Annual Report
2023

Prima Banka

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Dear Shareholders, Dear Clients,

Prima banka has had another successful year in the financial segment, which was marked by rising inflation, rising interest rates and an overall decline in loans and deposits. However, even in an uncertain and challenging environment, Prima banka managed to confirm its strong position in key business areas and its position as the fastest-growing retail bank in the long term.

Over the past year we considered it a priority to keep growing the number of customers who have active bank accounts with us and who consider us to be their main banking institution. We have seen the highest growth in the use of mobile payments and the regular use of our mobile app ranks us amongst the top of the market according to independent surveys. We are also pleased to confirm our strong position in providing services to cities and municipalities and having the highest customer satisfaction among the largest Slovak banks.

In terms of lending activities, our highest growth was in consumer loans, where we grew significantly stronger than the rest of the market and provided more loans throughout the full year than at any time in the past. Growth in the mortgage portfolio was moderate, in line with overall market developments, mainly influenced by the rise in interest rates and the related decreased interest of the public in refinancing. The development and further improvement in the quality of our loan portfolio were particularly positive throughout the year.

We intend to continue strengthening our market position in 2024. Although the environment will remain challenging and unpredictable, Prima banka will continue to pursue its long-term strategy focused on retail development. We will also focus even more on leveraging our strengths, especially our wide network of branches that – unlike those of other banks – are present in all 79 districts of Slovakia. Our ambition is to continue to increase the number of clients who have active bank accounts with us, to confirm our strong position in retail lending and to continue to build on simplicity, maximum internal efficiency and the bank's focus on building long-term relationships with our clients.

Thank you for your support in the building and 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 presenting the supervisory board's report for the previous year. Above all, allow me to inform you that the supervisory board complied with the articles of association and the statute of the supervisory board, as well as applicable Slovak legislation.

Last year, two regular sessions of the supervisory board were convened, and the supervisory board also adopted 11 decisions outside its sessions. The supervisory board also supervised the bank's activities from the positions of Audit Committee, Risk Management Supervisory Board Committee, Remuneration Supervisory Board Committee, and the Loan Committee. The members of the supervisory board exercised the right to control the activities of the bank's 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. During such sessions, the members of the board of directors reported on the activities and economic results of the bank and on the development of the loan portfolio risk level.

The supervisory board also regularly reviewed 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 legal obligations, the supervisory board reviewed and discussed during its sessions the 2022 regular separate financial statements, the 2022 proposal for profit distribution, the 2022 report on the activities of the internal audit department together with the 2022 report on compliance matters. In connection with internal audit activities, the supervisory board approved the department's plan of activities for 2024 and took the plan of compliance activities for 2024 under consideration. The supervisory board received reports on the activities of the various committees and commissions for the year 2022, as well as a report on the review of the suitability of the members of the governing bodies and the holders of key positions. In order to secure the funds needed for the company's further growth, the supervisory board approved two new covered bond issues, while also taking note of the report on the 2022 covered bond programme. It also took note of the risk report, the annual report compiled for 2022, the ICAAP and ILAAP summary reports for 2022, approved the key assumptions, potential risks and main points of the bank's budget for 2024 and the risk appetite parameters for 2024. The supervisory board reviewed the independence of the proposed external auditor for 2023, approved the proposal for their appointment, and recommended their approval to the general meeting. The supervisory board also participated in the organization of the bank's ordinary general meeting in 2023. In the exercise of its competencies, the supervisory board reviewed and approved the remuneration principles and decided on the re-election of Henrieta Gahérová and the election of Miroslav Výboch as members of the board of directors.

The supervisory board notes that the activities conducted by the bank and the exercise of the powers of its board of directors are in compliance with the applicable legislation, the bank's articles of association and the instructions of the general meeting. The supervisory board also notes that the bank's accounting records are properly kept in accordance with the facts.

Iain Child

Iain Child
Supervisory Board Chairman

In 2023, Prima banka confirmed its position as the fastest-growing retail bank in the long term and successfully continued to implement its long-term strategy focused on the development of retail banking.

The bank confirmed its position in the area of lending to citizens, where mortgages remain a key component, despite the decreased demand for real estate and rising interest rates over the past year. Prima banka did well in consumer lending, where the bank grew significantly stronger than the rest of the market. The number of clients who have active bank accounts with us also grew in the past year and we again confirmed the highest client satisfaction among the largest banks. At the same time, the bank continued to hold a very strong position in terms of loan portfolio quality, liquidity, and capital.

The availability of services for clients was also ensured in 2023 by a branch network covering all 79 districts of Slovakia. We had 118 branches and 290 ATMs at the end of the year. The Peňaženka ("Wallet") mobile app, whose number of regular users is growing significantly every year, played a major role in strengthening the availability of services.

Selected financial results of the bank

The bank's total assets reached a value exceeding EUR 6.2 billion at the end of 2023, which represents an increase of 4.2% compared to 2022. Loans provided to clients continued to be the most important asset component, growing year-on-year to EUR 5.6 billion. The retail loan portfolio reached EUR 4.85 billion.

On the liabilities side of the balance sheet, client deposits remained the most important component, reaching more than EUR 3.9 billion at the end of the year. The most significant share of total client deposits is accounted for by retail deposits with a total volume of almost EUR 3 billion.

With a 12.3% year-on-year increase in equity, the bank maintains a strong capital position even in the ongoing environment of strong regulation and a demanding macroeconomic environment under the influence of high inflation and rising interest rates.

Jan Rollo
(since 1 April 2011)

Chairman of the Board of Directors and CEO responsible for the Sales Division

Prior to joining Prima banka, he served as Chairman of the Board of Directors and CEO of Slovenská sporiteľňa. Prior to that, he worked for ten years at GE Money Bank in the Czech Republic as Head of Corporate Banking and later as Head of Retail Banking and a member of the bank's board of directors. He has worked in the banking industry since 1994; at Bank Austria he was responsible for key account relations, marketing, and electronic banking, then at Citibank he led the product management department and was involved in managing the small- and medium-sized enterprise division. Prior to joining the banking sector, he worked in the Delegation of the European Union in Prague and as a specialist in the Information Technology Department of Swissair in Switzerland.

Miroslav Výboch
(since 6 July 2023)

Member of the Board of Directors
Executive Director of the Risk Management Division and the IT and Digitalisation Division

He has been working at Prima banka since 2011, when he first held the position of Director of Business Analysis and Reporting, from 2020 the position of Executive Director of the Risk Management Division and from 2023 the position of Executive Director of the IT and Digitalisation Division. Prior to joining Prima banka, he worked for three years at Slovenská Sporiteľňa as Head of Product Portfolio Management. His banking career began in the IT field at Devín banka, he then spent several years in the fields of financial analysis, reporting, and controlling in various positions at Poštová banka and ČSOB Financial Group. In addition to the banking sector, he also worked for 5 years at the Spoločná zdravotná poisťovňa insurance company, where he first managed the IT department and then the economics department.

Henrieta Gahérová
(since 21 February 2013)

Member of the Board of Directors
Executive Director of the Product Management Division

She joined Prima banka from Slovenská sporiteľňa, where she worked for 6 years, most recently as the Director of Product Management and as the company's authorised agent. In addition to managing this department, she has also been involved in key bank projects, such as the introduction of a new information system, the creation of the central Back Office and the bank's new business model for small- and medium-sized enterprises. Her banking career began at VÚB banka, where she held numerous positions over a period of 10 years. Her tasks included, among others, management of the product portfolio, electronic channels, call centre and project management of the deployment of a new information system. Over the past three years, she has worked as the Director of the Client Segment Management Department.

Iain Child
Supervisory Board Chairman

Marián Slivovič
Supervisory Board Deputy Chairman

Evžen Ollari
Supervisory Board Member

Prima banka shareholder structure as of 31 December 2023

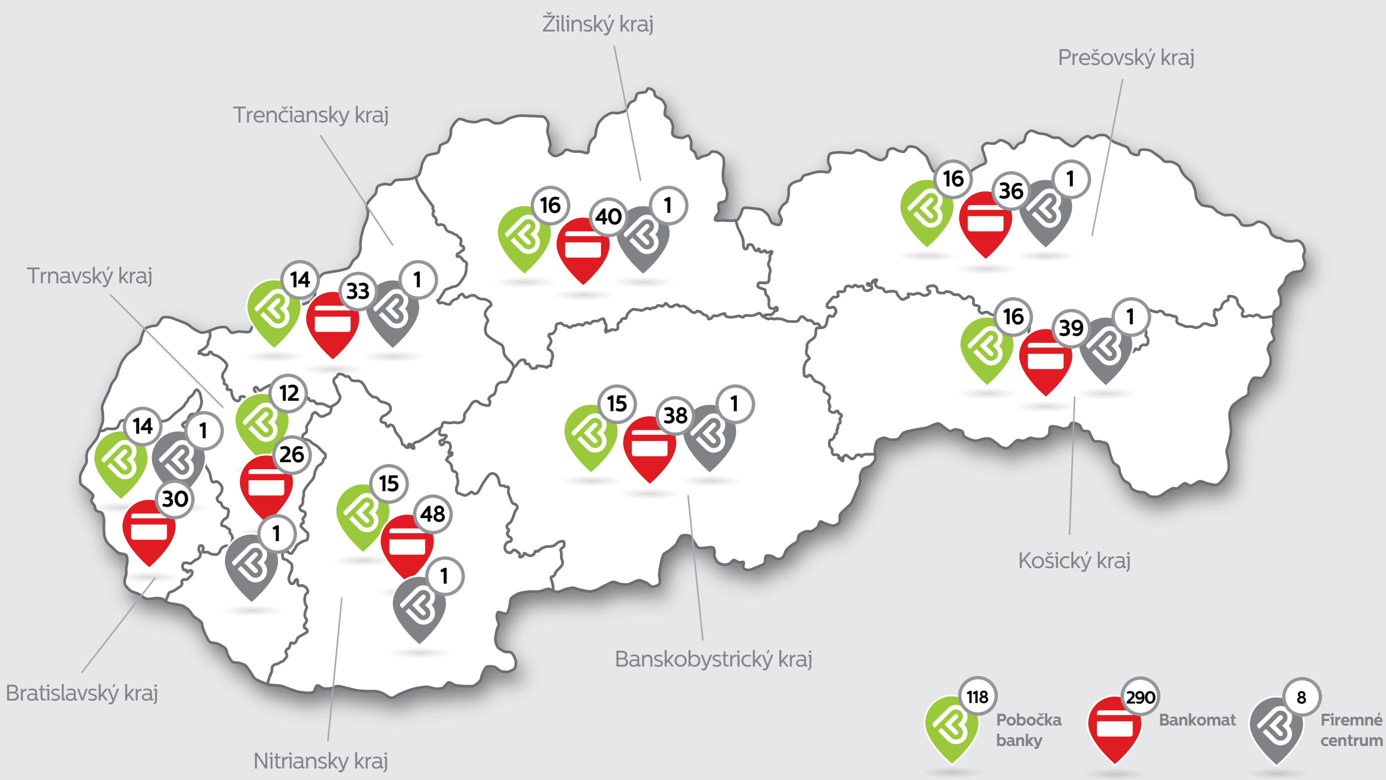
The shareholders of Prima banka Slovensko, a.s.	Number of share-holders	Total share in registered capital (EUR)	Share in registered capital in %
Cities and communities	80	519,487	0.2291
Legal entities	5	225,943,427	99.6342
Natural persons	69	309,625	0.1365
Unclassified	1	399	0.0002
Total	**155**	**226,772,938**	**100.00**

Prima banka has long been the fastest-growing retail bank in Slovakia. Consistent implementation of the 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 long-term, continuous business growth. As of 31 December 2023, Prima banka had a total of 118 branches and 290 ATMs and continues to be the only bank that covers all 79 districts of Slovakia with its branches and ATMs.

In providing its products and services, Prima banka has long focused on maximal simplicity, speed, convenience and fairness in relation to its clients. Thanks to these values and the broad network of branches and ATMs, the bank continues to win over more and more new and satisfied customers every year. The results of regular independent surveys also confirm that Prima banka constantly maintains high customer satisfaction.

In addition to a strong position in the retail banking sector, Prima banka continues to maintain its position as a leader in providing banking services for cities and towns.

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



The financial and banking market situation in 2023 was marked by a continued rise in interest rates under the influence of the still-high level of inflation, which had a negative impact on lending and, as expected, there was a significant slowdown in the growth of both corporate and retail lending across the entire market. Every single bank in the market had to cope with these conditions in the same way. For Prima banka, however, this new era has brought additional space to focus even more intensely on our key competitive advantages and translate them into positive business results. Even in the continuing challenging environment, Prima banka managed to confirm its position as the fastest-growing retail bank over the past year.

Despite a slowdown in lending across the market, Prima banka managed to deliver positive business results in 2023, particularly in consumer lending, where we grew by 13% year-on-year and grew significantly stronger than the rest of the market. In this area, we performed particularly well thanks to appealing campaign offers, and we originated more consumer loans in 2023 than at any time in the past. In home loans, which were not favoured by the overall market, we achieved modest portfolio growth. We had a positive development in municipal lending, which grew by 8% year-on-year. The total volume of loans, including the corporate and municipal segments, reached EUR 5.6 billion at the end of the year, with a further improvement in the already very high quality of the loan portfolio.

