# Interim Separate Financial Statements for the 3 months ended 31 March 2023

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

Prima Banka

# Contents

(in thousands of €)

# I. FINACIAL STATEMENTS

## Separate Statement of Financial Position

| Assets | Note | 31.3.2023 | 31.12.2022 |
|---|---|---|---|
| Cash | | 60 497 | 66 037 |
| Financial assets at amortised cost, of which: | 1 | 5 890 573 | 5 872 714 |
| Balances with central banks | | 257 334 | 240 982 |
| Due from banks | | 1 696 | 1 522 |
| Loans and advances to customers | | 5 486 231 | 5 473 700 |
| Debt securities | | 145 312 | 156 510 |
| Financial assets held for trading - derivatives | 2 | 184 | 90 |
| Financial assets at fair value through profit or loss | 3 | 1 245 | 1 169 |
| Financial assets at fair value through other comprehensive income | 4 | 3 444 | 3 237 |
| Non-current tangible assets | 5 | 15 924 | 16 618 |
| Non-current intangible assets | 6 | 1 494 | 1 444 |
| Deferred tax asset | 7 | 9 748 | 9 748 |
| Other assets | 8 | 15 506 | 16 530 |
| **Assets total** | | **5 998 615** | **5 987 587** |
| **Liabilities and equity** | | | |
| Financial liabilities at amortised cost, of which: | 9 | 5 533 147 | 5 527 468 |
| Loans and deposits received from central banks | | 601 758 | 640 660 |
| Due to banks | | 1 251 | 1 690 |
| Customer deposits | | 3 928 544 | 3 883 076 |
| Debt securities | | 1 001 594 | 1 002 042 |
| Liabilities from leasing | 10 | 6 455 | 6 853 |
| Financial liabilities held for trading - derivatives | 2 | 5 | 1 |
| Provisions and reserves | 11 | 9 800 | 10 031 |
| | | 1 508 | 758 |
| Other liabilities | 12 | 37 593 | 39 805 |
| **Liabilities total** | | **5 588 508** | **5 584 916** |
| Equity (except profit for the current year) | | 402 863 | 382 661 |
| Profit/loss for the current year after tax | | 7 244 | 20 010 |
| **Equity total** | **13** | **410 107** | **402 671** |
| **Liabilities and equity total** | | **5 998 615** | **5 987 587** |

The notes on pages 5 to 48 are an integral part of these separate financial statements. The separate financial statements were signed and authorised for issue on 27 April 2023:

27/4/2023

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

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

(in thousands of €)

## Separate Statement of Comprehensive Income

| | Note | 31.3.2023 | 31.3.2022 |
|---|---|---|---|
| Interest income | | 23 594 | 14 238 |
| Interest expense | | (9 057) | (3 246) |
| **Net interest margin** | **14** | **14 537** | **10 992** |
| Fee and commission income | | 10 196 | 9 599 |
| Fee and commission expense | | (1 683) | (2 443) |
| **Net fee and commission income** | **15** | **8 513** | **7 156** |
| Dividend income | | 8 | 6 |
| Net income from financial transactions | 16 | 88 | 111 |
| Other operating income | 17 | 81 | 29 |
| General administrative expenses | 18 | (13 458) | (10 111) |
| Contributions to the Resolution Fund and Deposits protection Fund | 19 | (400) | (750) |
| Depreciation and provisions for assets | 20 | (1 125) | (1 120) |
| Net allocation to provisions | 21 | (250) | (108) |
| **Result before tax** | | **7 994** | **6 205** |
| **Income tax** | 22 | **(750)** | **0** |
| **Net result for the current period** | **23** | **7 244** | **6 205** |
| **Other Comprehensive Income and Loss** | | | |
| **Items that may be reclassified to the income statement** | | | |
| Financial assets available for sale | | 15 | 15 |
| **Items that cannot be reclassified to the income statement** | | | |
| Equity instruments valued at fair value through another comprehensive income | | 260 | 59 |
| **Total** | **13** | **275** | **74** |
| **Comprehensive income total** | | **7 519** | **6 279** |
| Net profit per share (face value of € 399) in € | | 12.746 | 10.917 |
| Net profit per share (face value of € 67) in € | | 2.140 | 1.833 |
| Net profit per share (face value of € 5) in € | | 0.160 | 0.137 |
| Net profit per share (face value of € 1) in € | | 0.032 | 0.027 |

(in thousands of €)

## Separate Statement of Cash Flows

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 7 994 | 6 205 |
| Adjustment: | | |
| Depreciation and amortisation | 1 125 | 1 120 |
| Loss on property sold | (47) | (8) |
| (Loss) of financial assets at fair value revaluated through profit and loss | (76) | (96) |
| Profit of revaluation available for sale financial assets | 15 | 15 |
| Profit/(Loss) of revaluation on financial assets held for trading - derivatives | (90) | (73) |
| Profit of revaluation on financial assets at fair value through other comprehensive income | 53 | (36) |
| Proceeds from shares and equity interests | (8) | (6) |
| Interest expense | 9 057 | 3 246 |
| Interest income | (23 404) | (14 238) |
| Provisions and reserves for losses, net | 692 | (647) |
| Net loss on written off receivables | (587) | (607) |
| Net profit off postponed assets | 0 | 0 |
| Other non-cash transactions | 2 350 | 1 541 |
| **Net cash flows from operating activities before changes in operating assets and liabilities** | **(2 926)** | **(3 584)** |
| **Changes in operating assets** | | |
| Due to the NBS | 359 | 254 399 |
| Interbank loans and advances | 0 | (150) |
| Loans and advances to customers | (12 656) | (263 883) |
| Other assets | 1 018 | 1 175 |
| **Changes in operating liabilities** | | |
| Loans received from the central banks | (40 000) | 0 |
| Loans received from the other banks | (439) | 50 |
| Customer deposits | 46 924 | (3 078) |
| Other liabilities | (3 786) | 12 309 |
| Interest paid | (9 863) | (6 177) |
| Interest received | 24 403 | 14 901 |
| **Net cash flows from operating activities** | **3 034** | **5 962** |
| **Cash flows from investment activities** | | |
| Purchase of non-current tangible and intangible assets | (1 196) | (2 134) |
| Proceeds from sale of non-current tangible and intangible assets | 49 | 10 |
| Proceeds from financial assets at amortised cost – debt securities | 10 000 | 0 |
| Cash outflows related to financial assets at amortised cost – debt securities | 0 | 0 |
| Proceeds from postponed assets | 0 | 0 |
| Proceeds from shares and equity interests | 8 | 6 |
| **Net cash flows from investment activities** | **8 861** | **(2 118)** |
| **Cash flows from financial activities** | | |
| Repayment of principal portion of lease liabilities | (545) | (526) |
| **Net cash flows from financing activities** | **(2 250)** | **(526)** |
| Net increase/(decrease) in cash flows | 11 350 | 3 318 |
| Cash and cash equivalents as the beginning of year (Note 23) | 307 266 | 91 841 |
| Cash and cash equivalents as the end of year (Note 23) | 318 616 | 95 159 |

(in thousands of €)

## Separate Statement of Changes in Equity

| | Share capital | Share premium funds | Legal Reserve Fund | Other capital funds | Revaluation reserves | Profit/loss from previous years | Profit/loss from current year | Equity total |
|---|---|---|---|---|---|---|---|---|
| **1.1.2022** | **226 773** | **71 190** | **9 897** | **54 078** | **151** | **2 525** | **18 002** | **382 616** |
| Distribution/settlement of profit from previous years | | | | | | 18 002 | (18 002) | 0 |
| Results for the 3 months 2022 | | | | | | | 6 205 | 6 205 |
| Profit on revaluation of available-for-sale financial assets | | | | | 15 | | | 15 |
| Cash flow hedge | | | | | 60 | | | 60 |
| Revaluation of equity instruments | | | | | | | | |
| **31.3.2022** | **226 773** | **71 190** | **9 897** | **54 078** | **226** | **20 527** | **6 205** | **388 896** |
| **1.1.2023** | **226 773** | **71 190** | **11 697** | **54 078** | **196** | **18 727** | **20 010** | **402 671** |
| Distribution/settlement of profit from previous years | | | | | | 20 010 | (20 010) | 0 |
| Results for the 3 months 2023 | | | | | | | 7 244 | 7 244 |
| Profit on revaluation of available-for-sale financial assets | | | | | 15 | | | 15 |
| Revaluation of equity instruments | | | | | 260 | | | 260 |
| Share capita- purchased own share | (55) | | | | | | | (55) |
| Share premium funds- own share | | (28) | | | | | | (28) |
| **31.3.2023** | **226 718** | **71 162** | **11 697** | **54 078** | **471** | **38 737** | **7 244** | **410 107** |

(in thousands of €)

# II. NOTES TO THE FINANCIAL STATEMENTS

## 1. General Information about Prima banka

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

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

**Statutory and Management Bodies**

**Board of Directors**

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

**Management Board**

| | |
|---|---|
| Chairman: | Jan Rollo |
| Members: | Henrieta Gahérová |
| | Peter Novák |

**Proxy**
Igor Tušl
Dušan Tomašec

In line with the entry in the Commercial Register dated 22 June 2021, a member of the Management Board acts together with a proxy, and the proxy attaches their signature with a comment specifying the procura.

