Prima banka Slovensko, a.s.

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

Prima Banka

Contents

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Independent Auditor's Report

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Prima banka Slovensko, a.s. ("the Bank"), which comprise the separate statement of financial position as at 31 December 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.

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Adequacy of impairment provisions in compliance with IFRS 9

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

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

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 25th 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

(in thousands of €)

I. FINACIAL STATEMENTS

Separate Statement of Financial Position

Assets	Note	31.12.2021	31.12.2020
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
Assets total		**5 331 220**	**4 531 398**
Liabilities and equity			
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
Liabilities total		**4 948 604**	**4 167 070**
Equity (except profit for the current year)		364 614	346 804
Profit/loss for the current year after tax		18 002	17 524
Equity total	**13**	**382 616**	**364 328**
Liabilities and equity total		**5 331 220**	**4 531 398**

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

(in thousands of €)

Separate Statement of Comprehensive Income

	Note	31.12.2021	31.12.2020
Interest income		62 536	71 683
Interest expense		(14 674)	(17 293)
Net interest margin	**14**	**47 862**	**54 390**
Fee and commission income		35 672	32 266
Fee and commission expense		(9 290)	(6 990)
Net fee and commission income	**15**	**26 382**	**25 276**
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)
Result before tax		**18 297**	**17 574**
Income tax	22	(295)	(50)
Net result for the current period	**23**	**18 002**	**17 524**
Other Comprehensive Income and Loss			
Items that may be reclassified to the income statement			
Financial assets available for sale		59	686
Cash flow hedge		0	(102)
Items that can not be reclassified to the income statement			
Equity instruments valued at fair value through another comprehensive income		228	199
Total	**13**	**287**	**783**
Comprehensive income total		**18 289**	**18 307**
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

(in thousands of €)

Separate Statement of Cash Flows

	31.12.2021	31.12.2020
Cash flows from operating activities		
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)
Net cash flows from operating activities before changes in operating assets and liabilities	**(21 805)**	**(30 608)**
Changes in operating assets		
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
Changes in operating liabilities		
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
Net cash flows from operating activities	**(551 090)**	**(45 783)**
Cash flows from investment activities		
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
Net cash flows from investment activities	**51 781**	**11 079**
Cash flows from financial activities		
Proceed from bonds issued	500 836	0
Repayment of the bonds issued	(1 456)	0
Repayment of leasing liabilities	(2 223)	(1 947)
Net cash flows from financing activities	**497 157**	**(1 947)**
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

(in thousands of €)

Separate Statement of Changes in Equity

	Share capital	Share premium funds	Legal Reserve Fund	Other capital funds	Revaluation reserves	Profit/loss from previous years	Profit/loss from current year	Equity total
1.1.2020	**226 773**	**71 190**	**6 439**	**54 078**	**1 349**	**(30 868)**	**17 060**	**346 021**
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
31.12.2020	**226 773**	**71 190**	**8 145**	**54 078**	**(136)**	**(13 246)**	**17 524**	**364 328**
1.1.2021	**226 773**	**71 190**	**8 145**	**54 078**	**(136)**	**(13 246)**	**17 524**	**364 328**
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
31.12.2021	**226 773**	**71 190**	**9 897**	**54 078**	**151**	**2 525**	**18 002**	**382 616**

(in thousands of €)

II. NOTES TO THE FINANCIAL STATEMENTS

1. General Information about Prima banka

Basic Information

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

Prima banka does not have any branches abroad and is not an unlimited guarantor in any other business entity and has 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
Total	**100,00**	**100,00**

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

The 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.

(in thousands of €)

Share Capital and its Structure

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

The structure of ordinary shares as at 31 December 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).

<u>Business model assessment</u>

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

The Bank has the following business models:

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

Contractual cash flows

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

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

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

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

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

- Loans and receivables;
- Debt securities;

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

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss (FVTPL)
The Bank holds the following financial assets in this business model:

- Series C Preferred Stock of VISA INC., USA.