On the deposit side, we recorded a slight year-on-year growth, with total deposits reaching EUR 3.9 billion at the end of 2023. On the positive side, we saw a further increase in the number of customers who consider Prima banka to be their main banking institution and in the number of customers who have active bank accounts with us. The continued growth in our clients' activity is supported in particular by the numerous benefits we provide to them through our key product in the form of personal accounts. The rewards for card and mobile payments are being used by an increasing number of clients each year. Mobile payments in particular are gaining more and more popularity among clients, and the number of clients paying by mobile phone increased by up to 43% year-on-year in the past year. This is mainly due to the intensive promotion of the use of this service in the form of marketing campaigns but also in the form of quality communication and work with clients at our branches. Continuous growth, confirmed also in 2023, is also recorded in the case of Student and Children Accounts, which we provide to clients at no charge. We continue to provide clients with the opportunity to make regular savings contributions with 5.0% annual interest guaranteed over the entire savings term with every type of account. We've expanded our student offering this past year to include an overdraft option for this segment of customers.

In addition to the classic internet banking, clients can also use the Peňaženka ("Wallet") mobile app for all types of accounts, which is updated every year with a number of new features and improvements. At the beginning of last year, the bank introduced digital cards, which enhanced the possibility of using payment cards on the Internet and increased the security of online payments. We have also expanded the Peňaženka app with additional features to enhance its safety and to make it as easy as possible for customers to use our products and services. An interesting novelty that we introduced for clients of both the mobile application and internet banking was the possibility of setting up a dynamic currency conversion service on the payment card. Thanks to its simplicity, clarity, and many innovations, the Peňaženka mobile app is also popular with our clients and we are among the market leaders in the regular use of the mobile application by our clients.

We are pleased that every year we continuously strengthen and consolidate our position as a market leader in the provision of services to cities and municipalities. In this area, we have long been successful both on the deposit and lending side. Last but not least, our thanks go to all our clients for the trust they have placed in us over the long term, including in the form of the highest client satisfaction, which we confirmed again in 2023. The long-term high satisfaction of our clients is contributed to not only by a wide network of branches, which as the only bank in Slovakia, covers all 79 districts of Slovakia but also by the unique way of servicing clients and communicating with them through our bankers, which we have long established as the only bank on the market; as well as the services of our contact centre hotline, through which clients may always call directly the operator, without the need to select a number of options and thus can always solve their request right after dialling. In the case of our contact centre, clients can count on both highly professional communication and fast resolution of their requests.

In addition to simplicity, convenience, and transparency towards clients, our maximum internal efficiency should also be mentioned as a key factor thanks to which Prima banka manages to move forward and strengthen its position even in difficult times. This is what gives us the room to be highly competitive even in difficult times.

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

In some provisions, the bank deviates from the Corporate Governance Code 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. Information on which of the members of the supervisory board is considered independent is available to shareholders upon request and is therefore not published. At least one of the three members of the supervisory board is considered independent. To ensure simpler and more flexible company management, the supervisory board carries out the activities of the Audit Committee and this committee is, therefore, not set up as its subsidiary body. With effect from 1 January 2023, the Risk Management Supervisory Board Committee and the Remuneration Supervisory Board Committee were established in the bank. Matters of remuneration of members of the company bodies are listed in the financial statements, which form part of the annual report.

The company publishes information related to management methods on its website.

1. Company management structure

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 regular or extraordinary separate financial statements, decisions concerning distribution of profit or coverage of losses, the definition of royalties and decisions to wind up the company and approval of any agreement to transfer an undertaking or part thereof, and decisions regarding other matters that are included in the competence of the general meeting of shareholders by the law or the articles of association.

Calling

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 takes up and decides on the matters set out in the invitation. Decisions are adopted by a simple majority of the votes of the shareholders in attendance, except in instances where legislation or the articles of association require decisions to 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 such shares. Minutes from the general meeting are signed by the chairman of the general meeting, its secretary and two elected verifiers.

Activities in 2023

The ordinary general meeting of the company was held at the company's registered office on 26 April 2023. Shareholders were familiarised with the report on the business activities of the company and the state of its assets for 2022, the supervisory board's report and the report on the audit of the financial statements. At the ordinary general meeting, shareholders also decided to approve the regular separate financial statements for 2022, the 2022 annual report and other related proposals (the proposal to distribute its profit) and approval of the auditor for 2023. The shareholders also approved an amendment to the company's articles of association, a change to the board's authority to issue covered bonds and renewed the board's authority to increase share capital. Two members of the supervisory board were re-elected to their positions, while also being elected as Supervisory Board Chairman and Deputy Chairman.

1.2. Supervisory board

Membership in the supervisory board

The supervisory board has anywhere from three to six members who serve five-year terms. Currently, three members have been elected, two-thirds of whom were elected by the general meeting from among the shareholders and other natural persons and one-third of whom were elected by company employees from among company employees and other natural persons. Prior approval from the National Bank of Slovakia is required to elect or re-elect a member of the supervisory board, otherwise such election is null and void.

In 2023 the general meeting re-elected Iain Child as Supervisory Board Chairman and Marián Slivovič as Supervisory Board Deputy Chairman. It also extended the term of office of the members of the supervisory board from three to five years by approving an amendment to the articles of association. Iain Child and Marián Slivovič have therefore already been elected to their positions for a period of five years, and Evžen Ollari is currently in the middle of a three-year term of office.

Competences

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 conduct of the company's business activities. At the same time, the supervisory board eliminates the possibility of conflicts of interest with its independence.

Activities and decision-making

The activities of the supervisory board are managed by the supervisory board chairman, in his absence by the deputy chairman, if elected, or by a member authorised by the chairman. Ordinary meetings are convened by the chairman as required, at least once every 6 months. An extraordinary meeting 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 decision adoption. Minutes are prepared from supervisory board sessions.

Conflict of interests

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
- Mediate the company's business for other persons
- 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 another 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 performs 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 competences 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 control, internal audit and risk management systems, if they affect the preparation of the financial statements
- Monitors the course and results of the statutory audit of the separate financial statements and the statutory audit of the consolidated financial statements
- Verifies and monitors the independence of the statutory auditor or audit company, and in particular 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 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 about the result of the statutory audit and explains how the statutory audit contributed to the integrity of the bank and the role the audit committee played in the process

Activities of the audit committee in 2023

As part of the audit committee's duties, the members of the supervisory board met once during 2023 – on 23 March 2023. The session discussed and reviewed the 2022 regular separate financial statements, the auditor's report and its findings, the 2022 annual report and the auditor's report verifying its conformity with the regular separate financial statements. It also recommended Ernst & Young Slovakia, spol. s r.o. as auditor for 2023, verifying its independence and setting a deadline for it to submit an affidavit regarding its independence. It also adopted two decisions outside the meeting.

1.3. Board of directors

Membership in the board of directors

The board of directors has three to six members, with three members of the board of directors currently elected. 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.

Election and dismissal 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 for a period of five years. The supervisory board may also dismiss a member of the board of directors. The chairman of the board of directors is appointed and dismissed by the supervisory board. A member of the supervisory board submits the proposal to elect or dismiss a member of the board of directors. The proposal for the election of a member of the board of directors must be accompanied by the consent of the nominated person and all documents required by law to be submitted with the application for prior approval by the National Bank of Slovakia. If the number of members of the board of directors is complete and no member's term of office has expired, a proposal to dismiss a member of the board of directors must be submitted together with the proposal 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 approval from the National Bank of Slovakia.

The process of electing a member of the board of directors is 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 vote on the nominated candidates in the order of their choosing

- The candidates who receive the highest number of votes of the present members of the supervisory board 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 sectors.

Competences 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 or one member of the board of directors together with one of its authorised agents are required to take action on behalf of the company. The board of directors manages the company in accordance with valid legislation and in the interests of the shareholders. It decides on all company affairs, except those within the purview of the general meeting or the supervisory board, it specifically:

- Convenes and organises the general meeting, and the implementation of its resolutions
- Submits to the supervisory board and subsequently to the general meeting:

    a) Regular separate and extraordinary separate financial statements
    b) Proposals for profit distribution or loss compensation
    c) Reports on the company's business activities and the balance of its assets as part of the annual report
    d) Annual report

- Submits 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 its liquidity
    c) 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 revokes written authorisations for company representatives to take action in specific instances, appoints and dismisses the company's authorised agents contingent upon prior approval from the supervisory board and confers and revokes 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
- Manages and assures an effective risk management system

Activities and decision making

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. Extraordinary sessions are convened by the chairman of the board of directors when 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 directors has the decisive vote in such cases. Minutes are kept to record the course of the session.

Activities in 2023

A total of 4 ordinary sessions of the board of directors were convened in 2023, 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 the necessary 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 42 decisions *per rollam* in 2023.

Conflict of interests

A member of the board of directors may not:

- Conclude transactions related to the business activity of the company on their own account or on their own behalf
- Mediate the company's business for other persons
- 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 another body in a legal entity with a similar line of business

Exceptions to the above prohibitions are cases where the company participates in the business of such a legal entity.

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

Advisory bodies

The advisory role of the board of directors and the supervisory board is implemented through special purpose committees and commissions with internal employees and members of company bodies charged with resolving and assessing issues requiring collective decisions.

Risk management supervisory board committee

The risk management supervisory board committee is established by the supervisory board in accordance with the legislation as its advisory body for the fulfilment of risk management responsibilities in the bank.

Remuneration supervisory board committee

The remuneration supervisory board committee is established by the supervisory board in accordance with the legislation as its advisory body for the fulfilment of its duties concerning the remuneration of identified persons in the bank.

Credit committee, credit commission, and credit board

They are responsible for making decisions involving the bank's active transactions, especially in the area of loan approval. The credit committee discusses credit transactions approved by the credit commission and approves credit transactions exceeding internally defined limits. The credit commission decides, unless such decision-making rests with the credit committee, in select areas of the bank's active transactions, and makes decisions regarding decisions as to the procedure to be used by the bank to resolve problematic receivables. The credit board approves credit transactions within the competencies defined in internal bank regulations.

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 Committee (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 decommissioning commission

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

Product & Pricing Committee

The reason for establishing the Product & Pricing Committee was to create a responsible body within the company

to approve:

- New banking products provided by the bank
- Changes in 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. Articles of association

The company's board of directors is responsible for ensuring the company's articles of association are fully compliant with legislation.

The board of directors, or a company shareholder who submits their proposal to the board of directors, is permitted to propose amendments to the articles of association. In case of inaccuracies, the board of directors shall notify the shareholder to rectify the proposal. The board of directors is authorised to amend the proposal as long as the shareholders are notified at the general meeting of the amendments that were made. If counter-proposals or amendments to the original proposal are 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 shareholders present is required to approve a counter-proposal or amendment. If the proposal is adopted, no further counter-proposals will be voted on in the same matter. A two-thirds majority of the votes of the shareholders present is required for the approval of an amendment to the articles of association. When decisions are made regarding changes to the articles of association, a notary deed must be completed to record the course of the general meeting.

Consent from the National Bank of Slovakia is a mandatory requirement for any change to the articles of association to become valid and take effect. After each amendment to the articles of association, the board of directors is obliged to draw up without undue delay the complete wording of the articles of association, and is responsible for its accuracy. Every amendment to the articles of association and the full wording of the articles of association must be filed in the Collection of Documents maintained by the Commercial Register, with the National Bank of Slovakia and, where applicable, with other institutions in accordance with applicable legislation.

2. Capital and shareholders of the company

2.1. Capital

The registered capital of the company as of 31 December 2023 is EUR 226,772,938 and is divided into a total of 177,474,538 registered shares, specifically:

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

The majority shareholder in the company is PENTA INVESTMENTS LIMITED, which owned 99.6093% of all shares as of 31 December 2023. As of 31 December 2023, PENTA FINANCIAL SERVICES LIMITED, PENTA INVESTMENTS LIMITED and PENTA INVESTMENTS GROUP LIMITED (indirectly through participation in the registered capital of PENTA FINANCIAL SERVICES

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

With effect from 10 July 2019, the company's shares ceased to be traded on the Bratislava Stock Exchange (Burza cenných papierov v Bratislave, a.s.). 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.

In 2023, the company acquired its own shares for a total purchase price of EUR 106,549.32. The reason for the acquisition of shares was the decision of the company's board of directors to buy back shares from minority shareholders to simplify the management of the company by consolidating the number of shareholders.

The company acquired the following shares:

- 142 shares with a nominal value of EUR 399, which represents a share in the registered capital of 0.02498%
- 11 shares with a nominal value of EUR 67, which represents a share in the registered capital of 0.000325%
- 13,957 shares with a nominal value of EUR 1, representing a share in the registered capital of 0.006157%

The total share of the nominal values of shares in registered capital which the company had in its possession during the year represents 0.031462%.

The company transferred all the aforementioned shares to a third party in the course of 2023 for the amount of EUR 106,549.32 and did not own any of its own shares as of 31 December 2023.

2.2. Shares

The company may only issue dematerialised registered shares. Their transfer is completed under the Securities Act by the central depository, which maintains a list of shareholders. The transferability of shares is not limited.

