

G. AUDITORS' REPORT



NATIONAL BANK OF SLOVAKIA

**AUDITORS' REPORT AND SUMMARISED
STATUTORY FINANCIAL STATEMENTS**

**as of 31 December 2001
and for the year then ended**

Deloitte & Touche spol. s r.o.
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**Deloitte
& Touche**

National Bank of Slovakia

Auditor's Report

To the Bank Board of National Bank of Slovakia:

We have audited the statutory financial statements of National Bank of Slovakia ("the Bank") for the year ended 31 December 2001, in accordance with the Slovak Auditing Standards. The accompanying summarised financial statements, which are included in this annual report, were derived from the audited statutory financial statements.

In our report dated 7 March 2002, we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

The accompanying financial statements are presented in a format comparable with the format used for international purposes. In our opinion, the accompanying summarised financial statements, which are included in this annual report, are consistent, in all material respects, with the statutory financial statements from which they were derived.


For a better understanding of the Bank's financial position and the results of its operations for the period and of the scope of our audit, the accompanying summarised financial statements, which are included in this annual report, should be read in conjunction with the statutory financial statements from which they were derived and our audit report thereon.

Bratislava, 7 March 2002



Deloitte & Touche spol. s r. o.
SKAU Licence Number 014




Ing. Juraj Haľama, CSc.
Responsible Auditor
SKAU Decree Number 213



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NATIONAL BANK OF SLOVAKIA
Balance Sheets as at 31 December 2001 and 2000
Derived from the Financial Statements prepared in accordance with Slovak Accounting Regulations
(in millions of Sk)

Assets	Note	2001	2000
Gold	4	1 027	1 028
Deposits with the International Monetary Fund	5	5 186	5 264
Receivables from foreign banks and international financial institutions	6	40 233	3 871
Receivables from domestic financial institutions	7	43 784	41 067
Securities	8	181 590	198 091
Equity shares	9	145	145
Property and equipment	10	6 700	6 591
Other assets	11	987	1 473
Total		<u>279 652</u>	<u>257 530</u>
Liabilities			
Currency in circulation	12	91 189	75 944
Liabilities to the International Monetary Fund	5	5 186	5 264
Liabilities to foreign banks and international financial institutions	13	23 905	16 813
Liabilities to domestic financial institutions	14	89 413	71 000
Securities issued	15	5 254	24 900
Liabilities to the State Budget	16	13 377	12 280
Other liabilities	17	40 528	40 860
Total		<u>268 852</u>	<u>247 061</u>
Equity			
Legal reserve fund	18	9 925	9 925
Statutory fund	18	467	467
Capital fund	18	82	77
Retained current period profit	18	326	0
Total		<u>10 800</u>	<u>10 469</u>
 Total		<u>279 652</u>	<u>257 530</u>

Ing. Marián Jusko, CSc.

Governor

Ing. Milena Koreňová

Executive Director of Information Systems Division

Ing. Katarína Taragelová

Director of Accounting Department

The footnotes on pages 4 to 20 are an integral part of the Summarised Financial Statements.

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NATIONAL BANK OF SLOVAKIA

Statements of Income for the years ended 31 December 2001 and 2000

Derived from the Financial Statements prepared in accordance with Slovak Accounting Regulations
(in millions of Sk)

	Note	2001	2000
Interest income		11 978	13 450
Interest expense		-5 317	-5 832
Net interest income	19	<u>6 661</u>	<u>7 618</u>
Dividends income		<u>33</u>	<u>35</u>
Fees and commissions received		182	120
Fees and commissions paid		-24	-21
Income from fees and commissions		<u>158</u>	<u>99</u>
Gains / losses (-) from trading securities	20	<u>589</u>	<u>-2 624</u>
Losses (-) / gains from foreign exchange transactions	21	<u>-3 312</u>	<u>48</u>
Costs of issue of banknotes and coins		<u>-251</u>	<u>-109</u>
Income from banking transactions		<u>3 878</u>	<u>5 067</u>
Other provisions and reserves		<u>3</u>	<u>-10</u>
Administrative expenses	22	-698	-632
Depreciation	10	-196	-209
Other operating expenses		-630	-847
Total operating expenses		<u>-1 524</u>	<u>-1 688</u>
Extraordinary expenses (-) and income		<u>-30</u>	<u>4 021</u>
Taxes on income from ordinary business		<u>-1</u>	<u>-1</u>
PROFIT FOR CURRENT YEAR	23	<u>2 326</u>	<u>7 389</u>
Allotments from profit	23	-2 000	-7 346
Profit for current year less allotments	18	<u>326</u>	<u>43</u>

The footnotes on pages 4 to 20 are an integral part of the Summarised Financial Statements.

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NATIONAL BANK OF SLOVAKIA

Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000, derived from the Financial Statements prepared in accordance with Directive of the Ministry of Finance of Slovak Republic 65/356/1996, as amended (in millions of Sk)

1. General Information

The National Bank of Slovakia (herein "the NBS" or "the Bank") is the central bank of the Slovak Republic. The NBS was established in accordance with the terms of Act No. 566/1992 Coll. on the National Bank of Slovakia as amended ("the NBS Act"). It commenced its activities on 1 January 1993 as the central bank of the Slovak Republic. The NBS is a legal entity with its seat at Štúrova 2, Bratislava, IČO 30844789. When handling its own assets, the NBS acts as a business entity. The NBS has its head office in Bratislava, it has three branches in the Slovak Republic (Bratislava, Banská Bystrica, Košice) as well as organisational units.

The Bank's key objective is to maintain price stability, and therefore the NBS:

- determines monetary policy,
- issues bank notes and coins,
- controls and co-ordinates money in circulation, domestic payment system and processing of the payment system data,
- supervises the safe functioning of the banking system and bank activities,
- represents the Slovak Republic in international financial institutions and ensures the fulfilment of tasks ensuing from such representation,
- represents the Slovak Republic in world financial market operations related to the fulfilment of the monetary policy.

The supreme management body of the NBS is the NBS Bank Board (herein "the Bank Board"). The Bank Board has eight members: the Governor, two Vice-Governors, two NBS Executive Directors and three other members. The Governor and Vice-Governors are appointed and recalled by the President of the Slovak Republic. Executive Directors and other members of the Bank Board are appointed and recalled by the Slovak Government. The term of office of the Bank Board members is five years. Membership of the Bank Board is limited to a maximum of two consecutive terms of office. The NBS is represented by a Governor.

In 2001, the members of the Bank Board were as follows:

Name	Position	Term of office	
Ing. Marián Jusko, CSc.	Governor	from 30 July 1999	till 30 July 2005
Ing. Elena Kohútiková, CSc.	Vice-Governor	from 28 March 2000	till 28 March 2006
Ing. Jozef Mudrik	Vice-Governor	from 23 May 1995	till 23 May 2001
Ing. Ján Mathes	Executive		
	Director	from 1 January 1999	till 1 January 2005
RNDr. Karol Mrva	Executive		
	Director	from 1 December 2000	till 1 December 2006
Ing. Jozef Magula	Member	from 4 February 1997	till 4 February 2001
Ing. Eugen Jurzyca	Member	from 1 December 2000	till 31 December 2001
Prof. Ing. Jozef Košnár, DrSc.	Member	from 1 December 2000	till 1 December 2004

Ing. Ivan Šramko was appointed a Vice-Governor on 11 January 2002.

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**Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
Finance of Slovak Republic 65/356/1996, as amended
(in millions of Sk)**

2. Basis for preparation of financial statements

The financial statements of the NBS for 2001 were prepared in compliance with the generally binding legal regulations, in particular:

- the Act on Accounting No. 563/1991 Coll. as amended, in the wording of Act No. 272/1996 Coll., Act No. 173/1998 Coll., Act No. 336/1999 Coll., Act No. 387/2001 Coll. and Act No. 483/2001 Coll. ("the Accountancy Act");
- the Directive of the Ministry of Finance of the Slovak Republic No. 65/355/1996 dated 11 November 1996, by which the chart of accounts and accounting procedures for banks are established, in the wording of the Directive of the Ministry of Finance of the Slovak Republic No. 3171/1997-sekr., dated 29 September 1997, the Directive of the Ministry of Finance of the Slovak Republic No. 4299/1997-sekr., dated 23 December 1997, the Directive of the Ministry of Finance of the Slovak Republic No. 18032/1999-92, dated 7 October 1999 and the Directive of the Ministry of Finance of the Slovak Republic No. 21189/2000-92 dated 4 October 2000;
- the Directive of the Ministry of Finance of the Slovak Republic No. 65/356/1996, dated 11 November 1996, specifying the structure and content of individual items in financial statements of banks and minimum scope of information to be disclosed, in the wording of the Directive of the Ministry of Finance of the Slovak Republic No. 18032/1999-92, dated 7 October 1999 and the Directive of the Ministry of Finance of the Slovak Republic No. 8984/2001-92 dated 8 August 2001.

The financial statements were prepared as ordinary financial statements as at 31 December 2001.

All figures presented in the financial statements for the previous period are in a form comparable with the 2001 figures.

3. Accounting rules

3.1. Valuation of assets and liabilities

The Bank has performed a valuation of its assets and liabilities in its accounting records and financial statements in compliance with Articles 24 and 25 of the Accountancy Act.

- Gold was valued at a historical cost of Sk 62.54451/gram.
- Marketable securities were valued at cost of acquisition. A weighted arithmetic average was used for valuation of the disposal of the same type of securities. The Bank created provisions in cases where the market value of the discounted securities in the financial statements was lower than the average cost of acquisition of these securities and accrued interest. The Bank created provisions for fixed interest securities in the financial statements if their market value was lower than their average cost of acquisition.
- Equity securities are valued at the cost of acquisition.
- Purchased inventory was valued at the acquisition cost.
- Cash, stamps, and vouchers were valued at face value.
- Receivables and liabilities were valued at face value. Provisions were created for receivables in the financial statements for any temporary impairment of their values.
- Property and equipment is recorded at acquisition cost, or replacement acquisition cost.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
Finance of Slovak Republic 65/356/1996, as amended
(in millions of Sk)

3.2. Valuation of assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency were converted to Slovak currency using the NBS exchange rate as at the transaction date and the exchange rate as at 31 December in its year-end financial statements.

