Annual Report 2011

Prima banka Slovensko, a.s.

Prima Banka

Table of Contents:

01

Message of the CEO

02

Report of the Board of Directors

Message of the CEO

Dear Shareholders, Dear Clients,

In 2011 entry of a new majority shareholder to the Bank has been completed. In accordance with its intentions we are going to develop services for the towns and villages and at the same time we are going to invest significantly into strengthening of our position in the area of services for the citizens, businessmen and for small and medium-sized companies.

In all segments we are going to work towards developments of long term, mutually advantageous relations with the existing as well as with the new clients. Our target is gradual increase of a number of clients, who are active in banking with us and at the same time we are going to work intensively on strengthening of our position in the area of loans.

In 2011 we paid attention mainly to the building of foundations, on which we are going to build when continuing in developing the Bank. We have strengthened the structure of balance, increased the proportion of clients´ deposits (in particular the deposits of the citizens) and improved the loans structure. At the same time in connection with the more conservative approach to assessment of loan portfolio we have significantly strengthened creation of provisions, which had a significant impact on the final economic result in 2011.

We have also started simplification of products and processes as well as simplification of the actual activity of the Bank, we have simplified the organisational structure and decreased the number of management levels. The purpose of these steps is increase of efficiency and the overall simplification of our business, as well as increase of attractiveness and accessibility of our supply. The clients have grown fond of a new Personal Account, which has been introduced to them by us in the second half of the year 2011.

Thanks to the steps, which have been implemented in previous year, Prima banka Slovensko, a.s., is now in a very comfortable position from the point of view of capital as well as from the point of view of liquidity and with a significant reserve it fulfils also the tougher regulatory indices. In this way we can focus more on investments into the future of the Bank, on the development of branch and ATMs network as well as on further increase of quality of services for the clients.

Jan Rollo
Chairman of Management Board and CEO

02 Report of the Board of Directors

Dear Shareholders,

on behalf of the Board of Directors of the company Prima banka Slovensko, a.s., I have the honour to present the report on activities of the Board of Directors for the previous year. Allow me first of all to inform you that in its activities the Board of Directors complied with the Statutes of the Board of Directors and with the Bank´s Articles of Association as well as with the respective laws of the Slovak republic.

From 1.1.2011 to 31.3.2011 the Board of Directors worked in the following composition:
Marc Lauwers – Chairman
Stefaan Decraene – Vice Chairman
Patrick Galland – Member
Michal Sýkora – Member

From 21.04.2011 the Board of Directors worked in the following composition:
Iain Child – Chairman
Marián Slivovič – Vice Chairman
Michal Sýkora – Member
Pierre Verot – Member

From 8. 9. 2011 Jozef Oravkin has become the another member of the Board of Directors.

Last year 5 regular and 5 extraordinary meetings of the Board of Directors were held. In addition to its meetings the Board of Directors supervised the activities of the Bank and controlled it through the Audit Committee and the Credit Board. The mentioned committees worked with participation of the members of the Board of Directors as well as the invited members of the Management Board of the Bank. The members of the Board of Directors used their right to inspect the activities of the Management Board as well as their right to propose and recommend the procedures and solutions of problems to the Management Board of the Bank.
With the aim to ensure the efficiency of Bank activities the members of the Management Board and other guests regularly took part in the meetings of the Board of Directors and its committees. After consultations with the Board of Directors the Management Board of the Bank prepared reports and informed regularly on the activities and on the economic results of the Bank. These reports were discussed at length at the meetings of the Board of Directors and its committees.

Other activities of the Board of Directors were also approving of proposals and changes of statutory norms, i.e. in particular of the Statutes of the Board of Directors

In addition to the above mentioned activities the Board of Directors paid also relevant attention to the loan policy, loan procedures and their inspection. At the Board of Directors meetings the members of the Management Board informed regularly on the development of risks connected with the loan portfolio of the Bank.

The Board of Directors also checked regularly the financial results of the Bank, meeting of the business plan, as well as meeting of tasks assigned to the Management Board of the Bank.

In accordance with its statutory obligations the Board of Directors examined and discussed the regular financial statement for the year 2011, proposal to cover loss, financial plan for the year 2012 as well as plan of activities of the internal audit department.

The Board of Directors has stated that performance of business activities of the Bank and execution of powers of the Management Board of the Bank are in accordance with the laws in force and with the Articles of Association of the Bank as well as with the instructions of the general meeting. At the same time the Board of Directors has stated that financial records of the Bank are properly kept and in accordance with the facts.

Iain Child
Chairman of the Board of Directors

03

Report on Business Activities of the Company and on the State of its Assets in 2011

03

The year 2011 had the signs of significant changes after a new majority shareholder had entered the Bank.

One of the basic targets in 2011 was strengthening of the Bank in the area of liquidity. We managed to reach this aim in particular by improvement of the structure of the Bank´s balance sheet, i.e. on the assets side as well as on the liabilities side of the balance. The positive development of the balance was also reflected in its quality, where the loan-deposits ratio reached the healthy level of 81.3%, which represents the year on year improvement by 32 percentage points.

On the side of active loan business it was mainly ending of extra-long term loan business with low gains, which had also impact on decrease of the total balance amount of the Bank to the amount of 1.9 billion EUR. Improvement of balance structure was positively reflected not only in the area of liquidity, but also the capital adequacy of the Bank was increased from 9.85% to 13.66%, which creates good space for expansion in the coming years. Index Tier 1 increased year on year from 7.25% to the level of 9.5%.

On the liabilities side of the balance significant positive changes in the structure in favour of clients´ deposits took place, in particular in retail deposits, which increased by 103 million EUR, which represents year on year increase by more than 12%. The share of clients´ deposits in the total liabilities increased from 63% to 81%. At the same time the share of deposits from other banks was substantially decreased by 91% to 47 million EUR thanks to premature repayment of loans from the previous majority shareholder.

The loss for the year 2011 reached the amount of 11.7 million EUR and it results in particular from the more conservative approach to provisions after the change of the majority shareholder. The economic results of the Bank in 2011 are in accordance with the expectations of the new management and the majority shareholder.

Outlook for 2012

Maintaining the favourable situation in the area of liquidity and capital with increase of loan portfolio profitability will be priorities also in 2012. Prima banka Slovensko, a.s., has at the same time a strategic plan to extend its branch and ATMs network, to complete its rebranding as well as to strengthen its position in the retail area. Introduction of bank tax will have negative impact on the costs, other costs will be systematically optimised by the Bank and emphasis will be laid on efficiency and on risk management.

04

Executive Bodies
Board of Directors
Management Board

04 Management Board Prima banka Slovensko, a.s.

Jan Rollo
Chairman of the Management Board
Chief Executive Officer
responsible for CEO and Retail Banking Division

In 1994 Mr. Rollo started his career in banking in Bank Austria, where he was in charge of relations with the key customers, marketing and of electronic banking. Then he worked in Citibank in the position of the director of product management department and participated in management of small and medium-sized enterprises division. In GE Money Bank he had the position of the director of corporate banking, from 2003 he was the director of retail banking as well as the member of the Management Board in GE Money Bank. From 2009 he held the position of the chairman of the Management Board and Chief Executive Officer of the bank Slovenská sporiteľňa.

Jaroslava Hirschová
member of the Management Board
Chief Financial Officer

She came to Prima banka from ČSOB, a.s., Czech Republic, where she held the position of the director of accounting methodology and data quality and at the same time as the Chief Financial Officer of the insurance company ČSOB Pojištovna a.s. Before that she had worked in the position of the Chief Financial Officer of the insurance company Česká pojištovna, a.s., where in addition to management of finances of Česká pojišťovna, a.s., she had been in charge of finances in all companies of Generali PPF Holding doing business in the Czech Republic. For twelve years she had worked on various positions in the financial division of the American group General Electric (GE) not only in the Czech republic, but also abroad.

04 Predstavenstvo Prima banka Slovensko, a.s.

Radovan Jenis
member of the Management Board
Chief Risk Officer

Before he came to Prima banka he had the position of the member of the Management Board in OTP Banka Slovensko with the responsibility for the risk management division. His team managed market and operational risks, compliance and legal department. Radovan Jenis held also the office of the director of the risk management unit – loans for entrepreneurs in ČSOB and managed the loan risk department of corporate clients in VÚB. In the past he had also worked in Citibank.

Pavol Majer
member of the Management Board
Chief Officer of Operations and IT Division

He has a career of 8 years in Slovenská sporiteľňa, from them the last 5 as a division director of IT organisation and a proxy. Pavol Majer managed directly the Euro project and several dozens of other key projects. He was jointly responsible for centralisation project "back-office". He also worked in the company ORACLE, managed the project „Year 2000" in Slovnaft and implementation of IT systems in VÚB and in the company EuroTel.

04 Board of Directors

Iain Child - Chairman of the Board of Directors
Marián Slivovič - Vice chairman Board of Directors
Jozef Oravkin - Member of the Board of Directors
Michal Sýkora - Member of the Board of Directors
Pierre Verot - Member of the Board of Directors

05

Shareholder structure as at 31.12.2011

05

Shareholder of the Prima banka Slovensko, a.s.	Number of sharehoders	Total stake in the registered share capital (EUR)	Stake in the registered share capital in %
Towns and villages	290	3,335,559	5.14
Legal entities	6	61,154,276	94.21
Individuals	82	416,247	0.65
Total	**378**	**64,906,082**	**100**

06
Company Profile

06

The Bank was set up in 1993 under the name Prvá komunálna banka, a.s. (PKB). It began its activities with the share capital of 300 mil. Sk The PKB was founded without a foreign or state participation. The first subscribing shareholders were 193 towns and villages and they owned 99% of the shares. The PKB acquired step by step a position of a universal bank. The general meeting, which was held in May 2000, concluded the process of an entry of a foreign strategic investor. A multinational financial group Dexia became a majority shareholder of PKB. Its entry into shareholder structure of PKB took place through its subsidiary Dexia Kommunalkredit Holding with the registered office in Vienna. In 2003 Prvá komunálna banka was rebranded to Dexia banka Slovensko.
In November 2010 the group Dexia announced a sale of its 88.71% share in Dexia banka Slovensko to the investment group Penta Investments. This transaction was a part of the agreement with the European Commission reached in February 2010. Penta Investments became main shareholder of the Bank with 93,88% share in April 2011. The Bank has no more any connection to the French-Belgian Group Dexia.
In November 2011 the general meeting of the Bank shareholders approved rebranding to Prima banka Slovensko, a.s., effective as from 1st January 2012. This step was connected with the change of majority shareholder and it was an integral part of the planned development of the Bank in Slovakia. Under the new name Prima banka is going to continue in development of services for towns and villages inclusive significant extension of branch and ATMs network. Prima banka offers complex services to the individuals, towns, villages and to business entities. It is the leader in the market of bank services for the Slovak municipalities. It invests significantly into the development of services for individuals as well as for the firms. Already as soon as in 2012 it is going to extend the branch and ATMs network. At present it offers its services in 49 branches.

07

Development of Business Activities

07 Development of Business Activities

In 2011 deposits of individuals increased by more than 12% in Prima banka. Also in 2011 the Bank preserved its leading position in the market of bank services for the Slovak towns and villages.

The year 2011 brought simplification of portfolio of banking products and services. In September 2011 Prima banka introduced Personal Account to the market with bonuses for card payments.

At the end of the year 2011 deposits of individuals increased by more than 103 mil. EUR, which is year on year increase by 12%. The biggest interest on the part of the clients was in term deposits with the longest fixation.
In the area of consumer loans the Bank made several changes in 2011, which contributed to their better accessibility. In the new system the clients can repay loans from other banks or non-banking financial companies by means of a consumer loan. Producing evidence and processes have been simplified by the Bank - in most cases when a client wants to arrange a loan an identity card will be do. In 2011 the Bank provided consumer loans worth a total amount of more than 14 mil. EUR, which represented year on year increase by 80%.
In 2012 the Bank is going carry on in simplification of processes and redesigning of the product to make it transparent and simple for the clients.

In the first half of the year 2011 Prima banka provided more than twice of the common production of loans secured by a real estate property. In the second half of the year the Bank focussed on simplification of loans of this type and on making them transparent. Within the continuous increase of safety of electronic banking services the Bank replaced issuance of Grid cards in the course of the year. A SMS code became a standard for logging into the internet banking.

At the same time a daily limit has been set for individual security elements and this has been done according to the level of their security. In 2012 the Bank is planning to implement a new internet banking with simple and clearly arranged controls focussed on the needs of the client. In addition to the simplification of the present functionalities new ones will be added, which are going to enrich the supply for the clients. Of the total number of clients with a current account 72% of them has the electronic banking services activated. From the point of view of payment services almost as many as 93% of all payments are carried out by electronic banking.

From the beginning of the year 2011 the Bank has been issuing the cards of the type MasterCard Red, MasterCard Gold as well as credit cards MasterCard Green with applied contactless technology PayPass. The Bank also started to issue Maestro cards and with these cards their holders can make transactions also on the internet. In the second half of the year the Bank started with the support of cashless transaction by a payment card. The payments are directly supported by a form of bonus on each transaction made by a payment card that has been issued to the Personal account. In 2012 the Bank is planning to extend significantly ATMs network, which will increase accessibility of services also in other regions of Slovakia. The Bank is going to issue payment cards with a new design. To the clients, who travel, in the second half of the year the Bank will start to offer travel insurance in addition to the debit payment cards.

Business activities
Local governments

Prima banka and Slovak municipalities cooperated closely also in 2011. The Bank is a significant financial partner of municipalities in the area of their financing as well as in the area of administration of their funds. Providing of bank services for the municipalities is a significant business pillar of Prima banka.

The clients of the Bank are almost all municipalities with the number of inhabitants of more than 2000. The Bank provides its services to almost 1500 budget and contribution organisations with legal entity the incorporators of which are local governments.

In 2011 the Bank provided 881 new loan businesses worth a total of 136.6 mil. EUR to the municipalities. The total balance amount of Prima banka loans for municipalities reached the amount of 514.8 mil. EUR as at 31.12.2011. Prima banka has the same dominant position also in administration of funds of the municipalities. The total balance amount of administered funds of the municipalities on the accounts of Prima banka reached the amount of 257.0 mil. EUR as at 31.12.2011.

1848 municipalities keep shared tax revenues in Prima banka. Of the total amount of shared tax revenues of the municipalities a month 69% of them is primarily directed to Prima banka. It is a significant share, which confirms that Prima banka is perceived by municipalities as their own bank. The Bank maintains its position as a leader in the area of project financing of municipalities supported from the EU funds and from the state budget of the Slovak Republic. In 2011 the Bank provided for this purpose 677 loans to the municipalities worth a total of 100.8 mil. EUR.

The Bank continued in cooperation with the municipalities also in the area of issuing of bank guaranties for loans, which have been provided to them by the State Housing Development Fund and also bank guarantees in favour of the Agricultural Paying Agency in order to ensure prepayments for the villages, beneficiaries of irrecoverable financial contributions in the area of EU projects funding.

The cooperation of the Bank with the associations of municipalities continued also in 2011. The Bank was a general partner of the 21st Congress of the Association of the Slovak Towns and Villages and of the 21st Congress of the Union of the Cities of Slovakia. It was a traditional main partner of the conferences organised by the Association of Municipal Economists of the Slovak Republic, Association of Municipal Offices Heads in the Slovak Republic and by the Union of the Cities of Slovakia.

In 2011 in the same way as in the previous years the Bank was a general partner to the competition "ZlatyErb.sk". The main target of this competition is to support informatization of the Slovak municipalities and to appreciate extraordinary projects, to support exchange of experience and to appraise the endeavour of the representatives of the municipalities to use efficiently informative-communication technologies in order to increase quality and accessibility of services of self-governing regions, towns, town districts and villages to the public.

The intention of Prima banka is to carry on in providing high quality banking services for the municipalities in the area funding and administration of their funds. It is the interest of the Bank to participate permanently in the development of Slovak municipalities

08

Statement of Corporate Governance and Company Management

08 Statement of Corporate Governance and Company Management

Prima banka Slovensko, a.s. (hereinafter also "the Company" or "the Bank") observes in its business the Code of Company governance and Management in Slovakia, which is based on the OECD principles. The Code is publicly available on the web page of the Bratislava Stock Exchange. Information related to the Bank´s management methods is published in the issuer prospectus on the Bank´s website and in the Commercial Registry. The Bank varies from the Code in several provisions in Slovakia. In order to ensure simpler and flexible management of the Company, the Board of Directors executes the function of the appointment, remuneration and audit committees. Thus the Board of Directors eliminates possible conflict of interest due to its independence. One of four members of the Board of Directors is independent. In line with the decision of the Bank´s shareholders, the Board of Directors meets four times a year. One third of its members is elected by the Bank´s employees. All the members of the Board of Directors are elected for three years. Issues regarding remuneration, paid to the members of the Company´s bodies have been stated in the final accounts, which are part of the annual report.
As at 31.12.2011 PENTA INVESTMENTS LIMITED and Penta Holding Limited (indirectly through a stake in the registered capital of PENTA INVESTMENTS LIMITED) are the companies with the qualified stake in the registered capital of the Bank.

1. The Company Management Structure

1.1 General Meeting

Position

The general meeting shall be the supreme body of the Company. The scope of power of the general meeting shall include: approval and amendment of the Articles of Association, decisions on the increase and decrease of the share capital and issue of bonds, appointment and dismissal of the Board of Directors members excluding the members of the Board of Directors, selected by the employees of the Company, approval of a regular individual annual and extraordinary close of accounts, decision on the profit distribution of coverage of losses and stipulation of royalties, decision on other issues, which according to laws or the Articles of Association, shall be subject to the competence of the general meeting, decision on the company winding up and approval of the agreement on transfer of the whole company or its part.

Convening

The general meeting shall be held at least once a year. The annual general meeting shall be held by 30.6. of a calendar year. An extraordinary general meeting shall be subject to the right of the Board of Directors, if required by the urgent interest of the Company. The general meetings shall be convened by an invitation in writing addressed to the shareholders at least 30 days before holding the general meeting. Notice on holding the general meeting shall be published in nationwide dailies publishing stock exchange news.

Course and Decision-Taking

The general meeting shall discuss and decide on the matters stated in the invitation to the general meeting. General meeting shall take decisions by the majority of votes of the present shareholders, excluding matters where the Commercial code or these Articles of Association require a higher number of votes for a decision. Voting rights of a shareholder shall be governed by a number of his shares and their face value. The minutes of the meeting shall be signed by the minutes secretary, the chairman of the general meeting and two elected verifiers.

1.2 Board of Directors

Powers

The Board of Directors shall be the highest control body of the Company entrusted with the supervision over the activities of the Board of Directors and business activity of the Company.

Membership in the Board of Directors

The Board of Directors has three to six members with the term of their office for three years. Five members have been elected now - two thirds of the Board of Directors shall be elected from the shareholders and other natural persons and one third of the Board of Directors shall be elected from all its employees and other individuals.

Zloženie dozornej rady k 31. 12. 2011:

Iain Child - Chairman of the Board of Directors
Marián Slivovič - Vice chairman Board of Directors
Jozef Oravkin - Member of the Board of Directors
Pierre Verot - Member of the Board of Directors
Michal Sýkora - Member of the Board of Directors

Activity and Decision -Taking

The activity of the Board of Directors shall be managed by the chairman of the Board of Directors. In case of his absence, he shall be substituted by vice chairman of the Board of Directors. Meetings of the Board of Directors shall be convened by its chairman at least once during the six month period. At the written request of any member of the Board of Directors, the Management Board or shareholders, holding shares whose face value exceeds 5% of the Company share capital, may submit proposal for an extraordinary meeting. The meeting has a quorum if majority of all members of the Board of Directors are present. The equality of votes shall be in force at voting, each member of the Board of Directors shall have 1 vote. Decisions shall be adopted by the majority of votes unless generally binding legal regulations, the Articles of Association or procedure orders of the Board of Directors stipulate other method of decision taking. The minutes of the Board of Directors meetings and of its resolutions shall be taken, signed by the chairman of the Board of Directors, vice chairman of the Board of Directors and a person, who takes minutes.

08 Statement of Corporate Governance and Company Management

Conflict of Interests

A member of the Board of Directors shall not:
- conclude transactions in his own name, or on his own account, if these transactions are related to the object of the business activity of the Company,
- act as an intermediary for other persons in business transactions of the Company,
- participate in business activity of another entity as a partner with unlimited liability
- act as, or be a member of, the statutory body of another legal entity with an identical or similar line of business as the Company, in the business of which the Bank is involved, unless Banking Act provides otherwise.

