Annual report
2019

Prima Banka

Table

Dear shareholders, dear clients,

We made further investments into the future of Prima banka and its future development in 2019 in line with our strategy. We continued to improve upon our competitive advantages in and strengthened out position overall, especially in the area of retail services. Thanks to these efforts, we once again succeeded in key business areas in 2019 and in which we continued to outpace the market and confirmed our position over the long-term as the fastest growing retail bank. Prima banka once again had its most successful year in history, which confirmed our defined long-term strategy and the bank's ability to make progress in an extremely challenging market environment.

Our long-term goal is to continue to reinforce the bank's position in the area of services to individuals, entrepreneurs and small and medium enterprises and to continue to successfully develop services for cities and towns. We have taken a long-term approach to all segments, building on mutually beneficial relationships with existing and new clients. Our goal is to continue to increase the number of clients who actively bank with us, significantly improve the bank's position in the area of credit and continue efforts to simplify everything we do while also increasing efficiency. Over the past year, we once again make significant progress in retail lending, where once again we outpaced market growth, and recorded our best ever results in this area, primarily thanks to mortgage lending. The on-going and strong growth is driven by transparency and fairness in the form of uniform conditions for every individual client and the simplest mortgage transfer process on the market. The number of new clients and the number of clients who actively bank with us continued to rise.

A major contributing factor to the strong business growth is the third largest network of branches and ATMs, and Prima banka today remains the only bank with branches in each of the 79 administrative districts of Slovakia. The number of users of our Internet banking and Peňaženka app, which has been ranked by clients as the best on the market over the long term, also grew dynamically.

A unique success in the previous year was the issuing of the first Slovak bonds in history with a negative yield, when Prima banka issued the first benchmark issue of covered 7-year bonds in a total volume of EUR 500 million and a record low yield of -0.096 % p.a. Prima banka's successful business model and the highest possible Aaa rating from Moody's contributed to tremendous interest among investors, especially from Western European countries. These advantageous long-term resources will be used to continue the growth and development of our business.

We will continue efforts in 2020 in a more demanding economic, legislative, regulatory and competitive environment to implement our long-term strategy and to continue to invest in the development of the bank and its future, while focusing greater attention on further simplification of our activities and on achieving greater efficiencies. The priority will be to further increase the quality of client services, maintain healthy growth and strength in the area of loans, and we will also develop our teams and all focus on the client and their needs.

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

Jan Rollo
chairman of the board of directors and CEO

Dear shareholders,

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

Two ordinary sessions of the supervisory board were convened during the previous year and the supervisory board also adopted 13 decisions outside of its sessions. The supervisory board supervised the bank's activities from positions in the Audit Committee and the Credit Committee as well. Members of the supervisory board also exercised the right to control the activities of the board of directors.

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

The supervisory board also regularly controlled the bank's financial results, the accomplishment of its business plan and the performance of tasks assigned to the bank's board of directors. In accordance with its statutory obligations, the supervisory board reviewed and took up the ordinary individual financial statements for 2018, the proposal for the distribution of profit for 2018, the report on the activities of the internal audit department for 2018 and the report on compliance issues for 2018 and the new text of the principles for remuneration pursuant to the banking act at its ordinary sessions. In connection with internal audit activities, the supervisory board approved of the department's plan of activities for 2020 and the main audit topics for 2021 and 2022 and approved a change to the plan for 2019. It also took note of the risk report at 31 December 2018 and 31 October 2019, the annual report prepared for 2018, the summary ICAAP report for 2018 and approved the bank's budget for 2020 and risk appetite parameters for 2020. The supervisory board reviewed the independence of the proposed external auditor for 2019, approved the proposal for their appointment and for the provisioning of other services not related to audit and recommended their approval to the general meeting; the supervisory board also participated in the selection procedure to choose a new auditor. The supervisory board participated in the organisation of the ordinary and extraordinary general meeting of the bank in 2019 and approved their agendas within this context. Within its own sessions, the supervisory board provided consent to begin activities associated with the program of covered bonds and the end of trading of the bank's shares on the securities exchange and the transformation of the bank into a private joint stock company. Within the decisions adopted outside of its ordinary sessions, the supervisory board approved the issue of EUR 500 million in covered bonds on 19 August 2019, elected Ing. Peter Novák as a member of the board of directors on 2 October 2019 and once again elected Mgr. Renáta Andries as a member of the board of directors.

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

Iain Child
chairman of the supervisory board

Prima banka confirmed its position in 2019 as the fastest growing retail bank thanks to record growth in key business areas. Prima banka continued to fulfil its long-term strategy focused on developing its retail banking business for the eighth consecutive year. Just as in previous years, focus over the past year was on significantly strengthening its position in retail lending and especially in the area of mortgages. We continued to improve on customer satisfaction and in winning over new clients. The bank also continued to maintain very strong positions in terms of liquidity and capital.

Service accessibility for clients was improved throughout 2019 via the branch network covering all 79 administrative districts of Slovakia. By the end of the year, the bank had 123 branches and the number of ATMs had increased year-on-year by 16 to a total of 312 ATMs. The Peňaženka ("Wallet") mobile app played a major role in improving service availability and the number of app users grew at the highest ever rate last year.

The bank successfully issued its first benchmark issue of covered bonds in a total volume of EUR 500 million with maturity of 7 years in 2019. The success of this issue was driven by the bank's highest possible Aaa rating from the Moody's rating agency. The bond issue attracted significant interest among investors, primarily from the countries of Western Europe, and this demand resulted in a record low yield of -0.096% p.a. This is the first ever Slovak bond issue with a negative yield and the first ever covered bond issue with a negative yield in the countries of Central and Eastern Europe (using the OECD definition). Prima banka is using the funds generated from the bond issue to support further development of its business and to improve business relations with its clients.

Selected financial results of the bank

The bank's total assets were EUR 4.2 billion at the end of 2019, which represents a 16.1% increase compared to 2018. The most significant component of assets continued to be credit provided to clients, which accounted for EUR 3.6 billion (before adjusting for provisions). In accordance with the bank's strategy, retail credit increased with its historically strongest every growth on a year-on-year basis to a total of more than EUR 2.8 billion. Return on assets was 0.44% at 31 December 2019.

On the liabilities side, the most important line item on the balance sheet continued to be client deposits, which totalled nearly EUR 3.2 billion by the end of the year. Retail deposits continue to account for the largest share among client deposits with a total volume of more than EUR 2.3 billion.

The bank recorded a 5.9% year-on-year increase in equity ready for further credit growth in 2019 and will continue to maintain a strong capital position, even after the introduction of additional tightening capital regulations.

Jan Rollo
(since 1 April 2011)

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

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

Henrieta Gahérová
(since 21 February 2013)

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

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

Renáta Andries
(since 1 October 2014)

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

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

Peter Novák
(since 19 August 2019)

member of the board of directors, executive manager of the IT and digitalisation division

He joined Prima banka from VÚB banka, where he was a member of the board of directors responsible for operations and IT (COO). He has been active in the banking industry since 2007, when he joined Tatra banka as a board member (COO/CIO). He then moved to the head office of Raiffeisen Bank International AG in Vienna, Austria in 2011, where he held the position of Managing Director of International Operations and IT and was responsible for managing operations and information technology in 15 countries of Central and Eastern Europe, while also managing regional offices in Beijing, Hong Kong, Singapore, New York and London.
Previously he held numerous executive management positions in a number of major telecommunications companies in Slovakia and abroad. He is a graduate of the University of Technology in Košice.

Iain Child
chairman of the supervisory board

Marián Slivovič
deputy chairman of the supervisory board

Evžen Ollari
member of the supervisory board

Shareholder structure of Prima banka at 31 December 2019

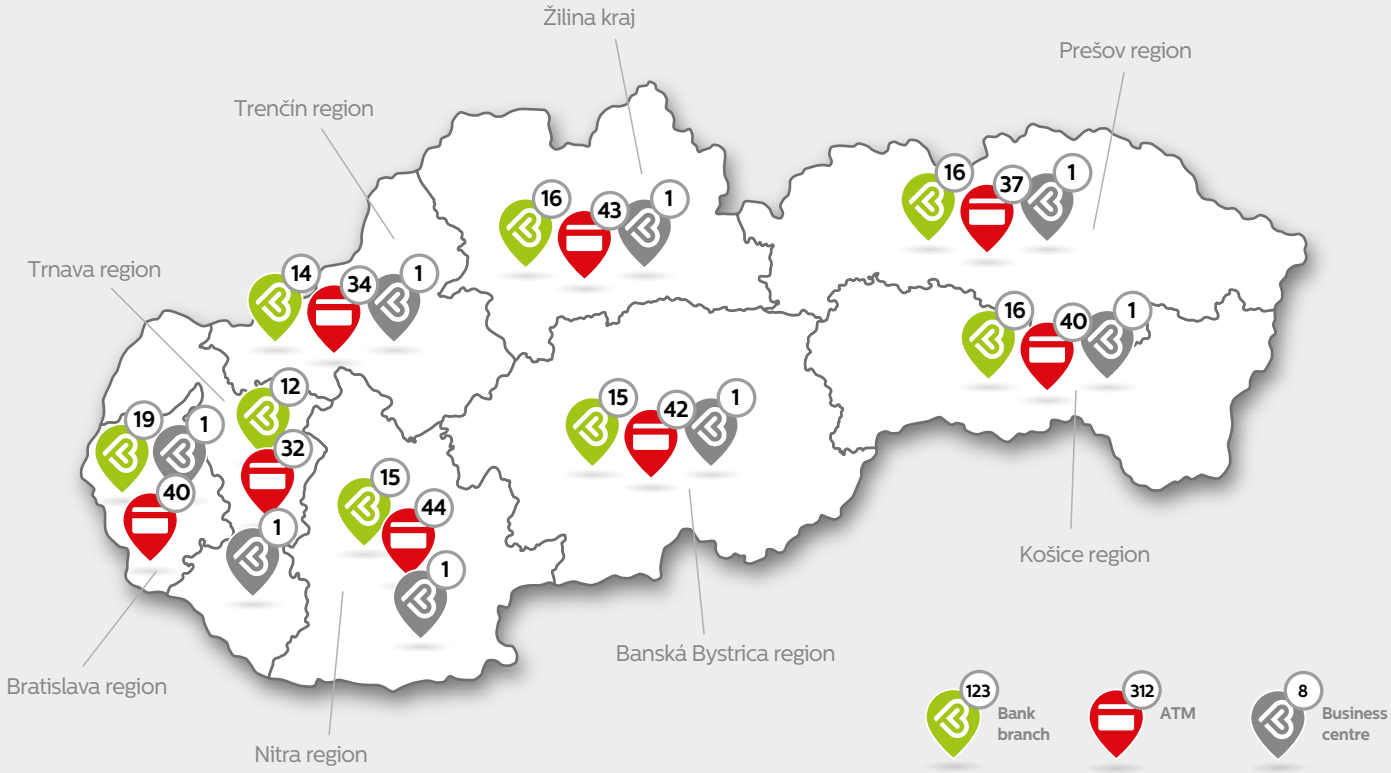
Shareholders of Prima banka Slovensko, a.s.	Number of shareholders	Share in registered capital total (EUR)	Share in registered capital in %
Cities and towns	90	745,193	0.3286076
Legal entities	5	225,683,326	99.5195141
Natural persons	90	344,020	0.1517024
Unclassified	1	399	0.0001759
Total	**186**	**226,772,938**	**100.00**

Prima banka has been the fastest growing retail bank in Slovakia for several years. Consistent delivery on its long-term strategy focused on the development of its retail business and the availability and breadth of its sales network are the driving forces behind its dynamic business growth. The bank had a total of 123 branches and 312 ATMs at 31 December 2019, making it the third-largest network of branches and ATMs and the only bank with coverage of all 79 of Slovakia's administrative districts with its branches and ATMs.

In providing its services, Prima banka has long placed focus on maximum simplicity, speed, convenience and fairness in relation to clients. Thanks to these values and a broad network of branches and ATMs, the bank continues to win over more and more new and satisfied customers every year. According to independent surveys conducted by Go4insight and Kantar Slovakia, Prima banka has maintained a high level of satisfaction among its clients for several years in a row.

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

Prima banka only does business in Slovakia and does not have any organisational unit abroad. The majority owner of the bank is the Central Europe-based Penta Investments Group, which currently owns more than 99% of its shares.



Prima banka confirmed its continued status as the fastest growing retail bank over the long term once again in 2019. In terms of the development of its retail business, 2019 was the historically most successful year every for Prima banka in many key areas. Thanks to consistency in accomplishing our strategy and a simple, transparent and fair offer of services for our clients, we once again increased our share on the consumer credit market, especially in the area of housing credit. Within this specific segment, we managed to grow our overall portfolio by a record of more than EUR 400 million, with a total retail credit portfolio in excess of EUR 2.8 billion. With year-on-year growth of 17%, we grew at a rate that was twice that of the market. Total credit, including the corporate and municipal segment, increased to EUR 3.6 billion. In an increasingly demanding market environment, stiff competition, as well as under legislative influence, we have managed to further strengthen our position and at the same time confirm the high satisfaction of our clients.

