in profit or loss and the impact of changes in fair values of hedging instruments and hedged items on the P/L is insignificant. After 1 January 2018, the Bank continues to apply the accounting policy in line with IAS 39.

i) Fair Value of Financial Instruments

The fair value of financial instruments corresponds to the quoted market price as at the reporting date, without a reduction for transaction costs.

Fair values of financial instruments not quoted in active markets are determined using valuation techniques such as the theoretical price derived from the yield as read from the yield curve of government bonds and the credit margin of issuers' debt securities with comparable credit risk under generally accepted revaluation

rules. If practicable, models use only observable data; however, areas such as credit risk, volatilities, and liquidity require expert estimates. Changes in the assumptions related to these factors could affect the reported fair value of financial instruments.

When the discounted cash flows method is used, estimated future cash flows are based on the most accurate management estimates and the discount rate represents the market rate for instruments with similar conditions and maturity. When valuation models are used, input values are based on market values valid as at the reporting date.

Fair values of derivative instruments that are not traded on a stock exchange are derived from the estimated values the Bank would obtain under standard business conditions at the termination of the contract as at the reporting date after considering the market conditions and the creditworthiness of the relevant counterparty.

j) Non-Current Tangible and Intangible Assets

Non-current tangible and intangible assets are stated at historical cost less accumulated depreciation/amortisation together with accumulated impairment losses. Prima banka applies a linear method to depreciate or amortise non-current tangible and intangible assets based on the estimated useful life. Depreciation/amortisation starts in the month in which the assets were placed into service.

Low-value non-current tangible assets with a cost of up to € 1 700 and low-value non-current intangible assets with a cost of up to € 2 400 and a useful life of over one year are expensed in the year they are placed into service.

Land and works of art are not depreciated.

For accounting depreciation/amortisation of assets Prima banka uses the following depreciation/amortisation periods:

	Depreciation/Amortisation Period in Years
Computers, office tools, cars, etc.	4 - 6
Software	up to 10
Inventory	4 - 6
Office and banking equipment	4 - 12
Buildings and structures	40*

*The buildings owned by the Bank are depreciated over 40 years, restoration work is carried out in the rented buildings according to the term of the lease.

k) Impairment of Tangible and Intangible Assets

At each balance sheet date, Prima banka reviews the carrying amounts of its non-current tangible and intangible assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. If any of the amounts above exceeds the carrying amount, there is no need to estimate the other amount. If the estimated recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset is reduced to equal the recoverable amount. The impairment loss is recognised directly through the statement of comprehensive income under *"Depreciation"*.

l) Assets Held for Sale

Assets held for sale are non-current assets held to sale for which the carrying amount will be realized through a sale transaction, rather than by using them. These are assets held for sale in their present condition and a sale is considered highly probable. Assets classified as non-current assets held for sale are reported at the lower of cost less accumulated depreciation and provisions or at fair value less costs related to sale.

m) Income Tax

Current income tax is calculated on the tax base reported in accordance with Slovak tax legislation. The tax basis differs from accounting profit/(loss) recognized in the statement of comprehensive income, as it excludes items of income or expenses that are taxable or deductible in other years and it further excludes

items that are not taxable or deductible. The current tax liability is calculated using the tax rates valid as of the reporting date.

Deferred income tax is reported, using the balance sheet method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The tax rate enacted for future periods was used to determine deferred income tax, ie 21%.

A deferred tax liability related to taxable temporary differences represents tax to be paid in future taxation periods. A deferred tax asset is related to deductible temporary differences, the possibility to carry forward the tax loss, and the possibility to transfer unused tax deductions and other tax claims to future periods. Deferred tax liabilities are recognised generally for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

When recognising deferred tax assets and deferred tax liabilities, the Bank applies an approach under which deferred tax assets are recognised to the extent that it is probable that conditions for the tax deduction of temporary differences in the future are met and that taxable profits will be available against which such tax assets can be utilised. Given that the amount of future taxable profits cannot be reliably estimated, the Bank does not recognise the deferred tax asset in full.

Deferred tax is recognised in the income statement, except where the deferred tax relates to items not recognised as income or expense, but charged and recognised in equity. In such cases, the related deferred tax is debited or credited to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to the income tax assessed by the same tax authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

The Bank recognises current corporate income tax and deferred tax in the statement of financial position under *"Tax assets" or "Tax liabilities"*.

n) Debt Securities

Debt securities issued by the Bank are stated at amortised cost using the effective interest rate method. The Bank issues mortgage debentures. Interest expense arising on the issue of securities is included in the statement of comprehensive income line *"Interest and similar expenses".*

o) Subordinated Debt

Subordinated debt refers to the Bank's external funds and, in the event of bankruptcy, composition or the liquidation of the Bank, the entitlement to its repayment is subordinated to liabilities to other creditors. The Bank's subordinated debt is recognised in the separate statement of financial position as *"Subordinated debt"*. Interest expense paid on the received subordinated debt is recognised through the statement of comprehensive income in *"Interest and similar expenses"*.

p) Accrued Interest

Accrued interest income and expense related to financial assets and liabilities are presented as at the preparation date of the financial statements together with the corresponding assets and liabilities in the statement of financial position.

q) Provisions for Liabilities

The amount of provisions for liabilities and charges is recognised as an expense and a liability when the Bank has legal or constructive obligations as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle such an obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from the recognition of a provision for liability is recognised in the statement of comprehensive income for the period.

r) Earnings per Share

The Bank discloses earnings per share attributable to holders of ordinary shares. The Bank calculated earnings per ordinary share as profits attributable to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding during the period. The profit attributable to each class of shares is determined based on the face value of each class of shares in relation to the percentage of the total face value of all shares.

s) Interest Income and Interest Expense

Interest income and expense, and interest related charges arising on all interest-bearing instruments are accrued in the statement of comprehensive income using the effective interest rate method. Interest income (expense) from securities includes revenues from coupons with fixed and floating rates, and amortised discount or premium. Interest on impaired receivables (retail exposures are assessed based on the number of days overdue; other exposures are assessed on an individual basis) is reclassified by the Bank in the off-balance sheet accounts.

t) Fees and Commissions

Fees and commissions received and paid are recognised in the statement of comprehensive income as *"Net interest income"* on an accrual basis, eg fees related to the provision of loans, brokerage commissions (are accrued over the term of the respective loan). Other fees and commissions received and paid, eg fees for account management, payment system fees, etc are recognised in the statement of comprehensive income under "*Net fee and commission income"*.

4. Significant Accounting Estimates

Presenting the financial statements in compliance with IFRS requires estimates and assumptions to be prepared that affect the reported amounts of assets and liabilities and estimated assets and liabilities as at the reporting date as well as disclosed expenses and revenues for the relevant reporting period. The effect of the change in accounting estimates is included, on a prospective basis, in the profit/loss of the period in which the estimate is changed provided that the changes only affect the given period, or also in the profit/loss of the subsequent periods if the change has an impact on the following periods. The estimates relate to: fair values of financial instruments, provisions for loans to customers and provisions for litigations.

Fair Value of Financial Instruments
If it is not possible to determine the fair value of financial assets and financial liabilities recognized in the statement of financial position from active markets, fair value is determined using by different valuation techniques including mathematical and statistical models. The inputs for these models are taken from observable recognised markets, but if this is not possible, the determination of fair value requires estimates. The estimates include considerations of liquidity and model inputs, eg current interest rates, exchange rates and credit spreads.

Provisions for Loans to Customers
As discussed in the paragraphs of Chapter 3 above, and as described in detail in Notes 1 and 22, Chapter 5 to the financial statements, the Bank recognises a provision for expected credit losses from financial instruments that are carried at amortised cost or fair value through OCI and identified contingent liabilities. The calculation of provisions is based on anticipated estimated cash flows, which are determined using different scenarios, taking into account the time value of money, supportable and reasonable information about past events and estimated future economic conditions.

The recognition of provisions for loan losses and identified contingent liabilities, however, includes various uncertainties regarding the outcome of the above risks (eg for portfolios measured using statistical models, the Bank does not have sufficiently representative historical data available and, therefore, the Bank has elected to use NBS estimates to estimate the impact of an adverse scenario, and requires Bank management to make many subjective judgments when estimating losses. Therefore, the result of such estimates may differ from the provisions recognised as at 31 December 2018.

Deferred Tax Asset
The utilization of a deferred tax asset depends on the generation of sufficient future taxable profits. Moreover, rules and regulations have undergone significant changes in recent years; there are few historical precedents or interpretative rulings on a number of complex issues affecting the banking industry. In addition, the tax authorities have broad powers when interpreting the application of the tax laws and regulations when examining taxpayers. Accordingly, there is a high degree of uncertainty about the ultimate outcome of examinations by the tax authorities.

Provision for Litigation Claims
The amounts recognised as provisions for liabilities are based on the Bank's management's judgement and represent the best estimate of the expenses required to settle a liability with uncertain timing and an uncertain amount payable.

Future events and their effects cannot be determined with absolute certainty. Accordingly, accounting estimates require judgement and the estimates that are used in the preparation of the financial statements are changed when new events occur or new information and experience are available, or when the business environment in which the Bank operates changes. Results may differ from these estimates, and the impact can be significant.

5. Notes to the Financial Statements

1. Financial Assets at Amortised Cost

31.12.2018	Gross Carrying Amount	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost, of which:				
Balances with central banks	**97 006**	97 006	0	0
Current accounts*	18 508	18 508	0	0
Compulsory minimum reserves	78 498	78 498	0	0
Due from banks	**7 095**	7 095	0	0
Loans and advances to customers, of which:	**3 227 325**	**2 958 050**	**128 596**	**140 679**
Public administration*)	141 661	140 468	0	1 193
Retail clients**)	2 553 690	2 488 486	16 005	49 199
Other clients**)	531 974	329 096	112 591	90 287
Debt securities, of which:	**307 657**	**287 577**	**20 080**	**0**
Banks	16 019	16 019	0	0
Public administration	271 558	271 558	0	0
Other clients	20 080	0	20 080	0
Total	**3 639 083**	**3 349 728**	**148 676**	**140 679**
Provisions	**(174 844)**	**(29 385)**	**(20 076)**	**(125 383)**
Net carrying amount	**3 464 239**	**3 320 343**	**128 600**	**15 296**

*Relating to the merger of the Bank with Sberbank Slovensko, a.s., when based on a contract concluded between Prima banka and NBS as at 1 August 2017, an account was open to make/receive payments via TARGET2-SK and settle such payments by using bank code 3100 (the code of former Sberbank).

**The Bank classifies clients into sectors pursuant to Regulation (EU) No 549/2013 of the European Parliament and of the Council on the European system of national and regional accounts in the European Union, "ESA 2010", where "Public Administration" is sector S.13, "Retail Clients" is sectors S.14 and S.15, and other clients are sectors S.11 and S.12, except for central and other banks.

Compulsory reserves with the NBS represent minimum compulsory reserves the Bank is obliged to maintain in cash with the NBS. The system of creating and maintaining minimum reserves is regulated by European Community and European Central Bank regulations. The Bank's ability to withdraw the reserve is restricted by applicable legislation.

