



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

SECTION C



INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS AS AT 31 DECEMBER 2016

C



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Independent Auditor's Report

To the Bank Board of Národná banka Slovenska:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Národná banka Slovenska ("the Bank" or "NBS"), which comprise the balance sheet as at 31 December 2016, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance for the year then ended in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No ECB/2016/34 ("the ECB Guideline") and the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank Board of the NBS for the Financial Statements

The Bank Board of the NBS is responsible for the preparation of the financial statements that give a true and fair view in accordance with the ECB Guideline and the Act on Accounting, and for such internal control as the Bank Board of the NBS determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank Board of the NBS is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank Board of the NBS either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname auditorov vedenom Slovenskou komorou auditorov pod č. 257.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank Board of the NBS.
- Conclude on the appropriateness of the Bank Board of the NBS's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

The Bank Board of the NBS is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on accounting and the Act on the NBS No 566/1992 Coll., as amended by later legislation ("the Act on the NBS"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with the audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

The annual report was not available to us as at the date of issue of the auditor's report on the audit of the financial statements.

When we obtain the annual report, we will consider whether the Bank's annual report contains information, disclosure of which is required by the Act on Accounting and the Act on the NBS and based on procedures performed during the audit of the financial statements, we will express our opinion considering whether:

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- Information disclosed in the annual report, prepared for 2016, is consistent with the financial statements for the relevant year.
- The annual report contains information based on the Act on Accounting and the Act on the NBS.

Additionally, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Bank and its situation, obtained in the audit of the financial statements.

14 March 2017
Bratislava, Slovak Republic

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

Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

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Národná banka Slovenska
Financial statements as at 31 December 2016 – Balance Sheet
(in thousands of EUR)

BALANCE SHEET
of Národná banka Slovenska

| ASSETS | Note | 31 Dec 2016 | 31 Dec 2015 |
|--|------|-------------------|-------------------|
| | | EUR '000 | EUR '000 |
| A1 Gold and gold receivables | 1 | 1,118,757 | 991,581 |
| A2 Claims on non-euro area residents denominated in foreign currency | 2 | 1,885,015 | 1,652,655 |
| A3 Claims on euro area residents denominated in foreign currency | 3 | 272,732 | 186,375 |
| A4 Claims on non-euro area residents denominated in euro | 4 | 2,187,170 | 3,323,804 |
| A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro | 5 | 761,370 | 661,380 |
| A6 Other claims on euro area credit institutions denominated in euro | 6 | 23,135 | 27,846 |
| A7 Securities of euro area residents denominated in euro | 7 | 15,080,227 | 8,816,273 |
| A8 General government debt denominated in euro | | | |
| A9 Intra-Eurosystem claims | 8 | 1,225,880 | 2,110,644 |
| A10 Items in course of settlement | | | |
| A11 Other assets | 9 | 5,315,374 | 5,330,188 |
| A12 Loss for the year | | | |
| TOTAL ASSETS | | 27,869,660 | 23,100,746 |
| LIABILITIES | | | |
| L1 Banknotes in circulation | 10 | 11,369,151 | 10,937,216 |
| L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro | 11 | 1,876,725 | 1,495,594 |
| L3 Other liabilities to euro area credit institutions denominated in euro | 12 | 2,787,545 | 4,767,615 |
| L4 Debt certificates issued | | | |
| L5 Liabilities to other euro area residents denominated in euro | 13 | 997,730 | 271,270 |
| L6 Liabilities to non-euro area residents denominated in euro | 14 | 1,571,094 | 1,838,163 |
| L7 Liabilities to euro area residents denominated in foreign currency | 15 | 912,905 | 1,011,276 |
| L8 Liabilities to non-euro area residents denominated in foreign currency | 16 | 860,198 | 468,225 |
| L9 Counterpart of special drawing rights allocated by the IMF | 17 | 433,972 | 433,359 |
| L10 Intra-Eurosystem liabilities | 18 | 5,041,652 | |
| L11 Items in course of settlement | | | |
| L12 Other liabilities | 19 | 338,054 | 416,882 |
| L13 Provisions | 20 | 638,313 | 665,100 |
| L14 Revaluation accounts | 21 | 537,499 | 433,645 |
| L15 Capital and reserves | 22 | 357,797 | 357,797 |
| L16 Profit for the year | 35 | 147,025 | 4,604 |
| TOTAL LIABILITIES | | 27,869,660 | 23,100,746 |

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This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.



Národná banka Slovenska
Financial statements as at 31 December 2016 – Profit and Loss Account
(in thousands of EUR)

PROFIT AND LOSS ACCOUNT of Národná banka Slovenska

| | Note | 31 Dec 2016 EUR '000 | 31 Dec 2015 EUR '000 |
|--|------|-------------------------|-------------------------|
| 1.1 Interest income | | 141,819 | 191,095 |
| 1.2 Interest expense | | (46,715) | (94,465) |
| 1 Net interest income | 24 | 95,104 | 96,630 |
| 2.1 Realized gains arising from financial operations | | 43,201 | 77,797 |
| 2.2 Write-downs on financial assets and positions | | (14,097) | (28,849) |
| 2.3 Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks | | 30,000 | (140,000) |
| 2 Net result of financial operations, write-downs and risk provisions | 25 | 59,104 | (91,052) |
| 3.1 Fees and commissions income | | 1,034 | 795 |
| 3.2 Fees and commissions expense | | (1,180) | (1,058) |
| 3 Net income/(expense) from fees and commissions | 26 | (146) | (263) |
| 4 Income from equity shares and participating interests | 27 | 14,337 | 11,356 |
| 5 Net result of pooling of monetary income | 28 | 67,094 | 51,463 |
| 6 Other income | 29 | 11,779 | 9,530 |
| Total net income | | 247,272 | 77,664 |
| 7 Staff costs | 30 | (43,762) | (38,031) |
| 8 Administrative expenses | 31 | (19,026) | (17,904) |
| 9 Depreciation of tangible and intangible fixed assets | 32 | (8,348) | (7,350) |
| 10 Banknote production services | 33 | (6,107) | (2,254) |
| 11 Other expenses | 29 | (4,947) | (5,319) |
| 12 Income tax and other charges on income | 34 | (18,057) | (2,202) |
| Profit for the year | 35 | 147,025 | 4,604 |

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Národná banka Slovenska
Financial statements as at 31 December 2016 – Notes
(in thousands of EUR)

NOTES
to the financial statements
as at 31 December 2016

Bratislava, 14 March 2017

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This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.



Národná banka Slovenska
Financial statements as at 31 December 2016 – Notes
(in thousands of EUR)

A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska (“the National Bank of Slovakia”, “NBS” or “the Bank”) was established in accordance with Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (“the NBS Act”). The NBS commenced its activities on 1 January 1993.

Upon euro adoption in Slovakia on 1 January 2009, the NBS became a full member of the Eurosystem. The NBS abides by the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (“the Statute”).

In accordance with Article 39 (5) of the NBS Act, the NBS submits the annual report on the results of its operations to the National Council of the Slovak Republic within three months after the end of the calendar year. In addition to the NBS financial statements and the auditor’s opinion thereon, the report provides information on the Bank’s operating costs. If so requested by the National Council of the Slovak Republic, the NBS is obliged, within six weeks, to supplement the report as requested and/or provide explanations to the submitted report.

The supreme governing body of the NBS is the Bank Board of the NBS (“the Bank Board”). As at 31 December 2016, the Bank Board had the following structure:

| Name | Term of Office in the Bank Board | | Current position | Date of Appointment |
|------------------------------------|----------------------------------|---------------|------------------|---------------------|
| doc. Ing. Jozef Makúch, PhD. | 1 Jan 2006 | 12 Jan 2021 | Governor | 12 Jan 2015 |
| Mgr. Ján Tóth, M.A. | 5 Nov 2012 | 5 Nov 2017 | Deputy Governor | 5 Nov 2012 |
| RNDr. Karol Mrva | 1 June 2012 | 1 June 2017 | Member | 1 June 2012 |
| Ing. Vladimír Dvořáček | 2 April 2014 | 2 April 2019 | Member | 2 April 2014 |
| prof. Mgr. Ľuboš Pástor, M.A. PhD. | 15 March 2015 | 15 March 2021 | Member | 15 March 2015 |

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Legal framework and accounting principles

The Bank applies its accounting principles in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2016/34 (“the ECB Guideline”). In recognizing transactions not regulated by the ECB Guideline, the Bank observes International Financial Reporting Standards (“IFRS”). In other cases, the Bank acts in accordance with Act No. 431/2002 Coll. on Accounting, as amended (“the Act on Accounting”). In accordance with this legal framework, the Bank applies the following basic accounting principles:

- Economic reality and transparency
- Prudence
- Recognition of post-balance-sheet events
- Materiality
- Accruals principle
- Going-concern basis
- Consistency and comparability

Assets and liabilities are held on the balance sheet only if it is probable that any future economic benefits associated with them will flow to or from the Bank, all risks and benefits have been transferred to the Bank and the assets or liabilities can be measured reliably.



