

Prima banka Slovensko, a.s.

**Interim Separate Financial Statements
For the 3 Months Ended 31 March 2021**

**Prepared in Accordance with IAS 34 Interim Financial Reporting
as Adopted by the European Union**

Contents

I. Financial Statements

Separate Statement of Financial Position
Separate Statement of Comprehensive Income
Separate Statement of Cash Flows
Separate Statement of Changes in Equity

II. Notes to the Separate Financial Statements

1. General Information about Prima banka
2. Basis for the Preparation of Separate Financial Statements
3. Significant Accounting Procedures
4. Significant Accounting Estimates
5. Notes to the Financial Statements

I. FINACIAL STATEMENTS

Separate Statement of Financial Position

Assets	Note	31.3.2021	31.12.2020
Cash		64 149	67 790
Financial assets at amortised cost, of which:	1	4 598 971	4 416 502
Balances with central banks		457 837	362 257
Due from banks		4 793	2 927
Loans and advances to customers		3 950 472	3 833 646
Debt securities		185 869	217 672
Financial assets held for trading - derivatives	2	1	95
Financial assets at fair value through profit or loss	3	2 044	1 595
Financial assets at fair value through other comprehensive income	4	2 064	1 647
Non-current tangible assets	5	17 251	17 991
Non-current intangible assets	6	1 653	1 742
Deferred tax asset	7	9 382	9 382
Other assets	8	15 484	14 654
Assets total		4 710 999	4 531 398
Liabilities and equity			
Financial liabilities at amortised cost, of which:	9	4 275 797	4 114 294
Loans and deposits received from central banks		0	0
Due to banks		1 347	1 324
Customer deposits		3 770 761	3 609 236
Debt securities		503 689	503 734
Liabilities from leasing	10	7 024	7 158
Financial liabilities held for trading - derivatives	2	210	0
Provisions and reserves	11	12 343	12 485
Other liabilities	12	45 112	33 133
Liabilities total		4 340 486	4 167 070
Equity (except profit for the current year)		364 507	346 804
Profit/loss for the current year after tax		6 006	17 524
Equity total	13	370 513	364 328
Liabilities and equity total		4 710 999	4 531 398

The notes on pages 5 to 49 are an integral part of these separate financial statements. The separate financial statements were signed and authorised for issue on 5 May 2021:


Ing. Jan Rollo
 Chairman of Management Board
 and General Director


Henrieta Gahérová
 Member of Management Board
 and Chief Product Officer

Separate Statement of Comprehensive Income

	Note	31.3.2021	31.3.2020
Interest income		16 961	18 623
Interest expense		(3 817)	(4 498)
Net interest margin	14	13 144	14 125
Fee and commission income		7 854	8 048
Fee and commission expense		(1 713)	(1 488)
Net fee and commission income	15	6 141	6 560
Dividend income		0	30
Net income from financial transactions	16	633	127
Other operating income	17	1 238	17
General administrative expenses	18	(11 887)	(15 281)
Contributions to the Resolution Fund and Deposits protection Fund	19	(1 415)	(214)
Depreciation and provisions for assets	20	(1 099)	(1 159)
Net allocation to provisions	21	(749)	(109)
Result before tax		6 006	4 096
Income tax	22	0	0
Net result for the current period	23	6 006	6 006
Other Comprehensive Income and Loss			
Items that may be reclassified to the income statement			
Financial assets available for sale		15	207
Cash flow hedge		0	(39)
Items that can not be reclassified to the income statement			
Equity instruments valued at fair value through another comprehensive income		164	(504)
Total	13	179	(336)
Comprehensive income total		6 185	3 760
Net profit per share (face value of € 399) in €		10.568	7.207
Net profit per share (face value of € 67) in €		1.775	1.210
Net profit per share (face value of € 5) in €		0.132	0.090
Net profit per share (face value of € 1) in €		0.026	0.018

Separate Statement of Cash Flows

	31.3.2021	31.3.2020
Cash flows from operating activities		
Profit before tax	6 006	4 096
Adjustment:		
Depreciation and amortisation	1 099	1 159
Profit/(Loss) from sale of non-current tangible and intangible assets	(1 136)	4
Profit/(Loss) of revaluation on financial assets at fair value through profit or loss	(449)	0
Profit/(Loss) of revaluation on financial assets for trading	15	207
Profit/(Loss) of revaluation on financial assets held for trading - derivatives	304	53
Profit/(Loss) of revaluation on securing derivatives	0	(39)
Profit of revaluation on financial assets at fair value through other comprehensive income	(253)	(132)
Proceeds from shares and equity interests	0	(30)
Interest expense	3 817	4 498
Interest income	(16 961)	(18 623)
Provisions and reserves for losses, net	1 497	411
Net loss on written off receivables	(481)	(95)
Net profit off postponed assets	(309)	0
Other non-cash transactions	(667)	(260)
Net cash flows from operating activities before changes in operating assets and liabilities	(7 518)	(8 751)
Changes in operating assets		
Due to the NBS	(100 907)	22 316
Interbank loans and advances	0	(1)
Loans and advances to customers	(119 912)	(150 791)
Other assets	(830)	598
Changes in operating liabilities		
Loans received from the central banks	0	0
Due to other banks	23	92
Customer deposits	161 228	126 374
Other liabilities	16 543	5 408
Interest paid	(3 566)	(4 435)
Interest received	20 848	19 568
Net cash flows from operating activities	(34 091)	10 378
Cash flows from investment activities		
Purchase of non-current tangible and intangible assets	0	(615)
Proceeds from sale of non-current tangible and intangible assets	1 375	0
Proceeds from financial assets at amortised cost – debt securities	30 000	(96)
Cash outflows related to financial assets at amortised cost – debt securities	0	(96)
Proceeds from postponed assets	309	0
Proceeds from shares and equity interests	0	30
Net cash flows from investment activities	31 684	(681)
Cash flows from financial activities		
Proceed from bonds issued	0	0
Repayment of the bonds issued	0	0
Repayment of leasing liabilities	(4 713)	0
Net cash flows from financing activities	(4 713)	0
Net increase/(decrease) in cash flows	(7 120)	9 697
Cash and cash equivalents as the beginning of year (Note 24)	93 993	130 645
Cash and cash equivalents as the end of year (Note 24)	86 873	140 341