It is this long-term convenience, fairness and transparency that helps Prima banka succeed in difficult times and thanks to which it continues to attract more and more new clients every year. The volume of funds on retail current accounts increased year-on-year by 14%. Clients are banking with us more often thanks to our fair and attractive current account product. One of the benefits of this product is our payment card bonus, which is used by more clients every year and currently nearly 200,000 clients receive this bonus. We added a savings account to our popular savings and current account product that clients can open using the Peňaženka mobile app. We recorded growth among the up-and-coming generation of youth and students. The number of clients for youth and student accounts increased by nearly 16% year-on-year, primarily thanks to the highly attractive conditions we provide for these accounts. The number of clients who make use of convenient regular savings also increased.

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

More than 98% of all transactions involving payment services are completed using electronic channels. The number of clients using our payment cards rose significantly, and our company was recognised by Mastercard with the “Best Issuer” award for the Slovak market. We also began offering a new type of card for clients last year:
Debit Mastercard. This card is gradually replacing the electronic Maestro card and supports a wider range of online payments.

We continued to focus on developing electronic banking over the past year as well. New functions in Internet banking, and especially in the Peňaženka (“Wallet”) mobile app, were responsible for increasing client satisfaction last year. The Peňaženka app recorded significant growth in the number of its regular users last year. The number of clients accessing the mobile app increased year-on-year by 69%. Clients highlighted the simple login using a PIN code, fingerprint or Face ID for recognition in particular. We expanded and primarily simplified a number of account, payment card and credit management functions in Peňaženka over the past year. Throughout 2019, we enabled clients to pay using their mobile device and Google pay or Apple pay. We continue to see an annual increase in the use of mobile devices to access accounts, complete transactions and manage payment cards. Thanks to numerous improvements made to the Peňaženka app over the previous year, it received its highest rating from users among other banking applications in 2019 (Google Play rating).

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

We will continue in the implementation of our long-term strategy and our cautious and conservative approach to lending in 2020. Our efforts to focus the entire bank on clients and their needs will redouble. We will consider current economic developments and likewise we will be forced to cope with the effects of an increase in the bank tax which Slovak politicians levied on the bank sector.

In terms of liquidity and capital, Prima banka is very well positioned for continued growth, even in a more difficult economic environment, which may, inter alia, be affected by the negative consequences of the government measures adopted in March 2020 in connection with the pandemic. Their full effect cannot be ascertained at present; but the long-term conservative approach the bank has taken to lending has resulted in a credit portfolio that is of exceptionally high quality and the bank does not have significant exposure in those areas most likely to be significantly affected, such as unsecured consumer credit or business financing, which increases the likelihood of reduced potential consequences.

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

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

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

1. Structure of company management

1.1 General meeting

Standing

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

Convening the general meeting

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

Agenda and decisions

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

Activities in 2019

The company convened its ordinary general meeting at the company's registered office on 25 April 2019. Shareholders were familiarised with the report on the company's business activities and the balance of its assets for 2018, the supervisory board's report and the report from the audit of the financial statements. At the ordinary general meeting, shareholders also decided to approve the ordinary individual financial statements for 2018, the 2018 annual report and other related proposals (the proposal to distribute its

profit) and approval of the auditor for 2019. Shareholders likewise decided to terminate trading of the company's shares on the securities exchange in Bratislava and the transformation of the company from a public to a private joint stock company.

An extraordinary general meeting was convened at the company's registered office on 27 August 2019. Shareholders authorised the board of directors to issue covered bonds.

1.2 Supervisory board

Membership in the supervisory board

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

During 2019, employees once again elected Evžen Ollari as a member of the supervisory board to serve a term beginning on 17 August 2019.

Competencies

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

Activities and decisions

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

Conflicts of interest

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

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

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

In accordance with the accounting act, the supervisory board conducts the activities of the audit committee. Applicable provisions concerning sessions of the supervisory board are applied to sessions of the audit committee. In performing its competencies as the audit committee, the supervisory board:

- monitors the preparation of the financial statements and compliance with special regulations and submits recommendations and proposals for assuring the integrity of this process,
- monitors the effectiveness of internal controls, internal audit and risk management systems, if they have an influence on the preparation of the financial statements,
- monitors the progress and outcomes of the statutory audit of the individual financial statements and the statutory audit of the consolidated financial statements,
- verifies and monitors the independence of the statutory auditor or audit company, primarily the appropriateness of provided non-audit services,
- takes responsibility for the process of selecting the statutory auditor or audit company and recommends the appointment of a statutory auditor or audit company for approval to perform the statutory audit,
- specifies the deadlines for the statutory auditor or audit company to submit an affidavit regarding their independence,
- informs the board of directors of the outcome of the statutory audit and explains how the statutory audit reached its conclusion regarding the integrity of the bank and the role of the audit committee in this process.

Activities of the audit committee in 2019

The members of the supervisory board convened one session within the performance of the activities of the audit committee on 21 March 2019. The sessions took up and reviewed the individual financial statements for 2018, the auditor's report and its findings, the 2018 annual report and the auditor's report verifying its conformity with the ordinary individual financial statements. It also recommended Ernst & Young Slovakia, spol. s r.o. serve as the auditor for 2019, while a review of its independence was conducted, and a deadline was defined for submitting an affidavit regarding its independence. Within the exercise of its function as the audit committee, the supervisory board approved the provisioning of non-audit services by Ernst & Young Slovakia, spol. s r.o. and participated in the organisation of a selection process for a new auditor for the company.

1.3. Board of directors

Membership in the board of directors

The board of directors is composed of three to six members, and currently four members have been elected to the board of directors. Members of the board of directors may not serve concurrently as members of the company's supervisory board. Prior approval from the National Bank of Slovakia is required to elect or re-elect a member of the board of directors, otherwise such election is null and void.

During 2019, Ing. Peter Novák was elected as a member of the board of directors on 19 August 2019, and on 2 October 2019 Ing. Mgr. Renáta Andries was re-elected to serve as a member of the board of directors and Ing. Stanislav Kubala's term as a member of the board of directors ended on 31 October 2019.

Election and recall of members of the board of directors

Members of the board of directors are elected by the supervisory board from members of company management and other natural persons to serve a term of 5 years. The supervisory board may also recall a member of the board of directors. The chairman of the board of directors is appointed and recalled by the supervisory board. The supervisory board may propose the election or recall of a member of the board of directors. Consent from the nominated candidate and all documents required under legislation for submission with the application to issue prior consent from the National Bank of Slovakia must be submitted with such proposal to elect a member of the board of directors. If the board of directors is fully occupied, and no member's term is set to expire, a proposal to recall a specific member of the board of directors must accompany the petition to elect a member of the board of directors. The supervisory board shall forward such

proposal to the board of directors, which is responsible for securing prior consent from the National Bank of Slovakia. Any election or recall is rendered null and void without such prior consent.

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

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

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

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

Competencies of the board of directors

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

- convening and organisational assurance of the general meeting, and implementation of its resolutions;
- submitting the following to the supervisory board and then the general meeting:
  a) ordinary individual and extraordinary individual financial statements,
  b) proposal for distributing profit or covering losses,
  c) a report on the company's business activities and the balance of its assets as part of the annual report,
  d) the annual report;
- submitting the following to the supervisory board for approval:

a) information as to the principle business objectives of company management in the future, including the expected balance of company assets, finances and revenues,
b) information on all matters with the potential to significantly influence the development of the company's business activities or its balance of assets, especially liquidity,
c) a written report on the status of the company's business activities and its balance of assets compared to the plan within a term specified by the supervisory board,
d) proposals to appoint or recall the head of the company's internal audit department and other employee if so specified by legislation or the company's internal regulations;

- confers and recalls written authorisations for company representatives to take action in specific instances, appoints and recalls the company's authorised agents contingent upon prior approval from the supervisory board and confers and recalls general written authorisations contingent upon the consent of the supervisory board;
- manages and coordinates all managers as specified in the company's internal regulations;
- takes responsibility for the fulfilment of the company's obligations under the securities act and other legislation as its executive management;
- adopts and regularly reviews the general principles of remuneration;
- ensures the maintenance of the required accounting and business ledgers on the part of the company;

– ensures the provisioning of statements on the company's activities under valid legislation to the National Bank of Slovakia and other state authorities.

Activities and decisions

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

Activities in 2019

A total of 4 ordinary sessions of the board of directors were convened in 2019, and representatives of the National Bank of Slovakia, as the supervising authority, were also permitted to attend. At its sessions, the board of directors focused on all areas of the company's activities and took action to ensure the proper functioning of the company.

In addition to the decisions adopted at such ordinary sessions, the board of directors adopted a total of 55 per rollam decisions in 2019.

Conflicts of interest

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

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

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

Advisory bodies

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

Credit Committee, Credit Commission and Credit Board

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

Risk Management Committee

The role of the risk management committee is to define the overall risk management strategy for the

bank and the fulfilment of other tasks laid down under valid legislation.

ALCO (Assets Liabilities) Committee

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

Damage and Scrapping Committee

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

Product & Pricing Committee

The Product & Pricing Committee was established to create a body within the company responsible for approving:

- new bank products provided by the bank,
- changes to the products provided by the bank,
- the bank's pricing strategy (interest rates, fees and other prices) for products provided by the bank,
- changes to interest rates of products provided by the bank.

1.4. By-laws

The company's board of directors is responsible for ensuring its by-laws adhere to relevant legislation.

The board of directors prepares draft changes to the by-laws or a company shareholder may submit such a proposal to the board of directors. If a proposal is not compliance, the board of directors shall notify the shareholder to rectify the proposal.

The board of directors is authorised to amend the proposal so long as the shareholders are notified at the general meeting of the amendments that were made. If counter-proposals or amendment of the original proposal is raised at the general meeting, voting shall first be performed on these counter-proposals and amendments individually based on the order of their submission. A two-thirds majority of the votes of those shareholders in attendance is required to approve counter-proposals or amendments. If a proposal is adopted, no other counter-proposals concerning the same issue are voted upon. A two-thirds majority of the votes of those shareholders in attendance is required to approve changes to the by-laws. When decisions are made regarding changes to the by-laws, a notary deed must be completed to record the course of the general meeting.

Any changes or new by-laws require the approval of the National Bank of Slovakia before they are valid and enter into force. After every change to the by-laws, the board of directors is obliged to complete the full text of the by-laws without undue delay and is responsible for its accuracy. Every change to the by-laws and the full text of the by-laws must be archived in the Collection of Documents maintained by the commercial register, at the National Bank of Slovakia and in other institutions pursuant to valid legislation.

2. Capital and the company's shareholders

2.1. Capital

The company's registered capital at 31 December 2019 is EUR 226,772,938 and is divided into a total of 177,474,538 registered shares, specifically:

- 100,200 shares with a nominal value of EUR 399,
- 100,200 shares with a nominal value of EUR 67,
- 701,400 shares with a nominal value of EUR 5,
- 176,572,738 shares with a nominal value of EUR 1.

The majority shareholder is PENTA INVEST- INVESTMENTS LIMITED, which owned at 31 December 2019 99.4927% of all shares. As at 31 December 2019, PENTA INVESTMENTS LIMITED, PENTA INVESTMENTS LIMITED (Jersey) and PENTA IN-

VESTMENTS GROUP LIMITED (indirectly through a participation interest in the registered capital of PENTA INVESTMENTS LIMITED) are companies with a qualified participation interest in the company's registered capital.

Effective 10 July 2019, trading of the company's shares on the Burza cenných papierov v Bratislave, a.s. exchange was terminated. This is related to the transformation of the company from a public joint stock company to a private joint stock company. None of the company's shares are traded on the regulated market.

During 2019, the company acquired back its own shares for a total purchase price of EUR 606,128.76.

The reason for acquiring such shares was:
- a decision from the company's board of directors to buy back shares from minority shareholders in the interests of simplifying the management of the company by consolidating the number of shareholders and
- the execution of a required buy-back offer related to the transformation of the company from a public to a private joint stock company.

The company acquired the following shares:
- 819 shares with a nominal value of EUR 399, representing a share in the registered capital of 0.1441%,
- 105 shares with a nominal value of EUR 67, representing a share in the registered capital of 0.0031%,
- 721 shares with a nominal value of EUR 5, representing a share in the registered capital of 0.0016 %,
- 70,600 shares with a nominal value of EUR 1, representing a share in the registered capital of 0.0311%.

The total share of the nominal value of the shares to the registered capital that the company owned during the year is 0.1799%.

The company transferred all the above shares during 2019 to a third party in the amount of EUR 606,128.76 and did not own any of its own shares at 31 December 2019.

2.2. Shares

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

The company did not issue any securities that would be associated with any special right of control.

