

# Annual report

2021



### Dear shareholders, dear clients,

Prima banka has had another exceptionally successful year, which has confirmed the correctness of its long-term strategy, but also the bank's ability to move forward even in an extremely demanding market environment, marked by negative externalities and interventions. Last year, it was confirmed that in difficult times it was important to maintain peace, balance, continue to stand in full extend and without restrictions by our clients and continue to consistently fulfil our long-term strategy and build competitive advantages. Thanks to this, last year we grew significantly faster in all key areas of the business than the entire market and confirmed our position as the fastest growing retail bank in the long run.

Our long-term goal is to permanently strengthen the bank's position in the area of services for citizens, entrepreneurs and small and medium-sized companies, and at the same time to successfully develop services for cities and municipalities. In all segments, we strive to develop long-term, mutually beneficial relationships with existing and new clients. Our goal is to continue to increase the number of clients who actively bank with us, to strengthen the bank's position in the area of loans, to permanently simplify everything we do and to increase efficiency.

The past year has been successful for Prima banka, especially in the area of retail lending, where we have strengthened our position in mortgages in an extraordinary and even more significant way than ever before. I am also pleased that we have also further strengthened the quality of our already exceptionally healthy loan portfolio. Thanks to long-term transparency, fairness, simplicity and convenience, we have managed to continue to increase the num-

ber of clients who actively bank with us and who consider Prima banka to be their main bank.

Client trust is extremely important to us and the growth of satisfaction of our clients, who have the highest satisfaction among the largest Slovak banks, is its confirmation.

The strongest business growth is also due to the third largest network of branches and ATMs and the fact that Prima banka is the only bank in Slovakia with branches in each of the 79 districts of Slovakia.

Another emission of covered bonds in the amount of 500 million EUR also ended with extraordinary success, with a maturity of 6 years and a yield to maturity of -0.100% pa, which was also achieved thanks to high demand and interest from investors, mainly from Western European countries. The highest possible Aaa rating from Moody's rating agency also contributed to the success of the emission.

In 2022, we will continue to fulfil our long-term strategy and continue to invest in the development of the bank and its future. The priority will again be to further improve the quality of client services, healthy growth and further strengthening in the area of credits.

Thank you for your support so far in building and developing Prima banka.



Jan Rollo  
Chairman of the Board and Chief Executive Officer

## 02. Report of the Supervisory Board and Report on the Audit of Financial Statements

### Dear shareholders,

On behalf of the Supervisory Board of Prima banka Slovakia, a.s., I have the honour to present a report on the activities of the Supervisory Board for the last 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 the relevant laws of the Slovak Republic.

Last year, two regular meetings of the Supervisory Board took place and the Supervisory Board also adopted 5 decisions outside its meetings. The Supervisory Board also supervised the Bank's activities from the positions of the Audit Committee and the Credit Committee. The members of the Supervisory Board exercised the right to control the activities of the Bank's Board of Directors.

In order to effectively manage the Bank's activities, the members of the Board of Directors participated in the meetings of the Supervisory Board. The members of the Board of Directors informed them about the activities and economic results of the bank and about the development of the riskiness of the loan portfolio.

The Supervisory Board regularly checked the Bank's financial results, the fulfilment of the business plan, as well as the fulfilment of tasks assigned to the Bank's Board of Directors. In accordance with its legal obligations, the Supervisory Board reviewed and discussed at its meetings the regular individual financial statements for 2020, the proposal for profit distribution for 2020, the report on the activities of the Internal Audit Department for 2020 together with the report on compliance matters for year 2020. In connection with the internal audit activity, the Supervisory Board approved the Department's activity plan for 2022.

Reports on the activities of individual committees and commissions for the year 2020 were submitted to the Supervisory Board, as well as a report on the review of the suitability of members of management bodies and persons holding key functions. To secure the funds needed for the company's further growth, the Supervisory Board approved a new issue of covered bonds, while also taking note of the report on the covered bond program for 2020. It also took note of the risk report, the annual report compiled for 2020, the ICAAP and ILAAP summary reports for 2020, approved the bank's budget for 2022 and the parameters of the risk appetite for 2022. The Supervisory Board reviewed the independence of the proposed external auditor for 2021, approved the proposal for his appointment, and recommended his approval to the General Assembly. The Supervisory Board also participated in the organization of the Bank's Ordinary General Assembly in 2021. As part of the decisions taken outside its meeting, the Supervisory Board gave its consent to the appointment of Ing. Dušan Tomašec for authorized agent.

The Supervisory Board states that the conduct of the Bank's business activities and the performance of the Bank's Board of Directors are in accordance with the applicable legislation, the Bank's Articles of Association and the instructions of the General Assembly. At the same time, the Supervisory Board states that the bank's accounting records are properly kept in accordance with the facts.



Iain Child  
Chairman of the Supervisory Board

### **O3. Report on the business activities of the company and the state of its assets for the year 2021**

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Also in 2021, Prima banka continued to confirm its position as the longest and fast-growing retail bank and successfully continued to fulfil its long-term strategy aimed at developing retail banking. The Bank has once again strengthened its position in retail lending, where mortgages, of which Prima banka provided a record number and volume last year, were a key component of growth. Last year, the number of clients who actively bank with us also continued to grow, and we once 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 during 2021 by a branch network covering all 79 districts of Slovakia. At the end of the year, we had 120 branches and the number of ATMs increased during the year to a total of 318 ATMs. The mobile application Wallet, which has increased its number of users in the past year, also makes a significant contribution to improving the availability of services.

In 2021, the Bank successfully issued the second issue of covered bonds in the total amount of 500 million EUR. with a maturity of 6 years and a negative interest rate. The highest possible Aaa rating from the Moody's rating agency also contributed to the extraordinary interest of international investors in the issue. Prima

banka will use the resources from the issued bonds to support the further growth of its business and to strengthen business relations with its clients.

#### **Selected financial results of the bank**

At the end of 2021, the bank's total assets amounted to 5.3 billion EUR, which represents an increase of 17.7 % compared to 2020. Loans provided to clients continued to be the most important asset component, rising by 14.4% year on year to more than 4.5 billion EUR. In line with the bank's strategy, there was a strong growth in retail loans, which amounted to 3.8 billion EUR.

On the liabilities side of the balance sheet, client deposits remained the most important component, reaching almost 3.9 billion EUR at the end of the year. Retail deposits with a total volume of more than 2.9 billion EUR have the most significant share in total client deposits.

The Bank is ready for further credit growth in 2022 with a year-on-year increase in equity of 5.0% and maintains a strong capital position even in the ongoing environment of strict regulation and uncertainty caused by the pandemic.

The proposal for profit distribution is part of note no. 13 of Separate financial statements.

## 04. Company bodies – Board of Directors Prima banka Slovensko, a.s.

### Jan Rollo

(from 1. 4. 2011)

Chairman of the Board  
and the Chief  
Executive Officer  
responsible for the  
Chief Executive Officer  
and Trade Division



### Henrieta Gahérová

(from 21. 2. 2013)

Member of the Board  
of Directors Chief  
Executive Officer  
of the Product  
Management 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 a director of corporate banking and later as a director of retail banking and a member of the bank's board of directors. He has been working in banking since 1994, at Bank Austria he was responsible for key client relations, marketing and electronic banking, then headed the product management department at Citibank and was involved in the management of the small and medium size enterprises 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.

She came to Prima banka from Slovenská sporiteľňa, where she worked for 6 years, most recently as the director of the product management department and at the same time as an authorized agent. In addition to the department's management, she also participated in the bank's key projects, such as the introduction of a new information system, creation of a central Back Office or a new business model for small and medium-sized enterprises. She started in banking at VUB Bank, where she held several positions during 10 years. She was responsible, among other, for managing the product portfolio, electronic channels, call center and project management for the deployment of a new information system. For the last three years, she has been the director of the Citizens' Segment Management Department.

### Peter Novák

(from 19. 8. 2019)

Member of the Board of  
Directors Chief Officer of  
the IT and Digitization  
Division



He came to Prima banka from VUB banka, where he was a member of the Board of Directors (COO) responsible for operations and IT. He has been working in the field of banking since 2007, when he joined Tatra banka a.s. a member of the Board of Directors (COO/CIO). From there, in 2011 he moved to the headquarters of Raiffeisen Bank International AG in Vienna, where he held the position of Managing Director of International Operations and IT and was responsible for operations and information technology management in 15 Central and Eastern European countries, as well as regional offices in Beijing, Hong Kong, Singapore, New York and London. Prior to that, he worked in the top management of several major telecommunications companies in Slovakia and abroad. He graduated from the Technical University in Košice.

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## **04. Company bodies – Supervisory Board of Prima banka Slovensko, a.s.**

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### **Iain Child**

Chairman of the Supervisory Board

### **Marián Slivovič**

Deputy Chairman of the Supervisory Board

### **Evžen Ollari**

Supervisory Board member

## 05. Shareholder structure

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### Prima banka shareholder structure as of 31. 12. 2021

| The shareholders of Prima banka Slovensko, a.s. | Number of shareholders | Total share in share capital (EUR) | Share in basic capital in% |
|---|------------------------|------------------------------------|----------------------------|
| Cities and communities                          | 89                     | 613 523                            | 0.2705451                  |
| Legal entities                                  | 5                      | 225 814 996                        | 99.5775766                 |
| Natural persons                                 | 90                     | 344 020                            | 0.1517024                  |
| Unclassified                                    | 1                      | 399                                | 0.0001759                  |
| <b>Total</b>                                    | <b>185</b>             | <b>226 772 938</b>                 | <b>100.00</b>              |

## 06. Company profile

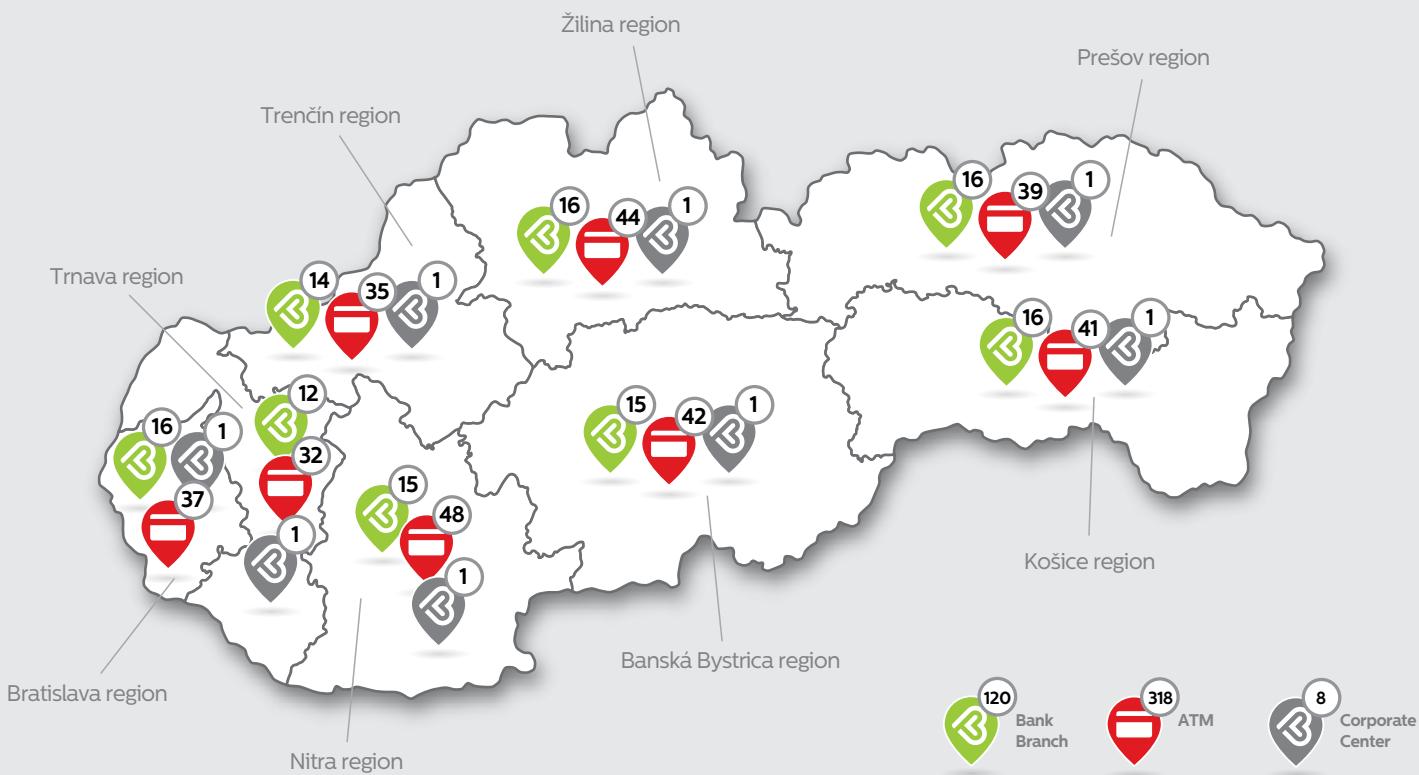
Prima banka has long been the fastest growing retail bank in Slovakia. Its constant and dynamic business growth is due not only to the consistent implementation of its long-term strategy focused on retail development, but also to its availability and wide sales network. As of 31.12.2021, Prima banka had a total of 120 branches and 318 ATMs and is currently the bank with the third largest network of branches and ATMs and 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 mainly on maximum simplicity, speed, convenience and fairness in relation to clients. Thanks to these values and thanks to a wide network of branches and ATMs, the bank is gaining more and more new and satisfied clients every year.

At the same time, the results of regular independent surveys confirm that Prima banka constantly maintains high satisfaction of its clients.

In addition to the significant growth in the number of new and active retail clients, as well as the growth in the loan portfolio, Prima banka continues to maintain its position as a leader in providing banking services to cities and municipalities.

Prima banka operates exclusively in Slovakia and has no organizational unit abroad. The bank's majority owner is the Central European group Penta Investments, which currently owns more than 99% of the shares.



## 07. Business development

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In 2021, Prima banka continued to fulfil its strategy, and this year was significantly successful in many areas, confirming the bank's position as the fastest-growing retail bank in the long run. Despite the continuing pandemic situation, changing rules or the closure of the economy, we have always stood by our clients with our wide branch network and ATM network in each district and mainly through new functionalities in digital channels.

Last year, we again managed to strengthen our position, especially in the area of providing housing loans. At a time of low interest rates, clients showed a strong interest in refinancing loans, consolidating loans, including consumer loans. The legislative deferral of repayments, which dominated especially in 2020, did not have a negative effect on the quality of the portfolio after the return to loan repayment. Thanks to simple processes, transparent and fast provision, housing loans exceeded 3.7 billion EUR, with a year-on-year increase of 22%, which is double the market growth. At the same time, our market share in housing loans exceeded 10%. Prima banka provided clients with the highest number and volume of housing loans in its history for the entire year. The Bank continued its prudent and conservative lending policy and maintained an above-standard high quality loan portfolio. The citizens' loan portfolio reached 3.8 billion EUR, where we grew almost three times faster than the market, mainly due to housing loans. At the end of the year, our offer of consumer loans was also very successful. Total loans, including the corporate and municipal segments, exceeded 4.5 billion EUR, with a year-on-year growth of 14%. Last year, we also introduced interesting loan products for self-employed persons and expanded the loan offer for the SME segment.

In an increasingly challenging market environment, which is also affected by the pandemic situation and the government measures associated with it, we have managed to further strengthen our position and at the same time confirm the high satisfaction of our clients. It is exactly a long-term advantage, but at the same time fairness and transparency, thanks to which

Prima banka thrives even in demanding periods and thanks to which we are able to reach more and more new clients every year.

We continued to increase the proportion of clients who actively bank with us and who consider us their main bank.

The volume of funds in citizens' current accounts increased by 18% year-on-year. Clients are increasingly banking with us mainly thanks to a fair and attractive product – Personal Account, Student Account and Children's Account. One of the benefits of the product is the Reward for card/mobile payment, which is used by more and more clients from year to year. In previous years, we also added a Deposit Account to the popular Personal Account Savings product, which clients can set up through our mobile Wallet application. Its use is very popular among our clients, as evidenced by the increase in the volume of funds by 72% year on year. However, we also saw growth in the next generation of children and students. In addition to children, we also provide a free account for students, and at the end of the year we also prepared several competitions for students for attractive financial rewards.

The offer of current accounts for corporate and municipal clients is also based on maximum simplicity, clarity and convenience. Clients have all transactions and the most used banking services included in their accounts for one advantageous price. Internet banking has undergone a significant strengthening of functionality for this part of the clientele as well. We thus maintain simplicity and transparency as a competitive advantage in this segment as well.

The total volume of deposits in the bank reached almost 3.9 billion EUR. In this area, too, with a year-on-year growth rate of 8%, we are growing twice as fast as the market. We recorded an increase in deposits in several segments and, in addition to households, the volume of deposits also increased significantly in the municipal segment. In this segment, we have confirmed our leading position, with most cities and municipalities using Prima banka as their main bank.

## 07. Business development

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In the case of payment services, more than 98% of all transactions are made through electronic channels. The number of clients using our payment cards continued to grow significantly. Debit Mastercard payment cards are gradually replacing the Maestro electronic card and at the same time they have enabled clients to use it more extensively for payments in the Internet environment with the use of strong authentication in accordance with the requirements of PSD2. Last year, we expanded the ability to use other mobile wallets such as Garmin Pay and Xiaomi Pay. At the same time, the already implemented Google Pay and Apple Pay enjoyed significant interest and the number of clients using mobile payments increased by 86% year-on-year.

We also focused on the development of digital banking last year. New functions in Internet banking and especially in the Wallet mobile application also contributed to increased client satisfaction. Last year, the Wallet recorded a significant growth in the number of its regular users. The number of clients logged in to the mobile application increased by 20% year-on-year.

Clients have long positively evaluated the use of the mobile application for its ease of use and the range of services provided. Last year, we further expanded and simplified several functionalities in account management, payment cards and credits in the Wallet application. We have also expanded the possibilities for entrepreneurs to obtain loans through Internet banking. We enabled new clients to set up a Personal or Student account, including all online services, without the need to visit a branch.

The services of our Contact Center – Info Line – have long contributed to the high satisfaction of our clients. Clients can rely on highly professional communication as well as quick resolution of their requests or handling of e-mail messages. Info-line operators are called immediately, without having to go through a number of options, so they can process their request quickly and easily.

## 08. Corporate governance statement

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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 publicly available on the website of the Bratislava Stock Exchange.