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

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

**Shareholder Structure of Prima banka**

| | Stake in Share Capital in % | |
|---|---|---|
| | **31.3.2023** | **31.12.2022** |
| PENTA INVESTMENTS LIMITED, Cyprus | 99,58 | 99,58 |
| Shareholders under 1% | 0,42 | 0,42 |
| **Total** | **100,00** | **100,00** |

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

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

(in thousands of €)

## Share Capital and its Structure

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

The structure of ordinary shares as at 31 March 2023 and 31 December 2022 is presented in the following overview:

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

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

## Number of Employees

| | 31.3.2023 |
|---|---|
| **Average number of employees, of which:** | **780** |
| Average number of managers | 6 |

As at 31 March 2023, Prima banka had 769 employees (31 December 2022: 771).

## 2. Basis for the Preparation of Financial Statements

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

**Purpose of Preparation**

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

The Bank's separate financial statements for the previous reporting period (as at 31 December 2022) were approved and authorised for issue on 17 March 2023 and subsequently approved on 26 April 2023 by the General Meeting.

**Basis of Presentation**

The separate financial statements of the Bank (the "financial statements") for the 3 months ended 31 March 2023 and comparative data for the 3 months ended 31 March 2022 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 2023 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.

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

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

<u>Defaulted financial assets</u>
A financial asset is in default if:

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

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

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

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

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

Collateral
The Bank primarily accepts the following types of collateral:

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

The Bank uses the following legal instruments:

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

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

When realising collateral, the Bank uses:

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

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

**Financial Assets Measured at Fair Value through Profit or Loss**
This portfolio consists of financial instruments held for trading, including derivatives used solely to manage position exposures, mainly liquidity risk and currency risk.

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

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

**Financial Liabilities**

Financial liabilities measured at amortised cost (AC)

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

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

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

**Sale and Repurchase Agreements (Repo Transactions)**

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

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

**Derecognition of Financial Instruments**

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

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

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

**Offsetting Financial Instruments**

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

**f) Financial Derivatives**

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

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

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

**g) Hedging**

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

(in thousands of €)

## h) Fair Value of Financial Instruments

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

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

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

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

## i) Non-Current Tangible and Intangible Assets

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

Land and works of art are not depreciated.

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

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

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

## j) Impairment of Tangible and Intangible Assets

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

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

## k) Leases

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

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

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

### l) Assets Held for Sale

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

### m) Income Tax

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

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

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

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

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

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

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

### n) Debt Securities

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

### o) Subordinated Debt

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

### p) Accrued Interest

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

### q) Provisions for Liabilities

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

### r) Earnings per Share

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

### s) Interest Income and Interest Expense

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

### t) Fees and Commissions

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

## 4. Significant Accounting Estimates

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

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

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

The recognition of provisions for loan losses and identified contingent liabilities, however, includes various uncertainties regarding the outcome of the above risks (i.e. for portfolios measured using statistical models, the Bank does not have sufficiently representative historical data available and, therefore, the Bank has elected to use NBS estimates to estimate the impact of an adverse scenario, and requires Bank management to make many subjective judgments when estimating losses. Therefore, the result of such estimates may differ from the provisions recognised as at 31 March 2023.

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

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

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

(in thousands of €)

# 5. Notes to the Financial Statements

## 1. Financial Assets at Amortised Cost

### Gross book value and provisions

| | | Gross Carrying Amount | | |
|---|---|---|---|---|
| **31.3.2023** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** |
| **Financial assets at amortised cost, of which:** | | | | |
| **Balances with central banks** | **257 334** | **257 334** | **0** | **0** |
| Current accounts | 0 | 0 | 0 | 0 |
| Compulsory minimum reserves | 591 | 591 | 0 | 0 |
| Term deposits | 256 743 | 256 743 | 0 | 0 |
| **Due from banks** | **1 696** | **1 696** | **0** | **0** |
| **Loans and advances to customers*, of which:** | **5 619 806** | **5 470 791** | **96 466** | **52 549** |
| Public administration | 162 460 | 161 477 | 648 | 335 |
| Retail clients | 5 004 640 | 4 952 427 | 32 792 | 19 421 |
| of which: Individuals | 4 893 001 | 4 842 524 | 32 576 | 17 901 |
| Other clients | 452 706 | 356 887 | 63 026 | 32 793 |
| **Debt securities, of which:** | **146 320** | **146 320** | **0** | **0** |
| Banks | 0 | 0 | 0 | 0 |
| Public administration | 106 313 | 106 313 | 0 | 0 |
| Other clients | 40 007 | 40 007 | 0 | 0 |
| **Total** | **6 025 156** | **5 876 141** | **96 466** | **52 549** |
| Provisions- Loans and advances to customers | (133 575) | (60 102) | (26 105) | (47 368) |
| Provisions- Debt securities | (1 008) | (1 008) | 0 | 0 |
| **Net carrying amount** | **5 890 573** | **5 815 031** | **70 361** | **5 181** |

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

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

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

(in thousands of €)

### Loans and advances gross book value

| Loans and advances to customers | 1.1.2023 | An increase due to the creation or acquisition | Decline due to disconti-nuation of reporting | Net changes due to change in credit risk | Transfers between levels | Other movements | 31.3.2023 |
|---|---|---|---|---|---|---|---|
| **Level 1** | **5 455 560** | **193 210** | **(107 893)** | **(68 964)** | **(1 122)** | **0** | **5 470 791** |
| Public administration | 160 485 | 5 167 | (3 455) | (2 020) | 1 300 | 0 | 161 477 |
| Retail clients | 4 950 148 | 141 948 | (73 885) | (63 984) | (1 761) | (39) | 4 952 427 |
| Other clients | 344 927 | 46 095 | (30 553) | (2 960) | (661) | 39 | 356 887 |
| **Level 2** | **97 531** | **292** | **(1 035)** | **(650)** | **329** | **0** | **96 466** |
| Public administration | 2 023 | 0 | (0) | (75) | (1 300) | 0 | 648 |
| Retail clients | 33 098 | 291 | (1 031) | (556) | 991 | 0 | 32 792 |
| Other clients | 62 410 | 1 | (3) | (20) | 638 | 0 | 63 026 |
| **Level 3** | **54 327** | **39** | **(1 741)** | **(869)** | **793** | **0** | **52 549** |
| Public administration | 348 | 0 | (0) | (13) | 0 | 0 | 335 |
| Retail clients | 20 323 | 39 | (1 296) | (414) | 770 | 0 | 19 421 |
| Other clients | 33 656 | 0 | (444) | (442) | 23 | 0 | 32 793 |
| **Total** | **5 607 418** | **193 541** | **(110 668)** | **(70 483)** | **0** | **0** | **5 619 806** |

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

### Gross book value transfers between levels

| Loans and advances to customers | 31.3.2023 | | | 31.12.2022 | | |
|---|---|---|---|---|---|---|
| | Move to level 1 | Move to level 2 | Move to level 3 | Move to level 1 | Move to level 2 | Move to level 3 |
| **Level 1** | **10 807** | **(11 467)** | **(462)** | **9 387** | **(19 817)** | **(2 013)** |
| Public administration | 1 300 | 0 | 0 | 353 | (578) | (110) |
| Retail clients | 9 500 | (10 803) | (458) | 8 344 | (19 079) | (1 893) |
| Other clients | 7 | (664) | (4) | 690 | (160) | (10) |
| **Level 2** | **(10 807)** | **11 898** | **(762)** | **(9 331)** | **20 898** | **(986)** |
| Public administration | (1 300) | 0 | 0 | (353) | 578 | 0 |
| Retail clients | (9 500) | 11 234 | (743) | (8 288) | 20 149 | (978) |
| Other clients | (7) | 664 | (19) | (690) | 171 | (8) |
| **Level 3** | **0** | **(431)** | **1 224** | **(56)** | **(1 081)** | **2 999** |
| Public administration | 0 | 0 | 0 | 0 | 0 | 110 |
| Retail clients | 0 | (431) | 1 201 | (56) | (1 070) | 2 872 |
| Other clients | 0 | 0 | 23 | 0 | (11) | 17 |

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

(in thousands of €)