1.1.2018	Gross Carrying Amount	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost, of which:				
Balances with central banks	**204 839**	**204 839**	0	0
Current accounts*	46 521	46 521	0	0
Compulsory minimum reserves	158 318	158 318	0	0
Due from banks	**82 590**	82 590	0	0
Loans and advances to customers, of which:	**2 971 890**	**2 658 262**	**72 555**	**241 073**
Public administration	147 928	146 110	0	1 818
Retail clients	2 175 042	2 100 116	13 512	61 415
Other clients	648 920	412 036	59 043	177 840
Debt securities, of which:	**355 486**	**355 486**	**0**	**0**
Banks	26 292	26 292	0	0
Public administration	305 537	305 537	0	0
Other clients	23 657	23 657	0	0
Total	**3 614 805**	**3 301 177**	**72 555**	**241 073**
Provisions	**(203 379)**	**(23 294)**	**(8 735)**	**(171 350)**
Net carrying amount	**3 411 426**	**3 277 883**	**63 820**	**69 723**

31.12.2017	Gross Carrying Amount	Provisions	Net Carrying Amount
Balances with central banks	**204 839**	**0**	**204 839**
Current accounts*	46 521	0	46 521
Compulsory minimum reserves	158 318	0	158 318
Due from banks	**82 590**	**0**	**82 590**
Current accounts with other banks	10 336	0	10 336
Term deposits	65 162	0	65 162
Loans to banks	7 092	0	7 092
Loans and advances to customers	**2 971 889**	**(203 615)**	**2 768 274**
Public administration	148 173	(720)	147 453
Other sectors	807 785	(162 233)	645 552
Individuals, of which:	2 015 932	(40 662)	1 975 270
housing loans	1 777 563	(8 959)	1 768 604
consumer loans	200 376	(25 160)	175 216
other loans/receivables	37 613	(6 543)	31 070
Debt securities	**355 486**	**(476)**	**355 010**
Government bonds	305 537	0	305 537
Bonds issued by the banking sector	26 292	0	26 292
Bonds issued by other sectors	23 657	(476)	23 181
Total	**3 614 804**	**(204 091)**	**3 410 713**

The following summary shows the financial assets at amortised cost in the net carrying amount by geographical territory:

	31.12.2018	31.12.2017
Balances with central banks	**97 006**	**204 839**
Slovak Republic	97 006	204 839
Due from banks	**7 095**	**82 590**
Slovak Republic	6	603
EU Member States	5 288	72 840
Other countries	1 801	9 147
Loans and advances to customers	**3 054 489**	**2 768 274**
Slovak Republic	2 888 631	2 615 116
EU Member States	157 678	146 839
Other countries	8 180	6 319
Debt securities	**305 649**	**355 010**
Slovak Republic	221 155	254 375
EU Member States	84 494	100 635
Total	**3 464 239**	**3 410 713**

The summary of the financial assets at amortised cost by residual maturity is presented in Note 30 2c).

Provisions for Loans and Advances to Customers

Allocation and use of provisions as at 31 December 2018:

	1.1.2018	(Creation)/ Reversal	Use	FX Differences	31.12.2018
Provisions for financial assets without an increase in credit risk since the initial recognition (stage 1)	**(23 294)**	**(6 091)**	**0**	**0**	**(29 385)**
Clients	(22 818)	(6 567)	0	0	(29 385)
Public administration	(23)	13	0	0	(10)
Retail clients	(16 092)	(8 383)	0	0	(24 475)
Other clients	(6 703)	1 803	0	0	(4 900)
Debt securities	(476)	(476)	0	0	0
Provisions for financial assets with a significant increase in credit risk since the initial recognition, but not credit-impaired (stage 2)	**(8 735)**	**(11 341)**	**0**	**0**	**(20 076)**
Clients	(8 735)	(9 333)	0	0	(18 068)
Public administration	0	0	0	0	0
Retail clients	(2 831)	(1 327)	0	0	(4 158)
Other clients	(5 904)	(8 006)	0	0	(13 910)
Debt securities	0	(2 008)	0	0	(2 008)
Specific provision for individually and collectively measured items (stage 3)	**(171 350)**	**12 110**	**33 857**	**(1)**	**(125 383)**
Clients	(171 350)	12 110	33 857	(1)	(125 383)
Public administration	(704)	(101)	0	0	(805)
Retail clients	(52 885)	781	11 461	(1)	(40 643)
Other clients	(117 761)	11 430	22 396	0	(83 935)
Debt securities	0	0	0	0	0
	(203 379)	**(5 322)**	**33 857**	**(1)**	**(174 844)**

	31.12.2017	Reclassification	Effect of IFRS 9	1.1.2018
Provisions for financial assets without an increase in credit risk since the initial recognition (stage 1)	**(31 530)**	**0**	**8 236**	**(23 294)**
Clients	(31 054)	0	8 236	(22 818)
Public administration	(23)		0	(23)
Retail clients	(22 371)	0	6 279	(16 092)
Other clients	(8 660)	0	1 957	(6 703)
Debt securities	(476)	0	0	(476)
Provisions for financial assets with a significant increase in credit risk since the initial recognition, but not credit-impaired (stage 2)	**(3 738)**	**0**	**(4 997)**	**(8 735)**
Clients	(3 738)	0	(4 997)	(8 735)
Public administration	0	0	0	0
Retail clients	(2 549)	0	(282)	(2 831)
Other clients	(1 189)	0	(4 715)	(5 904)
Debt securities	0	0	0	0
Specific provision for individually and collectively measured items (stage 3)	**(168 823)**	**0**	**(2 527)**	**(171 350)**
Clients	(168 823)	0	(2 527)	(171 350)
Public administration	(704)	0	0	(704)
Retail clients	(50 460)	0	(2 425)	(52 885)
Other clients	(117 659)	0	(102)	(117 761)
	(204 091)	**0**	**712**	**(203 379)**

Allocation and use of provisions as at 31 December 2017:

	Balance 1.1.2017	Allocation	Release	Use*	Exchange rate differences	Other movements **	Balance 31.12.2017
Specific provisions	(68 229)	(23 362)	35 770	3 369	1	(116 643)	(169 094)
Portfolio provisions	(17 557)	(41 326)	36 170	0	5	(12 289)	(34 997)
Total	**(85 786)**	**(64 688)**	**71 940**	**3 369**	**6**	**(128 932)**	**(204 091)**

* *Relating to the provision for overdue interest that was transferred from the balance sheet to off-balance sheet accounts in 2017.

**Other movements comprise balances of the provisions of Sberbank Slovensko, a.s., which merged with Prima banka as at 1 August 2017.

2. Financial Assets Held for Trading – Derivatives

	31.12.2018		31.12.2017	
	Fair Value	Nominal Value	Fair Value	Nominal Value
Interest rate derivatives	0	0	0	3 816
Currency derivatives	52	10 149	0	6 796
Total	**52**	**10 149**	**0**	**10 612**

3. Financial Assets at Fair Value Through Other Comprehensive Income

Name	Equity share at 31.12.2018			Equity share at 31.12.2017		
	(%)	Nominal Value	Fair Value	(%)	Nominal Value	Fair Value
SWIFT LA HULPE, Belgium	0,000	16	16	0,000	16	16
Visa Inc., USA	0,000	2 125	2 125	0,000	1 898	1 898
Total	**x**	**2 141**	**2 141**	**x**	**1 914**	**1 914**

In its portfolio of financial assets at fair value through other comprehensive income, the Bank records equity securities – equity shares and other shares in a total amount of € 2 141 thousand, which are capital participations in SWIFT LA HULPE, Belgium and VISA Inc. USA.

4. Hedging Derivatives

	31.12.2018		31.12.2017	
	Fair Value	Nominal Value	Fair Value	Nominal Value
Hedging derivatives – interest rate derivatives	0	8 441	35	36 597
Total	**0**	**8 441**	**35**	**36 597**

The residual maturity of derivatives at nominal value is stated in Note 27. These are the derivatives to hedge fair value.

5. Non-current Tangible Assets

Movements in non-current tangible assets as at 31 December 2018:

	1.1.2018	Increase	Decrease	Other movements	31.12.2018
Land, buildings and structures	59 075	11 140	(24 674)*	0	45 541
Information technologies	12 534	13	(1 419)	0	11 128
Other non-current tangible assets	26 335	2 575	(8 898)	0	20 012
Operating lease	5	0	0	0	5
Non-current tangible assets	**97 949**	**13 728**	**(34 991)**	**0**	**76 686**
Accumulated depreciation and provisions - buildings and structures	(40 692)	(9 920)	17 776	0	(32 836)
Accumulated depreciation – information technologies	(11 527)	(378)	1 416	0	(10 489)
Accumulated depreciation - other non-current tangible assets	(24 455)	(3 134)	8 645	0	(18 944)
Accumulated depreciation - operating lease	(5)	0	0	0	(5)
Accumulated depreciation and provisions	**(76 679)**	**(13 432)**	**27 837**	**0**	**(62 274)**
Net book value	**21 270**	**296**	**(7 154)**	**0**	**14 412**

*A major portion of the disposals is caused by the disposal of immovable assets through their sale.

Movements in non-current tangible assets as at 31 December 2017:

	1.1.2017	Increase	Decrease	Other movements
Land, buildings and structures	30 020	31 930	(2 875)	59 075
Information technologies	5 830	7 876	(1 172)	12 534
Other non-current tangible assets	13 587	15 955	(3 207)	26 335
Operating lease	5	0	0	5
Non-current tangible assets	**49 442**	**55 761**	**(7 254)**	**97 949**
Accumulated depreciation and provisions - buildings and structures	(19 653)	(23 364)	2 325	(40 692)
Accumulated depreciation - information technologies	(5 633)	(7 066)	1 172	(11 527)
Accumulated depreciation - other non-current tangible assets	(12 064)	(15 409)	3 018	(24 455)
Accumulated depreciation - operating lease	(5)	0	0	(5)
Accumulated depreciation and provisions	**(37 355)**	**(45 839)**	**6 515**	**(76 679)**
Net book value	**12 087**	**9 922**	**(739)**	**21 270**

Obligations from Contracts for Purchase of Non-current Tangible Assets

As at 31 December 2018, Prima banka did not record any obligations from contracts for the purchase of non-current tangible assets (31 December 2017: € 0).

Insurance Coverage

A set of immovable assets has insurance coverage of up to € 56 970 thousand and a set of movable assets with insurance coverage of up to € 39 479 thousand. The insurance covers damage caused by natural disaster, fire, theft and vandalism, flooding from water mains, falls, crashes, etc.

Contingent Liabilities from Operating Lease

In off-balance sheet items, Prima banka recognised contingent liabilities from an irrevocable operating lease (as the lessee). Prima banka's ordinary business activities include entering into operating leases of buildings to conduct bank activities, ATMs and POS terminals.

As at 31 December 2018 and 31 December 2017, the total amount of future payments resulting from the irrevocable operating lease agreements was as follows:

Payables from irrevocable operating lease	31.12.2018	31.12.2017
Less than 1 year	437	360
1 year to 5 years	4 583	5 618
More than 5 years	2 166	2 828
Total	**7 186**	**8 807**
Operating lease recognised in general and administrative expenses	6	8

6. Non-Current Intangible Assets

Movements in non-current intangible assets as at 31 December 2018:

	1.1.2018	Increase	Decrease	31.12.2018
Software	27 001	1 071	(8 147)	19 925
Other non-current intangible assets	25 810	1 561	(4 109)	23 262
Non-current intangible assets	**52 811**	**2 632**	**(12 256)**	**43 187**
Accumulated amortisation - software	(26 263)	(2 048)	8 595	(19 716)
Accumulated amortisation - other non-current intangible assets	(25 386)	(258)	4 067	(21 577)
Accumulated amortisation and provisions	**(51 649)**	**(2 306)**	**12 662**	**(41 293)**
Net book value	**1 162**	**326**	**406**	**1 894**

Movements in non-current intangible assets as at 31 December 2017:

	1.1.2017	Increase	Decrease	31.12.2017
Software	5 486	22 520	(1 005)	27 001
Other non-current intangibles assets	19 728	6 243	(161)	25 810
Non-current intangible assets	**25 214**	**28 763**	**(1 166)**	**52 811**
Accumulated amortisation - software	(5 098)	(23 426)	2 261	(26 263)
Accumulated amortisation - other non-current intangible assets	(19 504)	(5 907)	25	(25 386)
Accumulated amortisation and provisions	**(24 602)**	**(29 333)**	**2 286**	**(51 649)**
Net book value	**612**	**(570)**	**1 120**	**1 162**

Insurance Coverage

Computer technology is insured up to the maximum amount of € 1 000 thousand. The relevant insurance covers electronic computer programs, data, and electronic media, and computer systems. The coverage is for damage caused by fraudulent modification of programs, data, and their destruction, etc.