In some provisions, the Bank deviates from the Corporate Governance Code in Slovakia. Due to simpler and more efficient management, the company does not disclose information on its corporate governance strategy on a regular basis, but it is available to shareholders on request. Information on which of the members of the Supervisory Board is considered independent and is therefore not disclosed to shareholders is also available upon request. At least one of the three members of the Supervisory Board is considered independent. Due to the simpler and more flexible management of the company, the Supervisory Board performs the activities of the Audit Committee and the Nomination Committee, and therefore these committees are not established as its subsidiary bodies. Instead of the remuneration committee, the company has an appointed person responsible for remuneration, who is the chairman of the supervisory board. Matters of remuneration of members of the company bodies are listed in the financial statements, which are part of the annual report.

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

### 1. Company management structure

#### 1.1 General Assembly

##### Position

The General Assembly is the highest body of the company. Its scope includes approval and amendment of the Articles of Association, decision-making on increase and decrease of share capital and issue of bonds, election and removal of members of the Supervisory Board, except members of the Supervisory Board elected by the company's employees, approval of regular individual or extraordinary individual financial statements, the decision on the distribution of

profit or compensation of loss, the determination of royalties, the decision on the dissolution of the company and the approval of the contract on the transfer of the company or its part, as well as the decision on other issues included in the scope of the General Assembly by legislation or the articles of association.

##### Calling

The General Assembly is held at least once a year, while the Ordinary General Assembly is held latest 30. 06. of a given calendar year. The Extraordinary General Assembly has the right to be convened by the Supervisory Board if the urgent interest of the company requires so. Otherwise, the General Assembly convenes the Board of Directors by written invitation, which is sent to shareholders at least 30 days before the date of its holding.

##### Course and decision making

The General Assembly discusses and decides on the matters set out in the invitation. It decides by the majority of the shareholders present, except in cases where the legislation or the articles of association require a higher number of votes. A shareholder's voting rights are governed by the number of their shares and the nominal value of those shares. The minutes of the General Assembly are signed by the Chairman of the General Assembly, the Recorder and two elected verifiers.

##### Activity in 2021

The Ordinary General Assembly of the Company was held at the Company's registered office on 29.04.2021. Shareholders were acquainted with the report on the company's business activities and the state of its assets for the year 2020, the report of the Supervisory Board and the report on the audit of financial statements. At the Ordinary General Assembly, the shareholders decided on the approval of the regular individual financial statements for 2020, the annual report for 2020 and other related proposals (profit distribution proposal) and on the approval of the auditor for 2021. The shareholders also approved an amendment to the company's articles of association.

## **08. Corporate governance statement**

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### **1.2 Supervisory Board**

#### **Membership in the Supervisory Board**

The Supervisory Board has three to six members with a term of three years. Three members are currently elected – 2 thirds are elected by the General Assembly from among shareholders and other natural persons and 1 third is elected by the company's employees from among employees and other natural persons. The prior consent of the National Bank of Slovakia is required for the election or re-election of a member of the Supervisory Board, otherwise the election is invalid.

#### **Competences**

The Supervisory Board is the highest supervisory body of the company, which is responsible for supervising the powers 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.

#### **Activity and decision making**

The activities of the Supervisory Board are managed by the Chairman of the Supervisory Board, in his absence by the Vice-Chairman, if elected, or by a member authorized by the Chairman. Ordinary meetings are convened by the Chairman as required, at least once every 6 months. Extraordinary meetings of the Supervisory Board are convened by its Chairman, if requested in writing by a member of the Supervisory Board, the Board of Directors, or if shareholders holding shares with a nominal value exceeding 5% of the Company's share capital request the Supervisory Board to review the performance of the Board of Directors' powers in a certain area. The meeting has a quorum if an absolute majority of the members of the Supervisory Board is present. Equality of votes applies when voting, each member has 1 vote. Decisions shall be taken by a majority of the members of the Supervisory Board present at the meeting, unless the legislation, the Articles of Association or the Statute of the Supervisory Board provide for a different method of decision-making. Minutes shall be taken of the meetings of the Supervisory Board.

#### **Conflict of interests**

A member of the Supervisory Board may not:

- to conclude transactions in their own name or on their own account, which are related to the company's business activities,
- to mediate the company's business for other persons,
- to participate in the business of another company as a partner with unlimited liability,
- to perform activities as a statutory body or a member of a statutory body or another body of another legal entity with a similar business object.

Exceptions to the above prohibition are cases where the company participates in the business of such a legal entity, unless otherwise provided by the Banking Act.

The liability of a member of the Supervisory Board cannot be excluded or limited by agreement with the company.

In accordance with the Accounting Act, the Supervisory Board performs the activities of the Audit Committee. The provisions on the meetings of the Supervisory Board shall apply mutatis mutandis to the meetings of the Committee. In the exercise of its powers as an audit committee, the Supervisory Board:

- monitors the process of preparation of financial statements, compliance with special regulations and makes recommendations and proposals to ensure 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 individual financial statements and the statutory audit of the consolidated financial statements;
- verifies and monitors the independence of the statutory auditor or audit firm, in particular the suitability of non-audit services;
- it is responsible for the procedure for selecting the statutory auditor or audit firm and recommends for approval the appointment of the statutory auditor or audit firm to carry out the statutory audit;
- sets a deadline for the statutory auditor or audit firm to submit a solemn declaration of independence;

## **08. Corporate governance statement**

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- 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 what role the audit committee played in the process.

### **Activities of the Audit Committee in 2021**

As part of the performance of the functions of the Audit Committee, the members of the Supervisory Board met once on 25.03.2021. At the meeting, they discussed and reviewed the regular individual financial statements for 2020, the auditor's report on the result of its verification, the annual report for 2020 and the auditor's report on the verification of its compliance with the regular individual financial statements. They also recommended Ernst & Young Slovakia, spol. s r.o. as an auditor for the year 2021, while verifying its independence and setting a deadline for it to submit an affidavit of its independence. As part of the function of the Audit Committee, the Supervisory Board approved the provision of services to auditors in connection with the issue of covered bonds.

### **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. A member of the Board of Directors cannot be a member of the company's Supervisory Board at the same time. The prior consent of the National Bank of Slovakia is required for the election or re-election of a member of the Board of Directors, otherwise the election is invalid.

#### **Election and removal of a member of the Board of Directors**

The member of the Board of Directors is elected by the Supervisory Board from the management of the company and other natural persons for a period of five years. The Supervisory Board may dismiss a member of the Board of Directors. The Chairman of the Board of Directors is appointed and removed by the Supervisory Board. A proposal for the election or removal of a member of the Board of Directors is submitted by a member of the Supervisory Board.

Along with the proposal to elect a member of the Board of Directors, the consent of the proposed person and all documents required by legal regulations for submission of a request for prior approval by the National Bank of Slovakia must also be submitted. 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 will forward the proposal to the Board of Directors, which will ensure the prior approval of 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 shall vote on the proposed candidates individually in the order they determine,
- 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.

In the event that two or more candidates for membership of the Board of Directors receive the same number of votes, the Chairman will have the casting vote.

Only a person who meets the criteria in accordance with the Banking Act or the Securities Act, in particular the criteria of integrity, education, incompatibility of functions, length of experience and management experience in banking or other financial area, may be elected a member of the Board of Directors.

#### **Competences of the Board of Directors**

The Board of Directors is the statutory body of the company, which 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 procurator shall act on behalf of the company. The Board of Directors manages the company in accordance with applicable le-

## 08. Corporate governance statement

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gal regulations and the interests of shareholders. It decides on all matters of the company, except those that fall within the competence of the General Assembly or the Supervisory Board, in particular:

- convenes and organizes the General Assembly, executes its resolutions
- submits to the Supervisory Board and subsequently to the General Assembly:
  - a) regular individual and extraordinary individual financial statements
  - b) proposal for profit distribution or loss compensation
  - c) a report on the company's business activities and the state of its assets as part of the annual report
  - d) annual report
- submits to the Supervisory Board for approval:
  - a) information on the fundamental intentions of the company's business management for the future, including the expected state of the company's assets, finances and revenues
  - b) information on all facts that may significantly affect the development of business activities or the state of the company's assets, in particular its liquidity
  - c) a written report on the state of business activities and the company's assets in comparison with the expected development within the period determined by the Supervisory Board
  - d) proposal for the appointment or removal of the head of the company's internal audit department and other employees, if so provided by legal regulations or internal regulations of the company
- grants and revokes powers of attorney for the company's representatives to act in specific cases, appoints and removes the company's procurators with the prior consent of the Supervisory Board and, with the consent of the Supervisory Board, grants and revokes general powers of attorney
- manages and coordinates senior employees determined by the company's internal regulations
- as top management, it is responsible for fulfilling the company's obligations under the Securities Act and other legal regulations
- adopts and regularly reviews the general principles of remuneration

- manages and ensures an effective risk management system.

### Activity and decision making

The activities of the Board of Directors are managed by the Chairman of the Board of Directors, and in his absence by an authorized member of the Board of Directors.

The Chairman of the Board of Directors convenes a meeting as required, at least once every three months. Extraordinary meetings are convened by the Chairman of the Board of Directors in cases where at least one member requests so. A meeting has a quorum when an absolute majority of the members of the Board of Directors is present. Each member has 1 vote with the same weight; the exception is voting, which results in equality of votes. In such a case, the Chairman of the Board of Directors has the casting vote. Minutes shall be taken of the meetings.

### Activity in 2021

In the course of 2021, 4 regular meetings of the Board of Directors were held, in which representatives of the supervisory body – the National Bank of Slovakia – were also allowed to participate. At its meetings, the Board of Directors dealt with all areas of the company's activities and took the necessary measures to ensure the proper functioning of the company.

In addition to the decisions made at these regular meetings, the Board of Directors adopted 39 decisions per rollam in 2021.

### Conflict of interests

A member of the Board of Directors may not:

- to conclude transactions in their own name or on their own account, which are related to business activities of the company
- to mediate the company's business for other persons
- to participate in the business of another company as a partner with unlimited liability

## 08. Corporate governance statement

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- to perform activities as a statutory body or a member of a statutory body or another body of another legal entity with a similar business object.

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

The liability of a member of the Board of Directors cannot be excluded or limited by agreement with the company.

### Advisory bodies

The Board of Directors' advisory role is performed by purposefully organized commissions composed of internal employees and members of the company's bodies, which are appointed to solve and assess problems requiring collective decision-making.

### Credit Committee, Credit Commission and Credit Board

They decide on the bank's active business, especially in the area of loan approval. The Credit Committee discusses credit cases approved by the Credit Commission and approves credit cases exceeding limits set internally. The credit commission decides, if the decision-making is not within the competence of the credit committee, in selected areas of the bank's active business, it also decides on the determination of the bank's procedure in resolving problem receivables. The Credit Board approves credit cases in accordance with the competencies set out in the interbank regulations.

### Risk Management Committee

The role of the Risk Management Committee is to determine the overall risk management strategy and to perform other tasks arising from the applicable legislation.

### ALCO Committee (Assets Liabilities Committee)

The role of the ALCO Committee is to manage liquidity, capital and financial risks in order to achieve an optimal structure of the bank's assets and liabilities at an acceptable level of profit and risk.

### Damage and Decommissioning Commission

An advisory body that is competent to assess and approve the disposal of unnecessary assets from the bank's assets (by liquidation, sale, donation), assess damages and decide on the method of their liquidation and their consequences and the amount of compensation to responsible employees.

### Product & Pricing Committee

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

- 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 in interest rates on products provided by the bank.

### 1.4. Statutes

The company's Board of Directors is responsible for ensuring that the company's articles of association comply with legal regulations.

The proposal for the amendment of the Articles of Association is authorized to be prepared by the Board of Directors or the shareholder of the company, who submits the proposal to the Board of Directors. In case of inaccuracies, the Board of Directors will notify the shareholder and invite him to correct the proposal. The Board of Directors is entitled to amend the proposal, while at the General Assembly it shall notify the shareholders of the amendment made to it. In the event that counter-proposals or amendments to the original proposal are submitted to the General Assembly, these counter-proposals and amendments shall be voted on first, in accordance with the order in which they were submitted. A two-third 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-third majority of the votes of the shareholders present is required for the approval of an amendment to the Articles of Association.

## **08. Corporate governance statement**

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tion. When deciding on an amendment to the Articles of Association, a notarial record must be prepared on the course of the General Assembly.

Consent of the National Bank of Slovakia is the condition for the validity and effectiveness of the amendment to the Articles of Association or the new Articles of Association. 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, for the accuracy of which it is responsible. Every amendment to the Articles of Association and the full wording of the Articles of Association must be filed in the Collection of Documents of the Commercial Register, at the National Bank of Slovakia and, where applicable, at other institutions in accordance with legal regulations.

### **2. Capital and shareholders of the company**

#### **2.1. Capital**

Registered capital of the company as of 31. 12. 2021 is 226,772,938 EUR and it is divided into a total of 177,474,538 registered shares, with:

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

The majority shareholder of the company is PENTA FINANCIAL SERVICES LIMITED, which as of 31.12.2021 owned 99.5508% of the shares. As of 31.12.2021 PENTA FINANCIAL SERVICES LIMITED and PENTA INVESTMENTS LIMITED and PENTA INVESTMENTS GROUP LIMITED (indirectly through a shareholding in PENTA FINANCIAL SERVICES LIMITED) are companies with a qualifying holding in the registered capital of the company.

With effect from 10.07.2019, the company's shares were no longer traded on the Bratislava Stock Exchange, a.s. This fact is related to the change of the company from a public joint-stock company to a private one. No shares of the company are traded on a regulated market.

#### **2.2. Shares**

The company can only issue book-entry registered shares. Their transfer takes place in accordance with the Securities Act with the Central Depository, which maintains a list of shareholders. The transferability of shares is not limited.

#### **2.3. Description of shareholders' rights and the procedure for exercising them**

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

- the right to a share in the profit (dividend), which the General Assembly determined for distribution in line with the economic result. This share is the ratio of the nominal value of the shareholder's shares to the nominal value of the company's share capital
- the right to inspect the minutes of the Supervisory Board meeting
- the right to a share in the liquidation balance upon the liquidation of the company
- the right to attend the General Assembly, vote at it, request information and explanations concerning the company's affairs or matters of third parties controlled by the company which are related to the subject matter of the General Assembly and to apply proposals on it
- the right to request from the Board of Directors at the General Assembly complete and truthful explanations and information related to the subject of the General Assembly. If the Board of Directors is unable to provide the shareholder with complete information at the General Assembly, or if the shareholder so requests at the General Assembly, the Board of Directors is obliged to provide it to the shareholder in writing no later than 15 days after the General Assembly. The Board of Directors sends written information to the shareholder at the address specified by him, otherwise it will provide it at the company's registered office.
- a shareholder or shareholders who have shares with a nominal value of at least 5% of the share capital may, in stating the reasons, request in writing that an extraordinary General Assembly be

## 08. Corporate governance statement

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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 agenda of the General Assembly; the General Assembly is obliged to discuss such a matter
- b) the supervisory board shall review the performance of the powers of the board of directors in specified matters
- c) the Board of Directors will claim on behalf of the company claims for the redemption of the issue price of shares against shareholders who are in arrears with its repayment or will claim the company's claims for reimbursement of the benefits paid by the company to shareholders in violation of legal regulations
- d) The Supervisory Board will assert claims for damages on behalf of the company, or other claims that the company has against members of the Board of Directors
- e) the supervisory board will claim on behalf of the company the right to repay the issue price of the shares if the company has subscribed for shares forming its share capital in violation of legal regulations
- f) The Supervisory Board shall assert on behalf of the company the claims that the company has against the members of the Board of Directors as guarantors pursuant to legal regulations.
- the right to demand the determination of the invalidity of the resolution of the General Assembly, if the shareholder attended the General Assembly and lodged a protest in the minutes of the General Assembly
- 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 regulated by the company's articles of association and legal regulations. Shareholders' voting rights are not limited. The Company is not aware of any agreements between shareholders that may lead to restrictions

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 carried out at all levels of the company's organizational structure and workplaces and includes process control, both direct and indirect, as well as non-process control. The internal control system helps to ensure in particular the following objectives:

- efficiency and economy of activities performed
- 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. Managers and executives are responsible for establishing, practice implementation, maintaining and improving the internal control system within the areas they manage.

Employees are responsible for the proper and efficient performance of their work with due professional care and prudence, in accordance with the company's ethical principles and objectives, and in accordance with internal regulations and applicable laws. An independent component of the internal control system is the Internal Audit Department, whose rights and obligations, in addition to those defined by law, are determined by the Supervisory Board. The Internal Audit Department provides an independent and objective assessment of the adequacy and effectiveness of the internal control system, and carries out its activities in all organizational units and processes of the company. The Internal Audit Department is independent in the performance of its control activities and is accountable to the Board of Directors and the Supervisory Board.

## **08. Corporate governance statement**

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The company follows the procedures of performing its banking activities and has established and maintains an effective risk management system. The Company regularly reviews its effectiveness and adequacy to take into account the Company's ability to take risks, and regularly adjusts its risk management system and the manner in which it is updated by internal regulations.

The risk management system includes the strategy and organization of risk and capital management, information flows and information system for risk management, the system of closing deals, the system for introducing new types of transactions and the system for assessing the adequacy of internal capital.

The Board of Directors has the ultimate responsibility for implementing the risk management system and for managing all of the company's risks. The Supervisory Board defines the framework of the company's general risk management policy. The company has established advisory bodies – committees in the field of risk management. The company also has divided responsibilities in the area of risk management and established procedures in the area of identification, measurement, follow up and monitoring and risk mitigation.

### **External audit**

In accordance with the valid legal regulations, the company is obliged to ensure the verification of the annual financial statements by the auditor and to prepare the auditor's reports in accordance with the requirements of the National Bank of Slovakia. At the same time, the company is obliged to notify the National Bank of Slovakia of the selection of the auditor approved by the General Assembly. The audit for 2021 was performed by Ernst & Young Slovakia, spol. s r.o., Žižkova 9, 811 02 Bratislava, ID: 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 control conditions that occurred in connection with the takeover bid and its effects**

The Company is not a party to any such agreements.

## 09. Social responsibility

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The key values, which are speed, simplicity and comprehensibility, professionalism and credibility, but especially fairness and transparency, are applied by Prima banka in all areas of its operation. At the same time, they are values of responsible business 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 clients clearly worded and clear products, without any additional conditions or hooks. 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. We act and do business ethically and transparently, we follow the Code of Ethics. Transparency, fairness and honesty are also our core values in upholding human rights and in the fight against any non-transparent conduct, corruption and bribery. We also take into account the principles of responsible business in ensuring regular procurement of goods and services, but also through the individual activities of our branches, which annually engage in cooperation with selected cities and municipalities in the implementation of their social and public benefit activities, such as sports events, city days, community days, children's days, etc. Even in the case of employee care, we try to go beyond standard care and, in addition to employee benefits and remuneration, our employees have the opportunity to participate in joint informal team meetings of individual departments and divisions twice a year, as well as the opportunity to participate once a year in the bank sports day in order to bring them the opportunity for sports, social and active activities.