## Provisions for loans and advances to customers

| Provisions for loans and advances to customers | 1.1.2023 | An increase due to the creation or acquisition | Decline due to discontinuation of reporting | Net changes due to change in credit risk | Transfers between levels | Exchange rate differences | Decrease in proviso due to depreciation | 31.3.2023 |
|---|---|---|---|---|---|---|---|---|
| **Stage 1** | **(58 255)** | **(3 426)** | **1 845** | **(5 246)** | **4 980** | **0** | **0** | **(60 102)** |
| Public administration | (63) | 0 | 6 | 1 | 0 | 0 | 0 | (56) |
| Retail clients | (48 112) | (2 162) | 1 035 | (4 722) | 4 800 | (10) | 0 | (49 171) |
| Other clients | (10 080) | (1 264) | 804 | (525) | 180 | 10 | 0 | (10 875) |
| **Stage 2** | **(26 438)** | **(177)** | **506** | **4 330** | **(4 328)** | **2** | **0** | **(26 105)** |
| Public administration | (405) | 0 | (1) | 275 | 0 | 0 | 0 | (131) |
| Retail clients | (14 008) | (176) | 505 | 3 951 | (4 171) | 2 | 0 | (13 897) |
| Other clients | (12 025) | (1) | 2 | 104 | (157) | 0 | 0 | (12 077) |
| **Stage 3** | **(49 025)** | **(42)** | **484** | **786** | **(652)** | **4** | **1 077** | **(47 368)** |
| Public administration | (174) | 0 | 0 | 6 | 0 | 0 | 0 | (168) |
| Retail clients | (15 171) | (42) | 595 | 338 | (629) | 4 | 522 | (14 383) |
| Other clients | (33 680) | 0 | (111) | 442 | (23) | 0 | 555 | (32 817) |
| **Total** | **(133 718)** | **(3 645)** | **2 835** | **(130)** | **0** | **6** | **1 077** | **(133 575)** |

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

## Provisions transfer between levels

| Provisions for loans and advances to customers | 31.3.2023 | | | 31.12.2022 | | |
|---|---|---|---|---|---|---|
| | Move to level 1 | Move to level 2 | Move to level 3 | Move to level 1 | Move to level 2 | Move to level 3 |
| **Stage 1** | **(264)** | **4 968** | **276** | **(405)** | **8 347** | **1 457** |
| Public administration | 0 | 0 | 0 | 0 | 116 | 55 |
| Retail clients | (263) | 4 791 | 272 | (234) | 8 115 | 1 392 |
| Other clients | (1) | 177 | 4 | (171) | 116 | 10 |
| **Stage 2** | **264** | **(5 132)** | **540** | **404** | **(8 730)** | **702** |
| Public administration | 0 | 0 | 0 | 0 | (116) | 0 |
| Retail clients | 263 | (4 955) | 521 | 233 | (8 490) | 694 |
| Other clients | 1 | (177) | 19 | 171 | (124) | 8 |
| **Stage 3** | **0** | **164** | **(816)** | **1** | **383** | **(2 159)** |
| Public administration | 0 | 0 | 0 | 0 | 0 | (55) |
| Retail clients | 0 | 164 | (793) | 1 | 375 | (2 087) |
| Other clients | 0 | 0 | (23) | 0 | 8 | (17) |

(in thousands of €)

**Provisions for debt securities**

| Debt securities | 1.1.2023 | An increase due to the creation or acquisition | Decline due to disconti-nuation of reporting | Net changes due to change in credit risk | Transfers between levels | Decrease in provision due to depreciation | 31.3.2023 |
|---|---|---|---|---|---|---|---|
| Stage 1 | (1 019) | 0 | 0 | 11 | 0 | 0 | (1 008) |
| Stage 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stage 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **(1 019)** | **0** | **0** | **11** | **0** | **0** | **(1 008)** |

| Debt securities | 1.1.2022 | An increase due to the creation or acquisition | Decline due to disconti-nuation of reporting | Net changes due to change in credit risk | Transfers between levels | Decrease in provision due to depreciation | 31.12.2022 |
|---|---|---|---|---|---|---|---|
| Stage 1 | (1 522) | 0 | 0 | 503 | 0 | 0 | (1 019) |
| Stage 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stage 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **(1 522)** | **0** | **0** | **503** | **0** | **0** | **(1 019)** |

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

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| **Balances with central banks** | **257 334** | **240 982** |
| Slovak Republic | 257 334 | 240 982 |
| **Due from banks** | **1 696** | **1 522** |
| Slovak Republic | 16 | 15 |
| EU Member States | 1 680 | 1 507 |
| Other countries | 0 | 0 |
| **Loans and advances to customers** | **5 486 231** | **5 473 700** |
| Slovak Republic | 5 281 232 | 5 237 109 |
| EU Member States | 204 932 | 236 523 |
| Other countries | 67 | 68 |
| **Debt securities** | **145 312** | **156 510** |
| Slovak Republic | 79 452 | 90 128 |
| EU Member States | 65 860 | 66 382 |
| **Total** | **5 890 573** | **5 872 714** |

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

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| **Balances with central banks** | **257 334** | **240 982** |
| In euro | 257 334 | 240 982 |
| **Due from banks** | **1 696** | **1 522** |
| In euro | 612 | 549 |
| In foreign currencies | 1 084 | 973 |
| **Loans and advances to customers** | **5 486 231** | **5 473 700** |
| In euro | 5 486 231 | 5 473 700 |
| In foreign currencies | 0 | 0 |
| **Debt securities** | **145 312** | **156 510** |
| In euro | 145 312 | 156 510 |
| In foreign currencies | 0 | 0 |
| Total | **5 890 573** | **5 872 714** |

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

(in thousands of €)

## 2. Financial Derivatives – assets and liabilities

| | 31.3.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| **Assets** | **Fair Value** | **Nominal Value** | **Fair Value** | **Nominal Value** |
| Financial Assets for trading - derivatives | | | | |
| currency derivatives | 184 | 13 590 | 90 | 13 140 |
| **Total Assets** | **184** | **13 590** | **90** | **13 140** |
| **Liabilities** | **Fair Value** | **Nominal Value** | **Fair Value** | **Nominal Value** |
| Financial Liabilities for trading - derivatives | | | | |
| currency derivatives | 5 | 13 439 | 1 | 13 086 |
| **Total Liabilities** | **5** | **13 439** | **1** | **13 086** |

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

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

| Name | 31.3.2023 Fair value | 31.12.2022 Fair Value |
|---|---|---|
| Visa Inc., USA | 1 245 | 1 169 |
| **Total** | **1 245** | **1 169** |

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

| Name | 31.3.2023 Fair Value | 31.12.2022 Fair Value |
|---|---|---|
| SWIFT LA HULPE, Belgium | 23 | 23 |
| Visa Inc., USA | 3 421 | 3 214 |
| **Total** | **3 444** | **3 237** |

In its portfolio of financial assets at fair value through other comprehensive income, the Bank records equity securities – equity shares and other shares in a total amount of € 3 444 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 2023:

| | 1.1.2023 | Increase | Decrease | Other movements | 31.3.2023 |
|---|---|---|---|---|---|
| Land, buildings and structures | 40 041 | 25 | (142) | 0 | 39 925 |
| Information technologies | 9 249 | 0 | 0 | 0 | 9 249 |
| Other non-current tangible assets | 16 972 | 169 | (482) | 0 | 16 659 |
| Leasing | 15 186 | 90 | (80) | 0 | 15 196 |
| **Non-current tangible assets** | **81 448** | **284** | **(704)** | **0** | **81 029** |
| Accumulated depreciation and provisions - buildings and structures | (32 183) | (261) | 140 | 0 | (32 304) |
| Accumulated depreciation – information technologies | (8 297) | (81) | 0 | 0 | (8 378) |
| Accumulated depreciation - other non-current tangible assets | (15 975) | (95) | 482 | 0 | (15 589) |
| Accumulated depreciation - Leasing | (8 375) | (539) | 80 | 0 | (8 834) |
| **Accumulated depreciation and provisions** | **(64 830)** | **(976)** | **702** | **0** | **(65 105)** |
| **Net book value** | **16 618** | **(692)** | **(2)** | **0** | **15 924** |

(in thousands of €)

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

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

**Obligations from Contracts for Purchase of Non-current Tangible Assets**
As at 31 March 2023, Prima banka did not record any obligations from contracts for the purchase of non-current tangible assets (31 December 2022: € 0).

**Insurance Coverage**
A set of immovable assets has insurance coverage of up to € 38 121 thousand and a set of movable assets with insurance coverage of up to € 27 062 thousand. The insurance covers damage caused by natural disaster, fire, theft and vandalism, flooding from water mains, falls, crashes, etc.

## 6. Non-Current Intangible Assets

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

| | 1.1.2023 | Increase | Decrease | Other movements | 31.3.2023 |
|---|---|---|---|---|---|
| Software | 19 936 | 125 | 0 | 70 | 20 131 |
| Other non-current intangible assets | 24 812 | 4 | 0 | 0 | 24 816 |
| **Non-current intangible assets** | **44 748** | **129** | **0** | **70** | **44 947** |
| Accumulated amortisation - software | (19 558) | (62) | 0 | 0 | (19 620) |
| Accumulated amortisation - other non-current intangible assets | (23 746) | (106) | 0 | 19 | (23 833) |
| **Accumulated amortisation and provisions** | **(43 304)** | **(168)** | **0** | **19** | **(43 453)** |
| **Net book value** | **1 444** | **(39)** | **0** | **89** | **1 494** |

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

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

**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.

(in thousands of €)

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

## 7. Deferred Tax Assets

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Deferred tax asset | 9 748 | 9 748 |
| **Total** | **9 748** | **9 748** |

## 8. Other Assets

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Assets, of which: | 9 674 | 9 674 |
| Receivables from clients' derivatives | 254 | 254 |
| Cash collateral | 9 111 | 9 111 |
| Other receivables | 309 | 309 |
| Other assets | 6 853 | 7 873 |
| **Total** | **16 527** | **17 547** |
| Provisions | (1 021) | (1 017) |
| **Net carrying amount** | **15 506** | **16 530** |

## 9. Financial Liabilities at Amortised Cost

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| **Balances with central banks** | **601 758** | **640 660** |
| Loans received | 601 758 | 640 660 |
| **Due from banks** | **1 251** | **1 690** |
| Current accounts and demand payables | 1 251 | 1 690 |
| Term deposits | 0 | 0 |
| **Customer deposits** | **3 928 544** | **3 883 076** |
| Current accounts | 2 424 305 | 2 397 284 |
| Term deposits | 1 308 001 | 1 297 387 |
| Saving deposits | 196 106 | 188 265 |
| Received loans | 132 | 140 |
| **Debt securities** | **1 001 594** | **1 002 042** |
| Covered bonds | 1 001 594 | 1 002 042 |
| **Total** | **5 533 147** | **5 527 468** |

As at 31 March 2023, the Bank pledged government bonds and bank´s covered bonds held in the portfolio of financial assets at amortised cost in favour of the NBS for pooling in the amount of € 1 078 000 thousand (31 December 2022: € 1 088 000 thousand). The bonds may be used as collateral for funds received from the NBS for liquidity management risk purpose (collateral as at 31 March 2023: € 705 500 thousand).