The liability of the member of the Board of Directors cannot be excluded or limited by the agreement with the Company. In accordance with the Accounting Act, the Board of Directors shall carry out activities of the Audit Committee. Whereas the chairman of the Board of Directors cannot carry out activities of the Audit Committee, he shall not be deemed its member, eligible to vote. The chairman of the Board of Directors shall be entitled to take part in the meetings of the Board of Directors, when carrying out its activities as the Audit Committee, as an invited member. In case of carrying out the activities of the Audit Committee, its meetings shall be managed by the chairman of the Board of Directors or by the member of the Board of Directors delegated by him. The regulations on the meetings of the Board of Directors shall appropriately apply to the meeting of the Board of Directors as the Audit Committee, except for the powers of the chairman of the Board of Directors.

The Board of Directors, within carrying out its powers as the Audit Committee, shall:
a) follow a preparation of final accounts and observance of the special legislation, related mainly to the directives of the European Parliament, the Council and the Committee,
b) follow efficiency of internal control system and the systems of risk management in the Company
c) follow audit of individual final accounts and audit of consolidate final accounts,
d) examine and follow auditor´s independence, mainly services rendered by auditor under Act on Audit, Auditors and Supervision over Audit Performance,
e) recommend auditor to carry out audit for the Company,
f) determine a deadline for auditor to submit statutory declaration (declaration of word of honour) on its independence.

1.3 Management Board

Membership

The Management Board has three to six members. Currently 5 members of the Management Board have been elected. One position remained vacant. A member of the Management Board cannot be simultaneously the member of the Board of Directors. Prior approval of the National Bank of Slovakia is required for changes and election of the respective members of the Management Board, otherwise such a change or election shall be null and void.

The members of the Management Board as at 31.12.2011:

Jan Rollo – Chairman of the Management Board
Jaroslava Hirschová – Member of the Management Board
Pavol Majer – Member of the Management Board
Peter Chovanec – Member of the Management Board (termination of his appointment as at 29. 2. 2012)
Radovan Jenis – Member of the Management Board

The Management Board members shall be elected

by the Board of Directors from the company´s management and other individuals. Term of office of the Management Board shall be five years. The Board of Directors may recall a member of the Management Board. The chairman of the Management Board shall be appointed and recalled by the Board of Directors. The Board of Directors may make a proposal for an election of a member of the Management Board or make the proposal for a recall of the member of the Management Board. The proposal for an election of the member of the Management Board and its annex shall contain consent of the proposed person and all the documents required by the National Bank of Slovakia, for granting their approval. In case the number of the Management Board is complete and no member shall finish his election period, together with the proposal for the election of the member of the Management Board a proposal for the recall of a member of the Management Board shall have to be submitted. The Board of Directors shall submit such a proposal to the Management Board and the Board shall arrange a prior approval of the National Bank of Slovakia.

The Management Board mainly:

a) convenes and organises the general meeting,
b) executes the resolution of the general meeting,
c) submits to the Board of Directors and subsequently to the general meeting:
1. regular individual annual and extraordinary individual close of accounts,
2. proposal for profit distribution or coverage of losses,
3. report on business activities and on the state of the property as an integral part of the annual report,
4. annual report,
d) submits to the Board of Directors for approval:
1. Information on basic objectives of business management of the Company for the future period inclusive expected state of assets, finances and revenues of the Company,
2. information on all the facts that can significantly influence the development of business activity, assets and in particular its liquidity,
3. written report on status of business activities and on company assets in comparison with expected development within the time limits specified by the Board of Directors.
4. appointment and recall of director of internal audit and controls department and other employees, should this be provided by general binding legal regulations or by internal regulations of the Company,
e) delegates and recalls full powers to the company´s representatives for acting in particular cases, after prior approval of the Board of Directors it appoints and recalls authorised officers of the Company and after the approval of the Board of Directors it delegates and recalls general powers of attorney,
f) manages and coordinates management staff provided by internal regulations of the Company,
g) as Bank´s top management, the Management Board shall be liable for the performance of the Bank´s obligations under the provisions of the Securities Act No. 566/2001 Coll. or other laws.

Amendment of the Articles of Association

The Management Board or a shareholder of the Company shall be authorised to draw up amendment of the Articles of Association. The respective proposals shall be put forward to the Management Board. The Management Board shall be obliged to ensure that the Articles of Association are in compliance with generally binding legal regulations.
In case of any discrepancy it shall inform the person proposing the amendment and ask him/her to change the proposal. The Management Board shall be authorised to complete the proposal, whereas it shall inform shareholders in the general meeting on

the amendment adopted by it. In case that counterproposals or amendments of the original proposal are submitted at the general meeting, first, there shall be voting on these counterproposals and amendments individually, according to the order, in which they have been put forward. A two-third majority of votes of the present shareholders shall be necessary for the approval of a counterproposal . Should the proposal have been adopted, there shall be no voting on other counterproposal on the same matter. A two-third majority of votes of the present shareholders shall be necessary for the approval of amendment of the Articles of Association. A notary shall be present during the decision taking on amendment of the Articles of Association and the resolution on the amendment shall be recorded in the notarial minutes. A prior approval of the National Bank of Slovakia is required for the amendment of the Articles of Association to enter into force.
The Management Board shall be obliged to produce, without undue delay, the full wording of the Articles of Association. They shall be responsible for the correct wording of the Articles of Association. The precondition of force and efficiency of the amendment of the Articles of Association of the Bank is the granted approval of the National Bank of Slovakia. Each amendment of the Articles of Association and the full wording of the Articles of Association have to deposited in the Collection of Deeds in the National Bank of Slovakia and with other persons as stipulated by generally binding legal regulations.
After submitting the proposal annexed with all the necessary documents, the Management Board shall send the proposal to the National Bank of Slovakia for its opinion. After obtaining all the necessary approvals, the it shall submit the completed proposal to the Board of Directors.
The election of a member of the Management Board shall be organised in the following way:
a) the chairman of the Board of Directors shall state how many members of the Management Board shall be elected,
b) the chairman of the Board of Directors shall put individual proposed candidates to vote in the order, which he has specified,
c) the candidates, who received the highest number of votes of the present members of the Board of Directors, shall be elected the members of the Management Board,

Should two or more candidates to be the members in the Management Board receive the equal number of votes then the vote of the chair-person shall be decisive.
Only a person that fulfils the criteria laid down by the applicable provisions of the Banking Act and possibly also of the Act on Securities and Investment Services, may be elected a member of the Management Board, mainly the criterion of no criminal record, education, length of experience and managing experience in banking or other financial area and conflict of positions. The prior approval of the National Bank of Slovakia shall be necessary for changes in members and election of new members of the Management Board, otherwise such a change or election shall be null and void.

Powers

The Management Board shall manage the Company in accordance with the valid legal regulations and interests of the shareholders. It shall decide on all matters of the Company unless they are subject to the competence of the general meeting or the Board of Directors. At least two members of the Management Board shall act together on behalf of the Company.
The Management Board ensures mainly keeping the prescribed accounting and business books of the Company, measures taken to use tools of economic management, mainly in the area of financing, pricing, remuneration and funds, creation of the system of social - economic information and processing, provi-

sion of financial statements of the Company under the generally binding regulations of the National Bank of Slovakia and state authorities. The Management Board is liable for the Articles of Association of the company to be in compliance with the generally binding legal regulations. In addition to the Management Board a proposal for a change of the Articles of Association may be submitted by any shareholder. According to the provision section 210 of the Commercial Code the Management Board has been delegated to increase the Company share capital in the method of the subscription of new shares by monetary funds based on its decision on the conditions stipulated by the general meeting. On 19.11.2009 the general meeting decided on the Management Board´s delegation to make a decision on increase of the share capital of the Company up to the amount of 100,400,400 EUR after the prior approval of the Board of Directors.

Activity and Decision-Taking

The activity of the Management Board shall be managed by the chairman of the Ma-nagement Board. In case of his absence he shall be substituted by a vice chairman of the Management Board. Meetings of the Management Board shall be convened by the chairman according to needs, usually every week, however at least once a calendar month. Extraordinary meetings of the Management Board shall be convened by its chairman in cases upon the request of at least one member of the Management Board.
The meeting has a quorum, if at least the majority of the members of the Management Board are present. Each member of the Management Board shall have one vote with equal weight. The exceptional situation is when the result of voting represents the equality of the votes. In such a case the chairman of the Management Board has a decisive vote. The minutes shall be recorded on the course of the meeting of the Management Board and on its decisions.

Conflict of Interests

Member of the Management Board shall not:
conclude transactions in his own name, or on his own account,
if these transactions are related to the object of the business activity of the Company,
- act as an intermediary for other persons in business transactions of the Company,
- participate in business activity of another entity as a partner with unlimited liability, - act as, or be a member of, the statutory body of another legal entity with an identical or similar line of business as the Company, unless such legal entity is a controlled person of the company. The liability of the member of the Management Board cannot be excluded or limited by the agreement with the Company.

Advisory Bodies

Special purpose committees shall carry out advisory activities for the Management Board. They shall comprise internal bank employees. They have been established for a solution and passing judgement on issues, requiring collective decision-taking. Only members of the Management Board have decision-taking powers. The Bank has established the following advisory bodies:

Credit Board, Credit Committee and Credit Council

RThey take decisions on Bank´s credits, namely in the area of their approval, provision of guarantees, letters of credit ex financial coverage and securities trading on the Bank´s account. Credit Board discusses credit cases approved by the Credit Committee and approves credit cases exceeding the internally set limits. Information on approved credits are provided to the Board of

Directors. Credit Committee decides in selected areas, unless the decision taking is subject to the competence of the Credit Board. The Credit Council approves credit cases in line with the powers delegated by the Credit Committee.

ALCO Committee (Assets Liabilities Committee)

The task of ALCO Committee is managing liquidity, capital and financial risks with the aim to reach optimum structure of assets and liabilities at acceptable degree of profit and risk.

Bad Loan Committee

It is in charge of the Bank´s problem receivables, decision-taking on their categorization, outlining of the Bank´s procedures when tackling the problem receivables, adopting measures to eliminate possible devaluation of receivables, decision on writing off of receivables, generation and use of provisions.

Damage Committee

It is an advisory body of the Bank´s Chief Executive Officer with the purpose to assess items of damage and losses and proposals for their liquidation and settlement. At the same time it keeps records of these items of damage.

Operational Risk Committee

Operational Risk Committee is an executive and decision-taking body aimed at IT and physical security policy, the security implementation and the strategy of operational risk in the whole Bank. The aim and purpose of its activities is to reach and maintain an appropriate degree of the Bank´s security as well as an adequate level of operational risk.

Product & Pricing Committee

The reason of establishing of the Product & Pricing Committee to create within the Company a body in charge of approval of:

- new banking products provided by Prima banka Slovensko, a.s. (before 31.12.2011 Dexia banka Slovensko a.s.) (hereinafter only the "Bank"),
- changes of products provided by the Bank,
- price strategy of the Bank (interest rates, charges and other prices) with products that are provided by the Bank,
- changes of interest rates for products provided by the Bank.

Advisory Committee

The Advisory Committee is a special body aimed to provide consulting on banking products and services for municipal customers. Decisions of the Advisory Committee shall be made exclusively for consulting purpose. The Bank shall no be bound by such decisions in any way. The Advisory Committee shall comprise four regular members, appointed by the Board of Directors for the term of office of 4 years. The regular members of the Advisory Committee shall not be the Bank´s internal employees, but rather representatives of local governments and regions.

2. The Share Capital and Shareholder of the Company Capital

The share capital of the Company Prima banka Slovensko, a.s. (before 31.12.2011 Dexia banka Slovensko a.s.) as at 31.12.2011 is 64,906,082 EUR and is divided into 15,607,682 pieces of registered shares, whereas:
– 100,200 shares in the face value of 399 EUR;
– 100,200 shares in the face value of 67 EUR;
– 701,400 shares in the face value of 5 EUR;
– 14,705,882 shares in the face value of 1 EUR;

The majority shareholder of Prima banka Slovensko, a.s. (before 31.12.2011 Dexia banka Slovensko a.s.) is PENTA INVESTMENTS LIMITED. As of 31.12.2011 it owns 94.16% of shares.

Shares

The company may issue only registered shares. Their transfer shall be done under the Securities Act at the Central Securities Depository, who keeps the list of shareholders. The transferability of shares shall not be limited.

The Shareholder Rights - the Description and Procedure of their Performance

The shareholders have all the rights in accordance with the Commercial Code and the company´s Articles of Association:
1) A shareholder shall have the right to share the company´s profit (dividend) stipulated by the general meeting for the distribution according to the economic result. This share shall be stipulated as the proportion of the face value of his shares to the face value of the shares of all the shareholders.
2) The right to inspect the minutes of the Board of Directors meetings.
3) After winding up the Company with a liquidation a shareholder shall have the right to the share in the liquidation balance,
4) A shareholder shall be entitled to take part in the general meeting, vote in this meeting, ask for information and explanation on the Company matters or persons controlled by the Company, connected with the agenda and submit proposals,
5) A shareholder may request complete and true information and explanation, related to the subject of the general meeting, from the Management Board. Should the Management Board not be able to provide the shareholder with the complete and true information in the general meeting, or if he asks for it, the Management Board shall be obliged to provide the shareholder with such information in writing, not later than 30 days from the held general meeting. The information in writing shall be sent by the Management Board to the shareholder´s address stated by him. Otherwise it shall be provided in the company´s registered office.
6) The shareholders holding shares with the face value exceeding at least 5% of the share capital may ask for convening an extraordinary general meeting giving the reasons in writing to discuss their proposals. At the request of such shareholders:
a) The Management Board shall include issues requested by them in the agenda of the general meeting; The general meeting shall be obliged to discuss this issue,
b) The Board of Directors shall examine the performance of the competence of the Management Board in the stated matters,
c) The Management Board shall apply, on behalf of the Company, claims for the repayment of issue rate of the shares to the shareholders, who are delayed with the repayment or shall apply claims to shareholders who were paid in contrary to the Commercial Code,
d) The Board of Directors shall apply claims on behalf of the Company to compensate a damage or other claims that the company has against the members of the Management Board,
e) The Board of Directors shall apply for claims on behalf of the company for repayment of the issue rate of shares if the company subscribed shares representing its share capital contrary to law,
f) The Board of Directors shall apply claims on behalf of the Company that the Company has against the members of the Management Board, as the guarantors under this law,

7) A shareholder may ask the court to pronounce the general meeting resolution to be null and void if he made his protest and it was included in the minutes

of the general meeting.
8) A shareholder may inspect deeds in the registered office of the Company, which are deposited in the collection of deeds under the special law and request copies of such deeds or their sending to the address, stated by him, namely at his costs and at his risk.
The procedure of exercise of these rights has been regulated by the Company´s Articles of Association and by the applicable legal regulations.
The voting rights of the shareholders are not limited.
The Company has no knowledge on agreements among the owners of the shares which may lead to the restriction of transferability of securities and voting rights.

3. Description of Internal Control and Risk Management Systems

A. Internal Control System Internal Audit and Controls

The Internal Control System is a control system taking place on all level of organisations structure and on work positions, which includes direct and indirect process control as well as off-process control. The internal control system consists of control activities, control environment, information systems, monitoring processes and risk assessment processes. The aim of internal control system is in particular:
- to improve efficiency and effectiveness of bank operations and to secure reaching of targets,
- to improve integrity, accuracy, punctuality and reliability of information,
- to increase quality of keeping records,
- to ensure observance of the laws, directives and internal procedures,
- to protect sources against misuse, fraud and inefficient use,
- to prevent abuse of power and frauds and to discover them,

The Management Board of the Bank is responsible for introduction of efficient internal control system as well as for the its monitoring system. All levels of management are within its own organisational unit responsible for creation, practical implementation and maintaining of reasonable and effective internal control system. This responsibility cannot be delegated by the management staff. The employees are responsible for high quality performance of their work in accordance with the valid laws, internal bank procedures a with the principles of internal control system.

An independent part of internal control system is the internal audit department, the rights of obligations of which, in addition to those defined by the law, are determined by the Board of Directors. The internal audit department provides independent and objective assessment of appropriateness and effectiveness of internal control system, its activities are performed in all organisational unit and processes of the Bank. The internal audit is independent of the operation, trading activities and management of the Bank, when planning its control activities, assessing the Bank risks, defining the scope and selection control methods, manner of performance and reporting the results of its activity.

External Audit
In line with the valid legal regulations, the Bank is liable to ensure audit of annual final accounts by an auditor and produce auditor reports under the requirements of the National Bank of Slovakia. The Bank is at the same time obliged to inform the National Bank of Slovakia on the selection of the auditor, approved by the Board of Directors of the Bank. The audit for 2011 was carried out by the company Deloitte Audit, s.r.o., based in Digital Park II, Einsteinova č. 23, Bratislava, company identification number: 31 343 414.

B. The Risk Management System

Under the Articles of Association in force, the separation of the risk management from Bank activities within the Bank´s organisational structure shall be ensured via separation of the credit from the investment business within separate organisational units, managed by different persons whereas there is a separate register of investment deals on the account of the company and investment deals on the account of the customer. The separated realization of loan business takes place in the competence of the Public and Commercial Division and in the Retail Banking and CEO Division. The Treasury is responsible for investment deals.

The Risk Management Division is responsible is responsible for separated risk management from banking activities. This division is an independent unit focussed in particular on management of market, credit and operational risks, including the identification system, monitoring, measurement and management of significant risks, separated from the risk monitoring to which the Bank exposed to at implementation of banking activities with the Bank´s related parties. No banking activities can be done in this division, for which the Company has the authorization.

4. Compliance

Compliance is an independent function with responsibility for introduction of internal procedures in the area of protection against legalisation of income from criminal activity and protection against terrorism financing, protection against internal fraud and prevention of conflict of interests. Compliance officer regularly informs the chairman of the Management Board on the main findings when performing inspection activities and at least once a year the Management Board and the Board of Directors are informed by him about the activities of compliance department.

5. Information on all Agreements, Concluded between the Bank and the Members of its Bodies or Employees on the Compensation in Case of Their Position Termination.

This part contains information on all agreements, concluded between the Bank and the members of its bodies or employees, based on which compensation shall be paid to them, if their position or the employment contract terminates by resignation, the employees dismissal or due to their recall, the employer´s notice without giving any reason or their position or employment contract terminates due to a take-over bid.

09

Separate financial statements for the period ended 31 December 2011 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditors' Report

09 Separate financial statements for the period ended 31 December 2011 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditors' Report

Contents

Independent auditor's report

Deloitte.

Deloitte Audit s.r.o.
Digital Park II, Einsteinova 23
851 01 Bratislava
Slovak Republic

Tel: +421 2 582 49 111
Fax: +421 2 582 49 222
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered at the Municipal
Court in Bratislava I
Section Sro, File 44448
Id. No.: 31 343 414
VAT Id. No.: SK2020325616

Prima banka Slovensko, a.s.
(until 31 December 2011: Dexia banka Slovensko a.s.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management Board of Prima banka Slovensko, a.s. (until 31 December 2011: Dexia banka Slovensko a.s.):

We have audited the accompanying separate financial statements of Prima banka Slovensko, a.s. (until 31 December 2011: Dexia banka Slovensko a.s.) (the "Bank"), which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

The Bank's statutory body is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Prima banka Slovensko, a.s. (until 31 December 2011: Dexia banka Slovensko a.s.) as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphases of Matters

Without qualifying our opinion, we draw attention to the following matters:

a) As stated in Note 1d) to the separate financial statements, the Bank's sale process was completed on 31 March 2011 when Dexia Kommunalkredit Bank AG sold its 88.71% share in Prima banka Slovensko, a.s. (until 31 December 2011: Dexia banka Slovensko a.s.) to Penta Investments Limited.

b) As discussed further in Note 21 to the separate financial statements, the Bank is a party in a material litigation, the outcome as well as the timing of which is uncertain as at the date of this report.

Our opinion is not modified in respect of these matters.