As at 31 December 2018, Prima banka did not record any liabilities under agreements to purchase non-current intangible assets (31 December 2017: € 0).

7. Deferred Tax Assets

	31.12.2018	31.12.2017
Deferred tax asset	9 570	9 671
Total	**9 570**	**9 671**

8. Other Assets

	31.12.2018	31.12.2017
Accruals and deferrals	6 168	2 066
Amounts due from assigned receivables	5 373	0
Other assets	5 820	4 807
Total	**11 988**	**6 873**

9. Financial Liabilities at Amortised Cost

	31.12.2018	31.12.2017
Balances with central banks	**100 000**	**0**
Loans received	100 000	0
Due from banks	**30 517**	**30 367**
Current accounts and demand payables	1 644	1 494
Term deposits	28 873	28 873
Customer deposits	**3 087 787**	**3 079 660**
Current accounts	1 646 923	1 589 407
Term deposits	1 323 113	1 333 139
Saving deposits	116 943	155 387
Received loans	808	1 727
Debt securities	**1 967**	**119 522**
Mortgage debentures	1 967	119 522
Total	**3 220 271**	**3 229 549**

A short-term loan received from the NBS in the amount of €100 000 thousand falls due on 2 January 2019. As at 31 December 2018, the Bank pledged government bonds held in the portfolio of financial assets at amortised cost in favour of the NBS for pooling in the amount of €222 985 thousand.

As at 31 December 2018, the Bank recognises long-term loans received from customers falling due in 2025.

The following summary shows the financial liabilities at amortised cost by geographical territory:

	31.12.2018	31.12.2017
Balances with central banks	**100 000**	**0**
Slovak Republic	100 000	0
Due from banks	**30 517**	**30 367**
Slovak Republic	29 515	29 365
EU Member States	1 002	1 002
Customer deposits	**3 087 787**	**3 079 660**
Slovak Republic	3 045 581	3 050 209
EU Member States	37 696	25 309
Other countries	4 510	4 143
Debt securities	**1 967**	**119 522**
Slovak Republic	1 967	119 522
Total	**3 220 271**	**3 229 549**

As at 31 December 2018, Prima banka issued the securities summarised in the following table (these issued securities are not placed on a regulated market):

ISIN	Date of issue	Maturity date	Frequency of yield payment	Interest rate	Nominal value (€)	Number of securities issued	Carrying amount
SK4120007998	1.12.2011	1.12.2021	-	ZERO	1 000.00	1 560	1 967
Total							**1 967**

As at 31 December 2017, Prima banka issued the securities summarized in the following table (these securities issued are not placed on a regulated market):

ISIN	Date of issue	Maturity date	Frequency of yield payment	Interest rate	Nominal value (€)	Number of securities issued	Carrying amount
SK4120007998	1.12.2011	1.12.2021	-	ZERO%	1 000.00	1 560	1 889
SK4120008459	28.3.2012	28.3.2018	annually	4.00%	1 000.00	15 000	15 447
SK4120008970	24.1.2013	24.1.2018	annually	0.57%	1 000.00	13 500	13 514
SK4120010737	12.6.2015	12.6.2018	-	ZERO	100 000.00	490	48 870
SK4120013509	28.12.2017	28.12.2018	-	ZERO	100 000.00	400	39 802
Total							**119 522**

Prima banka's issued mortgage debentures are registered book-entry securities. The bonds are readily transferrable with no pre-emption or conversion right attached thereto. In 2018, the Bank repaid early mortgage debentures, issue SK4120010737.

10. Financial Liabilities Held for Trading

	31.12.2018		31.12.2017	
	Fair Value	Nominal Value	Fair Value	Nominal Value
Interest rate derivatives	0	0	665	3 816
Currency derivatives	0	10 123	2	6 790
Total	**0**	**10 123**	**667**	**10 606**

The residual maturity of the derivatives at nominal value is summarised in Note 27.

11. Hedging Derivatives

Amount of Liabilities	31.12.2018		31.12.2017	
	Fair Value	Nominal Value	Fair Value	Nominal Value
Hedging derivatives – interest rate	427	8 441	1 140	36 597
Total	**427**	**8 441**	**1 140**	**36 597**

The residual maturity of the derivatives at nominal value is summarised in Note 27. These are the fair value hedging derivatives.

12. Provisions and Reserves

	31.12.2018	31.12.2017
Provisions for litigation	10 173	10 323
Provisions for restructuring	1 430	2 885
Provisions for off-balance sheet liabilities	4 339	3 250
Other reserves	0	356
Total	**15 942**	**16 814**

The Bank expects the remaining provision for restructuring to be used in 2018 - 2020.Provisions for litigation will be used after definitive closing of individual litigations, however, the final date is difficult to predict. Provisions for off-balance sheet liabilities are continuously updated based on the settlement of the obligations.

Movements in provisions for liabilities as at 31 December 2018:

	1.1.2018	Allocation	Release	Use	31.12.2018
Provisions for litigation	10 323	253	(203)	(200)	10 173
Provisions for restructuring	2 885	70	(1 525)	0	1 430
Provision for off-balance sheet liabilities*	3 250	8 033	(6 944)	0	4 339
Other reserves (for retirement payments)	356	0	(356)	0	0
Total	**16 814**	**8 356**	**(9 028)**	**200**	**15 942**

*The effect of IFRS 9 is described in more detail in the Table on pages 14 and 15.

Movements in provisions for liabilities as at 31 December 2017:

	Balance 1.1.2017	Allocation	Release	Exchange Rate Differences	Other Movements *	Balance 31.12.2017
Provision for litigation	7 513	702	(57)	(1)	2 166	10 323
Provision for restructuring	375	0	(2 667)	0	5 177	2 885
Provision for off-balance sheet liabilities	1 178	8 457	(7 209)	0	824	3 250
Other reserves	0	0	0	0	356	356
Total	**9 066**	**9 159**	**(9 933)**	**(1)**	**8 523**	**16 814**

*Other movements comprise balances of the provisions of Sberbank Slovensko, a.s., which merged with Prima banka as at 1 August 2017.

Provisions for Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Each dispute is subject to special monitoring and a regular re-assessment as part of the Bank's standard procedures. If it is probable that the Bank will be required to settle a claim and a reliable estimate of the amount can be made, provisions are recorded. The Bank will release the recorded provisions in the event of a final resolution of a dispute that was decided in the Bank's favour. The total provision for litigation amounts to € 10 173 thousand as at 31 December 2018, and represents principal and default interest (31 December 2017: € 10 323 thousand).

Provisions for Off-Balance Sheet Liabilities

The Bank recognises provisions for off-balance sheet loan commitments, granted guarantees, and contingent liabilities. The provisions are assessed by the Bank similarly to loans to customers, reflecting the existing financial situation and activities of the entity to which the Bank granted a guarantee or a loan commitment, and the value of received collateral.

13. Current Tax Liabilities

	31.12.2018	31.12.2017
Current tax liability	0	3
Total	**0**	**3**

14. Other Liabilities

	31.12.2018	31.12.2017
Accruals and deferrals	84	135
Reserves and other payables	15 612	13 738
Settlement with employees,	897	370
of which: social fund	60	70
Other payables	19 543	(14 081)
State budget clearing account	497	655
Total	**36 633**	**817**

Reserves and other payables mainly comprise a provision for employee bonuses, a provision for unused vacation days and a provision for unbilled supplies of goods and services. Other liabilities mainly comprise the settlement of clearing collections and payments.

Social Fund

Prima banka has created the social fund as required by the Social Fund Act, the Income Tax Act. The social fund is used by Prima banka to finance its own social policy. The social fund is created during the year (if a profit is generated and tax and social security payments fulfilled) by a compulsory allocation at 0.6% of gross wages effectively paid to employees in the current year. For tax purposes, the allocations to the social fund are included in the expenses to generate, ensure and sustain taxable income. Social policy financing represents short-term employee benefits, which are recognized and disclosed as expenses of the current year.

The creation and use of the social fund as at 31 December 2018 and as at 31 December 2017 is presented in the following table:

Social fund	31.12.2018	31.12.2017
Balance as at 1.1.	70	73
Allocation (from expenses)	153	167
Usage: catering allowance	(163)	(170)
Total	**60**	**70**

15. Equity

	31.12.2018	31.12.2017
Share capital	226 773	226 773
Share premium funds	71 190	71 190
Legal reserve fund	4 237	2 743
Other capital funds	54 078	54 078
Accumulated other comprehensive income	(839)	(2 537)
Profit/(loss) from previous years	(50 679)	(63 489)
Profit/(loss) for the current year	22 013	14 944
Total	**326 773**	**303 702**

Share Capital

	31.12.2018		31.12.2017	
Face value of shares	**No. of shares**	**in €´000**	**No. of shares**	**in €´000**
Number of issued shares with face value of € 399	100 200	39 980	100 200	39 980
Number of issued shares with face value of € 67	100 200	6 713	100 200	6 713
Number of issued shares with face value of € 5	701 400	3 507	701 400	3 507
Number of issued shares with face value of € 1	176 572 738	176 573	176 572 738	176 573
	177 474 538	**226 773**	**177 474 538**	**226 773**

Accumulated Other Comprehensive Income

	31.12.2018	31.12.2017
Financial assets at fair value through other comprehensive income	1 121	726
Available-for-sale securities	(2 237)	(3 792)
Cash flow hedge	277	455
Actuarial gains (losses)	0	74
Total	**(839)**	**(2 537)**

Accumulated other comprehensive income includes unrealised remeasurement of financial assets at fair value through other comprehensive income without an effect on deferred tax. In accumulated other comprehensive income, the Bank also recognises the revaluation amount from the transfer of securities from the available-for-sale financial assets portfolio to the held-to-maturity financial assets portfolio pursuant to IAS 39. The aforementioned reserve is gradually amortised in the statement of comprehensive income until the maturity of the transferred securities.

Accumulated other comprehensive income also includes gains/(losses) on revaluation of the instrument used by Prima banka to hedge against the variability of cash flows for granted long-term loans until June 2011.

Proposed Distribution of Profit/Loss for 2018:

Statutory allotment to the reserve fund (10% of the profit after tax)	2 201
Transfer of profit into profit/loss from previous years	19 812
Retained earnings for 2018	**22 013**

The distribution of the 2018 profit is subject to the approval by the General Meeting of Prima banka.