As at 31 March 2023, 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:

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Public administration | 554 340 | 481 419 |
| Retail clients, of which: | 2 925 312 | 2 937 181 |
| Individuals | 2 703 943 | 2 714 124 |
| Other clients | 448 892 | 464 476 |
| **Total** | **3 928 544** | **3 883 076** |

(in thousands of €)

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

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| **Balances with central banks** | **601 758** | **640 660** |
| Slovak Republic | 601 758 | 640 660 |
| **Due from banks** | **1 251** | **1 690** |
| Slovak Republic | 249 | 688 |
| EU Member States | 1 002 | 1 002 |
| **Customer deposits** | **3 928 544** | **3 883 076** |
| Slovak Republic | 3 909 214 | 3 861 420 |
| EU Member States | 15 012 | 16 952 |
| Other countries | 4 318 | 4 704 |
| **Debt securities** | **1 001 594** | **1 002 042** |
| Slovak Republic | 1 001 594 | 1 002 042 |
| **Total** | **5 533 147** | **5 527 468** |

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

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| **Balances with central banks** | **601 758** | **640 660** |
| In euro | 601 758 | 640 660 |
| **Due from banks** | **1 251** | **1 690** |
| In euro | 1 251 | 1 690 |
| In foreign currency | 0 | 0 |
| **Customer deposits** | **3 928 544** | **3 883 076** |
| In euro | 3 928 266 | 3 882 218 |
| In foreign currency | 278 | 858 |
| **Debt securities** | **1 001 594** | **1 002 042** |
| In euro | 1 001 594 | 1 002 042 |
| **Total** | **5 533 147** | **5 527 468** |

As at 31 March 2023, Prima Banka issued the securities summarised in the following table (these issued securities are not placed on a regulated market):

| ISIN | Date of issue | Maturity date | Frequency of yield payment | Interest rate | Nominal value (€) | Number of securities issued | Carrying amount |
|---|---|---|---|---|---|---|---|
| SK4000016069 | 1.10.2019 | 1.10.2026 | annually | 0,01 % | 100 000,00 | 5 000 | 501 086 |
| SK4000019634 | 14.9.2021 | 14.9.2027 | annually | 0,01 % | 100 000,00 | 5 000 | 501 447 |
| **Total** | | | | | | | **1 002 533** |

As at 31 December 2022, Prima banka issued the securities summarised in the following table (these issued securities are not placed on a regulated market):

| ISIN | Date of issue | Maturity date | Frequency of yield payment | Interest rate | Nominal value (€) | Number of securities issued | Carrying amount |
|---|---|---|---|---|---|---|---|
| SK4000016069 | 1.10.2019 | 1.10.2026 | annually | 0,01 % | 100 000,00 | 5 000 | 501 148 |
| SK4000019634 | 14.9.2021 | 14.9.2027 | annually | 0,01 % | 100 000,00 | 5 000 | 501 513 |
| **Total** | | | | | | | **1 002 660** |

In addition to the above-mentioned covered bonds, the Bank issued a covered bond during April 2022, July 2022 and January 2023, which was not sold but pledged as collateral for repo transaction received (nominal value of EUR 1 500 000 thousand, book value of € 1 499 062 thousand).

## 10. Liabilities from leases

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Liabilities from leases | 6 455 | 6 853 |
| **Total** | **6 455** | **6 853** |

(in thousands of €)

## 11. Provisions and Reserves

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Provisions for litigation | 7 195 | 7 340 |
| Provisions for off-balance sheet liabilities | 2 296 | 2 382 |
| Other reserves | 309 | 309 |
| **Total** | **9 800** | **10 031** |

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

Movements in provisions for liabilities as at 31 March 2023:

| | 1.1.2023 | Allocation | Release | Use | 31.3.2022 |
|---|---|---|---|---|---|
| Provisions for litigation | 7 340 | 120 | (47) | (218) | 7 195 |
| Provision for off-balance sheet liabilities | 2 382 | 2 349 | (2 435) | 0 | 2 296 |
| Other reserves (executions) | 309 | 0 | 0 | 0 | 309 |
| **Total** | **10 031** | **2 469** | **(2 482)** | **(218)** | **9 800** |

Movements in provisions for liabilities as at 31 December 2022:

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

**Provisions for Litigation**
In the ordinary course of business, the Bank is subject to legal actions and complaints. Each dispute is subject to special monitoring and a regular re-assessment as part of the Bank's standard procedures. If it is probable that the Bank will be required to settle a claim and a reliable estimate of the amount can be made, provisions are recorded. The total provision for litigation amounts to € 7 195 thousand as at 31 March 2023 and represents principal and default interest (31 December 2022: € 7 340 thousand).

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

## 12. Other Liabilities

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Accruals and deferrals | 3 219 | 140 |
| Reserves and other payables | 10 986 | 12 782 |
| Settlement with employees, | 1 550 | 1 345 |
| of which: social fund | 103 | 102 |
| Other payables | 21 330 | 24 963 |
| State budget clearing account | 508 | 575 |
| **Total** | **37 593** | **39 805** |

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

**Social Fund**
Prima Banka has created the social fund as required by the Social Fund Act, the Income Tax Act. The social fund is used by Prima banka to finance its own social policy. The social fund is created during the year (if a profit is generated and tax and social security payments fulfilled) by a compulsory allocation at 1% of gross wages effectively paid to employees in the current year. For tax purposes, the allocations to the social fund are included in the expenses to generate, ensure and sustain taxable income. Social policy financing represents short-term employee benefits, which are recognized and disclosed as expenses of the current year.

(in thousands of €)

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

| Social fund | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Balance as at 1.1. | 102 | 72 |
| Allocation (from expenses) | 41 | 166 |
| Usage: catering allowance | (39) | (136) |
| **Total** | **104** | **102** |

## 13. Equity

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Share capital | 226 773 | 226 773 |
| Share capital- own share purchased | (55) | 0 |
| Share premium funds | 71 162 | 71 190 |
| Legal reserve fund | 11 697 | 11 697 |
| Other capital funds | 54 078 | 54 078 |
| Accumulated other comprehensive income | 471 | 196 |
| Profit/(loss) from previous years | 38 737 | 18 727 |
| Profit/(loss) for the current year | 7 244 | 20 010 |
| **Total** | **410 107** | **402 671** |

### Share Capital

| | 31.3.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| Face value of shares | No. of shares | in €´000 | No. of shares | in €´000 |
| Number of issued shares with face value of € 399 | 100 200 | 39 980 | 100 200 | 39 980 |
| Number of issued shares with face value of € 67 | 100 200 | 6 713 | 100 200 | 6 713 |
| Number of issued shares with face value of € 5 | 701 400 | 3 507 | 701 400 | 3 507 |
| Number of issued shares with face value of € 1 | 176 572 738 | 176 573 | 176 572 738 | 176 573 |
| | **177 474 538** | **226 773** | **177 474 538** | **226 773** |

### Accumulated Other Comprehensive Income

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Financial assets at fair value through other comprehensive income | 696 | 436 |
| Available-for-sale securities | (225) | (240) |
| **Total** | **471** | **196** |

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

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 2022:

| | |
|---|---|
| Statutory allotment to the reserve fund (10% of the profit after tax) | 2 001 |
| Transfer of profit into profit/loss from previous years | 18 009 |
| | **20 010** |

The distribution of the 2022 profit was approved by the General Meeting of Prima banka as at 26 April 2023.