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

Shareholders have all rights under the Commercial Code and the company's by-laws, specifically:
- right to a profit share (dividend) as defined by the general meeting for distribution based on overall earnings. This share is the ratio of the nominal value of the shareholder's shares to the nominal value of the company's registered capital;
- the right to access the minutes from the supervisory board's sessions;
- the right to a share of a liquidation surplus upon the dissolution of the company;
- the right to participate in and vote in the general meeting, request information and explanations concerning matters of the company or affairs of persons controlled by the company relating to the subject of the general meeting and to put forward proposals during the general meeting;
- the right to request the board of directors at the general meeting to provide complete and truthful explanations and information related to the subject of the general meeting. If the board of directors is unable to provide complete information to the shareholder at the general meeting or in the event the shareholder requests the board of directors to do so at the general meeting, the board of directors is required to provide the requested information in writing no later than 30 days after the general meeting. The board of directors shall send the requested information in writing to the shareholder's given address or provide the information at the company's registered office;

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

- the right to seek annulment of a general meeting resolution in the event the shareholder attended the general meeting and lodged a protest in the general meeting's minutes;
- the right to access documents deposited in the Collection of Documents at the company's registered office pursuant to the legal regulations and to request copies of such documents or request them to be sent to a specified address at their own expense and risk.

The procedure for exercising such rights is laid down in the company's by-laws and in legislation. Shareholders' voting rights are not limited. The company is not aware of agreements concluded between shareholders that may lead to limitations on the transferability of shares and restrictions on voting rights.

3. Description of internal control and risk management systems

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

- efficiency and cost-effectiveness of the performed activities,
- consistency, accuracy, timeliness and reliability of financial and non-financial information,
- risk control and cautious performance of activities,
- compliance with the legislation, regulatory requirements and internal regulations and decisions,
- protection of the company's resources and property against abuse and inefficient use,
- protection against abuse of power and fraudulent activities. It is the responsibility of the board of directors to implement an internal control system and to create adequate and efficient internal control system. Executive level and management personnel are responsible for the establishment, practical implementation, maintenance and improvement of the internal control system within the control areas they manage. Employees are responsible for the proper and efficient performance of their professional activities with due professional care and cautiousness in line with the company's ethical principles and objectives and in line with the internal regulations and the applicable laws. An independent part of the internal control system is the internal audit department, the rights and obligations of which are determined by the board of directors, in addition to those defined by the law. The internal audit department provides an inde-

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

The company adheres to processes when conducting its banking activities and has established and maintains an effective risk management system. The company regularly reviews the system's efficiency and adequacy by taking into consideration the company's ability to expose itself to risks, it regularly adjusts the risk management system and the way it is updated by internal regulations.

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

The board of directors is ultimately responsible for deploying the risk management system and for managing all the company's risks. The supervisory board defines a framework the company's general risk management policy.

The company has established advisory bodies: risk management committees. At the same time, the company has shared responsibilities in the risk management field and has implemented procedures for identifying, measuring, monitoring and mitigating risks.

External audit

The company is obliged under valid legislation to secure the audit of its annual financial statements by an auditor and the preparation of the auditor's report pursuant to National Bank of Slovakia requirements. At the same time, the company is obliged to announce the selected auditor approved by the general meeting to the National Bank of Slovakia. Audit for 2019 was conducted by Ernst & Young Slovakia, spol. s r. o., Žižkova 9, 811 02 Bratislava, Org. ID: 35 840 463, which also conducted an audit of interim individual financial information at 30 June 2019.

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

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

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

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

Prima banka applies the core values of speediness, simplicity and clarity, professionalism and credibility, but above all fairness and transparency in all its fields of activities. At the same time, these are the values of responsible business conduct and a responsible approach to our clients and to our employees and regions in which we operate. When designing our portfolio of products and services, we do our best to provide clear rules and be of real advantage to our clients. Bankers, therefore, offer clearly-formulated and transparent products without imposing additional conditions and without hitches. A fair approach and maximum transparency are also applied by the operators in our call centre when communicating with clients and addressing their requests, and the same principles form the core of our marketing communication efforts. We act and conduct business ethically and transparently and follow the Code of Conduct. Transparency, fairness and honesty are our core values in respecting human rights and fighting against any non-transparent actions, corruption or bribery. We also respect the principles of responsible conduct in the regular procurement of goods and services, as well as through individual activities of our branches, which are annually involved in cooperating with selected cities and towns in support of their social and public-service activities, such as sporting events, city days, village days, children's days etc. Prima banka conducts all its activities with the goal of maximising environmental protection measures. Even when caring for our employees, we try to go beyond the standard care and, in addition to employee benefits and remuneration, our employees also have the opportunity to participate twice a year in informal team meetings of the individual departments and divisions and at the same time have the opportunity to participate once a year in a bank-wide sporting day aiming at providing sporting, social and movement activities.

The main risk in the field of social responsibility concerning the activities of the accounting entity is the risk of legitimizing the proceeds from criminal activities, i.e. money laundering. We pursue activities aimed at preventing the misuse of the bank for purposes of money laundering and terrorist financing. The board of directors of Prima banka presents its clear position to all the clients and the general public: the position of zero tolerance for money laundering and terrorist financing and strict adherence to all preventive measures stipulated by anti-money laundering regulations. We continually and regularly take an active approach to prevention and detection of such incidents that have already occurred. Prima banka implements a risk-based approach in relation to all the customers. When entering into a business relationship with a client, we follow the "know-your-client" principle. The bank does not tolerate any form of anonymity within the business relationship with the clients and does not carry out the client operations, which involve funds of unclear or doubtful origin. Front-line employees who carry out the process of identification and verification of clients serve as an important protection measure against money laundering and terrorist funding. All upcoming business activities are analysed and any potential abnormalities are looked into. Front-line employees gather the necessary information about the client to create a client profile. By being aware of the indicators of abnormalities, the employees are able to distinguish the abnormal behavioural characteristics of clients and abnormal transactions. To ensure the bank's protection measures against money laundering and terrorist funding are adequate, we also conduct system monitoring of operations on all client accounts to capture any abnormalities in client transactions. All unusual business operations are reported pursuant to §17 of Act No. 297/2008 Coll. to the Financial Intelligence Unit, with whom we closely cooperate.

Prima banka also supports employment in smaller cities, including through the expansion of its branch network across Slovakia.

At Prima banka, people who prioritise values such as simplicity, clarity, fairness, transparency and credibility excel. We apply the same values when selecting our employees and encouraging their development.

We care about adherence to the principles of impartiality and equality and give graduates a fair

chance to jump-start their careers and grow professionally in the fastest growing retail bank in Slovakia. We have set up a simple and intensive system of in-house training activities, which take the form of in-house e-learning courses and managerial skills, and practical education and training directly in the field, at our branches. We support smart, competent and ambitious people in their professional and personal growth and provide them with space to move on to another interesting job within the company. We give potential colleagues the room they need for their professional development, thanks to which we have succeeded in filling a large portion of our managerial positions with internal employees who've advanced to these positions within their own career growth. As the only bank on the market, we have implemented a regular weekly retail bank rotation within our maximal focus on the client and on improving our services. This is a unique form of training, where all head office employees are sent once a year to another retail branch for a week as a personal banker to provide comprehensive customer service. Due to this type of training, our head office employees better understand the needs of the clients as well as the work of our personal bankers and as a result, they work faster and more efficiently.

Separate Financial Statements
For the Year Ended 31 December 2019

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

Prima Banka

Contents

Building a better working world

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Independent Auditor's Report

To the Shareholders, Supervisory Board, Board of Directors and to the Audit Committee of Prima banka Slovensko, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prima banka Slovensko, a.s. ("the Bank"), which comprise the separate statement of financial position as at 31 December 2019, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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Adequacy of impairment provisions in compliance with IFRS 9

The appropriateness of impairment provisions is a key area of judgement for the Bank's management. The determination of the expected credit losses is an inherently uncertain process involving various assumptions.

The Bank performs an assessment of impairment provisions for defined portfolios of exposures. This requires significant judgment of the management regarding the identification of the significant change in credit risk, impairment triggers, probabilities of relevant scenarios for cash flow forecasts and the cash flow forecasts themselves, including collateral realization, all of which involves a high level of complexity due to the changing credit environment.

Due to the significance of loans to customers that are subject to impairment, representing 82% of total assets, and the complexity of the impairment provisions' estimations, we consider this area to be a key audit matter.

We documented our understanding of the credit risk management policies in the Bank, including the policy of granting loans and advances, as well as our understanding of the Bank's policies and procedures related to the estimation of expected credit losses. Based on these procedures, we performed tests of controls implemented by the Bank and assessed their operating effectiveness, which included the process of granting loans, monitoring the economic and financial situation of borrowers' and identification of impairment triggers, as well as the process of calculating impairment provisions for customer loan portfolio.

We used specialists who helped us to assess the models, assumptions and completeness of data used by the Bank for the purposes of creating impairment provisions, including assumptions underlying the probability of default and loss given default.

We performed analytical review procedures related to the development of the structure and characteristics of the credit portfolio, including the impairment provisions, reflecting the quality of the customer loan portfolio in the light of the impairment provisions for expected credit losses for loans to customers aimed at identifying portfolios of loans to customers with understated impairment provisions. In addition, on separate samples of individually significant credit exposures and individually non-significant credit exposures we have carried out substantive testing of their classification into risk categories, so-called 'staging' For individually significant credit exposures classified in stages 2 and 3 we reviewed whether impairment provisions recognized by the Bank are sufficiently accurate.

We also assessed whether the financial statements' disclosures appropriately reflect the Bank's exposure to the credit risk and are compliant with IFRS EU.

Refer to the Notes to the Financial Statements paragraphs 3e) Financial Instruments, 5.1. Financial Assets at Amortised Costs and 5.28. Risk Management part 1. Credit Risk.

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Other Matter

The financial statements of Prima banka Slovensko, a.s. for the year ended 31 December 2018 were audited by another auditor whose report dated 28 February 2019 expressed an unmodified opinion on those statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

The annual report was not available to us as at the date of issue of the auditor's report on the audit of the financial statements.

When we obtain the annual report, we will consider whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting and based on procedures performed during the audit of financial statements, we will express our opinion considering whether:

- Information disclosed in the annual report, prepared for 2019, is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its situation, obtained in the audit of the financial statements.

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Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Bank on 18 June 2019 based on our approval by the General Meeting of Shareholders of the Bank held on 25 April 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.

In addition to statutory audit services, we provided to the Bank and its controlled undertakings the following services:

- Limited review of interim financial statements as at 30 June 2019.
- „Comfort letter procedures" in connection with covered bonds issued by the Bank.
- Limited review of loans receivables used as collateral of Eurosystems credit operation as at 30 June 2019 for the second quarter of the year 2019 submitted by Bank according to § 37 article 4 note b) Decision of National Bank of Slovakia ("NBS") no. 2/2015 of 28 April 2015 on the implementation of the Eurosystem's monetary policy framework in the Slovak Republic, as amended.
- Preparation of long-form auditor's report for the NBS.
- Audit of prudential returns as at 31 December 2019 reported to the NBS.
- Agreed-upon procedures related to adequacy of measures according to Article 71 h) to 71 k) of the Act no. 566/2001 on Securities, in accordance with Article 76 of the Act on Securities, for 2019.
- Review of IT security.

4 March 2020
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

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I. FINACIAL STATEMENTS

Separete Statement of Financial Position

Assets	Note	31.12.2019	31.12.2018
Cash		99 048	95 750
Financial assets at amortised cost, of which:	1	4 022 390	3 464 239
Balances with central banks		349 638	97 006
Due from banks		3 851	7 095
Loans and advances to customers		3 437 837	3 054 489
Debt securities		231 064	305 649
Financial assets held for trading – derivatives	2	103	52
Financial assets at fair value through other comprehensive income	3	3 100	2 141
Hedging derivatives	2	0	0
Non-current tangible assets	4	20 613	14 412
Non-current intangible assets	5	1 893	1 894
Deferred tax asset	6	9 432	9 570
Other assets	7	22 139	11 988
Assets total		**4 178 718**	**3 600 046**
Liabilities and equity			
Financial liabilities at amortised cost, of which:	8	3 776 781	3 220 271
Loans and deposits received from central banks		0	100 000
Due to banks		21 341	30 517
Customer deposits		3 251 476	3 087 787
Debt securities		503 964	1 967
Liabilities from leasing	9	7 711	0
Hedging derivatives	10	0	427
Provisions and reserves	11	14 791	15 942
Other liabilities	12	33 414	36 633
Liabilities total		**3 832 697**	**3 273 273**
Equity (except profit for the current year)		328 961	304 760
Profit/loss for the current year after tax		17 060	22 013
Equity total	**13**	**346 021**	**326 773**
Liabilities and equity total		**4 178 718**	**3 600 046**

The notes on pages 5 to 49 are an integral part of these separate financial statements. The separate financial statements were signed and authorised for issue on 4 March 2020:

Jan Rollo
Chairman of Management Board
and Chief Executive Officer

Renáta Andries
Member of Management Board
and Chief Risk Officer

Separate Statement of Comprehensive Income

	Note	31.12.2019	31.12.2018
Interest income		75 420	82 513
Interest expense		(15 690)	(17 226)
Net interest margin	**14**	**59 730**	**65 287**
Fee and commission income		28 465	27 763
Fee and commission expense		(6 102)	(5 467)
Net fee and commission income	**15**	**22 363**	**22 296**
Dividend income		3	6
Net income from financial transactions	16	79	489
Other operating income	17	81	2 266
Specific contributions of selected financial institutions	18	(8 163)	(7 017)
Net income from banking activities		**74 093**	**83 327**
Personnel expenses		(24 990)	(24 144)
Depreciation		(4 776)	(3 852)
Purchased output and services		(22 023)	(27 075)
General and administrative expenses	**19**	**(51 789)**	**(55 071)**
Net operating income		**22 304**	**28 256**
Net allocation to provisions on customer receivables		(5 300)	(3 320)
Net allocation to provisions on off-balance sheet risks		786	(1 729)
Net loss on write-off of receivables		(592)	(1 093)
Net allocation to provisions	**20**	**(5 106)**	**(6 142)**
Loss before tax		**17 198**	**22 114**
Deferred income tax benefit		(138)	(101)
Income tax	**21**	**(138)**	**(101)**
Net result for the current period	**22**	**17 060**	**22 013**
Net profit (loss) oper share (face value of € 399) in €		30.016	38.731
Net profit (loss) oper share (face value of € 67) in €		5.040	6.504
Net profit (loss) oper share (face value of € 5) in €		0.376	0.485
Net profit (loss) oper share (face value of € 1) in €		0.075	0.097
Other Comprehensive Income			
Items that may be reclassified to the income statement			
Financial assets available for sale		1 192	1 555
Cash flow hedge		(174)	(177)
Items that can not be reclassified to the income statement			
Equity instruments valued at fair value through another comprehensive income		1 170	394
Actuarial gains (losses)		0	(74)
Total	**13**	**2 188**	**1 698**
Comprehensive income (expenses) total		**19 248**	**23 711**

Separate Statement of Cash Flows

	31.12.2019	31.12.2018
Cash flows from operating activities		
Profit before tax	17 198	22 114
Adjustment:		
Depreciation and amortisation	4 776	3 852
Loss on property sold	41	(1 805)
Profit of revaluation available for sale financial assets	1 192	1 555
Profit/(Loss) of revaluation on financial assets held for trading - derivatives	(51)	(52)
Profit/(Loss) of revaluation on securing derivatives	(601)	(1 522)
Profit of revaluation on financial assets at fair value through other comprehensive income	211	167
Proceeds from shares and equity interests	(3)	(6)
Interest expense	15 690	17 226
Interest income	(75 420)	(82 513)
Provisions and reserves for losses, net	4 638	5 099
Net loss on written off receivables	(762)	554
Net profit off postponed assets	1 354	540
Other non-cash transactions	(489)	(3 368)
Net cash flows from operating activities before changes in operating assets and liabilities	**(32 226)**	**(38 159)**
Changes in operating assets		
Due to the NBS	(242 392)	79 820
Interbank loans and advances	731	55 790
Loans and advances to customers	(388 438)	(257 076)
Other assets	(9 998)	(5 115)
Changes in operating liabilities		
Loans received from the central banks	(100 000)	100 000
Due to other banks	(9 194)	150
Customer deposits	162 834	7 157
Other liabilities	(5 214)	35 816
Interest paid	(15 216)	(16 311)
Interest received	78 325	76 982
Net cash flows from operating activities	**(560 788)**	**39 054**
Cash flows from investment activities		
Purchase of non-current tangible and intangible assets	(1 310)	(2 108)
Proceeds from sale of non-current tangible and intangible assets	(1)	6 187
Proceeds from financial assets at amortised cost – debt securities	72 037	22 661
Proceeds from postponed assets	(1 354)	(540)
Proceeds from shares and equity interests	3	6
Net cash flows from investment activities	**69 375**	**26 206**
Cash flows from financial activities		
Proceed from bonds issued	502 500	0
Repayment of the bonds issued	(104)	(117 500)
Net cash flows from financing activities	**502 396**	**(117 500)**
Net increase/(decrease) in cash flows	10 983	(52 240)
Cash and cash equivalents as the beginning of year (Note 23)	119 662	171 903
Cash and cash equivalents as the end of year (Note 23)	130 644	119 662

Separate Statement of Changes in Equity

	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
1.1.2018	**226 773**	**71 190**	**2 743**	**54 078**	**(2 537)**	**(63 489)**	**14 944**	**303 702**
Impact of the introduction of IFRS 9						(640)		(640)
1.1.2018 after impact of the introduction of IFRS 9	**226 773**	**71 190**	**2 473**	**54 078**	**(2 537)**	**(64 129)**	**14 944**	**303 062**
Distribution of profit/(loss) from previous years			1 494			13 450	(14 944)	0
Results for the year 2018							22 013	22 013
Profit on revaluation of available-for-sale financial assets					1 555			1 555
Cash flow hedge					(177)			(177)
Revaluation of equity instruments					394			394
Actuarial gains					(74)			(74)
31.12.2018	**226 773**	**71 190**	**4 237**	**54 078**	**(839)**	**(50 679)**	**22 013**	**326 773**
1.1.2019	**226 773**	**71 190**	**4 237**	**54 078**	**(839)**	**(50 679)**	**22 013**	**326 773**
Distribution of profit/(loss) from previous years			2 202			19 811	(22 013)	0
Results for the year 2019							17 060	17 060
Profit on revaluation of available-for-sale financial assets					1 192			1 192
Cash flow hedge					(174)			(174)
Revaluation of equity instruments					1 170			1 170
31.12.2019	**226 773**	**71 190**	**6 439**	**54 078**	**1 349**	**(30 868)**	**17 060**	**346 021**

II. NOTES TO THE FINANCIAL STATEMENTS

1. General Information about Prima banka

Basic Information

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

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

Statutory and Management Bodies

Board of Directors

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

Management Board

Chairman: Jan Rollo
Members: Henrieta Gahérová
Renáta Andries
Peter Novák, from 19 August 2019
Stanislav Kubala, until 31 October 2019

Proxy

Igor Tušl

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

Scope of Activities

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

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

Shareholder Structure of Prima banka

	Stake in Share Capital in %	
	31.12.2019	31.12.2018
PENTA INVESTMENTS LIMITED, Cyprus	99.49	99.31
Shareholders under 1%	0.51	0.69
Total	**100.00**	**100.00**

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

The ultimate parent company that prepares the consolidated financial statements is PENTA INVESTMENTS LIMITED seated at 3rd floor, Osprey House, 5-7 Old Street, St Helier, JE2 3RG, Jersey, Channel Islands, registration number: 109645. The consolidated financial statements are available at PENTA INVESTMENTS LIMITED Jersey, Channel Islands.

Share Capital and its Structure

Prima banka may only issue registered shares issued in book-entry form. Their transfer is made in accordance with the Securities Act in the Central Securities Depository, which maintains the list of shareholders. The transferability of shares is unlimited.

The structure of ordinary shares as at 31 December 2019 and 31 December 2018 is presented in the following overview:

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

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

Number of Employees

	31.12.2019
Average number of employees, of which:	**862**
Average number of managers	7

As at 31 December 2019, Prima banka had 865 employees (31 December 2018: 873) and offered its services at 123 branches (31 December 2018: 124 branches).

2. Basis for the Preparation of Financial Statements

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

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

The Bank's separate financial statements for the previous reporting period (as at 31 December 2018) were approved and authorised for issue on 28 February 2019 and subsequently approved on 25 April 2019 by the General Meeting.

Basis of Presentation
The separate financial statements of the Bank (the "financial statements") for the year ended 31 December 2019 and comparative data for the year ended 31 December 2018 have been prepared in accordance with IFRS as adopted by the European Union (the "EU") in Commission Regulation (EC) 1126/2008, and current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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

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

Standards and Interpretations in Current Period
The Bank has adopted all new and revised standards and interpretations issued by the IASB and IFRIC for the IASB that have been approved for use in the EU and which relate to its activities and are effective for accounting periods beginning on or after 1 January 2019.

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

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

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

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

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

3. Significant Accounting Procedures

a) Transaction Date

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

b) Transactions in a Foreign Currency

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

c) Cash and Balances with Central Banks

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

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

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

e) Financial Instruments

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

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

<u>Business model assessment</u>

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

The Bank has the following business models:

- Loan and investment portfolio (financial assets held only to collect contractual cash flows);
- Portfolio for trading (mainly derivatives);
- Equity share portfolio;
- Hedging portfolio.

Contractual cash flows

The Bank assesses whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (under a standard loan agreement, consideration for the time value of money and credit risk are usually the most significant elements of interest). However, in such an agreement, interest may also include consideration for other basic risks (eg liquidity risk) and expenses (eg administrative expenses) related to holding a financial asset over a certain period. Interest may also include a profit margin which is consistent with the standard loan agreement.

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

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

- The financial asset is held in a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- Loans and receivables;
- Debt securities;

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

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

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

Financial assets measured at fair value through other comprehensive income (FVTOCI)
To classify a financial instrument in this portfolio, both of the following conditions must be met:

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

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

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

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

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

The Bank measures expected credit losses to reflect:

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

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

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

If a significant increase in credit risk is subsequently identified since the initial recognition without the asset being impaired, the asset is moved to stage 2. If a financial asset is credit-impaired, it is classified in stage 3. In stages 2 and 3, a financial asset is measured at a provision equal to the expected credit loss over the full lifetime of the asset.

If the impairment of a financial asset was measured in an amount equal to expected credit losses over the asset's full lifetime in the previous reporting period, but such conditions are not met as at the current reporting date, the Bank measures the impairment loss in an amount equal to a 1-year expected credit loss as at the current reporting date.

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

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

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

Significant increase in credit risk
The assessment of significance comprises future-focused information and is always performed as at the reporting date.

Receivables in portfolios measured solely using statistical models are classified in stage 2 if the client has at least one significant receivable overdue by more than 6 days.

Other receivables are classified in stage 2 on an individual basis. A decision to change the classification and the required coverage amount, if any, is made by the Credit Committee for individually assessed cases based on a monthly review when individual cases are discussed. The review process includes consultation on the opinion of the responsible approval department that expertly and comprehensively assesses the condition of the counterparty and change thereof.

Defaulted financial assets
A financial asset is in default if:

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

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

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

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

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

Collateral

The Bank primarily accepts the following types of collateral:

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

The Bank uses the following legal instruments:

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

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

When realising collateral, the Bank uses:

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

Write-off of Receivables

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

Financial Assets Measured at Fair Value Through Profit or Loss

This portfolio consists of financial instruments held for trading, including derivatives used solely to manage position exposures, mainly liquidity risk and currency risk.

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

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

Financial Liabilities

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

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

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

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

Sale and Repurchase Agreements (Repo Transactions)

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

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

Derecognition of Financial Instruments

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

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

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

Offsetting Financial Instruments

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

f) Financial Derivatives

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

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

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

g) Hedging

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

h) Fair Value of Financial Instruments

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

Fair values of financial instruments not quoted in active markets are determined using valuation techniques such as the theoretical price derived from the yield as read from the yield curve of government bonds and the credit margin of issuers' debt securities with comparable credit risk under generally accepted revaluation rules. If practicable, models use only observable data; however, areas such as credit risk, volatilities, and liquidity require expert estimates. Changes in the assumptions related to these factors could affect the reported fair value of financial instruments.

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

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

i) Non-Current Tangible and Intangible Assets

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

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

Land and works of art are not depreciated.

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

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

*The buildings owned by the Bank are depreciated over 40 years, reconstruction work on ATM 10 years, other reconstruction work on leased buildingsa accoding to the lease contract; engineering constructions from 12 to 20 years and advertising constructions from 4 to 6 years.

j) Impairment of Tangible and Intangible Assets

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

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

k) Leases

IFRS 16 supersedes International Accounting Standard 17 Leases ('IAS 17') and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals. The new Standard introduces a number of limited scope exceptions for lessees which include:

- Leases with a lease term of 12 months or less and containing no purchase options,
- Leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unchanged and the distinction between operating and finance leases will be retained.

Leases in which the Bank is a lessee

The new Standard, when initially applied, had a significant impact on the financial statements. Bank recognised in statement of financial position assets and liabilities relating to operating leases for which the Bank acts as a lessee. The Bank recognises new assets and liabilities (impact in amount of € 7,000 thousand) in the statement of financial position for its operating leases in respect of branch and office premises. The nature and expenses related to those leases was changed because the Bank will recognise a depreciation charge for right-of-use assets and interest expense on the lease liabilities. Previously, the Bank recognised operating lease expenses on a straight-line basis over the time of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between the actual lease payments and the expense recognised.

Transition

The Bank applied IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore no adjustment to the opening balance of retained earnings at 1 January 2019 was recognised, with no restatement of comparative information. The Bank applied the practical expedient to grandfather the definition of lease on transition. This means that it applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

l) Assets Held for Sale

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

m) Income Tax

Current income tax is calculated on the tax base reported in accordance with Slovak tax legislation. The tax basis differs from accounting profit/(loss) recognized in the statement of comprehensive income, as it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The current tax liability is calculated using the tax rates valid as of the reporting date.

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

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

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

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

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

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

n) Debt Securities

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

o) Subordinated Debt

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

p) Accrued Interest

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

q) Provisions for Liabilities

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

r) Earnings per Share

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

s) Interest Income and Interest Expense

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

t) Fees and Commissions

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

4. Significant Accounting Estimates

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

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

Provisions for Loans to Customers
As discussed in the paragraphs of Chapter 3 above, and as described in detail in Notes 1 and 23, Chapter 5 to the financial statements, the Bank recognises a provision for expected credit losses from financial instruments that are carried at amortised cost or fair value through OCI and identified contingent liabilities. The calculation of provisions is based on anticipated estimated cash flows, which are determined using different scenarios, taking into account the time value of money, supportable and reasonable information about past events and estimated future economic conditions.

