



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

SECTION C

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS AS AT 31 DECEMBER 2017

C



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Národná banka Slovenska 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 (hereinafter the "Bank" or "NBS"), which comprise the balance sheet as at 31 December 2017, the income statement for the year then ended, and notes, which include a summary of significant accounting policies and accounting methods.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017, 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 (hereinafter the "ECB Guideline") and the Act on Accounting No. 431/2002 Coll. as amended (hereinafter the "Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Národná banka Slovenska for the year ended 31 December 2016 were audited by another auditor, which expressed an unqualified opinion thereon dated 14 March 2017.

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

The Bank Board of the NBS is responsible for the preparation and fair presentation 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 management 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 International Standards on Auditing 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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As part of an audit in accordance with International Standards on Auditing, 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The Bank Board of the NBS is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting and Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (hereinafter the "Act on NBS"). Our opinion on the financial statements stated above does not apply to other information disclosed in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

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

- Information disclosed in the annual report prepared for 2017 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting and Act on NBS.

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

Bratislava, 6 March 2018

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

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Národná banka Slovenska
Financial statements as at 31 December 2017 – Balance Sheet
(in thousands of EUR)

BALANCE SHEET of Národná banka Slovenska

ASSETS	Note	31 Dec 2017 EUR '000	31 Dec 2016 EUR '000
A1 Gold and gold receivables	1	1,102,289	1,118,757
A2 Claims on non-euro area residents denominated in foreign currency	2	3,805,316	1,885,015
A3 Claims on euro area residents denominated in foreign currency	3	440,484	272,732
A4 Claims on non-euro area residents denominated in euro	4	1,052,919	2,187,170
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	1,081,700	761,370
A6 Other claims on euro area credit institutions denominated in euro	6	19,114	23,135
A7 Securities of euro area residents denominated in euro	7	20,084,383	15,080,227
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	9,792,091	1,225,880
A10 Items in course of settlement		0	0
A11 Other assets	9	5,129,342	5,315,374
A12 Loss for the year		0	0
TOTAL ASSETS		42,507,638	27,869,660
LIABILITIES			
L1 Banknotes in circulation	10	11,818,378	11,369,151
L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	1,953,084	1,876,725
L3 Other liabilities to euro area credit institutions denominated in euro	12	766,202	2,787,545
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	1,603,211	997,730
L6 Liabilities to non-euro area residents denominated in euro	14	22,160,033	1,571,094
L7 Liabilities to euro area residents denominated in foreign currency	15	750,512	912,905
L8 Liabilities to non-euro area residents denominated in foreign currency	16	844,082	860,198
L9 Counterpart of special drawing rights allocated by the IMF	17	404,353	433,972
L10 Intra-Eurosystem liabilities	18	219,343	5,041,652
L11 Items in course of settlement		0	0
L12 Other liabilities	19	354,487	338,054
L13 Provisions	20	643,849	638,313
L14 Revaluation accounts	21	504,595	537,499
L15 Capital and reserves	22	357,797	357,797
L16 Profit for the year	35	127,712	147,025
TOTAL LIABILITIES		42,507,638	27,869,660

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This version of the accompanying financial statement 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 2017 – Profit and Loss Account
(in thousands of EUR)

PROFIT AND LOSS ACCOUNT of Národná banka Slovenska

	Note	31 Dec 2017 EUR '000	31 Dec 2016 EUR '000
1.1 Interest income		161,076	141,819
1.2 Interest expense		(50,162)	(46,715)
1 Net interest income	24	110,914	95,104
2.1 Realised gains/(losses) arising from financial operations		32,513	43,201
2.2 Write-downs on financial assets and positions		(12,611)	(14,097)
2.3 Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks		0	30,000
2 Net result of financial operations, write-downs and risk provisions	25	19,902	59,104
3.1 Fees and commissions income		2,190	1,034
3.2 Fees and commissions expense		(1,040)	(1,180)
3 Net income/(expense) from fees and commissions	26	1,150	(146)
4 Income from equity shares and participating interests	27	14,381	14,337
5 Net result of pooling of monetary income	28	78,139	67,094
6 Other income	29	13,094	11,779
Total net income		237,580	247,272
7 Staff costs	30	(45,573)	(43,762)
8 Administrative expenses	31	(19,300)	(19,026)
9 Depreciation of tangible and intangible fixed assets	32	(8,758)	(8,348)
10 Banknote production services	33	(93)	(6,107)
11 Other expenses	29	(7,684)	(4,947)
12 Income tax and other charges on income	34	(28,460)	(18,057)
Profit for the year	35	127,712	147,025

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Národná banka Slovenska
Financial statements as at 31 December 2017 – Notes
(in thousands of EUR)

NOTES

to the Financial Statements as at 31 December 2017

Bratislava, 6 March 2018

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Národná banka Slovenska
Financial statements as at 31 December 2017 – Notes
(in thousands of EUR)

A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska (the “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 of 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 2017, the Bank Board had the following structure:

Name	Term of Office in the Bank Board		Current Position	Date of Appointment
	from	until		
doc. Ing. Jozef Makúch, PhD.	1 January 2006	12 January 2021	Governor	12 January 2015
RNDr. Karol Mrva	1 June 2012	2 June 2023	Member	2 June 2017
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

The term of office of Deputy Governor, Mgr. Ján Tóth, M. A., ended as at 5 November 2017.

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Legal framework and accounting principles

The Bank applies 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”). When recognising transactions not regulated by the ECB Guideline, the Bank observes International Financial Reporting Standards. 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 fundamental 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 only held on the balance sheet 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 valued reliably.



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Foreign exchange transactions, financial instruments excluding securities, and the corresponding accruals, are subject to the economic principle. 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 and transactions with 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. Interest accruals are reported separately from the financial instrument in "Other assets" or "Other liabilities". Accruals of premium and discount are reported together with the financial instrument.