Bratislava, 12 March 2012

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

I. FINANCIAL STATEMENTS

Separate Statement of Financial Position

Assets	Note	31.12.2011	31.12.2010 after adjustment	1.1.2010 after adjustment
Cash	1	33 230	36 482	32 160
Balances with the NBS	2	31 636	52 733	174 375
Due from banks	3	129 527	183 639	105 983
Loans and advances to customers	4	1 224 494	1 849 420	1 675 304
Financial assets held for trading		0	0	72
Financial assets at fair value revaluated through profit and loss	5	31 088	40 410	41 062
Financial assets available for sale	6	100	331 198	301 483
Financial assets held to maturity	7	419 381	65 061	75 165
Net positive value of derivatives	8	3 901	13 353	9 110
Non-current tangible assets	9	20 882	25 965	29 292
Non-current intangible assets	10	2 978	5 312	6 763
Current tax asset	11	0	0	4 782
Deferred tax asset	11, 33	12 340	16 063	8 018
Other assets	12	2 525	3 260	3 292
Assets total		**1 912 082**	**2 622 896**	**2 466 861**
Loans and deposits received from the NBS	13	14 004	110 069	50 209
Due to banks	14	47 262	555 026	232 463
Customer deposits	15	1 551 590	1 659 386	1 873 993
Deposits measured at fair value through profit and loss	16	7 624	7 824	2 540
Debt securities	17	112 345	121 917	135 624
Net negative value of derivatives	18	10 996	29 115	24 466
Tax liabilities	19	0	286	0
Other liabilities	20	31 643	16 200	16 572
Provisions and reserves	21	2 272	1 555	3 839
Subordinated debt	22	47 446	46 792	46 758
Equity	23	86 900	74 726	80 397
Liabilities and equity total		**1 912 082**	**2 622 896**	**2 466 861**
Off-ballance sheet assets	24	1 683 092	2 335 185	1 658 844
Off-ballance sheet liabilities	24	748 059	1 158 273	1 137 762

The notes on pages 28 to 94 are an integral part of these unconsolidated financial statements. The separate financial statements were signed and approved for issue on 29 February 2012:

Ing. Jan Rollo
Chairman of Management Board
and General Director, mp

Ing. Jaroslava Hirschová
Member of Management Board
and Director of Finance Division*, mp

*The Director of the Finance Division is also the person responsible for the bookkeeping and the preparation of the financial statements.

Separate Comprehensive Income Statement

	Note	31.12.2011	31.12.2010 after adjustment
Interest income		96 261	100 380
Interest expense		(55 736)	(57 536)
Net interest margin	**25**	**40 525**	**42 844**
Dividend income	26	0	1
Net fee and commission income	27	11 466	9 922
Net trading income (expense)	28	(1 348)	1 118
Net income on investments	29	2 186	757
Other net income	30	244	285
Income from other banking activities		**12 548**	**12 083**
Net income from banking activities		**53 073**	**54 927**
General and administrative expenses	**31**	**(53 026)**	**(48 741)**
Personnel expenses		(22 420)	(19 237)
Depreciation		(8 109)	(8 205)
Purchased output and services		(22 497)	(21 299)
Net operating income		**47**	**6 186**
Net allocation to provisions on customer receivables		(12 059)	(2 576)
Net loss on write off of receivables		(2 460)	(2 424)
Net allocation to provisions	**32**	**(14 519)**	**(5 115)**
Loss before tax		**(14 472)**	**1 071**
Current income tax expense		(1)	(893)
Deferred income tax benefit		2 773	655
Income tax	**33**	**2 772**	**(238)**
Net result for the current period	**34**	**(11 700)**	**833**
Net profit (loss) oper share - face value of Eur 399 (in Eur)		(72)	5
Net profit (loss) oper share - face value of Eur 67 (in Eur)		(12)	1
Net profit (loss) oper share - face value of Eur 5 (in Eur)		(1)	0
Net profit (loss) oper share - face value of Eur 1 (in Eur)		0	0

Other Comprehensive Income

	Note	31.12.2011	31.12.2010
Financial assets available for sale		31 117	(39 586)
Deferred tax for financial assets available for sale		(5 912)	7 521
Cash flow hedge		(1 639)	692
Deferred tax from cash flow hedge		311	(131)
Total	**23**	**23 877**	**(31 504)**
Comprehensive income (expenses) total		**12 177**	**(30 671)**

Separate Statement of Cash Flow

	31.12.2011	31.12.2010 after adjustment
Cash flows from operating activities		
Loss before tax	(14 472)	1 071
Adjustment:		
Depreciation and amortisation	8 109	8 320
Profit (loss) on property sold	0	(68)
Profit (loss) of financial assets at fair value revaluated through profit and loss	(782)	314
Profit (loss) of revaluation on derivatives	(8 667)	406
Proceeds from shares and equity interests	0	(1)
Interest expense	55 736	57 536
Interest income	(96 261)	(100 380)
Provisions and reserves for losses, net	11 159	2 728
Net loss on written off receivables	2 460	2 424
Net profit of postponed assets	(3 038)	0
Other non-cash transactions	209	(1 772)
Net cash flows from operating activities before changes in operating assets and liabilities	**(45 547)**	**(29 537)**
Changes in operating assets		
Due to the NBS	0	2 873
Interbank loans and advances	1 170	4 592
Loans and advances to customers	615 178	(180 749)
Financial assets at fair value revaluated through profit and loss	9 321	633
Financial assets held for trading	0	72
Financial assets available for sale	56 133	(99 493)
Other assets	735	32
Changes in operating liabilities		
Loans received from the NBS	(96 000)	60 000
Due to other banks	(507 134)	314 541
Customer deposits	(114 478)	(210 961)
Deposits measured at fair value through profit and loss	(67)	5 093
Notes issued	0	(2 421)
Other liabilities	15 443	7 231
Interest paid	(49 198)	(60 272)
Interest received	94 967	96 769
Tax on income paid	608	4 174
Net cash flows from operating activities	**(18 869)**	**(104 061)**

Separate Statement of Cash Flow – continued

	31.12.2011	31.12.2010 after adjustment
Cash flows from investment activities		
Purchase of non-current tangible and intangible assets	(949)	(3 905)
Proceeds from sale of non-current tangible and intangible assets	257	547
Financial assets held to maturity	(91 670)	9 692
Net profit of postponed assets	3 038	0
Proceeds from shares and equity interests	0	1
Net cash flows from investment activities	**(89 324)**	**6 335**
Cash flows from financial activities		
Bonds issued	(8 820)	(12 010)
Proceeds from subscribed shares	0	25 000
Cash contribution from parent company	39 713	0
Net cash flows from financing activities	**30 893**	**12 990**
Net decrease in cash flows	(77 300)	(67 094)
Cash and cash equivalents as the beginning of year (Note 35)	260 376	327 470
Cash and cash equivalents as the end of year (Note 35)	183 076	260 376

Separate Statement of Changes in Equity

	Note	Share capital	Share premium funds	Legal Reserve Fund	Other capital funds	Revaluation reserves	Profit/loss from previous years	Profit/loss from current year	Equity total
1.1.2010 - after adjustment	**9**	**50 200**	**26 972**	**9 062**	**95 643**	**(8 239)**	**(79 734)**	**(13 507)**	**80 397**
Transfer of the 2009 loss to the profit/loss from previous years	23						(13 507)	13 507	-
New shares issued		14 706	10 294						25 000
Net profit for the year 2010	23							1 129	1 129
Correction of the mistakes of last periods	9							(296)	(296)
Ohter comprehensive income and expenses	6, 23					(31 504)			(31 504)
31.12.2010 - after adjustment		**64 906**	**37 266**	**9 062**	**95 643**	**(39 743)**	**(93 241)**	**833**	**74 726**
Profit distribution in 2010	23			113			720	(833)	-
After tax revaluation of AFS securities from 2005							(3)		(3)
Cash contribution to capital funds	6				39 713				39 713
Transfer of state bond from AFS securities	6				(39 713)	39 713			-
Profit/(loss) for 2011	23							(11 700)	(11 700)
Ohter comprehensive income and expenses	6, 23					(15 836)			(15 836)
31.12.2011		**64 906**	**37 266**	**9 175**	**95 643**	**(15 866)**	**(92 524)**	**(11 700)**	**86 900**

II. NOTES TO THE FINANCIAL STATEMENTS

1. General Information about Prima banka

a) Basic Information

Business name:	Prima banka Slovensko, a.s., as at 31.December 2011 Dexia banka Slovensko a.s. (hereinafter "Prima banka" or "the Bank")
Company ID No.:	31 575 951
Tax ID No.:	20 20 37 25 41
Registration:	Commercial Register of the District Court in Žilina, Section: Sa, Insert No.: 148/L
Registered office:	Hodžova 11, 010 11 Žilina
Legal form:	Joint-stock company
Incorporation:	Date of establishment: 14 May 1992 Date of incorporation: 1 January 1993

Prima banka is not an unlimited guarantor in any other business entity.

Change in the Bank's Business Name

At the Extraordinary General Meeting held on 24 November 2011, the shareholders approved the change of the business name from Dexia banka Slovensko a.s. to Prima banka Slovensko, a.s. as of 1 January 2012. On 6 December 2011, the National Bank of Slovakia decided to grant its approval of the change of the Articles of Association of Dexia banka Slovensko a.s. and thereby approved the General Meeting's decision on the change of the Bank's business name to Prima banka Slovensko, a.s. The new business name was registered in the Commercial Register with effect from 1 January 2012.

b) Statutory and Management Bodies

Supervisory Board

Chairman:	Iain Child, appointed as at 21.4.2011 Marc Lauwers, office terminated as at 31.3.2011
Vice-Chairman:	Ing. Marián Slivovič, appointed as at 21.4.2011 Stefaan Decraene, office terminated as at 31.3.2011
Members:	Michal Sýkora, appointed as at 23.6.2007 Patrick Galland, office terminated as at 31.3.2011 Pierre Marie Jacyues Daniel Vérot, appointed as at 21.4.2011 Jozef Oravkin, appointed as at 8.9.2011

Management Board

Chairman:	Stefaan Depaepe, office terminated as at 13.3.2011 Jan Rollo, appointed as at 1.4.2011
Members:	Ing. Katarína Vršanská, office terminated as at on 5.5.2011 Erwin Ruymaekers Dr., office terminated as at 31.3.2011 Ing. Markéta Kubíková, office terminated as at 31.3.2011 Ing. Peter Chovanec, office terminated as at 29.2.2012 Ing. Jaroslava Hirschová, appointed as at 19.5.2011 Ing. Pavol Majer, appointed as at 1.7.2011 Ing. Radovan Jenis, appointed as at 1.7.2011

Proxy :

Ing. Henrieta Gahérová, appointed as at 4.6.2011

c) Scope of Activities

Prima banka performs its activities only in the Slovak Republic in line with the banking license issued by the National Bank of Slovakia ("NBS").

The main scope of Prima banka's business is as follows:
1. Receipt of deposits
2. Provision of loans
3. Provision of payment services and clearing
4. Investment services, investment activities and supplementary services under the Act on Securities;
5. Trading on own account
6. Managing of clients' receivables on clients' accounts, including consulting services
7. Financial leasing
8. Provision of guarantees, opening and confirming Letters of Credit ,
9. Provision of consulting services in business
10. Issuing of securities, participation in securities issues, and provision of related services
11. Financial mediation activities
12. Depositing of valuables
13. Leasing of safes
14. Provision of banking information
15. Special mortgage activities under Article 67 (1) of the Banking Act
16. Acting as a depositary
17. Processing of banknotes, coins, commemorative banknotes and coins

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

d) General Information about the Parent Company

Business Name of the Direct Parent Company preparing the Consolidated Financial Statements:

PENTA INVESTMENTS LIMITED, Agias Fylaxeos & Polygnostou, 212 C&I CENTER, 2nd floor, P.C. 3082, Limassol, Cyprus, VAT No.: CY10158996I , registered in the Commercial Registry maintained by the Ministry of Trade, Industry and Tourism, Department of Company Registrar and Bankruptcy Administrator, Nicosia, registration number: HE 158996.

Business Name of the Ultimate Parent Company preparing the Consolidated Financial Statements:

The company, which prepares the consolidated financial statements on behalf of all the groups of the accounting entities of the consolidated unit is Penta Holding Limited, based in Agias Fylaxeos & Polygnostou, 212, C&I CENTER, 2nd floor, P.C. 3803, Limassol, Cyprus.

The consolidated financial statements are available in Penta Holding Limited. The consolidated financial statements are deposited with the Commercial Register maintained by Department of Registrar of Companies and Official Receiver, based in Makarios Avenue, Xenios Building, PC 1427 Nicosia, Cyprus.

Completion of the Sale of the Bank

On 11 November 2010, the Dexia Group announced the sale of its 88.71% ownership interest in Prima banka to the investment group Penta Investments Limited. The transaction was a part of the agreement with the European Commission concluded in February 2010. According to the agreement, the sale of Prima banka by the Dexia Group had to take place before 31 October 2012.

On 31 March 2011, Penta Investments Limited became the owner of 88.71% equity share in Prima banka Slovensko, a.s. As at 31 December 2011, Penta Investments Limited held a 94.16% equity share.

In connection with the change in the Bank's ownership structure, certain government bonds were sold from the portfolio of available-for-sale financial assets before the completion of the Bank's sale under the pre-agreed terms and conditions. The impact of the sale of the government bonds on the Bank's financial statements is described in Note 6.

e) Share Capital

Share Capital Structure

Prima banka can 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 not limited. The Bank's ordinary shares are publicly trade at the Bratislava Stock Exchange.

Ordinary Shares Structure

Type	**Ordinary shares**	**Ordinary shares**
ISIN	SK 1110001270	SK110013671
Kind	Registered	Registered
Form	Book-entered in the Central Securities Depository of the Slovak Republic	Book-entered in the Central Securities Depository of the Slovak Republic
Number	100 200 pcs	100 200 pcs
Face value	EUR 399	EUR 67

Type	**Ordinary shares**	**Ordinary shares**
ISIN	SK 1110014927	SK 1110015676
Kind	Registered	Registered
Form	Book-entered in the Central Securities Depository of the Slovak Republic	Book-entered in the Central Securities Depository of the Slovak Republic
Number	701 400 pcs	14 705 882 pcs
Face value	EUR 5	EUR 1

f) Shareholders Structure of Prima banka

	Stake in share capital in %	
	31.12.2011	31.12.2010
PENTA INVESTMENTS LIMITED, Cyprus	94,16	0
Dexia Kommunalkredit Bank AG, Wien, Austria	0,00	88,71
UniCreditBank Austria AG, Wien, Austria	0,00	1,06
City district of Bratislava - Petržalka	0,00	0,95
Shareholders under 1 % total	5,84	9,28
Total	**100,00**	**100,00**

g) Number of Employees

	31.12.2011	31.12.2010
Number of Employees, out of this:	**566**	**749**
Board of Directors	5	5
Manager officers[1)]	1	3
Senior officers[2)]	94	114

[1)] Number of manager officers that are not members of the Board of Directors
[2)] Number of other senior officers – without Board of Directors and without manager officers

As at 31 December 2011, Prima banka provided its services through 49 branches (31 December 2010: 49 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.

a) Purpose of Preparation

The purpose of preparing these separate financial statements in the Slovak Republic is to comply with the Act on Accounting No. 431/2002 Coll. 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 (IFRS). The financial statements are intended for general use and information, and are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly users should not rely exclusively on these financial statements when making decisions. The list of entities not consolidated in these separate financial statements is presented in Note 6 to these financial statements.

Under Article 22 (12) of Act No. 431/2002 Coll. on Accounting as amended, Prima banka does not prepare consolidated financial statements for the year ended 31 December 2011, as the subsidiary MUNICIPALIA, a.s. has no significant impact on the consolidation group of Prima banka. The opinion on the financial position, expenses, revenues, and results of the operations of Prima banka's consolidation group has not been affected by only preparing the Bank's separate financial statements.

The Bank's financial statements for the previous reporting period (as at 31 December 2010) were approved and authorised for issue on 18 February 2011.

b) Basis of Presentation

The separate financial statements of the Bank for the year ended 31 December 2011 and comparatives for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("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 was issued to integrate all standards and interpretations issued by the International Accounting Standards Board ("IASB") and the 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 no impact on the financial statements had it eventually been approved by the EU at the balance sheet date.

Prima banka adopted all of the new standards and interpretations issued by the IASB and the IFRIC of the IASB as adopted for use in the European Union. It adopted all standards and interpretations that are relevant to its operations, effective for reporting periods starting 1 January 2011. The standards and interpretations are as follows:

- Amendments to IAS 24 *"Related Party Disclosures"* - Simplifying the Disclosure Requirements for Government-Related Entities and Clarifying the Definition of a Related Party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011);
- Amendments to IAS 32 *"Financial Instruments: Presentation"* - Accounting for Rights Issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010);
- Amendments to IFRS 1 *"First-Time Adoption of IFRS"* - Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010);
- Amendments to various standards and interpretations *"Improvements to IFRSs (2010)"* - Resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13), primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (the amendments will apply to annual periods beginning on or after 1 July 2010, or beginning on or after 1 January 2011, depending on the standard/interpretation);
- Amendments to IFRIC 14 *"IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"* - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011); and
- IFRIC 19 *"Extinguishing Financial Liabilities with Equity Instruments",* adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of these new standards and interpretations has not led to any changes in the Bank's accounting policies that would have an impact on the amounts recognised for the current and previous reporting periods.

At the authorisation date of these financial statements, the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to IFRS 7 *"Financial Instruments: Disclosures"* - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

The International Accounting Standards Board (IASB) also approved the following standards, amendments to the existing standards and interpretations that were not endorsed by the EU for use as at 31 December 2011:

- IFRS 9 *"Financial Instruments"* (effective for annual periods beginning on or after 1 January 2015);
- IFRS 10 *"Consolidated Financial Statements"* (effective for annual periods beginning on or after 1 January 2013);
- IFRS 11 *"Joint Arrangements"* (effective for annual periods beginning on or after 1 January 2013);
- IFRS 12 *"Disclosures of Involvement with Other Entities"* (effective for annual periods beginning on or after 1 January 2013);
- IFRS 13 *"Fair Value Measurement"* (effective for annual periods beginning on or after 1 January 2013);
- IAS 27 (revised in 2011) *"Separate Financial Statements"* (effective for annual periods beginning on or after 1 January 2013);
- IAS 28 (revised in 2011) *"Investments in Associates and Joint Ventures"* (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 *"First-time Adoption of IFRS"* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011);
- Amendments to IFRS 7 *"Financial Instruments: Disclosures"* - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 9 *"Financial Instruments"* and IFRS 7 *"Financial Instruments: Disclosures"* – Mandatory Effective Date and Transition Disclosures;
- Amendments to IAS 1 *"Presentation of Financial Statements"* - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- Amendments to IAS 12 *"Income Taxes"* - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012);
- Amendments to IAS 19 *"Employee Benefits"* - Improvements to Accounting for Post-Employment Benefits (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 32 *"Financial Instruments: Presentation"* - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014); and
- IFRIC 20 *"Stripping Costs in the Production Phase of a Surface Mine"* (effective for annual periods beginning on or after 1 January 2013).

The Bank anticipates that adoption of these standards, amendments to the existing standards, and interpretations will have no material impact on the financial statements of the Bank in the period of initial application. The Bank is in the process of assessing the impact that adoption of IFRS 9 will have on the Bank's financial statements. As at the reporting date the Bank was not able to assess the significance of the impact on the Bank's financial statements in the period of initial application of the standard.

c) Basis for Preparation of Financial Statements

The financial statements were prepared on 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 on the assumption that the Bank will continue its operations as going concern for 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 ("EUR"). Value figures are presented in thousands unless stipulated otherwise. Value figures in brackets represent negative values.

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

In 2011, the Bank identified an error in the depreciation of technical improvements made to assets in the rented real estate that were depreciated in the past over a longer term than the agreed lease term of the relevant real estate. The Bank corrected the identified error retrospectively through the profit/loss from previous years. The impact of the corrected error on the profit/loss from previous years is described in Note 9.

.

3. Significant Accounting Policies

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 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 Comprehensive income statement item *"Net trading income"*.

c) Cash and Deposits in Central Banks

Cash and deposits in central banks comprise cash held, and cash balances with the National Bank of Slovakia, including the compulsory minimum reserve with the National Bank of Slovakia.

The compulsory minimum reserve with the National Bank of Slovakia 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 Statement of Cash Flow

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 not include the minimum compulsory reserves held with the NBS as its use (drawing) is restricted.

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 and loss"* or "*Financial assets held to maturity"*. 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 *"Loans and advances to 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. The Bank classifies financial instruments in four categories, in accordance with the Bank's intent on the acquisition of the instruments and pursuant to the Bank's investment strategy, as follows:

- Loans and receivables
- Financial assets or financial liabilities at fair value through profit or loss
  a. Financial assets or financial liabilities held for trading
  b. Financial assets or financial liabilities designated at fair value through profit or loss
- Held to maturity financial assets
- Available-for-sale financial assets

g) Loans and Other Receivables

Loans and other receivables represent non-derivative financial assets with fixed or determinable payments unlisted in an active market. Loans are measured at amortised costs using the effective interest rate method less impairment provisions.

Upon signing a loan agreement, a confirmation on the opening of a credit facility is recognised in the off-balance sheet accounts on the trade date. When the financial funds are drawn by the debtor, the loan is transferred to the statement of financial position. During the performance of their activities, the Bank records contingent liabilities with inherent credit risk. The Bank accounts for these contingent liabilities in off-balance sheet accounts, and records a provision for such liabilities that reflects the level of risk of issued guarantees, letters of credit, and unused credit limits as of the balance sheet date.