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

Shareholders have all rights in accordance with the Commercial Code and the company's articles of association, namely:

- The right to a profit share (dividend) determined by the general meeting for distribution through profit or loss. This share is the ratio of the nominal value of the shareholder's shares to the nominal value of the company's registered capital.
- The right to access the minutes from the supervisory board's sessions
- The right to a share of a liquidation surplus upon the dissolution of the company
- The right to participate in and vote in the general meeting, request information and explanations concerning matters of the company or affairs of persons controlled by the company relating to the subject of the general meeting and to put forward proposals during the general meeting
- The right to request the board of directors at the general meeting to provide complete and truthful explanations and information related to the subject of the general meeting. 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 15 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 who has, or shareholders who have, shares with a nominal value of at least 5% of the registered capital may, in stating the reasons, request in writing that an extraordinary general meeting be convened to discuss the proposed matters. 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 in violation of 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 in violation of 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 inspect at the company's registered office the documents deposited in the collection of documents or in the register of financial statements in accordance with legal regulations, and to request copies of these documents or send them to the address specified therein, at its own expense and risk

The procedure for exercising these rights is governed by the company's articles of association and legal regulations. Shareholders' voting rights are not limited. The company is not aware of any 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 ensure, in particular, the following objectives:

- Efficiency and cost-effectiveness of the performed activities
- Consistency, accuracy, timeliness and reliability of financial and non-financial information
- Risk control and prudent performance of activities
- Compliance with legislation, regulatory requirements and internal regulations and decisions
- Protection of the company's resources and assets against misuse and inefficient use
- Protection against abuse of power and fraud

The board of directors is responsible for implementing the internal control system and for creating an appropriate environment to support an adequate and effective 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 areas they manage. Employees are responsible for the proper and efficient performance of their professional activities with due professional care and prudence in accordance with the company's ethical principles and objectives and in accordance with the internal regulations and applicable laws. A compliance officer has been established in the bank. The role of this position is to ensure compliance with legal regulations and assess the possible impact of any changes in the legal or regulatory environment on the bank's operations and the compliance framework. The person performing the compliance function (compliance officer) is determined by the board of directors. An independent part of the internal control system is the internal audit department, the rights and obligations of which are determined by the board of directors, in addition to those defined by the law. The internal audit department provides an independent and objective assessment of the adequacy and efficiency of the internal control system and performs its activities in all the company's organisational units and processes. The internal audit department is independent and impartial in the performance of its activities and is accountable to the board of directors and the supervisory board.

The company adheres to procedures in performing its banking activities and has established and maintains an effective risk management system. The company regularly reviews the system's effectiveness and adequacy by taking into consideration the company's appropriate risk exposure and regularly adjusts the risk management system and the manner of its updating through internal regulations.

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

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

External audit

In accordance with valid legislation, the company is obliged to ensure the annual financial statements are audited by an auditor and the auditor's report is prepared in accordance with the requirements of the National Bank of Slovakia. At the same time, the company is obliged to announce the selected auditor approved by the general meeting to the National Bank of Slovakia. The audit for 2023 was performed by Ernst & Young Slovakia, spol. s r.o., Žižkova 9, 811 02 Bratislava, Company ID No.: 35 840 463.

4. Information on all agreements concluded between the company and members of its bodies or employees on the basis of which they are to be compensated if their function or employment ends with resignation, dismissal, termination by the employee, termination by the employer without giving a reason or their function or employment will end as a result of the takeover bid.

The company is not a party to any such agreements.

5. Information on all significant agreements to which the company is a party and that are entered into by the company, are amended or will expire as a result of a change in its conditions of control that occur in connection with the takeover bid and its effects.

The company is not a 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 values of responsible business conduct and a responsible approach, not only towards our clients but also towards our employees and the regions in which we operate. Clear rules and real benefits for clients are key in designing our product and service portfolio. Bankers, therefore, offer clearly formulated and transparent products without any additional conditions or hitches. Fairness and maximum transparency are also applied by the operators of our contact centre when communicating and addressing client requirements, and the same principles are also the basis of our marketing communication. It is also crucial for us that all employees know and understand the bank's strategy, and that they have timely and first-hand information about the bank's performance, direction, and plans. Employees are not only kept informed of all key topics at regular meetings, regional meetings and through internal communication channels; executives also have the opportunity to attend the internal retail conference twice a year, which is a key development and information tool for them.

We act and conduct business ethically and transparently and follow the Code of Conduct. Transparency, fairness, and honesty are also our core values in upholding human rights and in the fight against non-transparent conduct, corruption, and bribery. We also take the principles of corporate responsibility into account when ensuring the regular procurement of goods and services.

We also apply the principle of corporate social responsibility through the regional and local activities of our branches in each region, which are involved in annual cooperation with towns and villages in the implementation of their social and public benefit activities, such as sporting events, town days, village days, children's days, and intensively support the various activities of schools, sports clubs, and local non-profit organisations. Equally important is our active participation in the financial education of children and young people, in which we are intensively involved through our retail branch directors.

When it comes to employee care, we strive to go beyond standard care and, in addition to fair and transparent remuneration, our employees have the opportunity twice a year to participate in joint informal team meetings of the various departments and divisions to provide them with opportunities for sporting and social activities. Education is another area that we are focusing on at the bank. 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. In 2023, we conducted dozens of in-house training sessions and workshops for our employees. We support smart, capable, and ambitious people in their professional and personal development and give them the opportunity to move on to other interesting positions within the internal rotation system. 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 have been promoted internally as part of their career growth. As the only bank on the market, we have a system of so-called regular weekly sales bank rotations to maximise our focus on the client and to improve the quality of our services. It is a unique form of training where every head office employee undergoes a weekly sales bank rotation once a year at one of our retail branches, where they provide comprehensive client service as personal bankers. 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.

The main risk in the field of social responsibility specifically applicable to the accounting entity's activities is the risk of laundering the proceeds from criminal activities, i.e. money laundering. We are working to prevent the bank from being used for 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 constantly and continuously ensure the prevention as well as the detection of incidents that have already occurred. Prima banka applies a risk approach in relation to all clients. 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 clients and does not carry out operations for clients 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. Every planned transaction is 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, employees are able to distinguish the indicators of abnormal behavioural characteristics and abnormal transactions among clients. To ensure the bank's anti-money laundering and terrorist funding protection measures 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 Section 17 of Act No. 297/ 2008 Coll. to the Financial Intelligence Unit, with whom we closely cooperate.

People who prioritise values such as simplicity, clarity, fairness, transparency, and credibility thrive in Prima banka. We apply the same values when selecting and developing our employees. We care about adherence to the principles of impartiality and equality and give the graduates a fair chance to jump-start their careers and grow professionally in the fastest-growing retail bank in Slovakia.

Separate financial statements
for the year ending on 31 December 2023

prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the independent auditor's report

Prima Banka

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Independent Auditor's Report

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Prima banka Slovensko, a.s. ("the Bank"), which comprise the separate statement of financial position as at 31 December 2023, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2023, 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 Separate 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 separate 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 separate 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 separate 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.

The war in Ukraine, energy crisis, rising inflation and interest rates intensified economic volatility, increasing estimation uncertainties and complexity of the estimates used in the calculation of impairment allowances for due from customers.

Due to the significance of loans to customers that are subject to impairment, representing 89% of total assets, and the complexity of the impairment provisions' estimations, we consider this area to be a key audit matter.

Our audit procedures included understanding of the Bank's credit risk management policies, 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 reconciled a register of due from customers with accounting records to assess completeness of the recognition of due from customers, which create the basis for the calculation of impairment allowances for expected credit losses. On a selected sample, we also reviewed the mathematical correctness of the impairment allowances calculation.

We involved credit risk specialists to assist us with assessment of the impairment allowances methodology, methods and results of the Bank's tests of credit risk parameters (so called "back-testing") credit rating models and credit risk parameter models, their assumptions and implementation in the system in accordance with the IFRS 9 requirements.

We evaluated whether the Bank appropriately considered the impact of war in Ukraine, energy crisis, rising inflation and interest rates in its impairment allowances measurement assumptions.

On a selected sample, we analyzed loan exposures assessed individually by the Bank. For selected performing exposures, we analyzed the economic and financial situation of borrowers and fulfillment of the terms of loan agreements to evaluate appropriateness of the classification into risk categories, so-called 'staging'. In case of selected non-performing exposures, we assessed the reasonableness of the expected cash flows from repayments and recoverable amounts of collateral based on available financial and market data and we recalculated the individual impairment allowance.

We performed analytical procedures on disaggregated data on the monthly development of the impairment allowance per portfolios, products and stages related to the development of the structure and characteristics of the credit portfolio including the impairment allowances, reflecting the quality of the loan portfolio in the light of the impairment allowances for expected credit losses for loans to customers aimed at identifying portfolios of loans to customers with understated impairment provisions.

We also assessed whether the separate financial statements' disclosures appropriately reflect the Bank's exposure to the credit risk and are compliant with IFRS EU requirements. Refer to the Notes to the Separate Financial Statements paragraphs 3e) Financial Instruments, 5.1. Financial Assets at Amortised Costs and 5.29. Risk Management part 1. Credit Risk.

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

Management is responsible for the preparation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements including the presented information as well as whether the separate 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, actions taken to eliminate threats or safeguards applied.

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

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 separate financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the separate 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 separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated.

We considered whether the Bank's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of separate financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2023 is consistent with the separate financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Bank and its situation, obtained in the audit of the separate financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

Presentation of the Separate Financial Statements in Compliance with the Requirements of the European Single Electronic Format ("ESEF")

The management is responsible for the presentation of the separate financial statements for the year ended 31 December 2023 included in the Annual Financial Report that complies with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The presentation of the separate financial statements for the year ended 31 December 2023 in electronic XHTML format is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the compliance of the presentation of the accompanying separate financial statements with the requirements of the ESEF Regulation.

After management provides us with the electronic XHTML format of the accompanying separate financial statements, our responsibility will be to perform an engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits and Reviews of Historical Financial Information, with the objective to obtain reasonable assurance on the compliance of the separate financial statements with the requirements of the ESEF Regulation. Our updated auditor's report will either state that based on the procedures performed, the presentation of the separate financial statements complies, in all material respects, with the requirements of the ESEF Regulation, or we will describe any material non-compliance that we would identify in this respect.

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

<u>Appointment of Auditor</u>

We were appointed as the statutory auditor by the General Meeting of Shareholders of the Bank held on 26 April 2023. 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 5 years.

<u>Consistence with Additional Report to Audit Committee</u>

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued on 5 March 2024.

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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 and services disclosed in the annual report and in the separate financial statements, no other services which were provided by us to the Bank.

6 March 2024
Bratislava, Slovak Republic

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

(in thousands of €)

I. FINACIAL STATEMENTS

Separate Statement of Financial Position

Assets	Note	31.12.2023	31.12.2022
Cash		63 864	66 037
Financial assets at amortised cost, of which:	1	6 122 947	5 872 714
Balances with central banks		460 930	240 982
Due from banks		1 554	1 522
Loans and advances to customers		5 554 131	5 473 700
Debt securities		106 332	156 510
Financial assets held for trading - derivatives	2	72	90
Financial assets at fair value through profit or loss	3	1 411	1 169
Financial assets at fair value through other comprehensive income	4	3 910	3 237
Non-current tangible assets	5	15 822	16 618
Non-current intangible assets	6	1 313	1 444
Deferred tax asset	7	9 517	9 748
Other assets	8	20 132	16 530
Assets total		**6 238 988**	**5 987 587**
Liabilities and equity			
Financial liabilities at amortised cost, of which:	9	5 714 830	5 527 468
Loans and deposits received from central banks		300 600	640 660
Due to banks		1 446	1 690
Customer deposits		3 908 378	3 883 076
Debt securities		1 504 406	1 002 042
Liabilities from leasing	10	6 187	6 853
Financial liabilities held for trading - derivatives	2	3	1
Provisions and reserves	11	9 649	10 031
		9 121	758
Other liabilities	12	47 179	39 805
Liabilities total		**5 786 969**	**5 584 916**
Equity (except profit for the current year)		403 500	382 661
Profit/loss for the current year after tax		48 519	20 010
Equity total	**13**	**452 019**	**402 671**
Liabilities and equity total		**6 238 988**	**5 987 587**

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 6 March 2024:

6/3/2024

Jan Rollo
Chairman of Management Board
and General Director

Miroslav Výboch
Member of Management Board
and Chief Risk Officer

(in thousands of €)

Separate Statement of Comprehensive Income

	Note	31.12.2023	31.12.2022
Interest income		120 478	64 854
Interest expense		(53 296)	(16 069)
Net interest margin	**14**	**67 182**	**48 785**
Fee and commission income		39 501	39 700
Fee and commission expense		(7 354)	(8 241)
Net fee and commission income	**15**	**32 147**	**31 459**
Dividend income		32	38
Net income from financial transactions	16	441	46
Other operating income	17	136	113
General administrative expenses	18	(51 462)	(47 720)
Contributions to the Resolution Fund and Deposits protection Fund	19	(1 428)	(3 232)
Depreciation and provisions for assets	20	(4 549)	(4 450)
Net allocation to provisions	21	15 799	(4 923)
Result before tax		**58 298**	**20 116**
Income tax	22	(9 779)	(106)
Net result for the current period	**23**	**48 519**	**20 010**
Other Comprehensive Income and Loss			
Items that may be reclassified to the income statement			
Financial assets available for sale		59	59
Cash flow hedge			
Items that cannot be reclassified to the income statement			
Equity instruments valued at fair value through another comprehensive income		770	(14)
Total	**13**	**829**	**45**
Comprehensive income total		**49 348**	**20 055**
Net profit per share (face value of € 399) in €		85,367	35,206
Net profit per share (face value of € 67) in €		14,335	5,912
Net profit per share (face value of € 5) in €		1,070	0,441
Net profit per share (face value of € 1) in €		0,214	0,088

(in thousands of €)