The exchange rates of the main foreign currencies used for the valuation of assets and liabilities as at 31 December were as follows:

Currency	Amount	2001 exchange rate	2000 exchange rate
USD	1	48.467	47.389
EUR	1	42.760	43.996
JPY	100	36.915	41.397
XDR	1	60.836	61.751

3.3. Depreciation of property and equipment

The Bank applied the annual depreciation rates for tangible and intangible assets in 2001 as follows:

Depreciation group	Depreciation period in years	Annual depreciation rate in %
1	4	25.0
2	8	12.5
3	15	6.7
4	30	3.4
5	40	2.5
6	variable	individual rate

Property and equipment is categorised as follows:

1. Office equipment, data processing machines, passenger vehicles and vans, software
2. Instruments and special technical equipment
3. Security systems
4. Utility equipment
5. Buildings and structures
6. Fixed assets depreciated using an individual rates (e.g. security monitoring systems)

3.4. Receivables write-off

When writing off its receivables, the NBS followed the Directive of the Ministry of Finance of the Slovak Republic No. 65/355/1996, as amended, establishing the chart of accounts and accounting procedures for banks, Income Taxes Act No. 366/1999 Coll., as amended, and internal bank's regulations.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
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3.5. Taxes

In accordance with Article 18 of Act No. 366/1999 Coll. on Income Taxes, as amended, the NBS is a corporate income tax payer, and the only taxable income is income subject to withholding tax.

The NBS is a VAT payer.

3.6. Distribution of profits

In accordance with the NBS Act, Article 38, the Bank decided on using the profits to allotments to reserve fund and other funds generated from profit. The Bank transferred the remaining portion of the profit into the State Budget of the Slovak Republic.

4. Gold

The value of gold under NBS administration was Sk 1 027 million (Sk 1 028 million in 2000), e. g. 16.4 million grams of pure gold.

Gold used in swap transactions in the amount of 18.7 million grams has not been included. The NBS purchased put options to secure swap transactions with gold (see Notes 21 and 25).

5. Deposits with and liabilities to the International Monetary Fund (the "IMF")

The IMF membership quota, and loans from the IMF:

	<u>2001</u>	<u>2000</u>
The IMF membership quota	5 186	5 264
Total receivable from the IMF	<u>5 186</u>	<u>5 264</u>
Loan tranche	5 186	5 264
Total liability to the IMF	<u>5 186</u>	<u>5 264</u>

The IMF membership quota was denominated in Special Drawing Rights (XDR), and converted to Sk using the exchange rate regularly set by the IMF.

Liabilities to the IMF represented drawings of a reserve tranche up to the amount of the IMF membership quota paid in XDR.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
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(in millions of Sk)

6. Receivables from foreign banks and international financial institutions

Below is the summary of receivables from foreign banks and international financial institutions:

	<u>2001</u>	<u>2000</u>
Current accounts with banks	1 516	942
Term deposits with banks	12 670	822
Loans under repurchase transactions	<u>26 047</u>	<u>2 107</u>
Total	<u>40 233</u>	<u>3 871</u>

Term deposits were made in USD in the amount of Sk 10 190 million (2000: Sk 822 million) and in EUR in the amount of Sk 2 480 million respectively.

Under repurchase transactions, the NBS provided USD loans in the amount of Sk 2 423 million and EUR loans in the amount of Sk 23 624 million (EUR loans in 2000: Sk 2 107 million), secured with treasury bills in USD, and state long-term bonds, and other securities in EUR.

The analysis of receivables from foreign banks and international financial institutions by remaining contractual maturity period is outlined in Note 26.

7. Receivables from domestic financial institutions

Below is the summary of receivables from domestic financial institutions:

	<u>2001</u>	<u>2000</u>
Current accounts	130	149
Discounted bills of exchange	0	591
Loans to support small and middle size businesses	6 340	10 888
Redistribution loans	21 232	23 980
Other receivables	16 082	5 459
Classified receivables	11	11
Provisions for classified receivables	-11	-11
Total	<u>43 784</u>	<u>41 067</u>

The Bank has taken over state guarantees for redistribution loans (see Note 25).

The analysis of receivables from domestic financial institutions by remaining contractual maturity period is outlined in Note 26.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
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(in millions of Sk)

8. Securities

Securities held by the NBS included foreign securities structured as follows:

Issued by	Type of security	2001	2000
Public sector			
	State treasury bills	53 424	46 117
	Medium-term bonds	33 673	38 134
	Long-term bonds	45 061	31 880
	Variable income shares	0	73
	Provisions	-642	-599
		<u>131 516</u>	<u>115 605</u>
Financial institutions			
	Treasury bills	6 122	2 299
	Short-term bonds	9 495	63 396
	Medium-term bonds	21 823	15 878
	Long-term bonds	12 805	1 681
	Provisions	-171	-768
		<u>50 074</u>	<u>82 486</u>
Total		<u>181 590</u>	<u>198 091</u>

Foreign securities issued by the public sector included state treasury bills and government bonds issued in EU member countries, the USA and Japan.

The analysis of securities held by the Bank by remaining contractual maturity period is outlined in Note 26.

9. Equity shares

The NBS owned 120 shares in Bankové Zúčtovacie Centrum Slovenska, a. s., Bratislava (Slovak Bank Clearing Centre) in the amount of Sk 120 million, representing 39.47% share in the equity. In addition, the Bank owned 2 670 shares in the Bank for International Settlements in Basel, Switzerland, totalling Sk 25 million and representing 0.59% share in the equity.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
Finance of Slovak Republic 65/356/1996, as amended
(in millions of Sk)

10. Property and equipment

10.1. Intangible assets:

Intangible assets (IA)	Intangible assets	Acquisition of IA	Total
Balance of cost			
as at 1 January 2001	154	3	157
Additions	13	28	41
Disposals	1	2	3
Transfers	0	-13	-13
Balance of cost			
as at 31 December 2001	166	16	182
Accumulated depreciation			
as at 1 January 2001	108	0	108
Depreciation for current year	22	0	22
Balance of accumulated depreciation			
as at 31 December 2001	130	0	130
Book value of IA as at 1 January 2001	46	3	49
Book value of IA as at 31 December 2001	36	16	52

These footnotes are an integral part of the Summarised Financial Statements.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
Finance of Slovak Republic 65/356/1996, as amended
(in millions of Sk)

10.2. Tangible assets:

Tangible assets (TA)	Land	Other TA non- depreciated	Buildings and structures	Technical equipment and machines	Other TA depre- ciated	Acqui- sition of TA	Prepayments made	Total
Balance of cost								
as at 1 January 2001	304	35	1 281	1 269	161	4 595	134	7 779
Additions		9	55	86	11	376	60	597
Disposals	2	18	16	58	2		126	222
Transfers		45	-44			-161		-160
Balance of cost								
as at 31 December 2001	<u>302</u>	<u>71</u>	<u>1 276</u>	<u>1 297</u>	<u>170</u>	<u>4 810</u>	<u>68</u>	<u>7 994</u>
Accumulated depreciation								
as at 1 January 2001			178	938	115		6	1 237
Depreciation for current year			31	95	48			174
Accumulated depreciation of disposed TA			4	26	35			65
Accumulated depreciation								
as at 31 December 2001			205	1 007	128		6	1 346
Book value of TA								
as at 1 January 2001	304	35	1 103	331	46	4 595	128	6 542
Book value of TA								
as at 31 December 2001	<u>302</u>	<u>71</u>	<u>1 071</u>	<u>290</u>	<u>42</u>	<u>4 810</u>	<u>62</u>	<u>6 648</u>

11. Other assets

Below is the structure of other assets:

	2001	2000
Accruals	515	977
Other	472	496
Total	<u>987</u>	<u>1 473</u>

Other mainly included amounts due from clients, inventory, and amounts due from the supply chain.

12. Currency in circulation

Currency in circulation included valid domestic banknotes and coins issued by the Bank.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
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(in millions of Sk)

13. Liabilities to foreign banks and international financial institutions

Below is the summary of liabilities to foreign banks and international financial institutions:

	<u>2001</u>	<u>2000</u>
<i>Deposits</i>		
World Bank	1 598	1 466
PHARE Fund	1	1
	<u>1 599</u>	<u>1 467</u>
<i>Loans</i>		
Repurchase transactions	7 973	0
Japan Bank for International Cooperation (EXIM)	11 554	13 525
European Investment Bank in Luxembourg (EIB)	1 343	1 821
Credit balance in Nostro Account	1 436	0
	<u>22 306</u>	<u>15 346</u>
Total	<u>23 905</u>	<u>16 813</u>

Repurchase transactions in foreign currencies were secured with medium-term and long-term state bonds denominated in EUR.

Both EXIM and EIB loans were long-term, specified to supplement resources of selected domestic banks to support small and middle size businesses and certain industries in the Slovak economy.

The analysis of liabilities to foreign banks and international financial institutions by remaining contractual maturity period is outlined in Note 26.

14. Liabilities to domestic financial institutions

Below is the summary of liabilities to domestic financial institutions:

	<u>2001</u>	<u>2000</u>
Current accounts	1 954	1 311
Term deposits	10 814	3 427
Money reserves of banks	22 769	37 366
Loans under repurchase transactions	51 366	27 626
Other liabilities	2 510	1 270
Total	<u>89 413</u>	<u>71 000</u>

Repurchase transactions with domestic banks were carried out to manage the liquidity and the amount of currency in circulation, and were secured with the NBS treasury bills (see Note 15).