(in thousands of €)

## 14. Net Interest Margin

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| **Interest income and similar income on:** | **23 594** | **14 238** |
| Financial assets at amortised cost, of which: | | |
| Balances with the central banks | 190 | 0 |
| Due from banks | 1 398 | 0 |
| Loans and advances to customers | 20 776 | 12 819 |
| Debt securities | 1 230 | 1 419 |
| **Interest expense and similar expense for:** | **(9 057)** | **(3 246)** |
| Financial liabilities at amortised cost, of which: | | |
| Balances with the central banks | (4 422) | 0 |
| Due to banks | 0 | (1) |
| Customer deposits | (4 460) | (3 106) |
| Debt securities | (175) | (139) |
| **Net Interest Margin** | **14 537** | **10 992** |

## 15. Net Fee and Commission Income

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| **Fee and commission income on:** | **10 196** | **9 599** |
| Payment services | 8 328 | 7 259 |
| Credit activity | 884 | 1 798 |
| Transactions with securities | 0 | 0 |
| Other banking services | 984 | 542 |
| **Fee and commission expense for:** | **(1 683)** | **(2 443)** |
| Payment services | (223) | (206) |
| Credit activity | 0 | 0 |
| Transactions with securities | (37) | (30) |
| Other banking services | (1 423) | (2 207) |
| **Net Fee and Commission Income** | **8 513** | **7 156** |

## 16. Profit from Financial Transactions

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| Net income (loss) from financial assets held for trading - derivatives | 145 | (347) |
| Net loss from revaluation of financial assets at fair value through other comprehensive income | 97 | 53 |
| Foreign exchange differences | (154) | 405 |
| **Net profit from financial transactions** | **88** | **111** |

## 17. Other Operating Income

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| Net income (loss) on the sale of non-current assets | 47 | 8 |
| Lease income | 16 | 16 |
| Other income from non-banking activities | 18 | 5 |
| Other expense from non-banking activities | 0 | 0 |
| **Other operating income** | **81** | **29** |

(in thousands of €)

## 18. General and Administrative Expenses

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| **Personnel expenses** | **(6 638)** | **(6 118)** |
| Wages and salaries* | (4 830) | (4 476) |
| Social expenses | (1 555) | (1 483) |
| Other personnel costs | (253) | (159) |
| **Other administrative expenses** | **(6 820)** | **(3 993)** |
| IT costs | (851) | (918) |
| Marketing, advertising and other services | (1 524) | (1 287) |
| Costs of audit and related services** | 0 | 0 |
| Leases | (66) | (64) |
| Other purchased outputs and services | (4 092) | (2 934) |
| Supervision of Central Banks | (182) | (152) |
| Creation (use) of provisions for litigation | (105) | 1 362 |
| **General administrative costs** | **(13 458)** | **(10 111)** |

* Including salaries and bonuses to members of the Management Board and Board of Directors.
** Costs of audit and the related services provided by the auditor, included audit of financial statements and audit of NBS prudential returns and other audit services, that related to agree upon procedures under Act No. 566/2001 Coll. on Securities and Investment services, preparation of Long-form report for NBS, Review of IT security, limited review and non-audit services related to the issue of Covered Bonds.

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

The Bank contributes to a defined contribution supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No liabilities arise to the Bank from the payment of pensions to employees in the future. Supplementary pension insurance expenses amounted to € 27 thousand as at 31 March 2023 (31 March 2022: € 28 thousand).

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

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| Resolution fund | (250) | (150) |
| Deposits Protection Fund | (150) | (600) |
| **Specific Contributions of Selected Financial Institutions** | **(400)** | **(750)** |

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

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| Depreciation of tangible assets | (976) | (964) |
| Amortisation of intangible assets | (168) | (175) |
| Release of provisions and reserves for assets | 19 | 19 |
| **Total** | **(1 125)** | **(1 120)** |

(in thousands of €)

## 21. Net Allocation to Provisions and Reserves

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| **(Allocation) of provisions for financial assets at amortised cost, of which:** | **(923)** | **726** |
| Loans, advances and other receivables | (934) | 715 |
| Debt securities | 11 | 11 |
| **Allocation to provisions for off-balances sheet exposures** | **86** | **(1 441)** |
| **Written-off and assignment of receivables*** | **587** | **607** |
| **Net Allocation to Provisions and Reserves** | **(250)** | **(108)** |

*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

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| Current tax | 750 | 0 |
| **Income Tax** | **750** | **0** |

## 23. Net Earnings per Share

| | 31.3.2023 | 31.3.2022 |
|---|---|---|
| Net earnings for the current period (€ T) | 7 244 | 6 205 |
| 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 € | 12.746 | 10.917 |
| Net earnings per share (face value € 67) in € | 2.140 | 1.833 |
| Net earnings per share (face value € 5) in € | 0.160 | 0.137 |
| Net earnings per share (face value € 1) in € | 0.032 | 0.027 |

## 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:

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Cash | 60 497 | 66 037 |
| Balances with central banks | 0 | 0 |
| Current accounts in other banks | 1 376 | 1 202 |
| Term deposits in banks up to 3 months | 0 | 0 |
| **Total** | **61 873** | **67 239** |

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

### Off-balance Sheet Assets

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Receivables from spot transactions | 4 698 | 4 040 |
| Guarantees received | 6 321 | 6 370 |
| Received collateral from pledge, security and other rights | 7 113 602 | 6 999 679 |
| **Total** | **7 124 621** | **7 010 089** |

### Off-balance Sheet Liabilities

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Liabilities from spot transactions | 4 833 | 4 040 |
| Guarantees issued | 5 800 | 6 761 |
| Loan commitments and unused credit facilities | 144 722 | 134 818 |
| **Total** | **155 355** | **145 619** |

(in thousands of €)

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 2023, provisions recorded for off-balance sheet exposures amounted to € 2 296 thousand (31 December 2022: € 2 382 thousand), see Note 11 in this Chapter.

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

**Loan Commitments and Unused Credit Facilities**
Loan commitments and unused credit facilities comprise approved but unused amounts of loans and overdraft facilities.

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

## 26. Residual Maturity of Derivatives

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

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

| Residual maturity | Up to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| **Financial assets held for trading – derivatives** | | | | |
| Currency swaps | 13 590 | 0 | 0 | 13 590 |
| **Total off-balance sheet assets** | **13 590** | **0** | **0** | **13 590** |
| Currency swaps | 13 439 | 0 | 0 | 13 439 |
| **Total off-balance sheet liabilities** | **13 439** | **0** | **0** | **13 439** |
| **Net derivatives** | **151** | **0** | **0** | **151** |

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

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

## 27. Fair Value of Financial Instruments

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

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

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

(in thousands of €)

The following table presents an overview of financial instruments recognised at fair value and classified in Levels 1 - 3 based on the determination of their fair values as at 31 March 2023 (as ta 31 December 2022):

| 31 March 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets held for trading: derivatives | 0 | 184 | 0 | 184 |
| Financial assets at fair value through profit or loss | 0 | 0 | 1 245 | 1 245 |
| Financial assets at fair value through other comprehensive income | 0 | 0 | 3 444 | 3 444 |
| **Financial assets at fair value total** | **0** | **184** | **4 689** | **4 873** |
| Financial liabilities held for trading: derivatives | 0 | 5 | 0 | 5 |
| **Financial liabilities at fair value total** | **0** | **5** | **0** | **5** |

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

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

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

**Fair Value of Financial Assets and Liabilities Reported at Amortised Cost**

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

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

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

(in thousands of €)

The following table shows the comparison of fair values and carrying amounts of balance sheet items as at 31 March 2023:

| | Carrying amount | Estimated fair value | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| Cash | 60 497 | 0 | 60 497 | 0 |
| Financial assets at amortised cost, of which: | 5 890 573 | 137 198 | 259 010 | 5 572 443 |
| Balances with central banks | 257 334 | 0 | 257 313 | 0 |
| Due from banks | 1 696 | 0 | 1 696 | 0 |
| Loans and advances to customers | 5 486 231 | 0 | 0 | 5 572 443 |
| Debt securities | 145 312 | 137 198 | 0 | 0 |
| **Financial assets** | **5 951 070** | **137 198** | **319 507** | **5 572 443** |
| Financial liabilities at amortised cost, of which: | 5 533 147 | 871 318 | 602 939 | 3 898 966 |
| Loans and deposits received from central banks | 601 758 | 0 | 601 688 | 0 |
| Due to banks | 1 251 | 0 | 1 251 | 0 |
| Customer deposits | 3 928 544 | 0 | 0 | 3 898 966 |
| Issued securities | 1 001 594 | 871 318 | 0 | 0 |
| **Financial liabilities** | **5 533 147** | **871 318** | **602 939** | **3 898 966** |

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

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

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

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

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

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

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

(in thousands of €)

## 28. Capital Management

### Own Funds

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

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

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

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

| OWN FUNDS | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Tier 1 capital | | |
| Common Equity Tier 1 capital | 382 216 | 382 135 |
| Capital instruments | 297 880 | 297 963 |
| Paid-up share capital | 226 773 | 226 773 |
| Share premium | 71 190 | 71 190 |
| Tier 1 instruments | (83) | 0 |
| Retained earnings | 18 727 | 18 727 |
| Accumulated other comprehensive result | 471 | 196 |
| Other funds | 65 775 | 65 775 |
| Intangible assets | (638) | (526) |
| Additional Tier 1 capital | 0 | 0 |
| Tier 2 capital | 30 893 | 30 820 |
| Capital instruments | 0 | 0 |
| Tier 2 capital adjustments | 0 | 0 |
| General credit risk adjustments (standardised approach) | 30 893 | 30 820 |
| OWN FUNDS TOTAL | 413 108 | 412 955 |

| Own funds requirements to cover | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Credit risk and risk of impairment of receivables | 197 712 | 197 251 |
| Operational risk | 11 096 | 11 096 |
| CVA risk | 7 | 5 |

Prima banka met regulatory requirements under the CRR. As at 31 March 2023, the Bank's overall capital adequacy was 15,83 % (31 December 2022: 15,86 %). The Bank uses a standardised approach for the calculation of own funds requirements.