Separate Statement of Cash Flows

	31.12.2023	31.12.2022
Cash flows from operating activities		
Profit before tax	58 298	20 116
Adjustment:		
Depreciation and amortisation	4 549	4 450
Loss on property sold	(42)	(24)
(Loss) of financial assets at fair value revaluated through profit and loss	(242)	997
Profit of revaluation available for sale financial assets	59	59
Profit/(Loss) of revaluation on financial assets held for trading - derivatives	20	(44)
Profit of revaluation on financial assets at fair value through other comprehensive income	97	(1 066)
Proceeds from shares and equity interests	(32)	(38)
Interest expense	53 296	16 069
Interest income	(120 478)	(64 854)
Provisions and reserves for losses, net	(13 645)	6 620
Net loss on written off receivables	(1 994)	(2 525)
Net profit off postponed assets	61	(198)
Other non-cash transactions	(1 729)	(483)
Net cash flows from operating activities before changes in operating assets and liabilities	**(21 782)**	**(20 921)**
Changes in operating assets		
Due to the NBS	(38 074)	617 834
Interbank loans and advances	0	(320)
Loans and advances to customers	(64 130)	(1 072 817)
Other assets	(3 841)	(943)
Changes in operating liabilities		
Loans received from the central banks	(340 000)	640 000
Loans received from the other banks	(244)	422
Customer deposits	24 004	(1 210)
Other liabilities	7 843	5 265
Interest paid	(49 694)	(22 151)
Interest received	120 029	64 376
Net cash flows from operating activities	**(365 889)**	**209 535**
Cash flows from investment activities		
Purchase of non-current tangible and intangible assets	(2 203)	(1 196)
Proceeds from sale of non-current tangible and intangible assets	51	44
Proceeds from financial assets at amortised cost – debt securities	50 000	24 056
Cash outflows related to financial assets at amortised cost – debt securities	0	(15 000)
Proceeds from postponed assets	(61)	198
Proceeds from shares and equity interests	32	38
Net cash flows from investment activities	**47 819**	**8 140**
Cash flows from financial activities		
Proceed from bonds issued	500 000	0
Repayment of principal portion of lease liabilities	(2 311)	(2 250)
Net cash flows from financing activities	**497 689**	**(2 250)**
Net increase/(decrease) in cash flows	179 619	215 425
Cash and cash equivalents as the beginning of year (Note 24)	307 266	91 841
Cash and cash equivalents as the end of year (Note 24)	486 885	307 266

(in thousands of €)

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
1.1.2022	**226 773**	**71 190**	**9 897**	**54 078**	**151**	**2 525**	**18 002**	**382 616**
Distribution/settlement of profit from previous years			1 800			16 202	(18 002)	0
Results for the 9 months 2022							20 010	20 010
Profit on revaluation of available-for-sale financial assets					59			59
Revaluation of equity instruments					(14)			(14)
31.12.2022	**226 773**	**71 190**	**11 697**	**54 078**	**196**	**18 727**	**20 010**	**402 671**
1.1.2023	**226 773**	**71 190**	**11 697**	**54 078**	**196**	**18 727**	**20 010**	**402 671**
Distribution/settlement of profit from previous years			2 001			18 009	(20 010)	0
Results for the 9 months 2023							48 519	48 519
Profit on revaluation of available-for-sale financial assets					59			59
Revaluation of equity instruments					770			770
31.12.2023	**226 773**	**71 190**	**13 698**	**54 078**	**1 025**	**36 736**	**48 519**	**452 019**

(in thousands of €)

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 any branches abroad and is not an unlimited guarantor in any other business entity and has 118 branches as at 31 December 2023 (31 December 2022: 120 branches).

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
	Miroslav Výboch

Proxy

Igor Tušl
Dušan Tomašec

In line with the entry in the Commercial Register dated 22 June 2021, 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 %	
	31.12.2023	**31.12.2022**
PENTA INVESTMENTS LIMITED, Cyprus	99,61	99,58
Shareholders under 1%	0,39	0,42
Total	**100,00**	**100,00**

The direct parent company is Penta Financial Services Limited seated 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 parent company that prepares the consolidated financial statements is PENTA INVESTMENTS LIMITED seated at Agias Fylaxeos & Polygnostou, 212 C&I CENTER, 2nd floor, P. C. 3082 Limassol, Cyprus, registration number: HE428480.

(in thousands of €)

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 2023 and 31 December 2022 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

	31.12.2023
Average number of employees, of which:	**765**
Average number of managers	6

As at 31 December 2023, Prima banka had 766 employees (31 December 2022: 771).

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 2022) were approved and authorised for issue on 17 March 2023 and subsequently approved on 26 April 2023 by the General Meeting.

Basis of Presentation

The separate financial statements of the Bank (the "financial statements") for the year ended 31 December 2023 and comparative data for the year ended 31 December 2022 have been prepared in accordance with IFRS as adopted by the European Union (the "EU") in Commission Regulation (EC) 2023/1803, and current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Commission Regulation (EC) 2023/1803 of 13 August 2023 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) 2023/1803 of 13 August 2023 replaces Commission Regulation (EC) 1126/2008 of 3 November 2008.

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.

Application of amended and new IAS/IFRS

The Bank applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB applicable for the accounting periods starting 1 January 2023 as adopted by the European Union ('EU') that are relevant to the Bank's operations.

Standards, regulations and interpretations relevant to Bank's operations, effective in the current period

Adoption of the following standards, which apply for the first time in 2023, did not have any impact on the accounting policies, financial position or performance of the Bank:

- **IFRS 17 "Insurance Contracts"** and amendments to related standards adopted by the EU on 30 August 2021 (effective for annual periods beginning on or after 1 January 2023 or later);
- **Improvements to IAS 12 "Income taxes"** – presentation of **deferred tax assets and liabilities** (effective for annual periods beginning on or after 1 January 2023 or later);
- **Improvements to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – related to improvement to IAS 12 (effective for annual periods beginning on or after 1 January 2023 or later);
- **Improvements to IAS 1 "Presentation of Financial Statements"** a **IAS 8 „ Accounting policies, changes in accounting estimates and errors" –** the changes clarify differences between accounting policies and accounting estimates to ensure consistent application of accounting standards and comparability of financial statements (effective for annual periods beginning on or after 1 January 2023 or later).

- **Commission regulation (EU) 2023/1803** of 13 August 2023 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council

- **Commission regulation (EU) 2023/2468** of 8 November 2023 amending Regulation (EU) 2023/1803 as regards International Accounting Standard 12

Standards, regulations and interpretations not yet effective

Following listing of standards and interpretations issued are those that the Bank expects not to have any impact on disclosures, financial position or performance when applied at a future date:

- **Commission delegated regulation (EU) 2023/2772** of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.
It shall apply from 1 January 2024 for financial years beginning on or after 1 January 2024.

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

Basis for the Preparation of Financial Statements

The financial statements were prepared using the accrual basis of accounting, i.e. 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 have been prepared under the historical cost convention; except for the following cases, which are measured at fair value:

- Financial assets/liabilities held to trading, including derivatives,
- Financial assets/liabilities at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income.

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, i.e. 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 (i.e. liquidity risk) and expenses (i.e. 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, i.e. 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;

i.e. 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.

Financial assets measured at fair value through profit or loss (FVTPL)
The Bank holds the following financial assets in this business model: Series C Preferred Stock of VISA INC., USA.
In the statement of income, the profit or loss effects of financial assets measured at FVPL are split into dividend income and fair value gains and losses. The dividend income is presented in the line *"Dividend income"*. The fair value gains or losses are reported in the *"Gains/losses from financial Instruments measured at fair value through profit or loss"* in case of non-trading financial assets at FVTPL. 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, i.e. 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.

<u>Significant increase in credit risk</u>
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 retail client has at least one significant receivable overdue by more than 30 days or downgrade of credit rating is significant or the Bank has identified a significantly high risk of repayment of the client's receivables in connection with a significant reduction or loss of income. Other receivables are classified in stage 2 on an individual basis or if the client has at least one significant receivable overdue by more than 30 days. Significant receivables (over € 350 thousand) with an identified significant increase in credit risk are measured individually.

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.

<u>Defaulted financial assets</u>
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.

<u>Probability of default</u>
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 will be due 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 regularly monitors individual types of collateral and, if necessary, revalues them. The methodology of monitoring or valuation, as well as their frequency depends on the type of collateral. The recoverable amount of collateral is derived from the pledge value, up to the amount of the current value of the receivable. The recoverable amount consists of several 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 Loans Committee 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

Financial liabilities measured at amortised cost (AC)

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

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

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

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 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.

(in thousands of €)

h) Fair Value of Financial Instruments

The fair value of financial instruments classified as stage 1 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.

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 buildings according 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 several 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.

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, i.e. 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, e.g. 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, e.g. 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, e.g. 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 (i.e. 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 2023.

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.

(in thousands of €)

5. Notes to the Financial Statements

1. Financial Assets at Amortised Cost

Gross book value and provisions

31.12.2023	Total	Gross Carrying Amount Stage 1	Stage 2	Stage 3
Financial assets at amortised cost, of which:				
Balances with central banks	**460 930**	**460 930**	**0**	**0**
Current accounts	0	0	0	0
Compulsory minimum reserves	39 143	39 143	0	0
Term deposits	421 787	421 787	0	0
Due from banks	**1 554**	**1 554**	**0**	**0**
Loans and advances to customers*, of which:	**5 670 577**	**5 562 648**	**59 140**	**48 789**
Public administration	176 404	175 443	658	303
Retail clients	5 034 525	4 981 064	35 828	17 633
of which: Individuals	4 923 238	4 871 334	35 781	16 123
Other clients	459 648	406 141	22 654	30 853
Debt securities, of which:	**106 332**	**106 332**	**0**	**0**
Banks	0	0	0	0
Public administration	106 332	106 332	0	0
Other clients	0	0	0	0
Total	**6 239 393**	**6 131 464**	**59 140**	**48 789**
Provisions- Loans and advances to customers	(116 446)	(52 745)	(20 030)	(43 671)
Provisions- Debt securities	0	0	0	0
Net carrying amount	**6 122 947**	**6 078 719**	**39 110**	**5 118**

31.12.2022	Total	Gross Carrying Amount Stage 1	Stage 2	Stage 3
Financial assets at amortised cost, of which:				
Balances with central banks	**240 982**	**240 982**	**0**	**0**
Current accounts	0	0	0	0
Compulsory minimum reserves	955	955	0	0
Term deposits	240 027	240 027	0	0
Due from banks	**1 522**	**1 522**	**0**	**0**
Loans and advances to customers*, of which:	**5 607 418**	**5 455 560**	**97 531**	**54 327**
Public administration	162 856	160 485	2 023	348
Retail clients	5 003 569	4 950 148	33 098	20 323
of which: Individuals	4 891 375	4 839 849	32 884	18 642
Other clients	440 993	344 927	62 410	33 656
Debt securities, of which:	**157 529**	**157 529**	**0**	**0**
Banks	10 044	10 044	0	0
Public administration	107 050	107 050	0	0
Other clients	40 435	40 435	0	0
Total	**6 007 451**	**5 855 593**	**97 531**	**54 327**
Provisions- Loans and advances to customers	(133 718)	(58 255)	(26 438)	(49 025)
Provisions- Debt securities	(1 019)	(1 019)	0	0
Net carrying amount	**5 872 714**	**5 796 319**	**71 093**	**5 302**

*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.

(in thousands of €)

Loans and advances gross book value

Loans and advances to customers	1.1.2023	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	31.12.2023
Level 1	**5 455 560**	**695 089**	**(364 328)**	**(215 911)**	**(7 762)**	**0**	**5 562 648**
Public administration	160 485	45 604	(22 111)	(10 038)	1 430	73	175 443
Retail clients	4 950 148	576 421	(282 415)	(253 862)	(9 155)	(73)	4 981 064
Other clients	344 927	73 064	(59 802)	47 989	(37)	0	406 141
Level 2	**97 531**	**2 512**	**(41 161)**	**(4 374)**	**4 634**	**0**	**59 141**
Public administration	2 023	35	(110)	140	(1 430)	0	658
Retail clients	33 098	1 363	(3 839)	(1 966)	7 173	0	35 829
Other clients	62 410	1 114	(37 212)	(2 549)	(1 109)	0	22 654
Level 3	**54 327**	**452**	**(7 574)**	**(1 544)**	**3 128**	**0**	**48 789**
Public administration	348	63	(79)	(29)	0	0	303
Retail clients	20 323	364	(4 344)	(693)	1 983	0	17 633
Other clients	33 656	25	(3 151)	(822)	1 145	0	30 853
Total	**5 607 418**	**698 053**	**(413 063)**	**(221 829)**	**0**	**0**	**5 670 577**

Loans and advances to customers	1.1.2022	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	31.12.2022
Level 1	**4 378 656**	**1 932 174**	**(592 066)**	**(250 763)**	**(12 441)**	**0**	**5 455 560**
Public administration	138 157	34 942	(11 057)	(1 223)	(334)	0	160 485
Retail clients	3 965 705	1 721 804	(547 834)	(176 942)	(12 628)	43	4 950 148
Other clients	274 794	175 428	(33 175)	(72 598)	521	(43)	344 927
Level 2	**94 724**	**4 361**	**(6 624)**	**(5 509)**	**10 579**	**0**	**97 531**
Public administration	1 147	781	(38)	(90)	224	0	2 023
Retail clients	24 730	3 563	(4 660)	(1 417)	10 882	0	33 098
Other clients	68 847	17	(1 926)	(4 002)	(527)	0	62 410
Level 3	**76 538**	**2 043**	**(22 555)**	**(3 561)**	**1 862**	**0**	**54 327**
Public administration	278	0	(3)	(37)	110	0	348
Retail clients	25 744	373	(6 232)	(1 332)	1 746	23	20 323
Other clients	50 515	1 670	(16 321)	(2 192)	6	(23)	33 656
Total	**4 549 918**	**1 938 579**	**(621 245)**	**(259 833)**	**0**	**0**	**5 607 418**

Gross book value transfers between levels

Loans and advances to customers	31.12.2023			31.12.2022		
	Move to level 1	Move to level 2	Move to level 3	Move to level 1	Move to level 2	Move to level 3
Level 1	**14 905**	**(21 006)**	**(1 661)**	**9 387**	**(19 817)**	**(2 013)**
Public administration	1 443	(13)	0	353	(578)	(110)
Retail clients	13 404	(20 954)	(1 605)	8 344	(19 079)	(1 893)
Other clients	58	(39)	(56)	690	(160)	(10)
Level 2	**(14 900)**	**21 929**	**(2 395)**	**(9 331)**	**20 898**	**(986)**
Public administration	(1 443)	13	0	(353)	578	0
Retail clients	(13 398)	21 877	(1 306)	(8 288)	20 149	(978)
Other clients	(59)	39	(1 089)	(690)	171	(8)
Level 3	**(5)**	**(923)**	**4 056**	**(56)**	**(1 081)**	**2 999**
Public administration	0	0	0	0	0	110
Retail clients	(5)	(923)	2 911	(56)	(1 070)	2 872
Other clients	0	0	1 145	0	(11)	17

The transfer of loans and advances to customers from Level 1 to Level 2 was mainly due to the conservative approach of part of loans with legislative deferral of repayments.