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Foreign exchange transactions, financial instruments, excluding securities and the corresponding accruals, are subject to the economic principle, i.e., transactions are recorded on off-balance sheet accounts on the trade date. On the settlement date, off-balance sheet booking entries are reversed and the transactions are recorded on the balance sheet. Other economic transactions, including transactions with debt securities, are recorded in accordance with the cash settlement principle, i.e., no accounting entries are made on the trade date and the transaction is recorded on the balance sheet on the settlement date.

Interest accruals attributable to financial instruments are calculated and recorded on a daily basis. Accruals of premium and discount are recorded using the internal rate of return method (IRR). In other cases, the linear method is applied.

When preparing the financial statements, the Bank acts in accordance with the agreed recommended harmonized disclosures for Eurosystem national central banks' annual accounts.

b) Valuation of assets and liabilities

Financial assets and liabilities, excluding held-to-maturity securities, securities held for monetary policy purposes and participating interests, are measured on a monthly basis at mid-market rates and prices. Foreign currency revaluation, including balance sheet and off-balance sheet transactions, is performed for each currency separately; securities are measured for each ISIN separately and interest rate swaps and futures agreements are measured individually. In the case of gold, there is no distinction between price and currency revaluation differences.

Securities held for monetary policy purposes are measured at amortized cost and are subject to an impairment test. In the event of impairment, provisions are created as at the end-of-year date and reassessed on an annual basis. The provision for impairment of securities acquired under the securities market programme ("SMP"), the third covered bond purchase programme ("CBPP3") and securities issued by international organizations and multilateral development banks acquired under the public sector purchase programme on the secondary market ("PSPP") is created in proportion to the prevailing ECB capital key shares valid at the time of the initial impairment. In the event of an impairment of securities acquired under the covered bond purchase programme ("CBPP1") and securities issued by the government of the Slovak Republic acquired under the PSPP programme, the Bank creates a provision in full amount (see Note 7).

Participating interests, except the BIS Investment Pool Sovereign China fund denominated in CNY (Chinese Yuan Renminbi) ("BISIP CNY"), are measured at historical cost and are subject to an impairment test. Impairment in participating interests is recognized as impairment charges through profit/loss. The BISIP CNY fund is measured at market value on a monthly basis, based on the supporting documentation from the Bank for International Settlements ("BIS") in Basel, Switzerland.

The exchange rates of key foreign currencies against EUR 1, used to value the assets and liabilities as at 31 December 2016, were as follows:

| Currency | 31 Dec 2016 | 31 Dec 2015 | Change |
|------------|-------------|-------------|-----------|
| GBP | 0.85618 | 0.73395 | 0.12223 |
| USD | 1.05410 | 1.08870 | (0.03460) |
| JPY | 123.40000 | 131.07000 | (7.67000) |
| XDR | 0.78456 | 0.78567 | (0.00111) |
| EUR/t oz.* | 1,098.046 | 973.225 | 124.82100 |

* 1 t oz. (troy ounce) = 31.1034807 g



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Financial statements as at 31 December 2016 – Notes
(in thousands of EUR)

(c) Accounting and recognition of revenues

Realized profits and losses are derived from the daily measurement of changes in assets and liabilities and represent the difference between the transaction value and the average value of the respective financial instrument or currency. They are recognized directly in the profit and loss account.

Unrealized profits and losses result from the monthly measurement of assets and liabilities and represent the difference between the average value and the month-end market value of the respective financial instrument or currency. Unrealized profits are shown in equity on revaluation accounts (see Note 21). Unrealized losses in excess of unrealized revaluation profits from the given financial instrument or currency are recognized in the profit and loss account. Unrealized losses on one financial instrument or currency are not netted off against unrealized profits made on another financial instrument or currency. In the event of an unrealized loss at year-end, the average acquisition cost is adjusted to the year-end exchange rate or fair value of the measured item. Unrealized revaluation losses on interest rate swaps and marketable securities are amortized to income in the following years.

Premiums and discounts of acquired securities are recognized in the profit and loss account as interest income.

According to the agreed recommended harmonized disclosure rules, the Bank presents the negative interest income or expense stemming from the application of negative interest rates on a net basis with other interest income or expense on the underlying transactions. The net interest income is included in interest income; net interest expense is included in interest expense.

(d) Gold and gold receivables

Gold swap transactions are recognized as repurchase transactions with gold (see Notes 12, 14, 15 and 16). The gold used in such transactions remains in the Bank's total assets under the item "Gold and gold receivables".

(e) Debt securities

At initial recognition the securities are valued at transaction costs. The fees which are not part of the transaction costs are directly recognized in the profit and loss account and are not considered as a part of the average cost of the securities.

Securities are recognized together with the accrued premium and discount. Coupons are recorded under "Other assets". The withholding income tax on bonds and treasury notes is recognized in the profit and loss account under "Income tax and other charges on income" (see Note 34).

(f) Derivatives

Spot, forward and swap transactions are included in the net currency positions for calculating the average acquisition cost of currencies and foreign exchange gains and losses. They are recognized on off-balance sheet accounts at the spot rate of the transaction on the trade date.

The difference between the spot and forward values of the transaction is considered as interest expense or interest income.



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The forward position of currency swaps is valued together with the related spot position, so the currency position is only affected by the accrued interest in foreign currency.

Interest rate swaps are recorded in the off-balance sheet accounts from the trade date until the settlement date. They are measured based on generally accepted valuation models using corresponding yield curves derived from quoted interest rates.

In the case of interest rate or currency swaps, if there is an increase or a decrease in the net swap position, a collateral adjustment in the form of deposits with daily extension is agreed upon contractually with selected counterparties. Payment of interest is on a monthly basis (see Notes 9 and 19).

The Bank recognizes futures contracts on off-balance sheet accounts from the trade date to the settlement at the nominal value of the underlying instrument. Initial margins may be provided either in cash or in the form of securities. The initial deposit in the form of securities is not accounted for. The daily settlement of revaluation differences on the margin account is recognized in the profit and loss account.

(g) Reverse transactions

Reverse transactions are the transactions that the Bank conducts under reverse repurchase agreements or collateralized loan transactions.

Transactions conducted under a repurchase agreement (repurchase transaction) are recognized as a collateralized inward deposit on the liabilities side of the balance sheet, while the item provided as collateral remains on the assets side of the balance sheet. Securities provided under a repurchase transaction remain part of the portfolio of the Bank.

Reverse repurchase agreements are recognized as a collateralized outward loan on the assets side of the balance sheet. Securities accepted under a reverse repurchase transaction are not accounted for.

If the collateral value deviates from the respective loan value, representing an increased counterparty credit risk, collateral is required in the form of a deposit. These deposits bear interest and are extended on a daily basis (see Notes 12 and 14).

The Bank does not account for security lending transactions conducted under an automated security lending program. Revenues from these transactions are recognized in the profit and loss account.

(h) Banknotes in circulation

Pursuant to Decision ECB/2010/29 as amended, euro banknotes are issued jointly by the national central banks within the Eurosystem and the ECB. The total amount of banknotes in circulation is allocated to individual central banks in the Eurosystem on the last working day of each month, according to the Banknote Allocation Key. The ECB's share in the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share in the total issue of euro banknotes within the Eurosystem is 1.0095%. The share of banknotes in circulation is recognized under liabilities - "Banknotes in circulation" (see Note 10).

The difference between the banknotes allocated according to the Banknote Allocation Key and the banknotes actually in circulation represents an interest-bearing receivable or liability within



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the Eurosystem. This is disclosed under the item "Net claims or liabilities related to the allocation of euro banknotes within the Eurosystem".

Interest income or interest expense from these receivables/liabilities is disclosed net in the Bank's profit and loss account in "Net interest income" (see Note 24).

(i) ECB profit redistribution

In accordance with Decision ECB/2014/57 as amended, the ECB's income, consisting of the remuneration of the ECB's 8% share in euro banknote issue and net income from securities purchased by the ECB under the SMP, CBPP3, asset-backed securities purchase programme (ABSPP) and PSPP is re-allocated among the Eurosystem's individual central banks in the same financial year as accrued in the form of an interim distribution of the ECB's profit (see Note 27).

Under Article 33 of the Statute, the ECB's remaining net profit is re-allocated among the central banks within the Eurosystem upon approval of the ECB's financial statements, i.e., in the following calendar year.