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

The Bank does not prepare consolidated financial statements in accordance with Article 22 of the Act on Accounting.

(b) Valuation of assets and liabilities

Financial assets and liabilities, excluding held-to-maturity securities, securities held for monetary policy purposes and non-marketable participating interests, are valued 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 valued for each ISIN separately and interest rate swaps and futures agreements are valued individually. For gold, no distinction is made between price and currency revaluation differences.

Securities held for monetary policy purposes are valued at amortised 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 organisations and multilateral development banks acquired under the public sector purchase programme on the secondary market ("PSPP") is created in percentage 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") or 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).

Current accounts and deposits granted/received and loans are valued at face value.

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



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(in thousands of EUR)

The exchange rates of key foreign currencies against EUR 1, used to value the assets and liabilities as at 31 December 2017, were as follows:

Currency	31 Dec 2017	31 Dec 2016	Change
GBP	0.88723	0.85618	0.03105
USD	1.19930	1.05410	0.14520
JPY	135.01000	123.40000	11.61000
XDR	0.84203	0.78456	0.05747
CNY	7.80440	7.32020	0.48420
EUR/ozs*	1,081.881	1,098.046	(16.16500)

* 1 ozs (troy ounce) = 31.1034807 g

(c) Accounting and recognition of revenues

Realised profits and losses are derived from the daily valuation 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 recognised directly in the profit and loss account.

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

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

According to the agreed recommended harmonised 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 recognised as repurchase transactions with gold (see Notes 12, 14 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, securities are valued at transaction costs. Fees which are not part of the transaction costs are directly recognised in the profit and loss account and are not considered as part of the average cost of the securities.

Securities are recognised together with the accrued premium and discount. Coupons are recorded under "Other assets". The withholding income tax on bonds and treasury notes is



Národná banka Slovenska
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(in thousands of EUR)

recognised 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 recognised 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.

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 valued based on generally accepted valuation models using corresponding yield curves derived from quoted interest rates.

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

The Bank recognises 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 as securities. The initial deposit in the form of securities is not accounted for. The daily settlement of revaluation differences on the margin account is recognised in the profit and loss account.

(g) Reverse transactions

Reverse transactions are the transactions that the Bank conducts under reverse repo agreements or collateralised loan transactions.

Repo agreements (repo transactions) are recognised as a collateralised inward deposit on the liabilities side of the balance sheet, and the item provided as collateral remains on the assets side of the balance sheet. Securities provided under a repo transaction remain part of the Bank's portfolio.

Reverse repo agreements (reverse transactions) are recognised as a collateralised outward loan on the assets side of the balance sheet. Securities accepted under a reverse repo 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 recognised in the profit and loss account.



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(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 of the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share of the total issue of euro banknotes within the Eurosystem is 1.0095%. The share of banknotes in circulation is recognised under liabilities "Banknotes in circulation" (see Note 10).

The difference between banknotes allocated according to the Banknote Allocation Key and banknotes in circulation represents an interest-bearing claim or liability within 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 claims/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 issues 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 and is recognised in the year in which originated as an interim distribution of the ECB's profit (see Note 27).

Under Article 33 of the Statute, the ECB's remaining net profit is reallocated 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 recognised on the balance sheet irrespective of their input price. The assets listed under separate regulations are recognised on the off-balance sheet and in records maintained for collection items at 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 recognised at cost net of accumulated depreciation and provisions, or at fair value net of cost of sale, whichever amount is lower.



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Depreciation Group	Depreciation Period in Years
1. Buildings, long-term investments, technical improvements to immovable cultural monuments	30
2. Separable components built into structures identified for separate depreciation	4 - 20
3. Utility networks	20
4. Machines and equipment	2 - 12
5. Transport means	4 - 6
6. Fixtures and fittings	4 - 12
7. Intangible fixed assets - purchased software	2 - 10
8. Other intangible fixed assets	4 or as per contract

(k) Taxes

In accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes, as amended, the NBS is not a corporate income tax payer. 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 and gold price risks (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 for losses from Eurosystem monetary policy transactions (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. Losses 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.



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Financial statements as at 31 December 2017 – Notes
(in thousands of EUR)

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

1. Gold and gold receivables

	31 Dec 2017	31 Dec 2016	Change
Gold in repo transactions	1,097,554	1,113,951	(16,397)
Gold stored in banks	3,033	3,078	(45)
Gold in stock	1,702	1,728	(26)
	<u>1,102,289</u>	<u>1,118,757</u>	<u>(16,468)</u>

As at 31 December 2017, gold totalled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2016), of which 1,014 thousand t oz. were used in repo transactions, 3 thousand t oz. deposited with correspondent banks and 2 thousand t oz. deposited with the Bank.

As at 31 December 2017, the market price of gold was EUR 1,081.881 per t oz. (EUR 1,098.046 per t oz. as at 31 December 2016). The changes in the account balances were associated with revaluation differences (see Note 21).

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

	31 Dec 2017	31 Dec 2016	Change
Receivables from/Payables to the IMF	537,434	424,096	113,338
Balances with banks and security investments, external loans and other external assets	<u>3,267,882</u>	<u>1,460,919</u>	<u>1,806,963</u>
	<u>3,805,316</u>	<u>1,885,015</u>	<u>1,920,301</u>

Receivables from/Payables to the International Monetary Fund

	31 Dec 2017		31 Dec 2016		Change
	Equivalent mil. XDR	EUR '000	Equivalent mil. XDR	EUR '000	EUR '000
Receivables from IMF	1,300	1,543,947	1,180	1,505,084	38,863
1) Member's quota	1,001	1,188,685	1,001	1,276,504	(87,819)
a) Member's contribution	848	1,006,513	848	1,080,988	(74,475)
b) reserve position	153	182,172	153	195,516	(13,344)
- foreign exchange part of Member's quota	153	182,172	153	195,516	(13,344)
2) Nostro account in IMF	299	355,262	179	228,580	126,682
Payables to IMF:	848	1,006,513	848	1,080,988	(74,475)
Total reported amount (net)		<u>537,434</u>		<u>424,096</u>	<u>113,338</u>

The nostro account in XDR increased mainly as a result of purchasing XDR 119.7 mil. under the Permanent Agreement on the Purchase and Sale of XDR.