(in thousands of €)

Provisions for loans and advances to customers

Provisions for loans and advances to customers	1.1.2023	An increase due to the creation or acquisition	Decline due to disconti-nuation of reporting	Net changes due to change in credit risk	Transfers between levels	Exchange rate differ-rences	Decrease in proviso due to depreciation	31.12.2023
Stage 1	**(58 255)**	**(8 326)**	**5 966**	**(2 793)**	**10 663**	**0**	**0**	**(52 745)**
Public administration	(63)	(26)	10	(46)	9	0	0	(116)
Retail clients	(48 112)	(6 065)	4 109	(904)	10 580	0	0	(40 392)
Other clients	(10 080)	(2 235)	1 847	(1 843)	74	0	0	(12 237)
Stage 2	**(26 438)**	**(1 130)**	**9 470**	**5 957**	**(7 887)**	**0**	**0**	**(20 028)**
Public administration	(405)	(7)	22	261	(9)	0	0	(138)
Retail clients	(14 008)	(958)	1 801	5 664	(8 949)	0	0	(16 450)
Other clients	(12 025)	(165)	7 647	32	1 071	0	0	(3 440)
Stage 3	**(49 025)**	**(385)**	**2 344**	**1 539**	**(2 776)**	**0**	**4 630**	**(43 673)**
Public administration	(174)	(31)	40	15	0	0	0	(150)
Retail clients	(15 171)	(329)	1 692	680	(1 631)	0	2 089	(12 670)
Other clients	(33 680)	(25)	612	844	(1 145)	0	2 540	(30 854)
Total	**(133 718)**	**(9 841)**	**17 780**	**4 703**	**0**	**0**	**4 630**	**(116 446)**

Provisions for loans and advances to customers	1.1.2022	An increase due to the creation or acquisition	Decline due to disconti-nuation of reporting	Net changes due to change in credit risk	Transfers between levels	Exchange rate differ-rences	Decrease in proviso due to depreciation	31.12.2022
Stage 1	**(51 166)**	**(21 412)**	**7 826**	**(2 902)**	**9 399**	**0**	**0**	**(58 255)**
Public administration	(33)	(28)	11	(184)	171	0	0	(63)
Retail clients	(42 238)	(16 721)	6 604	(5 020)	9 273	(10)	0	(48 112)
Other clients	(8 895)	(4 663)	1 211	2 302	(45)	10	0	(10 080)
Stage 2	**(22 475)**	**(1 898)**	**2 462**	**3 095**	**(7 624)**	**2**	**0**	**(26 438)**
Public administration	(229)	(156)	7	89	(116)	0	0	(405)
Retail clients	(9 179)	(1 729)	1 866	2 595	(7 563)	2	0	(14 008)
Other clients	(13 067)	(13)	589	411	55	0	0	(12 025)
Stage 3	**(70 071)**	**(1 431)**	**9 530**	**2 738**	**(1 775)**	**4**	**11 980**	**(49 025)**
Public administration	(139)	0	1	19	(55)	0	0	(174)
Retail clients	(19 417)	(343)	2 180	1 106	(1 710)	4	3 009	(15 171)
Other clients	(50 515)	(1 088)	7 349	1 613	(10)	0	8 971	(33 680)
Total	**(143 712)**	**(24 741)**	**19 818**	**2 931**	**0**	**6**	**11 980**	**(133 718)**

Provisions transfer between levels

Provisions for loans and advances to customers	31.12.2023			31.12.2022		
	Move to level 1	Move to level 2	Move to level 3	Move to level 1	Move to level 2	Move to level 3
Stage 1	**(216)**	**9 681**	**1 198**	**(405)**	**8 347**	**1 457**
Public administration	(1)	10	0	0	116	55
Retail clients	(203)	9 641	1 142	(234)	8 115	1 392
Other clients	(12)	30	56	(171)	116	10
Stage 2	**215**	**(10 066)**	**1 964**	**404**	**(8 730)**	**702**
Public administration	1	(10)	0	0	(116)	0
Retail clients	202	(10 026)	875	233	(8 490)	694
Other clients	12	(30)	1 089	171	(124)	8
Stage 3	**1**	**385**	**(3 162)**	**1**	**383**	**(2 159)**
Public administration	0	0	0	0	0	(55)
Retail clients	1	385	(2 017)	1	375	(2 087)
Other clients	0	0	(1 145)	0	8	(17)

(in thousands of €)

Provisions for debt securities

Debt securities	1.1.2023	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	Decrease in provision due to depreciation	31.12.2023
Stage 1	(1 019)	0	1 019	0	0	0	0
Stage 2	0	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0	0
Total	**(1 019)**	**0**	**1 019**	**0**	**0**	**0**	**0**

Debt securities	1.1.2022	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	Decrease in provision due to depreciation	31.12.2022
Stage 1	(1 522)	0	0	503	0	0	(1 019)
Stage 2	0	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0	0
Total	**(1 522)**	**0**	**0**	**503**	**0**	**0**	**(1 019)**

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

	31.12.2023	31.12.2022
Balances with central banks	**460 930**	**240 982**
Slovak Republic	460 930	240 982
Due from banks	**1 554**	**1 522**
Slovak Republic	22	15
EU Member States	1 532	1 507
Other countries	0	0
Loans and advances to customers	**5 554 131**	**5 473 700**
Slovak Republic	5 313 496	5 237 109
EU Member States	240 427	236 523
Other countries	208	68
Debt securities	**106 332**	**156 510**
Slovak Republic	79 840	90 128
EU Member States	26 492	66 382
Total	**6 122 947**	**5 872 714**

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

	31.12.2023	31.12.2022
Balances with central banks	**460 930**	**240 982**
In euro	460 930	240 982
Due from banks	**1 554**	**1 522**
In euro	548	549
In foreign currencies	1 006	973
Loans and advances to customers	**5 554 131**	**5 473 700**
In euro	5 554 131	5 473 700
In foreign currencies	0	0
Debt securities	**106 332**	**156 510**
In euro	106 332	156 510
In foreign currencies	0	0
Total	**6 122 947**	**5 872 714**

The summary of the financial assets at amortised cost by residual maturity is presented in Note 29 2c).

(in thousands of €)

2. Financial Derivatives – assets and liabilities

	31.12.2023		31.12.2022	
Assets	**Fair Value**	**Nominal Value**	**Fair Value**	**Nominal Value**
Financial Assets for trading - derivatives				
currency derivatives	72	4 830	90	13 140
Total Assets	**72**	**4 830**	**90**	**13 140**
Liabilities	**Fair Value**	**Nominal Value**	**Fair Value**	**Nominal Value**
Financial Liabilities for trading - derivatives				
currency derivatives	3	4 769	1	13 086
Total Liabilities	**3**	**4 769**	**1**	**13 086**

The residual maturity of derivatives at nominal value is presented in Note 0.

3. Financial Assets at Fair Value through profit or loss

Name	31.12.2023 Fair value	31.12.2022 Fair Value
Visa Inc., USA	1 411	1 169
Total	**1 411**	**1 169**

4. Financial Assets at Fair Value through Other Comprehensive Income

Name	31.12.2023 Fair Value	31.12.2022 Fair Value
SWIFT LA HULPE, Belgium	23	23
Visa Inc., USA	3 887	3 214
Total	**3 910**	**3 237**

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 € 3 910 thousand, which are capital participations in SWIFT LA HULPE, Belgium and VISA Inc. USA.

5. Non-current Tangible Assets

Movements in non-current tangible assets as at 31 December 2023:

	1.1.2023	Increase	Decrease	Other movements	31.12.2023
Land, buildings and structures	40 041	119	(438)	0	39 722
Information technologies	9 249	466	(1 546)	236	8 405
Other non-current tangible assets	16 972	962	(629)	4	17 309
Leasing	15 186	1 422	(284)	0	16 324
Non-current tangible assets	**81 448**	**2 969**	**(2 897)**	**240**	**81 760**
Accumulated depreciation and provisions - buildings and structures	(32 183)	(1 014)	428	0	(32 769)
Accumulated depreciation – information technologies	(8 297)	(327)	1 546	0	(7 078)
Accumulated depreciation - other non-current tangible assets	(15 975)	(491)	628	0	(15 838)
Accumulated depreciation - Leasing	(8 375)	(2 162)	284	0	(10 253)
Accumulated depreciation and provisions	**(64 830)**	**(3 994)**	**2 886**	**0**	**(65 938)**
Net book value	**16 618**	**(1 025)**	**(11)**	**240**	**15 822**

(in thousands of €)

Movements in non-current tangible assets as at 31 December 2022:

	1.1.2022	Increase	Decrease	Other movements	31.12.2022
Land, buildings and structures	39 999	144	(101)	(1)	40 041
Information technologies	8 959	345	(55)	0	9 249
Other non-current tangible assets	17 154	269	(398)	(53)	16 972
Leasing	13 542	1 719	(75)	0	15 186
Non-current tangible assets	**79 654**	**2 477**	**(629)**	**(54)**	**81 448**
Accumulated depreciation and provisions - buildings and structures	(31 168)	(1 095)	80	0	(32 183)
Accumulated depreciation – information technologies	(8 073)	(279)	55	0	(8 297)
Accumulated depreciation - other non-current tangible assets	(16 077)	(296)	398	0	(15 975)
Accumulated depreciation - Leasing	(6 247)	(2 203)	75	0	(8 375)
Accumulated depreciation and provisions	**(61 565)**	**(3 873)**	**608**	**0**	**(64 830)**
Net book value	**18 089**	**(1 396)**	**(21)**	**(54)**	**16 618**

Obligations from Contracts for Purchase of Non-current Tangible Assets

As at 31 December 2023, Prima banka did not record any obligations from contracts for the purchase of non-current tangible assets (31 December 2022: € 0).

Insurance Coverage

A set of immovable assets has insurance coverage of up to € 39 121 thousand and a set of movable assets with insurance coverage of up to € 27 062 thousand. The insurance covers damage caused by natural disaster, fire, theft and vandalism, flooding from water mains, falls, crashes, etc.

6. Non-Current Intangible Assets

Movements in non-current intangible assets as at 31 December 2023:

	1.1.2023	Increase	Decrease	Other movements	31.12.2023
Software	19 936	298	0	13	20 247
Other non-current intangible assets	24 812	136	0	(23)	24 925
Non-current intangible assets	**44 748**	**434**	**0**	**(10)**	**45 172**
Accumulated amortisation - software	(19 558)	(260)	0	0	(19 818)
Accumulated amortisation - other non-current intangible assets	(23 746)	(372)	0	77	(24 041)
Accumulated amortisation and provisions	**(43 304)**	**(632)**	**0**	**77**	**(43 859)**
Net book value	**1 444**	**(198)**	**0**	**67**	**1 313**

Movements in non-current intangible assets as at 31 December 2022:

	1.1.2022	Increase	Decrease	Other movements	31.12.2022
Software	19 600	330	0	6	19 936
Other non-current intangible assets	24 658	131	0	23	24 812
Non-current intangible assets	**44 258**	**461**	**0**	**29**	**44 748**
Accumulated amortisation - software	(19 328)	(230)	0	0	(19 558)
Accumulated amortisation - other non-current intangible assets	(23 401)	(422)	0	77	(23 746)
Accumulated amortisation and provisions	**(42 729)**	**(652)**	**0**	**77**	**(43 304)**
Net book value	**1 529**	**(191)**	**0**	**106**	**1 444**

As at 31 December 2023, Prima Banka did not record any liabilities under agreements to purchase non-current intangible assets (31 December 2022: € 0).