Separate Statement of Changes in Equity

	Share capital	Share premium funds	Legal Reserve Fund	Other capital funds	Revaluation reserves	Profit/loss from		Equity total
						previous years	current year	
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						17 060	(17 060)	0
Results for the 3 months 2020							4 096	4 096
Profit on revaluation of available-for-sale financial assets					207			207
Cash flow hedge					(39)			(39)
Revaluation of equity instruments					(504)			(504)
31.3.2020	226 773	71 190	6 439	54 078	1 013	(13 808)	4 096	349 781
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						17 524	(17 524)	0
Results for the 3 months 2021							6 006	6 006
Profit on revaluation of available-for-sale financial assets					15			15
Cash flow hedge					0			0
Revaluation of equity instruments					164			164
31.3.2021	226 773	71 190	8 145	54 078	43	4 278	6 006	370 513

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 120 branches as at 31 March 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 Tušíl

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

Scope of Activities

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

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

Shareholder Structure of Prima banka

	Stake in Share Capital in %	
	31.3.2021	31.12.2020
PENTA INVESTMENTS LIMITED, Cyprus	99,55	99,55
Shareholders under 1%	0,45	0,45
Total	100,00	100,00

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

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

Share Capital and its Structure

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

The structure of ordinary shares as at 31 March 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	SK11100013671	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

	31.3.2021
Average number of employees, of which:	815
Average number of managers	5

As at 31 March 2021, Prima banka had 816 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 3 months ended 31 March 2021 and comparative data for the 3 months ended 31 March 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:

Basis for the Preparation of Financial Statements

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

The financial statements have been prepared under the assumption that the Bank will continue its operations as a going concern in the foreseeable future. The financial statements have been prepared under the historical cost convention; except for the following cases, which are measured at fair value:

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

The reporting currency used in these financial statements is the euro ("€"). Value figures are presented in thousands unless stipulated otherwise. Value figures in brackets represent negative values. Tables in these financial statements may contain rounding differences. If necessary, comparative data was reclassified to ensure the comparability of presented data.

Segment Reporting

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

3. Significant Accounting Procedures

a) Transaction Date

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

b) Transactions in a Foreign Currency

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

c) Cash and Balances with Central Banks

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

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

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

e) Financial Instruments

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

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

Business model assessment

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

The Bank has the following business models:

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

Contractual cash flows

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

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

Financial assets measured at amortised cost

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

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

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

- Loans and receivables;
- Debt securities;

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

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

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

Financial assets measured at fair value through other comprehensive income (FVTOCI)

To classify a financial instrument in this portfolio, both of the following conditions must be met:

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

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

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

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

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

The Bank holds the following financial assets in this business model: Series C Preferred Stock of VISA INC., USA.

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

Impairment of financial assets measured at amortised cost and fair value through other comprehensive income

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

The Bank measures expected credit losses to reflect:

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

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

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

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

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

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

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

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

Significant increase in credit risk

The assessment of significance comprises future-focused information and is always performed as at the reporting date. Receivables in portfolios measured solely using statistical models are classified in stage 2 if the client has at least one significant receivable overdue by more than 6 days 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.

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

Defaulted financial assets

A financial asset is in default if:

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

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

Probability of default

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

Loss given default

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

Exposure at default

Exposure at default is the volume of funds the Bank expects 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.

The impact of the Coronavirus pandemic

To mitigate the effects of the Coronavirus pandemic, the National Council of the Slovak Republic adopted new law enabling to clients to request a deferral of installments for a period of 1-9 months. Even during the instalment moratorium, the Bank is entitled to interest on the unpaid part of the loan's principal amount.

In connection with the expected market development, the Bank adjusted the scenarios and weights used to calculate the provision for retail loans. The Bank has also prepared a model for estimating the volume of clients in the deferral phase, for whom the ability to repay liabilities could be reduced.

After the consideration of potential impacts of the Coronavirus pandemic on the business activities the Bank concluded that they have no significant impact on the ability of the Bank to continue as going concern. The Bank very carefully monitors the actual situation around coronavirus pandemic and assesses the potential impact on operations, disclosures, financial position and performance of the Bank.

Allocation of credit loss allowances is affected by the moratoria of instalments related to coronavirus and the Bank will continue to monitor the potential impact and will take all necessary steps to mitigate the negative effects on the Bank, employees and clients.

f) Financial Derivatives

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

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

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

g) Hedging

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

h) Fair Value of Financial Instruments

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

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

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

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

i) Non-Current Tangible and Intangible Assets

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

Land and works of art are not depreciated.

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

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

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

j) Impairment of Tangible and Intangible Assets

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

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

k) Leases

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

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

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

Leases in which the Bank is a lessee

The new Standard, when initially applied, had a significant impact on the financial statements. Bank recognised in statement of financial position assets and liabilities relating to operating leases for which the Bank acts as a lessee. The Bank recognises new assets and liabilities (impact in amount of € 7,000 thousand) in the statement of financial position for its operating leases in respect of branch and office premises.

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

The recognition of provisions for loan losses and identified contingent liabilities, however, includes various uncertainties regarding the outcome of the above risks (i.e. for portfolios measured using statistical models, the Bank does not have sufficiently representative historical data available and, therefore, the Bank has elected to use NBS estimates to estimate the impact of an adverse scenario, and requires Bank management to make many subjective judgments when estimating losses. Therefore, the result of such estimates may differ from the provisions recognised as at 31 March 2021.