The analysis of liabilities to domestic financial institutions by remaining contractual maturity period is outlined in Note 26.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
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(in millions of Sk)

15. Securities issued

The NBS recognises liability arising from the issue of treasury bills in the amount of Sk 145 254 million (2000: Sk 84 900 million). Treasury bills were issued to generate sufficient reserves of securities for sterilising repurchase transactions. Such transactions related to the execution of monetary policy in the area of open market transactions.

The NBS treasury bills in the amount of Sk 57 154 million (2000: Sk 52 900 million) were used as sterilising repurchase instruments, thereof Sk 51 900 million (2000: Sk 28 000 million) in the form of sterilising repurchase transactions, and Sk 5 254 million (2000: Sk 24 900 million) in the form of direct issues to the portfolios of domestic banks.

16. Liabilities to the State Budget

Below is the structure of liabilities to the State Budget:

	<u>2001</u>	<u>2000</u>
Account of the Slovak Republic	5 407	5 608
State funds	7 970	6 672
Total	<u>13 377</u>	<u>12 280</u>

Liability of the Bank arising from ordinary activities of state economy and debt service funding amounted to Sk 5 407 million. State funds included other state deposits with the NBS.

17. Other liabilities

Below is the structure of other liabilities:

	<u>2001</u>	<u>2000</u>
Reserves	15 490	16 990
Deposits of non-budget funds of Slovak Republic Bodies	16 539	12 648
Special transactions with funds of Slovak Republic	1 391	1 024
Forward transactions clearing accounts	5 694	3 376
Accruals	539	658
Other	875	6 164
Total	<u>40 528</u>	<u>40 860</u>

Reserves mainly included reserves for foreign exchange transactions totalling Sk 15 480 million (2000: Sk 16 976 million), thereof the major portion included reserves for open foreign exchange position in the amount of Sk 13 441 million (2000: Sk 13 876 million), and reserves for gold used in swap transactions in the amount of Sk 2 039 million (2000: Sk 3 100 million).

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Reserve for exchange rates losses from open foreign exchange position of the Bank was reconciled and re-assessed based on the anticipated development in foreign exchange reserves and expected changes in exchange rates.

Reserves for swap transactions with gold were recognised to cover differences between fair values of gold used in swap transactions and its historical cost to prevent high volatility in exchange rate gains/losses (see Note 21).

Other mainly included term deposits of other clients and liabilities due to suppliers.

18. Equity

The Bank's equity included statutory fund in the amount of Sk 467 million taken over from the split of assets and liabilities of the former Štátna Banka Československa (Czechoslovak State Bank), legal reserve fund in the amount of Sk 9 925 million, capital fund in the amount of Sk 82 million, and current period retained profit in the amount of Sk 326 million (see Note 23).

19. Net interest income

Below is the structure of net interest income:

	<u>2001</u>	<u>2000</u>
Interest received from domestic banks	2 530	3 374
Interest received from foreign banks and international financial institutions	194	272
Interest income from securities	8 531	8 922
Interest income under repurchase transactions	666	777
Other interest income	57	105
Interest income	<u>11 978</u>	<u>13 450</u>
Interest paid to state treasury	-506	-1 161
Interest paid to domestic banks	-528	-668
Interest paid to foreign banks and international financial institutions	-441	-735
Interest expense from securities	0	-231
Interest expense under repurchase transactions	-2 952	-2 173
Other interest expense	-890	-864
Interest expense	<u>-5 317</u>	<u>-5 832</u>
Net interest income	<u><u>6 661</u></u>	<u><u>7 618</u></u>

The interest income from securities including income from bonds in the amount of Sk 5 914 million (2000: Sk 6 422 million) and income from discounted securities in the amount of Sk 2 617 million (2000: Sk 2 500 million) had the most significant effects on the reported net interest income.

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Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
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(in millions of Sk)

20. Gains / losses (-) from trading securities

Below is the structure of gains / losses (-) from trading securities:

	<u>2001</u>	<u>2000</u>
Capital gain from securities	2 160	464
Capital loss from securities	-2 098	-3 616
Use of provisions for securities	1 341	1 895
Creation of provisions for securities	-814	-1 367
Gains / losses (-) from trading securities	<u>589</u>	<u>-2 624</u>

Capital gain from securities included income from disposals of securities denominated in USD and in EUR. The major portion of capital loss from securities represented the difference between the face value of the NBS treasury bills and their sales prices on the primary market in the amount of Sk 1 462 million (2000: Sk 1 094 million).

21. Losses (-) / gains from foreign exchange transactions

Below is the structure of losses (-) / gains from foreign exchange transactions:

	<u>2001</u>	<u>2000</u>
Income from foreign exchange transactions	8 075	20 449
Costs of foreign exchange transactions	-12 883	-13 105
	<u>-4 808</u>	<u>7 344</u>
Use of reserves for foreign exchange transactions	1 496	1 163
Recording for reserves for foreign exchange transactions	0	-8 459
Losses (-) / gains from foreign exchange transactions	<u>-3 312</u>	<u>48</u>

The NBS recognised net exchange rate loss from foreign exchange transactions in the amount of Sk 4 243 million (2000: gain of Sk 8 075 million), loss from swap transactions in the amount of Sk 484 million (2000: Sk 654 million), and loss from other foreign exchange transactions under future contracts in the amount of Sk 81 million (2000: Sk 77 million).

In 2001, the Bank used reserves for swap transactions with gold in the amount of Sk 1 061 million, and reserves for open foreign exchange positions in the amount of Sk 435 million (see Note 17).

NATIONAL BANK OF SLOVAKIA

**Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
Finance of Slovak Republic 65/356/1996, as amended
(in millions of Sk)**

22. Administrative expenses

In 2001, administrative expenses represented personnel costs including payroll expenses in the amount of Sk 522 million (2000: Sk 474 million), and social security expenses in the amount of Sk 176 million (2000: Sk 158 million). Social security expenses included mandatory allotments to medical and health insurance funds, retirement funds, and allotments to unemployment insurance funds, and levies for non-employment of the mandatory ratio of disabled individuals, and mandatory allotments to social security funds pursuant to Social Security Fund Act No. 152/1994, as amended, and Income Taxes Act No. 366/1999, as amended.

In the accounting period 2001, the average calculated number of bank employees was 1 318 (2000: 1 305), thereof managers 157 (2000: 162).

23. Allotments from profit

In the accounting period 2001, the Bank's operations resulted in profits in the amount of Sk 2 326 million (2000: Sk 7 389 million). The NBS suggested the following distribution of its 2001 book profit: to the reserve fund allotments in the amount of Sk 283 million, to the social security fund allotments in the amount of Sk 40 million (2000: Sk 40 million), to the retirement fund allotments in the amount of Sk 3 million (2000: Sk 3 million). Pursuant to the NBS Act, Article 38, the Bank realised allotments from its 2001 profit to the State Budget in the amount of Sk 2 000 million (2000: Sk 7 346 million).

On 10 January 2002, the Bank Board approved suggested allotments to funds from its 2001 profit.

NATIONAL BANK OF SLOVAKIA

Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000, derived from the Financial Statements prepared in accordance with Directive of the Ministry of Finance of Slovak Republic 65/356/1996, as amended
(in millions of Sk)

24. Currency structure of assets and liabilities

Below is the summary of assets and liabilities of the NBS denominated in Slovak crowns ("Sk"), and in foreign currencies converted to Slovak crowns:

Line no.	Slovak crowns Sk	Foreign currency converted to Sk, total	Thereof:					Total	
			USD	EUR	JPY	XDR	Other		
2001									
Assets	1	50 906	228 746	73 859	144 061	4 515	5 218	1 093	279 652
Liabilities	2	249 687	29 965	2 378	10 735	11 664	5 186	2	279 652
Net foreign exchange position	3=1-2	-198 781	198 781	71 481	133 326	-7 149	32	1 091	
2000									
Assets	4	48 441	209 089	52 665	144 580	5 428	5 288	1 128	257 530
Liabilities	5	234 704	22 826	1 035	2 871	13 655	5 265		257 530
Net foreign exchange position	6=4-5	-186 263	186 263	51 630	141 709	-8 227	23	1 128	
Total difference	7=3-6	-12 518	12 518	19 851	-8 383	1 078	9	-37	

25. Off-balance sheet items

The Bank recognised in the off-balance sheet accounts future irrevocable receivables and liabilities from foreign term and spot transactions in the following structure:

	2001		2000	
	Receivable	Liability	Receivable	Liability
Currency interest rate swaps	7 383	7 865	8 279	7 690
Interest rate swaps	1 750	1 750	1 634	1 634
Swap transactions with gold	1 167	8 413	1 168	8 226
Total future contracts	10 300	18 028	11 081	17 550
Spot transactions	0	0	9	9

In order to change the currency structure of FX reserves, the Bank concluded a long-term currency swap exchanging JPY for USD. Whilst the first instalment will be due and payable in March 2002, the final maturity of the swap transaction is in 2010.

The Bank engaged in long-term gold swaps. After the revaluation, using the current gold rate of USD 276.50 /ozs as at 31 December 2001 the Bank would have had recorded a receivable of Sk 8 042 million and had a liability denominated in USD, amounting to Sk 8 413 million after its translation to Sk.

NATIONAL BANK OF SLOVAKIA

**Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
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(in millions of Sk)**

To eliminate the risk of a decrease in the market value of the gold swapped, the Bank purchased European gold put options. The Bank reports in respect of these options a receivable denominated in USD amounting to Sk 8 413 million after its translation to Sk, as well as a liability of Sk 8 042 million, after its revaluation using the current gold rate.

Using the historical cost of gold in the above valuation, the receivable from long-term swaps and the liability from purchased long-term options amounts to Sk 1 167 million.

The Bank recorded on off-balance sheet accounts received guarantees in the amount of Sk 29 135 million (in 2000; Sk 34 968 million), thereof state guarantees received for redistribution loans of Sk 29 132 million (in 2000; Sk 34 964 million). This amount consists of principal and interest till the maturity of loans.