In the statement of income, the profit or loss effects of financial assets measured at FVPL are split into dividend income and fair value gains and losses. The dividend income is presented in the line *"Dividend income"*. The fair value gains or losses are reported in the *"Gains/losses from financial Instruments measured at fair value through profit or loss"* in case of non-trading financial assets at FVTPL.
To determine the fair value of these securities, the Bank uses Level 3.

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

The Bank measures expected credit losses to reflect:

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

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

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

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

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

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

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

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

<u>Significant increase in credit risk</u>

The assessment of significance comprises future-focused information and is always performed as at the reporting date. Receivables in portfolios measured solely using statistical models are classified in stage 2 if the retail client has at least one significant receivable overdue by more than 30 days or downgrade of credit rating is significant or the Bank has identified a significantly high risk of repayment of the client's receivables in connection with a significant reduction or loss of income. Other receivables are classified in stage 2 on an individual basis or if the client has at least one significant receivable overdue by more than 30 days. Significant receivables (over € 350 thousand) with an identified significant increase in credit risk are measured individually.

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

<u>Defaulted financial assets</u>

A financial asset is in default if:

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

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

<u>Probability of default</u>

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

Loss given default

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

Exposure at default

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

Collateral

The Bank primarily accepts the following types of collateral:

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

The Bank uses the following legal instruments:

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

The Bank regularly monitors individual types of collateral and, if necessary, revalues them. The methodology of monitoring or valuation, as well as their frequency depends on the type of collateral. The recoverable amount of collateral is derived from the pledge value, up to the amount of the current value of the receivable. The recoverable amount consists of several uncertainties and risks; therefore, the amounts upon realisation of collateral may differ from the estimates, and such a difference may be significant.

When realising collateral, the Bank uses:

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

Write-off of Receivables

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

Financial Liabilities

Financial liabilities measured at amortised cost (AC)

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

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

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

Sale and Repurchase Agreements (Repo Transactions)

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

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

Derecognition of Financial Instruments

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

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

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

Offsetting Financial Instruments

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

f) Financial Derivatives

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

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

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

g) Hedging

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

(in thousands of €)

h) Fair Value of Financial Instruments

The fair value of financial instruments classified as stage 1 corresponds to the quoted market price as at the reporting date, without a reduction for transaction costs.

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

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

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

i) Non-Current Tangible and Intangible Assets

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

Land and works of art are not depreciated.

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

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

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

j) Impairment of Tangible and Intangible Assets

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

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

k) Leases

IFRS 16 supersedes International Accounting Standard 17 Leases ('IAS 17') and related interpretations. The Standard eliminates the 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.

l) Assets Held for Sale

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

m) Income Tax

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

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

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

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

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

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

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

n) Debt Securities

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

o) Subordinated Debt

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

p) Accrued Interest

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

q) Provisions for Liabilities

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

r) Earnings per Share

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

s) Interest Income and Interest Expense

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

t) Fees and Commissions

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

4. Significant Accounting Estimates

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

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

Provisions for Loans to Customers
As discussed in the paragraphs of Chapter 3 above, and as described in detail in Notes 1 and 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.

(in thousands of €)

5. Notes to the Financial Statements

1. Financial Assets at Amortised Cost

Gross book value and provisions

		Gross Carrying Amount		
31.12.2021	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Financial assets at amortised cost, of which:				
Balances with central banks	**633 994**	**633 994**	0	0
Current accounts	15 210	15 210	0	0
Compulsory minimum reserves	618 784	618 784	0	0
Due from banks	**11 741**	**11 741**	**0**	**0**
Loans and advances to customers*, of which:	**4 549 918**	**4 378 657**	**94 724**	**76 537**
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
Debt securities, of which:	**166 993**	**166 993**	**0**	**0**
Banks	10 032	10 032	0	0
Public administration	96 576	96 576	0	0
Other clients	60 385	60 385	0	0
Total	**5 362 646**	**5 191 385**	**94 724**	**76 537**
Provisions- Loans and advances to customers	(143 712)	(51 168)	(22 476)	(70 068)
Provisions- Debt securities	(1 522)	(1 522)	0	0
Net carrying amount	**5 217 412**	**5 138 695**	**72 248**	**6 469**