Recognition of Provisions for Impairment Losses on Loans

Prima banka classifies all receivables from customers as either individually significant or insignificant. Provisions for significant items of loans granted to customers are recognised on an individual basis. The decision on recording a provision is subject to the assessment whether the stated item fulfils any of the conditions that demonstrate potential impairment of a receivable. These conditions mainly include: delayed payment, information that distraint proceedings are held against the debtor, the debtor is in bankruptcy or liquidation, when identified fraud is associated with the receivable, when the receivable was restructured owing to the debtor's lack of funds to repay the receivable under the original payment schedule or when the Bank, based on monitoring the customer's financial position, arrives at the conclusion that the customer will not be able repay receivables in the full amount.

Provisions are recorded to cover estimated losses from loans and receivables for which objective evidence of impairment exists. The provision for possible loan losses is calculated to reduce loans to their recoverable carrying amount representing expected future cash flows discounted to the present value using the original effective interest rate implicit in the loan at inception or the fair value of the related collateral. Provisions for losses from loans to customers are charged to "*Net allocation to provisions on customer receivables*" in the comprehensive income statement. If there is no reason to record a provision or the amount of provisions is not adequate, excessive provisions are released using the same line of the comprehensive income statement.

Provisions are recorded based on the quantification of the incurred loss that is determined as the difference between the carrying amount of a loan receivable and the present value of estimated cash flows discounted using the original effective interest rate of the loan net of the collateral value. For restructured loans, the effective interest rate valid before the terms and conditions were changed is applied.

For items of loan receivables that do not meet conditions for specific provisioning and are not recognised at fair value, the Bank records collective portfolio provisions on a portfolio basis when using risk parameters for the relevant group of loans. Portfolio provisions cover losses that have not yet been identified on an individual basis but, based on historical experience, are inherent in individual portfolios as at the reporting date.

The calculation of collective portfolio provisions is based on the amounts receivable as disclosed on the balance sheet as receivables from customers and the amounts of off-balance sheet receivables from clients excluding defaulted exposures. The probability rates of default on receivables, a potential loss resulting from the default of a receivable, and the exposed amount are used to calculate expected losses. They are based on the analysis and back-testing of the historical experience of the Bank with regard to each portfolio.

Write-off of Receivables

The existence of unrecoverable receivables is connected with business risk, which is to a various extent inherent in all banking activities performed. If a particular receivable meets the conditions for a write-off, Prima banka writes off the receivable directly into expenses in the comprehensive income statement 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 the particular receivable. When a written-off receivable is collected, income is recognised in the comprehensive income statement under *"Net profit (loss) on write-off of receivables"*.

h) Transactions with Securities

Securities held by Prima banka are categorised in portfolios according to the intent on their acquisition. All securities acquired into Prima banka's portfolio are recognised at cost on the financial settlement date.

Financial Asset Held for Trading

Financial assets held for trading are acquired in order to earn profits from short term volatility. All purchases and sales of financial assets or liabilities held for trading that require delivery within the time frame established by regulation or market convention ("standard way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

Prima banka records unrealised gains and losses from the revaluation of these assets to their fair values in the comprehensive income statement line *"Net trading income"*. Interest income held for trading securities is accrued on a daily basis and recorded in the comprehensive income statement line *"Interest and similar income"*.

Financial Assets at Fair Value Through Profit or Loss

This portfolio includes financial instruments usually traded on a listed market and are used to manage position risks, mainly liquidity and currency risk exposures to harmonise the positions of the Banking and Trading Books, whilst the original purpose of the acquisition was to make an investment in the Prima banka portfolio.

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

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

Available-For-Sale Financial Assets

Available-for-sale financial assets ("AFS portfolio") include securities sold by Prima banka under standard market terms and conditions or to manage risks of the Banking Book. The AFS portfolio also includes the Bank's investments in privately-held companies with a share less than 20% in the share capital and voting rights, for which no market exists or the participation in which is compulsory (SWIFT Belgium). Prima banka does not expect to sell or otherwise dispose of such shares in the foreseeable future.

Dividend income from available for sale financial assets is reported as *"Dividend income"* in the comprehensive income statement. Profit or loss from the sale of financial assets available-for-sale is recognised in the comprehensive income statement as *"Net trading income"*.

Changes in the fair value of available-for-sale financial assets are credited or debited to revaluation reserves in equity.

Held-to-Maturity Financial Assets

This portfolio includes a non-derivative financial asset with fixed or floating payments and fixed maturity that the Bank intends and is able to hold to maturity. Held to maturity financial assets are measured at amortised cost using the effective interest rate method less impairment. Interest income and discounts and premiums on held-to-maturity securities are accrued on a daily basis and recognised as *"Interest and similar income"* in the comprehensive income statement.

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.

i) Financial Derivatives

Prima banka's financial derivatives include currency and interest rate swaps, forwards and options. They are held to hedge risk. In the statement of financial position, they are recognised at fair value under "*Positive fair value of derivates"* or *"Negative fair value of derivates"*. 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 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 comprehensive income statement under *"Net trading income"*.

The swaps and other derivatives in the Trading Book are revaluated in line with the discounted cash flows approach, using the respective market yield curves on a daily basis through profit and loss. The Banking Book instruments and hedging instruments are revaluated on a monthly basis and the same approach should be applied. In respect of embedded derivatives, they are valued separately only when they have a direct impact on the fair value of the host contract.

j) Hedging

Prima banka is hedged against the risk of volatility 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:
- Securities in the loans and receivables portfolio
- Long-term loans with s structured interest rate.

The gain or loss from the fair value valuation of a hedging instrument is recognised in revenues or expenses. The gain or loss from a hedged item attributable to the hedged risk is recognised in the profit and loss whereas the impact of changes in fair values of hedging instruments and hedged items on the P/L is insignificant.

In June 2011, Prima banka terminated the hedging against the variability of cash flows for recognised long-term loans with a floating interest rate ("Cash Flow Hedge"). The gain or loss from the revaluation of a hedging instrument to fair value recognised in the statement of changes in equity under "*Revaluation reserves*" is amortised in the statement of comprehensive income until the maturity of the originally-hedged long-term loans.

In 4Q 2011, Prima banka also terminated the hedging against the risk of fair-value volatility ("Fair Value Hedge") for issued mortgage bonds, received subordinated debts and AFS securities, as well as for provided loans with a structured interest rate.

The hedged financial instruments are still kept in the Bank's portfolios and their fair value as calculated at the date of cancellation of the hedging is amortised to Comprehensive Income Statement until their maturity. Hedging instruments such as interest rate swaps were cancelled and financially settled.

k) Fair Value of Financial Instruments

The fair value of financial instruments corresponds to the quoted market price as at the reporting date, without 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.

l) 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 of depreciating or amortising non-current tangible and intangible assets. The assets are classified into depreciation/amortisation groups based on the depreciation period. Accounting depreciation and amortisation rates and depreciation methods are determined by the Bank and take into account the estimated useful life of assets. The depreciation of assets starts in the month when the assets are placed into service.

Non-current tangible assets with a cost up to EUR 1 700 and non-current intangible assets with a cost up to EUR 2 400 and useful life over one year are expensed in the year when they are placed into service.

Land and works of art are not depreciated.

Prima banka uses the following depreciation periods:

	Depreciation Period in Years
Computers, office tools, cars, etc. ...	4
Software	2 to 4
Inventory	6
Office equipment	12
Buildings and structures	20

m) Impairment of Tangible and Intangible Assets

At each balance sheet date, the Prima banka reviews the carrying amounts of its non-current tangible and intangible assets to determine whether there is any indication that those 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 derive 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 shall be reduced to equal the recoverable amount. The impairment loss shall be recognised directly through comprehensive income statement under *"Depreciation"*.

n) Income Tax

Income tax consists of current and deferred income tax.

The current income tax is calculated from the taxable profit reported by Prima banka in accordance with the Slovak tax legislation. Taxable profit differs from profit as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The tax liability is calculated using the tax rates valid as of the reporting date.

Deferred income tax is provided, using the balance sheet liability 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 19%.

A deferred tax liability related to taxable temporary differences represents tax that is 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 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.

Deferred tax is recognised in the income statement except for cases when the deferred tax relates to items not recognised as income or expenses but are 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 income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

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

o) Securities Issued

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

p) Subordinated Debt

Subordinated debt refers to the Bank's external funds and, in the event of bankruptcy, composition or Bank's liquidation, 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 comprehensive income statement in *"Interest and similar expenses"*.

q) 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.

r) 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. It is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from the recognition of provision for liability is recognised in the comprehensive income statement for the period.

s) 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.

t) Interest Income and Interest Expense

Interest income and expense, and interest related charges arising on all interest-bearing instruments are accrued in the comprehensive income statement 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.

u) Fees and Commissions

Fees and commissions received and paid are recognised in the comprehensive income statement under the matching principle. Fees for the provision of loans are accrued over the term of the respective loan using the effective interest rate of the loan.

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 actual results may differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules, and/or other factors could subsequently result in a change in estimates or other adjustments, which could have a material impact on the reported financial position and results of operations.

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.

Areas that require subjective assessment include:

- Negative developments in the economic environment resulted in the adjustment to the valuation of the Bank's selected assets. When preparing prudent and reasonable estimates under the existing circumstances, the Bank's management reflected all significant facts that could have an impact on the financial statements, valuation of assets and liabilities disclosed in the financial statements, liquidity and raising of funds in relation to the present state of the economic environment. Additionally, an increased level of uncertainty persists in respect of the future economic development, which may result in material future changes in the valuation and impairment of assets.
- As discussed in Note 3 above and as described in detail in Notes 4 and 32, chapter 6 to the Financial Statements, the Bank recognises a provision for impairment of loans and receivables and contingent liabilities when there is objective evidence that past events had an adverse impact on estimated future cash flows. These provisions are based on the Bank's historical experience and the latest data on loan defaults, recoverability of loans and/or time needed for a loss event to evolve into default, and from subjective judgements of the Bank's management regarding estimated future cash flows. The recognition of provisions for loan losses and identified contingent liabilities, however, includes some uncertainties regarding the outcome of the aforementioned risks and requires the Bank's management many subjective judgements when estimating losses. Given the existing economic conditions, the outcome of the estimates may differ from the amount of the impairment provisions recognised as at 31 December 2011.
- Income tax 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. Also, tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of examining taxpayers. Accordingly, there is a high degree of uncertainty about the ultimate outcome of potential examinations by the tax authorities.
- The amounts recognised as provisions and reserves are based on judgement of the Bank's management and represent the best estimate of the expenses required to settle a liability with uncertain timing and an uncertain amount payable.

5. Segment Reporting

The basis for classification into individual segments is the internal principle provided to the Bank's management. For internal management purposes, the Bank makes assessments of the following segments:

- Retail and commercial banking
- Financial markets and other

Retail and commercial banking includes the provision of banking products and services to towns and municipalities, businesses and individuals. The financial market segment and other include the Bank's trading with financial instruments of money and capital markets on its own account.

From a geographical point of view, operating profit/(loss) is generated/incurred mainly by the provision of bank services in the Slovak Republic. Some assets and liabilities were placed outside the Slovak Republic. An overview of major exposures of total assets and liabilities to foreign entities is disclosed in relevant notes to these financial statements. The Bank decided not to disclose the amount of total income from foreign entities, owing to the immateriality of the amount.

Schemes show relevant revenues and expenses allocated by causal principles, ie revenues and expenses are assigned to segments based on the place of their origin.

In the comprehensive income statement, revenues per client segments are "*Net interest income*", "*Net fee and commission income*", "*Net trading income*", "*Net income on investments*", and "*Other net income*".

"Net allocation to provisions" includes net allocation or release of specific and portfolio provisions resulting from credit risk, write-off of loan receivables, and revenues from written-off receivables. *"General and administrative expenses"* include direct and indirect expenses. Direct expenses (personnel costs and purchased supplies and services) are allocated by relevant segments and indirect expenses are allocated by an approved allocation scheme.

Separate comprehensive income statement and other indicators by segments as at 31 December 2011:

	Retail and Commercial banking	Financial markets and others	Total
Net interest margin	42 760	(2 235)	40 525
Net fee and commission income	12 476	(1 010)	11 466
Net trading income (loss)	(853)	(495)	(1 348)
Net income on investments	3 038	(852)	2 186
Other net income (expenses)	0	244	244
Net income (loss) from banking activities	**57 421**	**(4 348)**	**53 073**
General and administrative expenses	(46 382)	(6 645)	(53 026)
Net operating income (loss)	**11 039**	**(10 992)**	**47**
Net allocation to provisions	(14 371)	(148)	(14 519)
Loss before tax	**(3 332)**	**(11 140)**	**(14 472)**
Assets total	**1 263 996**	**648 086**	**1 912 082**

Separate comprehensive income statement and other indicators by segments as at 31 December 2010:

	Retail and Commercial banking	Financial markets and others	Total
Net interest margin	47 336	(4 492)	42 844
Net fee and commission income	11 394	(1 472)	9 922
Dividen income	1	-	1
Net trading income (loss)	800	318	1 118
Net income on investments	-	757	757
Other net income (expenses)	-	285	285
Net income (loss) from banking activities	**59 531**	**(4 604)**	**54 927**
General and administrative expenses	(45 113)	(3 447)	(48 560)
Net operating income (loss)	**14 418**	**(8 051)**	**6 367**
Net allocation to provisions	(5 109)	(6)	(5 115)
Loss before tax	**9 309**	**(7 942)**	**1 367**
Assets total	**1 896 598**	**726 298**	**2 622 896**

6. Notes to the Financial Statements

1. Cash

	31.12.2011	31.12.2010
Cash	33 230	36 482
Total	**33 230**	**36 482**

2. Balances with the National Bank of Slovakia

	31.12.2011	31.12.2010
Compulsory reserves	31 636	52 733
Total	**31 636**	**52 733**

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 the European Community and European Central Bank regulations. The Bank's ability to withdraw the reserve is restricted by statutory legislation.

3. Due from Banks

	31.12.2011	31.12.2010
Current account in other banks	399	1 112
Term deposits	126 675	178 456
Debt securities	2 462	4 102
Total	**129 536**	**183 670**
Provisions	(9)	(31)
Total	**129 527**	**183 639**

Debt securities represent bonds of Slovak banks included in the loans and receivables portfolio.

a) Provisions for Balances Due from Banks

Movements in provisions for balances due from banks for 2011:

	Balance 1.1.2011	Allocation	Use/ Release	Balance 31.12.2011
Provisions	(31)	(14)	36	(9)
Total	**(31)**	**(14)**	**36**	**(9)**

Movements in provisions for balances due from banks for 2010:

	Balance 1.1.2010	Allocation	Use/ Release	Exchange rate differences	Balance 31.12.2010
Provisions	(24)	(20)	14	(1)	(31)
Total	**(24)**	**(20)**	**14**	**(1)**	**(31)**

b) Due from Banks by Geographical Territory

	31.12.2011	31.12.2010
Slovak Republic	65 417	27 038
Other OECD countries	64 110	156 601
Total	**129 527**	**183 639**

As at 31 December 2011, the item "Other countries" includes mostly exposures to banks in the Czech Republic (EUR 45 025 thousand), the United Kingdom (EUR 10 018 thousand), France (EUR 6 864 thousand) and Belgium (EUR 2 001 thousand).

4. Loans and Advances to Customers

a) By Customer Group

	31.12.2011	31.12.2010
Municipalities	515 708	836 757
Corporates	137 292	332 450
Other enterprises	406 609	497 737
Individuals, of which:	307 890	315 349
mortgages	115 987	122 137
loans for real estate	155 816	155 721
consumer loans	24 347	22 405
other loans	11 739	15 086
Total	**1 367 499**	**1 982 293**
Specific provisions	(136 750)	(125 826)
Portfolio provisions	(6 255)	(7 047)
Total	**1 224 494**	**1 849 420**

The overview of loans and advances by their residual maturity is stated in Note 40 (2c).

b) By Geographical Territory

	31.12.2011	31.12.2010
Slovak republic	1 201 437	1 806 202
Others countries	23 057	43 218
Total	**1 224 494**	**1 849 420**

As at 31 December 2011, the item "Other countries" includes mostly loans provided to customers based in the Czech Republic in the amount of EUR 17 218 thousand.

c) Provisions for Loans to Customers

Allocation and use of provisions in 2011:

	Balance 1.1.2011	Allocation	Use/ Release	Balance 31.12.2011
Specific provisions, of which	**(125 826)**	**(24 685)**	**13 761**	**(136 750)**
- impared receivables	(125 826)	(24 685)	13 761	(136 750)
Portfolio provisions, of which	**(7 047)**	**(14 787)**	**15 579**	**(6 255)**
- individually significant customers	(5 496)	(14 038)	14 971	(4 563)
- individually non-significant customers	(1 551)	(749)	608	(1 692)
Total	**(132 873)**	**(39 472)**	**29 340**	**(143 005)**

Allocation and use of provisions in 2010:

	Balance 1.1.2010	Allocation	Use/ Release	Exchange rate differences	Balance 31.12.2010
Specific provisions	**(121 936)**	**(24 770)**	**20 880**	**0**	**(125 826)**
- impared receivables - customers	(121 936)	(24 770)	20 880	0	(125 826)
General provisions, in	**(6 701)**	**(9 539)**	**9 197**	**(3)**	**(7 047)**
- significant customers	(5 599)	(7 145)	7 282	(34)	(5 496)
- non significant customers	(1 102)	(2 395)	1 915	31	(1 551)
Total	**(128 637)**	**(34 310)**	**30 077**	**(3)**	**(132 873)**

5. Financial Assets at Fair Value revaluated through Profit and Loss

	31.12.2011	31.12.2010
Loans to municipalities	0	6 474
State bonds	29 935	31 122
Bonds issued by the banking sector	0	1 661
Accrued inerest - bonds	1 153	1 153
Total	**31 088**	**40 410**

As at 31 December 2011, financial assets at fair value through profit and loss include Slovak government bonds only.

6. Available for Sale Financial Assets

	31.12.2011	31.12.2010
State bonds	0	321 497
Ownerhip interests in the registered capital of subsidiaries	20	20
Other securities	80	106
Accrued interest	0	9 575
Total	**100**	**331 198**

In October 2005, Prima banka established a subsidiary – MUNICIPALIA, a.s. whose share capital amounts to EUR 33 194. Prima banka owns 60%, ie EUR 19 916.

In terms of the Share Purchase Agreement made between Dexia Kommunalkredit Bank AG and Penta Investments, in 2011 there took place the sale of certain government bonds from the portfolio of financial assets available-for-sale at face value of EUR 110 000 thousand. The bonds were sold by the Bank to Dexia Crédit Local Paris at a market price in the total amount of EUR 70 287 thousand. The difference between the market price at the moment of the sale (purchase price) and the bonds' face value in total amount of EUR 39 713 thousand was paid by Dexia Kommunalkredit Bank AG as a contribution to the Bank's other capital reserves.

For a comprehensive assessment of the transactions related to the transfer of certain government bonds from the portfolio of available-for-sale financial assets and the increase of the Bank's other capital reserves made by the Bank's original owner (who acted as the Bank's owner in the respective transactions), where both of these transactions were linked to the sale of the Bank to a new owner, the Bank recognised the impact of both transactions in equity without an impact on the profit/loss, as this accounting treatment reflects better the purpose and economic basis of these transactions, including the existing economic linkage of these transactions. As at the transfer date of the government bonds, the revaluation reserve in the amount of EUR 39 713 thousand was released against other capital reserves.

Due to unstable situation on the financial markets, Slovak government bonds saw sharp movements in credit spreads in 2011. As the securities classified as "available-for-sale financial assets" were purchased as a long-term investment to earn interest income, the Bank's management decided to reclassify these securities in the amount of EUR 263 602 thousand to "financial assets held to maturity" – with no change in the Bank's investment strategy. With respect to the transfer, the Bank continues to recognise a revaluation reserve in the amount of EUR 18 298 thousand (net of deferred tax) in equity as at 31 December 2011; the revaluation reserve will be amortised in the statement of comprehensive income line "Net interest income" until the maturity of such securities.