Payables to the IMF represent the IMF loro accounts and the associated currency valuation adjustment account. Liabilities in local currency change depending on the IMF representative exchange rate. A significant part of payables on the IMF loro accounts consists of a note of EUR 867,740 thousand (EUR 858,059 thousand as at 31 December 2016).

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



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

	31 Dec 2017	31 Dec 2016	Change
Debt securities	1,299,913	1,050,992	248,921
Other	1,967,969	409,927	1,558,042
	<u>3,267,882</u>	<u>1,460,919</u>	<u>1,806,963</u>

The caption "Debt securities" mainly consists of securities denominated in USD, GBP and CNY. As at 31 December 2017, the Bank mainly records securities issued by monetary financial institutions.

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

3. Claims on euro area residents denominated in foreign currency

	31 Dec 2017	31 Dec 2016	Change
Debt securities	439,698	272,141	167,557
Current accounts	786	591	195
	<u>440,484</u>	<u>272,732</u>	<u>167,752</u>

Debt securities categorised under this caption are denominated in USD and GBP. As per security issuers, as at 31 December 2017 the Bank mainly recorded securities of monetary financial institutions.

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

	31 Dec 2017	31 Dec 2016	Change
Debt securities	1,052,339	2,187,045	(1,134,706)
Current accounts	580	125	455
	<u>1,052,919</u>	<u>2,187,170</u>	<u>(1,134,251)</u>

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 sale of securities.

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

	31 Dec 2017	31 Dec 2016	Change
Main refinancing operations	0	25,000	(25,000)
Longer-term refinancing operations (LTRO)	0	15,000	(15,000)
Targeted longer-term refinancing operations (TLTRO)	16,160	46,160	(30,000)
Targeted longer-term refinancing operations (TLTRO II)	1,065,540	675,210	390,330
	<u>1,081,700</u>	<u>761,370</u>	<u>320,330</u>

The main refinancing operations are regular liquidity-providing reverse transactions at one-week intervals with a current maturity of one week. As at 31 December 2017, the Bank recorded no main refinancing operations (EUR 25,000 thousand as at 31 December 2016).



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In accordance with the rules for monetary policy operations in the Eurosystem, the NBS recognised longer-term refinancing operations of EUR 1,081,700 thousand as at 31 December 2017 (EUR 736,370 thousand as at 31 December 2016).

Within longer-term operations, the Bank also recognises targeted longer-term refinancing operations (TLTRO) with a maturity of 1 to 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 a negative interest rate for deposit facilities (see Note 24). Targeted longer-term refinancing operations are aimed at improving bank lending to the non-financial private sector, excluding loans to households for house purchases.

As at 31 December 2017, the Bank recorded no longer-term refinancing operations (LTRO) which are performed through standard tenders with a maturity of 3 months (EUR 15,000 thousand as at 31 December 2016).

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

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

	31 Dec 2017	31 Dec 2016	Change
Redistribution loan	18,435	21,451	(3,016)
Deposits to repo transactions	0	1,001	(1,001)
Current accounts	679	683	(4)
	<u>19,114</u>	<u>23,135</u>	<u>(4,021)</u>

A redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. For 2017, the interest rate for the redistribution loan remained at 0.50% p.a. (0.50% p.a. as at 31 December 2016).

As at 31 December 2017, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 19,085 thousand on the off-balance sheet (EUR 22,256 thousand as at 31 December 2016). 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 2017	31 Dec 2016	Change
Securities held for monetary policy purposes	19,881,042	13,738,968	6,142,074
Other securities	203,341	1,341,259	(1,137,918)
	<u>20,084,383</u>	<u>15,080,227</u>	<u>5,004,156</u>

Debt securities held for monetary policy purposes

Under this caption, the Bank disclosed securities purchased under the SMP, CBPP1, CBPP3 and PSPP programmes. They are mainly issued by public authorities and monetary financial institutions of the euro area.

The purchase of securities under the CBPP1 programme was terminated in June 2010 and terminated under the SMP programme in September 2012. The decrease in securities purchased under the CBPP1 and SMP programmes by EUR 133,795 thousand compared to the previous year was due to the maturity of securities. The CBPP3 programme was



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announced by the Governing Council of the ECB in October 2014 and is still open. The PSPP programme was announced by the Governing Council of the ECB in January 2015 with an expected duration until the end of September 2018, or longer if necessary. Under the PSPP programme, the Bank purchases securities issued by the government of the Slovak Republic, international organisations and multilateral development banks in the euro area. According to Article 3 (5) of Decision ECB/2015/10 on the 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 a source in the Slovak Republic is net of withholding tax (see Note 34).

Securities acquired under all monetary policy programmes are valued on an amortised cost basis and are subject to an impairment test. The amortised 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 only provided for comparison purposes):

	31 Dec 2017		31 Dec 2016		Change	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP1	35,096	36,432	85,655	88,866	(50,559)	(52,434)
CBPP3	2,162,630	2,194,187	2,133,041	2,154,304	29,589	39,883
SMP	327,489	358,309	410,725	458,258	(83,236)	(99,949)
PSPP gov.	8,422,354	8,572,256	6,694,978	6,793,292	1,727,376	1,778,964
PSPP supr.	8,933,473	8,880,406	4,414,569	4,359,097	4,518,904	4,521,309
	19,881,042	20,041,590	13,738,968	13,853,817	6,142,074	6,187,773

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. On the basis of the results of the impairment test on securities acquired for monetary policy purposes performed as at 31 December 2017 and pursuant to the decision of the Governing Council of the ECB which has deemed it appropriate to establish a buffer, the NBS created a provision for impairment losses in accordance with Article 32 (4) of the Statute (see Note 20).