		Gross Carrying Amount		
31.12.2020	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Financial assets at amortised cost, of which:				
Balances with central banks	**362 257**	**362 257**	0	0
Current accounts	23 606	23 606	0	0
Compulsory minimum reserves	338 651	338 651	0	0
Due from banks	**2 927**	**2 927**	**0**	**0**
Loans and advances to customers*, of which:	**3 977 223**	**3 819 384**	**65 113**	**92 726**
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
Debt securities, of which:	**220 632**	**200 552**	**20 080**	**0**
Banks	10 021	10 021	0	0
Public administration	150 356	150 356	0	0
Other clients	60 255	40 175	20 080	0
Total	**4 563 039**	**4 385 120**	**85 193**	**92 726**
Provisions- Loans and advances to customers	(143 577)	(41 129)	(17 758)	(84 690)
Provisions- Debt securities	(2 960)	(581)	(2 379)	0
Net carrying amount	**4 416 502**	**4 343 410**	**65 056**	**8 036**

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

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

(in thousands of €)

Loans and advances gross book value

Loans and advances to customers	1.1.2021	An increase due to the creation or acquisition	Decline due to disconti-nuation of reporting	Net changes due to change in credit risk	Transfers between levels	Other move-ments	31.12.2021
Level 1	**3 819 384**	**1 475 906**	**(711 370)**	**(163 111)**	**(42 153)**	**0**	**4 378 656**
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
Level 2	**65 113**	**2 518**	**(9 559)**	**(3 504)**	**40 156**	**0**	**94 724**
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
Level 3	**92 726**	**486**	**(14 244)**	**(4 428)**	**1 997**	**0**	**76 538**
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
Total	**3 977 222**	**1 478 910**	**(735 172)**	**(171 043)**	**0**	**0**	**4 549 918**

Loans and advances to customers	1.1.2020	An increase due to the creation or acquisition	Decline due to disconti-nuation of reporting	Net changes due to change in credit risk	Transfers between levels	Other move-ments	31.12.2020
Level 1	**3 418 389**	**944 118**	**(387 699)**	**(137 823)**	**(17 601)**	**0**	**3 819 384**
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
Level 2	**61 067**	**2 610**	**(8 417)**	**(2 067)**	**11 919**	**0**	**65 113**
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
Level 3	**108 254**	**1 539**	**(18 542)**	**(4 208)**	**5 682**	**0**	**92 726**
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
Total	**3 587 710**	**948 267**	**(414 657)**	**(144 098)**	**0**	**0**	**3 977 222**

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
Level 1	**18 902**	**(58 569)**	**(2 486)**	**7 971**	**(21 231)**	**(4 341)**
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)
Level 2	**(18 789)**	**60 662**	**(1 717)**	**(7 971)**	**23 690**	**(3 801)**
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)
Level 3	**(113)**	**(2 093)**	**4 203**	**0**	**(2 459)**	**8 142**
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.