The main risk in the area of social responsibility, which relates to the activities of the accounting unit, is the risk of legitimization of money coming from criminal activity, so-called 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 to all clients and the general public its clear position, which is zero tolerance

of money laundering and terrorist financing and strict adherence to all preventive measures set by regulations to combat money laundering.

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. We follow the principle of „know your client“ when concluding every business relationship with a client.

The Bank does not tolerate any form of anonymity in the business relationship with clients and does not perform client operations with funds whose origin is unclear or doubtful. An important line of protection against money laundering and terrorist financing is the first contact staff, who perform client identification and verification. Each planned trade is subject to an analysis, which includes an assessment of any unusualness. The employees of the first contact find out the necessary information about the clients in order to create a profile of the client, while knowing the indicators of unusualness they can evaluate the signs of unusual behaviour of clients and/or distinguish the unusual operation of the client. To support the protection of the bank against money laundering and terrorist financing, we also perform system monitoring of operations on all client accounts, the aim of which is to capture the unusual nature of the client's transaction. All unusual business operations are according to § 17 of Act c. 297/2008 Coll. reported to the Financial Intelligence Unit, with which we work closely.

At Prima banka, people who prefer values such as simplicity, clarity, fairness, transparency and credibility thrive. We apply the same values in the selection and development of our employees. We care about the principles of impartiality and equality, and we also give graduates a chance to start their careers and grow professionally in the fastest growing retail bank in Slovakia. We have set up a simple and intensive system of internal training, not only in the form of internal e-learning and managerial skills, but also in the form of practical education and training directly in the field - at our branches. We support skilled, capable and ambitious people in their

## 09. Social responsibility

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professional and personal development and give them space to move on to other interesting positions internally. We provide prospective colleagues with space for their professional growth, and thanks to this we still have a large part of managerial positions filled by internal employees who have moved to these positions 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.

It is a unique way of education, in which each headquarters 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. Thanks to the training set up in this way, the headquarters staff even better understand the needs of our clients and the work of our personal bankers, thanks to which they are subsequently able to work in their position even faster and more efficiently.

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- 10. Separate financial statements of the bank for 2021,  
including the report of the independent auditor**
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# **Separate Financial Statements**

## **For the Year Ended 31 December 2021**

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



## 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 2021, 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 a summary of significant accounting policies.

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 2021, 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.

**THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT**

### ***Adequacy of impairment provisions in compliance with IFRS 9***

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

The Bank performs an assessment of impairment provisions for defined portfolios of exposures. This requires significant judgment of the management regarding the identification of the significant change in credit risk, impairment triggers, probabilities of relevant scenarios for cash flow forecasts and the cash flow forecasts themselves, including collateral realization, all of which involves a high level of complexity due to the changing credit environment including Covid-19 potential impact on Bank's credit portfolio.

Due to the significance of loans to customers that are subject to impairment, representing 83% 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 involved credit risk specialists to assist in assessing the models, assumptions and completeness of data used by the Bank for the purposes of calculation of impairment provisions, including Covid-19 impact on forward looking information and all other assumptions underlying the probability of default and loss given default.

We performed analytical procedures on disaggregated data on development of the impairment provisions 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. In addition, on separate samples of individually significant credit exposures and individually non-significant credit exposures we have carried out substantive testing of their classification into risk categories, so-called 'staging'. For individually significant credit exposures classified in stages 2 and 3 we assessed accuracy of impairment provisions recognized by the Bank.

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. 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.



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### *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.
- 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.



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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 2021 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 2021 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 2021 in electronic XHTML format is expected to be made available to us after the date of this auditor's report.



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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*

#### Appointment of Auditor

We were appointed as the statutory auditor by the General Meeting of Shareholders of the Bank held on 29 April 2021. 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 3 years.

#### Consistence with Additional Report to Audit Committee

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 25<sup>th</sup> February 2022.

#### 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.

3 March 2022  
Bratislava, Slovak Republic

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

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

## I. FINANCIAL STATEMENTS

### Separate Statement of Financial Position

| <b>Assets</b>   | <b>Note</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------|-------------------|-------------------|
| Cash  |             | 64 890            | 67 790            |
| Financial assets at amortised cost, of which:                     | 1           | 5 217 412         | 4 416 502         |
| Balances with central banks                                       |             | 633 994           | 362 257           |
| Due from banks  |             | 11 741            | 2 927             |
| Loans and advances to customers                                   |             | 4 406 206         | 3 833 646         |
| Debt securities   |             | 165 471           | 217 672           |
| Financial assets held for trading - derivatives                   | 2           | 47                | 95                |
| Financial assets at fair value through profit or loss             | 3           | 2 166             | 1 595             |
| Financial assets at fair value through other comprehensive income | 4           | 2 185             | 1 647             |
| Non-current tangible assets                                       | 5           | 18 089            | 17 991            |
| Non-current intangible assets                                     | 6           | 1 529             | 1 742             |
| Deferred tax asset  | 7           | 9 088             | 9 382             |
| Other assets  | 8           | 15 814            | 14 654            |
| <b>Assets total</b>   |             | <b>5 331 220</b>  | <b>4 531 398</b>  |
| <b>Liabilities and equity</b>                                     |             |                   |                   |
| Financial liabilities at amortised cost, of which:                | 9           | 4 894 338         | 4 114 294         |
| Loans and deposits received from central banks                    |             | 0                 | 0                 |
| Due to banks  |             | 1 268             | 1 324             |
| Customer deposits   |             | 3 889 789         | 3 609 236         |
| Debt securities   |             | 1 003 281         | 503 734           |
| Liabilities from leasing  | 10          | 7 348             | 7 158             |
| Financial liabilities held for trading - derivatives              | 2           | 2                 | 0                 |
| Provisions and reserves   | 11          | 12 341            | 12 485            |
| Other liabilities   | 12          | 34 575            | 33 133            |
| <b>Liabilities total</b>  |             | <b>4 948 604</b>  | <b>4 167 070</b>  |
| Equity (except profit for the current year)                       |             | 364 614           | 346 804           |
| Profit/loss for the current year after tax                        |             | 18 002            | 17 524            |
| <b>Equity total</b>   | 13          | <b>382 616</b>    | <b>364 328</b>    |
| <b>Liabilities and equity total</b>                               |             | <b>5 331 220</b>  | <b>4 531 398</b>  |

The notes on pages 5 to 50 are an integral part of these separate financial statements. The separate financial statements were signed and authorised for issue on 3 March 2022:



**Jan Rollo**  
Chairman of management Board  
and General Director



**Henrieta Gahérová**  
Member of management Board  
and Chief Product Officer

## Separate Statement of Comprehensive Income

|  | Note      | 31.12.2021    | 31.12.2020    |
|--|-----------|---------------|---------------|
| Interest income  |           | 62 536        | 71 683        |
| Interest expense   |           | (14 674)      | (17 293)      |
| <b>Net interest margin</b>   | <b>14</b> | <b>47 862</b> | <b>54 390</b> |
| Fee and commission income  |           | 35 672        | 32 266        |
| Fee and commission expense   |           | (9 290)       | (6 990)       |
| <b>Net fee and commission income</b>   | <b>15</b> | <b>26 382</b> | <b>25 276</b> |
| Dividend income  |           | 30            | 45            |
| Net income from financial transactions                                       | 16        | 895           | 253           |
| Other operating income   | 17        | 1 315         | 263           |
| General administrative expenses  | 18        | (45 743)      | (52 570)      |
| Contributions to the Resolution Fund and Deposits protection Fund            | 19        | (2 908)       | (752)         |
| Depreciation and provisions for assets                                       | 20        | (4 361)       | (4 172)       |
| Net allocation to provisions   | 21        | (5 175)       | (5 159)       |
| <b>Result before tax</b>   |           | <b>18 297</b> | <b>17 574</b> |
| <b>Income tax</b>  | 22        | (295)         | (50)          |
| <b>Net result for the current period</b>                                     | <b>23</b> | <b>18 002</b> | <b>17 524</b> |
| <b>Other Comprehensive Income and Loss</b>                                   |           |               |               |
| <b>Items that may be reclassified to the income statement</b>                |           |               |               |
| Financial assets available for sale  |           | 59            | 686           |
| Cash flow hedge  |           | 0             | (102)         |
| <b>Items that can not be reclassified to the income statement</b>            |           |               |               |
| Equity instruments valued at fair value through another comprehensive income |           | 228           | 199           |
| <b>Total</b>   | <b>13</b> | <b>287</b>    | <b>783</b>    |
| <b>Comprehensive income total</b>  |           | <b>18 289</b> | <b>18 307</b> |
| Net profit per share (face value of € 399) in €                              |           | 31.674        | 30.833        |
| Net profit per share (face value of € 67) in €                               |           | 5.319         | 5.177         |
| Net profit per share (face value of € 5) in €                                |           | 0.397         | 0.386         |
| Net profit per share (face value of € 1) in €                                |           | 0.079         | 0.077         |

## Separate Statement of Cash Flows

|  | 31.12.2021       | 31.12.2020      |
|--|------------------|-----------------|
| <b>Cash flows from operating activities</b>  |                  |                 |
| Profit before tax  | 18 297           | 17 574          |
| Adjustment:  |                  |                 |
| Depreciation and amortisation  | 4 362            | 4 172           |
| Profit/(Loss) from sale of non-current tangible and intangible assets                              | (1 153)          | (175)           |
| Profit/(Loss) of revaluation on financial assets at fair value through profit or loss              | (557)            | (142)           |
| Profit/(Loss) of revaluation on financial assets for trading                                       | 59               | 686             |
| Profit/(Loss) of revaluation on financial assets held for trading - derivatives                    | 49               | 8               |
| Profit/(Loss) of revaluation on securing derivatives   | 0                | (102)           |
| Profit of revaluation on financial assets at fair value through other comprehensive income         | (324)            | 199             |
| Proceeds from shares and equity interests  | 0                | (45)            |
| Interest expense   | 14 692           | 17 293          |
| Interest income  | (62 508)         | (71 683)        |
| Provisions and reserves for losses, net  | 7 716            | 5 523           |
| Net profit on written off receivables  | (2 199)          | (2 026)         |
| Net profit off postponed assets  | 0                | 0               |
| Other non-cash transactions  | (239)            | (1 890)         |
| <b>Net cash flows from operating activities before changes in operating assets and liabilities</b> | <b>(21 805)</b>  | <b>(30 608)</b> |
| <b>Changes in operating assets</b>   |                  |                 |
| Due to the NBS   | (280 134)        | (17 761)        |
| Interbank loans and advances   | 333              | 694             |
| Loans and advances to customers  | (589 428)        | (397 415)       |
| Other assets   | (1 161)          | 7 524           |
| <b>Changes in operating liabilities</b>  |                  |                 |
| Loans received from the central banks, due to other banky  | (55)             | (19 976)        |
| Customer deposits  | 277 516          | 355 448         |
| Other liabilities  | 1 562            | 1 113           |
| Interest paid  | (11 489)         | (15 252)        |
| Interest received  | 73 572           | 70 450          |
| <b>Net cash flows from operating activities</b>  | <b>(551 090)</b> | <b>(45 783)</b> |
| <b>Cash flows from investment activities</b>   |                  |                 |
| Purchase of non-current tangible and intangible assets   | (1 930)          | (618)           |
| Proceeds from sale of non-current tangible and intangible assets                                   | 1 370            | 652             |
| Proceeds from financial assets at amortised cost – debt securities                                 | 80 000           | 51 000          |
| Cash outflows related to financial assets at amortised cost – debt securities                      | (27 659)         | (40 000)        |
| Proceeds from postponed assets   | 0                | 0               |
| Proceeds from shares and equity interests  | 0                | 45              |
| <b>Net cash flows from investment activities</b>   | <b>51 781</b>    | <b>11 079</b>   |
| <b>Cash flows from financial activities</b>  |                  |                 |
| Proceed from bonds issued  | 500 836          | 0               |
| Repayment of the bonds issued  | (1 456)          | 0               |
| Repayment of leasing liabilities   | (2 223)          | (1 947)         |
| <b>Net cash flows from financing activities</b>  | <b>497 157</b>   | <b>(1 947)</b>  |
| Net increase/(decrease) in cash flows  | (2 151)          | (36 651)        |
| Cash and cash equivalents as the beginning of year (Note 24)                                       | 93 992           | 130 644         |
| Cash and cash equivalents as the end of year (Note 24)   | 91 841           | 93 993          |

**Separate Statement of Changes in Equity**

|  | Share capital  | Share premium funds | Legal Reserve Fund | Other capital funds | Revaluation reserves | Profit/loss from previous years | current year  | Equity total   |
|--|----------------|---------------------|--------------------|---------------------|----------------------|---------------------------------|---------------|----------------|
| <b>1.1.2020</b>  | <b>226 773</b> | <b>71 190</b>       | <b>6 439</b>       | <b>54 078</b>       | <b>1 349</b>         | <b>(30 868)</b>                 | <b>17 060</b> | <b>346 021</b> |
| Distribution/settlement of profit from previous years        |                |                     | 1 706              |                     |                      | 15 354                          | (17 060)      | 0              |
| Results for the year 2020                                    |                |                     |                    |                     |                      |                                 | 17 524        | 17 524         |
| Reclassification from OCI to retained earnings               |                |                     |                    |                     | (2 268)              | 2 268                           |               | 0              |
| Profit on revaluation of available-for-sale financial assets |                |                     |                    |                     | 686                  |                                 |               | 686            |
| Cash flow hedge  |                |                     |                    |                     | (102)                |                                 |               | (102)          |
| Revaluation of equity instruments                            |                |                     |                    |                     | 199                  |                                 |               | 199            |
| <b>31.12.2020</b>  | <b>226 773</b> | <b>71 190</b>       | <b>8 145</b>       | <b>54 078</b>       | <b>(136)</b>         | <b>(13 246)</b>                 | <b>17 524</b> | <b>364 328</b> |
| <b>1.1.2021</b>  | <b>226 773</b> | <b>71 190</b>       | <b>8 145</b>       | <b>54 078</b>       | <b>(136)</b>         | <b>(13 246)</b>                 | <b>17 524</b> | <b>364 328</b> |
| Distribution/settlement of profit from previous years        |                |                     | 1 752              |                     |                      | 15 772                          | (17 524)      | 0              |
| Results for the year 2021                                    |                |                     |                    |                     |                      |                                 | 18 002        | 18 002         |
| Profit on revaluation of available-for-sale financial assets |                |                     |                    |                     | 59                   |                                 |               | 59             |
| Revaluation of equity instruments                            |                |                     |                    |                     | 227                  |                                 |               | 227            |
| <b>31.12.2021</b>  | <b>226 773</b> | <b>71 190</b>       | <b>9 897</b>       | <b>54 078</b>       | <b>151</b>           | <b>2 525</b>                    | <b>18 002</b> | <b>382 616</b> |

## 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 121 branches as at 31 December 2021 (31 December 2020: 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  
Peter Novák

##### 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 % |               |
|--|-----------------------------|---------------|
|  | 31.12.2021                  | 31.12.2020    |
| Penta Financial Services Limited, Cyprus | 99,55                       | 99,55         |
| Shareholders under 1%                    | 0,45                        | 0,45          |
| <b>Total</b>                             | <b>100,00</b>               | <b>100,00</b> |

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 ultimate 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. The consolidated financial statements are available at PENTA INVESTMENTS LIMITED, Cyprus.

### 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 2021 and 31 December 2020 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

31.12.2021

| Average number of employees, of which: | 787 |
|--|-----|
| Average number of managers             | 6   |

As at 31 December 2021, Prima banka had 786 employees (31 December 2020: 821).

## 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 2020) were approved and authorised for issue on 3 March 2021 and subsequently approved on 29 April 2021 by the General Meeting.

### Basis of Presentation

The separate financial statements of the Bank (the "financial statements") for the year ended 31 December 2021 and comparative data for the year ended 31 December 2020 have been prepared in accordance with IFRS as adopted by the European Union (the "EU") in Commission Regulation (EC) 1126/2008, and current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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

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

### 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 2020 as adopted by the European Union ('EU') that are relevant to the Bank's operations:

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

Adoption of the following standards, which apply for the first time in 2021, did not have any impact on the accounting policies, financial position or performance of the Bank:

- **IFRS 16 "Leases" – Covid-19-Related Rent Concessions beyond 30 June 2021**, measurement and subsequent measurement (lessee shall apply that amendment for annual reporting periods beginning on or after 1 April 2021, earlier application is permitted);
- **Amendments related to Interest Rate Benchmark Reform**, amendments to IAS 39 „Financial Instruments: Recognition and Measurement“, IFRS 4 „ Insurance contracts “, IFRS 7 „ Financial Instruments: Disclosures “, IFRS 9 „Financial Instruments“ a IFRS 16 „Leases“ adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2020 or later)

### Standards 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:

- **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 16 „Property, Plant and Equipment“ – Elements of cost and Disclosure, IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous contracts (effective for annual periods beginning on or after 1 January 2022 or later).
- **Improvements to IFRS 1 „First-time Adopting of International Reporting standards“, IFRS 3 „Business Combinations“ and IFRS 9 „Financial Instruments“** (effective for annual periods beginning on or after 1 January 2022 or later).

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

### **Interest Rate Benchmark Reform**

The reform has no impact as no products are linked to EIONIA, resp. IBOR (exception of EURIBOR which is still in use).

### **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).

##### Business model assessment

- 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.

#### Significant increase in credit risk

The assessment of significance comprises future-focused information and is always performed as at the reporting date. Receivables in portfolios measured solely using statistical models are classified in stage 2 if the 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.

#### Defaulted financial assets

A financial asset is in default if:

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

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

#### Probability of default

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

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#### 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.

## **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:

|                                     | <b>Depreciation/Amortisation Period<br/>in Years</b> |
|-------------------------------------|--|
| 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 previously used 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.

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

## 4. Significant Accounting Estimates

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

### Fair Value of Financial Instruments

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

### Provisions for Loans to Customers

As discussed in the paragraphs of Chapter 3 above, and as described in detail in Notes 1 and 20, 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 2021.