Deferred Tax Asset

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

Provision for Litigation Claims

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

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

5. Notes to the Financial Statements

1. Financial Assets at Amortised Cost

Gross book value and provisions

31.3.2021	Gross Carrying Amount			
	Total	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost, of which:				
Balances with central banks	457 837	457 837	0	0
Current accounts	18 264	18 264	0	0
Compulsory minimum reserves	439 573	439 573	0	0
Due from banks	4 793	4 793	0	0
Loans and advances to customers*, of which:	4 092 588	3 955 568	49 170	87 850
Public administration	126 618	125 565	844	209
Retail clients	3 531 754	3 483 843	15 225	32 686
of which: Individuals	3 417 423	3 372 474	15 061	29 887
Other clients	434 216	346 160	33 101	54 955
Debt securities, of which:	188 823	168 743	20 080	0
Banks	9 979	9 979	0	0
Public administration	119 016	119 016	0	0
Other clients	59 828	39 748	20 080	0
Total	4 744 041	4 586 941	69 250	87 850
Provisions- Loans and advances to customers	(142 116)	(49 794)	(11 997)	(80 325)
Provisions- Debt securities	(2 954)	(575)	(2 379)	0
Net carrying amount	4 598 971	4 536 572	54 874	7 525

31.12.2020	Gross Carrying Amount			
	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.

Loans and advances gross book value

Loans and advances to customers	1.1.2021	An increase due to the creation or acquisition	Decline due to discontinuation of reporting	Net changes due to change in credit risk	Transfers between levels	31.3.2021
Level 1	3 819 384	325 034	(154 533)	(45 012)	10 695	3 955 568
Public administration	129 415	3 025	(2 774)	(4 101)	0	125 565
Retail clients	3 276 489	320 799	(86 848)	(38 489)	11 892	3 483 843
Other clients	413 480	1 210	(64 911)	(2 422)	(1 197)	346 160
Level 2	65 113	123	(2 948)	(1 864)	(11 253)	49 170
Public administration	875	50	(20)	(61)	0	844
Retail clients	28 780	51	(476)	(662)	(12 468)	15 225
Other clients	35 458	22	(2 452)	(1 141)	1 215	33 101
Level 3	92 726	150	(4 199)	(1 385)	558	87 850
Public administration	216	0	0	(7)	0	209
Retail clients	35 933	120	(3 164)	(778)	576	32 686
Other clients	56 577	30	(1 035)	(600)	(18)	54 955
Total	3 977 223	325 307	(161 680)	(48 261)	0	4 092 588

Loans and advances to customers	1.1.2020	An increase due to the creation or acquisition	Decline due to discontinuation of reporting	Net changes due to change in credit risk	Transfers between levels	Other movements	31.12.2020
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	31.12.2020			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	19 109	(8 310)	(104)	7 971	(21 231)	(4 341)
Public administration	0	0	0	0	0	0
Retail clients	19 034	(7 038)	(104)	7 918	(21 152)	(4 335)
Other clients	75	(1 272)	0	53	(79)	(6)
Level 2	(19 109)	8 542	(686)	(7 971)	23 690	(3 801)
Public administration	0	0	0	0	529	0
Retail clients	(19 034)	7 249	(683)	(7 918)	23 075	(3 684)
Other clients	(75)	1 293	(3)	(53)	86	(117)
Level 3	0	(232)	790	0	(2 459)	8 142
Public administration	0	0	0	0	(529)	0
Retail clients	0	(211)	787	0	(1 923)	8 019
Other clients	0	(21)	3	0	(7)	123

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

Provisions for loans and advances to customers

Provisions for loans and advances to customers	1.1.2021	An increase due to the creation or acquisition	Decline due to discontinuation of reporting	Net changes due to change in credit risk	Transfers between levels	Exchange rate differences	Decrease in proviso due to depreciation	31.3.2021
Stage 1	(41 129)	(2 305)	2 150	(10 164)	1 654	0	0	(49 794)
Public administration	(5)	0	0	0	0	0	0	(5)
Retail clients	(34 863)	(2 255)	1 207	(9 202)	1 623	(10)	0	(43 500)
Other clients	(6 261)	(50)	943	(962)	31	10	0	(6 289)
Stage 2	(17 758)	(57)	775	6 097	(1 054)	1	0	(11 997)
Public administration	(175)	(10)	4	12	0	0	0	(169)
Retail clients	(9 096)	(38)	187	6 140	(1 024)	1	0	(3 830)
Other clients	(8 487)	(9)	584	(56)	(30)	0	0	(7 998)
Stage 3	(84 690)	(148)	876	1 130	(600)	(6)	3 113	(80 325)
Public administration	(108)	0	0	3	0	0	0	(105)
Retail clients	(27 916)	(118)	701	420	(599)	(6)	2 253	(25 265)
Other clients	(56 666)	(30)	175	707	(1)	0	859	(54 956)
Total	(143 577)	(2 510)	3 801	(2 937)	0	(5)	3 113	(142 116)

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	31.3.2021			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	(256)	1 835	75	(99)	7 380	2 719
Public administration	0	0	0	0	0	0
Retail clients	(252)	1 801	75	(96)	7 369	2 713
Other clients	(4)	34	0	(3)	11	6
Stage 2	256	(1 853)	544	99	(7 599)	2 599
Public administration	0	0	0	0	(106)	0
Retail clients	252	(1 816)	541	96	(7 481)	2 482
Other clients	4	(37)	3	3	(12)	117
Stage 3	0	18	(619)	0	219	(5 318)
Public administration	0	0	0	0	106	0
Retail clients	0	16	(616)	0	113	(5 195)
Other clients	0	2	(3)	0	0	(123)

Provisions for debt securities

Debt securities	1.1.2021	An increase due to the creation or acquisition	Decline due to discontinuation of reporting	Net changes due to change in credit risk	Transfers between levels	Decrease in provision due to depreciation	31.3.2021
Stage 1	(582)	0	0	5	0	0	(576)
Stage 2	(2 378)	0	0	0	0	0	(2 378)
Stage 3	0	0	0	0	0	0	0
Total	(2 960)	(582)	0	(265)	0	0	(2 954)

Debt securities	1.1.2020	An increase due to the creation or acquisition	Decline due to discontinuation of reporting	Net changes due to change in credit risk	Transfers between levels	Decrease in provision due to depreciation	31.12.2020
Stage 1	0	(582)	0	0	0	0	(582)
Stage 2	(2 113)	0	0	(265)	0	0	(2 378)
Stage 3	0	0	0	0	0	0	0
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:

	31.3.2021	31.12.2020
Balances with central banks	457 822	362 257
Slovak Republic	457 822	362 257
Due from banks	4 793	2 927
Slovak Republic	5	5
EU Member States	4 456	2 592
Other countries	332	330
Loans and advances to customers	3 950 472	3 833 646
Slovak Republic	3 815 977	3 635 591
EU Member States	134 418	197 977
Other countries	77	78
Debt securities	185 869	217 672
Slovak Republic	68 700	100 095
EU Member States	117 169	117 577
Total	4 598 956	4 416 502