(in thousands of €)

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
Stage 1	**(41 129)**	**(17 161)**	**9 543**	**(16 133)**	**13 714**	**0**	**0**	**(51 166)**
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)
Stage 2	**(17 758)**	**(944)**	**2 748**	**4 838**	**(11 361)**	**2**	**0**	**(22 475)**
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)
Stage 3	**(84 690)**	**(434)**	**4 407**	**4 127**	**(2 351)**	**4**	**8 866**	**(70 071)**
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)
Total	**(143 577)**	**(18 539)**	**16 698**	**(7 169)**	**2**	**6**	**8 866**	**(143 712)**

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
Stage 1	**(39 851)**	**(10 891)**	**5 088**	**(5 474)**	**10 000**	**0**	**0**	**(41 129)**
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)
Stage 2	**(12 596)**	**(884)**	**1 223**	**(598)**	**(4 902)**	**0**	**0**	**(17 758)**
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)
Stage 3	**(97 427)**	**(1 531)**	**4 255**	**2 746**	**(5 098)**	**9**	**12 357**	**(84 690)**
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)
Total	**(149 874)**	**(13 306)**	**10 566**	**(3 326)**	**0**	**9**	**12 357**	**(143 577)**

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
Stage 1	**(504)**	**12 465**	**1 752**	**(99)**	**7 380**	**2 719**
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
Stage 2	**501**	**(13 068)**	**1 206**	**99**	**(7 599)**	**2 599**
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
Stage 3	**3**	**603**	**(2 958)**	**0**	**219**	**(5 318)**
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)

(in thousands of €)

Provisions for debt securities

Debt securities	1.1.2021	An increase due to the creation or acquisition	Decline due to disconti-nuation of reporting	Net changes due to change in credit risk	Transfers between levels	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
Total	**(2 960)**	**0**	**0**	**1 438**	**0**	**0**	**(1 522)**

Debt securities	1.1.2020	An increase due to the creation or acquisition	Decline due to disconti-nuation of reporting	Net changes due to change in credit risk	Transfers between levels	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
Total	**(2 113)**	**(582)**	**0**	**(265)**	**0**	**0**	**(2 960)**

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

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

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

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

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

(in thousands of €)

2. Financial Derivatives – assets and liabilities

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

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 Fair value	31.12.2020 Fair Value
Visa Inc., USA	2 166	1 595
Total	**2 166**	**1 595**

4. Financial Assets at Fair Value through Other Comprehensive Income

Name	31.12.2021 Fair Value	31.12.2020 Fair Value
SWIFT LA HULPE, Belgium	23	16
Visa Inc., USA	2 162	1 631
Total	**2 185**	**1 647**

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
Non-current tangible assets	**80 827**	**4 279**	**(5 333)**	**(119)**	**79 654**
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)
Accumulated depreciation and provisions	**(62 836)**	**(3 798)**	**5 069**	**0**	**(61 565)**
Net book value	**17 991**	**481**	**(264)**	**(119)**	**18 089**

(in thousands of €)

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
Non-current tangible assets	**85 604**	**1 916**	**(6 693)**	**0**	**80 827**
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)
Accumulated depreciation and provisions	**(64 991)**	**(4 120)**	**6 275**	**0**	**(62 836)**
Net book value	**20 613**	**(2 204)**	**(418)**	**0**	**17 991**

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
Non-current intangible assets	**43 908**	**305**	**0**	**45**	**44 258**
Accumulated amortisation - software	(19 092)	(236)	0	0	(19 328)
Accumulated amortisation - other non-current intangible assets	(23 074)	(404)	0	77	(23 401)
Accumulated amortisation and provisions	**(42 166)**	**(640)**	**0**	**77**	**(42 729)**
Net book value	**1 742**	**(335)**	**0**	**122**	**1 529**

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
Non-current intangible assets	**43 628**	**293**	**(13)**	**43 908**
Accumulated amortisation - software	(18 946)	(146)	0	(19 092)
Accumulated amortisation - other non-current intangible assets	(22 789)	(374)	89	(23 074)
Accumulated amortisation and provisions	**(41 735)**	**(520)**	**89**	**(42 166)**
Net book value	**1 893**	**(227)**	**76**	**1 742**

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).