NATIONAL BANK OF SLOVAKIA

Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000,
derived from the Financial Statements prepared in accordance with Directive of the Ministry of
Finance of Slovak Republic 65/356/1996, as amended
(in millions of Sk)

26. Maturity analysis

Below is the analysis of assets and liabilities of the NBS as at 31 December 2001 by the remaining contractual maturity period:

	Up to 1 month incl.	From 1 – 3 months	Up to 1 year incl.	From 1 – 5 years	Over 5 years	Non- specified	Total
Assets							
Gold		948				79	1 027
Deposits with the IMF						5 186	5 186
Receivables from foreign banks and international financial institutions	39 444					789	40 233
Receivables from domestic financial institutions	1 711	1 430	4 574	29 691	6 378		43 784
Securities	26 947	25 093	43 946	70 542	15 062		181 590
Equity shares						145	145
Property and equipment						6 700	6 700
Other assets	199	297	152	122	129	88	987
Total assets	68 301	27 768	48 672	100 355	21 569	12 987	279 652
Liabilities and equity							
Currency in circulation						91 189	91 189
Liabilities to the IMF						5 186	5 186
Liabilities to foreign banks and international financial institutions	10 219	721	751	6 098	5 327	789	23 905
Liabilities to domestic financial institutions	89 413						89 413
Securities issued	2 000	3 254					5 254
Liabilities to the State Budget	13 377						13 377
Other liabilities	18 672	441	14 448	6 805		162	40 528
Legal reserve fund						9 925	9 925
Statutory fund						467	467
Capital fund						82	82
Retained current period profit						326	326
Total liabilities and equity	133 681	4 416	15 199	12 903	5 327	108 126	279 652
Difference	-65 380	23 352	33 473	87 452	16 242	-95 139	0

These footnotes are an integral part of the Summarised Financial Statements.

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NATIONAL BANK OF SLOVAKIA

Footnotes to the Annual Summary Financial Statements as at 31 December 2001 and 2000, derived from the Financial Statements prepared in accordance with Directive of the Ministry of Finance of Slovak Republic 65/356/1996, as amended (in millions of Sk)

Below is the analysis of assets and liabilities of the NBS as at 31 December 2000 by the remaining contractual maturity period:

	Up to 1 month incl.	From 1 – 3 months	Up to 1 year incl.	From 1 – 5 years	Over 5 years	Non- specified	Total
Assets							
Gold	177	771				80	1 028
Deposits with the IMF						5 264	5 264
Receivables from foreign banks and international financial institutions	3 107					764	3 871
Receivables from domestic financial institutions	1 890	5 321	483	8 474	24 899		41 067
Securities	19 248	40 079	79 053	53 447	6 264		198 091
Equity shares						145	145
Property and equipment						6 591	6 591
Other assets	57	884	123	173	150	86	1 473
Total assets	24 479	47 055	79 659	62 094	31 313	12 930	257 530
Liabilities and equity							
Currency in circulation						75 944	75 944
Liabilities to the IMF						5 264	5 264
Liabilities to foreign banks and international financial institutions	703	324	345	6 944	7 733	764	16 813
Liabilities to domestic financial institutions	71 000						71 000
Securities issued		24 900					24 900
Liabilities to the State Budget	12 280						12 280
Other liabilities	19 431	894	14 814	5 504		217	40 860
Legal reserve fund						9 925	9 925
Statutory fund						467	467
Capital fund						77	77
Total liabilities and equity	103 414	26 118	15 159	12 448	7 733	92 658	257 530
Difference	-78 935	20 937	64 500	49 646	23 580	-79 728	0

These footnotes are an integral part of the Summarised Financial Statements.

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NATIONAL BANK OF SLOVAKIA

**INDEPENDENT AUDITORS' REPORT
AND INTERNATIONAL FINANCIAL
STATEMENTS**

**as of 31 December 2001
and for the year then ended**

NATIONAL BANK OF SLOVAKIA
Financial Statements prepared under International Accounting Standards
31 December 2001 and 2000
(in millions of Sk)

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INDEPENDENT AUDITOR'S REPORT

To the Bank Board of the National Bank of Slovakia:

We have audited the accompanying balance sheets of the National Bank of Slovakia ("the Bank") as of 31 December 2001 and 2000, and the related statements of income, cash flows and changes in equity for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2001 and 2000, the results of its operations, its cash flows and changes in equity for the years then ended, in accordance with International Accounting Standards.

Bratislava, 12 April 2002



Deloitte & Touche spol. s r. o.

Deloitte
Touche
Tohmatsu

NATIONAL BANK OF SLOVAKIA
Balance sheets prepared under International Accounting Standards
As of 31 December 2001 and 2000
(in millions of Sk)

	Note	2001	2000
Assets			
Current accounts and deposits with banks	5	14 341	1 913
Gold	6	15 118	2 195
Trading securities	7	182 358	199 172
Financial derivative assets	8	696	805
Loans to banks and other financial institutions	9	67 534	42 120
IMF membership quota	10	5 186	5 264
Property and equipment	11	6 638	6 463
Other assets	12	1 012	1 523
Total assets		<u>292 883</u>	<u>259 455</u>
Liabilities			
Liabilities to banks and other financial institutions	13	121 731	96 039
Liabilities to the state budget	14	13 377	12 280
Securities issued	15	5 254	24 900
Financial derivative liabilities	8	178	-
Loans from the IMF	10	5 186	5 264
Currency in circulation	16	91 189	75 944
Other liabilities	17	19 344	20 506
		<u>256 259</u>	<u>234 933</u>
Equity			
Capital (statutory fund)	18	467	467
Reserves	18	36 157	24 055
		<u>36 624</u>	<u>24 522</u>
Total liabilities and equity		<u>292 883</u>	<u>259 455</u>

Ing. Marián Jusko, CSc.

Governor

Ing. Milena Koreňová

Executive Director of Information Systems Division

Ing. Katarína Taragelová

Director of Accounting Department

The footnotes on pages 6 – 27 are an integral part of the financial statements prepared under International Accounting Standards

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NATIONAL BANK OF SLOVAKIA
Statements of income prepared under International Accounting Standards
For the years ended 31 December 2001 and 2000
(in millions of Sk)

	Note	2001	2000
Interest and similar income		11 978	13 451
Interest expense and similar charges		<u>(5 317)</u>	<u>(5 833)</u>
Net interest income	19	<u>6 661</u>	<u>7 618</u>
Dividends income		<u>33</u>	<u>35</u>
Fees and commissions received		190	120
Fees and commissions paid		<u>(25)</u>	<u>(21)</u>
Income from fees and commissions		<u>165</u>	<u>99</u>
Gain (loss) from trading securities	20	298	(1 725)
Foreign exchange (losses) gains	21	(3 247)	8 442
Operating (expenses) income	22	(1 760)	2 280
Provisions for losses	9	(1 262)	(916)
Net profit	23	<u><u>888</u></u>	<u><u>15 833</u></u>
Transfer (from) to reserves and state budget:			
		2001	2000
General reserves	18	(1 112)	8 487
Transfer of profit to state budget	23	<u>2 000</u>	<u>7 346</u>
Net profit	23	<u><u>888</u></u>	<u><u>15 833</u></u>

The footnotes on pages 6 – 27 are an integral part of the financial statements prepared under International Accounting Standards

NATIONAL BANK OF SLOVAKIA
Statements of changes in equity prepared under International Accounting Standards
For the years ended 31 December 2001 and 2000
(in millions of Sk)

	Statutory fund	General reserves	Legal reserve fund	Accumulated profits	Total
At 1 January 2000	467	5 643	9 925	-	16 035
Profit for the year				15 833	15 833
Transfer of profit to Reserves	-	8 487	-	(8 487)	-
Transfer of profit to state budget	-	-	-	(7 346)	(7 346)
At 31 December 2000	467	14 130	9 925	-	24 522
Impact of IAS 39 application – gold and financial derivatives (Note 6 and 8)	-	12 693	-	-	12 693
At 1 January 2001 – as restated	467	26 823	9 925	-	37 215
Net profit for the year				888	888
Fair value adjustment of gold (Note 24)	-	521	-	-	521
Reserves distribution	-	(1 112)	-	1 112	-
Transfer of profit to state budget (Note 23)	-	-	-	(2 000)	(2 000)
At 31 December 2001	467	26 232	9 925	-	36 624

The footnotes on pages 6 – 27 are an integral part of the financial statements prepared under International Accounting Standards

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NATIONAL BANK OF SLOVAKIA
Statements of cash flows prepared under International Accounting Standards
For the years ended 31 December 2001 and 2000
(in millions of Sk)

	2001	2000
Net cash flow from operating activities		
Net profit	888	15 833
Adjustments to reconcile net profit to cash flows provided by operating activities:		
Dividends received	(33)	(35)
Provisions for loans	1 262	916
Gain from revaluation of trading securities	(239)	(1 433)
Unrealised foreign exchange (gains)/losses	(192)	1 134
Depreciation	196	209
Gain from financial instruments	(568)	-
Other	(4)	-
Net cash flow from operating activities before changes in operating assets and liabilities	<u>1 310</u>	<u>16 624</u>
Changes in operating assets and liabilities		
Decrease in gold	1	314
Decrease/(increase) in securities	17 054	(56 329)
(Increase)/decrease in loans to banks and other financial institutions	(26 701)	13 234
Decrease in other assets	1 592	1 363
Total change in operating assets	<u>(8 054)</u>	<u>(41 418)</u>
Decrease in liabilities to banks and financial institutions	(5 195)	(3 590)
(Decrease)/increase in securities issued	(19 646)	12 860
Increase/(decrease) in liabilities to state budget	1 097	(6 521)
Increase/(decrease) in liabilities to IMF	508	(10 007)
Increase in currency in circulation	15 245	8 453
(Decrease)/increase in other liabilities and accruals	(1 096)	3 695
Total change in operating liabilities	<u>(9 087)</u>	<u>4 890</u>
Net cash flow provided by operating activities	<u>(15 831)</u>	<u>(19 904)</u>
Cash flow from investment activities		
Purchase of property and equipment	(370)	(1 776)
Dividends received	33	35
(Decrease)/increase in IMF quota	(508)	4 411
Net cash flow (used in) provided by investing activities	<u>(845)</u>	<u>2 670</u>
Net cash flow from financing activities		
Contribution paid to state budget	(2 000)	(4 000)
Increase in loans	30 887	17 680
Net cash flow provided by financing activities	<u>28 887</u>	<u>13 680</u>
Net increase/(decrease) in cash and cash equivalents	<u>12 211</u>	<u>(3 554)</u>
Gain on foreign currency cash	192	199
Cash and cash equivalents at the beginning of year	1 149	4 504
Cash and cash equivalents at the end of year	<u>13 552</u>	<u>1 149</u>