## 29. Risk Management

### 1. Credit Risk

#### a) Information on Credit Risk Policy, Objectives and Management

The fundamental goal of the credit risk management strategy at Prima banka is to optimize the amount of accepted risks in line with the capital coverage amount and to generate sustainable profits over the long-term. The Bank has established a separate organizational unit at the Risk Management Division to identify, measure, monitor, and minimize credit risk and this division is independent from trading and settlements. The whole process is subject to the approved Risk and Capital Management Strategy, which is regularly reassessed in line with changes in the

(in thousands of €)

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:** | **31.3.2023** | **31.12.2022** |
|---|---|---|
| Financial assets at amortised cost | 5 890 573 | 5 872 714 |
| Balances with central banks | 257 334 | 240 982 |
| Due from banks | 1 696 | 1 522 |
| Loans and advances to customers | 5 486 231 | 5 473 700 |
| Debt securities | 145 312 | 156 510 |
| Trading derivatives | 184 | 90 |
| Financial assets at fair value through profit or loss | 1 245 | 1 169 |
| Financial assets at fair value through other comprehensive income | 3 444 | 3 237 |
| Deferred tax assets | 9 748 | 9 748 |
| Other assets | 15 506 | 16 530 |
| **Total** | **5 920 700** | **5 903 488** |

| **Credit risk related to off-balance sheet items prior to the deduction of reserves:** | **31.3.2023** | **31.12.2022** |
|---|---|---|
| Issued guarantees | 5 800 | 6 761 |
| Loan commitments and unused credit limits | 144 722 | 134 818 |
| **Total** | **150 522** | **141 579** |

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

| **To cover granted loans** | **31.3.2023** | **31.12.2022** |
|---|---|---|
| Cash | 4 543 | 4 549 |
| Immovable assets | 7 107 582 | 6 993 627 |
| Movable assets | 1 477 | 1 503 |
| **Collateral received for financial assets** | **7 113 602** | **6 999 679** |

**b) Description of Credit Risk Measurement and Monitoring Methods**

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

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

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

| Rating | Characteristics |
|---|---|
| **AAA** | The highest rated entities with small risk and an extremely strong capacity to meet their financial commitments. |
| **AA+**<br>**AA**<br>**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+**<br>**A**<br>**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+**<br>**BBB**<br>**BBB-** | Creditworthy entities with adequate capacity to meet their financial commitments, but susceptible to adverse economic conditions or changing circumstances. |
| **BB+**<br>**BB**<br>**BB-** | Entities with some ability to meet their present liabilities, likely to be significantly affected by adverse economic conditions or changing circumstances. |
| **B+**<br>**B** | Entities with vulnerable ability to meet their financial commitments, with risky future. |
| **B-**<br>**CCC** | Highly risky and unstable entities with very low probability of meeting their financial commitments. |

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

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

(in thousands of €)

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

| Rating scale | Due from banks | | Loans and advances to customer, of which: | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Public administration | | Other clients | | Retail clients | |
| | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 |
| | 1 696 | 1 522 | 162 125 | 162 385 | 418 735 | 405 988 | 4 968 904 | 4 966 741 |
| Rating AAA | 0 | 0 | 2 075 | 2 169 | 678 | 865 | 190 742 | 189 960 |
| Rating AA+ | 0 | 0 | 1 593 | 1 752 | 186 | 147 | 0 | 0 |
| Rating AA | 17 | 8 | 6 049 | 6 081 | 268 | 266 | 338 386 | 323 399 |
| Rating AA- | 0 | 0 | 8 234 | 7 605 | 652 | 680 | 266 376 | 271 077 |
| Rating A+ | 1 069 | 969 | 12 529 | 12 372 | 1 005 | 849 | 0 | 0 |
| Rating A | 207 | 145 | 18 396 | 18 339 | 671 | 661 | 536 863 | 553 193 |
| Rating A- | 142 | 15 | 9 096 | 8 788 | 947 | 1 012 | 0 | 0 |
| Rating BBB+ | 110 | 197 | 18 433 | 19 017 | 7 635 | 7 765 | 1 271 745 | 1 293 778 |
| Rating BBB | 19 | 20 | 17 493 | 17 822 | 783 | 812 | 0 | 0 |
| Rating BBB- | 0 | 0 | 23 882 | 24 333 | 4 494 | 5 314 | 1 457 145 | 1 461 920 |
| Rating BB+ | 0 | 0 | 16 707 | 16 748 | 11 471 | 11 539 | 25 | 11 |
| Rating BB | 0 | 0 | 14 653 | 15 495 | 160 625 | 161 502 | 699 261 | 658 819 |
| Rating BB- | 0 | 0 | 6 215 | 6 484 | 42 000 | 42 061 | 78 513 | 77 087 |
| Rating B+ | 0 | 0 | 2 660 | 2 353 | 44 246 | 44 596 | 0 | 0 |
| Rating B | 0 | 0 | 3 097 | 2 130 | 3 810 | 3 900 | 36 761 | 41 447 |
| Rating B- | 132 | 169 | 411 | 382 | 40 725 | 40 122 | 0 | 0 |
| Rating CCC | 0 | 0 | 601 | 514 | 98 539 | 83 897 | 93 087 | 96 050 |

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

| Rating scale | Debt securities | | | | | |
|---|---|---|---|---|---|---|
| | Banks | | Public administration | | Corporate | |
| | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 |
| | 0 | 10 044 | 106 314 | 107 050 | 40 007 | 40 435 |
| Rating A+ | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating A | 0 | 0 | 79 452 | 80 083 | 0 | 0 |
| Rating A- | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating BBB | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating BBB- | 0 | 10 044 | 26 862 | 26 967 | 40 007 | 40 435 |
| Rating CCC | 0 | 0 | 0 | 0 | 0 | 0 |

Credit risk associated with the securities portfolio is low as the majority of purchased debt securities are government bonds issued by EU countries. As at 31 March 2023, the exposure to bank and corporate debt securities amounts to € 40 007 thousand (31 December 2022: € 50 479 thousand).

(in thousands of €)

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

| Rating scale | Issued guarantees | | | | | |
|---|---|---|---|---|---|---|
| | Public administration | | Other clients | | Retail clients | |
| | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 |
| | 4 269 | 5 237 | 1 011 | 981 | 519 | 543 |
| Rating AAA | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating AA+ | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating AA | 1 029 | 900 | 33 | 33 | 0 | 0 |
| Rating AA- | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating A+ | 320 | 322 | 15 | 48 | 0 | 0 |
| Rating A | 412 | 413 | 0 | 0 | 0 | 0 |
| Rating A- | 1 816 | 1 836 | 0 | 0 | 0 | 0 |
| Rating BBB+ | 7 | 482 | 0 | 0 | 0 | 0 |
| Rating BBB | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating BBB- | 628 | 683 | 0 | 0 | 0 | 0 |
| Rating BB+ | 57 | 601 | 0 | 0 | 0 | 0 |
| Rating BB | 0 | 0 | 0 | 0 | 329 | 350 |
| Rating BB- | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating B+ | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating B | 0 | 0 | 0 | 0 | 0 | 0 |
| Rating B- | 0 | 0 | 63 | 0 | 0 | 0 |
| Rating CCC | 0 | 0 | 900 | 900 | 190 | 193 |

| Rating scale | Loan commitments | | | | | |
|---|---|---|---|---|---|---|
| | Public administration | | Other clients | | Retail clients | |
| | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 | 31.3.2023 | 31.12.2022 |
| | 41 999 | 41 215 | 2 585 | 2 894 | 100 118 | 90 709 |
| Rating AAA | 1 375 | 1 404 | 62 | 69 | 7 898 | 8 149 |
| Rating AA+ | 2 604 | 2 580 | 218 | 256 | 0 | 0 |
| Rating AA | 2 809 | 2 814 | 472 | 474 | 4 463 | 5 157 |
| Rating AA- | 3 030 | 4 253 | 287 | 272 | 11 398 | 11 020 |
| Rating A+ | 2 465 | 3 726 | 165 | 378 | 0 | 0 |
| Rating A | 2 857 | 3 410 | 273 | 352 | 15 983 | 14 755 |
| Rating A- | 4 289 | 3 973 | 148 | 209 | 0 | 0 |
| Rating BBB+ | 2 255 | 2 248 | 190 | 224 | 15 311 | 15 777 |
| Rating BBB | 1 812 | 2 567 | 214 | 217 | 0 | 0 |
| Rating BBB- | 8 372 | 5 881 | 19 | 1 | 12 278 | 10 848 |
| Rating BB+ | 2 369 | 2 539 | 211 | 165 | 1 | 4 |
| Rating BB | 4 052 | 3 914 | 21 | 24 | 10 214 | 10 242 |
| Rating BB- | 2 096 | 916 | 168 | 153 | 3 916 | 4 619 |
| Rating B+ | 757 | 532 | 80 | 71 | 0 | 0 |
| Rating B | 292 | 192 | 20 | 22 | 4 527 | 3 475 |
| Rating B- | 558 | 90 | 29 | 4 | 0 | 0 |
| Rating CCC | 7 | 176 | 8 | 3 | 14 129 | 6 663 |