(in thousands of €)

7. Deferred Tax Assets

	31.12.2021	31.12.2020
Deferred tax asset	9 088	9 382
Total	**9 088**	**9 382**

8. Other Assets

	31.12.2021	31.12.2020
Assets, of which:	11 601	10 923
Receivables from derivatives	2 697	2 697
Cash collateral	8 586	7 933
Other receivables	318	293
Other assets	7 708	7 220
Total	**19 309**	**18 143**
Provisions	(3 495)	(3 489)
Net carrying amount	**15 814**	**14 654**

9. Financial Liabilities at Amortised Cost

	31.12.2021	31.12.2020
Balances with central banks	**0**	**0**
Loans received	0	0
Due from banks	**1 268**	**1 324**
Current accounts and demand payables	1 268	1 324
Term deposits	0	0
Customer deposits	**3 889 789**	**3 609 236**
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
Debt securities	**1 003 281**	**503 734**
Mortgage debentures	0	1 981
Covered bonds	1 003 281	501 753
Total	**4 894 338**	**4 114 294**

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:	2 962 085	2 764 281
Individuals	2 754 768	2 567 861
Other clients	341 088	321 704
Total	**3 889 789**	**3 609 236**

(in thousands of €)

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

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

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

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

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
Total							**1 003 281**

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
Total							**503 734**

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
Total	**7 348**	**7 158**

(in thousands of €)

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
Total	**12 341**	**12 485**

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
Total	**12 485**	**10 047**	**(9 958)**	**(233)**	**12 341**

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
Total	**14 791**	**10 003**	**(12 136)**	**(173)**	**12 485**

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,	1 118	896
of which: social fund	72	57
Other payables	18 507	15 765
State budget clearing account	507	453
Total	**34 575**	**33 133**

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.

(in thousands of €)

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:

Social fund	31.12.2021	31.12.2020
Balance as at 1.1.	57	60
Allocation (from expenses)	156	146
Usage: catering allowance	(141)	(149)
Total	**72**	**57**

13. Equity

	31.12.2021	31.12.2020
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
Total	**382 616**	**364 328**

Share Capital

	31.12.2021		31.12.2020	
Face value of shares	No. of shares	in €´000	No. of shares	in €´000
Number of issued shares with face value of € 399	100 200	39 980	100 200	39 980
Number of issued shares with face value of € 67	100 200	6 713	100 200	6 713
Number of issued shares with face value of € 5	701 400	3 507	701 400	3 507
Number of issued shares with face value of € 1	176 572 738	176 573	176 572 738	176 573
	177 474 538	**226 773**	**177 474 538**	**226 773**

Accumulated Other Comprehensive Income

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

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
Retained earnings for 2020	**18 002**

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

(in thousands of €)

14. Net Interest Margin

	31.12.2021	31.12.2020
Interest income and similar income on:	**62 536**	**71 683**
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
Interest expense and similar expense for:	**(14 674)**	**(17 293)**
Financial liabilities at amortised cost, of which:		
Due to banks	(1)	(36)
Customer deposits	(14 252)	(16 905)
Debt securities	(421)	(352)
Net Interest Margin	**47 862**	**54 390**

15. Net Fee and Commission Income

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

16. Profit from Financial Transactions

	31.12.2021	31.12.2020
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)
Net profit from financial transactions	**895**	**253**

17. Other Operating Income

	31.12.2021	31.12.2020
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
Other operating income	**1 315**	**263**

(in thousands of €)

18. General and Administrative Expenses

	31.12.2021	31.12.2020
Personnel expenses	**(24 730)**	**(24 564)**
Wages and salaries*	(18 418)	(18 482)
Social expenses	(5 731)	(6 055)
Other personnel costs	(581)	(27)
Other administrative expenses	**(21 013)**	**(28 006)**
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
General administrative costs	**(45 743)**	**(52 570)**

* 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)
Specific Contributions of Selected Financial Institutions	**(2 908)**	**(752)**

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
Total	**(4 361)**	**(4 172)**

(in thousands of €)