### Deferred Tax Asset

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

### Provision for Litigation Claims

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

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

## 5. Notes to the Financial Statements

### 1. Financial Assets at Amortised Cost

#### Gross book value and provisions

| 31.12.2021   | Gross Carrying Amount |                  |               |               |
|--|-----------------------|------------------|---------------|---------------|
|  | Total                 | Stage 1          | Stage 2       | Stage 3       |
| <b>Financial assets at amortised cost, of which:</b> |                       |                  |               |               |
| <b>Balances with central banks</b>                   | <b>633 994</b>        | <b>633 994</b>   | 0             | 0             |
| Current accounts                                     | 15 210                | 15 210           | 0             | 0             |
| Compulsory minimum reserves                          | 618 784               | 618 784          | 0             | 0             |
| <b>Due from banks</b>                                | <b>11 741</b>         | <b>11 741</b>    | 0             | 0             |
| <b>Loans and advances to customers*</b> , of which:  | <b>4 549 918</b>      | <b>4 378 657</b> | <b>94 724</b> | <b>76 537</b> |
| Public administration                                | 139 582               | 138 157          | 1 147         | 278           |
| Retail clients                                       | 4 016 180             | 3 965 706        | 24 730        | 25 744        |
| of which: Individuals                                | 3 904 876             | 3 856 502        | 24 692        | 23 682        |
| Other clients  | 394 156               | 274 794          | 68 847        | 50 515        |
| <b>Debt securities, of which:</b>                    | <b>166 993</b>        | <b>166 993</b>   | <b>0</b>      | <b>0</b>      |
| Banks  | 10 032                | 10 032           | 0             | 0             |
| Public administration                                | 96 576                | 96 576           | 0             | 0             |
| Other clients  | 60 385                | 60 385           | 0             | 0             |
| <b>Total</b>   | <b>5 362 646</b>      | <b>5 191 385</b> | <b>94 724</b> | <b>76 537</b> |
| Provisions- Loans and advances to customers          | (143 712)             | (51 168)         | (22 476)      | (70 068)      |
| Provisions- Debt securities                          | (1 522)               | (1 522)          | 0             | 0             |
| <b>Net carrying amount</b>                           | <b>5 217 412</b>      | <b>5 138 695</b> | <b>72 248</b> | <b>6 469</b>  |

| 31.12.2020   | Gross Carrying Amount |                  |               |               |
|--|-----------------------|------------------|---------------|---------------|
|  | Total                 | Stage 1          | Stage 2       | Stage 3       |
| <b>Financial assets at amortised cost, of which:</b> |                       |                  |               |               |
| <b>Balances with central banks</b>                   | <b>362 257</b>        | <b>362 257</b>   | 0             | 0             |
| Current accounts                                     | 23 606                | 23 606           | 0             | 0             |
| Compulsory minimum reserves                          | 338 651               | 338 651          | 0             | 0             |
| <b>Due from banks</b>                                | <b>2 927</b>          | <b>2 927</b>     | <b>0</b>      | <b>0</b>      |
| <b>Loans and advances to customers*</b> , of which:  | <b>3 977 223</b>      | <b>3 819 384</b> | <b>65 113</b> | <b>92 726</b> |
| Public administration                                | 130 506               | 129 415          | 875           | 216           |
| Retail clients                                       | 3 341 202             | 3 276 489        | 28 780        | 35 933        |
| of which: Individuals                                | 3 224 241             | 3 162 543        | 28 648        | 33 050        |
| Other clients  | 505 515               | 413 480          | 35 458        | 56 577        |
| <b>Debt securities, of which:</b>                    | <b>220 632</b>        | <b>200 552</b>   | <b>20 080</b> | <b>0</b>      |
| Banks  | 10 021                | 10 021           | 0             | 0             |
| Public administration                                | 150 356               | 150 356          | 0             | 0             |
| Other clients  | 60 255                | 40 175           | 20 080        | 0             |
| <b>Total</b>   | <b>4 563 039</b>      | <b>4 385 120</b> | <b>85 193</b> | <b>92 726</b> |
| Provisions- Loans and advances to customers          | (143 577)             | (41 129)         | (17 758)      | (84 690)      |
| Provisions- Debt securities                          | (2 960)               | (581)            | (2 379)       | 0             |
| <b>Net carrying amount</b>                           | <b>4 416 502</b>      | <b>4 343 410</b> | <b>65 056</b> | <b>8 036</b>  |

\*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.

### Loans and advances gross book value

| Loans and advances to customers | 1.1.2021         | 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 | 31.12.2021       |
|---------------------------------|------------------|--|---|--|--------------------------|-----------------|------------------|
| <b>Level 1</b>                  | <b>3 819 384</b> | <b>1 475 906</b>                               | <b>(711 370)</b>                            | <b>(163 111)</b>                         | <b>(42 153)</b>          | <b>0</b>        | <b>4 378 656</b> |
| Public administration           | 129 415          | 28 118   | (9 106)                                     | (10 339)                                 | 69                       | 0               | 138 157          |
| Retail clients                  | 3 276 489        | 1 316 227                                      | (480 038)                                   | (143 715)                                | (3 221)                  | (37)            | 3 965 705        |
| Other clients                   | 413 480          | 131 561  | (222 226)                                   | (9 057)                                  | (39 001)                 | 37              | 274 794          |
| <b>Level 2</b>                  | <b>65 113</b>    | <b>2 518</b>                                   | <b>(9 559)</b>                              | <b>(3 504)</b>                           | <b>40 156</b>            | <b>0</b>        | <b>94 724</b>    |
| Public administration           | 875              | 546  | (20)  | (96)                                     | (158)                    | 0               | 1 147            |
| Retail clients                  | 28 780           | 1 954  | (5 677)                                     | (1 598)                                  | 1 278                    | (7)             | 24 730           |
| Other clients                   | 35 458           | 18   | (3 862)                                     | (1 810)                                  | 39 036                   | 7               | 68 847           |
| <b>Level 3</b>                  | <b>92 726</b>    | <b>486</b>                                     | <b>(14 244)</b>                             | <b>(4 428)</b>                           | <b>1 997</b>             | <b>0</b>        | <b>76 538</b>    |
| Public administration           | 216              | 0  | 0   | (27)                                     | 89                       | 0               | 278              |
| Retail clients                  | 35 933           | 414  | (10 397)                                    | (2 149)                                  | 1 943                    | 0               | 25 744           |
| Other clients                   | 56 577           | 72   | (3 847)                                     | (2 252)                                  | (35)                     | 0               | 50 515           |
| <b>Total</b>                    | <b>3 977 222</b> | <b>1 478 910</b>                               | <b>(735 172)</b>                            | <b>(171 043)</b>                         | <b>0</b>                 | <b>0</b>        | <b>4 549 918</b> |

| Loans and advances to customers | 1.1.2020         | 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 | 31.12.2020       |
|---------------------------------|------------------|--|---|--|--------------------------|-----------------|------------------|
| <b>Level 1</b>                  | <b>3 418 389</b> | <b>944 118</b>                                 | <b>(387 699)</b>                            | <b>(137 823)</b>                         | <b>(17 601)</b>          | <b>0</b>        | <b>3 819 384</b> |
| Public administration           | 141 887          | 29 044   | (26 112)                                    | (15 404)                                 | 0                        | 0               | 129 415          |
| Retail clients                  | 2 902 695        | 871 798  | (350 552)                                   | (129 883)                                | (17 569)                 | 0               | 3 276 489        |
| Other clients                   | 373 807          | 43 276   | (11 035)                                    | 7 464                                    | (32)                     | 0               | 413 480          |
| <b>Level 2</b>                  | <b>61 067</b>    | <b>2 610</b>                                   | <b>(8 417)</b>                              | <b>(2 067)</b>                           | <b>11 919</b>            | <b>0</b>        | <b>65 113</b>    |
| Public administration           | 209              | 173  | 0   | (36)                                     | 529                      | 0               | 875              |
| Retail clients                  | 18 535           | 959  | (1 374)                                     | (813)                                    | 11 473                   | 0               | 28 780           |
| Other clients                   | 42 323           | 1 478  | (7 042)                                     | (1 218)                                  | (83)                     | 0               | 35 458           |
| <b>Level 3</b>                  | <b>108 254</b>   | <b>1 539</b>                                   | <b>(18 542)</b>                             | <b>(4 208)</b>                           | <b>5 682</b>             | <b>0</b>        | <b>92 726</b>    |
| Public administration           | 1 060            | 0  | (220)                                       | (94)                                     | (529)                    | 0               | 216              |
| Retail clients                  | 41 857           | 421  | (10 616)                                    | (1 825)                                  | 6 096                    | 0               | 35 933           |
| Other clients                   | 65 338           | 1 119  | (7 705)                                     | (2 289)                                  | 115                      | 0               | 56 577           |
| <b>Total</b>                    | <b>3 587 710</b> | <b>948 267</b>                                 | <b>(414 657)</b>                            | <b>(144 098)</b>                         | <b>0</b>                 | <b>0</b>        | <b>3 977 222</b> |

### Gross book value transfers between levels

| Loans and advances to customers | 31.12.2021      |                 |                 | 31.12.2020      |                 |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                 | Move to level 1 | Move to level 2 | Move to level 3 | Move to level 1 | Move to level 2 | Move to level 3 |
| <b>Level 1</b>                  | <b>18 902</b>   | <b>(58 569)</b> | <b>(2 486)</b>  | <b>7 971</b>    | <b>(21 231)</b> | <b>(4 341)</b>  |
| Public administration           | 328             | (170)           | (89)            | 0               | 0               | 0               |
| Retail clients                  | 18 406          | (19 230)        | (2 397)         | 7 918           | (21 152)        | (4 335)         |
| Other clients                   | 168             | (39 169)        | 0               | 53              | (79)            | (6)             |
| <b>Level 2</b>                  | <b>(18 789)</b> | <b>60 662</b>   | <b>(1 717)</b>  | <b>(7 971)</b>  | <b>23 690</b>   | <b>(3 801)</b>  |
| Public administration           | (328)           | 170             | 0               | 0               | 529             | 0               |
| Retail clients                  | (18 293)        | 21 280          | (1 709)         | (7 918)         | 23 075          | (3 684)         |
| Other clients                   | (168)           | 39 212          | (8)             | (53)            | 86              | (117)           |
| <b>Level 3</b>                  | <b>(113)</b>    | <b>(2 093)</b>  | <b>4 203</b>    | <b>0</b>        | <b>(2 459)</b>  | <b>8 142</b>    |
| Public administration           | 0               | 0               | 89              | 0               | (529)           | 0               |
| Retail clients                  | (113)           | (2 050)         | 4 106           | 0               | (1 923)         | 8 019           |
| Other clients                   | 0               | (43)            | 8               | 0               | (7)             | 123             |

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.

### Provisions for loans and advances to customers

| Provisions for loans and advances to customers | 1.1.2021         | 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 | Exchange rate differences | Decrease in proviso due to depreciation | 31.12.2021       |
|--|------------------|--|---|--|--------------------------|---------------------------|---|------------------|
| <b>Stage 1</b>                                 | <b>(41 129)</b>  | <b>(17 161)</b>                                | <b>9 543</b>                                | <b>(16 133)</b>                          | <b>13 714</b>            | <b>0</b>                  | <b>0</b>                                | <b>(51 166)</b>  |
| Public administration                          | (5)              | (21)   | 0   | (86)                                     | 79                       | 0                         | 0                                       | (33)             |
| Retail clients                                 | (34 863)         | (13 385)                                       | 6 276                                       | (8 850)                                  | 8 594                    | (10)                      | 0                                       | (42 238)         |
| Other clients                                  | (6 261)          | (3 755)  | 3 267                                       | (7 197)                                  | 5 041                    | 10                        | 0                                       | (8 895)          |
| <b>Stage 2</b>                                 | <b>(17 758)</b>  | <b>(944)</b>                                   | <b>2 748</b>                                | <b>4 838</b>                             | <b>(11 361)</b>          | <b>2</b>                  | <b>0</b>                                | <b>(22 475)</b>  |
| Public administration                          | (175)            | (109)  | 4   | 85                                       | (34)                     | 0                         | 0                                       | (229)            |
| Retail clients                                 | (9 096)          | (821)  | 1 847                                       | 5 152                                    | (6 263)                  | 2                         | 0                                       | (9 179)          |
| Other clients                                  | (8 487)          | (14)   | 897   | (399)                                    | (5 064)                  | 0                         | 0                                       | (13 067)         |
| <b>Stage 3</b>                                 | <b>(84 690)</b>  | <b>(434)</b>                                   | <b>4 407</b>                                | <b>4 127</b>                             | <b>(2 351)</b>           | <b>4</b>                  | <b>8 866</b>                            | <b>(70 071)</b>  |
| Public administration                          | (108)            | 0  | 0   | 13                                       | (44)                     | 0                         | 0                                       | (139)            |
| Retail clients                                 | (27 916)         | (362)  | 2 892                                       | 1 762                                    | (2 331)                  | 4                         | 6 534                                   | (19 417)         |
| Other clients                                  | (56 666)         | (72)   | 1 515                                       | 2 352                                    | 24                       | 0                         | 2 332                                   | (50 515)         |
| <b>Total</b>                                   | <b>(143 577)</b> | <b>(18 539)</b>                                | <b>16 698</b>                               | <b>(7 169)</b>                           | <b>2</b>                 | <b>6</b>                  | <b>8 866</b>                            | <b>(143 712)</b> |

| Provisions for loans and advances to customers | 1.1.2020         | 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 | Exchange rate differences | Decrease in proviso due to depreciation | 31.12.2020       |
|--|------------------|--|---|--|--------------------------|---------------------------|---|------------------|
| <b>Stage 1</b>                                 | <b>(39 851)</b>  | <b>(10 891)</b>                                | <b>5 088</b>                                | <b>(5 474)</b>                           | <b>10 000</b>            | <b>0</b>                  | <b>0</b>                                | <b>(41 129)</b>  |
| Public administration                          | (7)              | (1)  | 0   | 3  | 0                        | 0                         | 0                                       | (5)              |
| Retail clients                                 | (31 418)         | (10 238)                                       | 4 766                                       | (7 948)                                  | 9 985                    | (10)                      | 0                                       | (34 863)         |
| Other clients                                  | (8 427)          | (652)  | 322   | 2 471                                    | 15                       | 10                        | 0                                       | (6 261)          |
| <b>Stage 2</b>                                 | <b>(12 596)</b>  | <b>(884)</b>                                   | <b>1 223</b>                                | <b>(598)</b>                             | <b>(4 902)</b>           | <b>0</b>                  | <b>0</b>                                | <b>(17 758)</b>  |
| Public administration                          | 0                | (35)   | 0   | (35)                                     | (106)                    | 0                         | 0                                       | (175)            |
| Retail clients                                 | (4 480)          | (379)  | 332   | 335                                      | (4 904)                  | 0                         | 0                                       | (9 096)          |
| Other clients                                  | (8 117)          | (471)  | 891   | (898)                                    | 108                      | 0                         | 0                                       | (8 487)          |
| <b>Stage 3</b>                                 | <b>(97 427)</b>  | <b>(1 531)</b>                                 | <b>4 255</b>                                | <b>2 746</b>                             | <b>(5 098)</b>           | <b>9</b>                  | <b>12 357</b>                           | <b>(84 690)</b>  |
| Public administration                          | (737)            | 0  | 220   | 303                                      | 106                      | 0                         | 0                                       | (108)            |
| Retail clients                                 | (33 550)         | (413)  | 2 878                                       | 1 886                                    | (5 081)                  | 9                         | 6 355                                   | (27 916)         |
| Other clients                                  | (63 141)         | (1 118)  | 1 157                                       | 557                                      | (123)                    | 0                         | 6 002                                   | (56 666)         |
| <b>Total</b>                                   | <b>(149 874)</b> | <b>(13 306)</b>                                | <b>10 566</b>                               | <b>(3 326)</b>                           | <b>0</b>                 | <b>9</b>                  | <b>12 357</b>                           | <b>(143 577)</b> |

### Provisions transfer between levels

| Provisions for loans and advances to customers | 31.12.2021      |                 |                 | 31.12.2020      |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Move to level 1 | Move to level 2 | Move to level 3 | Move to level 1 | Move to level 2 | Move to level 3 |
| <b>Stage 1</b>                                 | <b>(504)</b>    | <b>12 465</b>   | <b>1 752</b>    | <b>(99)</b>     | <b>7 380</b>    | <b>2 719</b>    |
| Public administration                          | 0               | 34              | 44              | 0               | 0               | 0               |
| Retail clients                                 | (466)           | 7 354           | 1 708           | (96)            | 7 369           | 2 713           |
| Other clients                                  | (38)            | 5 077           | 0               | (3)             | 11              | 6               |
| <b>Stage 2</b>                                 | <b>501</b>      | <b>(13 068)</b> | <b>1 206</b>    | <b>99</b>       | <b>(7 599)</b>  | <b>2 599</b>    |
| Public administration                          | 0               | (34)            | 0               | 0               | (106)           | 0               |
| Retail clients                                 | 463             | (7 924)         | 1 198           | 96              | (7 481)         | 2 482           |
| Other clients                                  | 38              | (5 110)         | 8               | 3               | (12)            | 117             |
| <b>Stage 3</b>                                 | <b>3</b>        | <b>603</b>      | <b>(2 958)</b>  | <b>0</b>        | <b>219</b>      | <b>(5 318)</b>  |
| Public administration                          | 0               | 0               | (44)            | 0               | 106             | 0               |
| Retail clients                                 | 3               | 571             | (2 906)         | 0               | 113             | (5 195)         |
| Other clients                                  | 0               | 32              | (8)             | 0               | 0               | (123)           |

### Provisions for debt securities

| Debt securities | 1.1.2021       | 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 | 31.12.2021     |
|-----------------|----------------|--|---|--|--------------------------|---|----------------|
| Stage 1         | (582)          | 0  | 0   | 76                                       | (1 016)                  | 0   | (1 522)        |
| Stage 2         | (2 378)        | 0  | 0   | 1 362                                    | 1 016                    | 0   | 0              |
| Stage 3         | 0              | 0  | 0   | 0  | 0                        | 0   | 0              |
| <b>Total</b>    | <b>(2 960)</b> | <b>0</b>                                       | <b>0</b>                                    | <b>1 438</b>                             | <b>0</b>                 | <b>0</b>                                  | <b>(1 522)</b> |

| Debt securities | 1.1.2020       | 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 | 31.12.2020     |
|-----------------|----------------|--|---|--|--------------------------|---|----------------|
| Stage 1         | 0              | (582)  | 0   | 0  | 0                        | 0   | (582)          |
| Stage 2         | (2 113)        | 0  | 0   | (265)                                    | 0                        | 0   | (2 378)        |
| Stage 3         | 0              | 0  | 0   | 0  | 0                        | 0   | 0              |
| <b>Total</b>    | <b>(2 113)</b> | <b>(582)</b>                                   | <b>0</b>                                    | <b>(265)</b>                             | <b>0</b>                 | <b>0</b>                                  | <b>(2 960)</b> |

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

|  | 31.12.2021       | 31.12.2020       |
|--|------------------|------------------|
| <b>Balances with central banks</b>     | <b>633 994</b>   | <b>362 257</b>   |
| Slovak Republic                        | 633 994          | 362 257          |
| <b>Due from banks</b>                  | <b>11 741</b>    | <b>2 927</b>     |
| Slovak Republic                        | 10 010           | 5                |
| EU Member States                       | 1 731            | 2 592            |
| Other countries                        | 0                | 330              |
| <b>Loans and advances to customers</b> | <b>4 406 206</b> | <b>3 833 646</b> |
| Slovak Republic                        | 4 292 026        | 3 635 591        |
| EU Member States                       | 114 008          | 197 977          |
| Other countries                        | 172              | 78               |
| <b>Debt securities</b>                 | <b>165 471</b>   | <b>217 672</b>   |
| Slovak Republic                        | 98 740           | 127 817          |
| EU Member States                       | 66 731           | 89 855           |
| <b>Total</b>                           | <b>5 217 412</b> | <b>4 416 502</b> |

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

|  | 31.12.2021       | 31.12.2020       |
|--|------------------|------------------|
| <b>Balances with central banks</b>     | <b>633 994</b>   | <b>362 257</b>   |
| In euro                                | 633 994          | 362 257          |
| <b>Due from banks</b>                  | <b>11 741</b>    | <b>2 927</b>     |
| In euro                                | 10 875           | 1 003            |
| In foreign currencies                  | 866              | 1 924            |
| <b>Loans and advances to customers</b> | <b>4 406 206</b> | <b>3 833 646</b> |
| In euro                                | 4 406 206        | 3 833 646        |
| In foreign currencies                  | 0                | 0                |
| <b>Debt securities</b>                 | <b>165 471</b>   | <b>217 672</b>   |
| In euro                                | 161 846          | 214 264          |
| In foreign currencies                  | 3 625            | 3 408            |
| <b>Total</b>                           | <b>5 217 412</b> | <b>4 416 502</b> |

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

## 2. Financial Derivatives – assets and liabilities

| Assets  | 31.12.2021    |               | 31.12.2020    |               |
|---|---------------|---------------|---------------|---------------|
|   | Fair Value    | Nominal Value | Fair Value    | Nominal Value |
| Financial Assets for trading - derivatives      |               |               |               |               |
| currency derivatives                            | 47            | 15 580        | 95            | 11 460        |
| <b>Total Assets</b>                             | <b>47</b>     | <b>15 580</b> | <b>95</b>     | <b>11 460</b> |
| Liabilities                                     | Fair Value    |               | Fair Value    |               |
|   | Nominal Value |               | Nominal Value |               |
| Financial Liabilities for trading - derivatives |               |               |               |               |
| currency derivatives                            | 2             | 15 539        | 0             | 11 370        |
| <b>Total Liabilities</b>                        | <b>2</b>      | <b>15 539</b> | <b>0</b>      | <b>11 370</b> |

The residual maturity of derivatives at nominal value is presented in Note 26.