(in thousands of €)

**c) Risk Monitoring - Limit Setting**

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

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

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

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

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

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

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

The table below provides an analysis of credit risk exposure by industry segments as at 31 March 2023 and 31 December 2022:

| | 31.3.2023 | 31.12.2022 |
|---|---|---|
| Agriculture, forestry and fishing | 218 | 240 |
| Mining and quarrying | 0 | 0 |
| Manufacturing | 1 978 | 1 925 |
| Electricity, gas, steam and air conditioning supply | 2 312 | 2 444 |
| Water supply; sewerage and wastewater management | 938 | 1 038 |
| Construction | 2 062 | 2 197 |
| Wholesale and retail trade | 29 216 | 29 378 |
| Transportation and storage | 728 | 683 |
| Accommodation and catering | 3 942 | 4 035 |
| Information and communication | 153 | 142 |
| Financial and insurance activities | 183 347 | 213 732 |
| Real estate activities | 186 361 | 187 224 |
| Professional, scientific and technical activities | 84 144 | 40 547 |
| Administrative and support service activities | 7 610 | 7 555 |
| Public administration and defence; compulsory social security | 161 760 | 161 837 |
| Education | 101 | 10 |
| Health care and social work activities | 184 | 205 |
| Arts, entertainment and recreation | 2 729 | 3 398 |
| Other activities | 606 | 597 |
| Activities of households as employers | 4 817 842 | 4 816 513 |
| **Total** | **5 486 231** | **5 473 700** |

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

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

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 March 2023 prior to the deduction of provisions:

(in thousands of €)

| | Within maturity | Up to 90 days | From 91 to 180 days | From 181 days to 1 year | More than 1 year | Received collateral to defaulted loans |
|---|---|---|---|---|---|---|
| Loans and deposits with other banks | 1 696 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers, of which: | 5 549 764 | 17 181 | 296 | 9 | 7 | 12 978 |
| Public administration | 162 125 | 0 | 0 | 0 | 0 | 0 |
| Other clients | 4 968 904 | 16 005 | 295 | 9 | 6 | 12 419 |
| Individuals | 418 735 | 1 176 | 1 | 0 | 1 | 559 |
| **Total** | **5 551 460** | **17 181** | **296** | **9** | **7** | **12 978** |

The summary below provides an analysis of the unimpaired loan portfolio (stage 1 and stage 2) based on days overdue as at 31 December 2022 prior to the deduction of provisions:

| | Within maturity | Up to 90 days | From 91 to 180 days | From 181 days to 1 year | More than 1 year | Received collateral to defaulted loans |
|---|---|---|---|---|---|---|
| Loans and deposits with other banks | 1 522 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers, of which: | 5 529 137 | 23 568 | 371 | 10 | 6 | 12 510 |
| Public administration | 162 385 | 123 | 0 | 0 | 0 | 0 |
| Other clients | 4 966 741 | 16 122 | 369 | 10 | 4 | 12 367 |
| Individuals | 405 988 | 1 346 | 2 | 0 | 1 | 143 |
| **Total** | **5 536 636** | **17 591** | **371** | **10** | **6** | **12 510** |

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

| | Public sector | Retail clients | Other clients | Total |
|---|---|---|---|---|
| Impaired loans | 335 | 19 421 | 32 793 | 52 549 |
| Provisions | 168 | 14 383 | 32 817 | 47 368 |
| Recoverable amount of collateral received | 0 | 5 145 | 0 | 5 145 |
| % of coverage by provisions | 50% | 74% | 100% | 90% |
| % of coverage by provisions and received collateral | 50% | 101% | 100% | 100% |
| Interest income on impaired loans | x | x | x | 303 |

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

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

**Restructuring**

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

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

The carrying amount of credit receivables whose contractual terms and conditions were amended due to their non-payment or the customer's impaired financial condition was € 98 thousand within three months of 2023, total amount at as 31 March 2023 is € 25 738 thousand (as at 31 December 2022: € 26 196 thousand).

The Bank sold real estate pledged against receivables which were unpaid as at 31 March 2023 for € 380 thousand (31 December 2022: € 3 623 thousand). The Bank sold a pledge over moveable assets (receivables) as at 31 March 2023 for € 0 thousand (31 December 2022: € 0 thousand).

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

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

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

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

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

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

The following principles are applied when accepting and valuing collateral:

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

## 2. Market Risk

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

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

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

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

(in thousands of €)

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

**b) Interest Risk**

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

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

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

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

The impact of a change in the present value of assets and liabilities due to a change in the interest rate for euro positions as at 31 March 2023:

| | Movement in yield curve | Bank´s loss from movement in yield curve |
|---|---|---|
| Banking Book: euro | 100 BP | (14 235) |
| **Total** | **100 BP** | **(14 235)** |

The impact of a change in the present value of assets and liabilities due to a change in the interest rate for euro positions as at 31 December 2022:

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

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

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

(in thousands of €)

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

| | Up to 3 months incl. | 3 to 12 months incl. | 1 to 5 years incl. | More than 5 years incl. | Unspe-cified items | Total |
|---|---|---|---|---|---|---|
| Financial assets at amortised cost, of which: | | | | | | |
| Balances with central banks | 257 334 | 0 | 0 | 0 | 0 | 257 334 |
| Due from banks | 1 696 | 0 | 0 | 0 | 0 | 1 696 |
| Loans and advances to customers | 455 374 | 950 410 | 3 541 795 | 529 418 | 9 234 | 5 486 231 |
| Debt securities | 203 | 39 732 | 85 072 | 20 305 | 0 | 145 312 |
| Financial assets at fair value through profit or loss | 1 245 | 0 | 0 | 0 | 0 | 1 245 |
| Financial assets at fair value through other comprehensive income | 3 444 | 0 | 0 | 0 | 0 | 3 444 |
| Financial assets held for trading – derivatives | 184 | 0 | 0 | 0 | 0 | 184 |
| **Interest rate position - financial assets** | **719 480** | **990 142** | **3 626 867** | **549 723** | **9 234** | **5 895 446** |
| Financial liabilities at amortised cost, of which: | | | | | | |
| Loans and deposits received from central banks | 601 758 | 0 | 0 | 0 | 0 | 601 758 |
| Due to banks | 1 251 | 0 | 0 | 0 | 0 | 1 251 |
| Customer deposits | 847 424 | 671 821 | 2 314 889 | 94 410 | 0 | 3 928 544 |
| Issued securities | 0 | 52 | 1 001 542 | 0 | 0 | 1 001 594 |
| Leases | 0 | 175 | 4 415 | 1 865 | 0 | 6 455 |
| Financial liabilities for trading - derivatives | 5 | 0 | 0 | 0 | 0 | 5 |
| **Interest rate position - financial liabilities** | **1 450 438** | **672 048** | **3 320 846** | **96 275** | **0** | **5 539 607** |
| **Net interest rate position** | **(730 958)** | **318 094** | **306 021** | **453 448** | **9 234** | **355 839** |

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

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

## c) Liquidity Risk

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

Prima banka monitors liquidity risk via external and internal liquidity indicators and warning signals. From the externally defined liquidity indicators, the liquid assets indicator may not be lower than 1. During the past months of 2023, the Bank complied with the above legislative indicator with a sufficient cushion.

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

(in thousands of €)

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

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

The table below provides an analysis of the earliest possible contractual maturity of assets and liabilities by current residual maturity as at 31 March 2023:

| | Up to 3 months incl. | 3 to 12 months incl. | 1 to 5 years incl. | More than 5 years incl. | Unspe-cified items | Total |
|---|---|---|---|---|---|---|
| Cash | 60 497 | 0 | 0 | 0 | 0 | 60 497 |
| Financial assets at amortised cost, of which: | | | | | | |
| Balances with central banks | 257 334 | 0 | 0 | 0 | 0 | 257 334 |
| Due from banks | 1 696 | 0 | 0 | 0 | 0 | 1 696 |
| Loans and advances to customers | 83 014 | 404 930 | 1 228 308 | 3 776 828 | (6 849) | 5 486 231 |
| Debt securities | 203 | 39 732 | 85 072 | 20 305 | 0 | 145 312 |
| Financial assets held for trading-derivatives | 184 | 0 | 0 | 0 | 0 | 184 |
| Financial assets at fair value through profit or loss | 0 | 0 | 0 | 1 245 | 0 | 1 245 |
| Financial assets at fair value through other comprehensive income | 0 | 0 | 0 | 3 444 | 0 | 3 444 |
| Non-current tangible assets | 0 | 0 | 0 | 0 | 15 924 | 15 924 |
| Non-current intangible assets | 0 | 0 | 0 | 0 | 1 494 | 1 494 |
| Deferred tax asset | 0 | 0 | 0 | 0 | 9 748 | 9 748 |
| Other assets | 0 | 0 | 0 | 8 606 | 6 900 | 15 506 |
| **Assets total** | **402 928** | **444 662** | **1 313 380** | **3 810 428** | **27 217** | **5 998 615** |
| Financial liabilities at amortised cost, of which: | | | | | | |
| Loans and deposits received from central banks | 601 758 | 0 | 0 | 0 | 0 | 601 758 |
| Due to banks | 1 251 | 0 | 0 | 0 | 0 | 1 251 |
| Customer deposits | 2 898 611 | 411 097 | 618 836 | 0 | 0 | 3 928 544 |
| Issued securities | 0 | 52 | 1 001 542 | 0 | 0 | 1 001 594 |
| Leases | 0 | 175 | 4 415 | 1 865 | 0 | 6 455 |
| Financial liabilities held for trading-derivatives | 5 | 0 | 0 | 0 | 0 | 5 |
| Reserves | 0 | 0 | 0 | 0 | 9 800 | 9 800 |
| Current tax liabilities | 1 508 | 0 | 0 | 0 | 0 | 1 508 |
| Other liabilities | 37 593 | 0 | 0 | 0 | 0 | 37 593 |
| Total equity | 0 | 0 | 0 | 0 | 410 107 | 410 107 |
| **Liabilities and equity total** | **3 540 726** | **411 324** | **1 624 793** | **1 865** | **419 907** | **5 998 615** |
| **Net balance sheet position** | **(3 137 798)** | **33 338** | **(311 413)** | **3 808 563** | **(392 690)** | **0** |

(in thousands of €)

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

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

The summary below is an analysis of the earliest possible contractual maturity of non-derivative financial liabilities, i.e. the worst-case scenario as at 31 March 2023 (in undiscounted values):

| Non-derivative financial liabilities: | Carrying amount | Contractual cash flows | Up to 3 months incl. | From 3 months up to 1 year incl. | From 1 year up to 5 years incl. | More than 5 years incl. |
|---|---|---|---|---|---|---|
| Financial liabilities at amortised cost, of which: | | | | | | |
| Due to central banks | 601 758 | 605 191 | 605 191 | 0 | 0 | 0 |
| Due to banks | 1 251 | 1 251 | 1 251 | 0 | 0 | 0 |
| Customer deposits | 3 928 544 | 3 963 085 | 2 899 387 | 414 120 | 649 578 | 0 |
| Issued securities | 1 001 594 | 1 001 992 | 0 | 140 | 1 001 852 | 0 |
| Leases | 6 455 | 6 455 | 0 | 0 | 0 | 6 455 |
| Other liabilities | 37 593 | 39 101 | 39 101 | 0 | 0 | 0 |

(in thousands of €)

The summary below is an analysis of the earliest possible contractual maturity of non-derivative financial liabilities, i.e. the worst-case scenario as at 31 December 2022 (in undiscounted values):

| Non-derivative financial liabilities: | Carrying amount | Contractual cash flows | Up to 3 months incl. | From 3 months up to 1 year incl. | From 1 year up to 5 years incl. | More than 5 years incl. |
|---|---|---|---|---|---|---|
| Financial liabilities at amortised cost, of which: | | | | | | |
| Due to central banks | 640 660 | 642 671 | 642 671 | 0 | 0 | 0 |
| Due to banks | 1 690 | 1 690 | 1 690 | 0 | 0 | 0 |
| Customer deposits | 3 883 076 | 3 906 886 | 2 873 281 | 461 224 | 572 381 | 0 |
| Issued securities | 1 002 042 | 1 002 465 | 0 | 122 | 1 002 343 | 0 |
| Leases | 6 853 | 6 853 | 0 | 0 | 0 | 6 853 |
| Other liabilities | 39 805 | 40 563 | 40 563 | 0 | 0 | 0 |

The summary below provides the worst-case scenario of an analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 March 2023 (in undiscounted values):

| Contingent liabilities and other off-balance sheet items: | Carrying amount | Contractual cash flows | Up to 3 months incl. | From 3 months up to 1 year incl. |
|---|---|---|---|---|
| Contingent liabilities from guarantees | 5 800 | 5 800 | 5 800 | 0 |
| Loan commitments, of which: | 144 722 | 144 722 | 143 141 | 1 581 |
| irrevocable | 144 722 | 144 722 | 143 141 | 1 581 |

The summary below provides the worst-case scenario of an analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2022 (in undiscounted values):

| Contingent liabilities and other off-balance sheet items: | Carrying amount | Contractual cash flows | Up to 3 months incl. | From 3 months up to 1 year incl. |
|---|---|---|---|---|
| Contingent liabilities from guarantees | 6 761 | 6 761 | 6 761 | 0 |
| Loan commitments, of which: | 134 818 | 134 818 | 133 321 | 1 497 |
| irrevocable | 134 818 | 134 818 | 133 321 | 1 497 |

### d) Exchange Rate Risk

The Bank continued to apply conservative exchange rate risk management in accordance with the set limits. Foreign exchange positions of the Banking Book were open to a minimum extent, and only as a result of the standard operating activities of the Bank. The Bank did not enter into any speculative transactions regarding exchange rate movements for clients or on the Bank's account. During the first quarter of 2023, the Bank did not have any speculative foreign exchange positions open in its Trading Book.

When measuring the exchange rate risk of the Banking Book and the Trading Book, Prima banka uses the VaR method on a daily basis at the 99% reliability interval. As at 31 March 2023, the VaR amounted to € (380) (31 December 2022: € (328)).

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

Foreign exchange position of Prima banka as at 31 march 2023:

| | EUR | CZK | USD | Other | Total |
|---|---|---|---|---|---|
| Assets | 5 984 004 | 208 | 13 757 | 646 | 5 998 615 |
| Liabilities and equity | (5 984 004) | (208) | (13 757) | (646) | (5 998 615) |
| **Net balance sheet foreign exchange position** | **0** | **0** | **0** | **0** | **0** |
| Off-balance sheet assets | 7 198 666 | 0 | 0 | 0 | 7 198 666 |
| Off-balance sheet liabilities | (1 243 888) | (60) | (4 068) | (86) | (1 248 102) |
| **Net off-balance sheet foreign exchange position** | **5 954 778** | **(60)** | **(4 068)** | **(86)** | **5 950 565** |
| **Net foreign exchange position** | **5 954 778** | **(60)** | **(4 067)** | **(86)** | **5 950 565** |

(in thousands of €)

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

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

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

The Bank performs stress testing quarterly. The Bank tests euro depreciation and appreciation scenarios against other foreign currencies by 3%, 8%, and 10%. Considering the minimum open foreign exchange positions for individual foreign currencies from the beginning of 2023, the impact of fluctuations in exchange rates on the Bank's profit/loss is insignificant.

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

**e) Equity Risk**

The Bank's strategy is to not actively trade equity instruments, as evidenced by the size and structure of the equity securities portfolio. In "Financial assets at fair value through other comprehensive income" and "Financial assets at fair value through profit or loss" portfolio, the Bank records equity securities in the total amount of € 4 689 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 € 11 096 thousand, of which the following amounts are attributable to individual business lines: retail banking: € 6 685 thousand, commercial banking: € 3 576 thousand, payment services and settlement: € 191 thousand, other: € 644 thousand. Management measures and implemented systems for operational risk management are adequate for the Bank's strategy and profile.

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

(in thousands of €)

## 30. Transactions with Related Parties

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

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

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

Assets and liabilities concerning related parties as at 31 March 2023:

| Balance sheet | Parent Company | Related parties of the Parent Company | Other related parties | Total |
|---|---|---|---|---|
| Loans and advances to customers | 0 | 91 992 | 8 491 | 100 483 |
| Other assets | 0 | 3 685 | 0 | 3 685 |
| **Total assets** | **0** | **95 677** | **8 491** | **104 168** |
| Due to banks | 0 | 249 | 0 | 249 |
| Customer deposits | 7 | 153 276 | 3 849 | 157 132 |
| Liabilities from leases | 0 | 119 | 0 | 119 |
| Other liabilities | 0 | 76 | 0 | 76 |
| **Total liabilities and equity** | **7** | **153 720** | **3 849** | **157 576** |

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

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

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

| | Parent Company | Related parties of the Parent Company | Other related parties | Total |
|---|---|---|---|---|
| Interest and similar income | 0 | 1 484 | 92 | 1 576 |
| Interest and similar expense | 0 | (753) | (0) | (753) |
| Net fee and commission income | 0 | 18 | 2 | 20 |
| Net profit from financial transactions | 0 | 0 | 0 | 0 |
| General and administrative expenses | 0 | (739) | (483) | (1 222) |

(in thousands of €)

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

| | Parent Company | Related parties of the Parent Company | Other related parties | Total |
|---|---|---|---|---|
| Interest and similar income | 0 | 667 | 55 | 722 |
| Interest and similar expense | 0 | 0 | 0 | 0 |
| Net fee and commission income | 0 | 16 | 1 | 17 |
| Net profit from financial transactions | 0 | 0 | 0 | 0 |
| General and administrative expenses | 0 | (452) | (328) | (780) |

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

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

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

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

## 31. Events after the Balance Sheet Date

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