(j) Fixed assets

With effect from 1 January 2010 and pursuant to the ECB's Guideline, the NBS's fixed assets include tangible and intangible fixed assets with an input price higher than EUR 10,000 and with a useful life of more than one year. Immovables, works of art, immovable cultural monuments and collections, with the exception of those listed under separate regulations (Act No. 206/2009 Coll. on Museums and Galleries and on the Protection of Cultural Valuables, as amended), are recognized on the balance sheet irrespective of their input price. The assets listed under separate regulations are recognized on the off-balance sheet and in records maintained for collection items at acquisition cost. Tangible and intangible fixed assets up to EUR 10,000 that were acquired and put in use prior to 1 January 2010 are depreciated as put in use until they are fully depreciated.

Fixed assets held for sale are recognized at cost net of accumulated depreciation and provisions, or at fair value net of cost of sale, whichever amount is lower.

| Depreciation group | Depreciation period |
|---|----------------------|
| | in years |
| 1. Buildings, long-term investments, technical enhancements of immovable cultural monuments | 30 |
| 2. Separable components built into structures identified for depreciation | 4 - 20 |
| 3. Utility network | 20 |
| 4. Machines and equipment | 2 - 12 |
| 5. Transport means | 4 - 6 |
| 6. Furniture and fixtures | 4 - 12 |
| 7. Intangible fixed assets - purchased software | 2 - 10 |
| 8. Other intangible fixed assets | 4 or as per contract |



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(in thousands of EUR)

(k) Taxes

In accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes, as amended, the NBS is not liable to corporate income tax. Only income taxed by withholding tax is subject to taxation (see Note 34).

The NBS has been a registered VAT payer since 1 July 2004, pursuant to Act No. 222/2004 Coll., as amended.

(l) Provisions

The Bank creates a general provision for foreign exchange rate, interest rate and credit risks as well as risks from changes in gold prices (see Notes 20 and 25), which is presented in the Bank's equity. The amount and reasonableness of the general provision is reassessed on an annual basis with the impact on the profit and loss account. The provision is subject to the approval of the Bank Board.

The Bank creates a provision in relation to the impairment of securities acquired as part of the single monetary policy of the Eurosystem (see Section B, Note b).

The Bank also creates provisions in line with the Act on Accounting (see Note 20).

(m) NBS profit redistribution

In accordance with Article 39 (4) of the NBS Act, the profit generated by the Bank is allocated to the reserve fund and other funds created from profit, or it is used to cover accumulated losses from prior years. Any loss incurred in the reporting period may be settled by the NBS from the reserve fund or from other funds. Alternatively, the Bank Board may decide to carry the accumulated loss forward to the following reporting period.

C. NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ITEMS

1. Gold and gold receivables

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---------------------------|------------------|----------------|----------------|
| Gold in repo transactions | 1,113,951 | 987,223 | 126,728 |
| Gold stored in banks | 3,078 | 2,827 | 251 |
| Gold on stock | 1,728 | 1,531 | 197 |
| | <u>1,118,757</u> | <u>991,581</u> | <u>127,176</u> |

As at 31 December 2016, gold totaled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2015), of which 1,014 thousand t oz. was used in repurchase transactions, 3 thousand t oz. deposited with correspondent banks and 2 thousand t oz. deposited with the Bank.

As at 31 December 2016, the market price of gold was EUR 1,098.046 per t oz. (EUR 973.225 per t oz. as at 31 December 2015). The change in the balance of "Gold and gold receivables" was affected by gold revaluation (see Note 21).



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(in thousands of EUR)

2. Claims on non-euro area residents denominated in foreign currency

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|-------------------------|-------------------------|-----------------------|
| Receivables from/Payables to the IMF | 424,096 | 569,755 | (145,659) |
| Balances with banks and security investments, external loans and other external assets | <u>1,460,919</u> | <u>1,082,900</u> | <u>378,019</u> |
| | <u>1,885,015</u> | <u>1,652,655</u> | <u>232,360</u> |

Receivables from/Payables to the International Monetary Fund

| | 31 Dec 2016 | | 31 Dec 2015 | | Change EUR '000 |
|---|------------------------|-----------------------|------------------------|-----------------------|-------------------------|
| | Equivalent mil. XDR | EUR '000 | Equivalent mil. XDR | EUR '000 | |
| Receivables from IMF: | 1 180 | 1 505 084 | 755 | 961 132 | 543 952 |
| 1) Member's quota: | 1 001 | 1 276 504 | 428 | 544 137 | 732 367 |
| a) Member's quota in local currency | 848 | 1 080 988 | 308 | 391 377 | 689 611 |
| b) Reserve position | 153 | 195 516 | 120 | 152 760 | 42 756 |
| - foreign exchange part of member's quota | 153 | 195 516 | 18 | 22 274 | 173 242 |
| - FTP reserve position | | | 102 | 130 486 | (130 486) |
| 2) Nostro account in IMF | 179 | 228 580 | 322 | 410 758 | (182 178) |
| 3) Bilateral loans | | | 5 | 6 237 | (6 237) |
| Payables to IMF: | 848 | 1 080 988 | 308 | 391 377 | 689 611 |
| 1) Loro accounts of IMF | 826 | 1 053 533 | 303 | 385 640 | 667 893 |
| 2) Currency valuation adjustment account | 22 | 27 455 | 5 | 5 737 | 21 718 |
| Total reported amount (net) | | <u>424 096</u> | | <u>569 755</u> | <u>(145 659)</u> |

In February 2016, the member's quota of the Slovak Republic in the IMF increased from XDR 428 million to XDR 1,001 million based on the 14th General Review of the IMF member quotas. 25% of the quota's increase was paid from the nostro account in the IMF in XDR and the remaining 75% was accounted for as an increase in the value of the note. At the same time the reserve position FTP was settled, which represented a receivable of NBS from loans granted under the IMF Financial transactions plan.

Liabilities in local currency change, depending on the IMF representative exchange rate, which is recorded in the currency valuation adjustment account. A significant part of the liabilities on the IMF loro accounts consists of a note of EUR 858,059 thousand (EUR 328,505 thousand as at 31 December 2015).

The Bank records a liability to the IMF from the allocation recorded under L9 "Counterpart of special drawing rights allocated by the IMF" (see Note 17).

Balances with banks and security investments, external loans and other external assets

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|-----------------|-------------------------|-------------------------|-----------------------|
| Debt securities | 1,050,992 | 1,023,896 | 27,096 |
| Other | <u>409,927</u> | <u>59,004</u> | <u>350,923</u> |
| | <u>1,460,919</u> | <u>1,082,900</u> | <u>378,019</u> |

The caption "Debt securities" mainly consists of bonds issued by financial institutions denominated in USD.

The caption "Other" mainly includes cash on nostro accounts in foreign currency.



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3. Claims on euro area residents denominated in foreign currency

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|------------------|----------------|----------------|---------------|
| Debt securities | 272,141 | 185,812 | 86,329 |
| Current accounts | 591 | 563 | 28 |
| | <u>272,732</u> | <u>186,375</u> | <u>86,357</u> |

Debt securities categorized under this caption are denominated in USD. As per security issuers, as at 31 December 2016 the Bank mainly recorded securities of monetary financial institutions.

4. Claims on non-euro area residents denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|------------------|------------------|------------------|--------------------|
| Debt securities | 2,187,045 | 3,323,804 | (1,136,759) |
| Current accounts | 125 | | 125 |
| | <u>2,187,170</u> | <u>3,323,804</u> | <u>(1,136,634)</u> |

As at 31 December 2016, the Bank recognized mainly non-euro area resident debt securities of EUR 2,187,045 thousand under this caption (EUR 3,323,804 thousand as at 31 December 2015). As per security issuers, the Bank mainly recorded securities of monetary financial institutions. Compared to the previous period, the decrease was mainly due to the maturity of securities.

5. Lending to euro area credit institutions related to monetary policy operations denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|----------------|----------------|---------------|
| Main refinancing operations | 25 000 | 20 000 | 5 000 |
| Longer-term refinancing operations | 15 000 | | 15 000 |
| Targeted longer-term refinancing operations (TLTRO) | 46 160 | 641 380 | (595 220) |
| Targeted longer-term refinancing operations (TLTRO II) | 675 210 | | 675 210 |
| | <u>761 370</u> | <u>661 380</u> | <u>99 990</u> |

As at 31 December 2016, the Bank recognized main refinancing operations of EUR 25,000 thousand (EUR 20,000 thousand as at 31 December 2015) at 0.00% p.a. rate. Main refinancing operations are regular liquidity-providing reverse transactions at one week intervals with a current maturity of one week.