## 3. Financial Assets at Fair Value through profit or loss

| Name           | 31.12.2021   |  | 31.12.2020   |  |
|----------------|--------------|--|--------------|--|
|                | Fair value   |  | Fair Value   |  |
| Visa Inc., USA | 2 166        |  | 1 595        |  |
| <b>Total</b>   | <b>2 166</b> |  | <b>1 595</b> |  |

## 4. Financial Assets at Fair Value through Other Comprehensive Income

| Name                    | 31.12.2021   |  | 31.12.2020   |  |
|-------------------------|--------------|--|--------------|--|
|                         | Fair Value   |  | Fair Value   |  |
| SWIFT LA HULPE, Belgium | 23           |  | 16           |  |
| Visa Inc., USA          | 2 162        |  | 1 631        |  |
| <b>Total</b>            | <b>2 185</b> |  | <b>1 647</b> |  |

In its portfolio of financial assets at fair value through other comprehensive income, the Bank records equity securities – equity shares and other shares in a total amount of € 2 185 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 2021:

|  | 1.1.2021        | Increase       | Decrease       | Other movements | 31.12.2021      |
|--|-----------------|----------------|----------------|-----------------|-----------------|
| Land, buildings and structures                                     | 41 794          | 473            | (2 266)        | (2)             | 39 999          |
| Information technologies   | 9 377           | 881            | (1 299)        | 0               | 8 959           |
| Other non-current tangible assets                                  | 18 354          | 548            | (1 636)        | (112)           | 17 154          |
| Leasing  | 11 302          | 2 377          | (132)          | (5)             | 13 542          |
| <b>Non-current tangible assets</b>                                 | <b>80 827</b>   | <b>4 279</b>   | <b>(5 333)</b> | <b>(119)</b>    | <b>79 654</b>   |
| Accumulated depreciation and provisions - buildings and structures | (31 992)        | (1 177)        | 2 001          | 0               | (31 168)        |
| Accumulated depreciation – information technologies                | (9 187)         | (185)          | 1 299          | 0               | (8 073)         |
| Accumulated depreciation - other non-current tangible assets       | (17 452)        | (257)          | 1 632          | 0               | (16 077)        |
| Accumulated depreciation - Leasing                                 | (4 205)         | (2 179)        | 137            | 0               | (6 247)         |
| <b>Accumulated depreciation and provisions</b>                     | <b>(62 836)</b> | <b>(3 798)</b> | <b>5 069</b>   | <b>0</b>        | <b>(61 565)</b> |
| <b>Net book value</b>  | <b>17 991</b>   | <b>481</b>     | <b>(264)</b>   | <b>(119)</b>    | <b>18 089</b>   |

Movements in non-current tangible assets as at 31 December 2020:

|  | 1.1.2020        | Increase       | Decrease       | Other movements | 31.12.2020      |
|--|-----------------|----------------|----------------|-----------------|-----------------|
| Land, buildings and structures                                     | 45 718          | 196            | (4 120)        | 0               | 41 794          |
| Information technologies   | 10 811          | 29             | (1 463)        | 0               | 9 377           |
| Other non-current tangible assets                                  | 19 320          | 100            | (1 066)        | 0               | 18 354          |
| Leasing  | 9 755           | 1 591          | (44)           | 0               | 11 302          |
| <b>Non-current tangible assets</b>                                 | <b>85 604</b>   | <b>1 916</b>   | <b>(6 693)</b> | <b>0</b>        | <b>80 827</b>   |
| Accumulated depreciation and provisions - buildings and structures | (34 281)        | (1 424)        | 3 713          | 0               | (31 992)        |
| Accumulated depreciation – information technologies                | (10 405)        | (245)          | 1 463          | 0               | (9 187)         |
| Accumulated depreciation - other non-current tangible assets       | (18 216)        | (291)          | 1 055          | 0               | (17 452)        |
| Accumulated depreciation - Leasing                                 | (2 089)         | (2 160)        | 44             | 0               | (4 205)         |
| <b>Accumulated depreciation and provisions</b>                     | <b>(64 991)</b> | <b>(4 120)</b> | <b>6 275</b>   | <b>0</b>        | <b>(62 836)</b> |
| <b>Net book value</b>  | <b>20 613</b>   | <b>(2 204)</b> | <b>(418)</b>   | <b>0</b>        | <b>17 991</b>   |

### Obligations from Contracts for Purchase of Non-current Tangible Assets

As at 31 December 2021, Prima banka did not record any obligations from contracts for the purchase of non-current tangible assets (31 December 2020: € 0).

### Insurance Coverage

A set of immovable assets has insurance coverage of up to € 38 978 thousand and a set of movable assets with insurance coverage of up to € 27 120 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 2021:

|  | 1.1.2021        | Increase     | Decrease | Other movements | 31.12.2021      |
|--|-----------------|--------------|----------|-----------------|-----------------|
| Software   | 19 397          | 158          | 0        | 45              | 19 600          |
| Other non-current intangible assets                            | 24 511          | 147          | 0        | 0               | 24 658          |
| <b>Non-current intangible assets</b>                           | <b>43 908</b>   | <b>305</b>   | <b>0</b> | <b>45</b>       | <b>44 258</b>   |
| Accumulated amortisation - software                            | (19 092)        | (236)        | 0        | 0               | (19 328)        |
| Accumulated amortisation - other non-current intangible assets | (23 074)        | (404)        | 0        | 77              | (23 401)        |
| <b>Accumulated amortisation and provisions</b>                 | <b>(42 166)</b> | <b>(640)</b> | <b>0</b> | <b>77</b>       | <b>(42 729)</b> |
| <b>Net book value</b>  | <b>1 742</b>    | <b>(335)</b> | <b>0</b> | <b>122</b>      | <b>1 529</b>    |

Movements in non-current intangible assets as at 31 December 2020:

|  | 1.1.2020        | Increase     | Decrease    | 31.12.2020      |
|--|-----------------|--------------|-------------|-----------------|
| Software   | 19 179          | 2 189        | 0           | 19 397          |
| Other non-current intangible assets                            | 24 449          | 75           | (13)        | 24 511          |
| <b>Non-current intangible assets</b>                           | <b>43 628</b>   | <b>293</b>   | <b>(13)</b> | <b>43 908</b>   |
| Accumulated amortisation - software                            | (18 946)        | (146)        | 0           | (19 092)        |
| Accumulated amortisation - other non-current intangible assets | (22 789)        | (374)        | 89          | (23 074)        |
| <b>Accumulated amortisation and provisions</b>                 | <b>(41 735)</b> | <b>(520)</b> | <b>89</b>   | <b>(42 166)</b> |
| <b>Net book value</b>  | <b>1 893</b>    | <b>(227)</b> | <b>76</b>   | <b>1 742</b>    |

### Insurance Coverage

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

As at 31 December 2021, Prima banka did not record any liabilities under agreements to purchase non-current intangible assets (31 December 2020: € 0).

## 7. Deferred Tax Assets

|                    | 31.12.2021   | 31.12.2020   |
|--------------------|--------------|--------------|
| Deferred tax asset | 9 088        | 9 382        |
| <b>Total</b>       | <b>9 088</b> | <b>9 382</b> |

## 8. Other Assets

|                              | 31.12.2021    | 31.12.2020    |
|------------------------------|---------------|---------------|
| Assets, of which:            |               |               |
| Receivables from derivatives | 2 697         | 2 697         |
| Cash collateral              | 8 586         | 7 933         |
| Other receivables            | 318           | 293           |
| Other assets                 | 7 708         | 7 220         |
| <b>Total</b>                 | <b>19 309</b> | <b>18 143</b> |
| Provisions                   | (3 495)       | (3 489)       |
| <b>Net carrying amount</b>   | <b>15 814</b> | <b>14 654</b> |

## 9. Financial Liabilities at Amortised Cost

|                                      | 31.12.2021       | 31.12.2020       |
|--------------------------------------|------------------|------------------|
| <b>Balances with central banks</b>   | <b>0</b>         | <b>0</b>         |
| Loans received                       | 0                | 0                |
| <b>Due from banks</b>                | <b>1 268</b>     | <b>1 324</b>     |
| Current accounts and demand payables | 1 268            | 1 324            |
| Term deposits                        | 0                | 0                |
| <b>Customer deposits</b>             | <b>3 889 789</b> | <b>3 609 236</b> |
| Current accounts                     | 2 469 463        | 2 176 241        |
| Term deposits                        | 1 256 214        | 1 308 310        |
| Saving deposits                      | 163 932          | 124 450          |
| Received loans                       | 180              | 235              |
| <b>Debt securities</b>               | <b>1 003 281</b> | <b>503 734</b>   |
| Mortgage debentures                  | 0                | 1 981            |
| Covered bonds                        | 1 003 281        | 501 753          |
| <b>Total</b>                         | <b>4 894 338</b> | <b>4 114 294</b> |

As at 31 December 2021, the Bank pledged government and bank bonds held in the portfolio of financial assets at amortised cost in favour of the NBS for pooling in the amount of € 70 000 thousand (31 December 2020: € 70 000 thousand). The bonds may be used as collateral for funds received from the NBS for liquidity management risk purpose (collateral as at 31 December 2021: € 0).

As at 31 December 2021, 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:

|                           | 31.12.2021       | 31.12.2020       |
|---------------------------|------------------|------------------|
| Public administration     | 586 616          | 523 251          |
| Retail clients, of which: |                  |                  |
| Individuals               | 2 962 085        | 2 764 281        |
| Other clients             | 2 754 768        | 2 567 861        |
| <b>Total</b>              | <b>3 889 789</b> | <b>3 609 236</b> |

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

|                                    | 31.12.2021       | 31.12.2020       |
|------------------------------------|------------------|------------------|
| <b>Balances with central banks</b> | <b>0</b>         | <b>0</b>         |
| Slovak Republic                    | 0                | 0                |
| <b>Due from banks</b>              | <b>1 268</b>     | <b>1 324</b>     |
| Slovak Republic                    | 266              | 322              |
| EU Member States                   | 1 002            | 1 002            |
| <b>Customer deposits</b>           | <b>3 889 789</b> | <b>3 609 236</b> |
| Slovak Republic                    | 3 872 611        | 3 590 308        |
| EU Member States                   | 12 238           | 13 368           |
| Other countries                    | 4 940            | 5 560            |
| <b>Debt securities</b>             | <b>1 003 281</b> | <b>503 734</b>   |
| Slovak Republic                    | 1 003 281        | 503 734          |
| <b>Total</b>                       | <b>4 894 338</b> | <b>4 114 294</b> |

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

|                                    | 31.12.2021       | 31.12.2020       |
|------------------------------------|------------------|------------------|
| <b>Balances with central banks</b> | <b>0</b>         | <b>0</b>         |
| In euro                            | 0                | 0                |
| <b>Due from banks</b>              | <b>1 268</b>     | <b>1 324</b>     |
| In euro                            | 1 268            | 1 324            |
| In foreign currency                | 0                | 0                |
| <b>Customer deposits</b>           | <b>3 889 789</b> | <b>3 609 236</b> |
| In euro                            | 3 888 712        | 3 606 814        |
| In foreign currency                | 1 077            | 2 422            |
| <b>Debt securities</b>             | <b>1 003 281</b> | <b>503 734</b>   |
| In euro                            | 1 003 281        | 503 734          |
| <b>Total</b>                       | <b>4 894 338</b> | <b>4 114 294</b> |

As at 31 December 2021, Prima banka issued the securities summarised in the following table:

| 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                       | 501 450          |
| SK4000019634 | 14.9.2021     | 14.9.2027     | annually                   | 0,01 %        | 100 000,00        | 5 000                       | 501 831          |
| <b>Total</b> |               |               |                            |               |                   |                             | <b>1 003 281</b> |

As at 31 December 2020, Prima banka issued the securities summarised in the following table:

| ISIN         | Date of issue | Maturity date | Frequency of yield payment | Interest rate | Nominal value (€) | Number of securities issued | Carrying amount |
|--------------|---------------|---------------|----------------------------|---------------|-------------------|-----------------------------|-----------------|
| SK4120007998 | 1.12.2011     | 1.12.2021     | -                          | ZERO          | 1 000,00          | 1 465                       | 1 981           |
| SK4000016069 | 1.10.2019     | 1.10.2026     | annually                   | 0,01 %        | 100 000,00        | 5 000                       | 501 753         |
| <b>Total</b> |               |               |                            |               |                   |                             | <b>503 734</b>  |

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

## 10. Liabilities from leases

|                         | 31.12.2021   | 31.12.2020   |
|-------------------------|--------------|--------------|
| Liabilities from leases | 7 348        | 7 158        |
| <b>Total</b>            | <b>7 348</b> | <b>7 158</b> |

## 11. Provisions and Reserves

|  | 31.12.2021    | 31.12.2020    |
|--|---------------|---------------|
| Provisions for litigation                    | 8 616         | 8 589         |
| Provisions for off-balance sheet liabilities | 3 666         | 3 861         |
| Other reserves                               | 59            | 35            |
| <b>Total</b>                                 | <b>12 341</b> | <b>12 485</b> |

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 2021:

|   | 1.1.2021      | Allocation    | Release        | Use          | 31.12.2021    |
|---|---------------|---------------|----------------|--------------|---------------|
| Provisions for litigation                   | 8 589         | 615           | (355)          | (233)        | 8 616         |
| Provision for off-balance sheet liabilities | 3 861         | 9 408         | (9 603)        | 0            | 3 666         |
| Other reserves (executions)                 | 35            | 24            | 0              | 0            | 59            |
| <b>Total</b>                                | <b>12 485</b> | <b>10 047</b> | <b>(9 958)</b> | <b>(233)</b> | <b>12 341</b> |

Movements in provisions for liabilities as at 31 December 2020:

|   | 1.1.2020      | Allocation    | Release         | Use          | 31.12.2020    |
|---|---------------|---------------|-----------------|--------------|---------------|
| Provisions for litigation                   | 10 131        | 4 173         | (5 679)         | (36)         | 8 589         |
| Provisions for restructuring                | 952           | 0             | (952)           | 0            | 0             |
| Provision for off-balance sheet liabilities | 3 553         | 5 813         | (5 505)         | 0            | 3 861         |
| Other reserves (executions)                 | 155           | 17            | 0               | (137)        | 35            |
| <b>Total</b>                                | <b>14 791</b> | <b>10 003</b> | <b>(12 136)</b> | <b>(173)</b> | <b>12 485</b> |

### Provisions for Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Each dispute is subject to special monitoring and a regular re-assessment as part of the Bank's standard procedures. If it is probable that the Bank will be required to settle a claim and a reliable estimate of the amount can be made, provisions are recorded. The Bank will release the recorded provisions in the event of a final resolution of a dispute that was decided in the Bank's favour. In the 2nd quarter of 2020, the Bank received a decision on the termination of the legal dispute, for which was recorded a provision in the amount of € 5 678 thousand. As at 30 June 2020, the bank released this provision. The total provision for litigation amounts to € 8 616 thousand as at 31 December 2020 and represents principal and default interest (31 December 2020: € 8 589 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

|   | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| Accruals and deferrals                              | 83            | 114           |
| Reserves and other payables                         | 14 360        | 15 905        |
| Settlement with employees,<br>of which: social fund | 1 118         | 896           |
| Other payables                                      | 72            | 57            |
| State budget clearing account                       | 18 507        | 15 765        |
| <b>Total</b>  | <b>34 575</b> | <b>33 133</b> |

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.