The recognition of provisions for loan losses and identified contingent liabilities, however, includes various uncertainties regarding the outcome of the above risks (eg for portfolios measured using statistical models, the Bank does not have sufficiently representative historical data available and, therefore, the Bank has elected to use NBS estimates to estimate the impact of an adverse scenario, and requires Bank management to make many subjective judgments when estimating losses. Therefore, the result of such estimates may differ from the provisions recognised as at 31 December 2019.

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

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

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

5. Notes to the Financial Statements

1. Financial Assets at Amortised Cost

31.12.2019	Gross Carrying Amount	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost, of which:				
Balances with central banks	**349 638**	349 638	**0**	**0**
Current accounts	28 748	28 748	0	0
Compulsory minimum reserves	320 890	320 890	0	0
Due from banks	**3 851**	**3 851**	**0**	**0**
Loans and advances to customers*, of which:	**3 587 711**	**3 418 389**	**61 067**	**108 255**
Public administration	143 156	141 887	209	1 060
Retail clients	2 963 087	2 902 695	18 535	41 857
of witch: Individuals	2 839 671	2 783 038	18 417	38 216
Other clients	481 468	373 807	42 323	65 338
Debt securities, of which:	**233 177**	**213 097**	**20 080**	**0**
Banks	16 023	16 023	0	0
Public administration	197 074	197 074	0	0
Other clients	20 080	0	20 080	0
Total	**4 174 477**	**3 984 975**	**81 147**	**108 255**
Provisions- Loans and advances to customers	(149 874)	(39 851)	(12 596)	(97 427)
Provisions- Debt securities	(2 113)	0	(2 113)	0
Net carrying amount	**4 022 390**	**3 945 124**	**66 438**	**10 828**

31.12.2018	Gross Carrying Amount	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost, of which:				
Balances with central banks	**97 006**	**97 006**	**0**	**0**
Current accounts	18 508	18 508	0	0
Compulsory minimum reserves	78 498	78 498	0	0
Due from banks	**7 095**	**7 095**	**0**	**0**
Loans and advances to customers*, of which:	**3 227 325**	**2 958 050**	**128 596**	**140 679**
Public administration	141 661	140 468	0	1 193
Retail clients	2 553 690	2 488 486	16 005	49 199
of witch: Individuals	2 414 540	2 353 191	16 005	45 344
Other clients	531 974	329 096	112 591	90 287
Debt securities, of which:	**307 657**	**287 577**	**20 080**	**0**
Banks	16 019	16 019	0	0
Public administration	271 558	271 558	0	0
Other clients	20 080	0	20 080	0
Total	**3 639 083**	**3 349 728**	**148 676**	**140 679**
Provisions- Loans and advances to customers	(172 836)	(29 385)	(18 068)	(125 383)
Provisions- Debt securities	(2 008)	0	(2 008)	0
Net carrying amount	**3 464 239**	**3 320 343**	**128 600**	**15 296**

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

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

Provisions for financial assets at amortized cost

Provisions for loans and advances to customers

Provisions for loans and advances to customers	1.1.2019	An increase due to the creation or acquisition	Decline due to discontinuation of reporting	Net changes due to change in credit risk	Transfers between levels	Other movements*	Exchange rate differences	Decrease in proviso due to depreciation	31.12.2019
Stage 1	**(29 385)**	**(12 309)**	**3 941**	**(9 347)**	**7 150**	**100**	**0**	**0**	**(39 851)**
Public administration	(10)	0	3	1	0	0	0	0	(7)
Retail clients	(24 475)	(10 801)	3 124	(5 103)	5 837	0	0	0	(31 418)
Other clients	(4 900)	(1 509)	814	(4 224)	1 313	100	0	0	(8 427)
Stage 2	**(18 068)**	**(538)**	**5 542**	**1 116**	**(649)**	**0**	**0**	**0**	**(12 596)**
Public administration	0	0	0	0	0	0	0	0	0
Retail clients	(4 158)	(476)	364	(87)	(297)	0	0	0	(4 480)
Other clients	(13 910)	(62)	5 178	1 029	(352)	0	0	0	(8 117)
Stage 3	**(125 383)**	**(2 499)**	**5 250**	**3 658**	**(6 501)**	**2 672**	**0**	**25 375**	**(97 427)**
Public administration	(805)	(26)	0	94	0	0	0	0	(737)
Retail clients	(40 643)	(1 408)	3 831	1 319	(5 540)	0	0	8 892	(33 550)
Other clients	(83 935)	(1 065)	1 419	2 246	(961)	2 672	0	16 483	(63 141)
Total	**(172 836)**	**(15 345)**	**14 733**	**(4 647)**	**0**	**2 772**	**0**	**25 375**	**(149 874)**

*The Bank classified other financial assets (derivatives, cash collateral, others assets) in a total amount of € 12 412 thousand and related provisions in a total amount of € 2 772 thousand from "Loans and Advances to Customers" to „Others assets" as at 30 Jun 2019.

Provisions for loans and advances to customers	1.1.2018	(Creation)/ Reversal	Use	Exchange rate differences	31.12.2018
Stage 1	**(22 818)**	**(6 567)**	**0**	**0**	**(29 385)**
Public administration	(23)	13	0	0	(10)
Retail clients	(16 092)	(8 383)	0	0	(24 475)
Other clients	(6 703)	1 803	0	0	(4 900)
Stage 2	**(8 735)**	**(9 333)**	**0**	**0**	**(18 068)**
Public administration	0	0	0	0	0
Retail clients	(2 831)	(1 327)	0	0	(4 158)
Other clients	(5 904)	(8 006)	0	0	(13 910)
Stage 3	**(171 350)**	**12 110**	**33 857**	**(1)**	**(125 383)**
Public administration	(704)	(101)	0	0	(805)
Retail clients	(52 885)	781	11 461	(1)	(40 643)
Other clients	(117 761)	11 430	22 396	0	(83 935)
Total	**(203 379)**	**(5 322)**	**33 857**	**(1)**	**(172 836)**

Debt securities

Debt secutities	1.1.2019	An increase due to the creation or acquisit	Decline due to discontinuation of reporting	Net changes due to change in credit risk	Transfers between levels	Decrease in provison due to depreciation	31.12.2019
Stage 1	0	0	0	0	0	0	0
Stage 2	(2 008)	0	0	(105)	0	0	(2 113)
Stage 3	0	0	0	0	0	0	0
Total	**(2 008)**	**0**	**0**	**(105)**	**0**	**0**	**(2 113)**

Debt Securities	1.1.2018	An increase due to the creation or acquisit	Decline due to disconti-nuation of reporting	Net changes due to change in credit risk	Transfers between levels	Decrease in provison due to depreciation	31.12.2018
Stage 1	(476)	0	0	0	476	0	0
Stage 2	0	0	0	(1 532)	(476)	0	(2 008)
Stage 3	0	0	0	0	0		0
Total	**(476)**	**0**	**0**	**(1 532)**	**0**	**0**	**(2 008)**

Gross book value transfers between levels

Provisions for loans and advances to customers	Move to level 1	Move to level 2	Move to level 3
Stage 1	**4 685**	**(13 955)**	**(5 745)**
Public administration	0	0	0
Retail clients	4 428	(11 185)	(4 944)
Other clients	257	(2 770)	(801)
Stage 2	**(4 399)**	**14 209**	**(3 537)**
Public administration	0	0	0
Retail clients	(4 142)	11 209	(3 204)
Other clients	(257)	3 000	(332)
Stage 3	**(286)**	**(254)**	**9 282**
Public administration	0	0	0
Retail clients	(286)	(24)	8 148
Other clients	0	(230)	1 134

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

	31.12.2019	31.12.2018
Balances with central banks	**349 638**	**97 006**
Slovak Republic	349 638	97 006
Due from banks	**3 851**	**7 095**
Slovak Republic	5	6
EU Member States	2 828	5 288
Other countries	1 018	1 801
Loans and advances to customers	**3 437 837**	**3 054 489**
Slovak Republic	3 255 193	2 888 631
EU Member States	182 576	157 678
Other countries	67	8 180
Debt securities	**231 064**	**305 649**
Slovak Republic	165 287	221 155
EU Member States	65 777	84 494
Total	**4 022 390**	**3 464 239**

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

	31.12.2019	31.12.2018
Balances with central banks	**349 638**	**97 006**
In euro	349 638	97 006
Due from banks	**3 851**	**7 095**
In euro	1 301	2 693
In foreign currencies	2 550	4 402
Loans and advances to customers	**3 437 837**	**3 054 489**
In euro	3 437 835	3 046 363
In foreign currencies	2	8 126
Debt securities	**231 064**	**305 649**
In euro	227 273	301 863
In foreign currencies	3 791	3 786
Total	**4 022 390**	**3 464 239**

The summary of the financial assets at amortised cost by residual maturity is presented in Note 28 2c).

2. Financial Derivatives - assets

	31.12.2019		31.12.2018	
Hodnota aktív	Fair Value	Nominal Value	Fair Value	Nominal Value
Financial assets held for trading – derivatives				
Currency derivatives	103	11 960	52	10 149
Total	**103**	**11 960**	**52**	**10 149**
Hedging derivatives				
Interest rate swap	0	0	0	8 441
Total	**0**	**0**	**0**	**8 441**

The residual maturity of derivatives at nominal value is presented in Note 25.

3. Financial Assets at Fair Value through Other Comprehensive Income

Name	Equity share at 31.12.2019			Equity share at 31.12.2018		
	(%)	Nominal Value	Fair Value	(%)	Nominal Value	Fair Value
SWIFT LA HULPE, Belgium	0,000	16	16	0,000	16	16
Visa Inc., USA	0,000	3 084	3 084	0,000	2 125	2 125
Total	**x**	**3 100**	**3 100**	**x**	**2 141**	**2 141**

In its portfolio of financial assets at fair value through other comprehensive income, the Bank records equity securities – equity shares and other shares in a total amount of € 3 100 thousand, which are capital participations in SWIFT LA HULPE, Belgium and VISA Inc. USA.

4. Non-current Tangible Assets

Movements in non-current tangible assets as at 31 December 2019:

	1.1.2019	Increase	Decrease	Other movements	31.12.2019
Land, buildings and structures	45 541	9 587	(891)	(8 518)	45 718
Information technologies	11 128	1 318	(404)	(1 231)	10 811
Other non-current tangible assets	20 012	1 177	(1 869)	0	19 320
Leasing (IFRS 16)	5	0	0	9 750	9 755
Non-current tangible assets	**76 686**	**12 082**	**(3 164)**	**0**	**85 604**
Accumulated depreciation and provisions - buildings and structures	(32 836)	(3 784)	465	1 874	(34 281)
Accumulated depreciation – information technologies	(10 489)	(526)	400	210	(10 405)
Accumulated depreciation - other non-current tangible assets	(18 944)	(1 095)	1 822	0	(18 216)
Accumulated depreciation - Leasing (IFRS 16)	(5)	0		(2 084)	(2 089)
Accumulated depreciation and provisions	**(62 274)**	**(5 405)**	**2 688**	**0**	**(64 991)**
Net book value	**14 412**	**6 677**	**(477)**	**0**	**20 613**

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

	1.1.2018	Increase	Decrease	Other movements	31.12.2018
Land, buildings and structures	59 075	11 140	(24 674)*	0	45 541
Information technologies	12 534	13	(1 419)	0	11 128
Other non-current tangible assets	26 335	2 575	(8 898)	0	20 012
Leasing (IFRS 16)	5	0	0	0	5
Non-current tangible assets	**97 949**	**13 728**	**(34 991)**	**0**	**76 686**
Accumulated depreciation and provisions - buildings and structures	(40 692)	(9 920)	17 776	0	(32 836)
Accumulated depreciation – information technologies	(11 527)	(378)	1 416	0	(10 489)
Accumulated depreciation - other non-current t tangible assets	(24 455)	(3 134)	8 645	0	(18 944)
Accumulated depreciation - Leasing (IFRS 16)	(5)	0	0	0	(5)
Accumulated depreciation and provisions	**(76 679)**	**(13 432)**	**27 837**	**0**	**(62 274)**
Net book value	**21 270**	**296**	**(7 154)**	**0**	**14 412**

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

Obligations from Contracts for Purchase of Non-current Tangible Assets

As at 31 December 2019, Prima banka did not record any obligations from contracts for the purchase of non-current tangible assets (31 December 2018: € 0).

Insurance Coverage

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

5. Non-Current Intangible Assets

Movements in non-current intangible assets as at 31 december 2019:

	1.1.2019	Increase	Decrease	31.12.2019
Software	19 925	(746)	0	19 179
Other non-current intangible assets	23 262	1 214	(27)	24 449
Non-current intangible assets	**43 187**	**468**	**(27)**	**43 628**
Accumulated amortisation - software	(19 716)	(180)	950	(18 946)
Accumulated amortisation - other non-current intangible assets	(21 577)	(1 239)	27	(22 789)
Accumulated amortisation and provisions	**(41 293)**	**(1 419)**	**977**	**(41 735)**
Net book value	**1 894**	**(951)**	**950**	**1 893**

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

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

Insurance Coverage

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

As at 31 December 2019, Prima banka did not record any liabilities under agreements to purchase non-current intangible assets (31 December 2018: € 0).