In accordance with the rules for monetary policy operations in the Eurosystem, the NBS recognized longer-term refinancing operations of EUR 736,370 thousand as at 31 December 2016 (EUR 641,380 thousand as at 31 December 2015). Longer-term refinancing operations are regular liquidity-providing reverse transactions for a longer period which are performed through standard tenders with a maturity of 3 months. Within these operations, the Bank also recognizes targeted longer-term refinancing operations (TLTRO) with a maturity of 2 and 3 years, bearing a fixed interest rate of 0,05% p.a. The second series of targeted longer-term refinancing operations (TLTRO II) was concluded in June 2016 with a maturity of 4 years bearing the negative interest rate for deposit facilities (see Note 24). The targeted longer-term refinancing operations are aimed at improving bank lending to non-financial private sector, excluding loans to households for house purchase.

The risks arising from monetary policy transactions are subject to sharing with the involved central banks in proportion to their capital key, pursuant to Article 32 (4) of the Statute.



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6. Other claims on euro area credit institutions denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|----------------------------------|---------------|---------------|----------------|
| Redistribution loan | 21,451 | 24,904 | (3,453) |
| Deposits to reverse transactions | 1,001 | 2,260 | (1,259) |
| Current accounts | 683 | 682 | 1 |
| | <u>23,135</u> | <u>27,846</u> | <u>(4,711)</u> |

Redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. During the whole of 2016, the interest rate for the redistribution loan remained at 0.50% p.a. (0.50% p.a. as at 31 December 2015).

As at 31 December 2016, the NBS recorded a state guarantee for the redistribution loan of EUR 22,256 thousand on the off-balance sheet (EUR 25,891 thousand as at 31 December 2015). The amount of the state guarantee represents the principal and interest up to the loan maturity.

7. Securities of euro area residents denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|-------------------|------------------|------------------|
| Securities held for monetary policy purposes | 13,738,968 | 6,383,101 | 7,355,867 |
| Other securities | 1,341,259 | 2,433,172 | (1,091,913) |
| | <u>15,080,227</u> | <u>8,816,273</u> | <u>6,263,954</u> |

Debt securities held for monetary policy purposes

As at 31 December 2016, under the caption "Debt securities held for monetary policy purposes", the Bank disclosed securities purchased under the CBPP1, CBPP3, SMP and PSPP programmes. They are mainly issued by public authorities and monetary financial institutions of the euro area. The purchase of securities under the programme CBPP1 was terminated in June 2010 and under the programme SMP in September 2012. The decrease of the securities purchased under the CBPP1 and SMP programmes by EUR 291,175 thousand was due to the maturity of securities. The CBPP3 programme was announced by the Governing Council of the ECB in October 2014 and it is still open. The PSPP programme was announced by the Governing Council of the ECB on 22 January 2015 with the expected duration until the end of December 2017. Under the PSPP programme, the Bank purchases securities issued by the government of the Slovak Republic, international organizations and multilateral development banks located in the euro area. According to Article 3 (5) of the Decision ECB/2015/10 on a secondary markets public sector asset purchase programme, as amended, the NBS may also purchase securities with a negative yield to maturity which is above the deposit facility rate. Income on securities with the source in the Slovak Republic is decreased by withholding tax (see Note 34).

Securities acquired under all monetary policy programmes are valued on an amortized cost basis subject to impairment. The amortized and market values of securities held for monetary policy purposes are shown in the table below (market valuation is not recorded in the Balance Sheet or the Profit and Loss Account and is provided for comparison purposes only):



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| | 31 Dec 2016 | | 31 Dec 2015 | | Change | |
|--------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| | Amortized cost | Market value | Amortized cost | Market value | Amortized cost | Market value |
| CBPP1 | 85,655 | 88,866 | 152,555 | 160,294 | (66,900) | (71,428) |
| CBPP3 | 2,133,041 | 2,154,304 | 1,454,929 | 1,448,812 | 678,112 | 705,492 |
| SMP | 410,725 | 458,258 | 635,000 | 703,337 | (224,275) | (245,079) |
| PSPP - gov. | 6,694,978 | 6,793,292 | 4,140,617 | 4,134,294 | 2,554,361 | 2,658,998 |
| PSPP - supr. | 4,414,569 | 4,359,097 | | | 4,414,569 | 4,359,097 |
| | 13,738,968 | 13,853,817 | 6,383,101 | 6,446,737 | 7,355,867 | 7,407,080 |

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities acquired under the monetary policy programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council of the ECB. As at 31 December 2016, the total amount of these securities held by euro-area national banks was EUR 1,490,549,116 thousand, out of which the NBS held an amount of EUR 13,738,968 thousand. In accordance with Article 32 (4) of the Statute, all risks, if material, are shared by the national central banks of the Eurosystem, according to their capital key.

On the basis of the results of the impairment test for securities acquired under the monetary policy performed as at 31 December 2016 and pursuant to a decision of the Governing Council of the ECB, it is expected that all future cash flows on these securities will be received. For this reason, the NBS did not create any provision for impairment losses (see Section B, Note b).

Other Securities

Under this caption, as at 31 December 2016, the Bank recognized marketable securities mainly issued by monetary financial institutions and public authorities of the euro area.

The decrease compared to the preceding period of EUR 1,091,913 thousand was mainly caused by the maturity of securities.

8. Intra-Eurosystem claims

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|------------------|------------------|------------------|
| Participating interest in ECB | 262,722 | 262,722 | 0 |
| Claims equivalent to the transfer of foreign reserves | 447,672 | 447,672 | 0 |
| Net claims related to the allocation of euro banknotes within the Eurosystem | 515,486 | 879,240 | (363,754) |
| Other claims within the Eurosystem | | 521,010 | (521,010) |
| | 1,225,880 | 2,110,644 | (884,764) |

Participating interest in the ECB

As at 31 December 2016, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 83,623 thousand (EUR 83,623 thousand as at 31 December 2015) and a claim of EUR 24,885 thousand from the changes of its participating interest in the ECB's net equity.

In accordance with Article 49 (2) of the Statute and the decision of the ECB Governing Council, the NBS contributed EUR 154,214 thousand to the ECB's provisions to cover credit, foreign exchange, interest rate and gold price risks and to the ECB revaluation accounts.



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As at 31 December 2016, the shares of 28 central banks of the European Union in the ECB's capital were as follows:

| | Capital Key for Subscription of ECB's Capital (%) | Subscribed Share in the ECB's Capital (EUR) | Paid-up Capital (EUR) | Eurosystem Key (%) - Share on the ECB's Paid-up Capital |
|---|--|---|--------------------------|--|
| Banque National de Belgique | 2.4778 | 268,222,025.17 | 268,222,025.17 | 3.5200 |
| Eesti Pank | 0.1928 | 20,870,613.63 | 20,870,613.63 | 0.2739 |
| Deutsche Bundesbank | 17.9973 | 1,948,208,997.34 | 1,948,208,997.34 | 25.5674 |
| Central Bank and Financial Services Authority of Ireland | 1.1607 | 125,645,857.06 | 125,645,857.06 | 1.6489 |
| Bank of Greece | 2.0332 | 220,094,043.74 | 220,094,043.74 | 2.8884 |
| Banco de España | 8.8409 | 957,028,050.02 | 957,028,050.02 | 12.5596 |
| Banque de France | 14.1792 | 1,534,899,402.41 | 1,534,899,402.41 | 20.1433 |
| Banca d'Italia | 12.3108 | 1,332,644,970.33 | 1,332,644,970.33 | 17.4890 |
| Central Bank of Cyprus | 0.1513 | 16,378,235.70 | 16,378,235.70 | 0.2150 |
| Latvijas Banka | 0.2821 | 30,537,344.94 | 30,537,344.94 | 0.4008 |
| Lietuvos bankas | 0.4132 | 44,728,929.21 | 44,728,929.21 | 0.5870 |
| Banque centrale du Luxembourg | 0.2030 | 21,974,764.35 | 21,974,764.35 | 0.2884 |
| Central Bank of Malta | 0.0648 | 7,014,604.58 | 7,014,604.58 | 0.0921 |
| De Nederlandsche Bank | 4.0035 | 433,379,158.03 | 433,379,158.03 | 5.6875 |
| Oesterreichische Nationalbank | 1.9631 | 212,505,713.78 | 212,505,713.78 | 2.7888 |
| Banco de Portugal | 1.7434 | 188,723,173.25 | 188,723,173.25 | 2.4767 |
| Banka Slovenije | 0.3455 | 37,400,399.43 | 37,400,399.43 | 0.4908 |
| Národná banka Slovenska | 0.7725 | 83,623,179.61 | 83,623,179.61 | 1.0974 |
| Suomen Pankki – Finlands Bank | 1.2564 | 136,005,388.82 | 136,005,388.82 | 1.7849 |
| <i>Subtotal euro area NCBs*</i> | <i>70.3915</i> | <i>7,619,884,851.40</i> | <i>7,619,884,851.40</i> | <i>100.0000</i> |
| Българска народна банка (Bulharská národná banka) | 0.8590 | 92,986,810.73 | 3,487,005.40 | |
| Česká národní banka | 1.6075 | 174,011,988.64 | 6,525,449.57 | |
| Danmarks Nationalbank | 1.4873 | 161,000,330.15 | 6,037,512.38 | |
| Magyar Nemzeti Bank | 1.3798 | 149,363,447.55 | 5,601,129.28 | |
| Narodowy Bank Polski | 5.1230 | 554,565,112.18 | 20,796,191.71 | |
| Banca Națională a României | 2.6024 | 281,709,983.98 | 10,564,124.40 | |
| Sveriges Riksbank | 2.2729 | 246,041,585.69 | 9,226,559.46 | |
| Bank of England | 13.6743 | 1,480,243,941.72 | 55,509,147.81 | |
| Hrvatska narodna banka | 0.6023 | 65,199,017.58 | 2,444,963.16 | |
| <i>Subtotal non-euro area NCBs*</i> | <i>29.6085</i> | <i>3,205,122,218.22</i> | <i>120,192,083.17</i> | |
| Total* | 100.00 | 10,825,007,069.61 | 7,740,076,934.57 | |