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

	31.3.2021	31.12.2020
Balances with central banks	457 822	362 257
In euro	457 822	362 257
Due from banks	4 793	2 927
In euro	2 246	1 003
In foreign currencies	2 547	1 924
Loans and advances to customers	3 950 472	3 833 646
In euro	3 950 472	3 833 646
In foreign currencies	0	0
Debt securities	185 869	217 672
In euro	182 281	214 264
In foreign currencies	3 588	3 408
Total	4 598 956	4 416 502

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

2. Financial Derivatives – assets and liabilities

Assets	31.3.2021		31.12.2020	
	Fair Value	Nominal Value	Fair Value	Nominal Value
Financial Assets for trading - derivatives				
currency derivatives	1	14 740	95	11 460
Total Assets	1	14 740	95	11 460
Liabilities	31.3.2021		31.12.2020	
	Fair Value	Nominal Value	Fair Value	Nominal Value
Financial Liabilities for trading - derivatives				
currency derivatives	210	14 952	0	11 370
Total Liabilities	210	11 952	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

Názov	31.3.2021	31.12.2020
	Fair value	Fair Value
Visa Inc., USA	2 044	1 595
Celkom	2 044	1 595

4. Financial Assets at Fair Value through Other Comprehensive Income

Name	31.3.2021	31.12.2020
	Fair Value	Fair Value
SWIFT LA HULPE, Belgium	23	16
Visa Inc., USA	2 041	1 631
Total	2 064	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 € 2 064 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 March 2021:

	1.1.2021	Increase	Decrease	Other movements	31.3.2021
Land, buildings and structures	41 794	2	(2 143)	7	39 660
Information technologies	9 377	62	(1 002)	0	8 437
Other non-current tangible assets	18 354	27	(646)	(21)	17 714
Leasing	11 302	394	(41)	(5)	11 650
Non-current tangible assets	80 827	485	(3 832)	(19)	77 461
Accumulated depreciation and provisions - buildings and structures	(31 992)	(304)	1 904	0	(30 392)
Accumulated depreciation – information technologies	(9 187)	(61)	1 002	0	(8 246)
Accumulated depreciation - other non-current tangible assets	(17 452)	(59)	641	0	(16 870)
Accumulated depreciation - Leasing	(4 205)	(544)	46	0	(4 702)
Accumulated depreciation and provisions	(62 836)	(968)	3 593	0	(60 210)
Net book value	17 991	(483)	(239)	(19)	17 251

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 March 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 € 40 692 thousand and a set of movable assets with insurance coverage of up to € 30 323 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 March 2021:

	1.1.2021	Increase	Decrease	31.3.2021
Software	19 397	2 189	0	19 397
Other non-current intangible assets	24 511	75	(13)	24 511
Non-current intangible assets	43 908	293	(13)	43 908
Accumulated amortisation - software	(19 092)	(146)	0	(19 092)
Accumulated amortisation - other non-current intangible assets	(23 074)	(374)	89	(23 074)
Accumulated amortisation and provisions	(42 166)	(520)	89	(42 166)
Net book value	1 742	(227)	76	1 742

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

7. Deferred Tax Assets

	31.3.2021	31.12.2020
Deferred tax asset	9 382	9 382
Total	9 382	9 382

8. Other Assets

	31.3.2021	31.12.2020
Assets, of which:	11 258	10 923
Receivables from clients' derivatives	2 697	2 697
Cash collateral	8 297	7 933
Other receivables	263	293
Other assets	7 786	7 220
Total	19 044	18 143
Provisions	(3 560)	(3 489)
Net carrying amount	15 484	14 654

9. Financial Liabilities at Amortised Cost

	31.3.2021	31.12.2020
Balances with central banks	0	0
Loans received	0	0
Due from banks	1 347	1 324
Current accounts and demand payables	1 347	1 324
Term deposits	0	0
Customer deposits	3 770 761	3 609 236
Current accounts	2 337 801	2 176 241
Term deposits	1 292 970	1 308 310
Saving deposits	139 770	124 450
Received loans	220	235
Debt securities	503 689	503 734
Mortgage debentures	1 999	1 981
Covered bonds	501 690	501 753
Total	4 275 797	4 114 294

As at 31 March 2021, the Bank pledged government bonds held in the portfolio of financial assets at amortised cost in favour of the NBS for pooling in the amount of € 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 March 2021: € 0).

As at 31 March 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:

	31.3.2021	31.12.2020
Public administration	599 737	523 251
Retail clients, of which:	2 841 871	2 764 281
Individuals	2 636 517	2 567 861
Other clients	329 153	321 704
Total	3 770 761	3 609 236

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

	31.3.2021	31.12.2020
Balances with central banks	0	0
Slovak Republic	0	0
Due from banks	1 347	1 324
Slovak Republic	345	322
EU Member States	1 002	1 002
Customer deposits	3 770 761	3 609 236
Slovak Republic	3 752 197	3 590 308
EU Member States	12 894	13 368
Other countries	5 670	5 560
Debt securities	503 689	503 734
Slovak Republic	503 689	503 734
Total	4 275 797	4 114 294

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

	31.3.2021	31.12.2020
Balances with central banks	0	0
In euro	0	0
Due from banks	1 347	1 324
In euro	1 347	1 324
In foreign currency	0	0
Customer deposits	3 770 761	3 609 236
In euro	3 767 802	3 606 814
In foreign currency	2 959	2 422
Debt securities	503 689	503 734
In euro	503 689	503 734
Total	4 275 797	4 114 294

As at 31 March 2021, Prima banka issued the securities summarised in the following table (these issued securities are not placed on a regulated market):

ISIN	Date of issue	Maturity date	Frequency of yield payment	Interest rate	Nominal value (€)	Number of securities issued	Carrying amount
SK4120007998	1.12.2011	1.12.2021	-	ZERO	1 000,00	1 465	1 999
SK4000016069	1.10.2019	1.10.2026	annually	0,01 %	100 000,00	5 000	501 690
Total							503 689

As at 31 December 2020, Prima banka issued the securities summarised in the following table (these issued securities are not placed on a regulated market):

ISIN	Date of issue	Maturity date	Frequency of yield payment	Interest rate	Nominal value (€)	Number of securities issued	Carrying amount
SK4120007998	1.12.2011	1.12.2021	-	ZERO	1 000,00	1 465	1 981
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