16. Net Interest Margin

	31.12.2018	31.12.2017
Interest income and similar income on:	**82 513**	**73 739**
Financial assets at amortised cost, of which:		
Balances with the central banks	(495)	0
Due from banks	(8)	144
Loans and advances to customers	75 558	66 522
Debt securities	7 519	7 154
Financial assets held for trading – derivatives	(2)	(14)
Hedging derivatives	(59)	(67)
Interest expense and similar expense for:	**(17 226)**	**(17 414)**
Financial liabilities at amortised cost, of which:		
Due to banks	(181)	(160)
Customer deposits	(16 508)	(15 487)
Debt securities	(240)	(849)
Subordinated debt	0	(614)
Financial liabilities held for trading – derivatives	(10)	(173)
Hedging derivatives	(287)	(131)
Net Interest Margin	**65 287**	**56 325**

17. Net Fee and Commission Income

	31.12.2018	31.12.2017
Fee and commission income on:	**27 763**	**22 866**
Payment services	21 362	17 353
Credit activity	4 653	3 967
Transactions with securities	116	140
Other banking services	1 632	1 406
Fee and commission expense for:	**(5 467)**	**(4 570)**
Payment services	(1 620)	(1 709)
Credit activity	(3)	(10)
Transactions with securities	(72)	(122)
Other banking services	(3 772)	(2 729)
Net Fee and Commission Income	**22 296**	**18 296**

18. Profit from Financial Transactions

	31.12.2018	31.12.2017
Net loss from debt securities	0	(7)
Net income (loss) from financial assets held for trading – derivatives	(447)	795
Financial assets at fair value remeasured through profit or loss	0	(133)
Net loss from revaluation of financial assets at fair value through other comprehensive income	(210)	(195)
Net income (loss) from hedging derivatives	30	109
Foreign exchange differences	1 116	(196)
Net profit from financial transactions	**489**	**373**

19. Other Operating Income (Loss)

	31.12.2018	31.12.2017
Net income (loss) on the sale of non-current assets	1 805	(312)
Operating lease income	102	148
Other income from non-banking activities	516	154
Other expenses from non-banking activities	(157)	(32)
Other operating income	**2 266**	**(42)**

20. Specific Contributions of Selected Financial Institutions

	31.12.2018	31.12.2017
Deposits Protection Fund	(283)	(604)
Special levy of banking institutions	(6 446)	(4 777)
Resolution fund	(46)	(270)
Supervision of Central Banks	(242)	(180)
Specific Contributions of Selected Financial Institutions	**(7 017)**	**(5 831)**

As of 1 January 2012, Act No. 384/2011 Coll. on the Special Levy on Selected Financial Institutions came into effect. The levy calculation is based on the amount of the Bank's liabilities less the amount of equity and subordinated debt. Data as at the last date of the preceding calendar quarter were used to determine the base for calculating the levy for the relevant calendar quarter.

In addition, pursuant to Act No. 371/2014 Coll., the Bank makes contributions to the national resolution fund, which was established as one of the fundamental elements of the mechanism for the resolution of crisis situations in the financial sector. Contributions to the fund are calculated using the methodology set out in the European Commission's regulations, taking into account the size and risk profile of the financial institution.

21. General and Administrative Expenses

	31.12.2018	31.12.2017
Personnel expenses	**(24 144)**	**(21 533)**
Wages and salaries*	(17 243)	(16 307)
Social expenses	(6 099)	(5 263)
Other personnel costs	(802)	37
Depreciation	**(3 852)**	**(2 823)**
Depreciation of non-current tangible assets	(2 982)	(2 372)
Amortisation of non-current intangible assets	(870)	(451)
Purchased output and services and other expenses	**(27 075)**	**(23 136)**
IT costs	(5 032)	(3 419)
Marketing, advertising and other services	(7 258)	(6 487)
Costs of audit and related services**	(325)	(262)
Other purchased outputs and services	(14 410)	(12 699)
Creation of provisions for litigation	(50)	(645)
Creation (use) of provisions for restructuring	0	376
General operating costs	**(55 071)**	**(47 492)**

*Including salaries and bonuses to members of the Management Board and Board of Directors.

** Costs of audit and the related services provided by the auditor to the Bank during the reporting period ended 31 December 2018, the provision of which was approved by the Board of Directors/Audit Committee of Prima banka at its session on 14 December 2017. The item comprises the following:

a) Audit of the financial statements: €154 thousand (31 December 2017: €119 thousand);
b) Assurance audit services other than the audit of the financial statements: €75 thousand (31 December 2017: €82 thousand);
c) Tax advisory services: €0 (31 December 2017: €0);
d) Other non-audit services: €19 thousand (31 December 2017: €17 thousand).

Prima banka does not have pension arrangements separate from the compulsory state pension system of the Slovak Republic. Pursuant to Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions

to a guarantee fund set as a percentage of the assessment base. These expenses are recognised in the statement of comprehensive income in the period in which the employee was entitled to a salary.

The Bank contributes to a defined contribution supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No liabilities arise to the Bank from the payment of pensions to employees in the future. Supplementary pension insurance expenses amounted to € 137 thousand as at 31 December 2018 (31 December 2017: € 128 thousand).

22. Net Allocation to Provisions and Reserves

	31.12.2018	31.12.2017
(Allocation to)/reversal of provisions for financial assets at amortised cost, of which:	(3 320)	(3 763)
Loans and advances	(1 788)	(3 287)
Debt securities	(1 532)	(476)
Allocation to provisions for off-balances sheet exposures	(1 729)	(1 247)
Written-off and assignment of receivables	(1 093)	(4 169)
Net Allocation to Provisions and Reserves	**(6 142)**	**(9 179)**

More information on provisions for losses from loans to customers and provisions for off-balance sheet liabilities is disclosed in Note 1 and in Note 12, respectively.
Disclosures on written-off/assigned receivables as at 31 December 2017 only include expenses and income on written-off/assigned receivables and do not include the use of provisions. As at 31 December 2018, they are recognised on a net basis, ie adjusted for the use of provisions.

23. Income Tax

	31.12.2018	31.12.2017
Current tax	0	(3)
Deferred tax	(101)	2 491
Income tax	**(101)**	**2 488**

Theoretical Tax

The tax on the Bank's profit/loss before tax differs from the theoretical tax that would arise from using the effective income tax rate of 21% valid in the Slovak Republic (2017: 21%):

	31.12.2018	31.12.2017
Profit/(loss) before tax	**22 114**	**12 455**
Theoretical tax at tax rate of 21% (2017: 21%) expense/(income)	**4 644**	**2 616**
Tax-exempt income	(870)	(1 320)
Tax non-deductible expenses	2 005	1 524
Effect of a deferred tax asset not recognised in previous periods	(6 038)	(5 311)
Impact of the tax license	0	3
Other	360	0
Total income tax expense/(income)	**101**	**(2 488)**
Effective tax rate	**0.46%**	**(19.98%)**

Deferred Income Tax

When recognising deferred tax assets and deferred tax liabilities, the Bank uses a conservative approach. Deferred tax assets and liabilities are calculated from temporary differences using the tax rate applicable for the following years - 21% (2017: 21%).

The effect of the recognition of a deferred tax asset and a deferred tax liability was as follows:

	Temporary difference		Deferred tax	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Deferred tax asset, of which:	**203 099**	**234 029**	**42 651**	**49 146**
Loans receivables	166 569	186 597	34 979	39 185
Receivables from financial transactions	2 671	2 451	561	515
Short-term operating payables	14 509	12 801	3 047	2 688
Non-current tangible assets	5 852	5 549	1 229	1 166
Tax loss carried forward	0	18 934	0	3 976
Other receivables	13 498	7 697	2 835	1 616
Total	**x**	**x**	**42 651**	**49 146**
Adjustment for uncertain utilisation of deferred tax asset			(33 081)	(39 475)
Deferred tax asset/(liabilities), net	**x**	**x**	**9 570**	**9 671**
Effect of deferred tax on:				
expenses/income	x	x	(101)	(512)
equity	x	x	0	0

As at 31 December 2018, the Bank did not recognise a deferred tax asset in the amount of € 33 081 thousand (31 December 2017: € 39 475 thousand), which is related mainly to deductible temporary differences arising from provisions and reserves, other receivables and tax loss carried forward, due to their uncertain timing and utilisation in the future reporting periods.

24. Net Earnings per Share

	31.12.2018	31.12.2017
Net earnings for the current period (€ T)	22 013	14 944
Number of issued shares with value € 399	100 200	100 200
Number of issued shares with value € 67	100 200	100 200
Number of issued shares with value € 5	701 400	701 400
Number of issued shares with value € 1	176 572 738	176 572 738
Net earnings per share (face value € 399) in €	38.731	37.354
Net earnings per share (face value € 67) in €	6.504	6.273
Net earnings per share (face value € 5) in €	0.485	0.468
Net earnings per share (face value € 1) in €	0.097	0.094

25. Information on Statement of Cash Flows

In respect of the statement of cash flows, cash equivalents include the following items with a maturity of up to three months:

	31.12.2018	31.12.2017
Cash	95 750	101 054
Balances with central banks	18 508	46 521
Current accounts in other banks	5 315	10 337
Term deposits in banks up to 3 months	88	13 990
Total	**119 661**	**171 902**

26. Contingent Liabilities and Other Off-Balance Sheet Items

Off-balance Sheet Assets

	31.12.2018	31.12.2017
Receivables from spot transactions	15 000	8
Guarantees received	12 818	15 185
Loan commitments - received	0	8 346
Received collateral from pledge, security and other rights	3 017 719	2 584 774
Total	**3 045 537**	**2 608 313**

Off-balance Sheet Liabilities

	31.12.2018	31.12.2017
Liabilities from spot transactions	15 000	8
Guarantees issued	7 253	14 958
Loan commitments and unused credit facilities	191 625	190 419
Letters of credit - given	2 945	72
Collateral given for the Bank's credit facility	227 514	253 560
Assets in custody	15 715	41 802
Total	**460 052**	**500 819**

The risk associated with off-balance sheet loan commitments, issued guarantees and contingent liabilities is assessed similarly as for loans to customers, and also reflects the financial situation and activities of the entity to which the Bank granted the guarantee as well as the value of received collateral. As at 31 December 2018, provisions recorded for off-balance sheet exposures amounted to € 4 339 thousand (31 December 2017: € 3 250 thousand), see Note 12 in this Chapter.

Issued Guarantees
Guarantees issued to customers constitute Prima banka's obligations to make payments when its customers are not able to meet their obligations to third parties.

Loan Commitments and Unused Credit Facilities
Loan commitments and unused credit facilities comprise approved but unused amounts of loans and overdraft facilities.

Assets Received in Custody
Assets received from clients in custody are not in the Bank's possession and are thus not included in the Bank's assets. Income on securities in custody is recognised in the statement of comprehensive income as *"Net fee and commission income"*.

27. Residual Maturity of Derivatives

All derivatives are traded in the over-the-counter market. The summary of derivatives held for trading with positive fair values is described in Note 10 and the summary of hedging derivatives with negative fair values is described in Notes 4 and 11 of this chapter.

The following summary shows the residual maturity of derivatives' face values as at 31 December 2018:

	Up to 1 year	1 to 5 years	More than 5 years	Total
Interest rate swaps	0	3 020	5 421	8 441
Currency swaps	10 149	0	0	10 149
Total off-balance sheet assets	**10 149**	**3 020**	**5 421**	**18 590**
Interest rate swaps	0	3 020	5 421	8 441
Currency swaps	10 122	0	0	10 122
Total off-balance sheet liabilities	**10 122**	**3 020**	**5 421**	**18 563**
Net derivatives	**27**	**0**	**0**	**27**

The following summary shows the residual maturity of derivatives' face values as at 31 December 2017:

	Up to 1 year	1 to 5 years	More than 5 years	Total
Interest rate swaps	6 597	7 209	26 607	40 413
Currency swaps	6 797	0	0	6 797
Total off-balance sheet assets	**13 393**	**7 209**	**26 607**	**47 210**
Interest rate swaps	6 579	7 209	26 607	40 413
Currency swaps	6 790	0	0	6 790
Total off-balance sheet liabilities	**13 387**	**7 209**	**26 607**	**47 203**
Net derivatives	**7**	**0**	**0**	**7**

28. Fair Value of Financial Instruments

Financial Instruments Recognised at Fair Value

The fair value of a financial instrument is the price at which it would be possible to sell the asset or transfer the liability as part of a standard transaction between market participants at the value determination date.