Other Securities – Shares, Trust Certificates and Other Ownership Interests

Name	31.12.2011			31.12.2010		
	Equity share			Equity share		
	Nominal Value		Fair Value	Nominal Value		Fair Value
	(%)	(EUR´000)	(EUR´000)	(%)	(EUR´000)	(EUR´000)
RVS a. s. Bratislava	0,678	46	70	0,678	46	71
SWIFT LA HULPE, Belgicko	-	-	1	-	-	1
RRA, Žilina	8,257	9	0	8,257	9	0
1. Garantovaná a.s., Bratislava	0,005	5	0	0,005	5	1
Púchovský mäsový priemysel, a. s., Púchov	0,885	23	9	0,885	23	33
Total	**x**	**83**	**80**	**x**	**83**	**106**

7. Financial Assets Held to Maturity

	31.12.2011	31.12.2010
State bonds	373 053	24 589
Utilities bonds	39 501	39 501
Accrued interest	7 499	976
Total	**420 053**	**65 066**
Provisions	(672)	(5)
Total	**419 381**	**65 061**

As at 31 December 2011, the Bank held government bonds in the following structure: Slovak government bonds (EUR 336 553 thousand), Polish government bonds (EUR 35 500 thousand) and Belgian government bonds (EUR 1 000 thousand).

Allocation and use of provisions in 2011:

	Balance 1.1.2011	Allocation	Use/ Release	Balance 31.12.2011
Portfolio provisions	(5)	(671)	4	(672)
Total	**(5)**	**(671)**	**4**	**(672)**

Allocation and use of provisions in 2010:

	Balance 1.1.2010	Allocation	Use/ Release	Balance 31.12.2010
Portfolio provisions	(5)	(1)	1	(5)
Total	**(5)**	**(1)**	**1**	**(5)**

8. Net Positive Value of Derivatives

	31.12.2011 Assets		31.12.2010 Assets	
Assets	**Fair Value**	**Nominal value**	**Fair Value**	**Nominal value**
Trading derivatives, including	**2 640**	**248 606**	**4 544**	**348 752**
interest rate derivatives	2 497	210 091	4 311	310 075
currency derivatives	143	38 515	233	38 677
Hedging derivatives, including	**1 261**	**83 484**	**8 809**	**640 335**
interest rate derivatives	1 261	83 484	8 809	640 335
Total	**3 901**	**332 090**	**13 353**	**989 087**

The residual maturity of derivatives at face value is stated in Note 37.

9. Non-Current Tangible Assets

Movements in non-current tangible assets as at 31 December 2011:

	31.12.2010	Increase	Decrease	31.12.2011
Lands, buildings and structures	33 892	306	(467)	33 731
Investment technology	9 308	279	(1 029)	8 560
Other non-current tangible assets	17 644	226	(831)	17 039
Operating lease	701	25	(58)	666
Property and equipment	**61 545**	**836**	**(2 385)**	**59 996**
Accumulated deprecation - buildings and structures	(14 074)	(3 011)	131	(16 954)
Accumulated deprecation - investment technologies	(6 983)	(1 022)	1 029	(6 978)
Accumulated deprecation - other non-current tangible assets	(14 038)	(1 407)	739	(14 707)
Accumulated deprecation - operating lease	(485)	(43)	50	(475)
Accumulated deprecation and provisions	**(35 580)**	**(5 483)**	**1 949**	**(39 114)**
Net book value	**25 965**	**(4 647)**	**(436)**	**20 882**

Additions to accumulated depreciation to buildings and structures also include the creation of provisions in the total amount of EUR 1 million that was recorded by the Bank's management with respect to branch network restructuring and planned early termination of certain lease contracts.

Movements in non-current tangible assets as at 31 December 2010:

	Balance as at 1.1.2010 for adjustment	Increase	Decrease	31.12.2010	Corrections of the mistakes of last periods	Balance as at 31.12.2010 for adjustment
Lands, buildings and structures	34 337	532	(977)	33 892	0	33 892
Investment technology	9 392	791	(875)	9 308	0	9 308
Other non-current tangible assets	17 827	617	(800)	17 644	0	17 644
Operational leasing	701	0	0	701	0	701
Property and equipment	**62 257**	**1 940**	**(2 652)**	**61 545**	**0**	**61 545**
Accumulated deprecation - buildings and structures	(12 550)	(1 660)	432	(13 778)	(296)	(14 074)
Accumulated deprecation - investment technologies	(6 666)	(1 189)	872	(6 983)	0	(6 983)
Accumulated deprecation - other non-current tangible	(13 289)	(1 538)	789	(14 038)	0	(14 038)
Accumulated deprecation - operating lease	(460)	(25)	0	(485)	0	(485)
Accumulated deprecation and provisions	**(32 965)**	**(4 412)**	**2 093**	**(35 284)**	**(296)**	**(35 580)**
Net book value	**29 292**	**(2 472)**	**(559)**	**26 261**	**(296)**	**25 965**

Balance in non-current tangible assets as at 1 January 2010:

	1.1.2010	Corrections of the mistakes of last periods	Balance as at 1.1.2010 after adjustment
Lands, buildings and structures	34 337	0	34 337
Investment technology	9 392	0	9 392
Other non-current tangible assets	17 827	0	17 827
Operating lease	701	0	701
Property and equipment	**62 257**	**0**	**62 257**
Accumulated deprecation - buildings and structures	(11 550)	(1 000)	(12 550)
Accumulated deprecation - investment technologies	(6 666)	0	(6 666)
Accumulated deprecation - other non-current tangible assets	(13 289)	0	(13 289)
Accumulated deprecation - operating lease	(460)	0	(460)
Accumulated deprecation and provisions	**(31 965)**	**(1 000)**	**(32 965)**
Net book value	**30 292**	**(1 000)**	**29 292**

Correction of an Error in the Depreciation of Assets

In 2011, the Bank identified an error in the depreciation of technical improvements of rented real estates that were depreciated in the past over a longer period than the agreed lease period of the relevant real estate. The Bank corrected the identified error through the profit/loss from previous years. The impact of the corrected error on the profit/loss from previous years amounts to EUR -1 296 thousand as at 31 December 2011 (31 December 2010: EUR -1 000 thousand), with an impact on the 2010 profit/loss in the amount of EUR 296 thousand.

Obligations arising from contracts for the purchase of non-current tangible assets

As at 31 December 2011, Prima banka did not record any liabilities under agreements to purchase non-current tangible assets (31 December 2010: EUR 0 thousand).

Insurance Coverage

Non-current tangible assets are insured covering EUR 16 500 thousand against natural disaster, EUR 29 450 thousand against fire damage, EUR 150 thousand against water damage, and EUR 350 thousand against theft and vandalism. A set of non-current tangible assets including electronic devices and low-value tangible assets are insured up to the maximum risk amount of EUR 25 500 thousand. Based on the effective motor hull insurance, vehicles have been insured up to EUR 1 084 thousand.

Contingent Liabilities from Operating Lease

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

As at 31 December 2011 and as at 31 December 2010, the total amount of future payments resulting from the irrevocable operating lease agreements was as follows:

Payables from irrevocable operating lease (in EUR´000)	31.12.2011	31.12.2010
Less than 1 year	118	195
1 year to 5 years	3 393	6 262
More than 5 years	3 632	4 372
Total	**7 144**	**10 829**
Operating lease recognised in general operating expenses	2 464	2 968

10. Non-Current Intangible Assets

Movements in non-current intangible assets as at 31 December 2011

	31.12.2010	Increase	Decrease	31.12.2011
Software	5 008	302	(23)	5 287
Other non-current intangibles assets	21 156	444	(600)	21 000
Non-current intangible assets	**26 164**	**746**	**(623)**	**26 287**
Amortised depreciation-software	(3 651)	(876)	15	(4 512)
Amortised depreciation - other non-current intangible assets	(17 201)	(2 004)	408	(18 797)
Amortised depreciation	**(20 852)**	**(2 880)**	**423**	**(23 309)**
Net book value	**5 312**	**(2 134)**	**(200)**	**2 978**

Movements in non-current intangible assets as at 31 December 2010:

	31.12.2009	Increase	Decrease	31.12.2010
Software	5 149	716	(856)	5 009
Other non-current intangibles assets	19 685	1 470	0	21 155
Non-current intangible assets	**24 834**	**2 186**	**(856)**	**26 164**
Amortised depreciation-software	(3 754)	(753)	856	(3 651)
Amortised depreciation - other non-current intangible assets	(14 317)	(2 884)	0	(17 201)
Amortised depreciation	**(18 071)**	**(3 637)**	**856**	**(20 852)**
Net book value	**6 763**	**(1 451)**	**0**	**5 312**

As at 31 December 2011, Prima banka did not record any liabilities under agreements to purchase non-current intangible assets (31 December 2010: EUR 0 thousand).

11. Current and Deferred Tax Asset

	31.12.2011	31.12.2010
Deferred tax assets	12 340	16 063
Total	**12 340**	**16 063**

12. Other Assets

	31.12.2011	31.12.2010
Accruals and deferrals	1 006	1 287
Other Assets	1 519	1 973
Total	**2 525**	**3 260**

13. Loans and Deposits received from the National Bank of Slovakia

	31.12.2011	31.12.2010
Received loans	14 000	110 000
Accrued interest	4	69
Total	**14 004**	**110 069**

As at 31 December 2011, pooling from NBS was secured by government bonds included in the securities portfolio for pooling in the amount of EUR 200 072 thousand (31 December 2010: 101 116 thousand):

Name	Carrying amount of debt securities	Carrying amount of deposits	Guarantee expiration date	Pledged in favour of
State Bonds	200 072	14 004	05/2012 - 04/2020	NBS

14. Due to Banks

	31.12.2011	31.12.2010 after adjustment
Current liabilities and amount payable on demand	561	73
Term deposits	46 536	213 158
Received loans	0	341 000
Accrued interest	165	794
Total	**47 262**	**555 026**

As of 31 December 2010, the Bank recognised short-term loans in total amount of EUR 341 000 thousand received from Dexia Bank Brussels, Dexia Crédit Local Dublin and Dexia Kommunalkredit bank AG Vienna. The loans were repaid in 1Q 2011.

a) By Geographical Territory

	31.12.2011	31.12.2010
Slovak Republic	0	34 987
Others countries	47 262	520 039
Total	**47 262**	**555 026**

As at 31 December 2011, the item "Other countries" includes mostly exposures to banks in Austria in the amount of EUR 46 701 thousand.

15. Customer Deposits

a) By Customer Group

	31.12.2011	31.12.2010
Municipalities	257 049	282 667
State	50 354	51 295
Institutions	0	147 258
Corporates	81 702	92 302
Other enterprises	221 449	247 904
Individuals	941 036	837 960
Total	**1 551 590**	**1 659 386**

b) By Type of Product

	31.12.2011	31.12.2010
Current accounts	622 759	656 228
Term deposits	748 898	583 792
Saving deposits	179 933	272 108
Received loans	0	147 258
Total	**1 551 590**	**1 659 386**

c) By Currency

	31.12.2011	31.12.2010
in Euro	1 537 522	1 641 917
in foreign currencies	14 068	17 469
Total	**1 551 590**	**1 659 386**

d) By Geographical Territory

	31.12.2011	31.12.2010
Slovak Republic	1 544 603	1 505 857
Others countries	6 987	153 529
Total	**1 551 590**	**1 659 386**

e) Breakdown of Received Loans from Institutions

Received loans	Type of loan	Contracutal maturity	Carrying amount	
			31.12.2011	31.12.2010
European Investment bank, Luxembourg	Long-term	06/2020	0	15 776
European Investment bank, Luxembourg	Long-term	10/2021	0	13 743
European Investment bank, Luxembourg	Long-term	04/2022	0	15 033
European Investment bank, Luxembourg	Long-term	06/2023	0	15 012
European Investment bank, Luxembourg	Long-term	12/2022	0	75 006
European bank for reconstuction and development, London	Long-term	03/2016	0	12 688
Total	**x**	**x**	**0**	**147 258**

In connection with the sale of the Bank and the change of the shareholder's structure, the European Investment Bank asked for a premature repayment of all provided loans. As of 31 March 2011, the Bank terminated the collateralization of above mentioned loans (as of 31.12.2010: EUR 171 921 thousand). Also the loan provided by the European Bank for Reconstruction and Development in London was prematurely repaid as of 30 September 2011.

As of 31 December 2011, part of customer deposits was secured by securities included in the securities portfolios in the amount of EUR 57 275 thousand (31 December 2010: EUR 73 027 thousand) in favour of the following subjects:

Name	Carrying amount of debt securities	Carrying amount of deposits	Guarantee expiration date	Pledged in favour of
State Bonds	54 619	54 619	31.1.2012	ŠFRB
State Bonds	2 656	2 656	30.10.2012	State treasury
Total	**57 275**	**57 275**		

16. Deposits Measured at Fair Value Through Profit and Loss

	31.12.2011	31.12.2010
Customers, including:	**7 624**	**7 824**
Individuals	7 624	7 824
Total	**7 624**	**7 824**

Structured deposits with a two-year maturity are recognised as *"Deposits Measured at fair value through profit and loss"*. They are offered to customers through individual issues during a subscription period.

17. Debt Securities

	31.12.2011	31.12.2010
Mortgage bonds	110 384	120 712
Accrued interest	1 961	1 205
Total	**112 345**	**121 917**

As at 31 December 2011 Prima banka issued the securities summarized in the following table:

Name	Date of issue	Maturity date	Freqvency of coupon repayment	Interest rate	Nominal value (EUR)	Number of securities issued	Carrying amount as at 31.12.2011
Mortgage bonds of Dexia bank II.	7.11.2005	7.11.2012	annually	3,41%	331 939,19	149	49 964
Mortgage bonds of Dexia bank III.	25.9.2007	25.9.2012	annually	4,75%	331 939,19	67	22 677
Mortgage bonds of Dexia bank IV.	10.7.2009	10.7.2012	annually	3,50%	1 000,00	5909	6 007
Mortgage bonds of Dexia bank V.	28.10.2009	28.10.2013	annually	4,10%	1 000,00	5975	6 018
Mortgage bonds of Dexia bank VI.	10.3.2010	10.3.2014	annually	3,60%	1 000,00	9936	10 338
Mortgage bonds of Dexia bank VII.	7.7.2010	7.7.2013	annually	3,30%	1 000,00	9590	9 766
Mortgage bonds of Dexia bank VIII.	13.6.2011	13.6.2015	annually	3,50%	1 000,00	7432	7 575
Total							**112 345**

As at 31 December 2010 Prima banka issued the securities summarized in the following table:

Name	Date of issue	Maturity date	Freqvency of coupon repayment	Interest rate	Nominal value (EUR)	Number of securities issued	Carrying amount as at 31.12.2010
Mortgage bonds of Dexia bank II.	7.11.2005	7.11.2012	annually	3,41%	331 939,19	200	66 954
Mortgage bonds of Dexia bank III.	25.9.2007	25.9.2012	annually	4,75%	331 939,19	67	22 888
Mortgage bonds of Dexia bank IV.	10.7.2009	10.7.2012	annually	3,50%	1 000,00	5909	6 007
Mortgage bonds of Dexia bank V.	28.10.2009	28.10.2013	annually	4,10%	1 000,00	5 998	6 041
Mortgage bonds of Dexia bank VI.	10.3.2010	10.3.2014	annually	3,60%	1 000,00	9 936	10 312
Mortgage bonds of Dexia bank VII.	7.7.2010	7.7.2013	annually	3,30%	1 000,00	9 590	9 715
Total							**121 917**

Mortgage bonds issued by Prima banka are registered securities in book-entry form. The bonds are readily transferrable with no pre-emption or conversion right attached thereto. Some of the mortgage bonds issued by the Bank are listed on the Bratislava Stock Exchange. Section 68 of the Act on Banks requires that the amount of issued mortgage bonds not be less that 90% of the total amount of granted mortgage loans. The bank adhered to the mentioned legal requirement during the whole year 2011 and during the whole year 2010. As at 31 December 2011, the part of the issued mortgage bonds above the statutory limit is secured by government bonds kept in securities portfolios in the amount of EUR 6 544 thousand (31 December 2010: EUR 7 303 thousand).

18. Net Negative Value of Derivatives

	31.12.2011 Liabilities		31.12.2010 Liabilities	
	Fair Value	Nominal value	Fair Value	Nominal value
Trading derivatives, including	**7 174**	**248 643**	**7 725**	**348 778**
interest rate derivatives	7 079	210 091	7 606	310 075
currency derivatives	95	38 551	119	38 703
Hedging derivatives, including	**3 822**	**83 484**	**21 390**	**640 335**
interest rate derivatives	3 822	83 484	21 390	640 335
Total	**10 996**	**332 126**	**29 115**	**989 113**

The residual maturity of the derivates at face value is summarised in Note 37.

19. Tax Liabilities

	31.12.2011	31.12.2010
Current tax liability	0	286
Total	**0**	**286**

20. Other Liabilities

	31.12.2011	31.12.2010 after adjustment	1.1.2010 after adjustment
Accruals and deferrals	154	951	209
Estimated payables	8 599	4 352	5 512
Settlement with employees (payable)	797	968	1 105
of which: social fund	184	204	301
Other	21 569	8 409	8 454
State budget clearing account	524	1 520	1 292
Total	**31 643**	**16 200**	**16 572**

Estimated liabilities consist mainly of a provision for employee and management bonuses for 2011, provision for unused vacation and provision for unbilled supplies of goods and services.

In 2011, the Bank adjusted presentation of the balance of clearing accounts from line “Due to banks” and to line “Other liabilities” item “Other”. Comparative data were reclassified to ensure the comparability and consistent presentation of the presented data.

Social Fund

Prima banka has created the social fund as required by the Social Fund Act, the Income Tax Act and the higher-level collective agreement entered into between the Slovak Banking Association and the Banking and Insurance Trade Union in the Slovak Republic. The social fund is used by Prima banka to finance its own social policy.

The social fund is created during the year (subject to earned profit and fulfillment of tax and social security payments) at 0.6% of gross wages effectively paid out 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 use and drawing of the social fund as at 31 December 2011 is presented in the following table:

	31.12.2011	31.12.2010
Balance as at 1.1. 2011	204	301
Allocation (from expenses)	132	72
Usage, of which:	(152)	(168)
catering	(140)	(144)
social help	(12)	(25)
Balance as at 31.12. 2011	**184**	**204**

21. Provisions and Reserves

	31.12.2011	31.12.2010
Provision on litigation claims	1 463	563
Provision on off-balance sheet liabilities	809	992
Total	**2 272**	**1 555**

Movements in provisions and reserves as at 31 December 2011:

	1.1.2011	Allocation	Use/ Release	Exchange rate differences	31.12.2011
Provision on litigation claims	(563)	(900)	0	0	(1 463)
Provision for off-balance sheet liabilities	(992)	(1 903)	2 137	(51)	(809)
Total	**(1 555)**	**(2 803)**	**2 137**	**(51)**	**(2 272)**

Movements in provisions and reserves as at 31 December 2010

	Stav k 1.1.2010	Allocation	Use/ Release	Exchange rate differences	Stav k 31.12.2010
Provision on litigation claims	(1 860)	0	1 297	0	(563)
Provision for restructuring	(772)	0	772	0	0
Provision for off-balance sheet liabilities	(1 207)	(1 167)	1 420	(37)	(992)
Total	**(3 839)**	**(1 167)**	**3 489**	**(37)**	**(1 555)**

Provision for Litigation claims

In the ordinary course of business, the Bank is subject to legal actions and complaints. Each dispute is subject to a special monitoring and 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 favor. The total provision for litigation claims amounts to EUR 1 463 thousand as of 31 December 2011, representing the principal and interest on arrears (31 December 2010: EUR 563 thousand).

On 8 June 2009, a lawsuit was initiated against the Bank by a former client. The subject matter of the lawsuit is a motion to release unjust enrichment and the settlement of damages in the total amount of EUR 162 million, which was later decreased by the plaintiff to EUR 110 million.

On 17 May 2010, the District Court Bratislava I issued a first instance non-binding court decision ordering the Bank to settle EUR 138 million with respect to the claim made by the professional client. On 12 July 2010, another non-binding court decision was issued ordering the Bank to settle EUR 15.2 million as a reimbursement for the plaintiff's court costs. The Bank has appealed against both non-binding first instance court decisions.

On 25 January 2011, the Bank received a notice that the Regional Court in Bratislava has accepted the Bank's appeal and has dismissed the first instance non-binding decisions of the District Court Bratislava I. The case was returned to the first instance court. According to the Court of Appeal, the district court did not determine the facts of the case to the required extent and also failed to consider the legal merit of the case correctly. The legal opinion of the Court of Appeal will be binding for the first instance court in further proceedings.

On 25 February 2011, the plaintiff used the institute of appellate review against the decision of a regional court at the Supreme Court of the Slovak Republic and also requested the General Prosecution of the Slovak Republic to file for an extraordinary appellate review at the Supreme Court of the Slovak Republic. On 22 August 2011, the General Prosecution refused to file for the extraordinary appellate review at the Supreme Court of the Slovak Republic as the conditions for exercising the extraordinary appellate review were not met. Currently, the dossier is at the Supreme Court of the Slovak Republic and the decision on the appellate review is expected in the coming months.