	31.3.2021	31.12.2020
Liabilities from leases	7 024	7 158
Total	7 024	7 158

11. Provisions and Reserves

	31.3.2021	31.12.2020
Provisions for litigation	8 547	8 589
Provisions for restructuring	0	0
Provisions for off-balance sheet liabilities	3 761	3 861
Other reserves	35	35
Total	12 343	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 March 2021:

	1.1.2021	Allocation	Release	Exchange rate differences	31.3.2021
Provisions for litigation	8 589	51	0	(93)	8 547
Provisions for restructuring	0	0	0	0	0
Provision for off-balance sheet liabilities	3 861	1 471	(1 572)	1	3 761
Other reserves (executions)	35	0	0	0	35
Total	12 485	1 522	(1 572)	(93)	12 343

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 total provision for litigation amounts to € 8 547 thousand as at 31 March 2021 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

	31.3.2021	31.12.2020
Accruals and deferrals	3 039	114
Reserves and other payables	13 963	15 905
Settlement with employees, of which: social fund	1 186 57	896 57
Other payables	26 613	15 765
State budget clearing account	311	453
Total	45 112	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.

Social Fund

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

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

Social fund	31.3.2021	31.12.2020
Balance as at 1.1.	57	60
Allocation (from expenses)	39	146
Usage: catering allowance	(40)	(149)
Total	57	57

13. Equity

	31.3.2021	31.12.2020
Share capital	226 773	226 773
Share premium funds	71 190	71 190
Legal reserve fund	8 145	8 145
Other capital funds	54 078	54 078
Accumulated other comprehensive income	43	(136)
Profit/(loss) from previous years	4 278	(13 246)
Profit/(loss) for the current year	6 006	17 524
Total	370 513	364 328

Share Capital

Face value of shares	31.3.2021		31.12.2020	
	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

	31.3.2021	31.12.2020
Financial assets at fair value through other comprehensive income	386	222
Available-for-sale securities	(343)	(358)
Cash flow hedge	0	0
Total	43	(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.

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

Proposed Distribution of Profit for 2020:

Statutory allotment to the reserve fund (10% of the profit after tax)	1 752
Transfer of profit into profit/loss from previous years	15 772
Retained earnings for 2020	17 524

The distribution of the 2020 profit is subject to approval by the General Meeting of Prima banka.

The accompanying notes are an integral part of these financial statements.

This is an English language translation of the original Slovak language document.

14. Net Interest Margin

	31.3.2021	31.3.2020
Interest income and similar income on:	16 961	18 623
Financial assets at amortised cost, of which:		
Balances with the central banks	(220)	(223)
Due from banks	2	(3)
Loans and advances to customers	15 557	17 353
Debt securities	1 622	1 496
Hedging derivatives	0	0
Interest expense and similar expense for:	(3 817)	(4 498)
Financial liabilities at amortised cost, of which:		
Due to banks	0	(20)
Customer deposits	(3 730)	(4 390)
Debt securities	(87)	(88)
Hedging derivatives	0	0
Net Interest Margin	13 144	14 125

15. Net Fee and Commission Income

	31.3.2021	31.3.2020
Fee and commission income on:	7 854	8 048
Payment services	6 283	6 109
Credit activity	1 171	1 370
Transactions with securities	1	0
Other banking services	399	569
Fee and commission expense for:	(1 713)	(1 488)
Payment services	(166)	(232)
Credit activity	0	0
Transactions with securities	(28)	(28)
Other banking services	(1 519)	(1 228)
Net Fee and Commission Income	6 141	6 560

16. Profit from Financial Transactions

	31.3.2021	31.3.2020
Net income (loss) from financial assets held for trading - derivatives	(632)	(378)
Net loss from revaluation of financial assets at fair value through other comprehensive income	558	113
Foreign exchange differences	707	392
Net profit from financial transactions	633	127

17. Other Operating Income

	31.3.2021	31.3.2020
Net income (loss) on the sale of non-current assets	1 136	(4)
Lease income	15	17
Other income from non-banking activities	88	4
Other expense from non-banking activities	(1)	0
Other operating income	1 238	17

18. General and Administrative Expenses

	31.3.2021	31.3.2020
Personnel expenses	(6 172)	(5 995)
Wages and salaries*	(4 580)	(4 545)
Social expenses	(1 434)	(1 500)
Other personnel costs	(158)	50
Other administrative expenses	(5 715)	(9 287)
IT costs	(1 144)	(1 101)
Marketing, advertising and other services	(1 256)	(1 227)
Costs of audit and related services**	0	0
Leases	(64)	(59)
Other purchased outputs and services	(3 195)	(2 694)
Special levy of banking institutions	0	(3 893)
Supervision of Central Banks	(98)	(107)
Creation (use) of provisions for litigation	42	(241)
Creation (use) of other provisions	0	35
General administrative costs	(11 887)	(15 282)

* 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 and Review of IT security.

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 € 29 thousand as at 31 March 2021 (31 March 2020: € 32 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.

19. Contributions to the Resolution fund and Deposits protection fund

	31.3.2021	31.3.2020
Resolution fund	(250)	(3)
Deposits Protection Fund	(1 165)	(211)
Specific Contributions of Selected Financial Institutions	(1 415)	(214)

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

	31.3.2021	31.3.2020
Depreciation of tangible assets	(967)	(1 051)
Amortisation of intangible assets	(132)	(108)
Total	(1 099)	(1 159)

21. Net Allocation to Provisions and Reserves

	31.3.2021	31.3.2020
(Allocation) of provisions for financial assets at amortised cost, of which:	(1 639)	(75)
Loans, advances and other receivables	(1 645)	(75)
Debt securities	6	0
Allocation to provisions for off-balances sheet exposures	100	(129)
Written-off and assignment of receivables*	790	95
Net Allocation to Provisions and Reserves	(749)	(109)

*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

	31.3.2021	31.3.2020
Deferred income tax	0	0
Income Tax	0	0

23. Net Earnings per Share

	31.3.2021	31.3.2020
Net earnings for the current period (€ T)	6 006	4 096
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 €	10.568	7.207
Net earnings per share (face value € 67) in €	1.775	1.210
Net earnings per share (face value € 5) in €	0.132	0.090
Net earnings per share (face value € 1) in €	0.026	0.018

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:

	31.3.2021	31.3.2020
Cash	64 149	67 790
Balances with central banks	18 264	23 606
Current accounts in other banks	4 460	2 597
Term deposits in banks up to 3 months	0	0
Total	86 873	93 993

25. Contingent Liabilities and Other Off-Balance Sheet Items**Off-balance Sheet Assets**

	31.3.2021	31.3.2020
Receivables from spot transactions	7 519	1
Guarantees received	6 728	6 813
Received collateral from pledge, security and other rights	4 448 430	4 130 699
Total	4 462 677	4 137 513

Off-balance Sheet Liabilities

	31.3.2021	31.12.2020
Liabilities from spot transactions	7 826	1
Guarantees issued	6 879	7 250
Loan commitments and unused credit facilities	192 615	183 466
Assets in custody	12 429	12 829
Total	219 749	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 March 2021, provisions recorded for off-balance sheet exposures amounted to € 3 761 thousand (31 December 2020: € 3 861 thousand), see Note 11 in this Chapter.