The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

- Level 1 - market prices available on an active market for an identical financial instrument;
- Level 2 - if there is no market price, the Bank measures the financial instrument based on a model, which is a quantified estimate based on mathematical or statistical methods or a combination thereof, using market (observable) inputs with a strong impact on their fair value;
- Level 3 - valuation techniques where no observable market data with a significant impact on the fair value exist.

The following table presents an overview of financial instruments recognised at fair value and classified in Levels 1 - 3 based on the determination of their fair values as at 31 December 2018 (as ta 31 December 2017):

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets held for trading: derivatives	0	52	0	52
Financial assets at fair value through other comprehensive income	0	0	2 141	2 141
Financial assets at fair value total	**0**	**52**	**2 141**	**2 193**
Hedging derivatives	0	427	0	427
Financial liabilities at fair value total	**0**	**427**	**0**	**427**

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	0	0	1 914	1 914
Hedging derivatives	0	35	0	35
Financial assets at fair value total	**0**	**35**	**1 914**	**1 949**
Financial liabilities held for trading – derivatives		667		667
Negative fair value of derivatives	0	1 140	0	1 140
Financial liabilities at fair value total	**0**	**1 807**	**0**	**1 807**

Financial assets at fair value through other comprehensive income are mainly capital participations in companies providing settlement and card services, whose fair value differs from their carrying amount after revaluation.

The fair value of derivatives is also determined by discounting future cash flows using the relevant yield curves consisting of observable market factors. The reconciliation of fair values of derivatives with a professional counterparty is performed on a monthly basis.

The following table shows the development of the fair value of financial instruments for which valuation models are based on unobservable market inputs:

	Financial assets at fair value through other comprehensive income
Market value as at 31 December 2017	**1 914**
Accrued coupon	0
Carrying amount as at 31 December 2017	**1 914**
Total gains/(losses)	
in the statement of profit and loss	(210)
in the other comprehensive income	437
Market value as at 31 December 2018	**2 141**
Accrued coupon	0
Carrying amount as at 31 December 2018	**2 141**
Total gains/(losses) for the financial year included in the profit or loss for assets/liabilities held at the end of the reporting period	227

Fair Value of Financial Assets and Liabilities Reported at Amortised Cost

The calculation of the fair value of assets and liabilities reported at amortized cost is based on the sequence using the prices listed at the beginning of this chapter. This means if there is an available market price, it is used by the Bank, otherwise, the Bank uses the model. The Bank uses a valuation technique based on the discounted future cash flows using observable market interest rates, which are modified for credit spreads. In this way, every planned cash flow is measured in line with the signed contracts with counterparties. For assets where fair values are available, the fair value is determined in line with them.

The calculation takes into account current interest rates, currency exchange rates, and credit spreads. Interest rates and currency exchange rates are provided by Bloomberg. The curve is projected as follows: for a period of up to one year Money Market rates are applied; for periods of over one year, swap rates are applied. Credit spreads are calculated as a product of PD (probability of default) and LGD (loss given default).

Fair values of financial instruments at amortised cost were determined for the presentation of the financial statements for general use. Information on the fair value of these instruments cannot be used for any specific transaction of purchase or sale of these financial instruments. The users of financial statements should not rely on these financial statements when assessing the fair value of financial instruments at amortised cost as the only source of information.

The following table shows the comparison of fair values and carrying amounts of balance sheet items as at 31 December 2018:

	Carrying amount	Estimated fair value		
		Level 1	Level 2	Level 3
Cash	95 750	0	95 750	0
Financial assets at amortised cost, of which:	3 464 239	302 275	127 353	3 270 455
Balances with central banks	97 006	0	97 006	0
Due from banks	7 095	0	7 220	0
Loans and advances to customers	3 054 489	0	0	3 270 455
Debt securities	305 649	302 275	23 128	0
Financial assets	**3 559 989**	**302 275**	**223 103**	**3 270 455**
Financial liabilities at amortised cost, of which:	3 220 271	0	132 844	3 062 933
Loans and deposits received from central banks	100 000	0	100 000	0
Due to banks	30 517	0	30 611	0
Customer deposits	3 087 787	0	0	3 062 933
Issued securities	1 967	0	2 232	0
Financial liabilities	**3 220 271**	**0**	**132 844**	**3 062 933**

The following table shows the comparison of fair values and carrying amounts of balance sheet items as at 31 December 2017:

	Carrying amount	Estimated fair value		
		Level 1	Level 2	Level 3
Cash	101 054	0	101 054	0
Financial assets at amortised cost, of which:	3 408 018	352 304	276 666	2 979 779
Balances with central banks	204 839	0	204 839	0
Due from banks	82 590	0	71 827	0
Loans and advances to customers	2 791 455	0	0	2 979 779
Debt securities	329 134	352 304	0	0
Financial assets	**3 509 072**	**352 304**	**377 720**	**2 979 779**
Financial liabilities at amortised cost, of which:	3 229 549	0	150 287	3 084 001
Due to banks	30 367	0	30 367	0
Customer deposits	3 079 660	0	0	3 084 001
Issued securities	119 522	0	119 920	0
Financial liabilities	**3 229 549**	**0**	**150 287**	**3 084 001**

The fair value of cash is the same as the carrying amount.

The fair value of receivables from and payables to banks is given as the present value of discounted future cash flows using observable market factors on the interbank market, including the relevant credit spread. As most of these deposits are short term, their fair value approximates the carrying amount.

The fair value of receivables from and payables to customers is stated similarly as for receivables from and payables to banks. For receivables and payables with fixed interest and a residual maturity of less than one year, and for receivables and payables with a floating interest if the re-fixing period is shorter than one year, their fair value approximates the carrying value.

The fair-value measurement for financial assets at amortised cost is based on an observable market price from Bloomberg. If the market price of a security is not available, the valuation is based on a calculation of the present value of discounted future cash flows using observable market factors on the interbank market, including the relevant credit spread.

The fair value of issued mortgage debentures is calculated as the present value of discounted future cash flows using observable market factors on the interbank market, including the relevant credit spread.

29. Capital Management

Own Funds

Regulatory capital represents Prima banka's own funds intended for covering unexpected losses resulting from financial risks to which the Bank is exposed. It is calculated in accordance with the valid Regulation of the European Parliament and of the Council (EC) No 575/2013 on prudential requirements for credit institutions and investment firms (the "CRR") and serves for the capital adequacy calculation in accordance with the CRR. In accordance with the CRR, regulatory capital must cover particular capital requirements on credit risk of the Trading and Banking Books, market risk of the Trading and Banking Books (interest-rate and currency risks), and operational risk.

The Bank's Management Board is regularly informed of the status and expected development of the adequacy of own funds along with other capital stability parameters which are classified in the Bank's system of risk appetite parameters, and necessary actions are taken on time to comply with the set parameters.

Prima banka's own funds represent a sum of original (Tier 1) and additional own funds (Tier 2) reduced by deductible items. Original own funds consist of paid-up share capital, share premiums, other funds (legal reserve fund, funds created from profit after tax and other capital funds), and retained earnings from previous years. Original own funds are reduced by the net book value of intangible assets and profit/loss to be approved, provided that the loss or loss from previous years was recognized. Additional own funds consist of general credit risk adjustments acceptable as Tier 2 capital.

Prima banka's own funds and regulatory capital requirements as at 31 December 2018 and 31 December 2017 are stated in the table below:

Own funds	31.12.2018	31.12.2017
Original own funds (Tier 1 Capital)	**312 012**	**298 316**
Items creating the value of original own funds	**355 415**	**355 996**
Paid-up share capital	226 773	226 773
Share premium	71 190	71 190
Other funds	58 315	56 821
Another accumulated comprehensive result	(838)	1 212
Items reducing the amount of original own funds	**(43 344)**	**(57 681)**
Accumulated loss of previous year	(41 451)	(55 968)
Intangible assets	(1 893)	(1 162)
Other items	0	(550)
Additional own funds (Tier 2 Capital)	**21 959**	**22 557**
Items creating the value of additional own funds	**21 959**	**22 557**
Subordinated debts	0	0
General credit risk adjustments	21 959	22 557
Own funds total	**335 147**	**320 872**

Own funds requirements*	31.12.2018	31.12.2017
Own funds requirements to cover credit risk and risk of impairment of receivables	141 355	144 365
Own funds requirements to cover operational risk	13 300	11 690
Own funds requirements to cover CVA risk	11	50
Own funds requirements	**154 666**	**156 105**

* Amounts presented as at 31 December 2018 were not audited as at reporting date. A review of own funds requirements will be performed by the Auditor during an audit of regulatory prudent returns by 30 June 2019.

Prima banka met regulatory requirements under the CRR in 2018. As at 31 December 2018, the Bank's overall capital adequacy was 17.37% (31 December 2017: 16.44%). The Bank uses a standardised approach for the calculation of own funds requirements.

30. Risk Management

1. Credit Risk

a) Information on Credit Risk Policy, Objectives and Management

The fundamental goal of the credit risk management strategy at Prima banka is to optimize the amount of accepted risks in line with the capital coverage amount and to generate sustainable profits over the long-term. The Bank has established a separate organizational unit at the Risk Management Division to identify, measure, monitor, and minimize credit risk and this division is independent from trading and settlements. The whole process is subject to the approved Risk and Capital Management Strategy, which is regularly reassessed in line with changes in the Slovak banking market. Lending is subject to the rules stipulated in the strategy and risk parameters and limits for issuing new loans are strictly observed by members of the credit approval bodies and monitored by the Bank's management, on the basis of regular reporting. Information on customers is permanently monitored and assessed.

Customers are assigned to risk segments to ensure correct monitoring, quantification, reporting and management of credit risks. Exposure limits are set for the defined segments. Exposure limits are also set for individual customers.

The following table gives the maximum amount of credit risk net of provisions, without considering the received collateral:

Credit risk related to balance sheet assets:	31.12.2018	31.12.2017
Financial assets at amortised cost	3 464 239	3 410 713
Balances with central banks	97 006	204 839
Due from banks	7 095	82 590
Loans and advances to customers	3 054 489	2 791 455
Debt securities	305 649	331 829
Financial assets at fair value through other comprehensive income	2 141	1 914
Hedging derivatives	0	35
Deferred tax assets	9 570	9 671
Other assets	11 988	6 873
Total	**3 487 938**	**3 429 206**

Credit risk related to off-balance sheet items prior to the deduction of reserves:	31.12.2018	31.12.2017
Issued guarantees	7 253	14 958
Loan commitments and unused credit limits	191 625	190 419
Issued letters of credit	2 945	0
Total	**201 823**	**205 377**

Summary of individual types of received collateral for financial assets in recoverable amounts to cover provided loans:

To cover granted loans	31.12.2018	31.12.2017
Cash	14 683	16 330
Securities	0	2
Immovable assets	2 994 133	2 480 204
Movable assets	6 692	34 901
Collateral received for financial assets	**3 015 508**	**2 531 437**

b) Description of Credit Risk Measurement and Monitoring Methods

Credit risk is the fundamental and most significant bank risk; therefore, its management has a critical impact on Prima banka's results. In order to minimize credit risk, Prima banka uses various instruments to collateralize credit transactions and focuses on identifying and handling risks arising in credit risk mitigation. Through its internal procedures, Prima banka defines activities to be performed when valuating and accepting collateral instruments.