Other securities

Under this caption, as at 31 December 2017, the Bank recognised securities for trading issued mainly by monetary financial institutions and public authorities of the euro area.

The decrease compared to the previous period of EUR 1,137,918 thousand was mainly caused by the sale of securities.

8. Intra-Eurosystem claims

	31 Dec 2017	31 Dec 2016	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 (see Note 18)	0	515,486	(515,486)
Other claims within the Eurosystem (net)	<u>9,081,697</u>	<u>1,225,880</u>	<u>9,081,697</u>
	9,792,091	1,225,880	8,566,211



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Participating interest in the ECB

As at 31 December 2017, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 83,623 thousand 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 Governing Council of the ECB, 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.

As at 31 December 2017, 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 to the ECB of EUR 447,672 thousand (EUR 447,672 thousand as at 31 December 2016), in accordance with Article 30 (1) of the Statute. The claim bears interest amounting to 85% of the main refinancing operations rate. As at 31 December 2017, the Bank recorded no interest income from the claim equivalent to the transfer of foreign reserves due to the interest rate of 0% p.a. (EUR 40 thousand as at 31 December 2016, see Note 24).

Other claims within the Eurosystem (net)

Claims within the Eurosystem represent the NBS's position towards other members of the European System of Central Banks ("ESCB") arising from cross-border transactions. This caption comprises the claim of the NBS against other central banks and the ECB arising from operations within TARGET 2, which amounted to EUR 8,991,962 thousand as at 31 December 2017 (a liability of EUR 5,119,350 thousand as at 31 December 2016). The position bears an interest rate for the main refinancing operations. The Bank recorded no interest as at 31 December 2017 due to the interest rate of 0% p.a. (interest expense of EUR 5 thousand as at 31 December 2016, see Note 24).

The caption also comprises a receivable from monetary income of EUR 78,895 thousand (EUR 67,094 thousand as at 31 December 2016, see Note 28) and a receivable from the NBS's share in the ECB's profit for 2017 of EUR 10,840 thousand (EUR 10,604 thousand as at 31 December 2016, see Note 27).

9. Other assets

	31 Dec 2017	31 Dec 2016	Change
Tangible and intangible fixed assets	122,348	128,817	(6,469)
Other financial assets	53,624	57,678	(4,054)
Off-balance sheet instruments revaluation differences	540	714	(174)
Accruals and prepaid expenses	235,052	194,340	40,712
Accumulated losses from previous years	4,661,980	4,809,810	(147,830)
Sundry	55,798	124,015	(68,217)
	<u>5,129,342</u>	<u>5,315,374</u>	<u>(186,032)</u>



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Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2017:

	Tangible Assets, Advances and Assets under Construction	Intangible Assets, Advances and Assets under Construction	TOTAL
Acquisition cost as at 1 January 2017	257,525	37,825	295,350
Additions	1,488	3,627	5,115
Disposals	3,043	2,781	5,824
Acquisition cost as at 31 December 2017	255,970	38,671	294,641
Accumulated depreciation as at 1 January 2017	140,657	28,898	169,555
Additions	6,713	2,045	8,758
Disposals	2,714	284	2,998
Accumulated depreciation and provisions as at 31 December 2017	144,656	30,659	175,315
Carrying amount of tangible and intangible assets as at 1 January 2017	116,868	8,927	125,795
Carrying amount of tangible and intangible assets as at 31 December 2017	111,314	8,012	119,326

As at 31 December 2017, the NBS recognised fixed assets held for sale in the amount of EUR 3,022 thousand (EUR 3,022 thousand as at 31 December 2016).

Other financial assets

	31 Dec 2017	31 Dec 2016	Change
Shares of BISIP CNY fund	42,684	45,399	(2,715)
Shares of BIS	7,009	7,522	(513)
Share certificates of RVS, a.s.	3,806	4,632	(826)
Inštitút bankového vzdelávania, n.o.	33	33	0
Shares of SWIFT	92	92	0
	<u>53,624</u>	<u>57,678</u>	<u>(4,054)</u>

As at 31 December 2017, the Bank recognised shares within the BISIP CNY programme which represents an indirect form of investing in the on-shore Chinese government bonds' market. The share represents 1.57% of the fund's total value (1.74% share of the fund's total value as at 31 December 2016, see Section B, Note b).

The Bank's share in the BIS capital represents 0.51% (0.51% as at 31 December 2016). The participating interest in BIS is recognised 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).

In accordance with the Commercial Code (Act No. 513/1991 Coll. as amended), the NBS is the controlling entity with a majority share in the voting rights in RVS, a.s. Bratislava. 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 holds a 99.54% equity share in RVS, a.s. (77.26% as at 31 December 2016).

Since 2008, the Bank has recognised a contribution to the registered capital of Inštitút bankového vzdelávania NBS, n. o. Bratislava. The Bank holds a 100% share in the company.



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The Bank holds shares of SWIFT, representing a 0.0245% capital share (0.0245% capital share as at 31 December 2016).

Off-balance sheet instruments revaluation differences

As at 31 December 2017, this item represented foreign exchange gains from the valuation of currency swaps in the amount of EUR 540 thousand (EUR 714 thousand as at 31 December 2016).

Accruals and prepaid expenses

This item mainly represents accrued bond coupons of EUR 201,900 thousand (EUR 164,507 thousand as at 31 December 2016) and the value of purchased bond coupons in the amount of EUR 21,120 thousand (EUR 23,360 thousand as at 31 December 2016).