The dispute in question is a complex legal issue and the outcome of the lawsuit as at the preparation date of these financial statements is uncertain; it is thus not possible to estimate the final outcome with sufficient probability. However, the Bank's management believes that it has sufficient arguments to defend its position in the dispute. Therefore, it did not create any provisions for the lawsuit as at 31 December 2011.

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.

22. Subordinated Debt

	31.12.2011	31.12.2010
Subordinated debts	46 810	46 156
Accrued interest	636	636
Total	**47 446**	**46 792**

The summary of individual received subordinated debts is as follows:

Subordinated debt received from:	Dexia Kommunalkredit Bank A.G., Vienna			
Amount of loan in Eur	19 916 351,32	8 298 479,72	10 000 000,-	6 300 000,-
Global interest rate	2,53%	5,23%	7,19%	6,78%
Date of completion	29.9.2005	27.6.2007	26.9.2008	10.10.2008
Drawings loan	30.9.2005	29.6.2007	29.9.2008	14.10.2008
Maturity	2.1.2018	2.1.2018	2.1.2018	2.1.2018

The Bank uses subordinated debt as a tool for the management of its capital adequacy. The subordination clause complies with the wording of the Commercial Code whereby both parties agree and undertake that the creditor's receivable under the contract will be settled only after other creditors' receivables are satisfied in the event of the debtor's bankruptcy or liquidation.

Under the Share Purchase Agreement made between Penta Investments Limited and Dexia Kommunalkredit Bank AG Vienna, it was agreed that Penta Investments Limited assumes 50% of the subordinated debt, including interest, on the first business day in 2013. Dexia Kommunalkredit Bank AG Vienna remains the creditor of the remaining 50% of the subordinated debt, including interest, until 2 January 2018.

23. Equity

	31.12.2011	31.12.2010 after adjustment	1.1.2010 after adjustment
Share capital	64 906	64 906	50 200
Share premium funds	37 266	37 266	26 972
Legal Reserve Fund	9 175	9 062	9 062
Other capital funds	95 643	95 643	95 643
Revaluation reserves	(15 866)	(39 743)	(8 239)
Profit/loss from the previous years	(92 524)	(93 241)	(79 734)
Profit/loss from the current year	(11 700)	833	(13 507)
Total	**86 900**	**74 726**	**80 397**

Share Capital

	31.12.2011		31.12.2010	
Face value of shares	No.of shares	in EUR´000	No.of shares	in EUR´000
Number of issued shares with face value of EUR 399	100 200	39 980	100 200	39 980
Number of issued shares with face value of EUR 67	100 200	6 713	100 200	6 713
Number of issued shares with face value of EUR 5	701 400	3 507	701 400	3 507
Number of issued shares with face value of EUR 1	14 705 882	14 706	14 705 882	14 706
	15 607 682	**64 906**	**15 607 682**	**64 906**

Legal Reserve Fund

In accordance with the Commercial Code valid in the Slovak Republic, all companies are obliged to create a reserve fund in the minimum amount of 10% of the share capital upon its incorporation. The fund shall be increased by the amount specified by the Articles of Association on an annual basis. Such amount may not be lower than 10% of the net profits reported in the annual financial statements, until the amount as specified in the Articles of Association has been reached, however no less than 20% of the share capital.

Other Capital Reserves

Other capital reserves include a fund to cover banking risks. The fund was established by Prima banka in 2004 from profit distribution. The purpose of the fund is to cover banking risks arising from the Bank's business activities. The Management Board of Prima banka decides unanimously on the fund's use and is obliged to report on its use at the annual General Meeting of shareholders. The fund may be terminated by a decision of the General Meeting through amendments to the Articles of Association.

Another item included in "Other capital reserves" represents a cash contribution in the amount of EUR 90 million made by the previous majority shareholder to the Bank's other capital reserves at the end of 2008. The cash contribution has no impact on the share capital, the shareholder's voting rights, or the shareholders' structure.

Revaluation Reserves

	31.12.2011	31.12.2010
Securities available for sale	(18 314)	(49 431)
Deferred tax for securities available for sale	3 480	9 392
Cash flow hedge	(1 274)	365
Deferred tax from cash flow hedge	242	(69)
Total	**(15 866)**	**(39 743)**

The revaluation reserve includes unrealised revaluation of financial assets available for sale including a deferred tax. Since 2009, the revaluation reserve also includes gains (losses) from revaluation of hedging instrument used by Prima banka to hedge granted long-term loans against variability of cash flows. In June 2011, the Bank terminated the hedging of long-term loans with a floating interest rate against the variability of cash flows for recognised, see Note 35 in this Chapter.

In 2011, the Bank transferred securities from the financial assets available for sale portfolio to the financial assets held to maturity portfolio in the total amount of EUR 263 602 thousand, see Note 6 in this Chapter. In this regard, the Bank recognised in its revaluation reserves the revaluation amount as at the transfer date of the securities to the held-to-maturity financial assets portfolio. The aforementioned reserve is gradually amortised in the statement of comprehensive income until the maturity of the transferred securities.

Proposed Distribution of Loss for 2011

	in EUR´000
Transfer of loss into results of previous periods	(11 700)
Net loss for 2011	**(11 700)**

Distribution of the 2011 loss is subject to the approval of the General Meeting of Prima banka.

Distribution of Profit for 2010

	in EUR´000
Mandatory contribution to the legal reserve fund	113
Transfer of profit to P/L of previous periods	1 016
Net profit after taxation for 2010	**1 129**

The distribution of 2010 profit was approved by the General Meeting of Prima banka on 21 April 2011.

The Bank recognised the 2010 net profit after tax before the adjustment of errors from previous years in the amount of EUR 1 129 thousand. The correction of an error from previous years had an impact on the net profit after tax for 2010 in the amount of EUR 296 thousand (Note 9). The net profit after tax for 2010 amounts to EUR 833 thousand net of the correction of an error from previous years.

24. Contingent Liabilities and Other Off-Balance Sheet Items

Off-balance sheet assets

	31.12.2011	31.12.2010
Spot transactions	40 830	355
Guarantees received	57 437	82 521
Commitnents - received	680 000	984 000
Received collateral from pledge, security and other rights	904 825	1 268 309
Total	**1 683 092**	**2 335 185**

Off-balance sheet liabilities

	31.12.2011	31.12.2010
Spot transactions	40 829	354
Guarantees given	55 918	90 764
Loan commitments and unused credit limits	106 164	317 004
Letters of credit - given	0	390
Given guarantees from pledge, security and other rights	488 913	593 690
Values taken over by the bank for deposition	56 235	156 071
Total	**748 059**	**1 158 273**

The risk associated with off-balance sheet loan commitments, granted guarantees and contingent liabilities is assessed similarly as loans to customers, reflecting also 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 2011, provisions recorded for off-balance sheet exposures amounted to EUR 809 thousand (31 December 2010: EUR 992 thousand), see Note 21 in this Chapter.

Issued Guarantees

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

Issued Letters of Credit

Issued letters of credit represent a written commitment given by Prima banka, which acts based on a buyer's instructions, to pay a certain amount of money to a seller upon presentation of documents that qualify for a letter of credit execution.

Loan Commitments and Unused Credit Facilities

Loan commitments and unused credit facilities comprise approved but not used amounts of loans and overdraft facilities.

Assets Received in Custody

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

25. Net Interest Margin

	31.12.2011	31.12.2010
Interest income and similar income on:	**96 261**	**100 380**
Balances with the NBS	374	313
Due from banks	2 165	2 320
Loans and advances to customers	64 137	60 942
Financial assets held for trading	3	4
Financial assets at fair value revaluated through profit and loss	1 440	1 476
Financial assets available for sale	9 468	13 611
Financial assets heldto maturity	3 873	1 983
Derivatives	14 801	19 731
Interest expense and similar expense for:	**(55 736)**	**(57 536)**
Loans and deposits received from the NBS	(467)	(447)
Due to banks	(3 785)	(4 698)
Customer deposits	(27 983)	(22 496)
Debt securities	(4 710)	(4 733)
Derivatives	(16 730)	(22 911)
Subordinated debt	(2 061)	(2 251)
Net interest income	**40 525**	**42 844**

In 2011, the Bank adjusted the presentation of overdue interest receivables. Receivables overdue by more than 90 days are no longer recognised in the statement of comprehensive income and in the statement of financial position. Default interest overdue by more than 90 days and the relevant provision as at 1 January 2011 in the net amount of EUR 1 516 thousand was fully recognised in the 2011 profit/loss as a decrease in net interest income.

26. Dividend Income

	31.12.2011	31.12.2010
Dividens income	0	1
Total	**0**	**1**

27. Net Fee and Commission Income

	31.12.2011	31.12.2010 after adjustment
Fee and commission income on:	**16 288**	**15 800**
Payment services	11 554	10 800
Credit activity	4 237	4 402
Transactions with securities	275	310
Other banking services	222	288
Fee and commission expense for:	**(4 822)**	**(5 878)**
Payment services	(1 579)	(1 916)
Credit activity	(659)	(1 570)
Transactions with securities	(44)	(64)
Other banking services	(2 540)	(2 327)
from it: Deposits Protection Fund	(2 051)	(1 837)
	11 466	**9 922**

Pursuant to the effective legislation, Prima banka is obliged to contribute to the Deposit Protection Fund in order to pay compensation for inaccessible deposits protected by law in the Slovak banking sector. The level of the annual contribution determined by the fund is identical for all banks in the Slovak Republic. In 2011, the annual contribution amounted to 0.2% of the value of the deposits protected by law.

In 2011, Prima banka adjusted the presentation of the contribution to the Deposit Protection Fund to “Net fee and commission income”. The Bank also adjusted the presentaation of the contribution to the Deposit Protection Fund in 2010, when the contribution was recognised in “Other financial fees”.

28. Net Trading Income (Expense)

	31.12.2011	31.12.2010
Loans and advances to customers	(2 169)	(2 676)
Due to other banks	564	274
Financial assets held for trading	4	(3)
Financial assets at fair value revaluated through profit and loss	(2 525)	775
Financial assets available for sale	4 048	6 307
Derivatives	(2 141)	(4 615)
Deposits designated at fair value	131	(115)
Exchange rate differences	740	1 170
Net trading income	**(1 348)**	**1 118**

29. Net Income on Investments

	31.12.2011	31.12.2010
Net gains (losses) on securities AFS	0	808
Net gains(loss) from debt securities	(338)	173
	(338)	**981**
Net gain from transfer and sale of non-current assets	**(61)**	**(69)**
Expenses on other assets	(35 678)	0
Income from other assets	38 263	(155)
Net Income from other assets	**2 585**	**(155)**
Total	**2 186**	**757**

30. Other Net Income

	31.12.2011	31.12.2010
Operational lease income	260	309
Other non-banking income	6	1
Expense on other operations	(22)	(25)
Total	**244**	**285**

31. General and Administrative Expenses

	31.12.2011	31.12.2010 after adjustment
Personnel expenses	**(22 420)**	**(19 237)**
Wages and salaries*	(17 111)	(13 627)
Payrol taxes	(4 464)	(4 633)
Other personnel costs	(845)	(977)
Depreciation	**(8 109)**	**(8 205)**
Depreciation of non-current tangible assets	(5 229)	(4 568)
Depreciation of non-current intangible assets	(2 880)	(3 637)
Purchased output and services	**(22 497)**	**(21 299)**
Taxesand fees	(167)	(314)
Rental expenses	(8 201)	(7 927)
Marketing, advertising and other services	(3 457)	(3 138)
Value added tax	(2 926)	(2 790)
Audit costs and related services	(185)	(199)
Other purchsed output and services	(6 662)	(7 703)
Provisions on litigation claims	(900)	0
Creation (use) of provisions for restructuring	0	772
Total	**(53 026)**	**(48 741)**

* Including salaries and bonuses to members of the Management Board and Supervisory Board. Salaries and bonuses paid to the members of the Management Board and Supervisory Board are disclosed separately in Note 41 to the separate financial statements.

Prima banka does not have pension arrangements separate from the 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 gross salary. These expenses are charged to the comprehensive income statement 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 retirement insurance expenses amounted to EUR 161 thousand as at 31 December 2011 (2010: EUR 182 thousand).

32. Net Allocation to Provisions

	31.12.2011	31.12.2010
Net additions to reserves and provisions for loans and receivables	**(12 059)**	**(2 691)**
Creation of specific provisions for loans to customers and receivables from customers	(12 440)	(3 890)
Creation of portfolio provisions for loans to customers	792	(346)
Reversal of portfolio provisions for loans and deposits with other banks	22	(5)
Creation of provisions for fianncial assets held to maturity	(667)	0
Creation of provisions for off balances sheet exposures and litigation	234	1 550
Net loss on write-off of receivables	**(2 460)**	**(2 424)**
Total	**(14 519)**	**(5 115)**

More information on provisions for loan losses and provisions for off-balance sheet liabilities is disclosed in Note 4c) and in Note 21.

33. Income Tax

	31.12.2011	31.12.2010
Current income tax	(1)	(893)
Deferred income tax	2 773	655
Total	**2 772**	**(238)**

Current Income Tax

As at 31 December 2011, Prima banka reported a negative tax base. Additionally, the Bank reported income tax for the previous period in the amount of EUR 1 thousand. The Bank reported the tax base in line with Slovak tax regulations. The tax base differs from the profit/loss of current year as reported in the Bank's comprehensive income statement because it excludes income or expense items that are taxable or deductible from the tax base in other periods and it also excludes items that are not taxable or deductible from the tax base.

Theoretical Tax

	31.12.2011	31.12.2010
Profit/(loss) before tax	**(14 472)**	**1 367**
Theoretical tax calculated at tax rate of 19%	**2 750**	**(260)**
Tax-exempt income	466	680
Tax non-deductible expenses	(445)	(658)
Total income tax expense	**2 772**	**(238)**
Effective tax rate	**19%**	**17%**

Deferred Income Tax

Deferred income tax was calculated using the balance sheet method from temporary differences between the carrying amount of assets and liabilities and their valuation for tax purposes. To calculate the 2011 deferred tax, the Bank used the data on the increase and decrease of such temporary differences by comparing the balances at the end of December 2011 and 2010. The deferred tax is debited or credited in the income statement accounts except in cases in which it relates to items recognised directly in equity. In such an event, the Bank also recognises the deferred tax in equity. In order to calculate the deferred tax, the income tax rate of 19% expected for the following years was used.

The result of the recognized deferred tax asset and deferred tax liability was as follows:

	Temporary difference		Deferred tax		Impacts in 2011 on	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	expenses/ income	equity
Deferred tax asset, of which:	**64 955**	**81 569**	**12 341**	**16 390**	**2 517**	**(5 673)**
Loans and securities receivables	39 655	28 838	7 534	6 391	2 035	0
Short-term payables	4 365	2 120	829	403	427	0
Reserves	809	992	154	188	(35)	0
Non-Current Tangible Assets	368	0	70	0	70	0
Short-term receivables	171	171	32	12	20	0
Modification by revaluation after tax on securities avalaible for sale	0	17	0	3	0	(3)
Current revaluation of hedging derivatives	1 273	0	242	0	0	242
Actual revaluation on securities avalaible for sale	18 314	49 431	3 480	9 392	0	(5 912)
Deferred tax liabilities, of which:	**(8)**	**(1 721)**	**(1)**	**(326)**	**256**	**69**
Non-current tangible assets	0	(1 348)	0	(256)	256	0
Short-term receivables	(8)	(8)	(1)	(1)	0	0
Current revaluation of hedging derivatives	0	(365)	0	(69)	0	69
Total	**x**	**x**	**12 340**	**16 063**	**2 773**	**(5 604)**

Since 2008, the Bank has reported a significant provision that was recorded as tax non-deductible. As the provision is considered a permanent difference by the Bank, the financial statements as at 31 December 2011 do not include the deferred tax asset related to this provision in the amount of EUR 18 861 thousand (31 December 2010: EUR 18 861 thousand). In 2011, the Bank did not recognise the deferred tax asset in the amount of EUR 6 426 thousand by reason of the possibility of carrying forward the 2011 tax loss, due to its uncertain utilisation in future reporting periods.

34. Net Profit (Loss) per Share

	31.12.2011	31.12.2010 after adjustment
Net loss for current period (T EUR)	(11 700)	833
Number of issued shares with face value EUR 399	100 200	100 200
Number of issued shares with face value EUR 67	100 200	100 200
Number of issued shares with face value EUR 5	701 400	701 400
Number of issued shares with face value EUR 1	14 705 882	14 705 882
Net profit (loss) per share - with face value Eur 399 (in EUR)	(72)	5
Net profit (loss) per share - with face value Eur 67 (in EUR)	(12)	1
Net profit (loss) per share - with face value Eur 5 (in EUR)	(1)	0
Net profit (loss) per share - with face value Eur 1 (in EUR)	0	0

35. Cash Flow Hedges

Cash flow hedges in Prima banka are aimed to hedge the potential volatility of future cash flows affecting the Bank's profit/loss over the period starting from 2009. Pursuant to the Share Purchase Agreement made between Dexia Kommunalkredit Bank AG and Penta Investments, in June 2011 Prima banka terminated the hedging of long-term loans with a floating interest rate against the variability of cash flows for recognised.

In respect of the cash flow hedging, the Bank recognised a negative revaluation in the amount of EUR 1 639 thousand in the statement of comprehensive income as at 31 December 2011 (at 31 December 2010: positive revaluation in the amount of EUR 692 thousand).

36. Information on Cash Flow Statement

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

	31.12.2011	31.12.2010
Cash	33 230	36 482
Balances with central banks	31 636	52 733
Current accounts in other banks	399	1 112
Term deposits in banks up to 3 months	117 810	170 048
Total	**183 075**	**260 376**

37. Residual Maturity of Derivatives

All derivates are traded in the over-the-counter markets. A summary of derivates with positive fair values is stated in Note 8 and derivates with negative fair values are stated in Note 18 of this chapter.

The following summary shows the residual maturity of derivates' face value as at 31 December 2011:

	Up to 1 year	1 to 5 years	More than 5 years	Total
Interest rate transactions	**102 439**	**116 833**	**74 304**	**293 576**
Interest rate swaps	102 439	116 833	74 304	293 576
Currency transactions	**30 210**	**8 305**	0	**38 515**
Currency swaps	30 210	0	0	30 210
Currency options - purchased	0	8 305	0	8 305
Total assets	**132 649**	**125 138**	**74 304**	**332 091**
Interest rate transactions	**102 439**	**116 833**	**74 304**	**293 576**
Interest rate swaps	102 439	116 833	74 304	293 576
Currency transactions	**30 246**	**8 305**	0	**38 551**
Currency swaps	30 246	0	0	30 246
Currency options - purchased	0	8 305	0	8 305
Total liabilities	**132 685**	**125 138**	**74 304**	**332 127**
Net derivatives	**(36)**	**0**	**0**	**(36)**

The following summary shows the residual maturity of derivates' face value as at 31 December 2010:

	Up to 1 year	1 to 5 years	More than 5 years	Total
Interest rate transactions	**128 480**	**392 570**	**429 359**	**950 409**
Interest rate swaps	128 480	392 570	429 359	950 409
Currency transactions	**29 902**	**8 776**	-	**38 678**
Currency swaps	24 265	-	-	24 265
Currency options - purchased	2 812	8 776	-	11 588
Currency options - sold	2 825	-	-	2 825
Total assets	**158 382**	**401 346**	**429 359**	**989 087**
Interest rate transactions	**128 480**	**392 570**	**429 359**	**950 409**
Interest rate swaps	128 480	392 570	429 359	950 409
Currency transactions	**29 928**	**8 776**	**0**	**38 704**
Currency swaps	24 283	0	0	24 283
Currency options - purchased	2 829	8 776	-	11 605
Currency options - sold	2 816	-	-	2 816
Total liabilities	**158 408**	**401 346**	**429 359**	**989 113**
Net derivatives	**(26)**	**0**	**0**	**(26)**

38. Fair Value of Financial Instruments

Financial Instruments Recognized at Fair Value

Fair value of financial instruments is the amount of money for which an asset can be exchanged or a liability settled in an arm's length transaction at usual prices between informed and willing parties. If market prices are available (in this case mainly for securities and derivatives traded on stock exchange and on active markets), the estimate of fair value is derived from market prices. All other financial instruments were valued using intra-valuation models.