(in thousands of €)

7. Deferred Tax Assets

	31.12.2023	31.12.2022
Deferred tax asset	9 517	9 748
Total	**9 517**	**9 748**

8. Other Assets

	31.12.2023	31.12.2022
Assets, of which:	12 067	9 674
Receivables from clients' derivatives	257	254
Cash collateral	11 264	9 111
Other receivables	546	309
Other assets	8 974	7 873
Total	**21 041**	**17 547**
Provisions	(909)	(1 017)
Net carrying amount	**20 132**	**16 530**

9. Financial Liabilities at Amortised Cost

	31.12.2023	31.12.2022
Balances with central banks	**300 600**	**640 660**
Loans received	300 600	640 660
Due from banks	**1 446**	**1 690**
Current accounts and demand payables	1 446	1 690
Term deposits	0	0
Customer deposits	**3 908 378**	**3 883 076**
Current accounts	2 315 561	2 397 284
Term deposits	1 384 138	1 297 387
Saving deposits	208 638	188 265
Received loans	41	140
Debt securities	**1 504 406**	**1 002 042**
Covered bonds	1 504 406	1 002 042
Total	**5 714 830**	**5 527 468**

As at 31 December 2023, the Bank pledged government bonds and bank´s covered bonds held in the portfolio of financial assets at amortised cost in favour of the NBS for pooling in the amount of € 1 093 000 thousand (31 December 2022: € 1 088 000 thousand). The bonds may be used as collateral for funds received from the NBS for liquidity management risk purpose (collateral as at 31 December 2023: € 353 600 thousand).

As at 31 December 2023 and as at 31 December 2022, 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:

	31.12.2023	31.12.2022
Public administration	512 052	481 419
Retail clients, of which:	2 968 591	2 937 181
Individuals	2 741 396	2 714 124
Other clients	427 735	464 476
Total	**3 908 378**	**3 883 076**

(in thousands of €)

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

	31.12.2023	31.12.2022
Balances with central banks	**300 600**	**640 660**
Slovak Republic	300 600	640 660
Due from banks	**1 446**	**1 690**
Slovak Republic	444	688
EU Member States	1 002	1 002
Customer deposits	**3 908 378**	**3 883 076**
Slovak Republic	3 886 331	3 861 420
EU Member States	18 106	16 952
Other countries	3 941	4 704
Debt securities	**1 504 406**	**1 002 042**
Slovak Republic	1 504 406	1 002 042
Total	**5 714 830**	**5 527 468**

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

	31.12.2023	31.12.2022
Balances with central banks	**300 600**	**640 660**
In euro	300 600	640 660
Due from banks	**1 446**	**1 690**
In euro	1 446	1 690
In foreign currency	0	0
Customer deposits	**3 908 378**	**3 883 076**
In euro	3 908 114	3 882 218
In foreign currency	264	858
Debt securities	**1 504 406**	**1 002 042**
In euro	1 504 406	1 002 042
Total	**5 714 830**	**5 527 468**

As at 31 December 2023, 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
SK4000016069	1.10.2019	1.10.2026	annually	0,01 %	100 000,00	5 000	500 612
SK4000019634	14.9.2021	14.9.2027	annually	0,01 %	100 000,00	5 000	501 110
SK4000023834	6.10.2023	6.10.2025	annually	4,25 %	100 000,00	5 000	503 505
							1 505 227

As at 31 December 2022, 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
SK4000016069	1.10.2019	1.10.2026	annually	0,01 %	100 000,00	5 000	501 148
SK4000019634	14.9.2021	14.9.2027	annually	0,01 %	100 000,00	5 000	501 513
Total							**1 002 660**

In addition to the above-mentioned covered bonds, the Bank issued a covered bond during April 2022, July 2022 and January 2023, which was not sold but pledged as collateral for repo transaction received (nominal value of EUR 1 500 000 thousand, book value of € 1 512 930 thousand).

10. Liabilities from leases

	31.12.2023	31.12.2022
Liabilities from leases	6 187	6 853
Total	**6 187**	**6 853**

(in thousands of €)

11. Provisions and Reserves

	31.12.2023	31.12.2022
Provisions for litigation	7 269	7 340
Provisions for off-balance sheet liabilities	2 071	2 382
Other reserves	309	309
Total	**9 649**	**10 031**

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 2023:

	1.1.2023	Allocation	Release	Use	31.12.2023
Provisions for litigation	7 340	365	(210)	(226)	7 269
Provision for off-balance sheet liabilities	2 382	8 473	(8 784)	0	2 071
Other reserves (executions)	309	44	(44)	0	309
Total	**10 031**	**8 882**	**(9 038)**	**(226)**	**9 649**

Movements in provisions for liabilities as at 31 December 2022:

	1.1.2022	Allocation	Release	Use	31.12.2022
Provisions for litigation	8 616	200	(1 400)	(76)	7 340
Provision for off-balance sheet liabilities	3 666	23 851	(25 135)	0	2 382
Other reserves (executions)	59	250	0	0	309
Total	**12 341**	**24 301**	**(26 535)**	**(76)**	**10 031**

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 total provision for litigation amounts to € 7 269 thousand as at 31 December 2023 and represents principal and default interest (31 December 2022: € 7 340 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

	31.12.2023	31.12.2022
Accruals and deferrals	14	140
Reserves and other payables	13 476	12 782
Settlement with employees,	1 226	1 345
of which: social fund	127	102
Other payables	31 944	24 963
State budget clearing account	519	575
Total	**47 179**	**39 805**

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 1% 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.

(in thousands of €)

The creation and use of the social fund as at 31 December 2023 and as at 31 December 2022 is presented in the following table:

Social fund	31.12.2023	31.12.2022
Balance as at 1.1.	102	72
Allocation (from expenses)	169	166
Usage: catering allowance	(144)	(136)
Total	**127**	**102**

13. Equity

	31.12.2023	31.12.2022
Share capital	226 773	226 773
Share premium funds	71 190	71 190
Legal reserve fund	13 698	11 697
Other capital funds	54 078	54 078
Accumulated other comprehensive income	1 025	196
Profit/(loss) from previous years	36 736	18 727
Profit/(loss) for the current year	48 519	20 010
Total	**452 019**	**402 671**

Share Capital

	31.12.2023		31.12.2022	
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

	31.12.2023	31.12.2022
Financial assets at fair value through other comprehensive income	1 206	436
Available-for-sale securities	(181)	(240)
Total	**1 025**	**196**

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.

Proposed Distribution of Profit for 2023:

Statutory allotment to the reserve fund (10% of the profit after tax)	4 852
Transfer of profit into profit/loss from previous years	43 667
	48 519

The distribution of the 2023 profit to approval by the General Meeting of Prima banka.

(in thousands of €)

14. Net Interest Margin

	31.12.2023	31.12.2022
Interest income and similar income on:	**120 478**	**64 854**
Financial assets at amortised cost, of which:		
Balances with the central banks	13 729	0
Due from banks	55	800
Loans and advances to customers	101 994	58 790
Debt securities	4 700	5 264
Interest expense and similar expense for:	**(53 296)**	**(16 069)**
Financial liabilities at amortised cost, of which:		
Balances with the central banks	(24 294)	(3 073)
Due to banks	0	(4)
Customer deposits	(22 983)	(12 367)
Debt securities	(6 019)	(625)
Net Interest Margin	**67 182**	**48 785**

15. Net Fee and Commission Income

	31.12.2023	31.12.2022
Fee and commission income on:	**39 501**	**39 700**
Payment services	34 176	31 777
Credit activity	2 942	5 992
Transactions with securities	111	112
Other banking services	2 272	1 819
Fee and commission expense for:	**(7 354)**	**(8 241)**
Payment services	(1 044)	(1 015)
Credit activity	0	0
Transactions with securities	(163)	(147)
Other banking services	(6 147)	(7 079)
Net Fee and Commission Income	**32 147**	**31 459**

16. Profit from Financial Transactions and exchange rate differences

	31.12.2023	31.12.2022
Net income (loss) from financial assets held for trading - derivatives	(237)	(1 234)
Net loss from revaluation of financial assets at fair value through other comprehensive income	282	(175)
Foreign exchange differences	396	1 455
Net profit from financial transactions	**441**	**46**

17. Other Operating Income

	31.12.2023	31.12.2022
Net income (loss) on the sale of non-current assets	42	24
Lease income	65	62
Other income from non-banking activities	29	27
Other expense from non-banking activities	0	0
Other operating income	**136**	**113**

(in thousands of €)

18. General and Administrative Expenses

	31.12.2023	31.12.2022
Personnel expenses	**(26 331)**	**(24 762)**
Wages and salaries*	(19 003)	(18 019)
Social expenses	(6 271)	(5 946)
Other personnel costs	(1 057)	(797)
Other administrative expenses	**(25 131)**	**(22 958)**
IT costs	(2 691)	(2 563)
Marketing, advertising and other services	(6 439)	(5 338)
Costs of audit and related services**	(349)	(247)
Leases	(262)	(254)
Other purchased outputs and services	(14 432)	(14 967)
Supervision of Central Banks	(737)	(615)
Creation (use) of provisions for litigation	(221)	1 276
Creation (use) of other provisions	0	(250)
General administrative costs	**(51 462)**	**(47 720)**

* 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 and audit of NBS prudential returns and other audit services, that related to agree upon procedures under Act No. 566/2001 Coll. on Securities and Investment services, preparation of Long-form report for NBS, Review of IT security, limited review and non-audit services related to the issue of Covered Bonds.

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 € 112 thousand as at 31 December 2023 (31 December 2022: € 111 thousand).

19. Contributions to the Resolution fund and Deposits protection fund

	31.12.2023	31.12.2022
Resolution fund	(836)	(839)
Deposits Protection Fund	(592)	(2 393)
Specific Contributions of Selected Financial Institutions	**(1 428)**	**(3 232)**

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.

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

20. Depreciation and provisions of assets

	31.12.2023	31.12.2022
Depreciation of tangible assets	(3 994)	(3 876)
Amortisation of intangible assets	(632)	(651)
Release of provisions and reserves for assets	77	77
Total	**(4 549)**	**(4 450)**

(in thousands of €)

21. Net Allocation to Provisions and Reserves

	31.12.2023	31.12.2022
(Allocation) of provisions for financial assets at amortised cost, of which:	**13 634**	**(8 853)**
Loans, advances and other receivables	12 615	(9 356)
Debt securities	1 019	503
Allocation to provisions for off-balances sheet exposures	**311**	**1 284**
Written-off and assignment of receivables*	**1 854**	**2 646**
Net Allocation to Provisions and Reserves	**15 799**	**(4 923)**

*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.

22. Income Tax

	31.12.2023	31.12.2022
Current tax	(9 548)	(766)
Deferred income tax	(231)	660
Total	**(9 779)**	**(106)**

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 (2022: 21%):

	31.12.2023	31.12.2022
Profit/(loss) before tax	**58 298**	**20 116**
Theoretical tax at tax rate of 21% expense/(income)	**12 243**	**4 224**
Tax-exempt income	(169)	(477)
Tax non-deductible expenses	252	459
Effect of a deferred tax asset not recognised in previous periods	(2 574)	(4 217)
Others	27	117
Total income tax expense/(income)	**9 779**	**106**
Effective tax rate	**16,77%**	**0,53%**

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% (2022: 21%).

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

	Temporary difference		Deferred tax	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Deferred tax asset, of which:	**106 830**	**121 014**	**22 434**	**25 413**
Loans receivables	84 792	98 310	17 806	20 645
Receivables from financial transactions	257	255	54	54
Short-term operating payables	12 959	12 278	2 721	2 578
Non-current tangible assets	5 807	5 816	1 219	1 221
Tax loss carried forward	566	783	119	164
Other receivables	2 449	3 572	514	750
Total	**x**	**x**	**22 434**	**25 413**
Adjustment for uncertain utilisation of deferred tax asset			(12 917)	(15 665)
Deferred tax asset/(liabilities), net			**9 517**	**9 748**
Effect of deferred tax on:				
expenses/income	x	x	(231)	660
equity	x	x	0	0

As at 31 December 2023, the Bank did not recognise a deferred tax asset in the amount of € 12 917 thousand (31 December 2022: € 15 665 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.

(in thousands of €)

23. Net Earnings per Share

	31.12.2023	31.12.2022
Net earnings for the current period (€ T)	48 519	20 010
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 €	85,367	35,206
Net earnings per share (face value € 67) in €	14,335	5,912
Net earnings per share (face value € 5) in €	1,070	0,441
Net earnings per share (face value € 1) in €	0,214	0,088

24. 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:

	31.12.2023	31.12.2022
Cash	63 864	66 037
Balances with central banks	0	0
Current accounts in other banks	1 234	1 202
Term deposits in banks up to 3 months	0	0
Total	**65 098**	**67 239**

25. Contingent Liabilities and Other Off-Balance Sheet Items

Off-balance Sheet Assets

	31.12.2023	31.12.2022
Receivables from spot transactions	3 058	4 040
Guarantees received	6 209	6 370
Received collateral from pledge, security and other rights	7 459 710	6 999 679
Total	**7 468 977**	**7 010 089**

Off-balance Sheet Liabilities

	31.12.2023	31.12.2022
Liabilities from spot transactions	3 066	4 040
Guarantees issued	5 373	6 761
Loan commitments and unused credit facilities	144 397	134 818
Total	**152 836**	**145 619**

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 2023, provisions recorded for off-balance sheet exposures amounted to € 2 071 thousand (31 December 2022: € 2 382 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"*.

(in thousands of €)

26. Residual Maturity of Derivatives

All derivatives are traded in the over-the-counter market. The summary of derivatives held for trading with positive or negative air values is described in Note 2 of this chapter.