21. Net Allocation to Provisions and Reserves

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

*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)
Total	**(295)**	**(50)**

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
Profit/(loss) before tax	**18 297**	**17 574**
Theoretical tax at tax rate of 21% expense/(income)	**3 842**	**3 690**
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
Total income tax expense/(income)	**295**	**50**
Effective tax rate	**1,61%**	**0,28 %**

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
Deferred tax asset, of which:	**137 993**	**158 188**	**28 979**	**33 219**
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
Total	**x**	**x**	**28 979**	**33 219**
Adjustment for uncertain utilisation of deferred tax asset			(19 891)	(23 837)
Deferred tax asset/(liabilities), net			**9 088**	**9 382**
Effect of deferred tax on:				
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.

(in thousands of €)

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
Total	**91 841**	**93 993**

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
Total	**5 225 151**	**4 137 513**

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
Total	**242 173**	**203 546**

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.

(in thousands of €)

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 air values is described in Note 2 of this chapter.

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

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

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
Financial assets held for trading – derivatives				
Currency swaps	11 460	0	0	11 460
Total off-balance sheet assets	**11 460**	**0**	**0**	**11 460**
Currency swaps	11 370	0	0	11 370
Total off-balance sheet liabilities	**11 370**	**0**	**0**	**11 370**
Net derivatives	**90**	**0**	**0**	**90**

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.

(in thousands of €)

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 ta 31 December 2020):

31 December 2021	Level 1	Level 2	Level 3	Total
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
Financial assets at fair value total	**0**	**47**	**4 351**	**4 398**
Financial liabilities held for trading: derivatives	0	2	0	2
Financial liabilities at fair value total	**0**	**2**	**0**	**2**

31 December 2020	Level 1	Level 2	Level 3	Total
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
Financial assets at fair value total	**0**	**95**	**3 242**	**3 337**
Financial liabilities held for trading: derivatives	0	0	0	0
Financial liabilities at fair value total	**0**	**0**	**0**	**0**

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.

(in thousands of €)

The following table shows the comparison of fair values and carrying amounts of balance sheet items as at 31 December 2021:

	Carrying amount	Estimated fair value Level 1	Level 2	Level 3
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
Financial assets	**5 282 302**	**152 525**	**710 627**	**4 561 795**
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
Financial liabilities	**4 894 338**	**998 284**	**1 268**	**3 912 849**

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

	Carrying amount	Estimated fair value Level 1	Level 2	Level 3
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
Financial assets	**4 484 292**	**171 313**	**433 001**	**4 053 649**
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
Financial liabilities	**4 114 294**	**510 779**	**3 905**	**3 643 755**

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.

(in thousands of €)

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
Tier 1 capital		
Common Equity Tier 1 capital	**364 252**	**346 576**
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)
Additional Tier 1 capital	**0**	**0**
Tier 2 capital	**26 591**	**24 483**
Capital instruments	0	0
Tier 2 capital adjustments	0	0
General credit risk adjustments (standardised approach)	26 591	24 483
OWN FUNDS TOTAL	**390 843**	**371 059**

Own funds requirements to cover	31.12.2021	31.12.2020
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.

(in thousands of €)

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

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

Credit risk related to balance sheet assets:	**31.12.2021**	**31.12.2020**
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
Total	**5 246 712**	**4 443 875**

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

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

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

b) Description of Credit Risk Measurement and Monitoring Methods

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

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

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

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

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

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

(in thousands of €)

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

Rating scale	Due from banks		Loans and advances to customer, of which:					
			Public administration		Other clients		Retail clients	
	31.12.2021	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

(in thousands of €)

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

Rating scale	Issued guarantees					
	Public administration		Other clients		Retail clients	
	31.12.2021	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).