Sundry

	31 Dec 2017	31 Dec 2016	Change
Deposits - collaterals to derivatives	37,070	106,770	(69,700)
Fair value of interest rate swaps	8,491	6,210	2,281
Investment loans granted to employees	5,789	6,415	(626)
Interest rate futures	920	395	525
Other	3,528	4,225	(697)
	<u>55,798</u>	<u>124,015</u>	<u>(68,217)</u>

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

10. Banknotes in circulation

	31 Dec 2017	31 Dec 2016	Change
Euro banknotes in circulation issued by the NBS	12,037,721	10,853,665	1,184,056
Euro banknotes not issued by the NBS	(219,343)	515,486	(734,829)
Total volume of euro banknotes in line with the NBS			
Banknote Allocation Key	<u>11,818,378</u>	<u>11,369,151</u>	<u>449,227</u>

As at 31 December 2017, the Bank issued banknotes amounting to EUR 12,037,721 thousand, which is an increase of EUR 219,343 thousand (decrease of EUR 515,486 thousand as at 31 December 2016) compared to the volume allocated to the NBS by the Banknote Allocation Key (see Section B, Note h). This difference represents a liability of the NBS to the Eurosystem (see Note 18).

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

	31 Dec 2017	31 Dec 2016	Change
Current accounts covering the minimum reserve system	1,831,084	1,736,725	94,359
Deposit facility	122,000	140,000	(18,000)
	<u>1,953,084</u>	<u>1,876,725</u>	<u>76,359</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 fulfilment of monetary reserves of credit institutions over the set maintenance period, as published by the ECB. The MRS bear interest of the average rate of the Eurosystem's main



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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 of -0.40% p.a. for the deposit facility.

As at 31 December 2017, the net interest income resulting from this liability represents EUR 3,735 thousand (EUR 2,819 thousand as at 31 December 2016).

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 2017, a negative interest rate of -0.40% p.a. was set for this type of transactions.

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

	31 Dec 2017	31 Dec 2016	Change
Liabilities from repo transactions	563,905	873,026	(309,121)
Liabilities from repo transactions with gold	201,374	214,194	(12,820)
Deposits received to repo transactions	757	155	602
Interbank clearing in Slovakia (SIPS)	166	170	(4)
Tri-party repo transactions	0	1,700,000	(1,700,000)
	<u>766,202</u>	<u>2,787,545</u>	<u>(2,021,343)</u>

The interest rate applicable to repo transactions is from -0.42 to -0.45% p.a. (from -0.20 to -0.35% p.a. as at 31 December 2016).

13. Liabilities to other euro area residents denominated in euro

	31 Dec 2017	31 Dec 2016	Change
General government	1,290,902	744,362	546,540
Other liabilities	312,309	253,368	58,941
	<u>1,603,211</u>	<u>997,730</u>	<u>605,481</u>

General government

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

Other liabilities

	31 Dec 2017	31 Dec 2016	Change
Client current accounts	63,759	16,456	47,303
Client term deposits	37,463	32,177	5,286
Current accounts of auxiliary financial institutions	6,094	2,276	3,818
Term deposits of auxiliary financial institutions	204,993	202,459	2,534
	<u>312,309</u>	<u>253,368</u>	<u>58,941</u>

Under this caption, the Bank recognises current accounts and deposits from clients and auxiliary financial institutions (the Deposit Protection Fund and the Investment Guarantee Fund). The bulk of "Other liabilities" was represented by term deposits of the Deposit Protection Fund.



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

	31 Dec 2017	31 Dec 2016	Change
Client current accounts	20,026,450	21,061	20,005,389
Liabilities from received term deposits	1,230,000	570,000	660,000
Liabilities from repo transactions with gold	903,498	729,527	173,971
Deposits received to repo transactions	85	0	85
Liabilities from repo transactions	0	250,506	(250,506)
	<u>22,160,033</u>	<u>1,571,094</u>	<u>20,588,939</u>

"Client current accounts" are funds in the TARGET2 accounts of clients who are not subject to MRS. The interest rate for client current accounts is -0.40% p.a.

Liabilities from received term deposits represent central banks' deposits with a maturity of one month at an interest rate of -0.40% p.a. (-0.40% p.a. as at 31 December 2016).

15. Liabilities to euro area residents denominated in foreign currency

	31 Dec 2017	31 Dec 2016	Change
Liabilities from repo transactions	750,505	865,471	(114,966)
State Treasury current accounts in foreign currency	7	0	7
Liabilities from received deposits	0	47,434	(47,434)
	<u>750,512</u>	<u>912,905</u>	<u>(162,393)</u>

The interest rate applicable to repo transactions in USD ranges from 1.77 to 4.51% p.a. (1.25 to 5.25% p.a. as at 31 December 2016).

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

	31 Dec 2017	31 Dec 2016	Change
Liabilities from repo transactions	748,193	347,669	400,524
Liabilities from repo transactions with gold	0	232,669	(232,669)
Liabilities from received deposits	95,889	279,860	(183,971)
	<u>844,082</u>	<u>860,198</u>	<u>(16,116)</u>

The decrease of liabilities from repo transactions with gold was due to their settlement in January 2017.

The interest rate applicable to repo transactions denominated in GBP ranges from 0.66 to 0.70% p.a. and repo transactions denominated in USD from 2.00 to 6.75% p.a. (1.37 to 1.40% p.a. as at 31 December 2016). The interest rate applicable to received deposits denominated in USD ranges from 1.75 to 6.50% p.a. (1.25 to 1.70% p.a. as at 31 December 2016).