Issued Guarantees

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

Loan Commitments and Unused Credit Facilities

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

Assets Received in Custody

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

26. Residual Maturity of Derivatives

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

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

Residual maturity	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial assets held for trading – derivatives				
Currency swaps	14 740	0	0	14 740
Total off-balance sheet assets	14 740	0	0	14 740
Financial liabilities held for trading - derivatives				
Currency swaps	14 952	0	0	14 952
Total off-balance sheet liabilities	14 952	0	0	14 952
Net derivatives	(212)	0	0	(212)

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
Financial liabilities held for trading - derivatives				
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.

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 March 2021 (as at 31 December 2020):

31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets held for trading: derivatives	0	0	0	0
Financial assets at fair value through profit or loss	0	0	2 044	2 044
Financial assets at fair value through other comprehensive income	0	0	2 064	2 064
Financial assets at fair value total	0	0	4 108	4 109
Financial liabilities held for trading: derivatives	0	210	0	210
Financial liabilities at fair value total	0	210	0	210

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

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

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

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

	Carrying amount	Estimated fair value		
		Level 1	Level 2	Level 3
Cash	64 149	0	64 149	0
Financial assets at amortised cost, of which:	4 598 971	171 313	462 642	4 288 537
Balances with central banks	457 837	0	457 822	0
Due from banks	4 793	0	4 820	0
Loans and advances to customers	3 950 472	0	0	4 228 151
Debt securities	185 869	171 313	0	60 386
Financial assets	4 663 120	171 313	526 791	4 288 537
Financial liabilities at amortised cost, of which:	4 275 797	507 374	3 941	3 802 699
Loans and deposits received from central banks	0	0	0	0
Due to banks	1 347	0	1 347	0
Customer deposits	3 770 761	0	0	3 802 699
Issued securities	503 689	507 374	2 594	0
Financial liabilities	4 275 797	507 374	3 941	3 802 699

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.

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 March 2021 and 31 December 2020 are stated in the table below:

Own funds	31.3.2021	31.12.2020
Original own funds (Tier 1 Capital)	346 953	346 576
Items creating the value of original own funds	360 229	360 050
Paid-up share capital	226 773	226 773
Share premium	71 190	71 190
Other funds	62 223	62 223
Another accumulated comprehensive result	43	(136)
Items reducing the amount of original own funds	(13 276)	(13 473)
Accumulated loss of previous year	(13 246)	(13 246)
Intangible assets	(29)	(227)
Additional own funds (Tier 2 Capital)	24 551	24 483
Items creating the value of additional own funds	24 551	24 483
General credit risk adjustments	24 551	24 483
Own funds total	371 504	371 059
	31.3.2021	31.12.2020
Own funds requirements to cover:		
credit risk and risk of impairment of receivables	157 127	156 693
operational risk	12 006	12 006
CVA risk	3	5
Own funds requirements	169 136	168 704

Prima banka met regulatory requirements under the CRR. As at 31 December 2021, the Bank's overall capital adequacy was 17,57 % (31 December 2020: 17,60 %). The Bank uses a standardised approach for the calculation of own funds requirements.

29. Risk Management

1. Credit Risk

a) Information on Credit Risk Policy, Objectives and Management

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

monitored by the Bank's management, on the basis of regular reporting. Information on customers is permanently monitored and assessed. Customers are assigned to risk segments to ensure correct monitoring, quantification, reporting and management of credit risks. Exposure limits are set for the defined segments. Exposure limits are also set for individual customers.

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

Credit risk related to balance sheet assets:	31.12.2021	31.12.2020
Financial assets at amortised cost	4 598 971	4 416 502
Balances with central banks	457 837	362 257
Due from banks	4 793	2 927
Loans and advances to customers	3 950 472	3 833 646
Debt securities	185 869	217 672
Trading derivatives	1	95
Financial assets at fair value through profit or loss	2 044	1 595
Financial assets at fair value through other comprehensive income	2 064	1 647
Deferred tax assets	9 382	9 382
Other assets	15 484	14 654
Total	4 627 946	4 443 875
Credit risk related to off-balance sheet items prior to the deduction of reserves:	31.3.2021	31.12.2020
Issued guarantees	6 879	7 250
Loan commitments and unused credit limits	192 615	183 466
Total	199 494	190 716

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

To cover granted loans	31.3.2021	31.12.2020
Cash	2 608	2 704
Immovable assets	4 442 076	4 122 903
Movable assets	3 746	5 092
Collateral received for financial assets	4 448 430	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.

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:			
	31.3.2021	31.12.2020	Public administration		Other clients	
	4 793	2 927	31.3.2021	31.12.2020	31.3.2021	31.12.2020
	126 207	130 127	378 844	447 097		
Rating AAA	0	0	1 260	1 220	177	154
Rating AA+	0	0	3 073	3 427	384	279
Rating AA	8	8	5 744	5 734	554	528
Rating AA-	409	422	4 409	4 515	791	660
Rating A	11	10	6 835	7 297	1 087	998
Rating A+	841	208	7 793	8 398	2 801	3 250
Rating A-	2 658	1 602	12 439	12 892	1 221	1 764
Rating BBB+	321	63	6 281	6 173	1 751	1 903
Rating BBB	145	239	12 031	11 853	14 438	17 215
Rating BBB-	31	4	16 213	16 605	5 225	5 332
Rating BB+	0	0	15 649	16 186	1 291	1 718
Rating BB	0	0	4 799	5 120	263 291	327 942
Rating BB-	0	0	15 032	15 731	17 961	18 561
Rating B+	334	330	8 634	9 070	1 584	2 129
Rating B	0	0	4 778	4 672	54 356	54 061
Rating B-	35	41	352	373	2 175	754
Rating CCC	0	0	886	864	9 757	9 849