The following table presents an overview of financial instruments recognized at fair value and classified in levels 1 - 3 based on the determination of their fair values as at 31 December 2011:

	Level 1*	Level 2**	Level 3***	Total
Financial assets at fair value revaluated through profit and loss	31 088	-	-	31 088
Financial assets available for sale	9	70	21	100
Net positive value of derivatives	-	2 622	1 279	3 901
Financial assets at fair value	**31 097**	**2 692**	**1 300**	**35 089**

	Level 1*	Level 2**	Level 3***	Total
Liabilities designated at fair value	-	-	7 624	7 624
Net negative value of derivatives	-	7 087	3 909	10 996
Financial liabilities at fair value	**-**	**7 087**	**11 533**	**18 620**

The following table presents an overview of financial instruments recognized at fair value and classified in levels 1 - 3 based on the determination of their fair values as at 31 December 2010:

	Level 1*	Level 2**	Level 3***	Total
Financial assets at fair value revaluated through profit and loss	32 275	8 136	-	40 410
Financial assets available for sale	328 055	3 121	21	331 198
Net positive value of derivatives	-	12 361	991	13 353
Financial assets at fair value	**360 330**	**23 618**	**1 013**	**384 961**

	Level 1*	Level 2**	Level 3***	Total
Liabilities designated at fair value	-	-	7 824	7 824
Net negative value of derivatives	-	24 644	4 471	29 115
Financial liabilities at fair value	**-**	**24 644**	**12 295**	**36 938**

Note:

*Level 1 - derived from quoted prices in active markets.

**Level 2 - derived from active markets other than prices for identical assets or liabilities

***Level 3 - inputs for assets or liabilities, which are not based on observable market data (unobservable data)

Financial Instruments at Amortized Cost

Fixed-interest receivables from and payables to banks or customers were only re-measured to fair values different from their carrying amount in the statement of financial position if they had a remaining term of more than one year. Variable-rate receivables and payables were only taken into account if they had an interest rollover period of more than one year. Only in those cases does discounting based on an assumed interest rate in line with market rates have a significant effect.

Comparison of fair value and carrying amount of financial instruments carried at amortized costs:

	Fair value 31.12.2011	Carrying amount 31.12.2011	Difference	Fair value 31.12.2010	Carrying amount 31.12.2010	Difference
Cash	33 230	33 230	-	36 482	36 482	-
Balances with the NBS	31 636	31 636	-	52 733	52 733	-
Loans and deposits with other banks	129 527	129 527	-	183 639	183 639	-
Loans and advances to customers	1 359 004	1 224 494	134 510	1 937 234	1 849 420	87 814
Financial assets held to maturity	416 251	419 381	(3 130)	67 370	65 061	2 309
Financial assets	**1 969 648**	**1 838 268**	**131 380**	**2 277 458**	**2 187 335**	**90 123**
Loans and deposits received from the NBS	14 004	14 004	-	110 069	110 069	-
Due to other banks	48 677	47 262	1 415	558 430	562 648	(4 218)
Customer deposits	1 583 896	1 551 590	32 306	1 675 271	1 659 386	15 885
Issued mortgage bonds	114 869	112 345	2 524	125 503	121 917	3 586
Subordinated debt	54 104	47 446	6 657	48 242	46 792	1 450
Financail liabilities	**1 815 550**	**1 772 647**	**42 902**	**2 517 515**	**2 500 812**	**16 703**

The calculation of fair values of assets and liabilities at amortised cost is based on market interest rates that are adjusted for credit spreads. This method is applied in the valuation of each planned cash flow pursuant to contracts concluded with counterparties. For assets for which the fair value is available, the valuation is based on such value.

The calculation takes into account current interest rates, currency exchange rates, and credit spreads. Interest rates and currency exchange rates are provided by Thomson Reuters. The curve is projected as follows: for the 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 purposes of preparation of the financial statements for general use. Information on the fair value of these instruments cannot be used for purpose of any specific purchase transaction or for sale of these financial instruments. The users of the 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.

Average Interest Rates Per Annum

	2011	2010
Loans and deposits with other banks	1,53%	1,52%
Loans and advances to customers	3,74%	3,18%
Securities	2,78%	2,50%
Assets total	**3,37%**	**2,83%**
Loans and deposits with other banks	1,72%	0,92%
Customer deposits	1,54%	1,23%
Debt securities	3,32%	3,00%
Subordinated debt	4,50%	4,83%
Liabilities total	**1,69%**	**1,32%**

39. Capital Management

Own Funds

Regulatory capital represents Prima banka's own funds intended for covering unexpected losses resulting from financial risks. It is calculated in accordance with the NBS's decree in force and serves for the capital adequacy calculation in accordance with the NBS's decree.

In accordance with the NBS's decree regulatory capital must cover particular capital requirements on credit risk of the Trading and Banking Books, the market risk of the Trading and Banking Books (the interest-rate and currency risks), and the operational risk. The NBS requires that the Bank's total capital is at least 8% of risk-weighted assets.

Capital management is aimed to monitor and simulate regulatory capital requirements over 10,5% to ensure sufficient capital buffer for unexpected events.

Prima banka's Management Board is informed of the status and expected development of this parameter 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 and additional own funds reduced by deductible items. Original own funds consist of paid-up share capital, share premiums, funds created from profit, and retained earnings from previous years. Original own funds are reduced by both the net book value of software and profit/loss to be approved, provided that the loss or loss from previous years was recognized. Additional own funds consist of accepted subordinate debts. Prima banka does not create supplementary own funds.

Prima banka's own funds as at 31 December 2011 and 31. December 2010 are stated in the table below:

	31.12.2011	31.12.2010
Original own funds (Tier I Capital)	**101 951**	**113 269**
Items creating the amount of original own funds	**206 990**	**206 880**
Paid-up share capital	64 906	64 906
Share premium	37 266	37 266
Legal reserve fund and other funds created from profit	14 818	14 705
Retained earnings from previous years	0	3
Other capital funds	90 000	90 000
Items reducing the amount of original own funds	**105 039**	**93 611**
Loss for the current year	11 700	0
Accumulated loss of previous year	92 524	92 244
Net book value of software	776	1 353
Negative revaluation reserve of capital instruments from the portfolio of financial instruments available for sale measured at fair value	39	14
Additional own funds (Tier II Capital)	**44 534**	**40 552**
Items creating the value of additional capital	**44 534**	**40 552**
Subordinated debts	44 515	40 532
Positive revaluation reserve of capital instruments from the portfolio of financial instruments available for sale measured at fair value, net of income tax	19	20
Supplementary own funds	**0**	**0**
Own funds total	**146 485**	**153 821**

Prima banka was meeting regulatory requirements under the NBS's decree in 2011. As at 31 December 2011 the Bank's capital adequacy reached 13.66% (2010: 9.85%).

The amount of the Bank's own funds and requirements on internal capital as at 31 December 2011 and as at 31 December 2010 is stated in the table below:

	31.12.2011	31.12.2010
Own funds requirements to cover credit risk and risk of impairment of receivables (standardised approach)	77 925	115 910
Ow funds requirements to cover credit risk of debt financial instruments, risk of capital instruments, FX risk and commodity risk (simplified approach)	83	119
Own funds requirements to cover counterparty risk	51	81
Own funds requirements to cover operational risk (standardised approach)	7 757	8 884
Own funds requirements	**85 816**	**124 994**

40. Risk Management

1. Credit Risk

a) Information on Credit Risk Policy, Objectives and Management

The fundamental goal in defining the credit risk management strategy in Prima banka is to optimize the amount of accepted risks in line with the capital coverage amount and to maintain the sustainable profit generation over a long-term period.

The Bank has established a separate organizational unit at the Risk Management Division to identify, measure, monitor, and minimize credit risk, one which is independent from dealing and settlements. The whole process is subject to the approved Risk Management Strategy, which is regularly reassessed in line with the changes in the Slovak banking market. Lending is subject to the rules arising from the strategy and risk parameters and limits for providing new loans are strictly observed by members of credit approval bodies, the Bank's management based on regular reporting. Customer data are permanently monitored and assessed.

To ensure correct monitoring, quantification, reporting and management of credit risks, customers have been assigned to risk segments.

Exposure limits have been set in respect of both the defined segments and individual customers.

The following table outlines the maximum amount of credit risk without considering received collateral:

Credit risk related to balance sheet assets:	**31.12.2011**	**31.12.2010**
Cash balances with the NBS	31 636	52 733
Loans and deposits with other banks	129 527	183 639
Loans and advances to customers	1 224 494	1 849 420
Financial assets at fair value revalued through profit or loss	31 088	40 410
Financial assets held to maturity	419 381	65 061
Financial assets available for sale	100	331 198
Positive fair value of derivatives	3 901	13 353
Tax assets	12 340	15 777
Other assets	2 525	3 259
Total	**1 854 992**	**2 554 850**

Credit risk related to off-balance sheet items :	**31.12.2011**	**31.12.2010**
Issued guarantees	55 918	90 764
Loan commitments and unused credit limits	106 164	317 004
Issued letters of credit	0	390
Total	**162 082**	**408 158**

Summary of individual types of received collateral for financial assets in eligible amounts:

	31.12.2011	31.12.2010
To cover granted loans	**904 825**	**1 282 425**
Cash	49 882	157 224
Securities	763	773
Immovable assets	754 710	989 800
Movable assets	99 470	134 628
To cover debt securities	**39 549**	**39 537**
Guarantees	39 549	39 537
Collateral received for financial assets	**944 374**	**1 321 962**

Summary of individual types of received collateral for contingent liabilities and other off-balance sheet items in eligible amounts:

Eligible amount of collateral received	31.12.2011	31.12.2010
Issued guarantees	527	2 678
Loan commitments and unused credit limits	32 037	52 372
Received collateral for contingent liabilities and other off-balance sheet items	**32 564**	**55 050**

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 activities involved in identifying and handling risks arising in credit risk mitigation. Through its internal procedures Prima banka defines activities to be performed in the valuation and acceptance of collateral instruments. These rules are in line with the quantitative requirements of Basel II.

Prima banka uses its own rating system to assess customer creditworthiness, which is based on the 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 in the respective categories are assigned points based on clearly defined critical values. As a result of calculating the score, a customer is assigned to one of 17 risk groups. The credit scores are subject to annual reassessment and revised as and when needed, based on a decision of the Rating Committee.

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

Rating scale	Characteristics
AAA	The highest rated entities with small risk and an extremelly 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 long-term period. 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 period.
BBB+ BBB BBB-	Creditworthy entities with adequate capacity to meet their financial commitments, but suspectible to adverse economic conditions or changing circumstances.
BB+ BB BB-	Entities with some quality of their capacity to meet their present liabilities, likely to be significantly affected by adverse economic conditions or changing circumstances.
B+ B	Entities with vulnerable capacity to meet their financial commitments, with risky future.
B- CCC	Highly risky and unstable entities with very small probability to meet their financial commitments.

The tools intended to minimize credit risk have been stipulated in Prima banka as follows:

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

Quality of loans and deposits with other banks that are not impaired and that are not overdue according to the Bank's internal rating

	31.12.2011	31.12.2010
Loans and deposits with others banks	**129 527**	**183 639**
of which:		
Rating AA	2	0
Rating AA-	10 067	172
Rating A+	11 804	112 681
Rating A	20 023	15 051
Rating A-	60 018	44 660
Rating BBB+	27 466	10 931
Rating BBB-	4	63
Rating BB+	4	3
Rating BB	139	78

Quality of loans and deposits with customers that are not impaired and that are not overdue according to the Bank's internal rating:

	31.12.2011	31.12.2010
Loans and advences to customers	**1 184 728**	**1 804 301**
of which: municipalities :	**514 373**	**835 225**
Rating AAA	60	1 555
Rating AA+	215	14 339
Rating AA	1 276	19 268
Rating AA-	2 171	30 656
Rating A+	13 537	27 293
Rating A	20 392	60 620
Rating A-	17 963	31 747
Rating BBB+	13 097	135 032
Rating BBB	19 287	98 583
Rating BBB-	32 417	238 208
Rating BB+	54 339	74 043
Rating BB	88 314	83 312
Rating BB-	50 740	19 976
Rating B	95 476	-
Rating B+	100 418	593
Rating B-	4 308	0
Rating CCC	363	-

Quality of loans and deposits with customers that are not impaired and that are not overdue according to the Bank's internal rating:

	31.12.2011	31.12.2010
Loans and advences to customers		
of which: other enterprises:	**338 067**	**631 420**
Rating AAA	684	1 213
Rating AA+	1 194	5 959
Rating AA	20 110	4 811
Rating AA-	9 463	27 262
Rating A+	31 341	24 190
Rating A	12 514	17 452
Rating A-	34 031	69 650
Rating BBB+	45 298	72 492
Rating BBB	24 407	129 171
Rating BBB-	30 564	64 655
Rating BB+	15 472	36 685
Rating BB	74 514	104 484
Rating BB-	12 333	35 179
Rating B+	9 064	18 495
Rating B	8 111	10 164
Rating B-	5 838	6 925
Rating CCC	3 129	2 633

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 2011, the exposure to corporate and bank debt securities amounts to EUR 57 855 thousand (31 December 2010: EUR 60 812 thousand).

Credit risk associated with transactions with derivative instruments is managed by allocating TFM credit lines based on the customer's financial standing. Credit risk is minimised by receiving cash collateral.

c) Risk Monitoring – Limit Setting

Prima banka monitors and evaluates limits for a counterparty and the use of such limits 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 is required to ensure on an on-going basis that its assets exposure net of the effects of credit risk mitigation, including the date of origin of assets exposure, does not exceed one of the higher values, ie 25% of the Bank's regulatory capital or the limit for banks or bank groups towards an entity that is an institution, and towards the group of economically-linked parties where at least one of the parties is an institution, if the sum of values of the Bank's assets 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.

The share of the Bank's assets exposure to the Bank's regulatory capital towards a related party may not exceed 2% in the case of a private individual or 10% in the case of a legal entity, except for a bank with its seat in the state defined pursuant to Article 221 paragraph 1 (a) of Decree of the National Bank of Slovakia No. 4/2007. The share of the Bank's assets exposure to the Bank's regulatory capital towards all related parties is stipulated in the amount capped at 40%.

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

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

d) Risk of Credit Risk Concentration – 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 understands the concentration risk as a risk arising from concentrating the Bank's transactions (assets exposure) with an individual, a group of economically related parties, the state, a geographic area, or an economic sector.

As credit risks are the most significant risks in the banking business all limits of assets exposure are expressed as shares in the Bank's own funds, which limit the 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 Banking Act and NBS's decree.

The table below provides an analysis of the credit risk exposure by industry segments as at 31 December 2011 and 31 December 2010:

	31.12.2011	31.12.2010
Agriculture, forestry and fishing	7 618	10 080
Mining and quarrying	1 993	1 764
Manufacturing	15 901	38 282
Electricity, gas, steam and air conditioning supply	66 725	121 954
Water supply; sewerage and waste management	77 330	102 425
Construction	21 236	37 971
Wholesale and retail trade	37 285	72 159
Transportation and storage	28 064	105 541
Accommodation and food service activities	10 653	14 934
Information and communication	2 156	22 154
Financial and insurance activities	3 661	3 915
Real estate activities	50 219	84 743
Professional, scientific and technical activities	14 361	23 394
Administrative and support service activities	6 486	9 685
Public administration and defence; compulsory social security	523 743	834 027
Education	845	814
Human health and social work activities	1 557	2 871
Arts, entertainment and recreation	3 266	4 922
Other service activities	13 913	10 956
Activities of households as employers	337 482	346 829
Total	**1 224 494**	**1 849 420**

e) Identification of Impaired Assets (Predominantly Receivables)

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

The summary below provides an analysis of the unimpaired loan portfolio according to days overdue as at 31 December 2011:

	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	129 527	-	-	-	-	-
Loans and advances to customers, of which:	1 181 346	29 030	162	0	303	16 903
municipalities	514 161	742	0	0	0	0
other enterprises	338 685	20 906	162	0	303	11 292
individuals	328 500	7 382	0	0	0	5 611
Total	**1 310 873**	**29 030**	**162**	**0**	**303**	**16 903**

The summary below provides an analysis of the unimpaired loan portfolio according to days overdue as at 31 December 2010:

	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	183 639	-	-	-	-	-
Loans and advances to customers, of which:	1 804 300	19 582	784	299	774	25 883
municipalities	835 225	407	-	-	-	287
other enterprises	631 419	12 043	649	213	449	19 920
individuals	337 656	7 132	135	86	325	5 676
Total	**1 987 939**	**19 582**	**784**	**299**	**774**	**25 883**

The summary below provides an analysis of the impaired loan portfolio as at 31 December 2011, including other receivables from financial transactions:

	Municipalities	Other enterprises	Individuals	Total
Valued on an individual basis – impaired loans	462	138 706	17 489	156 657
Specific provisions	120	123 358	13 271	136 749
Eligible amount of collateral received	154	28 046	4 433	32 633
% of coverage by provisions	26%	89%	76%	87%
% of coverage by provisions and received collateral	59%	109%	101%	108%
Interest income on impaired loans	x	x	x	1 915

The summary below provides an analysis of the unimpaired loan portfolio as at 31 December 2010, including other receivables from financial transactions:

	Municipalities	Other enterprises	Individuals	Total
Valued on an individual basis – impaired loans	20	141 465	15 070	156 555
Specific provisions	0	115 174	10 650	125 824
Eligible amount of collateral received	0	33 833	3 068	36 901
% of coverage by provisions	0%	81%	71%	80%
% of coverage by provisions and received collateral	0%	105%	91%	104%
Interest income on impaired loans	x	x	x	3 346

Restructuring

The Bank can modify repayment terms of its loan receivables if the client's financial position is weak and the client would be unable to repay, within a specified period of time, its liabilities to the Bank.

For overdraft loans, the loan agreements may be transformed into instalment loans. In extraordinary circumstances, the overdraft loan can be extended but with the use of a gradual reduction. In the case of instalment loans, repayment schedules are modified due to the client's inability to keep the agreed-upon deadlines.

A book value of credit receivables, whose contractual terms and conditions were amended due to their non-repayment or a customer impaired financial condition in the 2011, represents 11 392 EUR thousand. (31.12.2010: EUR 56 469 thousand).

The bank sold pledged real estate, received as a collateral for its bad debts, for EUR 2 839 thousand (31.12.2010: EUR 2 008 thousand). The bank did not sell any pledged moveables (31.12.2010: EUR 233 thousand).

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

The procedures and rules of collateral acceptance and valuation of received 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 borrower 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 borrower'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, implementation process, and termination of the lien.

Non-financed collateral means a guarantee by third parties (state guarantee, bank guarantee, corporate guarantee, and personal guarantee). This collateral's effectiveness is based on a commitment of unconditional debt assumption if the primary borrower is in default. Such commitment is stipulated in a written agreement with the guarantor. Other instruments used by Prima banka to manage credit risk include 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 24 and Note 40 (1a).

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 book value maintained in the customer's accounting books (receivables, stock, new movable assets), and the fair value (securities).

When accepting and valuing collateral the following principles are applied:

- Collateral is always considered a secondary source of loan repayment.
- The required collateral amount/value depends on the level of accepted credit risk. Unsecured loans are typically used only operational financing.
- Physical inspection of collateral is performed by a front-office employee (predominantly in case of commercial real estate) who is obligated to prepare a report on such inspection.
- A real estate collateral valuation is prepared by a court expert and revalued by a bank supervisor. The valuation of apartments and family houses is re-assessed by a bank supervisor in bulk according to selected locations.
- The real estate revaluation process depends on the development of the Slovak real estate market. Prima banka responds to significant changes in real estate market development by collateral revaluation (ie revaluates collateral held).
- The object of financing is usually required to be used as collateral.

g) Fair Value of Receivables – Impact of Applied Collateral

In compliance with effective internal regulations, any receivable must be covered by the amount of collateral held in respect of the relevant loan advanced. The amount of the required coverage depends on the purpose of a loan product and a borrower's creditworthiness. It also depends on the type and acceptable value of collateral.

Financial transactions made for Prima banka's customers are collaterised using cash collateral, predominantly blocking of current accounts in required volumes depending on the amount of receivables from the relevant customer. Updates are made on a daily basis. Under a brokerage agreement with a customer a clause on the netting of the customer's derivate positions is signed, whereby the customer's actual position with respect to the Bank is determined. The resulting position for risk management purposes is expressed as the net position reduced by the collateral. Owing to limited enforceability of this type of collateral in the Slovak legal environment, Prima banka does not use the cash collateral applied to financial transactions in the reporting to the National Bank of Slovakia or for its capital adequacy calculation.

2. Market Risk

a) Information on Market Risk Policy and Management

In Prima banka, market risk is reduced to interest and currency risk. Share and commodity risk is not taken into account as Prima banka's approved strategy does not allow for purchasing such instruments for the Bank's portfolio because of the high risk.

Exposures in equities, which Prima banka includes in the Banking Book, are immaterial and are not held for capital gain purposes. When valuating these exposures, Prima banka uses an equity method or recognizes them in their nominal value.

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

Market risk management rules in Prima banka are primarily specified in a set of 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 necessary decisions based on the underlying data provided by the relevant departments.