The creation and use of the social fund as at 31 December 2021 and as at 31 December 2020 is presented in the following table:

| <b>Social fund</b>         | <b>31.12.2021</b> | <b>31.12.2020</b> |
|----------------------------|-------------------|-------------------|
| Balance as at 1.1.         | 57                | 60                |
| Allocation (from expenses) | 156               | 146               |
| Usage: catering allowance  | (141)             | (149)             |
| <b>Total</b>               | <b>72</b>         | <b>57</b>         |

### 13. Equity

|  | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| Share capital                          | 226 773           | 226 773           |
| Share premium funds                    | 71 190            | 71 190            |
| Legal reserve fund                     | 9 897             | 8 145             |
| Other capital funds                    | 54 078            | 54 078            |
| Accumulated other comprehensive income | 151               | (136)             |
| Profit/(loss) from previous years      | 2 525             | (13 246)          |
| Profit/(loss) for the current year     | 18 002            | 17 524            |
| <b>Total</b>                           | <b>382 616</b>    | <b>364 328</b>    |

### Share Capital

| <b>Face value of shares</b>                      | <b>31.12.2021</b>    |                 | <b>31.12.2020</b>    |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | <b>No. of shares</b> | <b>in €'000</b> | <b>No. of shares</b> | <b>in €'000</b> |
| 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         |
|  | <b>177 474 538</b>   | <b>226 773</b>  | <b>177 474 538</b>   | <b>226 773</b>  |

### Accumulated Other Comprehensive Income

|   | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Financial assets at fair value through other comprehensive income | 450               | 222               |
| Available-for-sale securities                                     | (299)             | (358)             |
| <b>Total</b>  | <b>151</b>        | <b>(136)</b>      |

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 2021:

|   |               |
|---|---------------|
| Statutory allotment to the reserve fund (10% of the profit after tax) | 1 800         |
| Transfer of profit into profit/loss from previous years               | 16 202        |
| <b>Retained earnings for 2020</b>                                     | <b>18 002</b> |

The distribution of the 2021 profit is subject to approval by the General Meeting of Prima banka.

**14. Net Interest Margin**

|  | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| <b>Interest income and similar income on:</b>      | <b>62 536</b>     | <b>71 683</b>     |
| Financial assets at amortised cost, of which:      |                   |                   |
| Balances with the central banks                    | 0                 | (939)             |
| Due from banks                                     | (6)               | (4)               |
| Loans and advances to customers                    | 56 773            | 66 353            |
| Debt securities                                    | 5 769             | 6 273             |
| <b>Interest expense and similar expense for:</b>   | <b>(14 674)</b>   | <b>(17 293)</b>   |
| Financial liabilities at amortised cost, of which: |                   |                   |
| Due to banks                                       | (1)               | (36)              |
| Customer deposits                                  | (14 252)          | (16 905)          |
| Debt securities                                    | (421)             | (352)             |
| <b>Net Interest Margin</b>                         | <b>47 862</b>     | <b>54 390</b>     |

**15. Net Fee and Commission Income**

|  | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| <b>Fee and commission income on:</b>   | <b>35 672</b>     | <b>32 266</b>     |
| Payment services                       | 27 698            | 25 981            |
| Credit activity                        | 5 350             | 4 435             |
| Transactions with securities           | 150               | 111               |
| Other banking services                 | 2 474             | 1 739             |
| <b>Fee and commission expense for:</b> | <b>(9 290)</b>    | <b>(6 990)</b>    |
| Payment services                       | (938)             | (919)             |
| Credit activity                        | 0                 | 0                 |
| Transactions with securities           | (137)             | (138)             |
| Other banking services                 | (8 215)           | (5 933)           |
| <b>Net Fee and Commission Income</b>   | <b>26 382</b>     | <b>25 276</b>     |

**16. Profit from Financial Transactions**

|  | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| Net income (loss) from financial assets held for trading - derivatives                         | (1 261)           | 921               |
| Net loss from revaluation of financial assets at fair value through other comprehensive income | 602               | 15                |
| Foreign exchange differences   | 1 554             | (683)             |
| <b>Net profit from financial transactions</b>  | <b>895</b>        | <b>253</b>        |

**17. Other Operating Income**

|   | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Net income (loss) on the sale of non-current assets | 1 153             | 175               |
| Lease income  | 62                | 63                |
| Other income from non-banking activities            | 101               | 25                |
| Other expense from non-banking activities           | (1)               | 0                 |
| <b>Other operating income</b>                       | <b>1 315</b>      | <b>263</b>        |

## 18. General and Administrative Expenses

|   | 31.12.2021      | 31.12.2020      |
|---|-----------------|-----------------|
| <b>Personnel expenses</b>                   | <b>(24 730)</b> | <b>(24 564)</b> |
| Wages and salaries*                         | (18 418)        | (18 482)        |
| Social expenses                             | (5 731)         | (6 055)         |
| Other personnel costs                       | (581)           | (27)            |
| <b>Other administrative expenses</b>        | <b>(21 013)</b> | <b>(28 006)</b> |
| IT costs                                    | (2 980)         | (3 048)         |
| Marketing, advertising and other services   | (5 042)         | (6 138)         |
| Costs of audit and related services**       | (324)           | (176)           |
| Leases                                      | (255)           | (245)           |
| Other purchased outputs and services        | (12 066)        | (11 844)        |
| Special levy of banking institutions        | 0               | (7 840)         |
| Supervision of Central Banks                | (295)           | (257)           |
| Creation (use) of provisions for litigation | (27)            | 1 542           |
| Creation (use) of other provisions          | (24)            | 0               |
| <b>General administrative costs</b>         | <b>(45 743)</b> | <b>(52 570)</b> |

\* 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 agreed 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 € 113 thousand as at 31 December 2021 (31 December 2020: € 121 thousand).

As of 1 January 2012, Act No. 384/2011 Coll. on the Special Levy on Selected Financial Institutions came into effect. The levy calculation is based on the amount of the Bank's liabilities less the amount of equity and subordinated debt. Data as at the last date of the preceding calendar quarter were used to determine the base for calculating the levy for the relevant calendar quarter. From 1 January 2021, the obligation to pay the special levy of selected financial institutions ceases on the basis of Act no. 353/2020 Coll.

## 19. Contributions to the Resolution fund and Deposits protection fund

|  | 31.12.2021     | 31.12.2020   |
|--|----------------|--------------|
| Resolution fund  | (578)          | (470)        |
| Deposits Protection Fund   | (2 330)        | (282)        |
| <b>Specific Contributions of Selected Financial Institutions</b> | <b>(2 908)</b> | <b>(752)</b> |

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

|   | 31.12.2021     | 31.12.2020     |
|---|----------------|----------------|
| Depreciation of tangible assets               | (3 798)        | (4 120)        |
| Amortisation of intangible assets             | (640)          | (520)          |
| Release of provisions and reserves for assets | 77             | 468            |
| <b>Total</b>                                  | <b>(4 361)</b> | <b>(4 172)</b> |

## 21. Net Allocation to Provisions and Reserves

|   | 31.12.2021     | 31.12.2020     |
|---|----------------|----------------|
| <b>(Allocation) of provisions for financial assets at amortised cost, of which:</b> | <b>(7 861)</b> | <b>(6 877)</b> |
| Loans, advances and other receivables   | (9 299)        | (6 030)        |
| Debt securities   | 1 438          | (847)          |
| <b>Allocation to provisions for off-balance sheet exposures</b>                     | <b>196</b>     | <b>(308)</b>   |
| <b>Written-off and assignment of receivables*</b>                                   | <b>2 491</b>   | <b>2 026</b>   |
| <b>Net Allocation to Provisions and Reserves</b>                                    | <b>(5 174)</b> | <b>(5 159)</b> |

\*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

|                     | 31.12.2021   | 31.12.2020  |
|---------------------|--------------|-------------|
| Current tax         | 0            | 0           |
| Deferred income tax | (295)        | (50)        |
| <b>Total</b>        | <b>(295)</b> | <b>(50)</b> |

### 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 (2020: 21%):

|   | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| <b>Profit/(loss) before tax</b>                                   | <b>18 297</b> | <b>17 574</b> |
| <b>Theoretical tax at tax rate of 21% expense/(income)</b>        | <b>3 842</b>  | <b>3 690</b>  |
| Tax-exempt income   | (383)         | (1 813)       |
| Tax non-deductible expenses                                       | 570           | 1 613         |
| Effect of a deferred tax asset not recognised in previous periods | (3 886)       | (4 827)       |
| Others  | 152           | 1 387         |
| <b>Total income tax expense/(income)</b>                          | <b>295</b>    | <b>50</b>     |
| <b>Effective tax rate</b>   | <b>1,61%</b>  | <b>0,28 %</b> |

### 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% (2020: 21%).

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

|  | Temporary difference |                | Deferred tax  |               |
|--|----------------------|----------------|---------------|---------------|
|  | 31.12.2021           | 31.12.2020     | 31.12.2021    | 31.12.2020    |
| <b>Deferred tax asset, of which:</b>                       | <b>137 993</b>       | <b>158 188</b> | <b>28 979</b> | <b>33 219</b> |
| Loans receivables  | 106 001              | 124 953        | 22 260        | 26 240        |
| Receivables from financial transactions                    | 2 698                | 2 705          | 567           | 568           |
| Short-term operating payables                              | 13 844               | 14 762         | 2 907         | 3 100         |
| Non-current tangible assets                                | 5 813                | 5 809          | 1 221         | 1 220         |
| Tax loss carried forward                                   | 1 377                | 1 762          | 289           | 370           |
| Other receivables  | 8 260                | 8 197          | 1 735         | 1 721         |
| <b>Total</b>   | <b>x</b>             | <b>x</b>       | <b>28 979</b> | <b>33 219</b> |
| Adjustment for uncertain utilisation of deferred tax asset |                      |                | (19 891)      | (23 837)      |
| <b>Deferred tax asset/(liabilities), net</b>               |                      |                | <b>9 088</b>  | <b>9 382</b>  |
| <b>Effect of deferred tax on:</b>                          |                      |                |               |               |
| expenses/income  | x                    | x              | (295)         | (50)          |
| equity   | x                    | x              | 0             | 0             |

As at 31 December 2021, the Bank did not recognise a deferred tax asset in the amount of € 19 891 thousand (31 December 2020: € 23 837 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.

## 23. Net Earnings per Share

|  | 31.12.2021  | 31.12.2020  |
|--|-------------|-------------|
| Net earnings for the current period (€ T)      | 18 002      | 17 524      |
| 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 € | 31.674      | 30.833      |
| Net earnings per share (face value € 67) in €  | 5.319       | 5.177       |
| Net earnings per share (face value € 5) in €   | 0.397       | 0.386       |
| Net earnings per share (face value € 1) in €   | 0.079       | 0.077       |

## 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:

|                                       | 31.12.2021    | 31.12.2020    |
|---------------------------------------|---------------|---------------|
| Cash                                  | 64 890        | 67 790        |
| Balances with central banks           | 15 210        | 23 606        |
| Current accounts in other banks       | 1 741         | 2 597         |
| Term deposits in banks up to 3 months | 10 000        | 0             |
| <b>Total</b>                          | <b>91 841</b> | <b>93 993</b> |

## 25. Contingent Liabilities and Other Off-Balance Sheet Items

### Off-balance Sheet Assets

|  | 31.12.2021       | 31.12.2020       |
|--|------------------|------------------|
| Receivables from spot transactions                         | 4 001            | 1                |
| Guarantees received  | 6 565            | 6 813            |
| Received collateral from pledge, security and other rights | 5 214 585        | 4 130 699        |
| <b>Total</b>   | <b>5 225 151</b> | <b>4 137 513</b> |

### Off-balance Sheet Liabilities

|   | 31.12.2021     | 31.12.2020     |
|---|----------------|----------------|
| Liabilities from spot transactions            | 4 001          | 1              |
| Guarantees issued                             | 7 487          | 7 250          |
| Loan commitments and unused credit facilities | 213 737        | 183 466        |
| Assets in custody                             | 16 948         | 12 829         |
| <b>Total</b>                                  | <b>242 173</b> | <b>203 546</b> |

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 2021, provisions recorded for off-balance sheet exposures amounted to € 3 666 thousand (31 December 2020: € 3 861 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*".

### **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 fair values is described in Note 2 of this chapter.

The following summary shows the residual maturity of derivatives' face values as at 31 December 2021:

| Residual maturity                                      | Up to 1 year  | 1 to 5 years | More than 5 years | Total         |
|--|---------------|--------------|-------------------|---------------|
| <b>Financial assets held for trading – derivatives</b> |               |              |                   |               |
| Currency swaps   | 15 580        | 0            | 0                 | 15 580        |
| <b>Total off-balance sheet assets</b>                  | <b>15 580</b> | <b>0</b>     | <b>0</b>          | <b>15 580</b> |
| <br>   |               |              |                   |               |
| Currency swaps   | 15 539        | 0            | 0                 | 15 539        |
| <b>Total off-balance sheet liabilities</b>             | <b>15 539</b> | <b>0</b>     | <b>0</b>          | <b>15 539</b> |
| <b>Net derivatives</b>                                 | <b>41</b>     | <b>0</b>     | <b>0</b>          | <b>41</b>     |

The following summary shows the residual maturity of derivatives' face values as at 31 December 2020:

| Residual maturity                                      | Up to 1 year  | 1 to 5 years | More than 5 years | Total         |
|--|---------------|--------------|-------------------|---------------|
| <b>Financial assets held for trading – derivatives</b> |               |              |                   |               |
| Currency swaps   | 11 460        | 0            | 0                 | 11 460        |
| <b>Total off-balance sheet assets</b>                  | <b>11 460</b> | <b>0</b>     | <b>0</b>          | <b>11 460</b> |
| <br>   |               |              |                   |               |
| Currency swaps   | 11 370        | 0            | 0                 | 11 370        |
| <b>Total off-balance sheet liabilities</b>             | <b>11 370</b> | <b>0</b>     | <b>0</b>          | <b>11 370</b> |
| <b>Net derivatives</b>                                 | <b>90</b>     | <b>0</b>     | <b>0</b>          | <b>90</b>     |

### **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 2021 (as at 31 December 2020):

| <b>31 December 2021</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------|----------------|----------------|--------------|
| Financial assets held for trading: derivatives                    | 0              | 47             | 0              | 47           |
| Financial assets at fair value through profit or loss             | 0              | 0              | 2 166          | 2 166        |
| Financial assets at fair value through other comprehensive income | 0              | 0              | 2 185          | 2 185        |
| <b>Financial assets at fair value total</b>                       | <b>0</b>       | <b>47</b>      | <b>4 351</b>   | <b>4 398</b> |
| Financial liabilities held for trading: derivatives               | 0              | 2              | 0              | 2            |
| <b>Financial liabilities at fair value total</b>                  | <b>0</b>       | <b>2</b>       | <b>0</b>       | <b>2</b>     |

| <b>31 December 2020</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------|----------------|----------------|--------------|
| Financial assets held for trading: derivatives                    | 0              | 95             | 0              | 95           |
| Financial assets at fair value through profit or loss             | 0              | 0              | 1 595          | 1 595        |
| Financial assets at fair value through other comprehensive income | 0              | 0              | 1 647          | 1 647        |
| <b>Financial assets at fair value total</b>                       | <b>0</b>       | <b>95</b>      | <b>3 242</b>   | <b>3 337</b> |
| Financial liabilities held for trading: derivatives               | 0              | 0              | 0              | 0            |
| <b>Financial liabilities at fair value total</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>     |

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, 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 2021:

|  | <b>Carrying amount</b> | <b>Estimated fair value</b> |                |                  |
|--|------------------------|-----------------------------|----------------|------------------|
|  |                        | <b>Level 1</b>              | <b>Level 2</b> | <b>Level 3</b>   |
| Cash   | 64 890                 | 0                           | 64 890         | 0                |
| Financial assets at amortised cost, of which:      | 5 217 412              | 152 525                     | 645 737        | 4 561 795        |
| Balances with central banks                        | 633 994                | 0                           | 633 995        | 0                |
| Due from banks                                     | 11 741                 | 0                           | 11 742         | 0                |
| Loans and advances to customers                    | 4 406 206              | 0                           | 0              | 4 541 345        |
| Debt securities                                    | 165 471                | 152 525                     | 0              | 20 450           |
| <b>Financial assets</b>                            | <b>5 282 302</b>       | <b>152 525</b>              | <b>710 627</b> | <b>4 561 795</b> |
| Financial liabilities at amortised cost, of which: | 4 894 338              | 998 284                     | 1 268          | 3 912 849        |
| Loans and deposits received from central banks     | 0                      | 0                           | 0              | 0                |
| Due to banks                                       | 1 268                  | 0                           | 1 268          | 0                |
| Customer deposits                                  | 3 889 789              | 0                           | 0              | 3 912 849        |
| Issued securities                                  | 1 003 281              | 998 284                     | 0              | 0                |
| <b>Financial liabilities</b>                       | <b>4 894 338</b>       | <b>998 284</b>              | <b>1 268</b>   | <b>3 912 849</b> |

The following table shows the comparison of fair values and carrying amounts of balance sheet items as at 31 December 2020:

|  | <b>Carrying amount</b> | <b>Estimated fair value</b> |                |                  |
|--|------------------------|-----------------------------|----------------|------------------|
|  |                        | <b>Level 1</b>              | <b>Level 2</b> | <b>Level 3</b>   |
| Cash   | 67 790                 | 0                           | 67 790         | 0                |
| Financial assets at amortised cost, of which:      | 4 416 502              | 171 313                     | 365 211        | 4 053 649        |
| Balances with central banks                        | 362 257                | 0                           | 362 257        | 0                |
| Due from banks                                     | 2 927                  | 0                           | 2 955          | 0                |
| Loans and advances to customers                    | 3 833 646              | 0                           | 0              | 3 992 490        |
| Debt securities                                    | 217 672                | 171 313                     | 0              | 61 159           |
| <b>Financial assets</b>                            | <b>4 484 292</b>       | <b>171 313</b>              | <b>433 001</b> | <b>4 053 649</b> |
| Financial liabilities at amortised cost, of which: | 4 114 294              | 510 779                     | 3 905          | 3 643 755        |
| Loans and deposits received from central banks     | 0                      | 0                           | 0              | 0                |
| Due to banks                                       | 1 324                  | 0                           | 1 323          | 0                |
| Customer deposits                                  | 3 609 236              | 0                           | 0              | 3 643 755        |
| Issued securities                                  | 503 734                | 510 779                     | 2 581          | 0                |
| <b>Financial liabilities</b>                       | <b>4 114 294</b>       | <b>510 779</b>              | <b>3 905</b>   | <b>3 643 755</b> |

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.