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2017, the Bank recorded a liability to the IMF from the allocation of EUR 404,353 thousand (EUR 433,972 thousand as at 31 December 2016). The liability from the allocation is denominated in XDR. As part of the general allocation and special allocation, the IMF allocated XDR 265 million and XDR 75 million to the Slovak Republic, respectively.



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18. Intra-Eurosystem liabilities

This position is the net liability of the NBS from the allocation of euro banknotes within the Eurosystem, which amounted to EUR 219,343 thousand (a receivable of EUR 515,486 thousand as at 31 December 2016, see Note 10). The position bears interest rate at the rate for the main refinancing operations. As at 31 December 2017, the Bank has no interest expense resulting from the liability from the euro banknote allocation within the Eurosystem due to the interest rate of 0% p.a. (interest income of EUR 77 thousand as at 31 December 2016, see Note 24).

19. Other liabilities

	31 Dec 2017	31 Dec 2016	Change
Off-balance sheet instruments revaluation differences	11,923	6,858	5,065
Accruals and income collected in advance	16,918	15,105	1,813
Sundry	325,646	316,091	9,555
	<u>354,487</u>	<u>338,054</u>	<u>16,433</u>

Off-balance-sheet instruments revaluation differences

As at 31 December 2017, this item represented foreign exchange losses from the revaluation of currency swaps.

Accruals and income collected in advance

As at 31 December 2017, the bulk of accruals was represented by interest expense from euro-denominated interest rate swaps of EUR 9,969 thousand (EUR 12,442 thousand as at 31 December 2016).

Sundry

	31 Dec 2017	31 Dec 2016	Change
Euro coins in circulation	175,605	163,864	11,741
SKK banknotes in circulation	72,650	73,785	(1,135)
SKK coins in circulation	23,186	23,188	(2)
Fair value of interest rate swaps	14,718	29,676	(14,958)
Deposits - collateral to derivatives	5,900	1,300	4,600
Other	33,587	24,278	9,309
	<u>325,646</u>	<u>316,091</u>	<u>9,555</u>

The value of interest rate swaps as at 31 December 2017 represented the cumulative year-end revaluation loss, which is gradually amortised to the profit and loss account under net realised gains from interest rate swaps in accordance with the ECB Guideline (see Note 25).

The purpose of received deposits (collateral to derivatives) is to secure the NBS credit risk in the event of a decrease in the swap value on the part of the counterparty. The annual increase of deposits is connected with the decrease of the market value of interest rate swaps on the party of the counterparty.



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20. Provisions

	31 Dec 2017	31 Dec 2016	Change
General provision for financial risks	630,000	630,000	0
Provision for losses from monetary policy operations	756	0	756
Other	13,093	8,313	4,780
	<u>643,849</u>	<u>638,313</u>	<u>5,536</u>

The Bank created a general provision for financial risks to hedge against foreign exchange, interest rate, credit and gold price risks. The amount of the provision was reviewed as at 31 December 2017 and equals the estimated potential loss in the future periods, taking into account historical scenarios of development on the financial markets in relation to the Bank's total investment reserves and a portion of the monetary policy portfolio. The creation of the provision reflected the potential impact of risks resulting from the Bank's monetary-policy refinancing operations and participation in the ECB's intervention purchase programmes. Based on the Bank Board's decision, the provision will be used to cover future losses from financing activities (see Part B, paragraph I and Note 25).

As a result of the impairment test conducted on CSPP portfolio, the Governing Council of the ECB has deemed it appropriate to establish a provision totalling EUR 68 871 thousand against losses in monetary policy operations, in relation to a security held by a national central bank of the Eurosystem. The size of this provision has been calculated taking into account the information regarding the security sale in January 2018. This is in line with the framework for accounting and financial reporting in the European System of Central Banks for post balance sheet events. In accordance with Article 32 (4) of the Statute, this provision is funded by all the national central banks of the Eurosystem in proportion to their subscribed capital key shares in the ECB prevailing in 2017. As a result, the NBS established a provision of EUR 756 thousand (see part B, paragraph b and Note 28).

As at 31 December 2017, the Bank's "Other provisions" mainly represented provisions for payables to employees of EUR 8,501 thousand (EUR 7,269 thousand as at 31 December 2016).

21. Revaluation accounts

	31 Dec 2017	31 Dec 2016	Change
Revaluation accounts of gold	469,055	485,523	(16,468)
Revaluation accounts of securities	12,799	40,783	(27,984)
Revaluation accounts of derivatives	8,491	6,210	2,281
Revaluation accounts of foreign currency	10,977	1,602	9,375
Revaluation accounts of shares in BISIP fund	3,273	3,381	(108)
	<u>504,595</u>	<u>537,499</u>	<u>(32,904)</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, ÚFT was dissolved and merged with the NBS in accordance with the applicable law.

Reserves consist of general reserves and capital reserves.



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As at 31 December 2017, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2016). 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 ÚFT with the NBS, ÚFT's general reserves of EUR 3,462 thousand were transferred to the NBS's general reserves.

As at 31 December 2017, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2016).

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 Dec 2016	16,041	882	340,874	630,000	637,499	805	(4,809,810)	147,025	(3,136,684)
2. Transfer of profit from the change of accounting methods to accumulated loss from previous years						(805)	805		
3. Transfer of profit for 2016 to accumulated loss from previous years							147,025	(147,025)	
4. Transfer to statutory fund									
5. Transfer to general reserves									
6. Change in the general provision for financial risks									
7. Change in revaluation accounts of securities					(27,984)				(27,984)
8. Change in revaluation accounts of derivatives					2,281				2,281
9. Change in revaluation accounts of gold					(16,468)				(16,468)
10. Change in revaluation accounts of foreign currencies					9,375				9,375
11. Change in revaluation accounts of shares in BISIP fund					(108)				(108)
12. Profit for the current reporting period								127,712	127,712
13. Change for the reporting period					(32,904)	(805)	147,830	(19,313)	94,808
14. Balance as at 31 Dec 2017	16,041	882	340,874	630,000	604,696		(4,661,980)	127,712	(3,041,676)