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	
	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020
	9 979	9 985	119 016	150 354	59 828	60 255
Rating A+	0	0	0	0	0	0
Rating A	0	0	68 700	100 093	0	0
Rating A-	0	0	50 316	50 261	0	0
Rating BBB	0	0	0	0	0	0
Rating BBB-	9 979	10 021	0	0	59 828	60 255
Rating CCC	0	0	0	0	0	0

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

Ratingový stupeň	Issued guarantees				Loans commitments			
	Public administration		Other clients		Public administration		Other clients	
	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020
	6 249	5 996	159	229	35 949	33 527	4 454	5 619
Rating AAA	0	0	7	7	1 231	784	54	73
Rating AA+	0	0	37	37	1 261	1 576	481	527
Rating AA	0	0	0	0	2 989	2 717	622	660
Rating AA-	600	600	0	0	2 857	2 801	295	415
Rating A+	277	280	0	0	4 086	3 439	228	397
Rating A	48	48	15	15	2 440	1 922	245	293
Rating A-	1 137	1 154	0	0	2 440	2 607	514	569
Rating BBB+	374	375	0	0	3 609	3 379	305	358
Rating BBB	0	40	100	40	3 657	3 763	351	465
Rating BBB-	821	491	0	100	2 716	2 435	359	544
Rating BB+	1 459	1 469	0	0	3 322	3 612	336	366
Rating BB	0	0	0	0	1 995	1 973	174	368
Rating BB-	551	551	0	0	1 708	1 350	105	101
Rating B+	50	50	0	0	818	640	163	201
Rating B	645	649	0	0	667	410	78	80
Rating B-	287	289	0	0	87	70	39	78
Rating CCC	0	0	0	30	66	49	105	124

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 € 69 806 thousand (31 December 2020: € 70 276 thousand).

c) Risk Monitoring - Limit Setting

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

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

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

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

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

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

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

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

	31.3.2021	31.12.2020
Agriculture, forestry and fishing	266	279
Mining and quarrying	0	0
Manufacturing	3 281	3 804
Electricity, gas, steam and air conditioning supply	3 572	3 718
Water supply; sewerage and wastewater management	2 557	2 715
Construction	3 539	3 254
Wholesale and retail trade	15 269	16 199
Transportation and storage	900	1 039
Accommodation and catering	5 675	5 780
Information and communication	130	114
Financial and insurance activities	217 567	218 441
Real estate activities	89 338	154 274
Professional, scientific and technical activities	22 330	22 571
Administrative and support service activities	9 076	9 012
Public administration and defence; compulsory social security	126 172	130 036
Education	29	107
Health care and social work activities	494	2 371
Arts, entertainment and recreation	5 534	5 683
Other activities	417	332
Activities of households as employers	3 444 326	3 253 917
Total	3 950 472	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.

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 March 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	4 793	0	0	0	0	0
Loans and advances to customers, of which:	3 989 779	14 803	156	0	0	8 785
Public administration	126 207	202	0	0	0	0
Other clients	3 484 728	14 187	153	0	0	8 744
Individuals	378 844	414	3	0	0	41
Total	3 994 572	14 803	156	0	0	8 785

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
Other clients	3 293 851	11 408	10	0	0	8 416
Individuals	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 March 2021, including other receivables from financial transactions:

	Public sector	Retail clients	Other clients	Total
Impaired loans	209	32 686	54 955	87 850
Provisions	105	25 265	54 955	80 325
Recoverable amount of collateral received	0	7 526	0	7 526
% of coverage by provisions	50 %	77 %	100 %	91 %
% 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 € 1 345 thousand as at 31 March 2021 (31 December 2020: € 1 707 thousand).

The Bank sold real estate pledged against receivables which were unpaid as at 31 March 2021 for € 547 thousand (31 December 2020: € 3 892 thousand). The Bank sold a pledge over moveable assets (receivables) as at 31 March 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.

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 March 2021:

	Movement in yield curve	Bank's loss from movement in yield curve
Banking Book: euro	- 100 BP	(32)
Total		(32)

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".

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

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	457 822	0	0	0	0	457 822
Due from banks	4 793	0	0	0	0	4 793
Loans and advances to customers	425 072	718 209	2 756 835	49 017	1 339	3 950 472
Debt securities	135	51 001	88 759	45 974	0	185 869
Financial assets at fair value through profit or loss	2 044	0	0	0	0	2 044
Financial assets at fair value through other comprehensive income	2 064	0	0	0	0	2 064
Financial assets held for trading – derivatives	1	0	0	0	0	1
Interest rate position - financial assets	891 931	769 210	2 845 594	94 991	1 339	4 603 065
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	0	0	0	0	0	0
Due to banks	1 347	0	0	0	0	1 347
Customer deposits	692 758	713 582	2 279 987	84 434	0	3 770 761
Issued securities	0	2 024	0	501 665	0	503 689
Leases	3	30	5 518	1 473	0	7 024
Financial liabilities for trading - derivatives	210	0	0	0	0	210
Interest rate position - financial liabilities	694 318	715 636	2 285 505	587 572	0	4 283 031
Net interest rate position	197 613	53 574	560 089	(492 581)	1 339	320 034

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

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Financial assets at amortised cost, of which:						
Balances with central banks	362 257	0	0	0	0	362 257
Due from banks	2 597	330	0	0	0	2 927
Loans and advances to customers	259 613	965 955	2 566 028	43 301	(1 251)	3 833 646
Debt securities	32 617	50 431	88 612	46 012	0	217 672
Financial assets at fair value through profit or loss	1 595	0	0	0	0	1 595
Financial assets at fair value through other comprehensive income	1 647	0	0	0	0	1 647
Financial assets held for trading – derivatives	95	0	0	0	0	95
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 may not be lower than 1. During the past months of 2020, the Bank complied with the above legislative indicator with a sufficient cushion.