* Subtotals and totals may not correspond due to the effect of rounding



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Claims equivalent to the transfer of foreign reserves

The NBS records a claim from the transfer of foreign reserves of EUR 447,672 thousand (EUR 447,672 thousand as at 31 December 2015), in accordance with Article 30 (1) of the Statute. The receivable bears interest amounting to 85% of the main refinancing operations rate. As at 31 December 2016, interest income from the claim equivalent to the transfer of foreign reserves amounted to EUR 40 thousand (EUR 193 thousand as at 31 December 2015, see Note 24).

Net claims related to the allocation of euro banknotes within the Eurosystem

The caption represents the net claim related to euro banknotes allocation within the Eurosystem of EUR 515,486 thousand (EUR 879,240 thousand as at 31 December 2015, see Note 10), bearing the main refinancing operations rate. As at 31 December 2016, the Bank recognized interest income from the receivable related to the allocation of euro banknotes within the Eurosystem of EUR 77 thousand (EUR 480 thousand as at 31 December 2015, see Note 24).

9. Other assets

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---|------------------|------------------|-----------------|
| Tangible and intangible fixed assets | 128,817 | 133,277 | (4,460) |
| Other financial assets | 57,678 | 57,635 | 43 |
| Off-balance sheet instruments revaluation differences | 714 | 749 | (35) |
| Accruals and prepaid expenditure | 194,340 | 179,675 | 14,665 |
| Accumulated losses from previous years | 4,809,810 | 4,814,414 | (4,604) |
| Sundry | 124,015 | 144,438 | (20,423) |
| | <u>5,315,374</u> | <u>5,330,188</u> | <u>(14,814)</u> |

Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2016:

| | Tangible assets, advances and assets under construction | Intangible assets, advances and assets under construction | TOTAL |
|---|---|---|---------|
| Acquisition cost as at 1 January 2016 | 260,680 | 36,216 | 296,896 |
| Additions | 3,904 | 6,318 | 10,222 |
| Disposals | 7,028 | 4,740 | 11,768 |
| Acquisition cost as at 31 December 2016 | 257,556 | 37,794 | 295,350 |
| Accumulated depreciation as at 1 January 2016 | 139,810 | 27,777 | 167,587 |
| Additions | 6,707 | 1,641 | 8,348 |
| Disposals | 5,860 | 520 | 6,380 |
| Accumulated depreciation and provisions as at 31 December 2016 | 140,657 | 28,898 | 169,555 |
| Carrying amount of tangible and intangible assets as at 1 January 2016 | 120,870 | 8,439 | 129,309 |
| Carrying amount of tangible and intangible assets as at 31 December 2016 | 116,899 | 8,896 | 125,795 |

As at 31 December 2016, the NBS recognized fixed assets held for sale of EUR 3,022 thousand (EUR 3,968 thousand as at 31 December 2015).



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Other financial assets

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---------------------------------|---------------|---------------|-----------|
| Shares of BISIP CNY fund | 45,399 | 46,097 | (698) |
| Shares of BIS | 7,522 | 7,512 | 10 |
| Share certificates of RVS, a.s. | 4,632 | 3,901 | 731 |
| Institute of Banking Education | 33 | 33 | 0 |
| Shares of SWIFT | 92 | 92 | 0 |
| | <u>57,678</u> | <u>57,635</u> | <u>43</u> |

As at 31 December 2016, the NBS recognized shares within the BISIP CNY programme which represents an indirect form of investing in the on-shore Chinese government bonds market. The purchase represents a 1.74% share of the fund's total value (1.75% share of the fund's total value as at 31 December 2015, see Section B, Note b).

In accordance with the Commercial Code (Act No. 513/1991 Coll. as amended), the NBS is the controlling entity in the voting rights in RVS, a.s. Bratislava, with a 77.26% equity share (a 54.42% share as at 31 December 2015). The increase in the amount of EUR 731 thousand is due to the purchase of share certificates of RVS, a.s. Despite the significant influence of the NBS in RVS, a.s., in accordance with Article 22 of the Act on Accounting, the Bank does not prepare consolidated financial statements.

The Bank's share in the BIS capital represents 0.51%. The participating interest in BIS is recognized in the amount of the paid-up share (25%). The unpaid proportion of the share (75%) is payable on demand. Dividends are distributed in euro from the total share of the NBS in BIS held in XDR (see Note 27).

Since 2008, the Bank has recognized a deposit in the registered capital of the Institute of Banking Education, a non-profit organization (Inštitút bankového vzdelávania NBS, n. o. Bratislava). The Bank is the only shareholder of the company.

The Bank holds shares of SWIFT, representing a 0.0245% capital share (0.0245% capital share as at 31 December 2015).

Off-balance sheet instruments revaluation differences

As at 31 December 2016, this item represented foreign exchange gains from the valuation of currency swaps in the amount of EUR 714 thousand (EUR 749 thousand as at 31 December 2015).

Accruals and prepaid expenditure

This item mainly represents accrued bond coupons of EUR 164,507 thousand (EUR 137,994 thousand as at 31 December 2015) and the value of purchased bond coupons in the amount of EUR 23,360 thousand (EUR 37,007 thousand as at 31 December 2015).

Sundry

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---------------------------------------|----------------|----------------|-----------------|
| Deposits - collaterals to derivatives | 106,770 | 127,440 | (20,670) |
| Investment loans granted to employees | 6,415 | 7,294 | (879) |
| Fair value of interest rate swaps | 6,210 | 2,547 | 3,663 |
| Interest rate futures | 395 | 2,474 | (2,079) |
| Other | 4,225 | 4,683 | (458) |
| | <u>124,015</u> | <u>144,438</u> | <u>(20,423)</u> |

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The purpose of the deposits granted – collaterals to derivatives – is to secure counterparty credit risk in respect of a decrease in the value of the swap on the part of the NBS. The year-on-year decrease in the volume of deposits is due to a decrease in the volume of interest rate swaps.

10. Banknotes in circulation

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|-------------------|-------------------|----------------|
| Euro banknotes in circulation issued by NBS | 10,853,665 | 10,057,976 | 795,689 |
| Euro banknotes not issued by NBS | 515,486 | 879,240 | (363,754) |
| Total volume of euro banknotes in line with the NBS | | | |
| Banknote Allocation Key | <u>11,369,151</u> | <u>10,937,216</u> | <u>431,935</u> |

As at 31 December 2016, the Bank issued banknotes amounting to EUR 10,853,665 thousand, which is less by EUR 515,486 thousand (less by EUR 879,240 thousand as at 31 December 2015) compared to the volume allocated to the NBS by the Banknote Allocation Key (see Section B, Note h). This difference represents a claim of the NBS against the Eurosystem (see Note 8).

11. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|------------------|------------------|----------------|
| Current accounts covering the minimum reserve system | 1,736,725 | 1,455,594 | 281,131 |
| Deposit facility | 140,000 | 40,000 | 100,000 |
| | <u>1,876,725</u> | <u>1,495,594</u> | <u>381,131</u> |

Current accounts represent monetary reserves of credit institutions that are subject to the minimum reserve system ("MRS") in accordance with the Statute. The MRS enables the average fulfillment of monetary reserves of credit institutions over the maintenance period set, as published by the ECB. The MRS holdings are remunerated at the average rate of the Eurosystem's main refinancing operations, valid over the given maintenance period. In accordance with Decision ECB/2014/23 on the remuneration of deposits, balances and holdings of excess reserves, reserve holdings exceeding the MRS are remunerated at 0% p.a. or the deposit facility rate, whichever is lower. With effect from 16 March 2016, the ECB applies a negative interest rate for the deposit facility. As at 31 December 2016 the net income resulting from this liability represents EUR 2,819 thousand (EUR 479 thousand as at 31 December 2015, see Note 24).