6. Deferred Tax Assets

	31.12.2019	31.12.2018
Deferred tax asset	9 432	9 570
Total	**9 432**	**9 570**

7. Other Assets

	31.12.2019	31.12.2018
Assets, of witch:	18 074	7 487
Amounts due from assigned receivables	6 755	5 331
Receivables from clients' derivatives	2 705	0
Cash collateral	8 613	0
Others receivables	0	2 156
Other assets	7 820	5 820
Total	**25 894**	**13 307**
Provisions	(3 755)	(1 319)
Net carrying amount	**22 139**	**11 988**

The Bank classified other financial assets (derivatives, cash collateral and others assets) in a total amount of € 12 412 thousand and related provisions in a total amount of € 2 769 thousand from "Loans and Advances to Customers" to „Others assets" as at 30 Jun 2019.

8. Financial Liabilities at Amortised Cost

	31.12.2019	31.12.2018
Balances with central banks	**0**	**100 000**
Loans received	0	100 000
Due from banks	**21 341**	**30 517**
Current accounts and demand payables	1 300	1 644
Term deposits	20 041	28 873
Customer deposits	**3 251 476**	**3 087 787**
Current accounts	1 770 225	1 646 923
Term deposits	1 376 578	1 323 113
Saving deposits	104 343	116 943
Received loans	330	808
Debt securities	**503 964**	**1 967**
Mortgage debentures	1 908	1 967
Covered bonds	502 056	0
Total	**3 776 781**	**3 220 271**

As at 31 December 2019, the Bank pledged government bonds held in the portfolio of financial assets at amortised cost in favour of the NBS for pooling in the amount of € 200 900 thousand (31 December 2018: € 222 985 thousand).

As at 31 December 2019, the Bank recognises long-term loans received from customers falling due in 2025.

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

	31.12.2019	31.12.2019
Public administration	391 550	306 341
Retail clients, of witch:	2 555 777	2 409 824
Individuals	2 360 414	2 196 065
Other clients	304 149	371 622
Total	**3 251 476**	**3 087 787**

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

	31.12.2019	31.12.2018
Balances with central banks	**0**	**100 000**
Slovak Republic	0	100 000
Due from banks	**21 341**	**30 517**
Slovak Republic	20 339	29 515
EU Member States	1 002	1 002
Customer deposits	**3 251 476**	**3 087 787**
Slovak Republic	3 230 443	3 045 581
EU Member States	15 555	37 696
Other countries	5 478	4 510
Debt securities	**503 964**	**1 967**
Slovak Republic	503 964	1 967
Total	**3 776 781**	**3 220 271**

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

	31.12.2019	31.12.2018
Balances with central banks	**0**	**100 000**
In euro	0	100 000
Due from banks	**21 341**	**30 517**
In euro	21 204	30 041
In foreign currency	137	476
Customer deposits	**3 251 476**	**3 087 787**
In euro	3 247 898	3 081 335
In foreign currency	3 578	6 452
Debt securities	**503 964**	**1 967**
In euro	503 964	1 967
Total	**3 776 781**	**3 220 271**

As at 31 December 2019, Prima banka issued the securities summarised in the following table (these issued securities are not placed on a regulated market):

ISIN	Date of issue	Maturity date	Frequency of yield payment	Interest rate	Nominal value (€)	Number of securities issued	Carrying amount
SK4120007998	1.12.2011	1.12.2021	-	ZERO	1 000.00	1 465	1 890
SK4000016069	1.10.2019	1.10.2026	annually	0.01 %	100 000.00	5 000	502 056
Total							**503 946**

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

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

Prima banka's issued mortgage debentures are registered book-entry securities. The bonds are readily transferrable with no pre-emption or conversion right attached thereto.

9. Liabilities from leases

	31.12.2019	31.12.2018
Liabilities from leases	7 711	0
Total	**7 711**	**0**

10. Financial Derivatives - Liabilities

	31.12.2019		31.12.2018	
Amount of liabilities	**Fair Value**	**Nominal Value**	**Fair Value**	**Nominal Value**
Financial liabilities Held for Trading- derivatives				
Currency derivatives	0	11 880	0	10 123
	0	**11 880**	**0**	**10 123**
Hedging derivatives				
Interest rate	0	0	427	8 441
Celkom	**0**	**0**	**427**	**8 441**

The residual maturity of the derivatives at nominal value is presented in Note 25.

11. Provisions and Reserves

	31.12.2019	31.12.2018
Provisions for litigation	10 131	10 173
Provisions for restructuring	952	1 430
Provisions for off-balance sheet liabilities	3 553	4 339
Other reserves	155	0
Total	**14 791**	**15 942**

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

Movements in provisions for liabilities as at 31 December 2019:

	1.1.2019	Allocation	Release	Use	31.12.2019
Provisions for litigation	10 173	35	(66)	(11)	10 131
Provisions for restructuring	1 430	0	(478)	0	952
Provision for off-balance sheet liabilities	4 339	6 143	(6 929)	0	3 553
Other reserves (executions)	0	155	0	0	155
Total	**15 942**	**6 333**	**(7 473)**	**(11)**	**14 791**

Movements in provisions for liabilities as at 31 December 2018:

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

Provisions for Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Each dispute is subject to special monitoring and a regular re-assessment as part of the Bank's standard procedures. If it is probable that the Bank will be required to settle a claim and a reliable estimate of the amount can be made, provisions are recorded. The Bank will release the recorded provisions in the event of a final resolution of a dispute that was decided in the Bank's favour. The total provision for litigation amounts to € 10 131 thousand as at 31 December 2019, and represents principal and default interest (31 December 2018: € 10 173 thousand).

Provisions for Off-Balance Sheet Liabilities

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

12. Other Liabilities

	31.12.2019	31.12.2018
Accruals and deferrals	81	84
Reserves and other payables	15 529	15 612
Settlement with employees,	923	897
of which: social fund	60	60
Other payables	16 456	19 543
State budget clearing account	425	497
Total	**33 414**	**36 633**

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

Social Fund

Prima banka has created the social fund as required by the Social Fund Act, the Income Tax Act. The social fund is used by Prima banka to finance its own social policy. The social fund is created during the year (if a profit is generated and tax and social security payments fulfilled) by a compulsory allocation at 0,6% of gross wages effectively paid to employees in the current year. For tax purposes, the allocations to the social fund are included in the expenses to generate, ensure and sustain taxable income. Social policy financing represents short-term employee benefits, which are recognized and disclosed as expenses of the current year.

The creation and use of the social fund as at 31 December 2019 and as at 31 December 2018 is presented in the following table:

Social fund	31.12.2019	31.12.2018
Balance as at 1.1.	60	70
Allocation (from expenses)	156	153
Usage: catering allowance	(156)	(163)
Total	**60**	**60**

13. Equity

	31.12.2019	31.12.2018
Share capital	226 773	226 773
Share premium funds	71 190	71 190
Legal reserve fund	6 439	4 237
Other capital funds	54 078	54 078
Accumulated other comprehensive income	1 349	(839)
Profit/(loss) from previous years	(30 868)	(50 679)
Profit/(loss) for the current year	17 060	22 013
Total	**346 021**	**326 773**

Share Capital

	31.12.2019		31.12.2018	
Face value of shares	**No. of shares**	**in €´000**	**No. of shares**	**in €´000**
Number of issued shares with face value of € 399	100 200	39 980	100 200	39 980
Number of issued shares with face value of € 67	100 200	6 713	100 200	6 713
Number of issued shares with face value of € 5	701 400	3 507	701 400	3 507
Number of issued shares with face value of € 1	176 572 738	176 573	176 572 738	176 573
	177 474 538	**226 773**	**177 474 538**	**226 773**

Accumulated Other Comprehensive Income

	31.12.2019	31.12.2018
Financial assets at fair value through other comprehensive income	2 291	1 121
Available-for-sale securities	(1 045)	(2 237)
Cash flow hedge	103	277
Total	**1 349**	**(839)**

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

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

Proposed Distribution of Profit for 2019:

Statutory allotment to the reserve fund (10% of the profit after tax)	1 706
Transfer of profit into profit/loss from previous years	15 354
Retained earnings for 2019	**17 060**

The distribution of the 2019 profit was approved by the General Meeting of Prima banka.

14. Net Interest Margin

	31.12.2019	31.12.2018
Interest income and similar income on:	**75 420**	**82 513**
Financial assets at amortised cost, of which:		
Balances with the central banks	(564)	(495)
Due from banks	23	(8)
Loans and advances to customers	69 684	75 558
Debt securities	6 286	7 519
Financial assets held for trading – derivatives	0	(2)
Hedging derivatives	(9)	(59)
Interest expense and similar expense for:	**(15 690)**	**(17 226)**
Financial liabilities at amortised cost, of which:		
Due to banks	(202)	(181)
Customer deposits	(15 286)	(16 508)
Debt securities	(154)	(240)
Financial liabilities held for trading – derivatives	0	(10)
Hedging derivatives	(48)	(287)
Net Interest Margin	**59 730**	**65 287**

15. Net Fee and Commission Income

	31.12.2019	31.12.2018
Fee and commission income on:	**28 465**	**27 763**
Payment services	22 587	21 362
Credit activity	4 232	4 653
Transactions with securities	113	116
Other banking services	1 533	1 632
Fee and commission expense for:	**(6 102)**	**(5 467)**
Payment services	(1 195)	(1 620)
Credit activity	(2)	(3)
Transactions with securities	(123)	(72)
Other banking services	(4 782)	(3 772)
Net Fee and Commission Income	**22 363**	**22 296**

16. Profit from Financial Transactions

	31.12.2019	31.12.2018
Net income (loss) from financial assets held for trading – derivatives	(415)	(447)
Net loss from revaluation of financial assets at fair value through other comprehensive income	(227)	(210)
Net income (loss) from hedging derivatives	12	30
Foreign exchange differences	709	1 116
Net profit from financial transactions	**79**	**489**

17. Other Operating Income (Loss)

	31.12.2019	31.12.2018
Net income (loss) on the sale of non-current assets	(41)	1 805
Lease income	79	102
Other income from non-banking activities	44	516
Other expenses from non-banking activities	(1)	(157)
Other operating income	**81**	**2 266**

18. Specific Contributions of Selected Financial Institutions

	31.12.2019	31.12.2018
Deposits Protection Fund	(265)	(283)
Special levy of banking institutions	(6 728)	(6 446)
Resolution fund	(725)	(46)
Supervision of Central Banks	(445)	(242)
Specific Contributions of Selected Financial Institutions	**(8 163)**	**(7 017)**

The Bank is legally obliged to make a contribution to the Deposit Protection Fund. The annual contribution was determined by the Deposit Protection Fund.

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

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

19. General and Administrative Expenses

	31.12.2019	31.12.2018
Personnel expenses	**(24 990)**	**(24 144)**
Wages and salaries*	(18 450)	(17 243)
Social expenses	(5 927)	(6 099)
Other personnel costs	(613)	(802)
Depreciation	**(4 776)**	**(3 852)**
Depreciation of non-current tangible assets	(4 335)	(2 982)
Amortisation of non-current intangible assets	(441)	(870)
Purchased output and services and other expenses	**(22 023)**	**(27 075)**
IT costs	(3 942)	(5 032)
Marketing, advertising and other services	(5 527)	(7 258)
Costs of audit and related services**	(282)	(325)
Leases	(237)	(2 373)
Other purchased outputs and services	(11 911)	(12 037)
Creation of provisions for litigation	31	(50)
Creation (use) of provisions for restructuring	(155)	0
General operating costs	**(51 789)**	**(55 071)**

* Including salaries and bonuses to members of the Management Board and Board of Directors.
** Costs of audit and the related services provided by the auditor, included audit of financial statements, audit of COREP reports and other non-audit services.

Prima banka does not have pension arrangements separate from the compulsory state pension system of the Slovak Republic. Pursuant to Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of the assessment base. These expenses are recognised in the statement of comprehensive income in the period in which the employee was entitled to a salary.

The Bank contributes to a defined contribution supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No liabilities arise to the Bank from the payment of pensions to employees in the future. Supplementary pension insurance expenses amounted to € 129 thousand as at 3 December 2019 (31 December 2018: € 137 thousand).

20. Net Allocation to Provisions and Reserves

	31.12.2019	31.12.2018
(Allocation) of provisions for financial assets at amortised cost, of which:	**(5 300)**	**(3 320)**
Loans and advances	(5 194)	(1 788)
Debt securities	(106)	(1 532)
Allocation to provisions for off-balances sheet exposures	**786**	**(1 729)**
Written-off and assignment of receivables*	**(592)**	**(1 093)**
Net Allocation to Provisions and Reserves	**(5 106)**	**(6 142)**

*including write off costs and payment received from written-off and assigned receivables

More information on provisions for losses from loans to customers and provisions for off-balance sheet liabilities is presented in Note 1 and in Note 11, respectively.