Prima banka has adopted a uniform policy to value hedged financial instruments. The purpose of uniform valuation is to adopt the valuation of a hedging instrument and use it to revalue a hedging instrument in respect of a perfect hedge, ie the parameters of the hedging financial instrument are identical with those of a hedged financial instrument (principle, currency, term, date of origin and maturity, interest rate, date and term of interest rate, principle and interest repayments etc).

In order to manage the Trading Book and the Banking Book and to measure and monitor the credit and 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 decrees of the National Bank of Slovakia to report and calculate its regulatory capital to cover market risk.

b) Interest Risk

Prima banka manages interest risk with respect to a 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.

When managing the interest risk of relevant financial instruments (eg securities or loans) Prima banka uses the system of micro-hedging via interest rate swaps and, at the same time, when managing the overall interest rate position the Bank purchases interest rate swaps in the financial assets portfolio at fair value revalued through profit and loss.

VaR method at 99% confidentiality interval is used for interest risk measurement on daily basis. The set VaRs for all positions are calculated. They represent a risk value of a change to a market price of instruments during one business day. Prima banka compares estimated VaR with a changed market value of instruments on daily basis, while using back testing. The position in the Trading Book is closed and its impact on the financial result is non-material.

To measure the Banking Book's interest risk, Prima banka uses the VaR method on a monthly basis at the 99% reliability interval. The tool to measure the interest risk of the Banking Book is based on estimated changes to the Net Present Value (NPV) positions in the Banking Book caused by changes in market interest rates. The tool is based on a gap analysis of the Banking Book positions. In addition, the instrument calculates estimated changes to NPV positions in the Banking Book 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 particularly positions in the portfolio of financial assets at fair value through profit and loss at a parallel shift in the yield curves by +/- 100 basis points. On the basis of back testing, Prima banka compares estimated VaR with actual changes to NPV positions caused by fluctuations of interest rates in the market on a monthly basis and evaluates the back testing results once a year.

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.

Impact of the change in the present value of assets and liabilities on the change in the interest rate for positions in euros as at 31 December 2011:

EUR´000	Movement in yield curve	Bank´s loss from movement in yield curve
Banking book		
EUR	+100 BP	(497)
Total		**(497)**

Impact of the change in the present value of assets and liabilities on the change in the interest rate for positions in euros as at 31 December 2010:

EUR´000	Movement in yield curve	Bank´s loss from movement in yield curve
Banking book		
EUR	- 50 BP	477
Total		**477**

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 immaterial.

The following table presents information on the interest rate fluctuation risk (in the balance sheet amount). The assets and liabilities with fixed interest rate are classified according to the date of their maturity. The assets and liabilities with variable interest rates are listed according to the date of the anticipated closest possible change in interest rates. The 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 2011:

	Up to 3 month incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Balances with the NBS	31 636	-	-	-	-	31 636
Due from banks	127 097	2 439	-	-	(9)	129 527
Loans and advances to customers	659 636	351 670	190 280	16 900	6 008	1 224 494
Financial assets at fair value revaluated through profit and loss	1 274	213	27 114	2 487	-	31 088
Financial assets available for sale	-	-	-	-	100	100
Financial assets held to matuiry	10 594	85 516	181 256	142 687	(672)	419 381
Net interest rate position - financial assets	**830 237**	**439 838**	**398 650**	**162 074**	**5 427**	**1 836 226**
Loans and deposits from the NBS	14 004	-	-	-	-	14 004
Due to other banks	35 667	11 595	-	-	-	47 262
Customer deposits	995 587	284 102	269 829	2 076	-	1 551 594
Deposits measured at fair value	55	2 440	5 129	-	-	7 624
Issued debt securities	289	78 988	33 068	-	-	112 345
Subordinated debt	-	636	-	46 810	-	47 446
Net interest rate position - financial liabilities	**1 045 602**	**377 761**	**308 026**	**48 886**	**-**	**1 780 275**
Net interest rate position	**(215 365)**	**62 077**	**90 624**	**113 188**	**5 427**	**55 951**

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2010:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Balances with the NBS	52 733	-	-	-	-	52 733
Due from banks	172 822	8 430	2 418	-	(31)	183 639
Loans and advances to customers	1 093 738	454 055	219 514	51 328	30 785	1 849 420
Financial assets at fair value revaluated through profit and loss	2 601	213	34 637	2 959	-	40 410
Financial assets available for sale	7 192	23 684	50 984	249 338	-	331 198
Financial assets held to matuiry	677	41 475	16 269	6 645	(5)	65 061
Net interest rate position - financial assets	**1 329 763**	**527 857**	**323 822**	**310 270**	**30 750**	**2 522 461**
Loans and deposits from the NBS	110 069	-	-	-	-	110 069
Due to other banks	512 995	42 031	-	-	-	555 026
Customer deposits	1 217 804	58 849	379 432	3 301	-	1 659 386
Deposits measured at fair value	2 268	3 041	2 515	-	-	7 824
Issued debt securities	-	-	121 917	-	-	121 917
Subordinated debt	-	636	19 614	26 542	-	46 792
Net interest rate position - financial liabilities	**1 843 136**	**104 557**	**523 478**	**29 843**	**-**	**2 501 014**
Net interest rate position	**(513 373)**	**423 300**	**(199 656)**	**280 427**	**30 750**	**21 447**

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 properly and on time, and to manage assets and liabilities to ensure permanent liquidity of the Bank.

Prima banka monitors liquidity risk via external and internal liquidity indicators and warning signals. The first of the externally defined liquidity indicators is the fixed and non-liquid assets indicator, whose value is to be lower or equal to 1. The latter is the liquid assets indicator, which must not be lower than 1.

Internal liquidity indicators include, but are not limited to:
- Seven-day liquidity indicator;
- Global indicators of short-, medium-, and long-term liquidity;
- Main currency limits (total assets in the main currency in relation to the Bank's total assets).

Liquidity warning signals include eg:
- Amount of the volatile portion of demand deposits;
- LD ratio (ratio of primary deposits to extended loans);
- Daily or weekly decrease in capital;
- Daily or weekly increase in loan receivables overdue more than 30 days; and
- Weekly or monthly additions to loans.

The method of measuring liquidity risk is based on the measuring of net and cumulated financial flows in the relevant time bands for all balance sheet and selected off-balance sheet items.

Prima banka has prepared the basic as well as alternative and crisis liquidity management scenarios. The Bank maintains its sound and sustainable development by observing its liquidity limits and managing its balance structure.

In order to secure set liquidity limits, Prima banka entered into two revolving credit facilities with Dexia Crédit Local Paris worth EUR 200 million and EUR 500 million on 31 March 2011. The credit facilities are secured by pledge over securities and the pledge over receivables.

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities, ie the worst-case scenario as at 31 December 2011:

	Up to three months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 year incl.	Unspecified items	Total
Cash	33 230	-	-	-	-	33 230
Balances with the NBS	31 636	-	-	-	-	31 636
Due from banks	118 209	11 318	-	-	-	129 527
Loans and advances to customers	62 036	200 681	409 298	551 266	1 213	1 224 494
Financial assets at fair value revaluated through profit and loss	1 273	212	27 115	2 488	-	31 088
Financial assets available for sale	-	-	-	-	100	100
Financial assets held to maturity	7 704	21 253	247 736	142 688	-	419 381
Net positive value of derivatives	995	-	1 666	1 240	-	3 901
Tangible fixed assets	-	-	-	-	20 882	20 882
Intangible assets and goodwill	-	-	-	-	2 978	2 978
Tax assets	561	-	-	-	11 779	12 340
Other assets	-	-	-	-	2 525	2 525
Assets total	**255 644**	**233 464**	**685 815**	**697 682**	**39 477**	**1 912 082**
Loans and deposits received from NBS	-	-	14 004	-	-	14 004
Due to banks	666	4 523	16 302	25 771	-	47 262
Customer deposits	968 424	291 219	289 871	2 076	-	1 551 590
Liabilities measured at fair value	-	2 511	5 113	-	-	7 624
Debt securities	289	79 123	32 933	-	-	112 345
Net negative value of derivatives	55	16	6 107	4 818	-	10 996
Other liabilities	26 349	-	-	-	5 294	31 643
Provisions and other obligations	-	-	-	-	2 272	2 272
Subordinated debt	-	-	-	47 446	-	47 446
Shareholders' equity	-	-	-		86 900	86 900
Liabilities and shareholders' equity to	**995 783**	**377 392**	**364 330**	**80 111**	**94 466**	**1 912 082**
Net balance sheet position	**(740 139)**	**(143 928)**	**321 485**	**617 570**	**(54 989)**	**-**

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities, is the worst-case scenario as at 31 December 2010:

	Up to three months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 year incl.	Unspecified items	Total
Cash	36 482	-	-	-	-	36 482
Balances with the NBS	52 733	-	-	-	-	52 733
Due from banks	172 821	-	2 441	8 408	(31)	183 639
Loans and advances to customers	119 998	349 020	586 117	774 694	19 591	1 849 420
Financial assets at fair value revaluated through profit and loss	2 601	213	32 980	4 616	-	40 410
Financial assets available for sale	4 064	23 684	53 985	249 338	127	331 198
Financial assets held to maturity	677	1 965	55 774	6 645	-	65 061
Net positive value of derivatives	972	432	7 050	4 899	-	13 353
Tangible fixed assets	-	-	-	-	25 965	25 965
Intangible assets and goodwill	-	-	-	-	5 312	5 312
Tax assets	-	-	-	-	16 063	16 063
Other assets	-	-	-	-	3 260	3 260
Assets total	**390 348**	**375 314**	**738 347**	**1 048 600**	**70 287**	**2 622 896**
Loans and deposits received from NBS	110 069	-	-	-	-	110 069
Due to banks	385 140	82 893	64 213	22 780	-	555 026
Customer deposits	1 191 402	59 637	405 047	3 300	-	1 659 386
Liabilities measured at fair value	146	77	7 601	-	-	7 824
Debt securities	289	916	120 712	-	-	121 917
Net negative value of derivatives	47	67	8 657	20 344	-	29 115
Tax liabilities	286	-	-	-	-	286
Other liabilities	16 200	-	-	-	-	16 200
Provisions and other obligations	-	-	-	-	1 555	1 555
Subordinated debt	1 866	412	19 916	24 598	-	46 792
Shareholders' equity	-	-	-	-	74 726	74 726
Liabilities and shareholders' equity total	**1 705 445**	**144 002**	**626 146**	**71 022**	**76 281**	**2 622 896**
Net balance sheet position	**(1 315 097)**	**231 312**	**112 201**	**977 577**	**(5 994)**	**-**

The summary below represents the analysis of the earliest possible contractual maturity of non-derivative financial liabilities, ie the worst-case scenario as at 31 December 2011 (in non-discounted values):

	Carrying amount 2011	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Loans and deposits received from NBS	14 004	14 441	-	-	14 441	-
Due to banks	47 262	54 533	715	5 245	19 968	28 605
Customer deposits	1 551 590	1 582 443	969 386	297 654	312 807	2 596
Liabilities measured at fair value	7 624	7 931	9	2 574	5 348	-
Debt securities	112 345	116 894	357	81 547	34 990	-
Subordinated debt	47 446	60 142	-	2 121	8 459	49 562
Other liabilities	31 643	31 643	31 643	-	-	-

The summary below represents the worst-case scenario of the analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2011 (at non-discounted values):

	Carrying amount 2011	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	55 918	55 918	55 918	-	-	-
Contingent liabilities from letters of credit, from it:	106 164	106 164	103 380	2 784	-	-
irrevocable	98 367	98 367	97 587	780	-	-

The summary below represents the analysis of the earliest possible contractual maturity of non-derivative financial liabilities, ie the worst-case scenario as at 31 December 2010 (in non-discounted values):

	Carrying amount 2011	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Loans and deposits received from NBS	110 069	110 217	110 217	-	-	-
Due to banks	555 026	569 419	385 822	85 013	70 666	27 918
Customer deposits	1 659 386	1 718 085	1 047 999	65 518	480 227	124 341
Liabilities measured at fair value	7 824	8 281	2 276	3 067	2 938	-
Debt securities	121 917	130 888	356	4 083	126 449	-
Subordinated debt	46 792	58 774	-	1 477	8 458	48 839
Other liabilities	16 201	16 201	16 201	-	-	-

The summary below represents the worst-case scenario of the analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2010 (at non-discounted values):

	Carrying amount 2011	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	90 764	90 746	90 746	-	-	-
Contingent liabilities from letters of credit	390	390	390	-	-	-
Loan commitments, from it:	317 004	317 004	258 797	58 026	128	53
irrevocable	253 792	253 792	252 086	1 525	128	53

d) Exchange rate Risk

In 2011, 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 minimum extent, and only as a result of standard operating activities of the Bank. The Bank did not enter into any speculative transactions concerning the development of exchange rates for clients or for the Bank's account. Prima banka entered into derivative transactions only to secure clients' currency risk while complying with the terms of credit facilities and conditions for accepting and enforcing collaterals. All transactions by customers were made as back-to-back deals. As at 31 December 2011, 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 VaR on a daily basis at the 99% reliability interval. As at 31 December 2011 the VaR amounted to EUR 438 (31 December 2010: EUR 1 319).

Besides monitoring the internal VaR limits, the Bank has defined an internal limit for an individual open position in a given currency in absolute terms.

Foreign exchange position of Prima banka as at 31 December 2011:

	EUR	USD	Other	Total
Assets	1 886 688	5 347	20 047	1 912 082
Liabilities and shareholders´equity	(1 887 561)	(5 347)	(19 174)	(1 912 082)
Net balance sheet foreign exchange position	**(873)**	**0**	**873**	**0**
Off-balance sheet assets	1 682 103	386	603	1 683 092
Off-balance sheet liabilities	(723 842)	(8 075)	(16 142)	(748 059)
Net off-balance sheet foreign exchange position	**958 261**	**(7 689)**	**(15 539)**	**935 033**
Net foreign exchange position	**957 388**	**(7 689)**	**(14 666)**	**935 033**

Foreign exchange position of Prima banka as at 31 December 2010:

	EUR	USD	Other	Total
Assets	2 586 120	951	35 825	2 622 896
Liabilities and shareholders´equity	(2 586 433)	(4 952)	(31 511)	(2 622 896)
Net balance sheet foreign exchange position	**(313)**	**(4 001)**	**4 314**	**0**
Off-balance sheet assets	2 333 641	373	1 171	2 335 185
Off-balance sheet liabilities	(1 097 435)	(60 486)	(352)	(1 158 273)
Net off-balance sheet foreign exchange position	**1 236 206**	**(60 113)**	**819**	**1 176 912**
Net foreign exchange position	**1 235 893**	**(64 114)**	**5 133**	**1 176 912**

Based on back testing, Prima banka compares estimated VaR with an actual 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 actual 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 2011, the impact of fluctuations in exchange rates on the Bank's profit/loss is immaterial.

Prima banka employs micro and macro position closing to manage its foreign exchange position, while using mainly spot deals in the interbank market

3. Operational Risk

Operational Risk is the risk of financial and non-financial impacts resulting from inadequate or missing internal process/action of staff/system or external events. The definition 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. The operational risk management is aimed at optimizing the Bank's risk profile at adequate costs.

Identification of an operational risk is based on the risk analyses in the process of preparing new products, new processes, non-standard transactions, implementation of new information technologies/information sources, project management, and business continuity planning. The Bank monitors and analyses the development of key risk indicators and gathers and analyses all operational risks-related events. The residual risk is identified in the process of Risk and Control Self-assessment,

In case of operational risk, action plans are usually adopted in order to eliminate or mitigate the occurrence of such risks in the future. To mitigate the financial impact of the occurrence of events the Bank entered into numerous insurance policies that cover the main risks.

41. Transactions with Related Parties

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

a) Represents an entity that, directly or indirectly through one or more intermediaries, has control or joint control over 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 items are the balances with the parent company PENTA INVESTMENTS LIMITED, Cyprus, the members of the Board of Directors and Management Board, and other related parties pursuant to IAS 24.

As of 31 December 2010, assets, liabilities, expenses and revenues include also balances with the entities of Group Dexia SA, Brusel, Dexia Kommunalkredit Bank AG Vienna ("DKB"), Dexia Crédit Local Paris, Dexia Crédit Local Dublin, Dexia Bank Belgium and Dexia Bank Internationale á Luxemburg

Assets and liabilities concerning related parties as at 31 December 2011:

	Penta Investments Limited	Other companies of Penta Investment	Board of Directors and Supervisory	Other persons with special relation	Total
Loans and advances to customers	-	10 964	-	46	11 010
Total Assets	**-**	**10 964**	**-**	**46**	**11 010**
Customer deposits	192	514	1 113	465	2 285
Other liabilities	-	16	900	-	916
Total Liabilities and Equity	**192**	**531**	**2 013**	**465**	**3 202**

Assets and liabilities concerning related parties as at 31 December 2010:

	Dexia Kommunalkredit Bank	Other companies of Dexia Group	Board of Directors and Supervisory	Other persons with special relation	Total
Due from banks	-	112 457	-	-	112 457
Loans and advances to customers	-	-	80	82	161
Net positive value of derivatives	4 977	8 008	-	-	12 985
Total Assets	**4 977**	**120 466**	**80**	**82**	**125 604**
Due to banks	276 257	200 206	-	-	476 463
Customer deposits	-	-	87	201	288
Deposit at fair value revaluated through profit	-	-	-	-	-
Debt securities	89 842	-	-	-	89 842
Net negative value of derivatives	4 399	8 259	-	-	12 658
Other liabilities	50	-	350	-	400
Subordinated and convertible debt	46 792	-	-	-	46 792
Total Liabilities and Equity	**417 340**	**208 465**	**437**	**201**	**626 443**

Revenues and expenses concerning related parties as at 31 December 2011:

	Penta Investments Limited	Other companies of Penta Investment	Board of Directors and Supervisory	Other persons with special relation	Total
Interest income	-	71	-	-	71
Interest expense	(1 086)	(77)	-	-	(1 164)
Net trading income	-	1	-	-	1
Commission income	4	104	-	-	108
Personnel costs	-	-	(2 495)	-	(2 495)
General and administrative expenses	-	(5)	-	-	(5)

Revenues and expenses concerning related parties as at 31 December 2010:

	Dexia Kommunalkredit Bank	Other companies of Dexia Group	Board of Directors and Supervisory	Other persons with special relation	Total
Interest income	9 323	10 298	-	-	19 621
Interest expense	(18 027)	(8 534)	-	-	(26 561)
Net trading income	(1 134)	(1 411)	-	-	(2 545)
Net income on investments	173	-	-	-	173
Commission expense	(1 270)	(216)	-	-	(1 486)
Staff expense	-	-	(1 255)	-	(1 255)
General and administrative expenses	(140)	(698)	-	-	(838)

The personnel costs include the salaries and bonuses paid to members of the Supervisory Board and Management Board. These costs represent current employee benefits.

Off-balance sheet assets and liabilities concerning related parties as at 31 December 2011:

	Penta Investments Limited	Other companies of Penta Investment	Board of Directors and Supervisory	Other persons with special relation	Total
Received collateral from pledge, security and other rights	0	0	23	0	23
Off-balance sheet assets	**0**	**0**	**23**	**0**	**23**

Off-balance sheet assets and liabilities concerning related parties as at 31 December 2010:

	Dexia Kommunalkredit Bank	Other companies of Dexia Group	Board of Directors and Management	Other related parties	Total
Spot transactions - assets	-	110	-	-	110
Derivative transactions - assets	290 949	510 656	-	-	801 605
Guarantees received	8 965	7 006	-	-	15 971
Received collateral from pledge, security and other rights	-	934 000	134	84	934 219
Off-balance sheet assets	**299 914**	**1 451 772**	**134**	**84**	**1 751 904**
Spot transactions - liabilities	-	109	-	-	109
Derivative transactions - liabilities	290 949	510 718	-	-	801 667
Guarantees - given	-	-	11	-	11
Loan commitments and unused credit limits	-	121 440	3	2	121 445
Off-balance sheet liabilities	**290 949**	**632 267**	**15**	**2**	**923 233**

42. Events after the Balance Sheet Date

As of 1 January 2012, banks and branches of foreign banks in Slovakia are obliged to pay a special levy (the so-called bank tax). Banks and branches of foreign banks are obliged to pay the levy in four quarterly instalments in the amount of one fourth of the annual rate (annual rate: 0.4%) of the amount of selected liabilities of the Bank defined in line with the Act No. 384/2011 Coll. on Special Levy of Selected Financial Institutions, Amending and Supplementing Certain Acts.

As at 29 February 2012, Ing. Peter Chovanec, a member of the Board of Directors, terminated his employment with the Bank.

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.