(in thousands of €)

c) Risk Monitoring - Limit Setting

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

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

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

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

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

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

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

The table below provides an analysis of credit risk exposure by industry segments as at 31 December 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
Total	**4 406 206**	**3 833 646**

e) Identification of Impaired Assets (Mainly Receivables)

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

(in thousands of €)

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 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
Total	**4 467 387**	**17 343**	**382**	**6**	**3**	**11 337**

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
Total	**3 874 002**	**13 411**	**11**	**0**	**0**	**8 737**

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 revaluating held collateral;
- The asset to be financed is usually required to be used as collateral.

2. Market Risk

a) Information on Market Risk Policy and Management

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

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

(in thousands of €)

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)
Total	**-100 BP**	**(1 805)**

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)
Total		**(10)**

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

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

(in thousands of €)

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

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	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
Interest rate position - financial assets	**869 671**	**1 237 214**	**2 978 425**	**138 388**	**(1 888)**	**5 221 810**
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
Interest rate position - financial liabilities	**794 081**	**706 148**	**2 805 614**	**595 845**	**0**	**4 901 688**
Net interest rate position	**75 590**	**531 066**	**172 811**	**(457 457)**	**(1 888)**	**320 122**

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.	Unspe-cified 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
Interest rate position - financial assets	**660 421**	**1 016 716**	**2 654 640**	**89 313**	**(1 251)**	**4 419 839**
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
Interest rate position - financial liabilities	**691 345**	**616 315**	**2 236 935**	**576 857**	**0**	**4 121 452**
Net interest rate position	**(30 924)**	**400 401**	**417 705**	**(487 544)**	**(1 251)**	**298 387**

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.

(in thousands of €)

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.	Unspe-cified 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
Assets total	**784 983**	**313 251**	**1 212 082**	**2 998 259**	**22 645**	**5 331 220**
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
Liabilities and equity total	**2 877 400**	**442 119**	**1 111 502**	**504 476**	**395 723**	**5 331 220**
Net balance sheet position	**(2 092 417)**	**(128 868)**	**100 580**	**2 493 783**	**(373 078)**	**0**

(in thousands of €)

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

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspe-cified items	Total
Cash	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
Assets total	**528 847**	**412 637**	**1 079 210**	**2 488 087**	**22 617**	**4 531 398**
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
Liabilities and equity total	**2 504 370**	**385 092**	**760 754**	**503 652**	**377 530**	**4 531 398**
Net balance sheet position	**(1 975 523)**	**27 545**	**318 456**	**1 984 435**	**(354 913)**	**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 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

(in thousands of €)

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):

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

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

	EUR	CZK	USD	Other	Total
Assets	5 313 911	142	16 724	443	5 331 220
Liabilities and equity	(5 313 911)	(142)	(16 723)	(443)	(5 331 220)
Net balance sheet foreign exchange position	**0**	**0**	**0**	**0**	**0**
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)
Net off-balance sheet foreign exchange position	**4 995 667**	**0**	**(3 884)**	**1**	**4 991 784**
Net foreign exchange position	**4 995 667**	**0**	**(3 884)**	**1**	**4 991 784**

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

	EUR	CZK	USD	Other	Total
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)
Net balance sheet foreign exchange position	**(89)**	**20**	**0**	**69**	**0**
Off-balance sheet assets	4 228 755	1	1	1	4 228 758
Off-balance sheet liabilities	(273 113)	0	(430)	(3)	(273 546)
Net off-balance sheet foreign exchange position	**3 955 642**	**1**	**(429)**	**(2)**	**3 955 212**
Net foreign exchange position	**3 955 553**	**21**	**(429)**	**67**	**3 955 212**

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.

(in thousands of €)

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
Total assets	**0**	**92 365**	**7 778**	**100 143**
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
Total liabilities and equity	**8**	**2 371**	**3 414**	**5 794**

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
Total assets	**0**	**99 770**	**624**	**100 394**
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
Total liabilities and equity	**8**	**13 040**	**4 850**	**17 898**

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)

(in thousands of €)

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

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

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

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

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.