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

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

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

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities by current residual maturity as at 31 March 2021:

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Cash	64 149	0	0	0	0	64 149
Financial assets at amortised cost, of which:						
Balances with central banks	457 822	0	0	0	0	457 822
Due from banks	4 793	0	0	0	0	4 793
Loans and advances to customers	65 437	310 645	999 643	2 584 464	(9 717)	3 950 472
Debt securities	135	51 001	88 760	45 973	0	185 869
Financial assets held for trading-derivatives	1	0	0	0	0	1
Financial assets at fair value through profit or loss	0	0	0	2 044	0	2 044
Financial assets at fair value through other comprehensive income	0	0	0	2 064	0	2 064
Non-current tangible assets	0	0	0	0	17 251	17 251
Non-current intangible assets	0	0	0	0	1 653	1 653
Deferred tax asset	0	0	0	0	9 382	9 382
Other assets	0	0	0	7 989	7 495	15 484
Assets total	592 337	361 646	1 088 403	2 642 534	26 064	4 710 984
Financial liabilities at amortised cost, of which:						
Loans and deposits received from central banks	0	0	0	0	0	0
Due to banks	1 347	0	0	0	0	1 347
Customer deposits	2 607 183	464 107	699 322	148	0	3 770 760
Issued securities	0	2 024	0	501 665	0	503 689
Leases	3	30	5 518	1 473	0	7 024
Financial liabilities held for trading-derivatives	210	0	0	0	0	210
Reserves	0	0	0	0	12 343	12 343
Other liabilities	45 098	0	0	0	0	45 098
Total equity	0	0	0	0	370 513	370 513
Liabilities and equity total	2 653 841	466 161	704 840	503 286	382 856	4 710 984
Net balance sheet position	(2 061 504)	(104 515)	383 563	2 139 248	(356 792)	0

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

	Up to 3 months incl.	3 to 12 months incl.	1 to 5 years incl.	More than 5 years incl.	Unspecified items	Total
Cash	67 790	0	0	0	0	67 790
Financial assets at amortised cost, of which:						
Balances with central banks	362 257	0	0	0	0	362 257
Due from banks	2 597	330	0	0	0	2 927
Loans and advances to customers	63 491	361 876	990 597	2 431 196	(13 514)	3 833 646
Debt securities	32 617	50 431	88 613	46 011	0	217 672
Financial assets held for trading-derivatives	95	0	0	0	0	95
Financial assets at fair value through profit or loss	0	0	0	1 595	0	1 595
Financial assets at fair value through other comprehensive income	0	0	0	1 647	0	1 647
Non-current tangible assets	0	0	0	0	17 991	17 991
Non-current intangible assets	0	0	0	0	1 742	1 742
Deferred tax asset	0	0	0	0	9 382	9 382
Other assets	0	0	0	7 638	7 016	13 284
Assets total	528 847	412 637	1 079 210	2 488 087	22 617	5 431 398
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 March 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	1 347	1 347	1 347	0	0	0
Customer deposits	3 770 761	3 791 024	2 607 376	467 522	715 978	148
Issued securities	503 689	504 003	0	2 109	183	501 711
Leases	7 024	7 024	0	0	0	7 024
Other liabilities	45 098	45 113	45 113	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	Carrying	Contractual	Up to 3	From 3	From	More
Financial liabilities at amortised cost, of which:						
Due to banks	1 324	1 324	1 324	0	0	0
Customer deposits	3 609 236	3 630 899	2 470 905	385 653	774 109	232
Issued securities	503 734	504 075	0	2 094	192	501 789
Leases	7 158	7 158	0	0	0	7 158
Other liabilities	33 133	33 133	33 133	0	0	0

The summary below provides the worst-case scenario of an analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 March 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	6 863	6 863	6 863	0
Loan commitments, of which:	192 615	192 615	192 615	0
irrevocable	192 615	192 615	192 615	0

The summary below provides the worst-case scenario of an analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2020 (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	7 234	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 first quarter of 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 March 2021, the VaR amounted to € (685) (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 March 2021:

	EUR	CZK	USD	Other	Total
Assets	4 692 563	842	16 117	1 461	4 710 984
Liabilities and equity	(4 692 563)	(842)	(16 117)	(1 461)	(4 710 984)
Net balance sheet foreign exchange position	0	0	0	0	0
Off-balance sheet assets	4 543 752	1	62	34	4 543 848
Off-balance sheet liabilities	(288 672)	(213)	(758)	(105)	(289 749)
Net off-balance sheet foreign exchange position	4 255 080	(212)	(697)	(72)	4 254 099
Net foreign exchange position	4 255 080	(212)	(697)	(72)	4 254 099

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 € 4 108 thousand, which are capital participations in SWIFT LA Hulpe, Belgium and VISA Inc. USA.

f) Commodity Risk

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

3. Operational Risk

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

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

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

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

The Bank uses a standardized approach in accordance with the CRR to calculate regulatory capital requirements for operational risk, according to which the requirement is currently € 12 006 thousand, of which the following amounts are attributable to individual business lines: retail banking: € 6 433 thousand, commercial banking: € 4 392 thousand, payment services and settlement: € 73 thousand, other: € 1 108 thousand. Management measures and implemented systems for operational risk management are adequate for the Bank's strategy and profile.

30. Transactions with Related Parties

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

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

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

Assets and liabilities concerning related parties as at 31 March 2021:

Balance sheet	Parent Company	Related parties of the Parent Company	Other related parties	Total
Loans and advances to customers	0	96 379	617	96 996
Other assets	0	2 721	0	2 721
Total assets	0	99 100	617	99 717
Due to banks	0	345	0	345
Customer deposits	8	1 093	4 086	5 187
Liabilities from leases	0	968	0	968
Other liabilities	0	54	0	54
Total liabilities and equity	8	2 460	4 086	5 586

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 March 2021:

	Parent Company	Related parties of the Parent Company	Other related parties	Total
Interest and similar income	0	775	2	777
Interest and similar expense	0	0	0	0
Net fee and commission income	1	18	0	18
Net profit from financial transactions	0	1	0	1
General and administrative expenses	0	(138)	(355)	(493)

Revenues and expenses concerning related parties as at 31 March 2020:

	Parent Company	Related parties of the Parent Company	Other related parties	Total
Interest and similar income	0	831	0	831
Interest and similar expense	0	0	0	0
Net fee and commission income	0	18	0	18
General and administrative expenses	0	(979)	(2 236)	(3 215)

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

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

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