Prima banka's own funds and regulatory capital requirements as at 31 December 2021 and 31 December 2020 are stated in the table below:

| OWN FUNDS   | 31.12.2021            | 31.12.2020            |
|---|-----------------------|-----------------------|
| <b>Tier 1 capital</b>                                   |                       |                       |
| <b>Common Equity Tier 1 capital</b>                     | <b>364 252</b>        | <b>346 576</b>        |
| Capital instruments                                     | 297 963               | 297 963               |
| Paid-up share capital                                   | 226 773               | 226 773               |
| Share premium   | 71 190                | 71 190                |
| Capital instruments in Common Equity                    | 0                     | 0                     |
| Retained earnings                                       | 2 525                 | (13 246)              |
| Accumulated other comprehensive result                  | 151                   | (136)                 |
| Other funds   | 63 975                | 62 223                |
| Intangible assets                                       | (362)                 | (227)                 |
| <b>Additional Tier 1 capital</b>                        | <b>0</b>              | <b>0</b>              |
| <b>Tier 2 capital</b>                                   | <b>26 591</b>         | <b>24 483</b>         |
| Capital instruments                                     | 0                     | 0                     |
| Tier 2 capital adjustments                              | 0                     | 0                     |
| General credit risk adjustments (standardised approach) | 26 591                | 24 483                |
| <b>OWN FUNDS TOTAL</b>                                  | <b>390 843</b>        | <b>371 059</b>        |
| <br><b>Own funds requirements to cover</b>              | <br><b>31.12.2021</b> | <br><b>31.12.2020</b> |
| Credit risk and risk of impairment of receivables       | 170 182               | 156 693               |
| Operational risk  | 11 518                | 12 006                |
| CVA risk  | 5                     | 5                     |

Prima banka met regulatory requirements under the CRR. As at 31 December 2021, the Bank's overall capital adequacy was 17,21% (31 December 2020: 17,60%). 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:

| <b>Credit risk related to balance sheet assets:</b>               | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Financial assets at amortised cost                                | 5 217 412         | 4 416 502         |
| Balances with central banks                                       | 633 994           | 362 257           |
| Due from banks  | 11 741            | 2 927             |
| Loans and advances to customers                                   | 4 406 206         | 3 833 646         |
| Debt securities   | 165 471           | 217 672           |
| Trading derivatives   | 47                | 95                |
| Financial assets at fair value through profit or loss             | 2 166             | 1 595             |
| Financial assets at fair value through other comprehensive income | 2 185             | 1 647             |
| Deferred tax assets   | 9 088             | 9 382             |
| Other assets  | 15 814            | 14 654            |
| <b>Total</b>  | <b>5 246 712</b>  | <b>4 443 875</b>  |

| <b>Credit risk related to off-balance sheet items prior to the deduction of reserves:</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Issued guarantees   | 7 487             | 7 250             |
| Loan commitments and unused credit limits   | 213 737           | 183 466           |
| <b>Total</b>  | <b>221 224</b>    | <b>190 716</b>    |

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

| <b>To cover granted loans</b>                   | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Cash  | 2 510             | 2 704             |
| Immovable assets                                | 5 209 297         | 4 122 903         |
| Movable assets                                  | 2 778             | 5 092             |
| <b>Collateral received for financial assets</b> | <b>5 214 585</b>  | <b>4 130 699</b>  |

### 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:

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

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

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

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

| Rating scale | Due from banks |            | Loans and advances to customer, of which: |            |               |            |                |            |
|--------------|----------------|------------|---|------------|---------------|------------|----------------|------------|
|              |                |            | Public administration                     |            | Other clients |            | Retail clients |            |
|              | 31.12.2021     | 31.12.2020 | 31.12.2021                                | 31.12.2020 | 31.12.2021    | 31.12.2020 | 31.12.2021     | 31.12.2020 |
|              | 11 741         | 2 927      | 139 109                                   | 130 127    | 341 597       | 447 097    | 3 974 939      | 3 293 851  |
| Rating AAA   | 0              | 0          | 675                                       | 1 220      | 1 494         | 154        | 191 015        | 122 545    |
| Rating AA+   | 0              | 0          | 4 748                                     | 3 427      | 381           | 279        | 0              | 0          |
| Rating AA    | 8              | 8          | 6 720                                     | 5 734      | 373           | 528        | 306 128        | 189 867    |
| Rating AA-   | 0              | 0          | 6 917                                     | 4 515      | 1 490         | 660        | 322 786        | 193 487    |
| Rating A+    | 1 184          | 10         | 17 405                                    | 7 294      | 1 313         | 998        | 0              | 0          |
| Rating A     | 141            | 208        | 11 448                                    | 8 398      | 1 393         | 3 250      | 459 230        | 365 637    |
| Rating A-    | 10             | 1 602      | 9 761                                     | 12 892     | 1 338         | 1 764      | 0              | 0          |
| Rating BBB+  | 212            | 63         | 12 638                                    | 6 173      | 4 788         | 1 903      | 873 364        | 757 849    |
| Rating BBB   | 93             | 239        | 13 357                                    | 11 853     | 882           | 17 215     | 0              | 0          |
| Rating BBB-  | 11             | 4          | 10 754                                    | 16 605     | 10 104        | 5 332      | 1 015 367      | 864 193    |
| Rating BB+   | 0              | 0          | 10 558                                    | 16 186     | 10 950        | 1 718      | 0              | 0          |
| Rating BB    | 10 000         | 0          | 7 820                                     | 5 120      | 220 523       | 327 942    | 556 648        | 517 891    |
| Rating BB-   | 0              | 0          | 16 482                                    | 15 731     | 4 608         | 18 561     | 81 090         | 105 632    |
| Rating B+    | 0              | 752        | 7 516                                     | 9 070      | 14 653        | 2 129      | 3              | 20         |
| Rating B     | 0              | 0          | 1 713                                     | 4 672      | 19 611        | 54 061     | 66 102         | 76 133     |
| Rating B-    | 82             | 41         | 396                                       | 373        | 4 020         | 754        | 0              | 0          |
| Rating CCC   | 0              | 0          | 201                                       | 864        | 43 676        | 9 849      | 103 205        | 100 597    |

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  |            |
|              | 31.12.2021      | 31.12.2020 | 31.12.2021            | 31.12.2020 | 31.12.2021 | 30.12.2020 |
|              | 10 032          | 10 021     | 96 575                | 150 354    | 60 385     | 60 255     |
| Rating A+    | 0               | 0          | 0                     | 0          | 0          | 0          |
| Rating A     | 0               | 0          | 69 134                | 100 093    | 0          | 0          |
| Rating A-    | 0               | 0          | 0                     | 50 261     | 0          | 0          |
| Rating BBB   | 0               | 0          | 0                     | 0          | 0          | 0          |
| Rating BBB-  | 10 032          | 10 021     | 27 441                | 0          | 60 385     | 60 255     |
| Rating CCC   | 0               | 0          | 0                     | 0          | 0          | 0          |

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 |            |
|              | 31.12.2021            | 31.12.2020 | 31.12.2021    | 31.12.2020 | 31.12.2021     | 31.12.2020 |
|              | 8 349                 | 5 996      | 230           | 229        | 618            | 1 056      |
| Rating AAA   | 0                     | 0          | 7             | 7          | 0              | 0          |
| Rating AA+   | 894                   | 0          | 33            | 37         | 0              | 0          |
| Rating AA    | 270                   | 0          | 4             | 0          | 0              | 0          |
| Rating AA-   | 0                     | 600        | 125           | 0          | 0              | 0          |
| Rating A+    | 1 451                 | 280        | 0             | 0          | 0              | 0          |
| Rating A     | 708                   | 48         | 61            | 15         | 0              | 0          |
| Rating A-    | 1 661                 | 1 154      | 0             | 0          | 0              | 0          |
| Rating BBB+  | 625                   | 375        | 0             | 0          | 0              | 0          |
| Rating BBB   | 95                    | 40         | 0             | 40         | 0              | 0          |
| Rating BBB-  | 674                   | 491        | 0             | 100        | 0              | 0          |
| Rating BB+   | 488                   | 1 469      | 0             | 0          | 0              | 0          |
| Rating BB    | 930                   | 0          | 0             | 0          | 417            | 616        |
| Rating BB-   | 275                   | 551        | 0             | 0          | 0              | 0          |
| Rating B+    | 0                     | 50         | 0             | 0          | 0              | 0          |
| Rating B     | 278                   | 649        | 0             | 0          | 0              | 0          |
| Rating B-    | 0                     | 289        | 0             | 0          | 0              | 0          |
| Rating CCC   | 0                     | 0          | 0             | 30         | 201            | 440        |

| Rating scale | Loan commitments      |            |               |            |                |            |
|--------------|-----------------------|------------|---------------|------------|----------------|------------|
|              | Public administration |            | Other clients |            | Retail clients |            |
|              | 31.12.2021            | 31.12.2020 | 31.12.2021    | 31.12.2020 | 31.12.2021     | 31.12.2020 |
|              | 48 320                | 33 527     | 4 670         | 5 619      | 158 990        | 144 261    |
| Rating AAA   | 911                   | 784        | 103           | 73         | 10 047         | 10 327     |
| Rating AA+   | 1 328                 | 1 576      | 232           | 527        | 0              | 0          |
| Rating AA    | 4 064                 | 2 717      | 629           | 660        | 9 098          | 8 329      |
| Rating AA-   | 1 993                 | 2 801      | 552           | 415        | 14 608         | 16 222     |
| Rating A+    | 11 608                | 3 439      | 214           | 397        | 0              | 0          |
| Rating A     | 5 820                 | 1 922      | 505           | 293        | 27 468         | 25 859     |
| Rating A-    | 4 463                 | 2 607      | 399           | 569        | 0              | 0          |
| Rating BBB+  | 3 785                 | 3 379      | 193           | 358        | 29 986         | 27 362     |
| Rating BBB   | 4 309                 | 3 763      | 130           | 465        | 0              | 0          |
| Rating BBB-  | 3 180                 | 2 435      | 263           | 544        | 20 652         | 17 371     |
| Rating BB+   | 2 237                 | 3 612      | 845           | 366        | 0              | 0          |
| Rating BB    | 1 646                 | 1 973      | 234           | 368        | 15 260         | 15 094     |
| Rating BB-   | 1 954                 | 1 350      | 90            | 101        | 9 543          | 7 078      |
| Rating B+    | 624                   | 640        | 119           | 201        | 0              | 0          |
| Rating B     | 273                   | 410        | 104           | 80         | 9 004          | 7 767      |
| Rating B-    | 94                    | 70         | 22            | 78         | 0              | 0          |
| Rating CCC   | 31                    | 49         | 36            | 124        | 13 324         | 8 852      |

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 2021, the exposure to bank and corporate debt securities amounts to € 70 417 thousand (31 December 2020: € 70 276 thousand).

### c) Risk Monitoring - Limit Setting

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

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

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

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

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

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

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

The table below provides an analysis of credit risk exposure by industry segments as at 31 December 2021 and 31 December 2020:

|   | 31.12.2021       | 31.12.2020       |
|---|------------------|------------------|
| Agriculture, forestry and fishing                             | 289              | 279              |
| Mining and quarrying  | 0                | 0                |
| Manufacturing   | 1 958            | 3 804            |
| Electricity, gas, steam and air conditioning supply           | 3 005            | 3 718            |
| Water supply; sewerage and wastewater management              | 2 162            | 2 715            |
| Construction  | 2 220            | 3 254            |
| Wholesale and retail trade                                    | 96 534           | 16 199           |
| Transportation and storage                                    | 407              | 1 039            |
| Accommodation and catering                                    | 5 252            | 5 780            |
| Information and communication                                 | 118              | 114              |
| Financial and insurance activities                            | 108 419          | 218 441          |
| Real estate activities  | 77 568           | 154 274          |
| Professional, scientific and technical activities             | 22 599           | 22 571           |
| Administrative and support service activities                 | 11 948           | 9 012            |
| Public administration and defence; compulsory social security | 138 998          | 130 036          |
| Education   | 26               | 107              |
| Health care and social work activities                        | 305              | 2 371            |
| Arts, entertainment and recreation                            | 4 133            | 5 683            |
| Other activities  | 479              | 332              |
| Activities of households as employers                         | 3 929 786        | 3 253 917        |
| <b>Total</b>  | <b>4 406 206</b> | <b>3 833 646</b> |

### e) Identification of Impaired Assets (Mainly Receivables)

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

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 2021 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        | 11 741           | 0             | 0                   | 0                       | 0                | 0                                      |
| Loans and advances to customers, of which: | 4 455 646        | 17 343        | 382                 | 6                       | 3                | 11 337                                 |
| Public administration                      | 139 109          | 195           | 0                   | 0                       | 0                | 0                                      |
| Other clients                              | 3 974 939        | 15 107        | 381                 | 5                       | 3                | 11 004                                 |
| Individuals                                | 341 598          | 2 041         | 1                   | 1                       | 0                | 333                                    |
| <b>Total</b>                               | <b>4 467 387</b> | <b>17 343</b> | <b>382</b>          | <b>6</b>                | <b>3</b>         | <b>11 337</b>                          |

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 2020 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        | 2 927            | 0             | 0                   | 0                       | 0                | 0                                      |
| Loans and advances to customers, of which: | 3 871 075        | 13 411        | 11                  | 0                       | 0                | 8 737                                  |
| Public administration                      | 130 127          | 163           | 0                   | 0                       | 0                | 0                                      |
| Individuals                                | 3 293 851        | 11 408        | 10                  | 0                       | 0                | 8 416                                  |
| Other clients                              | 447 097          | 1 840         | 1                   | 0                       | 0                | 321                                    |
| <b>Total</b>                               | <b>3 874 002</b> | <b>13 411</b> | <b>11</b>           | <b>0</b>                | <b>0</b>         | <b>8 737</b>                           |

The summary below provides an analysis of the impaired loan portfolio (stage 3) as at 31 December 2021, including other receivables from financial transactions:

|   | Public sector | Retail clients | Other clients | Total  |
|---|---------------|----------------|---------------|--------|
| Impaired loans                                      | 278           | 25 744         | 50 515        | 76 537 |
| Provisions  | 139           | 19 414         | 50 515        | 70 068 |
| Recoverable amount of collateral received           | 0             | 6 391          | 0             | 6 391  |
| % of coverage by provisions                         | 50%           | 75%            | 100%          | 92%    |
| % of coverage by provisions and received collateral | 50%           | 100%           | 100%          | 100%   |
| Interest income on impaired loans                   | x             | x              | x             | 0      |

The summary below provides an analysis of the impaired loan portfolio (stage 3) as at 31 December 2020, including other receivables from financial transactions:

|   | Public sector | Retail clients | Other clients | Total  |
|---|---------------|----------------|---------------|--------|
| Impaired loans                                      | 216           | 35 933         | 56 577        | 92 726 |
| Provisions  | 108           | 27 916         | 56 666        | 84 690 |
| Recoverable amount of collateral received           | 0             | 7 895          | 181           | 8 076  |
| % of coverage by provisions                         | 50 %          | 78 %           | 100 %         | 91 %   |
| % of coverage by provisions and received collateral | 50 %          | 100 %          | 100 %         | 100 %  |
| Interest income on impaired loans                   | x             | x              | x             | 300    |

### 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 € 23 776 thousand as at 31 December 2021 (31 December 2020: € 1 707 thousand).

The Bank sold real estate pledged against receivables which were unpaid as at 31 December 2021 for € 4 293 thousand (31 December 2020: € 3 892 thousand). The Bank sold a pledge over moveable assets (receivables) as at 31 December 2021 for € 0 thousand (31 December 2020: € 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 reevaluating held collateral;
- The asset to be financed is usually required to be used as collateral.

## **2. Market Risk**

### **a) Information on Market Risk Policy and Management**

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

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

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

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

### b) Interest Risk

Prima banka manages interest risk with respect to the current and expected situation in the market by adjusting the assets and liabilities structure in terms of the type of interest rate and maturity of new transactions. 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 2021:

|                    | Movement in yield curve | Bank's loss from movement in yield curve |
|--------------------|-------------------------|--|
| Banking Book: euro | -100 BP                 | (1 805)                                  |
| <b>Total</b>       | <b>-100 BP</b>          | <b>(1 805)</b>                           |

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 2020:

|                    | Movement in yield curve | Bank's loss from movement in yield curve |
|--------------------|-------------------------|--|
| Banking Book: euro | - 100 BP                | (10)                                     |
| <b>Total</b>       | <b>- 100 BP</b>         | <b>(10)</b>                              |

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

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

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2021:

|   | 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                                       | 633 994              | 0                    | 0                  | 0                       | 0                 | 633 994          |
| Due from banks  | 11 741               | 0                    | 0                  | 0                       | 0                 | 11 741           |
| Loans and advances to customers                                   | 217 688              | 1 213 774            | 2 892 792          | 83 840                  | (1 888)           | 4 406 206        |
| Debt securities   | 1 850                | 23 440               | 85 633             | 54 548                  | 0                 | 165 471          |
| Financial assets at fair value through profit or loss             | 2 166                | 0                    | 0                  | 0                       | 0                 | 2 166            |
| Financial assets at fair value through other comprehensive income | 2 185                | 0                    | 0                  | 0                       | 0                 | 2 185            |
| Financial assets held for trading – derivatives                   | 47                   | 0                    | 0                  | 0                       | 0                 | 47               |
| <b>Interest rate position - financial assets</b>                  | <b>869 671</b>       | <b>1 237 214</b>     | <b>2 978 425</b>   | <b>138 388</b>          | <b>(1 888)</b>    | <b>5 221 810</b> |
| Financial liabilities at amortised cost, of which:                |                      |                      |                    |                         |                   |                  |
| Loans and deposits received from central banks                    | 0                    | 0                    | 0                  | 0                       | 0                 | 0                |
| Due to banks  | 1 268                | 0                    | 0                  | 0                       | 0                 | 1 268            |
| Customer deposits   | 792 811              | 706 053              | 2 299 556          | 91 369                  | 0                 | 3 889 789        |
| Issued securities   | 0                    | 28                   | 501 437            | 501 816                 | 0                 | 1 003 281        |
| Leases  | 0                    | 67                   | 4 621              | 2 660                   | 0                 | 7 348            |
| Financial liabilities for trading - derivatives                   | 2                    | 0                    | 0                  | 0                       | 0                 | 2                |
| <b>Interest rate position - financial liabilities</b>             | <b>794 081</b>       | <b>706 148</b>       | <b>2 805 614</b>   | <b>595 845</b>          | <b>0</b>          | <b>4 901 688</b> |
| <b>Net interest rate position</b>                                 | <b>75 590</b>        | <b>531 066</b>       | <b>172 811</b>     | <b>(457 457)</b>        | <b>(1 888)</b>    | <b>320 122</b>   |

Financial assets and liabilities according to the risk of interest rate fluctuations as at 31 December 2020:

|   | 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                                       | 362 257              | 0                    | 0                  | 0                       | 0                 | 362 257          |
| Due from banks  | 2 597                | 330                  | 0                  | 0                       | 0                 | 2 927            |
| Loans and advances to customers                                   | 259 613              | 965 955              | 2 566 028          | 43 301                  | (1 251)           | 3 833 646        |
| Debt securities   | 32 617               | 50 431               | 88 612             | 46 012                  | 0                 | 217 672          |
| Financial assets at fair value through profit or loss             | 1 595                | 0                    | 0                  | 0                       | 0                 | 1 595            |
| Financial assets at fair value through other comprehensive income | 1 647                | 0                    | 0                  | 0                       | 0                 | 1 647            |
| Financial assets held for trading – derivatives                   | 95                   | 0                    | 0                  | 0                       | 0                 | 95               |
| <b>Interest rate position - financial assets</b>                  | <b>660 421</b>       | <b>1 016 716</b>     | <b>2 654 640</b>   | <b>89 313</b>           | <b>(1 251)</b>    | <b>4 419 839</b> |
| Financial liabilities at amortised cost, of which:                |                      |                      |                    |                         |                   |                  |
| Loans and deposits received from central banks                    | 0                    | 0                    | 0                  | 0                       | 0                 | 0                |
| Due to banks  | 1 324                | 0                    | 0                  | 0                       | 0                 | 1 324            |
| Customer deposits   | 690 018              | 614 256              | 2 231 524          | 73 438                  | 0                 | 3 609 236        |
| Issued securities   | 0                    | 1 994                | 0                  | 501 740                 | 0                 | 503 734          |
| Leases  | 3                    | 65                   | 5 411              | 1 679                   | 0                 | 7 158            |
| Financial liabilities for trading - derivatives                   | 0                    | 0                    | 0                  | 0                       | 0                 | 0                |
| <b>Interest rate position - financial liabilities</b>             | <b>691 345</b>       | <b>616 315</b>       | <b>2 236 935</b>   | <b>576 857</b>          | <b>0</b>          | <b>4 121 452</b> |
| <b>Net interest rate position</b>                                 | <b>(30 924)</b>      | <b>400 401</b>       | <b>417 705</b>     | <b>(487 544)</b>        | <b>(1 251)</b>    | <b>298 387</b>   |

**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 and the net stable funding indicator may not be lower than 1. During the 2021, the Bank complied with the above legislative indicators with a sufficient cushion.