21. Income Tax

	31.12.2019	31.12.2018
Deferred tax	(138)	(101)
Income tax	**(138)**	**(101)**

Theoretical Tax

The tax on the Bank's profit/loss before tax differs from the theoretical tax that would arise from using the effective income tax rate of 21% valid in the Slovak Republic (2018: 21%):

	31.12.2019	31.12.2018
Profit/(loss) before tax	**17 198**	**22 114**
Theoretical tax at tax rate of 21% (2018: 21%) expense/(income)	**3 612**	**4 644**
Tax-exempt income	(527)	(870)
Tax non-deductible expenses	1 322	2 005
Effect of a deferred tax asset not recognised in previous periods	(4 269)	(6 038)
Impact of the tax license	0	0
Other	0	360
Total income tax expense/(income)	**138**	**101**
Effective tax rate	**0,80%**	**0,46%**

Deferred Income Tax

When recognising deferred tax assets and deferred tax liabilities, the Bank uses a conservative approach. Deferred tax assets and liabilities are calculated from temporary differences using the tax rate applicable for the following years - 21% (2018: 21%).

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

	Temporary difference		Deferred tax	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Deferred tax asset, of which:	**179 925**	**203 099**	**37 784**	**42 651**
Loans receivables	141 435	166 569	29 701	34 979
Receivables from financial transactions	2 679	2 671	563	561
Short-term operating payables	14 440	14 509	3 032	3 047
Non-current tangible assets	6 495	5 852	1 364	1 229
Tax loss carried forward	399	0	84	0
Other receivables	14 477	13 498	3 040	2 835
Total	**x**	**x**	**37 784**	**42 651**
Adjustment for uncertain utilisation of deferred tax asset			(28 352)	(33 081)
Deferred tax asset/(liabilities), net	**x**	**x**	**9 432**	**9 570**
Effect of deferred tax on:				
expenses/income	x	x	(138)	(101)
equity	x	x	0	0

As at 31 December 2019, the Bank did not recognise a deferred tax asset in the amount of € 28 352 thousand (31 December 2018: € 33 081 thousand), which is related mainly to deductible temporary differences arising from provisions and reserves, other receivables and tax loss carried forward, due to their uncertain timing and utilisation in the future reporting periods.

22. Net Earnings per Share

	31.12.2019	31.12.2018
Net earnings for the current period (€ T)	17 060	22 013
Number of issued shares with value € 399	100 200	100 200
Number of issued shares with value € 67	100 200	100 200
Number of issued shares with value € 5	701 400	701 400
Number of issued shares with value € 1	176 572 738	176 572 738
Net earnings per share (face value € 399) in €	30.016	38.731
Net earnings per share (face value € 67) in €	5.040	6.504
Net earnings per share (face value € 5) in €	0.376	0.485
Net earnings per share (face value € 1) in €	0.075	0.097

23. Information on Statement of Cash Flows

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

	31.12.2019	31.12.2018
Cash	99 048	95 750
Balances with central banks	28 748	18 508
Current accounts in other banks	2 762	5 315
Term deposits in banks up to 3 months	86	88
Total	**130 644**	**119 661**

24. Contingent Liabilities and Other Off-Balance Sheet Items

Off-balance Sheet Assets

	31.12.2019	31.12.2018
Receivables from spot transactions	0	15 000
Guarantees received	7 057	12 818
Received collateral from pledge, security and other rights	3 547 603	3 017 719
Total	**3 554 660**	**3 045 537**

Off-balance Sheet Liabilities

	31.12.2019	31.12.2018
Liabilities from spot transactions	0	15 000
Guarantees issued	6 134	7 253
Loan commitments and unused credit facilities	167 203	191 625
Letters of credit - given	0	2 945
Assets in custody	15 334	15 715
Total	**188 671**	**232 538**

The risk associated with off-balance sheet loan commitments, issued guarantees and contingent liabilities is assessed similarly as for loans to customers, and also reflects the financial situation and activities of the entity to which the Bank granted the guarantee as well as the value of received collateral. As at 31 December 2019, provisions recorded for off-balance sheet exposures amounted to € 3 553 thousand (31 December 2018: € 4 339 thousand), see Note 11 in this Chapter.

Issued Guarantees

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

Loan Commitments and Unused Credit Facilities

Loan commitments and unused credit facilities comprise approved but unused amounts of loans and overdraft facilities.

Assets Received in Custody

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

25. Residual Maturity of Derivatives

All derivatives are traded in the over-the-counter market. The summary of derivatives held for trading with positive fair values is described in Note 2 and the summary of hedging derivatives with negative fair values is described in Notes 9 of this chapter.

The following summary shows the residual maturity of derivatives' face values as at 31 December 2019:

	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial assets held for trading – derivatives				
Currency swaps	11 960	0	0	11 960
Hedging derivatives				
Interest rate swaps	0	0	0	0
Total off-balance sheet assets	**11 960**	**0**	**0**	**11 960**
Financial liabilities held for trading – derivatives				
Currency swaps	11 880	0	0	11 880
Hedging derivatives				
Interest rate swaps	0	0	0	0
Total off-balance sheet liabilities	**11 880**	**0**	**0**	**11 880**
Net derivatives	**80**	**0**	**0**	**80**

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

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

26. Fair Value of Financial Instruments

Financial Instruments Recognised at Fair Value

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

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

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

The following table presents an overview of financial instruments recognised at fair value and classified in Levels 1 - 3 based on the determination of their fair values as at 31 December 2019 (as ta 31 December 2018):

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets held for trading: derivatives	0	103	0	103
Financial assets at fair value through other comprehensive income	0	0	3 100	3 100
Financial assets at fair value total	**0**	**103**	**3 100**	**3 203**
Financial liabilities held for trading: derivatives	0	0	0	0
Hedging derivatives	0	0	0	0
Financial liabilities at fair value total	**0**	**0**	**0**	**0**

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

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

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

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

	Financial assets at fair value through other comprehensive income	Negative fair value of derivatives
Market value as at 31 December 2018	**2 141**	**0**
Accrued coupon	0	0
Carrying amount as at 31 December 2018	**2 141**	**0**
Total gains/(losses)		
In profit/(loss)	(227)	0
In other comprehensive income	1 186	0
Market value as at 31 December 2019	**3 100**	**0**
Accrued coupon	0	0
Carrying amount as at 31 December 2019	**3 100**	**0**
Total gains/(losses) for the financial year included in the profit or loss for assets/liabilities held at the end of the reporting period	959	0

Fair Value of Financial Assets and Liabilities Reported at Amortised Cost

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

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

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

The following table shows the comparison of fair values and carrying amounts of balance sheet items as at 31 December 2019:

	Carrying amount	Estimated fair value		
		Level 1	Level 2	Level 3
Cash	99 048	0	99 048	0
Financial assets at amortised cost, of which:	4 022 390	222 146	353 568	3 531 017
Balances with central banks	349 638	0	349 638	0
Due from banks	3 851	0	3 930	0
Loans and advances to customers	3 437 837	0	0	3 531 017
Debt securities	231 064	222 146	0	17 967
Financial assets	**4 121 438**	**222 146**	**452 616**	**3 548 984**
Financial liabilities at amortised cost, of which:	3 776 781	496 917	23 908	3 286 540
Loans and deposits received from central banks	0	0	0	0
Due to banks	21 341	0	21 390	0
Customer deposits	3 251 476	0	0	3 286 540
Issued securities	503 964	496 917	2 518	0
Financial liabilities	**3 776 781**	**496 917**	**23 908**	**3 286 540**

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

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

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

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

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

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

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

27. Capital Management

Own Funds

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

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

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

Prima banka's own funds and regulatory capital requirements as at 31 December 2019 and 31 December 2018 are stated in the table below:

Own funds	31.12.2019	31.12.2018
Original own funds (Tier 1 Capital)	**336 934**	**312 096**
Items creating the value of original own funds	**359 830**	**355 440**
Paid-up share capital	226 773	226 773
Share premium	71 190	71 190
Purchased own shares	0	0
Other funds	60 517	58 315
Allowable profit	0	0
Another accumulated comprehensive result	1 350	(838)
Items reducing the amount of original own funds	**(22 895)**	**(43 344)**
Accumulated loss of previous year	(21 002)	(41 451)
Intangible assets	(1 893)	(1 893)
Additional own funds (Tier 2 Capital)	**22 820**	**21 959**
Items creating the value of additional own funds	**22 820**	**21 959**
General credit risk adjustments	22 820	21 959
Own funds total	**359 754**	**334 055**

Own funds requirements*	31.12.2019	31.12.2018
Own funds requirements to cover credit risk and risk of impairment of receivables	146 047	141 355
Own funds requirements to cover operational risk	12 794	13 300
Own funds requirements to cover CVA risk	5	11
Own funds requirements	**158 944**	**154 666**

Prima banka met regulatory requirements under the CRR. As at 31 December 2019, the Bank's overall capital adequacy was 18.12 % (31 December 2018: 17.33%). The Bank uses a standardised approach for the calculation of own funds requirements.

28. Risk Management

1. Credit Risk

a) Information on Credit Risk Policy, Objectives and Management

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

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

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

Credit risk related to balance sheet assets:	31.12.2019	31.12.2018
Financial assets at amortised cost	4 022 390	3 464 239
Balances with central banks	349 638	97 006
Due from banks	3 851	7 095
Loans and advances to customers	3 437 837	3 054 489
Debt securities	231 064	305 649
Trading derivatives	103	0
Financial assets at fair value through other comprehensive income	3 100	2 141
Deferred tax assets	9 432	9 570
Other assets	22 139	11 988
Total	**4 057 164**	**3 487 938**

Credit risk related to off-balance sheet items prior to the deduction of reserves:	31.12.2019	31.12.2018
Issued guarantees	6 134	7 253
Loan commitments and unused credit limits	167 203	191 625
Issued letters of credit	0	2 945
Total	**173 337**	**201 823**

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

To cover granted loans	31.12.2019	31.12.2018
Cash	2 812	14 683
Securities	0	0
Immovable assets	3 539 300	2 994 133
Movable assets	5 491	6 692
Collateral received for financial assets	**3 547 603**	**3 015 508**

b) Description of Credit Risk Measurement and Monitoring Methods

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

Prima banka uses its own rating system to assess customer creditworthiness, which is based on an assessment of the customer's financial and non-financial results. Prima banka has developed a specific system for assessing corporate, municipal, retail and sole trader customers. Customers are assigned to one of 17 risk groups. The credit scores are subject to reassessment and revised as and when needed, based on a decision of the Credit Committee.

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

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

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

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

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

Rating scale	Due from banks		Loans and advances to customer, of which:			
			Public administration		Other clients	
	31.12.2019 3 851	31.12.2018 7 095	31.12.2019 141 672	31.12.2018 140 329	31.12.2019 412 466	31.12.2018 576 775
Rating A	425	20	20 029	21 409	3 483	26 242
Rating A-	1 996	2 490	9 586	9 783	1 258	7 104
Rating A+	0	1 464	10 596	11 202	3 897	29 717
Rating AA	17	4	5 934	6 184	538	48 543
Rating AA-	0	0	9 543	9 330	626	1 622
Rating AA+	0	0	2 386	1 485	609	297
Rating AAA	0	0	96	380	496	47
Rating B	0	0	3 253	3 490	21 678	13 239
Rating B-	77	126	56	160	4 648	14 370
Rating B+	1 002	0	1 747	1 843	2 887	6 417
Rating BB	0	6	9 600	6 889	177 639	297 168
Rating BB-	0	1 758	7 470	4 856	28 183	31 488
Rating BB+	0	0	11 351	10 441	79 949	10 983
Rating BBB	136	184	9 695	9 255	8 445	8 610
Rating BBB-	98	74	9 639	9 156	6 599	3 984
Rating BBB+	100	969	30 225	34 466	3 681	13 155
Rating CCC	0	0	466	0	67 850	63 789

Quality of debt securities that are not impaired, prior to the deduction of provisions according to the Bank's internal rating:

Rating scale	Debt securities					
	31.12.2019			31.12.2018		
	Banks	Public administration	Corporate	Banks	Public administration	Corporate
	16 023	197 074	20 080	16 019	271 558	20 080
Rating A+	0	131 297	0	0	187 064	0
Rating A-	0	50 473	0	0	50 685	0
Rating BBB	16 023	0	0	16 019	10 047	0
Rating BBB-	0	15 304	20 080	0	23 762	20 080