The following summary shows the residual maturity of derivatives' face values as at 31 December 2023:

Residual maturity	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial assets held for trading – derivatives				
Currency swaps	4 830	0	0	4 830
Total off-balance sheet assets	**4 830**	**0**	**0**	**4 830**
Currency swaps	4 769	0	0	4 769
Total off-balance sheet liabilities	**4 769**	**0**	**0**	**4 769**
Net derivatives	**61**	**0**	**0**	**61**

The following summary shows the residual maturity of derivatives' face values as at 31 December 2022:

Residual maturity	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial assets held for trading – derivatives				
Currency swaps	13 140	0	0	13 140
Total off-balance sheet assets	**13 140**	**0**	**0**	**13 140**
Currency swaps	13 086	0	0	13 086
Total off-balance sheet liabilities	**13 086**	**0**	**0**	**13 086**
Net derivatives	**54**	**0**	**0**	**54**

27. 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 2023 (as ta 31 December 2022):

31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets held for trading: derivatives	0	72	0	72
Financial assets at fair value through profit or loss	0	0	1 411	1 411
Financial assets at fair value through other comprehensive income	3 887	0	23	3 910
Financial assets at fair value total	**3 887**	**72**	**1 434**	**5 393**
Financial liabilities held for trading: derivatives	0	3	0	3
Financial liabilities at fair value total	**0**	**3**	**0**	**3**

(in thousands of €)

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets held for trading: derivatives	0	90	0	90
Financial assets at fair value through profit or loss	0	0	1 169	1 169
Financial assets at fair value through other comprehensive income	3 214	0	23	3 237
Financial assets at fair value total	**3 214**	**90**	**1 192**	**4 496**
Financial liabilities held for trading: derivatives	0	1	0	1
Financial liabilities at fair value total	**0**	**1**	**0**	**1**

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.

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, and 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 2023:

	Carrying amount	Estimated fair value		
		Level 1	Level 2	Level 3
Cash	63 864	0	63 864	0
Financial assets at amortised cost, of which:	**6 122 947**	**100 996**	**462 345**	**6 106 152**
Balances with central banks	460 930	0	460 791	0
Due from banks	1 554	0	1 554	0
Loans and advances to customers	5 554 131	0	0	6 106 152
Debt securities	106 332	100 996	0	0
Financial assets	**6 186 811**	**100 996**	**526 209**	**6 106 152**
Financial liabilities at amortised cost, of which:	**5 714 830**	**1 417 018**	**302 213**	**3 929 222**
Loans and deposits received from central banks	300 600	0	300 770	0
Due to banks	1 446	0	1 444	0
Customer deposits	3 908 378	0	0	3 929 222
Issued securities	1 504 406	1 417 018	0	0
Financial liabilities	**5 714 830**	**1 417 018**	**302 213**	**3 929 222**

(in thousands of €)

The following table shows the comparison of fair values and carrying amounts of balance sheet items as at 31 December 2022:

	Carrying amount	Estimated fair value		
		Level 1	Level 2	Level 3
Cash	66 037	0	66 037	0
Financial assets at amortised cost, of which:	**5 872 714**	**147 712**	**242 475**	**5 383 441**
Balances with central banks	240 982	0	240 953	0
Due from banks	1 522	0	1 522	0
Loans and advances to customers	5 473 700	0	0	5 383 441
Debt securities	156 510	147 712	0	0
Financial assets	**5 938 751**	**147 712**	**308 512**	**5 383 441**
Financial liabilities at amortised cost, of which:	**5 527 468**	**866 011**	**642 396**	**3 853 497**
Loans and deposits received from central banks	640 660	0	640 707	0
Due to banks	1 690	0	1 689	0
Customer deposits	3 883 076	0	0	3 853 497
Issued securities	1 002 042	866 011	0	0
Financial liabilities	**5 527 468**	**866 011**	**642 396**	**3 853 497**

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.

28. 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.

(in thousands of €)

Prima banka's own funds and regulatory capital requirements as at 31 December 2023 and 31 December 2022 are stated in the table below:

OWN FUNDS	31.12.2023	31.12.2022
Tier 1 capital		
Common Equity Tier 1 capital	402 655	382 135
Capital instruments	297 963	297 963
Paid-up share capital	226 773	226 773
Share premium	71 190	71 190
Tier 1 instruments	0	0
Retained earnings	36 736	18 727
Accumulated other comprehensive result	1 025	196
Other funds	67 776	65 775
Intangible assets	(845)	(526)
Additional Tier 1 capital	0	0
Tier 2 capital	30 952	30 820
Capital instruments	0	0
Tier 2 capital adjustments	0	0
General credit risk adjustments (standardised approach)	30 952	30 820
OWN FUNDS TOTAL	433 607	412 955

Own funds requirements to cover	31.12.2023	31.12.2022
Credit risk and risk of impairment of receivables	198 094	197 251
Operational risk	12 124	11 096
CVA risk	3	5

Prima banka met regulatory requirements under the CRR. As at 31 December 2023, the Bank's overall capital adequacy was 16,58 % (31 December 2022: 15,86 %). The Bank uses a standardised approach for the calculation of own funds requirements.

29. 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:	31.12.2023	31.12.2022
Financial assets at amortised cost	6 122 947	5 872 714
Balances with central banks	460 930	240 982
Due from banks	1 554	1 522
Loans and advances to customers	5 554 131	5 473 700
Debt securities	106 332	156 510
Trading derivatives	72	90
Financial assets at fair value through profit or loss	1 411	1 169
Financial assets at fair value through other comprehensive income	3 910	3 237
Deferred tax assets	9 517	9 748
Other assets	20 132	16 530
Total	**6 157 989**	**5 903 488**

(in thousands of €)

Credit risk related to off-balance sheet items prior to the deduction of reserves:	31.12.2023	31.12.2022
Issued guarantees	5 373	6 761
Loan commitments and unused credit limits	144 397	134 818
Total	**149 770**	**141 579**

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

To cover granted loans	31.12.2023	31.12.2022
Cash	4 424	4 549
Immovable assets	7 455 026	6 993 627
Movable assets	260	1 503
Collateral received for financial assets	**7 459 710**	**6 999 679**

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.

(in thousands of €)

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		Retail clients	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	1 554	1 522	176 074	162 385	428 457	405 988	4 996 030	4 966 741
Rating AAA	0	0	1 712	2 169	68	865	258 779	189 960
Rating AA+	0	0	1 343	1 752	468	147	0	0
Rating AA	13	8	2 784	6 081	397	266	400 523	323 399
Rating AA-	0	0	4 597	7 605	611	680	369 327	271 077
Rating A+	1 053	969	5 231	12 372	1 114	849	0	0
Rating A	122	145	7 440	18 339	666	661	599 225	553 193
Rating A-	81	15	11 571	8 788	604	1 012	0	0
Rating BBB+	112	197	14 661	19 017	551	7 765	1 259 109	1 293 778
Rating BBB	18	20	18 849	17 822	525	812	0	0
Rating BBB-	0	0	20 300	24 333	3 299	5 314	1 342 978	1 461 920
Rating BB+	0	0	25 997	16 748	7 512	11 539	56	11
Rating BB	0	0	10 650	15 495	336 506	161 502	580 064	658 819
Rating BB-	0	0	24 768	6 484	32 323	42 061	68 472	77 087
Rating B+	0	0	9 184	2 353	204	44 596	0	0
Rating B	0	0	13 336	2 130	305	3 900	25 721	41 447
Rating B-	155	169	2 985	382	2 818	40 122	2	0
Rating CCC	0	0	666	514	40 486	83 897	91 774	96 050

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					
	Banks		Public administration		Corporate	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	0	10 044	106 332	107 050	0	40 435
Rating A+	0	0	0	0	0	0
Rating A	0	0	79 840	80 083	0	0
Rating A-	0	0	0	0	0	0
Rating BBB	0	0	0	0	0	0
Rating BBB-	0	10 044	26 492	26 967	0	40 435
Rating CCC	0	0	0	0	0	0

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 2023, the exposure to bank and corporate debt securities amounts to € 0 (31 December 2022: € 50 479 thousand).

(in thousands of €)

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

Rating scale	Issued guarantees					
	Public administration		Other clients		Retail clients	
	31.12.2023 5 917	31.12.2022 5 237	31.12.2023 937	31.12.2022 981	31.12.2023 442	31.12.2022 543
Rating AAA	0	0	0	0	0	0
Rating AA+	0	0	4	0	0	0
Rating AA	0	900	33	33	0	0
Rating AA-	420	0	0	0	0	0
Rating A+	616	322	0	48	0	0
Rating A	0	413	0	0	0	0
Rating A-	1 923	1 836	0	0	0	0
Rating BBB+	0	482	0	0	0	0
Rating BBB	394	0	0	0	0	0
Rating BBB-	1 576	683	0	0	0	0
Rating BB+	685	601	0	0	0	0
Rating BB	0	0	0	0	244	350
Rating BB-	303	0	0	0	0	0
Rating B+	0	0	0	0	0	0
Rating B	0	0	0	0	0	0
Rating B-	0	0	900	0	0	0
Rating CCC	0	0	0	900	198	193

Rating scale	Loan commitments					
	Public administration		Other clients		Retail clients	
	31.12.2023 40 849	31.12.2022 41 215	31.12.2023 2 689	31.12.2022 2 894	31.12.2023 98 926	31.12.2022 90 709
Rating AAA	99	1 404	123	69	9 441	8 149
Rating AA+	1 055	2 580	131	256	0	0
Rating AA	1 284	2 814	390	474	7 508	5 157
Rating AA-	909	4 253	274	272	14 935	11 020
Rating A+	1 346	3 726	533	378	0	0
Rating A	4 180	3 410	208	352	18 711	14 755
Rating A-	2 392	3 973	74	209	0	0
Rating BBB+	3 715	2 248	261	224	20 420	15 777
Rating BBB	5 227	2 567	97	217	0	0
Rating BBB-	3 212	5 881	106	1	9 608	10 848
Rating BB+	3 149	2 539	144	165	64	4
Rating BB	1 494	3 914	116	24	6 426	10 242
Rating BB-	10 293	916	115	153	4 348	4 619
Rating B+	1 255	532	71	71	0	0
Rating B	837	192	21	22	2 345	3 475
Rating B-	348	90	16	4	3	0
Rating CCC	54	176	9	3	5 117	6 663

(in thousands of €)

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 2023 and 31 December 2022:

	31.12.2023	31.12.2022
Agriculture, forestry and fishing	226	240
Mining and quarrying	0	0
Manufacturing	1 149	1 925
Electricity, gas, steam and air conditioning supply	1 370	2 444
Water supply; sewerage and wastewater management	576	1 038
Construction	1 499	2 197
Wholesale and retail trade	100 919	29 378
Transportation and storage	609	683
Accommodation and catering	462	4 035
Information and communication	152	142
Financial and insurance activities	200 466	213 732
Real estate activities	155 265	187 224
Professional, scientific and technical activities	48 374	40 547
Administrative and support service activities	7 440	7 555
Public administration and defence; compulsory social security	175 761	161 837
Education	98	10
Health care and social work activities	220	205
Arts, entertainment and recreation	2 730	3 398
Other activities	457	597
Activities of households as employers	4 856 358	4 816 513
Total	**5 554 131**	**5 473 700**

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.

(in thousands of €)

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 2023 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	1 554	0	0	0	0	0
Loans and advances to customers, of which:	5 600 175	21 222	367	11	13	16 189
Public administration	176 074	27	0	0	0	0
Other clients	4 995 644	20 860	366	11	11	16 087
Individuals	428 457	335	1	0	2	102
Total	**5 601 729**	**21 222**	**367**	**11**	**13**	**16 189**

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 2022 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	1 522	0	0	0	0	0
Loans and advances to customers, of which:	5 529 137	23 568	371	10	6	12 510
Public administration	162 385	123	0	0	0	0
Other clients	4 966 741	16 122	369	10	4	12 367
Individuals	405 988	1 346	2	0	1	143
Total	**5 536 636**	**17 591**	**371**	**10**	**6**	**12 510**

The summary below provides an analysis of the impaired loan portfolio (stage 3) as at 31 December 2023, including other receivables from financial transactions:

	Public sector	Retail clients	Other clients	Total
Impaired loans	303	17 633	30 853	48 789
Provisions	151	12 667	30 854	43 672
Recoverable amount of collateral received	0	4 884	0	4 884
% of coverage by provisions	50%	72%	100%	90%
% of coverage by provisions and received collateral	50%	100%	100%	100%
Interest income on impaired loans	x	x	x	274

The summary below provides an analysis of the impaired loan portfolio (stage 3) as at 31 December 2022, including other receivables from financial transactions:

	Public sector	Retail clients	Other clients	Total
Impaired loans	348	20 323	33 656	54 327
Provisions	174	15 171	33 680	49 025
Recoverable amount of collateral received	0	5 271	0	5 271
% of coverage by provisions	50%	75%	100%	90%
% of coverage by provisions and received collateral	50%	101%	100%	100%
Interest income on impaired loans	x	x	x	328

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 € 643 thousand within year 2023, total amount at as 31 December 2023 is € 24 683 thousand (as at 31 December 2022: € 26 196 thousand).