23. Off-balance sheet instruments

	31 Dec 2017		31 Dec 2016		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Currency swaps in EUR	2,093,482	99,468	443,783	446,561	1,649,699	(347,093)
Currency swaps in USD	96,781	106,729	442,615	47,434	(345,834)	59,295
Currency swaps in CNY	0	15,504	0	0	0	15,504
Currency swaps in GBP	1,364	12,398	0	0	1,364	12,398
Currency swaps in CHF	0	0	0	398,547	0	(398,547)
Currency swaps in JPY	0	10,814	0	0	0	10,814
Currency swaps in CZK	0	1,958,097	0	0	0	1,958,097
	2,191,626	2,203,010	886,398	892,542	1,305,228	1,310,468

	31 Dec 2017		31 Dec 2016		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in EUR	0	50,000	0	55,000	0	(5,000)
Interest rate futures in GBP	169,066	312,208	0	0	169,066	312,208
Interest rate futures in USD	0	10,006	0	0	0	10,006
	169,066	372,213		55,000	169,066	317,213



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24. Net interest income

	31 Dec 2017	31 Dec 2016	Change
Investments in EUR:	23,179	25,249	(2,070)
net income from securities	9,989	25,230	(15,241)
net expense from derivatives	(10,579)	(19,095)	8,516
net income from repo transactions	10,952	16,387	(5,435)
net income from current accounts and term deposits	12,716	2,607	10,109
other	101	120	(19)
Investments in foreign currency:	8,380	1,749	6,631
net income from securities	26,582	19,891	6,691
net income/(expense) from derivatives	2,236	(4,701)	6,937
net expense from current accounts and term deposits	(3,220)	(2,346)	(874)
net expense from repo transactions	(18,026)	(11,152)	(6,874)
compensation from MF SR	808	57	751
Monetary policy operations:	79,355	67,994	11,361
net income from securities	79,349	66,151	13,198
net expense from deposits and loans	(3,729)	(976)	(2,753)
net income from MRS	3,735	2,819	916
Remuneration of claims equivalent to the transfer of foreign reserves	0	40	(40)
Remuneration of euro banknotes	0	77	(77)
Remuneration of TARGET2	0	(5)	5
	110,914	95,104	15,810

The decrease in net interest income from investments in euro is mainly linked to the decrease in the net interest income from securities resulting from the reduction of the portfolio's volume (see Note 7). As at 31 December 2017, the Bank reports no interest on remuneration of claims equivalent to the transfer of foreign reserves, remuneration of banknotes and TARGET2 due to an interest rate of 0% p.a. (see Notes 8 and 18). The increase in interest income on monetary policy operations is due to continuing purchases of securities held for monetary policy purposes (see Note 7).



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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 2017:

	Balance Sheet Item	31 Dec 2017	31 Dec 2016	Change
Investments in EUR				
Gross interest income, of which:		18,865	14,884	3,981
Repo transactions	L3, L6	4,929	11,394	(6,465)
Current accounts and term deposits	L6	13,936	3,490	10,446
Gross interest expense, of which:		(13)	(13)	0
Current accounts	A6	(13)	(13)	0
Investments in foreign currency:				
Gross interest expense, of which:		(58)	(1)	(57)
Current accounts	A2, A3	(58)	(1)	(57)
Monetary policy operations:				
Gross interest income, of which:		3,928	2,895	1,033
MRS	L2	3,735	2,866	869
Deposit facility	L2	193	29	164
Gross interest expense, of which:		(3,940)	(1,287)	(2,653)
Longer-term refinancing operations	A5	(3,940)	(1,287)	(2,653)

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



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

	31 Dec 2017	31 Dec 2016	Change
Realised gains from financial operations	32,513	43,201	(10,688)
Net gains from interest rate swaps	12,851	20,239	(7,388)
Net gains from sale of securities	18,720	5,077	13,643
Net foreign exchange gains	942	17,885	(16,943)
Write-downs on financial assets and positions	(12,611)	(14,097)	1,486
Losses from interest rate swaps revaluation	(1,158)	(8,983)	7,825
Losses from securities revaluation	(4,460)	(3,561)	(899)
Losses from foreign currency revaluation	(6,993)	(1,553)	(5,440)
Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks	0	30,000	(30,000)
General provision for financial risks	0	30,000	(30,000)
	19,902	59,104	(39,202)

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

	31 Dec 2017	31 Dec 2016	Change
Fees and commissions from investment operations:	117	(48)	165
Net loss from operations with banks	(71)	(387)	316
Net profit from operations with clients	216	216	0
Net profit from operations with securities	10	153	(143)
Net loss from interest rate futures	(5)	(3)	(2)
Other	(33)	(27)	(6)
Fees and commissions from monetary policy operations:	963	(162)	1,125
Net loss from operations with banks	(564)	(400)	(164)
Net profit from operations with securities	1,527	238	1,289
Net profit from exchange of euro coins	70	64	6
	1,150	(146)	1,296

27. Income from equity shares and participating interests

	31 Dec 2017	31 Dec 2016	Change
Share in the ECB's profit of the current year	10,840	10,604	236
Share in the ECB's profit of the previous year	2,490	2,959	(469)
Dividends from BIS shares	1,051	774	277
	14,381	14,337	44

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 currency is the euro, as amended, represents the net annual income from the assets of the national central bank, held against banknotes in circulation and deposit liabilities to credit



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institutions. Monetary income is the income resulting from the performance of the monetary policy of the ESCB.