Prima banka uses its own rating system to assess customer creditworthiness, which is based on an assessment of the customer's financial and non-financial results. Prima banka has developed a specific system

for assessing corporate, municipal, retail and sole trader customers. Customers are assigned to one of 17 risk groups. The credit scores are subject to reassessment and revised as and when needed, based on a decision of the Credit Committee.

Characteristics of individual rating levels are given in the following summary:

Rating scale	Characteristics
AAA	The highest rated entities with small risk and an extremely strong capacity to meet their financial commitments.
AA+ **AA** **AA-**	Highly rated entities with very strong capacity to meet their financial commitments, with moderate risk over the long-term. It differs from the AAA rating to a small degree.
A+ **A** **A-**	Highly rated entities with strong capacity to meet their financial commitments, with recommended monitoring of future risk in the medium- and long-term.
BBB+ **BBB** **BBB-**	Creditworthy entities with adequate capacity to meet their financial commitments, but susceptible to adverse economic conditions or changing circumstances.
BB+ **BB** **BB-**	Entities with some ability to meet their present liabilities, likely to be significantly affected by adverse economic conditions or changing circumstances.
B+ **B**	Entities with vulnerable ability to meet their financial commitments, with risky future.
B- **CCC**	Highly risky and unstable entities with very low probability of meeting their financial commitments.

Credit risk is minimized at Prima banka by applying the following:

1. Active monitoring
2. Early identification of non-performing loans
3. Rating scale expressing the probability of a debtor's default
4. Credit procedures
5. Credit security (bank price fixing)
6. Internal review
7. Credit limits system
8. Black list, watch list and information from the Credit Registry and Social Insurance.

The quality of amounts due from banks and loans and advances to customers that are not impaired and are not overdue, prior to the deduction of provisions according to the Bank's internal rating:

Rating scale	Due from banks		Loans and advances to customers, of which: Public administration		Loans and advances to customers, of which: Other clients	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	7 095	82 590	140 329	145 916	576 775	528 618
Rating AAA	0	0	380	189	47	11
Rating AA+	0	0	1 485	1 149	297	155
Rating AA	4	0	6 184	10 181	48 543	3 412
Rating AA-	0	0	9 330	18 583	1 622	523
Rating A+	1 464	0	11 202	18 784	29 717	848
Rating A	20	0	21 409	12 749	26 242	15 430
Rating A-	2 490	49 479	9 783	11 369	7 104	3 032
Rating BBB+	969	5 557	34 466	6 731	13 155	1 127
Rating BBB	184	4 961	9 255	11 119	8 610	4 595
Rating BBB-	74	8 528	9 156	9 513	3 984	5 365
Rating BB+	0	0	10 441	25 986	10 983	51 446
Rating BB	6	14 003	6 889	5 595	297 168	320 468
Rating BB-	1 758	0	4 856	9 747	31 488	35 562
Rating B+	0	0	1 843	4 042	6 417	32 306
Rating B	0	0	3 490	179	13 239	5 987
Rating B-	126	62	160	0	14 370	29 105
Rating CCC	0	0	0	0	63 789	19 346

Quality of off-balance sheet liabilities – issued guarantees and loan commitments according to the Bank's internal rating:

Rating scale	Issued guarantees: Public administration		Issued guarantees: Other clients		Loan commitments: Public administration		Loan commitments: Other clients	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	3 702	1 761	6 337	11 717	21 600	19 912	55 453	87 291
Rating AAA	0	0	0	12	0	0	32	0
Rating AA+	0	0	10	0	277	461	1 162	37
Rating AA	31	246	272	0	1 402	1 827	1 230	1 083
Rating AA-	760	672	415	15	3 547	1 735	1 219	325
Rating A+	1 336	0	44	15	3 105	2 759	1 312	280
Rating A	117	588	179	203	3 543	3 283	927	388
Rating A-	675	0	383	0	2 540	2 000	1 522	2 853
Rating BBB+	306	0	383	33	1 799	2 388	1 317	829
Rating BBB	49	0	40	4 567	1 357	1 363	1 454	8 004
Rating BBB-	350	0	8	642	1 473	1 603	1 270	4 276
Rating BB+	0	255	45	954	1 052	804	3 731	18 701
Rating BB	78	0	1 312	3 507	876	856	5 960	25 710
Rating BB-	0	0	3	238	571	662	342	1 749
Rating B+	0	0	0	1 207	52	21	1 284	3 397
Rating B	0	0	0	0	6	6	181	5 433
Rating B-	0	0	0	0	0	0	81	8 563
Rating CCC	0	0	3 243	327	0	144	32 429	5 663

Credit risk associated with the securities portfolio is low as the majority of purchased debt securities are government bonds issued by the Slovak Republic. As at 31 December 2018, the exposure to bank and corporate debt securities amounts to € 36 099 thousand (31 December 2017: € 26 272 thousand).

c) Risk Monitoring - Limit Setting

Prima banka monitors and evaluates counterparty limits and their use on a daily basis. The Bank reviews whether the limits have been met or exceeded and decides on further steps pursuant to internal rules. Limits are set according to segments, sectors, products and collateral.

The Bank ensures on an ongoing basis that its asset exposure net of the effects of credit risk mitigation, including the date of origin of asset exposure, does not exceed the higher of a) 25% of the Bank's regulatory capital and b) the limit for banks or bank groups towards an institution, and towards a group of economically-linked parties where at least one of the parties is an institution, if the sum of values of the Bank's asset exposures net of the effects of credit risk mitigation towards all other parties that are members of the group of economically-linked parties and that at the same time are not institutions, does not exceed 25% of the Bank's regulatory capital.

Bank limit: Prima banka monitors and evaluates compliance with limits for bank entities separately. Limits are set as the absolute maximum amount of exposure to the relevant counterparty.

Country limit: Prima banka monitors and evaluates compliance with country limits separately. Limits are set as the absolute maximum amount of exposure to the relevant counterparty.

d) Credit Risk Concentration Risk – Procedures and Methods Used for Credit Risk Concentration Hedging

For the purposes of the Bank's credit risk management strategy and related banking instructions, Prima banka considers concentration risk to be the risk arising from concentrating the Bank's transactions (asset exposure) with an individual, a group of economically-related parties, the state, a geographic area, or an economic sector.

The limits of asset exposure are expressed as shares of the Bank's own funds, which limit exposure in relation to the size of the Bank. The upper limit of the total exposure of the Banking and Trading Books corresponds with the limits stipulated by the CRR.

The table below provides an analysis of credit risk exposure by industry segments as at 31 December 2018 and 31 December 2017:

	31.12.2018	31.12.2017
Agriculture, forestry and fishing	2 289	3 425
Mining and quarrying	89	220
Manufacturing	16 964	62 579
Electricity, gas, steam and air conditioning supply	16 003	100 011
Water supply; sewerage and waste water management	3 854	22 397
Construction	5 894	1 514
Wholesale and retail trade	37 481	89 619
Transportation and storage	3 433	10 363
Accommodation and catering	2 782	10 485
Information and communication	775	1 904
Financial and insurance activities	184 311	49 144
Real estate activities	111 498	234 237
Professional, scientific and technical activities	6 187	5 102
Administrative and support service activities	50 420	46 240
Public administration and defence; compulsory social security	140 523	146 881
Education	55	275
Health care and social work activities	3 274	1 280
Arts, entertainment and recreation	2 658	1 089
Other activities	458	9 136
Activities of households as employers	2 465 551	1 995 554
Total	**3 054 499**	**2 791 455**

e) Identification of Impaired Assets (Mainly Receivables)

In respect of impaired assets, Prima banka has stipulated related rules and procedures in its internal regulations. The rules for identifying impaired assets are based on the rules specified in the NBS's Decrees, related internal regulations, and International Financial Reporting Standards.

As at 1 January 2018, Prima banka changed its methodology to calculate provisions and reserves in accordance with IFRS 9 application (described in more detail in chapter 3).

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 2018 prior to the deduction of provisions.

	Within maturity	Up to 90 days	From 91 to 180 days	From 181 days to 1 year	More than 1 year	Received collateral to defaulted loans
Loans and deposits with other banks	7 095	0	0	0	0	0
Loans and advances to customers, of which:	3 063 826	22 781	0	1	0	23 972
Public administration	140 329	138	0	0	0	0
Other clients	576 775	3 197	0	1	0	1 424
Individuals	2 346 722	19 446	0	0	0	22 548
Total	**3 070 921**	**22 781**	**0**	**1**	**0**	**23 972**

The summary below provides an analysis of the unimpaired loan portfolio according to days overdue as at 31 December 2017 prior to the deduction of provisions:

	Within maturity	Up to 90 days	From 91 to 180 days	From 181 days to 1 year	More than 1 year	Received collateral to defaulted loans
Loans and deposits with other banks	82 590	0	0	0	0	0
Loans and advances to customers, of which:	2 724 372	28 397	1 705	0	0	29 732
Public administration	145 916	49	0	0	0	18
Other clients	528 618	2 817	1 129	0	0	11 828
Individuals	2 049 839	25 531	576	0	0	17 276
Total	**2 806 597**	**28 397**	**1 705**	**0**	**0**	**29 732**

The summary below provides an analysis of the impaired loan portfolio (stage 3) as at 31 December 2018, including other receivables from financial transactions:

	Public administration	Other clients	Individuals	Total
Individually measured – impaired loans	1 194	69 480	0	70 674
Specific provisions	805	67 089	0	67 894
Recoverable amount of collateral received – individually measured	0	2 551	0	2 551
Portfolio measured – impaired loans	0	20 797	49 246	70 043
Portfolio provisions	0	17 933	41 152	59 085
Recoverable amount of collateral received – portfolio measured	0	2 442	8 023	10 465
% of coverage by provisions	67%	94%	84%	90%
% of coverage by provisions and received collateral	67%	100%	100%	99%
Interest income on impaired loans	x	x	x	2 131

The summary below provides an analysis of the impaired loan portfolio as at 31 December 2017, including other receivables from financial transactions:

	Public administration	Other clients	Individuals	Total
Individually measured – impaired loans	1 817	170 451	0	172 269
Specific provisions	704	111 141	0	111 845
Recoverable amount of collateral received – individually measured	0	2 552	0	2 552
Portfolio measured – impaired loans	0	17 371	51 433	68 804
Portfolio provisions	0	14 298	42 680	56 978
Recoverable amount of collateral received – portfolio measured	0	2 487	7 013	9 500
% of coverage by provisions	39 %	67 %	83 %	70%
% of coverage by provisions and received collateral	39 %	69 %	97 %	75%
Interest income on impaired loans	x	x	x	1 310

Restructuring

The Bank may modify the repayment terms of its loan receivables if the client's financial position is weak and the client will be unable to repay its liabilities to the Bank at agreed time.

For overdraft loans, the loan agreements may be transformed into instalment loans. In extraordinary circumstances, an overdraft loan may be extended but with the use of a gradual reduction. For instalment loans, repayment schedules are modified if a client is unable to keep to the agreed-upon deadlines.

The carrying amount of credit receivables whose contractual terms and conditions were amended due to their non-payment or the customer's impaired financial condition was € 1 873 thousand as at 31 December 2018 (31 December 2017: € 1 053 thousand).

The Bank sold real estate pledged against receivables which were unpaid in 2018 for € 3 446 thousand (31 December 2017: € 2 083 thousand). The Bank sold a pledge over moveable assets (receivables) as at 31 December 2018 for € 0 thousand (31 December 2017: € 29 thousand).

f) Description of the Procedures and Rules of Acceptable Collateral Acceptance and Valuation

The procedures and rules for the collateral acceptance and valuation have been specified in Prima banka's internal regulations. Collateral is used to minimise the Bank's credit risk and constitutes a secondary source of credit repayment. Collateral should guarantee repayment of the Bank's receivables arising from credit transactions if a debtor becomes insolvent due to the deterioration of his financial position. Collateral has both financed and non-financed form.