The deposit facility represents overnight deposits at a pre-specified interest rate as announced by the ECB. The purpose of such deposits is to provide contracting parties with the option to deposit short-term surplus liquidity. As at 31 December 2016, a negative interest rate of -0.40% p.a. was set for this type of transactions (-0.30% p.a. as at 31 December 2015).



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12. Other liabilities to euro area credit institutions denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|------------------|------------------|--------------------|
| Tri-party repo transactions | 1,700,000 | 2,600,000 | (900,000) |
| Liabilities from repo transactions | 873,026 | 2,081,115 | (1,208,089) |
| Liabilities from repo transactions with gold | 214,194 | 85,845 | 128,349 |
| Deposits received to repo transactions | 155 | 520 | (365) |
| Interbank clearing in Slovakia (SIPS) | 170 | 135 | 35 |
| | <u>2,787,545</u> | <u>4,767,615</u> | <u>(1,980,070)</u> |

The decrease in liabilities from repo transactions compared to the preceding period is due to a decrease in the volume of repo transactions.

The interest rate applicable to repo transactions is from -0.20 to -0.355% p.a. (from -0.03 to -0.31% p.a. as at 31 December 2015).

13. Liabilities to other euro area residents denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--------------------|----------------|----------------|-----------------|
| General government | 744,362 | 318 | 744,044 |
| Other liabilities | <u>253,368</u> | <u>270,952</u> | <u>(17,584)</u> |
| | <u>997,730</u> | <u>271,270</u> | <u>726,460</u> |

General government

Under this caption, the NBS recognized current accounts of the State Treasury.

Other liabilities

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|----------------|----------------|-----------------|
| Client current accounts | 16,456 | 47,317 | (30,861) |
| Client term deposits | 32,177 | 29,877 | 2,300 |
| Current accounts of auxiliary financial institutions | 2,276 | 1,432 | 844 |
| Term deposits of auxiliary financial institutions | <u>202,459</u> | <u>192,326</u> | <u>10,133</u> |
| | <u>253,368</u> | <u>270,952</u> | <u>(17,584)</u> |

Under this caption, the Bank recognizes current accounts and deposits from clients and auxiliary financial institutions (the Deposit Protection Fund and the Investment Guarantee Fund).

14. Liabilities to non-euro area residents denominated in euro

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|------------------|------------------|------------------|
| Liabilities from term deposits | 570,000 | 700,000 | (130,000) |
| Liabilities from repo transactions | 250,506 | 600,103 | (349,597) |
| Liabilities from repo transactions with gold | 729,527 | 534,182 | 195,345 |
| Client current accounts | 21,061 | 3,413 | 17,648 |
| Deposits received to repo transactions | | 465 | (465) |
| | <u>1,571,094</u> | <u>1,838,163</u> | <u>(267,069)</u> |

Liabilities from received term deposits represent central banks' deposits with maturity of one month at an interest rate of -0.40% p.a. (-0.20% p.a. as at 31 December 2015).

The interest rate applicable to repo transactions in euro ranges from -0.27 to -0.33% p.a. (from -0.15 to -0.07% p.a. as at 31 December 2015).



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15. Liabilities to euro area residents denominated in foreign currency

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|----------------|------------------|-----------------|
| Liabilities from repo transactions | 865,471 | 850,085 | 15,386 |
| Liabilities from repo transactions with gold | | 115,263 | (115,263) |
| Liabilities from deposits received | 47,434 | 45,927 | 1,507 |
| Current accounts of the State Treasury in foreign currency | | 1 | (1) |
| | <u>912,905</u> | <u>1,011,276</u> | <u>(98,371)</u> |

The interest rate applicable to repo transactions in USD ranges from 1.25 to 5.25% p.a. (from 0.58 to 1.40% p.a. as at 31 December 2015). Long-term repo transactions with gold matured in September 2016.

16. Liabilities to non-euro area residents denominated in foreign currency

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|----------------|----------------|----------------|
| Liabilities from repo transactions | 347,669 | 217,706 | 129,963 |
| Liabilities from repo transactions with gold | 232,669 | 213,778 | 18,891 |
| Liabilities from deposits received | 279,860 | 36,741 | 243,119 |
| | <u>860,198</u> | <u>468,225</u> | <u>391,973</u> |

As at 31 December 2016, the Bank recognized liabilities from repo transactions with gold due in January 2017.

The interest rate applicable to repo transactions denominated in USD ranges from 1.37 to 1.40% p.a. (from 0.83 to 0.91% p.a. as at 31 December 2015). The interest rate applicable to deposits received denominated in USD is from 1.25 to 1.70% p.a. (0.50% p.a. as at 31 December 2015).

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2016, the Bank recorded a liability to the IMF from the allocation of EUR 433,972 thousand (EUR 433,359 thousand as at 31 December 2015). The liability from the allocation is denominated in XDR. As part of the general allocation and the special allocation, the IMF allocated XDR 265 million and XDR 75 million to the Slovak Republic, respectively.

18. Intra-Eurosystem liabilities

Intra-Eurosystem liabilities represent the NBS position towards other members of the European System of Central Banks ("ESCB") arising from cross-border transactions. This caption comprises the liability of the NBS to other central banks and the ECB, arising from operations within TARGET 2, which amounted to EUR 5,119,350 thousand as at 31 December 2016 (a receivable of EUR 460,634 thousand as at 31 December 2015, see Note 8). The position bears an interest rate for the main refinancing operations. The total amount of interest expense amounted to EUR 5 thousand as at 31 December 2016 (interest income of EUR 503 thousand as at 31 December 2015, see Note 24).

The caption also comprises a receivable from monetary income of EUR 67,094 thousand (EUR 51,463 thousand as at 31 December 2015, see Note 28) and a receivable from the NBS's share in the ECB's interim profit distribution for 2016 of EUR 10,604 thousand (EUR 8,913 thousand as at 31 December 2015, see Note 27).



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(in thousands of EUR)

19. Other liabilities

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---|----------------|----------------|-----------------|
| Off-balance sheet instruments revaluation differences | 6,858 | 356 | 6,502 |
| Accruals and income collected in advance | 15,105 | 33,378 | (18,273) |
| Sundry | 316,091 | 383,148 | (67,057) |
| | <u>338,054</u> | <u>416,882</u> | <u>(78,828)</u> |

Off-balance-sheet instruments revaluation differences

As at 31 December 2016, this item represented foreign exchange losses from the revaluation of currency swaps of EUR 6,858 thousand (EUR 356 thousand as at 31 December 2015).

Accruals and income collected in advance

As at 31 December 2016, the major part of accruals was represented by interest expense from euro interest rate swaps of EUR 12,442 thousand (EUR 32,690 thousand as at 31 December 2015).

Sundry

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---------------------------------------|----------------|----------------|-----------------|
| Euro coins in circulation | 163,864 | 152,378 | 11,486 |
| Deposits - collaterals to derivatives | 1,300 | 81,120 | (79,820) |
| SKK banknotes in circulation | 73,785 | 75,085 | (1,300) |
| Fair value of interest rate swaps | 29,676 | 44,845 | (15,169) |
| SKK coins in circulation | 23,188 | 23,191 | (3) |
| Other | 24,278 | 6,529 | 17,749 |
| | <u>316,091</u> | <u>383,148</u> | <u>(67,057)</u> |

The value of interest rate swaps as at 31 December 2016 represented the cumulative year-end revaluation loss which is gradually amortized to the profit and loss account under net realized gains from interest rate swaps in accordance with the ECB Guideline (see Note 25).

The purpose of deposits received – collateral to derivatives – is to secure the NBS credit risk in respect of a decrease in the value of the swap on the part of the counterparty. The annual decrease of deposits is connected with the decrease of interest rate swaps.

20. Provisions

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---------------------------------------|----------------|----------------|-----------------|
| General provision for financial risks | 630,000 | 660,000 | (30,000) |
| Provisions for payables to employees | 7,269 | 4,123 | 3,146 |
| Provisions for unbilled supplies | 1,039 | 969 | 70 |
| Provisions for legal disputes | 5 | 8 | (3) |
| | <u>638,313</u> | <u>665,100</u> | <u>(26,787)</u> |

The Bank created a general provision for financial risks in order to protect against foreign exchange, interest rate, credit risks and risks from changes in gold prices. The amount of the provision is reassessed on an annual basis, and corresponds to an estimate of potential loss in the next period from the total NBS investment reserves and gold holdings, taking into account historical scenarios of the financial market development. In accordance with the decision of the Bank Board, the provision will be used to cover future losses from financial activities.