The footnotes on pages 6 – 27 are an integral part of the financial statements prepared under International Accounting Standards

NATIONAL BANK OF SLOVAKIA

Footnotes to the financial statements prepared under International Accounting Standards
As of 31 December 2001 and 2000 and for the years then ended
(in millions of Sk)

1. General Information

The National Bank of Slovakia (herein "the NBS" or "the Bank") is the central bank of the Slovak Republic. NBS was established in accordance with the terms of Act No. 566/1992 Coll. on the National Bank of Slovakia as amended ("the NBS Act"). It commenced its activities on 1 January 1993 as the central bank of the Slovak Republic. The NBS is a legal entity with its seat at Štúrova 2, Bratislava, IČO 30844789. When handling its own assets, the NBS acts as a business entity. The NBS has its head office in Bratislava, it has three branches in the Slovak Republic (Bratislava, Banská Bystrica, Košice) as well as organisational units.

The Bank's key objective is to maintain price stability, and therefore NBS:

- determines monetary policy,
- issues bank notes and coins,
- controls and co-ordinates money in circulation, domestic payment system and processing of the payment system data,
- supervises the safe functioning of the banking system and bank activities,
- represents the Slovak Republic in international financial institutions and ensures the fulfilment of tasks ensuing from such representation,
- represents the Slovak Republic in world financial market operations related to the fulfilment of the monetary policy.

The supreme management body of the NBS is the NBS Bank Board (herein "the Bank Board"). The Bank Board has eight members: the Governor, two Vice-Governors, two NBS Executive Directors and three other members. The Governor and Vice-Governors are appointed and recalled by the President of the Slovak Republic. Executive Directors and other members of the Bank Board are appointed and recalled by the Slovak Government. The term of office of the Bank Board members is five years. Membership of the Bank Board is limited to a maximum of two consecutive terms of office. The NBS is represented by the Governor.

In 2001, the members of the Bank Board were as follows:

Name	Position	Term of office	
Ing. Marián Jusko, CSc.	Governor	from 30 July 1999	till 30 July 2005
Ing. Elena Kohútiková, CSc.	Vice-Governor	from 28 March 2000	till 28 March 2006
Ing. Jozef Mudrík	Vice-Governor	from 23 May 1995	till 23 May 2001
Ing. Ján Mathes	Executive Director	from 1 January 1999	till 1 January 2005
RNDr. Karol Mrva	Executive Director	from 1 December 2000	till 1 December 2006
Ing. Jozef Magula	Member	from 4 February 1997	till 4 February 2001
Ing. Eugen Jurzyca	Member	from 1 December 2000	till 31 December 2001
Prof. Ing. Jozef Košnár, DrSc.	Member	from 1 December 2000	till 1 December 2004

Ing. Ivan Šramko was appointed a Vice-Governor on 11 January 2002.

NATIONAL BANK OF SLOVAKIA

Footnotes to the financial statements prepared under International Accounting Standards
As of 31 December 2001 and 2000 and for the years then ended
(in millions of Sk)

2. Basis for preparation of financial statements

The accompanying financial statements of the NBS as at 31 December 2001 were prepared in accordance with International Accounting Standards („IAS“). All figures in the financial statements for the previous period are presented on a comparable basis.

In 2001 the NBS applied IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) for the first time. IAS 39 has introduced a comprehensive framework of accounting for all financial instruments. According to this standard, the Bank must categorise its assets and liabilities into categories (held for trading, held for hedging, available for sale, investments held to maturity, loans and receivables originated by the Bank) and value them accordingly. The principal effects of adoption of IAS 39 have been that substantially all of the Bank’s investments in securities are now classified as held-for-trading, and similarly together with gold and financial derivatives have been reported on balance sheet at fair values. The effects of the re-measurement of financial instruments to fair value have been reported with effect from 1 January 2001. Purchases of financial instruments are recorded at cost at the transaction date.

The financial statements are prepared under the historical cost basis and modified by the revaluation of certain financial instruments to fair value. The book value of certain financial statement items reported at acquisition cost approximates their fair value.

3. Summary of significant accounting policies

3.1. Gold

Gold is reported in financial statements according to the accounting standards for financial instruments. The Bank categorised gold as “available-for-sale”. In balance sheet, the gold is reported at fair value, derived from its market value (see Note 6). The categorisation of gold as “available-for-sale” is due to the nature of its usage as foreign currency reserves of the Bank. The Bank has been using gold in repurchase transactions, to generate income from gold deposits and in swaps. Currently the Bank has no intention to sell the gold.

At first adoption of the IAS 39 in 2001, the effect of initial fair valuation of the gold and change in its fair value at the balance sheet date is reported through the changes in equity.

In 2000, the gold was valued using historical cost of Sk 62.54451 per gram.

3.2. Trading securities

Trading securities on money and capital markets are reported as at the balance sheet date at fair value, which is based on the market value. Movements in the market value of these securities are recognised in the statement of operations.

3.3. Equity investments

Equity investments are included in the “available-for-sale” category. Equity investments are valued at cost due to non-existent market values.

NATIONAL BANK OF SLOVAKIA

**Footnotes to the financial statements prepared under International Accounting Standards
As of 31 December 2001 and 2000 and for the years then ended
(in millions of Sk)**

3.4. Financial derivatives

The Bank's financial derivatives include cross-currency swaps, gold interest rate swap and put options for gold. The Bank categorised them according to IAS 39 accounting rules as held for trading because they do not meet criteria to be classified as hedging. However, the NBS does not hold them to benefit from short-term market fluctuations in prices, changes in foreign currency and interest rates (See Note 8). As at the financial statements date, they are valued at fair value, which is based on market values, the discounted cash flow method and option valuation models.

In compliance with IAS 39, financial derivatives are recorded in the balance sheet as assets, if their fair value is favourable for the Bank, and as liabilities, if their fair value is not favourable. At the first application of IAS 39 in 2001, the effect of the initial valuation of derivatives to the fair value is recorded in equity and the changes in their fair value as at the financial statements date are included in the statement of income.

3.5. Repurchase and resell transactions

Transactions related to securities purchased under re-purchase agreements ("reverse REPOs") and transactions related to securities, or gold, sold under re-purchase agreements ("REPOs") are recorded as loans with the transfer of securities, or gold as collateral.

3.6. Loans and provisions

Loans provided to banks and other financial institutions are stated in the balance sheet at the amount of principal outstanding less any provisions for potential losses. Additions to provisions are recognised as an expense in the statement of income. Reversal of provisions when reasons for their creation cease to exist are reported as revenue in the statement of income.

The discounted cash flow method was used for the calculation of provisions related to the loan provided to the Deposit Protection Fund (herein "DPF").

3.7. Property and equipment

Property and equipment is valued in the balance sheet at their acquisition cost, less depreciation. The acquisition cost of property and equipment does not include value-added tax, except for passenger vehicles.

Property and equipment is depreciated on a straight-line basis.

Property and equipment of the NBS is categorised into individual depreciation groups as follows:

	%
1. Office equipment, data processing systems, cars and vehicles, software	25
2. Instruments and special technical equipment	12.5
3. Security systems	6.7
4. Utility equipment	3.4
5. Buildings and structures	2.5
6. Fixed assets depreciated using an individual depreciation rate (e.g., security monitoring systems)	Individual rates

NATIONAL BANK OF SLOVAKIA

**Footnotes to the financial statements prepared under International Accounting Standards
As of 31 December 2001 and 2000 and for the years then ended
(in millions of Sk)**

3.8. Valuation of assets and liabilities denominated in foreign currency

The Bank converts its assets and liabilities denominated in foreign currency to Slovak crowns using the NBS exchange rates list as at the transaction date and in the financial statements using the exchange rate as at 31 December. All currency translation gains and losses are included in the income statement.

Exchange rates for principal foreign currencies used for valuation as at 31 December were as follows:

Currency	Unit	2001 Rate	2000 Rate
USD	1	48.467	47.389
EUR	1	42.760	43.996
JPY	100	36.915	41.397
XDR	1	60.836	61.751

3.9. Securities issued

The NBS treasury bills issued are recorded at nominal value. In the balance sheet, they are shown net of repurchased treasury bills in the NBS portfolio, including accrued discount.

3.10. Currency in circulation

The NBS administers the issue and withdrawal of domestic bank notes and coins. The corresponding liability from the issued currency in circulation is recorded in the balance sheet.

3.11 Taxes

In accordance with Article 18 of Act No. 366/1999 Coll. on Income Taxes, as amended, the NBS is a corporate income tax payer and the only taxable income is income subject to withholding tax.

The NBS is a VAT payer.

3.12 Distribution of the profit

In accordance with Article 38 of the NBS Act the Bank will use generated profit to replenish the reserve fund and other funds created from profit. The Bank transfers remaining profit into the state budget of the Slovak Republic.

3.13. Operating revenues and expenses

Interest income and expense, and fees and commissions are recognised on their occurrence. They are recorded and disclosed in the financial statements on an accrual basis.