Financed collateral means the right of lien (on immovable assets, movable assets, receivables, cash collateral, securities, etc). The Bank accepts various forms of collateral depending on a debtor's creditworthiness and collateral quality. Prima banka determines individual acceptance values of collateral on the basis of professional experience and historical results.

Prima banka's right of lien on collateral instruments is constituted by a written agreement, which is an inseparable part of a loan agreement. The agreement contains terms and conditions governing the implementation process and termination of the lien.

Non-financed collateral means a guarantee by third parties (state guarantee, bank guarantee, corporate guarantee, or personal guarantee). This collateral's effectiveness is subject to a commitment of unconditional debt assumption if the primary debtor is in default. Such a commitment is stipulated in a written agreement with the guarantor. Other instruments used by Prima banka to manage credit risk include a notarial deed, promissory note, insurance, and comfort letter.

The collateral held by Prima banka must comply with legal regulations, be enforceable in court, be of good quality, and comply with maximum liquidity requirements so that a yield from the collateral covers the highest possible amount of a customer's liabilities arising from a granted credit product. The collateral instruments held are listed in Note 30 (1). When valuating collateral, Prima banka takes into consideration the collateral's general value set by a court expert in an expert opinion (immovable assets, movable assets), the carrying amount maintained in the customer's accounting books (receivables, stock, new movable assets), and the market value (securities).

The following principles are applied when accepting and valuing collateral:
- Collateral is considered a secondary source of loan repayment.
- The required collateral amount/value depends on the level of accepted credit risk. Unsecured loans are typically only used for operational financing and for small amounts.
- The physical inspection of collateral is performed by a front-office employee (primarily for commercial real estate) who prepares a report on such an inspection.
- A real estate collateral valuation is prepared by a court expert and revalued by a bank supervisor.
- Real estate revaluation depends on conditions on the Slovak real estate market. Prima banka responds to significant changes in the real estate market by revaluating held collateral.
- The asset to be financed is usually required to be used as collateral.

2. Market Risk

a) Information on Market Risk Policy and Management

As regards market risk, Prima banka only takes into consideration interest and currency risk. Share and commodity risk is insignificant as Prima banka's approved strategy does not allow such instruments to be purchased for the Bank's portfolio due to the high risk. Exposure to equities, which Prima banka includes in the Banking Book, is very limited and they are not held for capital gain purposes. When valuing these exposures, Prima banka uses an equity method or recognizes them at their nominal value.

The market risk management system arises from the provisions of the CRR, the Banking Act and the related Decrees of the National Bank of Slovakia on prudent banking, risk management, and bank liquidity management.

Market risk management rules at Prima banka are primarily specified in internal documents that have been approved by the statutory body and contain the key targets, principles and procedures for market risk management. The responsibility for market risk management is assigned to the ALCO Committee, which makes decisions based on the underlying data provided by the relevant departments.

In order to manage the Trading Book and the Banking Book and to measure and monitor the market risk, Prima banka uses the Value at Risk method ("VaR"), a gap analysis and calculation of net present value ("NPV") or changes in NPV at a parallel and non-parallel shift in the yield curve. Prima banka uses a standard method as defined in the CRR to report and calculate its regulatory capital to cover market risk.

b) Interest Risk

Prima banka manages interest risk with respect to the current and expected situation in the market by adjusting the assets and liabilities structure in terms of the type of interest rate and maturity of new transactions. Interest risk is managed separately for the Trading Book and the Banking Book. In line with the approved strategy, the Bank does not perform transactions that would meet conditions for including them in the Trading Book. The position in the Trading Book is zero.

To measure the Banking Book's interest risk, Prima banka uses the VaR method on a weekly and a monthly basis at the 99% reliability interval. The interest risk of the Banking Book is measured based on estimated changes to the Net Present Value (NPV) positions caused by changes in market interest rates. The method is based on a gap analysis of the Banking Book positions. In addition, estimated changes to NPV positions in the Banking Book are calculated at a parallel shift in the yield curves of +/- 100, +/- 200 and +/- 300 basis points, including an opportunity for a non-parallel shift of the yield curve, and above all positions in the portfolio of financial assets at fair value through profit or loss at a parallel shift in the yield curves by +/- 100 basis points. Using back testing, Prima banka compares estimated VaR with changes to NPV positions caused by interest rate fluctuations on a weekly and monthly basis and evaluates the back testing results once a year.

Demand deposits (current accounts and term deposits accounts) are mapped by the Bank by time bands 1 month – 6 years. The Bank uses an internal model for the mapping and it is performed automatically in the data warehouse based on the approved model. The Bank classifies demand deposits into bands with a longer maturity than those that correspond to interest rate sensitivity. The mapping is based on the historical monitoring of movements in balances and the probability that the fulfilment of the relevant liabilities will not be requested (back testing).

The estimated change in the NPV positions in the Banking Book resulting from the interest rate fluctuation is quantified in the following table, assuming a negative movement of the yield curve to the detriment of the Bank by +100 basis points.

The impact of a change in the present value of assets and liabilities due to a change in the interest rate for euro positions as at 31 December 2018:

	Movement in yield curve	Bank´s loss from movement in yield curve
Banking Book: euro	+100 BP	(11 288)
Total		**(11 170)**

The impact of a change in the present value of assets and liabilities due to a change in the interest rate for euro positions as at 31 December 2017:

	Movement in yield curve	Bank´s loss from movement in yield curve
Banking Book: euro	+100 BP	(9 460)
Total		**(9 460)**

In terms of the Bank's overall position, the positions in other currencies are insignificant. A potential effect of movements in the yield curve on the Bank's profit/loss with respect to other currencies is insignificant.

The following table presents information on the balance sheet amounts of financial assets and liabilities per interest rate fluctuation risk. The assets and liabilities with a fixed interest rate are classified according to maturity date. The assets and liabilities with variable interest rates are listed according to the date of the anticipated closest change in interest rates. The Bank uses an internal model to classify demand deposits and savings deposits. Assets and liabilities without a contractually agreed maturity date and those that bear no interest are classified as "Unspecified items".

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2018:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	97 006	0	0	0	0	97 006
Due from banks	5 404	719	972	0	0	7 095
Loans and advances to customers	481 078	822 531	1 721 935	34 887	(5 942)	3 054 489
Debt securities	2 071	75 652	162 708	65 218	0	305 649
Financial assets at fair value through other comprehensive income	2 141	0	0	0	0	2 141
Financial assets held for trading – derivatives	52	0	0	0	0	52
Interest rate position - financial assets	**587 752**	**898 902**	**1 885 615**	**100 105**	**(5 942)**	**3 466 432**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	100 000	0	0	0	0	100 000
Due from banks	1 644	28 873	0	0	0	30 517
Customer deposits	636 568	706 337	1 684 517	60 365	0	3 087 787
Issued securities	0	0	1 967	0	0	1 967
Financial liabilities held for trading - derivatives	0	0	0	0	0	0
Hedging derivatives	427	0	0	0	0	427
Interest rate position - financial liabilities	**738 639**	**735 210**	**1 686 484**	**60 365**	**0**	**3 220 698**
Net interest rate position	**(150 887)**	**163 692**	**199 131**	**39 740**	**(5 942)**	**245 734**

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2017:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	204 839	0	0	0	0	204 839
Due from banks	33 258	48 869	0	0	463	82 590
Loans and advances to customers	357 029	794 017	1 538 770	47 745	53 894	2 791 455
Debt securities	4 491	44 282	207 606	75 450	0	331 829
Financial assets at fair value through other comprehensive income	1 914	0	0	0	0	1 914
Interest rate position - financial assets	**601 531**	**887 168**	**1 746 376**	**123 195**	**54 357**	**3 412 627**
Financial liabilities at amortised cost, of which:						
Due to banks	1 494	28 873	0	0	0	30 367
Customer deposits	850 470	773 220	1 404 327	51 643	0	3 079 660
Issued securities	28 961	89 057	1 504	0	0	119 522
Interest rate position - financial liabilities	**880 925**	**891 150**	**1 405 831**	**51 643**	**0**	**3 229 549**
Net interest rate position	**(279 394)**	**(3 982)**	**340 545**	**71 552**	**54 357**	**183 078**

c) Liquidity Risk

Liquidity risk is the risk of a potential loss of the ability to pay one's liabilities as they mature. It is in the interest of the Bank to maintain permanent solvency, ie the ability to settle liabilities duly and on time, and to manage assets and liabilities to ensure the Bank always has sufficient liquidity.

Prima banka monitors liquidity risk via external and internal liquidity indicators and warning signals. From the externally defined liquidity indicators, the liquid assets indicator may not be lower than 1. In 2018, the Bank complied with the above legislative indicator with a sufficient cushion.

Internal liquidity indicators include, but are not limited to: seven-day liquidity indicator, global indicators of short- and long-term liquidity.

Liquidity warning signals include: amount of the volatile portion of demand deposits; LD ratio (ratio of primary deposits excl. mortgage debentures to extended loans); daily or weekly decrease in capital; daily or weekly increase in loan receivables overdue by more than 30 days; and weekly or monthly additions to loans, balance sheet amount of selected foreign currencies to the Bank's total assets.

The method for measuring liquidity risk is based on the measuring of net and accumulated cash flows in the relevant time bands for all balance sheet and selected off-balance sheet items. Prima banka has prepared basic and alternative scenarios and a contingency plan - crisis scenarios. The Bank maintains its sound and sustainable development by observing its liquidity limits and managing its balance sheet structure.

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities by current residual maturity as at 31 December 2018:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Cash	95 750	0	0	0	0	95 750
Financial assets at amortised cost, of which:						
Balances with central banks	97 006	0	0	0	0	97 006
Due from banks	5 404	719	972	0	0	7 095
Loans and advances to customers	194 621	193 981	857 786	1 825 930	(17 829)	3 054 489
Debt securities	2 071	75 652	162 708	65 218	0	305 649
Financial assets held for trading – derivatives					52	52
Financial assets at fair value through other comprehensive income	0	0	0	2 141	0	2 141
Non-current tangible assets	0	0	0	0	14 412	14 412
Non-current intangible assets	0	0	0	0	1 894	1 894
Deferred tax asset					9 570	9 570
Other assets	0	0	0	0	11 988	11 988
Held-for-sale assets	0	0	0	0	0	0
Assets total	**394 852**	**270 352**	**1 021 466**	**1 893 289**	**20 087**	**3 600 046**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	100 000	0	0	0	0	100 000
Due to banks	1 644	28 873	0	0	0	30 517
Customer deposits	1 971 633	535 205	580 141	808	0	3 087 787
Issued securities	0	0	1 967	0	0	1 967
Financial liabilities held for trading - derivatives	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	427	427
Reserves	0	0	0	0	15 942	15 942
Other liabilities	24 644	0	0	0	11 989	36 633
Total equity	0	0	0	0	326 773	326 773
Liabilities and equity total	**2 097 921**	**564 078**	**582 108**	**808**	**355 131**	**3 600 046**
Net balance sheet position	**(1 703 069)**	**(293 726)**	**439 358**	**1 892 481**	**(335 044)**	**0**