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21. Revaluation accounts

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|----------------|----------------|----------------|
| Revaluation accounts of gold | 485,523 | 358,347 | 127,176 |
| Revaluation accounts of securities | 40,783 | 47,956 | (7,173) |
| Revaluation accounts of derivatives | 6,210 | 2,547 | 3,663 |
| Revaluation accounts of foreign currency | 1,602 | 22,260 | (20,658) |
| Revaluation accounts of shares in BISIP CNY fund | 3,381 | 2,535 | 846 |
| | <u>537,499</u> | <u>433,645</u> | <u>103,854</u> |

22. Capital and reserves

This item includes the statutory fund representing the paid-up capital assumed from the separation of the balance sheet of the former State Bank of Czechoslovakia, which has been in the amount of EUR 15,490 thousand since the establishment of the NBS, and the assumed registered capital of the Financial Market Authority (Úrad pre finančný trh, "ÚFT") of EUR 551 thousand. With effect from 1 January 2006, the ÚFT was dissolved and merged with the NBS in accordance with the applicable law.

Reserves consist of general reserves and capital reserves.

As at 31 December 2016, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2015). The general reserves consist of contributions from profits of EUR 337,412 thousand generated in previous years. As at 1 January 2006, following the merger of the ÚFT with the NBS, the ÚFT's general reserves of EUR 3,462 thousand was transferred to the NBS's general reserves.

As at 31 December 2016, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2015).

As at 1 January 2016, NBS accounted for a profit arising from a change of accounting methods. This occurred from applying different methodology for calculation of interest rate swaps valuation at fair value, as a result of a business information system upgrade.



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Summary of changes in equity and accumulated losses

| | Statutory fund | Capital reserves | General reserves | General provision for financial risks | Revaluation accounts gain/(loss) | Change of the accounting method | Accumulated (loss) from previous years | Profit/(loss) for the current year | Equity |
|---|----------------|------------------|------------------|---------------------------------------|----------------------------------|---------------------------------|--|------------------------------------|-------------|
| 1 Balance as at 31 December 2015 | 16,041 | 882 | 340,874 | 660,000 | 433,645 | | (4,814,414) | 4,604 | (3,368,368) |
| 2 Profit from the change of accounting method | | | | | | 805 | | | 805 |
| 3 Transfer of profit for 2015 to accumulated loss from previous years | | | | | | | 4,604 | (4,604) | |
| 4 Transfer to statutory fund | | | | | | | | | |
| 5 Transfer to general reserves | | | | | | | | | |
| 6 Change in the general provision for financial risks | | | | (30,000) | | | | | (30,000) |
| 7 Change in revaluation accounts of securities | | | | | (7,173) | | | | (7,173) |
| 8 Change in revaluation accounts of derivatives | | | | | 3,663 | | | | 3,663 |
| 9 Change in revaluation accounts of gold | | | | | 127,176 | | | | 127,176 |
| 10 Change in revaluation accounts of foreign currencies | | | | | (20,658) | | | | (20,658) |
| 11 Change in revaluation accounts of shares in BISIP CNY fund | | | | | 846 | | | | 846 |
| 12 Profit for the current reporting period | | | | | | | | 147,025 | 147,025 |
| 13 Change for the reporting period | | | | (30,000) | 103,854 | 805 | 4,604 | 142,421 | 221,684 |
| 14 Balance as at 31 December 2016 | 16,041 | 882 | 340,874 | 630,000 | 637,499 | 805 | (4,809,810) | 147,026 | (3,136,684) |

23. Off-balance sheet instruments

| | 31 Dec 2016 | | 31 Dec 2015 | | Change | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Receivables | Liabilities | Receivables | Liabilities | Receivables | Liabilities |
| Currency swaps in EUR | 443,783 | 446,561 | 331,171 | 399,014 | 112,612 | 47,547 |
| Currency swaps in USD | 442,615 | 47,434 | 401,764 | 289,683 | 40,851 | (242,249) |
| Currency swaps in JPY | | | | 21,363 | 0 | (21,363) |
| Currency swaps in GBP | | | | 24,484 | 0 | (24,484) |
| Currency swaps in CHF | | 398,547 | | | 0 | 398,547 |
| | 886,398 | 892,542 | 732,935 | 734,544 | 153,463 | 157,998 |

| | 31 Dec 2016 | | 31 Dec 2015 | | Change | |
|------------------------------|-------------|---------------|-------------|---------------|-------------|-----------------|
| | Receivables | Liabilities | Receivables | Liabilities | Receivables | Liabilities |
| Interest rate futures in EUR | | 55,000 | | 61,200 | 0 | (6,200) |
| Interest rate futures in USD | | | | 27,556 | 0 | (27,556) |
| | | 55,000 | | 88,756 | 0 | (33,756) |



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24. Net interest income

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|---------------|---------------|-----------------|
| Investments in EUR: | 25,249 | 38,656 | (13,407) |
| net income from securities | 25,230 | 93,977 | (68,747) |
| net expense from derivatives | (19,095) | (61,591) | 42,496 |
| net income from repo transactions | 16,387 | 7,111 | 9,276 |
| net income/(expense) from current accounts and term deposits | 2,607 | (977) | 3,584 |
| other net interest income | 120 | 136 | (16) |
| Investments in foreign currency: | 1,749 | 1,134 | 615 |
| net income from securities | 19,891 | 11,234 | 8,657 |
| net expense from derivatives | (4,701) | (4,860) | 159 |
| net expense from current accounts and term deposits | (2,346) | (2,693) | 347 |
| net expense from repo transactions | (11,152) | (2,911) | (8,241) |
| compensation from MF SR | 57 | 364 | (307) |
| Monetary policy operations: | 67,994 | 55,664 | 12,330 |
| net income from securities | 66,151 | 54,746 | 11,405 |
| net income/(expense) from deposits and loans | (976) | 439 | (1,415) |
| net income from MRS | 2,819 | 479 | 2,340 |
| Remuneration of the claims equivalent to the transfer of foreign reserves | 40 | 193 | (153) |
| Remuneration of euro banknotes | 77 | 480 | (403) |
| Remuneration of TARGET2 | (5) | 503 | (508) |
| | 95,104 | 96,630 | (1,526) |

The decrease in net interest income from investments in euro is mainly linked to the decrease in the net interest income from securities and volume of securities in the portfolio (see Note 7). Interest income from TARGET2 remuneration decreased due to a lower net position of TARGET2 (see Note 18).

Due to the introduction of negative interest rates to the financial markets since 2014, and the method of reporting (see Section B, Note c), the NBS recorded the following gross interest income and gross interest expense as at 31 December 2016:

| | Balance Sheet item | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|--------------------|----------------|----------------|----------------|
| Investments in EUR: | | | | |
| Gross interest income, of which: | | 14,884 | 5,014 | 9,870 |
| Repo transactions | L3, L6 | 11,394 | 4,744 | 6,650 |
| Current accounts and term deposits | L5, L6 | 3,490 | 270 | 3,220 |
| Gross interest expense, of which: | | (13) | (12) | (1) |
| Current accounts | A6 | (13) | (12) | (1) |
| Investments in foreign currency: | | | | |
| Gross interest income, of which: | | | 14 | (14) |
| Repo transactions | L7, L8 | | 14 | (14) |
| Gross interest expense, of which: | | (1) | (1,943) | 1,942 |
| Repo transactions | L7, L8 | | (1,943) | 1,943 |
| Current accounts | A2, A3 | (1) | | (1) |
| Monetary policy operations: | | | | |
| Gross interest income, of which: | | 2,895 | 706 | 2,189 |
| MRS | L2 | 2,866 | 690 | 2,176 |
| Deposit facility | L2 | 29 | 16 | 13 |
| Gross interest expense, of which: | | (1,287) | | (1,287) |
| Longer-term refinancing operations | A5 | (1,287) | | (1,287) |

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Development of interest rates announced by the ECB:

| With effect from | Marginal lending facility | Main refinancing operations | Deposit facility |
|------------------|---------------------------|-----------------------------|------------------|
| 16 March 2016 | 0.25% p.a | 0.00% p.a | -0.40% p.a |
| 9 Dec 2015 | 0.30% p.a | 0.05% p.a | -0.30% p.a |

25. Net result of financial operations, write-downs and risk provisions

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|-----------------|------------------|-----------------|
| Realised gains arising from financial operations | 43,201 | 77,797 | (34,596) |
| Net gains from interest rate swaps | 20,239 | 60,138 | (39,899) |
| Net gains from sale of securities | 5,077 | 11,178 | (6,101) |
| Net foreign exchange gains | 17,885 | 6,481 | 11,404 |
| Write-downs on financial assets and positions | (14,097) | (28,849) | 14,752 |
| Losses from interest rate swaps revaluation | (8,983) | (12,886) | 3,903 |
| Losses from securities revaluation | (3,561) | (3,732) | 171 |
| Losses from foreign currency revaluation | (1,553) | (12,231) | 10,678 |
| Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks | 30,000 | (140,000) | 170,000 |
| General provision for financial risks | 30,000 | (140,000) | 170,000 |
| | <u>59,104</u> | <u>(91,052)</u> | <u>150,156</u> |

Based on the decision of the Bank Board, as at 31 December 2016 the general provision for financial risks was decreased by EUR 30,000 thousand (see Note 20).