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

Ratingový stupeň	Issued guarantees				Loan commitments			
	Public administration		Other clients		Public administration		Other clients	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	3 896	3 702	840	6 337	32 598	21 600	15 863	55 453
Rating A	85	117	172	179	4 473	3 543	873	927
Rating A-	656	675	0	383	3 450	2 540	715	1 522
Rating A+	863	1 336	60	44	3 589	3 105	874	1 312
Rating AA	341	31	4	272	1 888	1 402	264	1 230
Rating AA-	653	760	0	415	5 185	3 547	693	1 219
Rating AA+	0	0	372	10	1 034	277	642	1 162
Rating AAA	0	0	0	0	0	0	463	32
Rating B	0	0	0	0	17	6	55	181
Rating B-	0	0	0	0	0	0	51	81
Rating B+	0	0	0	0	263	52	530	1 284
Rating BB	98	78	0	1 312	3 005	876	2 099	5 960
Rating BB-	0	0	3	3	955	571	5 788	342
Rating BB+	527	0	15	45	1 792	1 052	525	3 731
Rating BBB	0	49	0	40	2 417	1 357	423	1 454
Rating BBB-	302	350	8	8	1 920	1 473	597	1 270
Rating BBB+	371	306	206	383	2 248	1 799	940	1 317
Rating CCC	0	0	0	3 243	362	0	331	32 429

Credit risk associated with the securities portfolio is low as the majority of purchased debt securities are government bonds issued by EU countries. As at 31 December 2019, the exposure to bank and corporate debt securities amounts to € 36 103 thousand (31 December 2018: € 36 099 thousand).

c) Risk Monitoring - Limit Setting

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

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

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

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

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

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

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

The table below provides an analysis of credit risk exposure by industry segments as at 31 December 2019 and 31 December 2018:

	31.12.2019	31.12.2018
Agriculture, forestry and fishing	545	2 289
Mining and quarrying	18	89
Manufacturing	7 248	16 964
Electricity, gas, steam and air conditioning supply	5 184	16 003
Water supply; sewerage and waste water management	3 156	3 854
Construction	4 552	5 894
Wholesale and retail trade	22 180	37 481
Transportation and storage	1 864	3 433
Accommodation and catering	6 000	2 782
Information and communication	420	775
Financial and insurance activities	207 360	184 311
Real estate activities	143 912	111 498
Professional, scientific and technical activities	4 296	6 187
Administrative and support service activities	4 377	50 420
Public administration and defence; compulsory social security	142 196	140 523
Education	155	55
Health care and social work activities	2 713	3 274
Arts, entertainment and recreation	2 236	2 658
Other activities	370	458
Activities of households as employers	2 879 055	2 465 551
Total	**3 437 837**	**3 054 499**

e) Identification of Impaired Assets (Mainly Receivables)

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

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 2019 prior to the deduction of provisions:

	Within maturity	Up to 90 days	From 91 to 180 days	From 181 days to 1 year	More than 1 year	Received collateral to defaulted loans
Loans and deposits with other banks	3 851	0	0	0	0	0
Loans and advances to customers, of which:	3 450 346	28 898	3	0	0	18 610
Public administration	141 672	215	0	0	0	22
Other clients	412 464	3 663	3	0	0	530
Individuals	2 896 210	25 020	0	0	0	18 058
Total	**3 454 197**	**28 898**	**2**	**0**	**0**	**18 610**

The summary below provides an analysis of the unimpaired loan portfolio according to days overdue as at 31 December 2018 prior to the deduction of provisions:

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

The summary below provides an analysis of the impaired loan portfolio (stage 3) as at 31 December 2019, including other receivables from financial transactions:

	Public sector	Other clients	Retail clients	Total
Individually measured – impaired loans	1 060	48 942	704	50 706
Specific provisions	737	48 610	677	50 024
Recoverable amount of collateral received – individually measured	295	330	27	652
Portfolio measured – impaired loans	0	16 396	41 153	57 549
Portfolio provisions	0	14 530	32 873	47 403
Recoverable amount of collateral received – portfolio measured	0	406	8 288	8 694
% of coverage by provisions	70%	97%	80%	90%
% of coverage by provisions and received collateral	97%	98%	100%	99%
Interest income on impaired loans	x	x	x	355

The Bank classified other financial assets (derivatives, cash collateral, others assets) in the amount of € 12 412 thousand from "Loans and Advances to Customers" to „Others assets" as at 30 Jun 2019.

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

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

Restructuring

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

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

The carrying amount of credit receivables whose contractual terms and conditions were amended due to their non-payment or the customer's impaired financial condition was € 514 thousand as at 31 December 2019 (31 December 2018: € 1 873 thousand).

The Bank sold real estate pledged against receivables which were unpaid as at 3 December 2019 for € 3 769 thousand (31 December 2018: € 3 446 thousand). The Bank sold a pledge over moveable assets (receivables) as at 31 December 2019 for € 0 thousand (31 December 2018: € 0 thousand).

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

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

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

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

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

The collateral held by Prima banka must comply with legal regulations, be enforceable in court, be of good quality, and comply with maximum liquidity requirements so that a yield from the collateral covers the highest possible amount of a customer's liabilities arising from a granted credit product. The collateral instruments held are listed in Note 29 (1). When valuating collateral, Prima banka takes into consideration the collateral's general value set by a court expert in an expert opinion (immovable assets, movable assets), the carrying amount maintained in the customer's accounting books (receivables, stock, new movable assets), and the market value (securities).

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

2. Market Risk

a) Information on Market Risk Policy and Management

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

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

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

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

b) Interest Risk

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

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

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

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

The impact of a change in the present value of assets and liabilities due to a change in the interest rate for euro positions as at 31 December 2019:

	Movement in yield curve	Bank´s loss from movement in yield curve
Banking Book: euro	+100 BP	(176)
Total		**(176)**

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

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

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

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

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2019:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	349 638	0	0	0	0	349 638
Due from banks	2 848	683	320	0	0	3 851
Loans and advances to customers	281 278	757 589	2 372 256	28 209	(1 495)	3 437 837
Debt securities	2 068	52 290	115 180	61 526	0	231 064
Financial assets at fair value through other comprehensive income	3 100	0	0	0	0	3 100
Financial assets held for trading – derivatives	103	0	0	0	0	103
Interest rate position - financial assets	**639 035**	**810 562**	**2 487 756**	**89 735**	**(1 495)**	**4 025 593**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	0	0	0	0	0	0
Due to banks	1 300	20 041	0	0	0	21 341
Customer deposits	655 146	666 696	1 871 213	58 421	0	3 251 476
Issued securities	0	13	1 908	502 043	0	503 964
Leases	0	52	6 388	1 271	0	7 711
Hedging derivatives	0	0	0	0	0	0
Interest rate position - financial liabilities	**656 446**	**686 802**	**1 879 509**	**56 1 735**	**0**	**3 784 492**
Net interest rate position	**(17 411)**	**123 760**	**608 247**	**(472 000)**	**(1 495)**	**241 101**

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

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

c) Liquidity Risk

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

Prima banka monitors liquidity risk via external and internal liquidity indicators and warning signals. From the externally defined liquidity indicators, the liquid assets indicator may not be lower than 1. During the nine months of year 2019, the Bank complied with the above legislative indicator with a sufficient cushion.

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

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

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

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities by current residual maturity as at 31 December 2019:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Cash	99 048	0	0	0	0	99 048
Financial assets at amortised cost, of which:						
Balances with central banks	349 638	0	0	0	0	349 638
Due from banks	2 848	683	320	0	0	3 851
Loans and advances to customers	171 331	281 651	916 540	2 084 294	(15 979)	3 437 837
Debt securities	2 068	52 289	115 181	61 526	0	231 064
Financial assets held for trading - derivatives	103	0	0	0	0	103
Financial assets at fair value through other comprehensive income	0	0	0	0	3 100	3 100
Non-current tangible assets	0	0	0	0	20 613	20 613
Non-current intangible assets	0	0	0	0	1 893	1 893
Deferred tax asset					9 432	9 432
Other assets	0	0	0	8 613	13 526	22 139
Assets total	**625 036**	**334 623**	**1 032 041**	**2 154 433**	**32 585**	**4 178 718**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	0	0	0	0	0	0
Due to banks	1 300	20 041	0	0	0	21 341
Customer deposits	2 092 898	482 157	676 012	409	0	3 251 476
Issued securities	0	13	1 908	502 043	0	503 964
Leases	0	52	6 388	1 271	0	7 711
Hedging derivatives	0	0	0	0	0	0
Reserves	0	0	0	0	14 791	14 791
Other liabilities	32 831	0	0	0	583	33 414
Total equity	0	0	0	0	346 021	346 021
Liabilities and equity total	**2 127 029**	**502 263**	**684 308**	**503 723**	**361 395**	**4 178 718**
Net balance sheet position	**(1 501 993)**	**(167 640)**	**347 733**	**1 650 710**	**(328 810)**	**0**

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

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

The summary below is an analysis of the earliest possible contractual maturity of non-derivative financial liabilities, ie the worst-case scenario as at 31 December 2019 (in undiscounted values):

Non-derivative financial liabilities:	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	More than 5 years incl.
Financial liabilities at amortised cost, of which:						
Due to banks	21 341	21 362	1 300	20 062	0	0
Customer deposits	3 251 476	3 277 421	2 093 191	485 707	698 114	409
Issued securities	503 964	504 414	0	69	2 076	502 268
Leases	7 711	7 711	0	0	0	7 711
Other liabilities	33 414	33 414	33 414	0	0	0

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

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

The summary below provides the worst-case scenario of an analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2019 (in undiscounted values):

Contingent liabilities and other off-balance sheet items:	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.
Contingent liabilities from guarantees	6 134	6 118	6 118	0
Contingent liabilities from letters of credit	0	0	0	0
Loan commitments, of which:	167 203	167 203	167 103	100
irrevocable	167 037	167 037	167 037	0

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

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

d) Exchange Rate Risk

The Bank continued to apply conservative exchange rate risk management in accordance with the set limits. Foreign exchange positions of the Banking Book were open to a minimum extent, and only as a result of the standard operating activities of the Bank. The Bank did not enter into any speculative transactions regarding exchange rate movements for clients or on the Bank's account. During the year 2019, the Bank did not have any speculative foreign exchange positions open in its Trading Book.

When measuring the exchange rate risk of the Banking Book and the Trading Book, Prima banka uses the VaR method on a daily basis at the 99% reliability interval. As at 31 December 2019, the VaR amounted to € (347) (31 December 2018: € (980)).

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

Foreign exchange position of Prima banka as at 31 December 2019:

	EUR	CZK	USD	Other	Total
Assets	4 160 679	418	15 883	1 738	4 178 718
Liabilities and equity	(4 160 865)	(400)	(15 782)	(1 671)	(4 178 718)
Net balance sheet foreign exchange position	**(186)**	**18**	**101**	**67**	**0**
Off-balance sheet assets	3 675 826	2	2	1	3 675 831
Off-balance sheet liabilities	(389 040)	0	(528)	(3)	(389 571)
Net off-balance sheet foreign exchange position	**3 286 786**	**2**	**(526)**	**(2)**	**3 286 260**
Net foreign exchange position	**3 286 600**	**20**	**(425)**	**65**	**3 286 261**

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

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

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

The Bank performs stress testing quarterly. The Bank tests euro depreciation and appreciation scenarios against other foreign currencies by 3%, 8%, and 10%. Considering the minimum open foreign exchange positions for individual foreign currencies from the beginning of 2019, the impact of fluctuations in exchange rates on the Bank's profit/loss is insignificant.

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

e) Equity Risk

The Bank's strategy is to not actively trade equity instruments, as evidenced by the size and structure of the equity securities portfolio. In its "Financial assets at fair value through other comprehensive income" portfolio, the Bank records equity securities in the total amount of € 3 100 thousand, which are capital participations in SWIFT LA Hulpe, Belgium and VISA Inc. USA.

f) Commodity Risk

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

3. Operational Risk

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

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

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

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

The Bank uses a standardized approach in accordance with the CRR to calculate regulatory capital requirements for operational risk, according to which the requirement is currently € 13 300 thousand, of which the following amounts are attributable to individual business lines: retail banking – € 7 556 thousand, commercial banking – € 3 943 thousand, payment services and settlement – € 990 thousand, other – € 811 thousand. Management measures and implemented systems for operational risk management are adequate for the Bank's strategy and profile.

29. Transactions with Related Parties

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

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

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

Assets and liabilities concerning related parties as at 31 December 2019:

Balance sheet	Parent Company	Related parties of the Parent Company	Other related parties	Total
Loans and advances to customers	0	104 174	654	104 828
Other assets	0	3 956	0	3 956
Total assets	**0**	**108 130**	**654**	**108 784**
Due to banks	0	298	0	298
Customer deposits	9	10 539	2 067	12 615
Liabilities from leases	0	871	0	871
Other liabilities	0	318	0	318
Total liabilities and equity	**9**	**12 026**	**2 067**	**14 102**

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

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

Revenues and expenses concerning related parties as at 31 December 2019:

	Parent Company	Related parties of the Parent Company	Other related parties	Total
Interest and similar income	0	3 213	9	3 222
Interest and similar expense	0	(59)	(13)	(72)
Net fee and commission income	0	100	1	101
Net profit from financial transactions	0	2	0	2
General and administrative expenses	0	(5 182)	(1 928)	(7 110)

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

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

Off-balance sheet liabilities concerning related parties as at 31 December 2019:

	Related parties of the Parent Company	Other related parties	Total
Received collateral from pledge, security and other rights	0	734	734
Off-balance sheet assets	**0**	**734**	**734**
Loan commitments and unused credit facilities	0	0	0
Off-balance sheet liabilities	**0**	**0**	**0**

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

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

30. Events after the Balance Sheet Date

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