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

Liquidity warning signals include to: amount of the volatile part of demand deposits, Loan to Deposit (loans provided in relation to the primary 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 2021:

|   | Up to 3 months incl. | 3 to 12 months incl. | 1 to 5 years incl. | More than 5 years incl. | Unspecified items | Total            |
|---|----------------------|----------------------|--------------------|-------------------------|-------------------|------------------|
| Cash  | 64 890               | 0                    | 0                  | 0                       | 0                 | 64 890           |
| Financial assets at amortised cost, of which:                     |                      |                      |                    |                         |                   |                  |
| Balances with central banks                                       | 633 994              | 0                    | 0                  | 0                       | 0                 | 633 994          |
| Due from banks  | 11 741               | 0                    | 0                  | 0                       | 0                 | 11 741           |
| Loans and advances to customers                                   | 72 461               | 289 810              | 1 126 449          | 2 931 094               | (13 608)          | 4 406 206        |
| Debt securities   | 1 850                | 23 440               | 85 633             | 54 548                  | 0                 | 165 471          |
| Financial assets held for trading-derivatives                     | 47                   | 0                    | 0                  | 0                       | 0                 | 47               |
| Financial assets at fair value through profit or loss             | 0                    | 0                    | 0                  | 2 166                   | 0                 | 2 166            |
| Financial assets at fair value through other comprehensive income | 0                    | 0                    | 0                  | 2 185                   | 0                 | 2 185            |
| Non-current tangible assets                                       | 0                    | 0                    | 0                  | 0                       | 18 089            | 18 089           |
| Non-current intangible assets                                     | 0                    | 0                    | 0                  | 0                       | 1 529             | 1 529            |
| Deferred tax asset  | 0                    | 0                    | 0                  | 0                       | 9 088             | 9 088            |
| Other assets  | 0                    | 0                    | 0                  | 8 267                   | 7 547             | 15 814           |
| <b>Assets total</b>   | <b>784 983</b>       | <b>313 251</b>       | <b>1 212 082</b>   | <b>2 998 259</b>        | <b>22 645</b>     | <b>5 331 220</b> |
| Financial liabilities at amortised cost, of which:                |                      |                      |                    |                         |                   |                  |
| Loans and deposits received from central banks                    | 0                    | 0                    | 0                  | 0                       | 0                 | 0                |
| Due to banks  | 1 268                | 0                    | 0                  | 0                       | 0                 | 1 268            |
| Customer deposits   | 2 842 321            | 442 024              | 605 444            | 0                       | 0                 | 3 889 789        |
| Issued securities   | 0                    | 28                   | 501 437            | 501 816                 | 0                 | 1 003 281        |
| Leases  | 0                    | 67                   | 4 621              | 2 660                   | 0                 | 7 348            |
| Financial liabilities held for trading-derivatives                | 2                    | 0                    | 0                  | 0                       | 0                 | 2                |
| Reserves  | 0                    | 0                    | 0                  | 0                       | 12 341            | 12 341           |
| Other liabilities   | 33 809               | 0                    | 0                  | 0                       | 766               | 34 575           |
| Total equity  | 0                    | 0                    | 0                  | 0                       | 382 616           | 382 616          |
| <b>Liabilities and equity total</b>                               | <b>2 877 400</b>     | <b>442 119</b>       | <b>1 111 502</b>   | <b>504 476</b>          | <b>395 723</b>    | <b>5 331 220</b> |
| <b>Net balance sheet position</b>                                 | <b>(2 092 417)</b>   | <b>(128 868)</b>     | <b>100 580</b>     | <b>2 493 783</b>        | <b>(373 078)</b>  | <b>0</b>         |

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities by current residual maturity as at 31 December 2020:

|   | Up to 3 months incl. | 3 to 12 months incl. | 1 to 5 years incl. | More than 5 years incl. | Unspecified items | Total            |
|---|----------------------|----------------------|--------------------|-------------------------|-------------------|------------------|
| Cash  | 67 790               | 0                    | 0                  | 0                       | 0                 | 67 790           |
| Financial assets at amortised cost, of which:                     |                      |                      |                    |                         |                   |                  |
| Balances with central banks                                       | 362 257              | 0                    | 0                  | 0                       | 0                 | 362 257          |
| Due from banks  | 2 597                | 330                  | 0                  | 0                       | 0                 | 2 927            |
| Loans and advances to customers                                   | 63 491               | 361 876              | 990 597            | 2 431 196               | (13 514)          | 3 833 646        |
| Debt securities   | 32 617               | 50 431               | 88 613             | 46 011                  | 0                 | 217 672          |
| Financial assets held for trading -derivatives                    | 95                   | 0                    | 0                  | 0                       | 0                 | 95               |
| Financial assets at fair value through profit or loss             | 0                    | 0                    | 0                  | 1 595                   | 0                 | 1 595            |
| Financial assets at fair value through other comprehensive income | 0                    | 0                    | 0                  | 1 647                   | 0                 | 1 647            |
| Non-current tangible assets                                       | 0                    | 0                    | 0                  | 0                       | 17 991            | 17 991           |
| Non-current intangible assets                                     | 0                    | 0                    | 0                  | 0                       | 1 742             | 1 742            |
| Deferred tax asset  | 0                    | 0                    | 0                  | 0                       | 9 382             | 9 382            |
| Other assets  | 0                    | 0                    | 0                  | 7 638                   | 7 016             | 14 654           |
| <b>Assets total</b>   | <b>528 847</b>       | <b>412 637</b>       | <b>1 079 210</b>   | <b>2 488 087</b>        | <b>22 617</b>     | <b>4 531 398</b> |
| Financial liabilities at amortised cost, of which:                |                      |                      |                    |                         |                   |                  |
| Loans and deposits received from central banks                    | 0                    | 0                    | 0                  | 0                       | 0                 | 0                |
| Due to banks  | 1 324                | 0                    | 0                  | 0                       | 0                 | 1 324            |
| Customer deposits   | 2 470 627            | 383 034              | 755 343            | 232                     | 0                 | 3 609 236        |
| Issued securities   | 0                    | 1 993                | 0                  | 501 741                 | 0                 | 503 734          |
| Leases  | 3                    | 65                   | 5 411              | 1 679                   | 0                 | 7 158            |
| Reserves  | 0                    | 0                    | 0                  | 0                       | 12 485            | 12 485           |
| Other liabilities   | 32 416               | 0                    | 0                  | 0                       | 717               | 33 133           |
| Total equity  | 0                    | 0                    | 0                  | 0                       | 364 328           | 364 328          |
| <b>Liabilities and equity total</b>                               | <b>2 504 370</b>     | <b>385 092</b>       | <b>760 754</b>     | <b>503 652</b>          | <b>377 530</b>    | <b>4 531 398</b> |
| <b>Net balance sheet position</b>                                 | <b>(1 975 523)</b>   | <b>27 545</b>        | <b>318 456</b>     | <b>1 984 435</b>        | <b>(354 913)</b>  | <b>0</b>         |

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 2021 (in undiscounted values):

| Non-derivative financial liabilities:              | Carrying amount | Contractual cash flows | Up to 3 months incl. | From 3 months up to 1 year incl. | From 1 year up to 5 years incl. | More than 5 years incl. |
|--|-----------------|------------------------|----------------------|----------------------------------|---------------------------------|-------------------------|
| Financial liabilities at amortised cost, of which: |                 |                        |                      |                                  |                                 |                         |
| Due to banks                                       | 1 268           | 1 268                  | 1 268                | 0                                | 0                               | 0                       |
| Customer deposits                                  | 3 889 789       | 3 905 256              | 2 842 606            | 444 741                          | 617 909                         | 0                       |
| Issued securities                                  | 1 003 281       | 1 003 806              | 0                    | 124                              | 501 819                         | 501 864                 |
| Leases   | 7 348           | 7 348                  | 0                    | 0                                | 0                               | 7 348                   |
| Other liabilities                                  | 34 575          | 34 575                 | 34 575               | 0                                | 0                               | 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 2020 (in undiscounted values):

| Non-derivative financial liabilities:              | Carrying amount | Contractual cash flows | Up to 3 months incl. | From 3 months up to 1 year incl. | From 1 year up to 5 years incl. | More than 5 years incl. |
|--|-----------------|------------------------|----------------------|----------------------------------|---------------------------------|-------------------------|
| Financial liabilities at amortised cost, of which: |                 |                        |                      |                                  |                                 |                         |
| Due to banks                                       | 1 324           | 1 324                  | 1 324                | 0                                | 0                               | 0                       |
| Customer deposits                                  | 3 609 236       | 3 630 899              | 2 470 905            | 385 653                          | 774 109                         | 232                     |
| Issued securities                                  | 503 734         | 504 075                | 0                    | 2 094                            | 192                             | 501 789                 |
| Leases   | 7 158           | 7 158                  | 0                    | 0                                | 0                               | 7 158                   |
| Other liabilities                                  | 33 133          | 33 133                 | 33 133               | 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 2021 (in undiscounted values):

| <b>Contingent liabilities and other off-balance sheet items:</b> | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Up to 3 months incl.</b> | <b>From 3 months up to 1 year incl.</b> |
|--|------------------------|-------------------------------|-----------------------------|---|
| Contingent liabilities from guarantees                           | 7 487                  | 7 487                         | 7 487                       | 0                                       |
| Loan commitments, of which:                                      |                        |                               |                             |   |
| irrevocable  | 213 737                | 213 737                       | 213 722                     | 15                                      |
|  | 213 737                | 213 737                       | 213 722                     | 15                                      |

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 2020 (in undiscounted values):

|  | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Up to 3 months incl.</b> | <b>From 3 months up to 1 year incl.</b> |
|--|------------------------|-------------------------------|-----------------------------|---|
| Contingent liabilities from guarantees | 7 234                  | 7 234                         | 7 234                       | 0                                       |
| Loan commitments, of which:            |                        |                               |                             |   |
| irrevocable                            | 183 466                | 183 466                       | 183 226                     | 240                                     |
|  | 183 466                | 183 466                       | 183 226                     | 240                                     |

#### 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 2021, 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 2021, the VaR amounted to € (180) (31 December 2020: € (680)).

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 2021:

|  | <b>EUR</b>       | <b>CZK</b> | <b>USD</b>     | <b>Other</b> | <b>Total</b>     |
|--|------------------|------------|----------------|--------------|------------------|
| Assets   | 5 313 911        | 142        | 16 724         | 443          | 5 331 220        |
| Liabilities and equity                                 | (5 313 911)      | (142)      | (16 723)       | (443)        | (5 331 220)      |
| <b>Net balance sheet foreign exchange position</b>     | <b>0</b>         | <b>0</b>   | <b>0</b>       | <b>0</b>     | <b>0</b>         |
| Off-balance sheet assets                               | 5 303 955        | 0          | 1              | 1            | 5 303 957        |
| Off-balance sheet liabilities                          | (308 288)        | 0          | (3 885)        | 0            | (312 173)        |
| <b>Net off-balance sheet foreign exchange position</b> | <b>4 995 667</b> | <b>0</b>   | <b>(3 884)</b> | <b>1</b>     | <b>4 991 784</b> |
| <b>Net foreign exchange position</b>                   | <b>4 995 667</b> | <b>0</b>   | <b>(3 884)</b> | <b>1</b>     | <b>4 991 784</b> |

Foreign exchange position of Prima banka as at 31 December 2020:

|  | <b>EUR</b>       | <b>CZK</b> | <b>USD</b>   | <b>Other</b> | <b>Total</b>     |
|--|------------------|------------|--------------|--------------|------------------|
| Assets   | 4 513 546        | 229        | 14 710       | 1 544        | 4 530 028        |
| Liabilities and equity                                 | (4 513 635)      | (209)      | (14 710)     | (1 474)      | (4 530 028)      |
| <b>Net balance sheet foreign exchange position</b>     | <b>(89)</b>      | <b>20</b>  | <b>0</b>     | <b>69</b>    | <b>0</b>         |
| Off-balance sheet assets                               | 4 228 755        | 1          | 1            | 1            | 4 228 758        |
| Off-balance sheet liabilities                          | (273 113)        | 0          | (430)        | (3)          | (273 546)        |
| <b>Net off-balance sheet foreign exchange position</b> | <b>3 955 642</b> | <b>1</b>   | <b>(429)</b> | <b>(2)</b>   | <b>3 955 212</b> |
| <b>Net foreign exchange position</b>                   | <b>3 955 553</b> | <b>21</b>  | <b>(429)</b> | <b>67</b>    | <b>3 955 212</b> |

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 2021, 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 € 4351 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 € 12 006 thousand, of which the following amounts are attributable to individual business lines: retail banking: € 6 433 thousand, commercial banking: € 4 392 thousand, payment services and settlement: € 73 thousand, other: € 1 108 thousand. Management measures and implemented systems for operational risk management are adequate for the Bank's strategy and profile.

### 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 2021:

| Balance sheet                       | Parent Company | Related parties of the Parent Company | Other related parties | Total          |
|-------------------------------------|----------------|---------------------------------------|-----------------------|----------------|
| Loans and advances to customers     | 0              | 88 152                                | 7 778                 | 95 930         |
| Other assets                        | 0              | 4 213                                 | 0                     | 4 213          |
| <b>Total assets</b>                 | <b>0</b>       | <b>92 365</b>                         | <b>7 778</b>          | <b>100 143</b> |
| Due to banks                        | 0              | 266                                   | 0                     | 266            |
| Customer deposits                   | 8              | 367                                   | 3 415                 | 3 790          |
| Liabilities from leases             | 0              | 938                                   | 0                     | 938            |
| Other liabilities                   | 0              | 800                                   | 0                     | 800            |
| <b>Total liabilities and equity</b> | <b>8</b>       | <b>2 371</b>                          | <b>3 414</b>          | <b>5 794</b>   |

## Assets and liabilities concerning related parties as at 31 December 2020:

| Balance sheet                       | Parent Company | Related parties of the Parent Company | Other related parties | Total          |
|-------------------------------------|----------------|---------------------------------------|-----------------------|----------------|
| Loans and advances to customers     | 0              | 96 370                                | 624                   | 96 994         |
| Other assets                        | 0              | 3 400                                 | 0                     | 3 400          |
| <b>Total assets</b>                 | <b>0</b>       | <b>99 770</b>                         | <b>624</b>            | <b>100 394</b> |
| Due to banks                        | 0              | 322                                   | 0                     | 322            |
| Customer deposits                   | 8              | 10 861                                | 4 850                 | 15 719         |
| Liabilities from leases             | 0              | 998                                   | 0                     | 998            |
| Other liabilities                   | 0              | 859                                   | 0                     | 859            |
| <b>Total liabilities and equity</b> | <b>8</b>       | <b>13 040</b>                         | <b>4 850</b>          | <b>17 898</b>  |

## Revenues and expenses concerning related parties as at 31 December 2021:

|  | Parent Company | Related parties of the Parent Company | Other related parties | Total   |
|--|----------------|---------------------------------------|-----------------------|---------|
| Interest and similar income            | 0              | 2 949                                 | 74                    | 3 023   |
| Interest and similar expense           | 0              | 0                                     | (3)                   | (3)     |
| Net fee and commission income          | 1              | 98                                    | 1                     | 100     |
| Net profit from financial transactions | 0              | 1                                     | 0                     | 1       |
| General and administrative expenses    | 0              | (4 989)                               | (2 423)               | (7 412) |

## Revenues and expenses concerning related parties as at 31 December 2020:

|  | Parent Company | Related parties of the Parent Company | Other related parties | Total   |
|--|----------------|---------------------------------------|-----------------------|---------|
| Interest and similar income            | 0              | 3 216                                 | 9                     | 3 225   |
| Interest and similar expense           | 0              | 0                                     | (11)                  | (11)    |
| Net fee and commission income          | 1              | 94                                    | 2                     | 97      |
| Net profit from financial transactions | 0              | 5                                     | 0                     | 5       |
| General and administrative expenses    | 0              | (6 208)                               | (2 163)               | (8 371) |

Off-balance sheet liabilities concerning related parties as at 31 December 2021:

|  | <b>Related parties<br/>of the Parent<br/>Company</b> | <b>Other<br/>related parties</b> | <b>Total</b> |
|--|--|----------------------------------|--------------|
| Received collateral from pledge, security and other rights | 0  | 1 019                            | 1 019        |
| <b>Off-balance sheet assets</b>                            | <b>0</b>   | <b>1 019</b>                     | <b>1 019</b> |
| Loan commitments and unused credit facilities              | 0  | 0                                | 0            |
| <b>Off-balance sheet liabilities</b>                       | <b>0</b>   | <b>0</b>                         | <b>0</b>     |

Off-balance sheet liabilities concerning related parties as at 31 December 2020:

|  | <b>Related parties<br/>of the Parent<br/>Company</b> | <b>Other<br/>related parties</b> | <b>Total</b> |
|--|--|----------------------------------|--------------|
| Received collateral from pledge, security and other rights | 0  | 734                              | 734          |
| <b>Off-balance sheet assets</b>                            | <b>0</b>   | <b>734</b>                       | <b>734</b>   |
| Loan commitments and unused credit facilities              | 0  | 1                                | 1            |
| <b>Off-balance sheet liabilities</b>                       | <b>0</b>   | <b>1</b>                         | <b>1</b>     |

### 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.