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

Monetary income pooled by the NBS for 2017 into the common pool of monetary income of the Eurosystem amounted to EUR 39,474 thousand. The monetary income equivalent to the 1.0974% share of the NBS amounted to EUR 118,402 thousand. The difference of EUR 78,928 thousand (EUR 67,098 thousand as at 31 December 2016) represents the net result of the pooling of monetary income. NBS revenues decreased by EUR 33 thousand as a result of a revision to Eurosystem monetary income for 2016 (revenues decreased by EUR 4 thousand as at 31 December 2016 as a result of a revision for 2015).

In this caption, the Bank recognises a share in the provision for impairment losses from monetary policy operations of EUR 756 thousand in connection with a security held in the CSPP portfolio (see Note 20).

29. Other income and other expenses

As at 31 December 2017, the most significant portion of the Bank's "Other income" was represented by income from fees and contributions from financial market entities of EUR 8,186 thousand (EUR 6,787 thousand as at 31 December 2016), earned fees from participation in settlement systems of EUR 3,011 thousand (EUR 2,828 thousand as at 31 December 2016), and income from sale of commemorative and collector coins of EUR 1,473 thousand (EUR 1,655 thousand as at 31 December 2016).

As at 31 December 2017, the Bank's "Other expenses" mainly represented costs of the minting of general circulation and collector coins, including costs of related services, of EUR 4,359 thousand (EUR 4,002 thousand as at 31 December 2016).

30. Staff costs

	31 Dec 2017	31 Dec 2016	Change
Wages and salaries	(29,678)	(27,633)	(2,045)
Social security costs	(10,875)	(9,726)	(1,149)
Other employee costs	(5,020)	(6,403)	1,383
	<u>(45,573)</u>	<u>(43,762)</u>	<u>(1,811)</u>

As at 31 December 2017, the average FTE number of employees was 1,094 (1,063 as at 31 December 2016), of who 104 were managers (102 as at 31 December 2016).

Wages and employee benefits of the members of the Bank Board for 2017 amounted to EUR 617 thousand (EUR 601 thousand in 2016). As at 31 December 2017 and 2016, the Bank recorded no outstanding loans to the members of the Bank Board.

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



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31. Administrative expenses

As at 31 December 2017, this item mainly included costs for repairs and maintenance, technical support and IS maintenance, energy consumption and telecommunications costs totalling EUR 9,707 thousand (EUR 9,339 thousand as at 31 December 2016).

Costs for audit and verification of the financial statements by the auditor amounted to EUR 86 thousand as at 31 December 2017 (EUR 68 thousand as at 31 December 2016). As at 31 December 2017, 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 fixed assets

	31 Dec 2017	31 Dec 2016	Change
Depreciation of tangible fixed assets	(6,713)	(6,707)	(6)
Depreciation of intangible fixed assets	(2,045)	(1,641)	(404)
	<u>(8,758)</u>	<u>(8,348)</u>	<u>(410)</u>

33. Banknote production services

As at 31 December 2017, the costs of printing euro banknotes were EUR 93 thousand (EUR 6,107 thousand as at 31 December 2016).

34. Income tax and other charges on income

According to Article 43 of Act No. 595/2003 Coll. on Income Tax, as amended, the NBS is a payer of tax on income (proceeds) from bonds issued in the jurisdiction of the Slovak Republic. In 2017, the NBS paid a withholding tax of EUR 28,460 thousand (EUR 18,057 thousand at 31 December 2016). The increase by EUR 10,403 thousand compared to the preceding period was due to an increase in securities for monetary policy purposes (see Note 7).

35. Profit for the year

The Bank's result of operations as at 31 December 2017 was a profit of EUR 127,712 thousand (profit of EUR 147,025 thousand as at 31 December 2016). The bulk of the profit was generated 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 21 February 2018, the Governing Council of the ECB decided to distribute the ECB's net profit for 2017 to individual central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 3,150 thousand from the profit distribution is recognised in the 2018 reporting period.

Mgr. Ľudovít Ódor was appointed as the Deputy Governor of the NBS for a six-year term of office with effect from 20 February 2018.

No significant events occurred subsequent to 31 December 2017 that would require any further adjustments to the 2017 financial statements.

Bratislava, 6 March 2018



doc. Ing. Jozef Makúch, PhD.
Governor



Ing. Miroslav Uhrin
Executive Director
Division for
Financial Management,
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Národná banka Slovenska
SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT
ON THE ANNUAL REPORT
Pursuant to Article 27 (6) of Act No. 423/2015 Coll.

To the Bank Board of Národná banka Slovenska:

- I. We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2017 presented on pages 69 to 99 of the accompanying annual report of the Bank. We issued an Independent Auditor's Report on the Audit of Financial Statements dated 6 March 2018 in the wording as follows:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS"), which comprise the balance sheet as at 31 December 2017, the income statement for the year then ended, and notes, which include a summary of significant accounting policies and accounting methods.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017, 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 (hereinafter the "ECB Guideline") and the Act on Accounting No. 431/2002 Coll. as amended (hereinafter the "Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Národná banka Slovenska for the year ended 31 December 2016 were audited by another auditor, which expressed an unqualified opinion thereon dated 14 March 2017.

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

The Bank Board of the NBS is responsible for the preparation and fair presentation 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 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 International Standards on Auditing 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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As part of an audit in accordance with International Standards on Auditing, 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 and accounting methods 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

II. Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report – Supplement to the Independent Auditor's Report

The Bank Board of the NBS is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting and Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (hereinafter the "Act on NBS"). Our opinion on the financial statements stated above does not apply to other information disclosed in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We evaluated whether the Bank's annual report includes information whose disclosure is required by the Act on Accounting and Act on NBS.

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

- Information disclosed in the annual report prepared for 2017 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting and Act on NBS.

Furthermore, based on our understanding of the Bank and its position, 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 after the date of issuance of the report on the audit of financial statements. There are no findings that should be reported in this regard.

Bratislava, 24 April 2018

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

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