NATIONAL BANK OF SLOVAKIA
Footnotes to the financial statements prepared under International Accounting Standards
As of 31 December 2001 and 2000 and for the years then ended
(in millions of Sk)

3.14. Employee benefits

To cover the costs of employee benefits, the NBS creates social, remuneration and retirement funds, which are reflected in the decrease of the profit/loss in the statement of operations.

The NBS makes regular allotments to the state Social Insurance Company, which are reflected in the Income Statement.

In 2001, the average number of employees was 1 318 (2000: 1 305), thereof 157 managers (2000: 162).

3.15. Cash and cash equivalents

For the purposes of statements of cash flows, cash and cash equivalents include cash, current and deposit accounts and time deposits with maturity within 90 days. Cash and cash equivalents exclude deposits with the World Bank due to their capital deposit nature.

4. Use of financial instruments

A financial instrument is every contract based on which a financial asset arises in one company and a financial liability or asset instrument in another company.

In accordance with IAS 39, the gold has been used and reported as a financial instrument (see Notes 3.1 and 6.).

The NBS balance sheet is comprised in a large extent of financial instruments. These instruments expose the Bank to several financial risks. The main objective is to minimise risks associated with financial instruments, including derivatives. The key task is safe administration of financial instruments. Any other criteria are subject to this objective.

To achieve these objectives, the Bank sets principles for financial instruments administration. The principles outline types and limits of acceptable risk associated with the NBS acting as a prudent investor on financial and capital markets.

Due to the application of IAS 39 in 2001, financial derivatives are recorded in the balance sheet at fair value. As the terms of transactions concluded by the Bank in the past did not meet the strict criteria defined by IAS 39 for accounting and reporting of hedging, the NBS included the financial derivatives into the "held for trading" category. The bank does not enter into speculative transactions with financial instruments.

4.1. Foreign currency risk

Foreign currency risk results from the NBS's open foreign currency position. The level of foreign currency risk depends on the foreign exchange rates fluctuations and the fluctuations of the Slovak crown against its reference currency EUR. The Bank structures its open foreign currency positions using the rule 30% USD and 70% EUR with the maximum acceptable deviation of plus or minus 2%.

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The following tables summarise the level of foreign currency fluctuation risk:

	Č.r.	Foreign currency converted to SKK total	Thereof:				Other
			USD	EUR	JPY	XDR	
2001							
Assets	1	244 175	88 766	144 524	4 563	5 218	1 104
Liabilities	2	38 554	10 967	10 735	11 664	5 186	2
Net currency position	3=1-2	205 621	77 799	133 789	(7 101)	32	1 102
2000							
Assets	4	211 920	55 014	145 019	5 471	5 288	1 128
Liabilities	5	23 994	2 202	2 871	13 656	5 265	
Net currency position	6=4-5	187 926	52 812	142 148	(8 185)	23	1 128
Total year-on-year difference	7=3-6	17 695	24 987	(8 359)	1 084	9	(26)

	2001		2000	
	SKK	Foreign currency converted to SKK	SKK	Foreign currency converted to SKK
Assets				
Current accounts and deposits with banks	130	14 211	149	1 764
Gold		15 118		2 195
Trading securities		182 358		199 172
Financial derivative assets		696		805
Loans to banks and other financial institutions	41 085	26 449	39 521	2 599
IMF membership quota		5 186		5 264
Property and equipment	6 638		6 463	
Other assets	855	157	1 402	121
Total assets	48 708	244 175	47 535	211 920
Liabilities				
Liabilities to banks and other financial institutions	90 223	31 508	78 333	17 706
Liabilities to the state budget	13 377		12 280	
Securities issued	5 254		24 900	
Financial derivative liabilities		178		0
Loans from the IMF		5 186		5 264
Currency in circulation	91 189		75 944	
Other liabilities	17 662	1 682	19 482	1 024
Total liabilities	217 705	38 554	210 939	23 994
Net currency position	(168 997)	205 621	(163 404)	187 926

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4.2. Interest rate risk

The NBS is exposed to the risk of market interest rate fluctuations on its financial position and cash flow.

The majority of the financial assets of the Bank bear interest. Nearly 85% of financial assets are at fixed rates at 31 December 2001. Approximately 10% of financial assets bear variable interest rates, used for redistribution loans, loans from Two Step Loan and Apex Global Loan sources provided to domestic banks (see Note 9). In this case, the contractually agreed variable interest rate is derived from the NBS prime rate, which was fixed at 8.8% in 2000 and during 2001, it was changed to the fortnight repo tenders rate, which in 2001 decreased by 0.25 percentage points from 8%. Approximately 5% of the Bank's financial assets bear no interest.

Interest rate risk management for securities is also based on the benchmark structure (benchmark is a risk-neutral portfolio used as a benchmark/criterion against which the actual portfolio is measured), as well as in the structure of intervention portfolio. Trading securities represents nearly two-thirds of the fixed interest rate financial assets. The average benchmark maturity (duration) approved by the Bank Board within the complex policy of foreign currency reserves administration is 1.5 years, with maximum tolerable variances of plus/minus 6 months from the determined risk-neutral value.

Approximately 60% of the financial liabilities of the Bank are at fixed interest rates. Approximately 38% of financial liabilities bear no interest, the most significant being liabilities from the Currency in Issue. The remaining balance of the financial liabilities of the Bank is at variable interest rates.

The interest bearing assets and liabilities bear interest rates that are close to, or equal to the market values, with the exception of the interest rate on the loan to DPF (see Note 9) and interest rate on the accounts of money reserves of domestic banks (see Note 13), that are stated at 1.5%.

As the fixed interest rate financial assets and liabilities represent a significant proportion of the Bank's balance sheet, the interest rate risk can be assessed from the tables that analyse assets and liabilities by remaining contractual maturity period (see Note 4.4).

The following tables summarise the effective interest rates of financial assets and liabilities (weighted arithmetic average for securities) per core currencies:

2001	EUR	USD	XDR	JPY	SKK
Assets	%	%	%	%	%
Current accounts with banks	2.65	3.47	3.41	0.00	4.63
Gold		0.50			
Trading securities	5.27	6.81		1.00	
Loans to banks and other financial institutions	4.57	3.88			7.88
Financial derivative assets		2.05		2.60	
IMF membership quota			0.00		0.00
Loans to clients					7.31
Liabilities					
Liabilities to banks and other financial institutions	3.91	3.88		3.15	4.22
Financial derivative liabilities		4.62			
Liabilities to state budget					5.12
Securities issued					7.75
Loans from the IMF			0.00		0.00
Liabilities to other clients	1.66	1.00			7.75

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2000	EUR	USD	XDR	JPY	SKK
Assets	%	%	%	%	%
Current accounts with banks	3.80	4.27	4.39	0.03	6.27
Gold		0.50			
Trading securities	5.22	8.02		1.00	
Loans to banks and other financial institutions	4.12	6.15			7.27
Financial derivative assets		2.05		2.60	
IMF membership quota					
Client loans					7.77
Liabilities					
Liabilities to banks and other financial institutions	5.68	6.60		3.15	4.60
Financial derivative liabilities		4.12			
Liabilities to the state budget					5.00
Securities issued					8.32
Loans from the IMF			0.00		0.00
Liabilities to other clients	1.00	1.00			7.75

4.3. Credit risk

For the Bank, credit risk management is a priority because if a counterpart fails to meet its liabilities the Bank is exposed to the risk of investment losses. In the Bank, credit risk management is regulated by stated rules.

The NBS has specified limits to mitigate credit risk exposures to individual counterparties and/or the particular type of transactions. The NBS's principal information source for the assessment of counterparty creditworthiness includes regularly-updated information from the credit rating agency run by Fitch. Quality of trading securities is measured using the ratings issued by Standard & Poor's and Moody's.

Credit risk arising from repurchase transactions is minimised as all loans are secured with liquid securities.

On the local territory, the credit risk closely relates to the control and managing of the stability of the banking sector in Slovakia.

Both the size and the concentration of the Bank's credit risk exposure can be obtained directly from the balance sheets and the notes to the Financial Statements describing the amount of the Bank's financial assets and their structure.

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4.4. Liquidity risk

The Bank's liquidity risk exposures arise from liquidity needs relating to interventions on financial foreign currency markets, and also to fulfil liabilities of both the NBS and the Slovak Government. The reduction of liquidity risk exposures is managed through an intervention portfolio, the amount of which is based on both the anticipated volume of intervention transactions and the repayment schedule of the NBS payments and payments relating to servicing the state debts. The structure, and the approach, and criteria of administering the intervention portfolio follow from requirements for securing the sufficient ability of the NBS to intervene effectively and fulfil its liabilities.

In the Bank, a liquidity portfolio has been established with benchmark duration of five months, and to enable conversion of over 90% of total foreign exchange reserves into cash within 2 – 3 business days.

The tables analyse assets and liabilities of the NBS by remaining contractual maturity period:

As at 31. 12. 2001	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Non- specified	Total
Assets							
Current accounts and deposits with banks	13 552					789	14 341
Gold		6 529		8 042		547	15 118
Trading securities	26 977	25 128	44 168	70 996	15 089		182 358
Financial derivative assets				696			696
Loans to banks and other financial institutions	27 638	1 430	4 574	27 514	6 378		67 534
IMF membership quota						5 186	5 186
Property and equipment						6 638	6 638
Other assets	158	284	92	53	130	295	1 012
Total assets	68 325	33 371	48 834	107 301	21 597	13 455	292 883
Liabilities and equity							
Liabilities to banks and other financial institutions	99 632	721	751	14 510	5 328	789	121 731
Liabilities to state budget	13 377						13 377
Securities issued	2 000	3 254					5 254
Financial derivative liabilities					178		178
Loans from the IMF						5 186	5 186
Currency in circulation						91 189	91 189
Other liabilities	18 582	270	209	131		152	19 344
Capital						467	467
Reserves						36 157	36 157
Total liabilities and equity	133 591	4 245	960	14 641	5 506	133 940	292 883
Net position	(65 266)	29 126	47 874	92 660	16 091	(120 485)	0

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The gold due within three months represents gold deposits, gold due from one year to five years is used in repurchase transactions and gold in non-specified category consists of the gold placed with the Bank for International Settlement, Basel and gold in other forms.