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities by current residual maturity as at 31 December 2017:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Cash	101 054	0	0	0	0	101 054
Financial assets at amortised cost, of which:						
Balances with central banks	204 839	0	0	0	0	204 839
Due from banks	26 531	53 800	2 259	0	0	82 590
Loans and advances to customers	136 846	367 312	679 824	1 561 572	45 901	2 791 455
Debt securities	4 491	44 282	207 604	75 452	0	311 829
Financial assets at fair value through other comprehensive income	0	0	0	1 914	0	1 914
Hedging derivatives	35	0	0	0	0	35
Non-current tangible assets	0	0	0	0	21 270	21 270
Non-current intangible assets	0	0	0	0	1 162	1 162
Deferred tax asset	0	0	0	0	9 671	9 671
Other assets	0	0	0	0	6 873	6 873
Assets total	**473 796**	**465 394**	**889 687**	**1 638 938**	**84 877**	**3 552 692**
Financial liabilities at amortised cost, of which:						
Due to banks	492	28 873	1 002	0	0	30 367
Customer deposits	1 988 903	631 320	457 583	1 854	0	3 079 660
Issued securities	28 961	89 057	1 504	0	0	119 522
Financial liabilities for trading	13	133	120	401	0	667
Hedging derivatives	0	0	0	1 140	0	1 140
Reserves	0	0	0	0	16 814	16 814
Current tax liability	0	0	0	0	3	3
Other liabilities	0	0	0	0	817	817
Equity	0	0	0	0	303 702	303 702
Liabilities and equity total	**2 018 369**	**749 383**	**460 209**	**3 395**	**321 336**	**3 552 692**
Net balance sheet position	**(1 544 573)**	**(283 989)**	**429 478**	**1 635 543**	**(236 459)**	**0**

The summary below is an analysis of the earliest possible contractual maturity of non-derivative financial liabilities, ie the worst-case scenario as at 31 December 2018 (in undiscounted values):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	More than 5 years incl.
Non-derivative financial liabilities:						
Financial liabilities at amortised cost, of which:						
Due to banks	30 517	30 639	1 644	28 995	0	0
Customer deposits	3 087 787	3 100 138	1 971 918	538 570	588 842	808
Issued securities	1 967	2 149	0	0	2 149	0
Other liabilities	36 633	36 633	36 633	0	0	0

The summary below is an analysis of the earliest possible contractual maturity of non-derivative financial liabilities, ie the worst-case scenario as at 31 December 2017 (in undiscounted values):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	More than 5 years incl.
Non-derivative financial liabilities:						
Financial assets at amortised cost, of which:						
Due to banks	30 367	30 491	492	28 997	1 002	0
Customer deposits	3 079 660	3 094 285	1 989 227	635 431	467 773	1 854
Issued securities	119 522	119 813	77 874	39 860	2 079	0
Other liabilities	817	30 312	30 312	0	0	0

The summary below provides the worst-case scenario of an analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2018 (in undiscounted values):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.
Contingent liabilities and other off-balance sheet items:				
Contingent liabilities from guarantees	7 253	7 237	7 237	0
Contingent liabilities from letters of credit	2 945	2 913	2 913	0
Loan commitments, of which:	191 625	191 625	191 625	0
irrevocable	191 625	191 625	191 625	0

The summary below is the worst-case scenario of an analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2017 (in undiscounted values):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.
Contingent liabilities and other off-balance sheet items:				
Contingent liabilities from guarantees	14 958	17 834	17 834	0
Contingent liabilities from letters of credit	72	72	72	0
Loan commitments, of which:	190 419	188 187	187 822	365
irrevocable	162 653	188 187	187 822	365

d) Exchange Rate Risk

The Bank continued to apply conservative exchange rate risk management in accordance with the set limits. Foreign exchange positions of the Banking Book were open to a minimum extent, and only as a result of the standard operating activities of the Bank. The Bank did not enter into any speculative transactions regarding exchange rate movements for clients or on the Bank's account. During 2018, the Bank did not have any speculative foreign exchange positions open in its Trading Book.

When measuring the exchange rate risk of the Banking Book and the Trading Book, Prima banka uses the VaR method on a daily basis at the 99% reliability interval. As at 31 December 2018, the VaR amounted to € (980) (31 December 2017: € (3 007)).

In addition to monitoring the internal VaR limits, the Bank has defined an internal limit for an individual open position in a given currency in absolute terms and a limit for the sum of absolute values of open positions in absolute terms for all currencies together.

Foreign exchange position of Prima banka as at 31 December 2018:

	EUR	CZK	USD	Other	Total
Assets	3 581 607	2 085	14 392	1 962	3 600 046
Liabilities and equity	(3 581 607)	(2 074)	(14 403)	(1 961)	(3 600 046)
Net balance sheet foreign exchange position	**(0)**	**11**	**(11)**	**1**	**1**
Off-balance sheet assets	3 115 804	3	3	1	3 115 810
Off-balance sheet liabilities	(456 279)	0	(3 770)	(3)	(460 052)
Net off-balance sheet foreign exchange position	**2 659 525**	**3**	**(3 767)**	**(2)**	**2 655 758**
Net foreign exchange position	**2 659 525**	**14**	**(3 779)**	**(1)**	**2 655 759**

Foreign exchange position of Prima banka as at 31 December 2017:

	EUR	CZK	USD	Other	Total
Assets	3 530 356	2 939	11 925	5 083	3 550 303
Liabilities and equity	(3 531 413)	(3 225)	(10 968)	(4 697)	(3 550 303)
Net balance sheet foreign exchange position	**(1 057)**	**(286)**	**957**	**386**	**0**
Off-balance sheet assets	2 650 420	72	143	1	2 650 636
Off-balance sheet liabilities	(498 084)	(1 780)	(951)	(4)	(500 819)
Net off-balance sheet foreign exchange position	**2 152 336**	**(1 708)**	**(808)**	**(3)**	**2 149 817**
Net foreign exchange position	**2 151 279**	**(1 994)**	**149**	**383**	**2 149 817**

Based on back testing, Prima banka compares estimated VaR with the change to the fair value of the instruments on a daily basis and evaluates back testing results once a year. Prima banka compares the individual limit of an open position in a given currency in absolute terms with the open FX position on a daily basis.

The Bank performs stress testing quarterly. The Bank tests euro depreciation and appreciation scenarios against other foreign currencies by 3%, 8%, and 10%. Considering the minimum open foreign exchange positions for individual foreign currencies from the beginning of 2018, the impact of fluctuations in exchange rates on the Bank's profit/loss is insignificant.

To manage its FX position the Bank uses spot deals on the interbank market.

e) Equity Risk

The Bank's strategy is to not actively trade equity instruments, as evidenced by the size and structure of the equity securities portfolio. In its "Financial assets at fair value through other comprehensive income" portfolio, the Bank records equity securities in the total amount of €2 141 thousand, which are capital participations in SWIFT LA Hulpe, Belgium and VISA Inc. USA.

f) Commodity Risk

The Bank is not exposed to commodity risk. In line with the Bank's strategy, the Bank does not carry out transactions with commodities and has no exposure to commodities.

3. Operational Risk

Operational Risk is the risk of financial and non-financial impacts resulting from inadequate or missing internal processes/actions of staff/system or external events. Operational risk includes legal risk but excludes strategy risk.

Prima banka manages operational risks in line with the operational risk management strategy approved by the Bank's Management Board. The operational risk management comprises OR identification, assessment, monitoring and management/mitigation methods. Operational risk management is aimed at optimizing the Bank's risk profile at acceptable costs.

Operational risk is identified using risk analyses when preparing new products, new processes, non-standard transactions, implementing new information technologies/information sources, project management, and business continuity planning. The Bank monitors and analyses key risk indicators and records and analyses all operational risk-related events. Residual risk is identified during the Risk and Control Self-assessment process.

If an operational risk event or another operational risk instance is identified, action plans are usually adopted to eliminate or mitigate the occurrence of operational risk. To mitigate the financial impact of the occurrence of events, the Bank has concluded numerous insurance policies that cover the main risks.

The Bank uses a standardized approach in accordance with the CRR to calculate regulatory capital requirements for operational risk, according to which the requirement is currently €13 000 thousand, of which the following amounts are attributable to individual business lines: retail banking – €7 556 thousand, commercial banking – €3 943 thousand, payment services and settlement – €990 thousand, other – €811 thousand.* Management measures and implemented systems for operational risk management are adequate for the Bank's strategy and profile.

* Amounts presented as at 31 December 2018 were not audited as at the reporting date. A review of own funds requirements will be performed by the Auditor during an audit of regulatory prudential returns by 30 June 2019.

31. Transactions with Related Parties

Under IAS 24 *"Related Party Disclosures"* a related party is a counterparty that:

a) Directly or indirectly through one or more intermediaries, has control over or is under joint control with the reporting entity (including parent companies, subsidiaries and fellow subsidiaries);
b) Is an associate;
c) Is a joint venture;
d) Is a member of key management personnel of the reporting entity or its parent company; and
e) Is a close member of the family of any individual referred to in letter a) or d).

When considering relations with each related party, attention is paid to the nature of the relation, not only to its legal form. Transactions with related parties were made under standard conditions and at market prices. Included in assets, liabilities, expenses, revenues and off-balance sheet items are the balances with the parent company PENTA INVESTMENTS LIMITED, Cyprus, with other companies of the Penta Investments Group ("Penta Group"), the members of the Board of Directors and Management Board, and other related parties pursuant to IAS 24.

Assets and liabilities concerning related parties as at 31 December 2018:

Balance sheet	Penta Investments Limited	Penta Group	Other related parties	Total
Loans and advances to customers	0	79 191	577	79 768
Other assets	0	3 371	0	3 371
Total assets	**0**	**82 562**	**577**	**83 139**
Due to banks	0	614	0	614
Customer deposits	10	26 221	2 706	28 937
Other liabilities	0	1 097	0	1 097
Total liabilities and equity	**10**	**27 932**	**2 706**	**30 648**

Assets and liabilities concerning related parties as at 31 December 2017:

Balance sheet	Penta Investments Limited	Penta Group	Other related parties	Total
Loans and advances to customers	0	79 198	447	79 645
Other assets	0	4 062	0	4 062
Total assets	**0**	**83 260**	**447**	**83 707**
Due to banks	0	238	0	238
Customer deposits	10	1 203	2 727	3 940
Other liabilities	0	(406)	0	(406)
Total liabilities and equity	**10**	**1 035**	**2 727**	**3 772**

Revenues and expenses concerning related parties as at 31 December 2018:

	Penta Investments Limited	Penta Group	Other related parties	Total
Interest and similar income	0	2 409	9	2 418
Interest and similar expense	0	(1)	(19)	(20)
Net fee and commission income	1	166	2	169
Net profit from financial transactions	0	9	0	9
General and administrative expenses	0	(7 025)	(1 522)	(8 547)

Revenues and expenses concerning related parties as at 31 December 2017:

	Penta Investments Limited	Penta Group	Other related parties	Total
Interest and similar income	0	(603)	8	(595)
Interest and similar expense	0	(615)	(26)	(641)
Net fee and commission income	0	35	1	36
Net income (expense) on investments	0	12	0	12
Other income	0	36	0	36
General and administrative expenses	0	(5 956)	(1 381)	(7 337)

Off-balance sheet liabilities concerning related parties as at 31 December 2018:

	Penta Group	Other related parties	Total
Received collateral from pledge, security and other rights	0	550	550
Off-balance sheet assets	**0**	**550**	**550**
Loan commitments and unused credit facilities	0	101	101
Off-balance sheet liabilities	**0**	**101**	**101**

Off-balance sheet liabilities concerning related parties as at 31 December 2017:

	Penta Group	Other related parties	Total
Received collateral from pledge, security and other rights	0	438	438
Off-balance sheet assets	**0**	**438**	**438**

32. Events After the Balance Sheet Date

Between the balance sheet date and the authorisation date of these financial statements, there were no other significant events that would require any adjustment or additional disclosure.