26. Net income/(expense) from fees and commissions

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|--|--------------|--------------|------------|
| Fees and commissions from investment operations: | (48) | (98) | 50 |
| Net loss from operations with banks | (387) | (498) | 111 |
| Net profit from operations with clients | 216 | 210 | 6 |
| Net profit from operations with securities | 153 | 224 | (71) |
| Net loss from interest rate futures | (3) | (17) | 14 |
| Other | (27) | (17) | (10) |
| Fees and commissions from monetary policy operations: | (162) | (224) | 62 |
| Net loss from operations with banks | (400) | (238) | (162) |
| Net profit from operations with securities | 238 | 14 | 224 |
| Net profit from exchange of euro coins | 64 | 59 | 5 |
| | <u>(146)</u> | <u>(263)</u> | <u>117</u> |

27. Income from equity shares and participating interests

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---|---------------|---------------|--------------|
| Income on the ECB's net profit of the current year | 10,604 | 8,913 | 1,691 |
| Income on the ECB's net profit of the previous year | 2,959 | 1,635 | 1,324 |
| Dividends from BIS shares | 774 | 808 | (34) |
| | <u>14,337</u> | <u>11,356</u> | <u>2,981</u> |

28. Net result of pooling of monetary income

Monetary income in accordance with Article 32 (1) of the Statute and Decision ECB/2016/36 on the allocation of monetary income of the national central banks of Member States whose



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currency is the euro, as amended, represents the net annual income from the assets of the NBS, held against banknotes in circulation and deposit liabilities to credit institutions. Monetary income is the income resulting from the performance of the monetary policy of the ESCB.

Monetary income is distributed to the NBS in proportion to its paid-up shares in the capital of the ECB after the end of each financial year (1.0974%).

Monetary income pooled by the NBS for 2016 into the common pool of monetary income of the Eurosystem amounted to EUR 41,633 thousand. The monetary income equivalent to the 1.0974% share of the NBS amounted to EUR 108,731 thousand. The difference of EUR 67,098 thousand (EUR 51,583 thousand as at 31 December 2015) represents the net result of the pooling of monetary income. The revenues of the NBS decreased by EUR 4 thousand as a result of a revision to Eurosystem monetary income for 2015 (the revenues decreased by EUR 120 thousand as at 31 December 2015 as a result of a revision for 2014).

29. Other income and other expenses

As at 31 December 2016, the most significant part of the Bank's "Other income" was represented by income from fees and contributions from financial market entities of EUR 6,787 thousand (EUR 5,176 thousand as at 31 December 2015), earned fees from participation in settlement systems of EUR 2,828 thousand (EUR 2,692 thousand as at 31 December 2015), and income from sale of commemorative and circulation coins of EUR 1,655 thousand (EUR 1,225 thousand as at 31 December 2015).

As at 31 December 2016, the Bank's "Other expenses" mainly represented costs of the minting of general circulation and collector coins, including costs of related services, of EUR 4,002 thousand (EUR 5,638 thousand as at 31 December 2015).

30. Staff costs

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|-----------------------|-----------------|-----------------|----------------|
| Wages and salaries | (27,633) | (25,575) | (2,058) |
| Social security costs | (9,726) | (9,105) | (621) |
| Other employee costs | (6,403) | (3,351) | (3,052) |
| | <u>(43,762)</u> | <u>(38,031)</u> | <u>(5,731)</u> |

As at 31 December 2016, the average FTE number of employees was 1,063 (1,046 as at 31 December 2015), of whom 102 were managers (98 as at 31 December 2015).

Wages and employee benefits of the Bank Board's members for 2016 amounted to EUR 601 thousand (EUR 556 thousand in 2015). As at 31 December 2016 and 2015, the Bank recorded no outstanding loans to the members of the Bank Board.

The Bank has created a supplemental pension plan for its employees in cooperation with supplementary pension management companies. Contributions to the supplemental pension plans are recognized under "Other employee costs".

31. Administrative expenses

As at 31 December 2016, this item mainly included the costs of repairs and maintenance, technical support and IS maintenance, energy consumption and telecommunications costs totaling EUR 9,339 thousand (EUR 8,575 thousand as at 31 December 2015).



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Costs of audit and verification of the financial statements by the auditor amounted to EUR 68 thousand as at 31 December 2016 (EUR 68 thousand as at 31 December 2015). As at 31 December 2016, the Bank did not record any costs of assurance and audit services and tax consulting as per Article 18 (6) of the Act on Accounting.

32. Depreciation of tangible and intangible assets

| | 31 Dec 2016 | 31 Dec 2015 | Change |
|---|----------------|----------------|--------------|
| Depreciation of tangible fixed assets | (6,707) | (6,489) | (218) |
| Depreciation of intangible fixed assets | (1,641) | (861) | (780) |
| | <u>(8,348)</u> | <u>(7,350)</u> | <u>(998)</u> |

33. Banknote production services

As at 31 December 2016, the cost for printing euro banknotes was EUR 6,107 thousand (EUR 2,254 thousand as at 31 December 2015).

34. Income tax and other charges on income

According to Article 43 of Act No. 595/2003 Coll. on Income Taxes, as amended, the NBS is a taxpayer of income (proceeds) from bonds issued in the jurisdiction of the Slovak Republic. In 2016, the NBS paid a withholding tax of EUR 18,057 thousand (EUR 2,202 thousand at 31 December 2015). The increase by EUR 15,855 thousand compared to the preceding period was due to an increase of securities for monetary policy purposes (see Note 7).

35. Profit for the year

The financial result of the Bank as at 31 December 2016 was a profit of EUR 147,025 thousand (profit of EUR 4,604 thousand as at 31 December 2015). The most significant part of this item is represented by net interest income (see Note 24).



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D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 16 February 2017, the ECB Governing Council decided to distribute the ECB's net profit for 2016 to individual central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 2,490 thousand from the profit distribution is accounted for in the 2017 reporting period.

No significant events occurred subsequent to 31 December 2016 that would require any adjustments to the 2016 financial statements.

Bratislava, 14 March 2017

doc. Ing. Jozef Makúch, PhD.
Governor

Ing. Miroslav Uhrin
Executive Director
Division for
Financial Management,
Banking Transactions
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**APPENDIX TO THE INDEPENDENT AUDITOR'S REPORT
to the annual report in accordance with the Act on Statutory Audit No 423/2015 Coll. § 27 par. 6
and on amendments to the Act on accounting No 431/2002 Coll., as amended by later
legislation ("the Act on statutory audit")**

To the Bank Board of Národná banka Slovenska:

I. We have audited the financial statements of Národná banka Slovenska ("the Bank" or "NBS") as at 31 December 2016, presented in the attached annual report of the Bank on pages 66 - 95, to which we issued on 14 March 2017 the following independent auditor's report from the audit of the financial statements:

„Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Národná banka Slovenska ("the Bank" or "NBS"), which comprise the balance sheet as at 31 December 2016, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance for the year then ended in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No ECB/2016/34 ("the ECB Guideline") and the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank Board of the NBS for the Financial Statements

The Bank Board of the NBS is responsible for the preparation of the financial statements that give a true and fair view in accordance with the ECB Guideline and the Act on Accounting, and for such internal control as the Bank Board of the NBS determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank Board of the NBS is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank Board of the NBS either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

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our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank Board of the NBS.
- Conclude on the appropriateness of the Bank Board of the NBS's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

II. Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

The Bank Board of the NBS is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on accounting and the Act on the NBS No 566/1992 Coll., as amended by later legislation ("the Act on the NBS"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with the audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Bank's annual report contains information, disclosure of which is required by the Act on Accounting and the Act on the NBS.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2016 is consistent with the financial statements for the relevant year,

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- The annual report contains information based on the Act on Accounting and the Act on the NBS.

Additionally, based on our understanding of the Bank and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

25 April 2017
Bratislava, Slovak Republic

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

Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

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