As at 31. 12. 2000	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Non- specified	Total
Assets							
Current accounts and deposits with banks	1 149					764	1 913
Gold	177	771		1 167		80	2 195
Trading securities	19 249	40 121	79 327	54 048	6 427		199 172
Financial derivative assets				805			805
Loans to banks and other financial institutions	3 848	4 416	483	8 474	24 899		42 120
IMF membership quota						5 264	5 264
Property and equipment						6 463	6 463
Other assets	156	446	419	119	150	233	1 523
Total assets	24 579	45 754	80 229	64 613	31 476	12 804	259 455
Liabilities and equity							
Liabilities to banks and other financial institutions	71 001			8 226	15 346	1 466	96 039
Liabilities to state budget	12 280						12 280
Securities issued		24 900					24 900
Financial derivative liabilities							0
Loans from the IMF						5 264	5 264
Currency in circulation						75 944	75 944
Other liabilities	19 526	119	773	88			20 506
Capital						467	467
Reserves						24 055	24 055
Total liabilities and equity	102 807	25 019	773	8 314	15 346	107 196	259 455
Net position	(78 228)	20 735	79 456	56 299	16 130	(94 392)	0

4.5. Market risk

The Bank is exposed to market risk from its open foreign currency and interest rate positions.

Since 2001, the Value-at-Risk method of global and benchmark risk measurements has been used in the Bank as a supplementary method for monitoring the foreign exchange asset management. The method is based on probability of various changes in market conditions. The NBS calculates values of individual portfolios and benchmarks on a monthly basis to evaluate both absolute and relative exposures (compared to benchmarks) to risks arising from portfolios with longer average maturity period.

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5. Current accounts and deposits with banks

Cash and amounts due from banks include the following:

	2001	2000
Foreign currency in cash	25	0
Current accounts	857	327
Time deposits	12 670	822
Deposits in the World Bank	789	764
Total	<u>14 341</u>	<u>1 913</u>

Deposits with the World Bank earn no interest.

Time deposits with banks are due within 1 month (see Note 4.4).

6. Gold

Gold includes the following:

	2001		2000	
	Thousand of Troy ounces	Fair value Sk mil.	Thousand of Troy ounces	Book value Sk mil.
Gold bullion in standard form	1 116	14 959	1 116	2 171
Gold in other forms	12	159	12	24
Total	<u>1 128</u>	<u>15 118</u>	<u>1 128</u>	<u>2 195</u>

The market value of the gold is 276.5 USD/Troy ounce as at 31 December 2001 and 272.95 USD/Troy ounce as at 31 December 2000, which would represent Sk 14 598 million in 2000.

The effect of the valuation of gold to fair value as at 1 January 2001, in accordance to IAS 39, is summarised as follows:

Book value of the gold at 31 December 2000	2 195
Adjustment to fair value at 1 January 2001 – Equity adjustment	12 403
Fair value of the gold at 1 January 2001	<u>14 598</u>

Gold in standard form includes 516 thousand Troy ounces deposited with correspondent banks, and 600 thousand Troy ounces used in a repurchase transaction.

Gold deposits earn a fixed interest in USD paid upon the termination of the respective deposit (see Note 4.2).

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7. Trading securities

Trading securities held by the Bank include foreign securities structured as follows:

<i>Issued by</i>	<i>Type of security</i>	2001	2000
Public sector	State treasury bills	53 464	46 162
	Medium-term bonds	33 226	37 942
	Long-term bonds	43 131	30 583
	Floating rate securities	0	73
	Coupon yield on bonds	2 021	1 608
		<u>131 842</u>	<u>116 368</u>
Foreign financial institutions	Treasury bills	6 121	2 305
	Short-term bonds	9 530	62 789
	Medium-term bonds	21 706	15 758
	Long-term bonds	12 464	1 648
	Coupon yield on bonds	695	304
		<u>50 516</u>	<u>82 804</u>
Total		<u>182 358</u>	<u>199 172</u>

Foreign trading securities of the public sector include state treasury bills and government bonds issued by EU countries, the US and Japan.

8. Financial Derivatives

The table below summarises the fair values of financial derivatives:

	2001		2001		2000		2000	
	Notional amount		Fair value		Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cross-currency swap	7 383	7 865	-	(178)	8 279	7 690	757	-
Interest rate swap	1 750	1 750	9	-	1 634	1 634	4	-
Put option purchased	8 413	8 042	687	-	8 226	7 763	334	-
Total			<u>696</u>	<u>(178)</u>			<u>1 095</u>	<u>0</u>

The effect of the revaluation of financial derivatives to fair value as at 1 January 2001, in accordance with IAS 39, is summarised as follows:

Book value of financial derivatives at 31 December 2000 - Assets	805
Adjustment to fair value at 1 January 2001 - Equity adjustment	290
Fair value of financial derivatives at 1 January 2001 - Assets	<u>1 095</u>

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Cross-currency swap

In 1997, the Bank received a long-term loan in the amount of JPY 20 000 million (see Note 13). In the same year, the NBS executed a cross-currency swap due in 2010 in order to change the structure of its foreign exchange position. The swap effectively converts the repayment of the JPY loan to a USD basis at variable interest rate in USD. At the beginning of the swap, the Bank exchanges JPY 20 000 million for USD 162 million. During the swap period, the NBS pays the variable interest in USD on a semi-annual basis, and receives a fixed interest in JPY on a semi-annual basis at the rate of 2.40% or 2.60% according to the tranche. The variable interest rate in USD has been chosen with regard to the Bank's portfolio of the average maturity up to 2 years. The first reversal exchange of notional amount of the swap is due in March 2002; next exchanges of notional amounts are due semi-annually.

Gold interest rate swap

The NBS executed a long-term gold interest rate swap due in 2005 in order to increase interest income from gold deposit. On a quarterly basis, the Bank pays a variable interest equal to a 3M LIBOR-GOFO in USD, and the counterpart pays a fixed interest on notional amount at the rate of 2.05% in USD. The notional amount is equal to the market price of 129 407 Troy ounces of gold at the date of payment of interest.

Put option purchased

In 1998 and 1999 the NBS purchased European put options for gold with basis prices for gold at 295.30 USD/Troy ounce and 259 USD/Troy ounce respectively, for which the Bank paid option premiums in the amount of USD 8 million. The option contracts mature in 2003 and 2004, respectively.

9. Loans to banks and other financial institutions

Loans to banks and other financial institutions include the following:

	2001	2000
Loans granted under repo transactions	26 047	2 107
Discounted bills of exchange	0	591
Two Step Loan and Apex Global Loan	6 340	10 888
Redistribution loans	21 232	23 980
Other loans and amounts due from banks	16 082	5 459
Classified receivables	11	11
Provisions for other loans and classified receivables	(2 178)	(916)
Total	<u>67 534</u>	<u>42 120</u>

Loans granted to foreign banks under repo transactions are secured with collateral in the form of state treasury bills in USD, long-term state bonds and other securities denominated in EUR.

Two Step Loan and Apex Global Loan are aimed to support the development of small and medium-sized business in Slovakia and are provided from the sources of Japan Bank for International Cooperation and European Investment Bank ("EIB").

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Credit risks arising from redistribution loans provided by the Bank are eliminated by the state guarantees obtained in 1999 for the total outstanding principal amount including interest and charges. If a debtor fails to settle its obligation in due date, the respective obligation will be transferred to the Slovak Ministry of Finance, which will realise the aforementioned guarantee.

In 2001, the Bank provided DPF with a loan in the amount of Sk 15 614 million (2000: Sk 4 841 million). Repayments of a DPF loan have not been jeopardized. Loan instalments are linked to legally enforceable membership allotments paid by the domestic banks to DPF.

As at 31 December 2001, provisions for other loans and classified receivables included fair value adjustment provisions for a DPF loan in the amount of Sk 2 167 million and provisions for classified receivables due from AG Banka, Nitra, in the amount of Sk 11 million.

In 2001, the Bank recorded fair value adjustment provisions for a DPF loan in the amount of Sk 1 262 million resulting from the granted prime rate of 1.5% compared to the interest rate corridor of a fortnight repo tender representing 7.75%.

The table below summarises movements in provisions:

	2001	2000
As at 1 January	916	0
Additions	1 262	916
As at 31 December	<u>2 178</u>	<u>916</u>

10. Deposits and amounts due to the IMF

	2001	2000
Membership quota in the IMF	5 186	5 264
Total receivable from the IMF	<u>5 186</u>	<u>5 264</u>
Loan tranche	5 186	5 264
Total liability from the IMF	<u>5 186</u>	<u>5 264</u>

The IMF membership quota has been denominated in Special Drawing Rights (XDR) and is translated into Slovak crowns by the exchange rate stated by the IMF on a regular basis.

Accounts payable to the IMF represent drawings of a reserve tranche up to the amount of the due membership quota denominated in XDR.

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11. Property and equipment

The balance and movements in property and equipment accounts:

31 December 2001	Land	Other non-depreciated assets	Buildings and structures	Technical equipment & devices	Software	Other	Properties under construction	Total
Balance at cost as at 1 January 2001	304	35	1 281	1 269	154	161	4 598	7 802
Additions		9	55	86	13	11	404	578
Disposals	2	18	16	58	1	2	2	99
Transfers		45	(44)		0		(174)	(173)
Balance at cost as at 31 December 2001	302	71	1 276	1 297	166	170	4 826	8 108
Accumulated depreciation as at 1 January 2001			178	938	108	115		1 339
Accumulated depreciation expensed			31	95	22	48		196
Accumulated depreciation of disposed property and equipment			4	26	0	35		65
Balance of accumulated depreciation as at 31 December 2001			205	1 007	130	128		1 470
Net book value as at 1 January 2001	304	35	1 103	331	46	46	4 598	6 463
Net book value as at 31 December 2001	302	71	1 071	290	36	42	4 826	6 638

Properties under construction include mainly a new headquarters building in Bratislava that has not yet been put into use.