The Bank sold real estate pledged against receivables which were unpaid as at 31 December 2023 for € 1 360 thousand (31 December 2022: € 3 623 thousand). The Bank sold a pledge over moveable assets (receivables) as at 31 December 2023 for € 0 thousand (31 December 2022: € 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 thousands of €)

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. 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 2023:

	Movement in yield curve	Bank´s loss from movement in yield curve
Banking Book: euro	100 BP	(1 087)
Total	**100 BP**	**(1 087)**

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 2022:

	Movement in yield curve	Bank´s loss from movement in yield curve
Banking Book: euro	100 BP	(18 091)
Total	**100 BP**	**(18 091)**

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".

(in thousands of €)

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2023:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	460 930	0	0	0	0	460 930
Due from banks	1 554	0	0	0	0	1 554
Loans and advances to customers	254 555	1 444 058	3 353 313	480 750	21 455	5 554 131
Debt securities	1 136	8 514	76 414	20 268	0	106 332
Financial assets at fair value through profit or loss	1 411	0	0	0	0	1 411
Financial assets at fair value through other comprehensive income	3 910	0	0	0	0	3 910
Financial assets held for trading – derivatives	72	0	0	0	0	72
Interest rate position - financial assets	**723 568**	**1 452 572**	**3 429 727**	**501 018**	**21 455**	**6 128 340**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	300 600	0	0	0	0	300 600
Due to banks	1 446	0	0	0	0	1 446
Customer deposits	834 057	546 788	2 434 822	92 711	0	3 908 378
Issued securities	0	5 079	1 499 327	0	0	1 504 406
Leases	14	325	4 433	1 415	0	6 187
Financial liabilities for trading - derivatives	3	0	0	0	0	3
Interest rate position - financial liabilities	**1 136 120**	**552 192**	**3 938 582**	**94 126**	**0**	**5 721 020**
Net interest rate position	**(412 552)**	**900 380**	**(508 855)**	**406 892**	**21 455**	**407 320**

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2022:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	240 982	0	0	0	0	240 982
Due from banks	1 522	0	0	0	0	1 522
Loans and advances to customers	333 200	1 044 108	3 549 343	538 507	8 542	5 473 700
Debt securities	11 768	359	124 063	20 320	0	156 510
Financial assets at fair value through profit or loss	1 169	0	0	0	0	1 169
Financial assets at fair value through other comprehensive income	3 237	0	0	0	0	3 237
Financial assets held for trading – derivatives	90	0	0	0	0	90
Interest rate position - financial assets	**591 968**	**1 044 467**	**3 673 406**	**558 827**	**8 542**	**5 877 210**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	640 660	0	0	0	0	640 660
Due to banks	1 690	0	0	0	0	1 690
Customer deposits	842 667	713 856	2 231 687	94 866	0	3 883 076
Issued securities	0	28	1 002 014	0	0	1 002 042
Leases	12	151	4 610	2 080	0	6 853
Financial liabilities for trading - derivatives	1	0	0	0	0	1
Interest rate position - financial liabilities	**1 485 030**	**714 035**	**3 238 311**	**96 946**	**0**	**5 534 322**
Net interest rate position	**(893 062)**	**330 432**	**435 095**	**461 881**	**8 542**	**342 888**

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, i.e. 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 year of 2023 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.

(in thousands of €)

Liquidity warning signals include to: amount of the volatile part of demand deposits, daily or weekly capital decrease, weekly increase in retail loans or monthly increase in loans provided to customers, the amount of liabilities of selected foreign currencies in relation to the total volume of the Bank's liabilities.

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 2023:

	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	63 864	0	0	0	0	63 864
Financial assets at amortised cost, of which:						
Balances with central banks	460 930	0	0	0	0	460 930
Due from banks	1 554	0	0	0	0	1 554
Loans and advances to customers	83 104	441 395	1 237 981	3 789 367	2 284	5 554 131
Debt securities	1 136	8 514	76 414	20 268	0	106 332
Financial assets held for trading-derivatives	72	0	0	0	0	72
Financial assets at fair value through profit or loss	0	0	0	1 411	0	1 411
Financial assets at fair value through other comprehensive income	0	0	0	3 910	0	3 910
Non-current tangible assets	0	0	0	0	15 822	15 822
Non-current intangible assets	0	0	0	0	1 313	1 313
Deferred tax asset	0	0	0	0	9 517	9 517
Other assets	0	0	0	11 170	8 962	20 132
Assets total	**610 660**	**449 909**	**1 314 395**	**3 826 126**	**37 898**	**6 238 988**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	300 600	0	0	0	0	300 600
Due to banks	1 446	0	0	0	0	1 446
Customer deposits	2 815 531	297 048	795 799	0	0	3 908 378
Issued securities	0	5 079	1 499 327	0	0	1 504 406
Leases	14	325	4 433	1 415	0	6 187
Financial liabilities held for trading-derivatives	3	0	0	0	0	3
Reserves	0	0	0	0	9 649	9 649
Current tax liabilities	9 121	0	0	0	0	9 121
Other liabilities	47 179	0	0	0	0	47 179
Total equity	0	0	0	0	452 019	452 019
Liabilities and equity total	**3 173 894**	**302 452**	**2 299 559**	**1 415**	**461 668**	**6 238 988**
Net balance sheet position	**(2 563 234)**	**147 457**	**(985 164)**	**3 824 711**	**(423 770)**	**0**

(in thousands of €)

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities by current residual maturity as at 31 December 2022:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Cash	66 037	0	0	0	0	66 037
Financial assets at amortised cost, of which:						
Balances with central banks	240 982	0	0	0	0	240 982
Due from banks	1 522	0	0	0	0	1 522
Loans and advances to customers	81 993	304 042	1 321 534	3 774 117	(7 986)	5 473 700
Debt securities	11 768	359	124 064	20 319	0	156 510
Financial assets held for trading-derivatives	90	0	0	0	0	90
Financial assets at fair value through profit or loss	0	0	0	1 169	0	1 169
Financial assets at fair value through other	0	0	0	3 237	0	3 237
Non-current tangible assets	0	0	0	0	16 618	16 618
Non-current intangible assets	0	0	0	0	1 444	1 444
Deferred tax asset	0	0	0	0	9 748	9 748
Other assets	0	0	0	8 772	7 758	16 530
Assets total	**402 392**	**304 401**	**1 445 598**	**3 807 614**	**27 582**	**5 987 587**
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	640 660	0	0	0	0	640 660
Due to banks	1 690	0	0	0	0	1 690
Customer deposits	2 873 015	458 278	551 782	1	0	3 883 076
Issued securities	0	28	1 002 014	0	0	1 002 042
Leases	12	151	4 610	2 080	0	6 853
Financial liabilities held for trading-derivatives	1	0	0	0	0	1
Reserves	0	0	0	0	10 031	10 031
Current tax liabilities	758	0	0	0	0	758
Other liabilities	39 805	0	0	0	0	39 805
Total equity	0	0	0	0	402 671	402 671
Liabilities and equity total	**3 555 941**	**458 457**	**1 558 406**	**2 081**	**412 702**	**5 987 587**
Net balance sheet position	**(3 153 549)**	**(154 056)**	**(112 808)**	**3 805 533**	**(385 120)**	**0**

The summary below is an analysis of the earliest possible contractual maturity of non-derivative financial liabilities, i.e. the worst-case scenario as at 31 December 2023 (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 central banks	300 600	302 437	302 437	0	0	0
Due to banks	1 446	1 446	1 446	0	0	0
Customer deposits	3 908 378	3 967 609	2 816 981	300 875	849 753	0
Issued securities	1 504 406	1 542 280	0	23 947	1 518 333	0
Leases	6 187	6 187	0	0	0	6 187
Other liabilities	47 179	56 300	56 300	0	0	0

(in thousands of €)

The summary below is an analysis of the earliest possible contractual maturity of non-derivative financial liabilities, i.e. the worst-case scenario as at 31 December 2022 (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 central banks	640 660	642 671	642 671	0	0	0
Due to banks	1 690	1 690	1 690	0	0	0
Customer deposits	3 883 076	3 906 886	2 873 281	461 224	572 381	0
Issued securities	1 002 042	1 002 465	0	122	1 002 343	0
Leases	6 853	6 853	0	0	0	6 853
Other liabilities	39 805	40 563	40 563	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 2023 (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	5 373	5 373	5 373	0
Loan commitments, of which:	144 397	144 397	144 397	0
irrevocable	144 397	144 397	144 397	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 2022 (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	6 761	6 761	6 761	0
Loan commitments, of which:	134 818	134 818	133 321	1 497
irrevocable	134 818	134 818	133 321	1 497

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 of 2023, 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 2023, the VaR amounted to € (175) (31 December 2022: € (328)).

In addition to monitoring 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 2023:

	EUR	CZK	USD	Other	Total
Assets	6 232 673	123	5 498	694	6 238 988
Liabilities and equity	(6 232 673)	(123)	(5 498)	(694)	(6 238 988)
Net balance sheet foreign exchange position	**0**	**0**	**0**	**0**	**0**
Off-balance sheet assets	7 540 688	0	0	0	7 540 688
Off-balance sheet liabilities	(1 256 560)	(2)	(2 918)	(65)	(1 259 545)
Net off-balance sheet foreign exchange position	**6 284 128**	**(2)**	**(2 918)**	**(65)**	**6 281 143**
Net foreign exchange position	**6 284 128**	**(2)**	**(2 918)**	**(65)**	**6 281 143**

(in thousands of €)

Foreign exchange position of Prima banka as at 31 December 2022:

	EUR	CZK	USD	Other	Total
Assets	5 973 216	146	13 600	625	5 987 587
Liabilities and equity	(5 973 216)	(146)	(13 600)	(625)	(5 987 587)
Net balance sheet foreign exchange position	**0**	**0**	**0**	**0**	**0**
Off-balance sheet assets	7 086 115	0	0	0	7 086 115
Off-balance sheet liabilities	(1 244 283)	0	(4 114)	(38)	(1 248 435)
Net off-balance sheet foreign exchange position	**5 841 832**	**0**	**(4 114)**	**(38)**	**5 837 680**
Net foreign exchange position	**5 841 832**	**0**	**(4 114)**	**(38)**	**5 837 680**

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 2023, 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 "Financial assets at fair value through other comprehensive income" and "Financial assets at fair value through profit or loss" portfolio, the Bank records equity securities in the total amount of € 5 321 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 € 12 124 thousand, of which the following amounts are attributable to individual business lines: retail banking: € 7 339 thousand, commercial banking: € 2 944 thousand, payment services and settlement: € 486 thousand, other: € 1 355 thousand. Management measures and implemented systems for operational risk management are adequate for the Bank's strategy and profile.

The Bank protects and mitigates the effects of operational risk through a comprehensive insurance program. This covers direct or indirect losses due to all major sources of operational risk, i.e. improper use of internal processes or their failure, human factor failures, system failures or external factors. The primary objective of the insurance program is to safeguard the Bank against adverse events and loss of assets.

(in thousands of €)

30. 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 2023:

Balance sheet	Parent Company	Related parties of the Parent Company	Other related parties	Total
Loans and advances to customers	0	146 198	8 404	154 602
Other assets	0	5 064	0	5 064
Total assets	**0**	**151 262**	**8 404**	**159 666**
Due to banks	0	442	0	442
Customer deposits	6	159 403	2 950	162 359
Liabilities from leases	0	66	0	66
Other liabilities	0	544	0	544
Total liabilities and equity	**6**	**160 455**	**2 950**	**163 411**

Assets and liabilities concerning related parties as at 31 December 2022:

Balance sheet	Parent Company	Related parties of the Parent Company	Other related parties	Total
Loans and advances to customers	0	92 817	8 418	101 235
Other assets	0	4 824	0	4 824
Total assets	**0**	**97 641**	**8 418**	**106 059**
Due to banks	0	687	0	687
Customer deposits	7	153 520	4 111	157 638
Liabilities from leases	0	701	0	701
Other liabilities	0	669	0	669
Total liabilities and equity	**7**	**155 577**	**4 111**	**159 695**

Revenues and expenses concerning related parties as at 31 December 2023:

	Parent Company	Related parties of the Parent Company	Other related parties	Total
Interest and similar income	0	7 663	418	8 081
Interest and similar expense	0	(3 198)	(2)	(3 200)
Net fee and commission income	1	113	6	120
Net profit from financial transactions	0	0	0	0
General and administrative expenses	0	(5 956)	(3 261)	(9 217)

(in thousands of €)

Revenues and expenses concerning related parties as at 31 December 2022:

	Parent Company	Related parties of the Parent Company	Other related parties	Total
Interest and similar income	0	3 923	270	4 193
Interest and similar expense	0	(370)	(9)	(379)
Net fee and commission income	1	99	10	40
Net profit from financial transactions	0	0	0	0
General and administrative expenses	0	(5 425)	(3 016)	(8 441)

Off-balance sheet liabilities concerning related parties as at 31 December 2023:

	Parent Company	Related parties of the Parent Company	Other related parties	Total
Received collateral from pledge, security and other rights	0	2 000	2 333	4 333
Off-balance sheet assets	**0**	**2 000**	**2 333**	**4 333**
Loan commitments and unused credit facilities	0	0	0	0
Off-balance sheet liabilities	**0**	**0**	**0**	**0**

Off-balance sheet liabilities concerning related parties as at 31 December 2022:

	Parent Company	Related parties of the Parent Company	Other related parties	Total
Received collateral from pledge, security and other rights	0	2 000	2 333	4 333
Off-balance sheet assets	**0**	**2 000**	**2 333**	**4 333**
Loan commitments and unused credit facilities	0	0	0	0
Off-balance sheet liabilities	**0**	**0**	**0**	**0**

31. 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.