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31 December 2000	Land	Other non-depreciated assets	Buildings and structures	Technical equipment & devices	Software	Other	Properties under construction	Total
Balance at cost as at 1 January 2000	302	88	1 205	1 260	153	161	2 912	6 081
Additions		(59)	59		1		1 870	1 871
Disposals	(4)		(33)	(51)		(1)	(61)	(150)
Transfers	6	6	50	60		1	(123)	
Balance at cost as at 31 December 2000	304	35	1 281	1 269	154	161	4 598	7 802
Accumulated depreciation as at 1 January 2000			147	854	86	98		1 185
Accumulated depreciation expensed			32	136	23	18		209
Cost of transfer			32	4				36
Accumulated depreciation of disposed property and equipment			(33)	(56)	(1)	(1)		(91)
Balance of accumulated depreciation as at 31 December 2000			178	938	108	115		1 339
Net book value as at 1 January 2000	302	88	1 058	406	67	63	2 912	4 896
Net book value as at 31 December 2000	304	35	1 103	331	46	46	4 598	6 463

12. Other assets

Other assets include the following

	2001	2000
Equity investments	145	145
Other receivables from debtors	776	1 289
Other assets	91	89
Total	1 012	1 523

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The NBS has equity investments in the following institutions (at book values):

	Share in capital (%)	2001	2000
Bankové Zúčtovacie Centrum Slovenska, a. s., Bratislava ("BZCS")	39.47	120	120
Bank for International Settlements in Basel, Switzerland	0.59	25	25
Total		145	145

Despite the significant influence in the BZCS, the Bank does not prepare consolidated financial statements due to insignificance of the financial investment in BZCS. The value of the investment using equity method of accounting is Sk 175 million as at 31 December 2001 (2000: Sk 170 million).

13. Liabilities to banks and other financial institutions

	2001	2000
Deposits		
Demand deposits	15 278	6 008
Monetary reserves of banks	22 769	37 366
World Bank	1 598	1 466
PHARE funds	1	1
	<u>39 646</u>	<u>44 841</u>
Loans		
Loans under repo transactions with securities	59 339	27 626
Loans under repo transactions with gold	8 413	8 226
Japan Bank for International Cooperation	11 554	13 525
European Investment Bank in Luxembourg	1 343	1 821
Credit balance in Nostro Account	1 436	0
	<u>82 085</u>	<u>51 198</u>
Total	<u>121 731</u>	<u>96 039</u>

The purpose of repo transactions with domestic banks in the amount of Sk 51 366 million (2000: Sk 27 626 million) is to manage the liquidity and the volume of currency in circulation, and are secured with the NBS treasury bills (see Note 15).

Balances in loans received under repo transactions with securities include the amount of Sk 7 973 million representing balances of foreign banks. To secure them, the NBS used medium- and long-term state bonds denominated in EUR.

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From 1994 to 1997, the Bank received a long-term loans under the Two Step Loan scheme in JPY from the Japan Bank for International Cooperation that amount to Sk 11 554 million as at 31 December 2001 (2000: Sk 13 525 million). Of the total balance of received loans, the Two Step Loan III received in 1997 in the amount of JPY 20 000 million, is Sk 7 383 million as at 31 December 2001. The loan is due in 2010, with the first payment due on 10 March 2002. Principal and interest on the loan is paid on a semi-annual basis. The interest rate is fixed at 2.4% or 2.6% in JPY, depending on the tranche. The Bank entered into a long-term cross currency swap, which effectively converts the loan repayment and interest to a USD basis (see Note 8).

14. Liabilities to the State Budget

Liabilities to the State Budget include the following:

	2001	2000
Account of the Slovak Republic	5 407	5 608
State funds	7 970	6 672
Total	<u>13 377</u>	<u>12 280</u>

15. Securities issued

	2001	2000
Issue of the NBS treasury bills	5 254	24 900
Total	<u>5 254</u>	<u>24 900</u>

As at 31 December 2001, the NBS issued treasury bills in the amount of Sk 145 254 million (2000: Sk 84 900 million), of which treasury bills in the amount of Sk 88 100 million (2000: Sk 32 000 million) are in the Bank's own portfolio. The purpose of the aforementioned issue was to create sufficient reserves of securities to perform sterilising repo transactions. Sterilising repo transactions relate to performing the monetary policy in the area of open market transactions.

As at 31 December 2001, the NBS Treasury bills in the amount of Sk 57 154 million (2000: Sk 52 900 million) were used in sterilising activities, thereof Sk 51 900 million (2000: Sk 28 000 million) in the form of sterilising repo transactions and Sk 5 254 million (2000: Sk 24 900 million) in the form of direct issue into the domestic bank portfolios.

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16. Currency in circulation

Currency in circulation represents valid indigenous banknotes and coins issued by the NBS.

	2001	2000
Coins in circulation	1 926	1 757
Banknotes in circulation	89 263	74 187
Total	<u>91 189</u>	<u>75 944</u>

17. Other liabilities

Other liabilities include the following:

	2001	2000
Client demand deposits	109	82
Non-budgetary funds of Slovak authorities and other funds of SR	16 660	14 681
Settlements of special transactions with funds of SR	1 391	1 024
Client term deposits	361	205
Payables to suppliers	65	79
Liabilities to state budget and social security institutions	36	3 406
Social security funds	152	204
Accruals and estimated liabilities	539	658
Other	31	167
Total	<u>19 344</u>	<u>20 506</u>

18. Equity and reserve funds

As at 31 December 2001, the NBS's equity represented statutory funds in the amount of Sk 467 million taken over from the split of both the assets and liabilities of the former Czechoslovak State Bank ("ŠBČS") as at 1 January 1993.

As at 31 December 2001, reserve funds included the Legal Reserve Fund in the amount of Sk 9 925 million, and General Reserves in the amount of Sk 26 232 million.

General Reserves are mainly created due to the NBS's interest rate exposures arising from open foreign exchange positions (see Note 4.1), and due to valuation of the gold and financial derivatives to fair value in accordance with IAS 39 (see Notes 6 and 8).

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Footnotes to the financial statements prepared under International Accounting Standards
As of 31 December 2001 and 2000 and for the years then ended
(in millions of Sk)

19. Net interest income

Net interest income includes the following:

	2001	2000
Interest income:		
Interest received from domestic banks	2 530	3 375
Interest received from foreign banks and international institutions	195	272
Interest income from securities	8 531	8 922
Interest income from REPO transactions	666	777
Other interest income	56	105
	<u>11 978</u>	<u>13 451</u>
Interest expense:		
Interest paid to state treasury	(506)	(1 161)
Interest paid to domestic banks	(528)	(669)
Interest paid to foreign banks and international institutions	(441)	(735)
Interest expense from securities	0	(231)
Interest expense from REPO transactions	(2 951)	(2 173)
Other interest expense	(891)	(864)
	<u>(5 317)</u>	<u>(5 833)</u>
Net interest income	<u><u>6 661</u></u>	<u><u>7 618</u></u>

20. Gain/(loss) from trading securities

Gain/(loss) from trading securities includes the following:

	2001	2000
Income from trading securities	3 758	3 264
Losses from trading securities	<u>(3 460)</u>	<u>(4 989)</u>
Gain/(loss) from trading securities	<u><u>298</u></u>	<u><u>(1 725)</u></u>

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21. Foreign exchange (losses)/gains

Foreign exchange (losses)/gains include the following:

	2001	2000
Gains from foreign exchange transactions and revaluations	9 494	21 547
Losses from foreign exchange transactions and revaluations	<u>(12 741)</u>	<u>(13 105)</u>
Foreign exchange (losses)/gains	<u>(3 247)</u>	<u>8 442</u>

22. Operating (expenses)/income

Operating (expenses)/income include the following:

	2001	2000
Personnel		
Wages and bonuses	(522)	(474)
Social security expenses	(171)	(202)
Total	<u>(693)</u>	<u>(676)</u>
Fixed asset depreciation	(196)	(209)
Costs of printing banknotes and coins	(250)	(109)
Other operating (costs)/income	(621)	3 274
Total operating (expenses)/income	<u>(1 760)</u>	<u>2 280</u>

Other operating income in 2000 included the final settlement of net receivables and payables of ŠBČS and assigned to the Czech National Bank.

23. Transfer of profit to the State Budget

Activities of the NBS in the accounting period 2001 resulted in the net profit of Sk 888 million (2000: Sk 15 833 million). Pursuant to Article 38 in the NBS Act, the Bank transferred Sk 2 000 million to the State Budget (2000: Sk 7 346 million).

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Footnotes to the financial statements prepared under International Accounting Standards
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24. Reconciliation of net profit and equity recognised according to Slovak Accounting Standards ("SAS") and IAS

Net profit	2001	2000
Net profit in the SAS Financial Statements	2 326	7 389
Creation/(release) of reserves for open foreign exchange positions	(435)	8 459
Trading securities revaluations	(314)	939
Provisions for losses	(1 262)	(905)
Reclassifications of recorded social security funds and retirement funds to expenses	0	(43)
Other	5	(6)
Effects of adoption of IAS 39 – Financial derivatives	568	0
Net profit in the IAS Financial Statements	888	15 833
Equity	2001	2000
Reserve funds in the SAS Financial Statements	10 952	10 673
Reclassifications of social security funds, remuneration funds, and retirement funds to liabilities	(152)	(204)
Increase in general reserves	12 042	14 053
Effect of adoption of IAS 39 – Revaluation of gold to fair value at 1 January 2001	12 403	0
Effect of adoption of IAS 39 – Revaluation of gold to fair value at 31 December 2001	521	0
Effects of adoption of IAS 39 – Financial derivatives	858	0
Equity in the IAS Financial Statements	36 624	24 522