



NÁRODNÁ BANKA SLOVENSKA  
EUROSYSTEM

SECTION C

# INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS AS AT 31 DECEMBER 2018

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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 2018, 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 2018, 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.

#### 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.

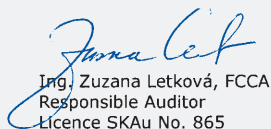
In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial 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 2018 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, 5 March 2019

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

On behalf of  
Deloitte Audit s.r.o.  
Licence SKAu No. 014

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NÁRODNÁ BANKA SLOVENSKA  
Financial statements as at 31 December 2018 – Balance Sheet  
(in thousands of EUR)

## BALANCE SHEET of Národná banka Slovenska

ASSETS	Note	31 Dec 2018 EUR '000	31 Dec 2017 EUR '000
A1 Gold and gold receivables	1	1,142,102	1,102,289
A2 Claims on non-euro area residents denominated in foreign currency	2	7,093,274	3,805,316
A3 Claims on euro area residents denominated in foreign currency	3	877,053	440,484
A4 Claims on non-euro area residents denominated in euro	4	2,025,916	1,052,919
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	1,166,540	1,081,700
A6 Other claims on euro area credit institutions denominated in euro	6	16,529	19,114
A7 Securities of euro area residents denominated in euro	7	22,276,945	20,084,383
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	10,492,010	9,792,091
A10 Items in course of settlement		0	0
A11 Other assets	9	5,068,450	5,129,342
A12 Loss for the year		0	0
<b>TOTAL ASSETS</b>		<b>50,158,819</b>	<b>42,507,638</b>
<b>LIABILITIES</b>			
L1 Banknotes in circulation	10	12,428,298	11,818,378
L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	2,282,672	1,953,084
L3 Other liabilities to euro area credit institutions denominated in euro	12	2,371,382	766,202
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	973,855	1,603,134
L6 Liabilities to non-euro area residents denominated in euro	14	25,113,626	22,160,110
L7 Liabilities to euro area residents denominated in foreign currency	15	1,557,192	750,512
L8 Liabilities to non-euro area residents denominated in foreign currency	16	1,912,559	844,082
L9 Counterpart of special drawing rights allocated by the IMF	17	413,818	404,353
L10 Intra-Eurosystem liabilities	18	884,468	219,343
L11 Items in course of settlement		0	0
L12 Other liabilities	19	463,235	354,487
L13 Provisions	20	675,559	643,849
L14 Revaluation accounts	21	552,022	504,595
L15 Capital and reserves	22	357,797	357,797
L16 Profit for the year	35	172,336	127,712
<b>TOTAL LIABILITIES</b>		<b>50,158,819</b>	<b>42,507,638</b>

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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 2018 – Profit and Loss Account  
(in thousands of EUR)

## PROFIT AND LOSS ACCOUNT of Národná banka Slovenska

	Note	31 Dec 2018 EUR '000	31 Dec 2017 EUR '000
1.1 Interest income		320,899	161,076
1.2 Interest expense		(114,720)	(50,162)
<b>1 Net interest income</b>	<b>24</b>	<b>206,179</b>	<b>110,914</b>
2.1 Realised gains/(losses) arising from financial operations		16,328	32,513
2.2 Write-downs on financial assets and positions		(38,314)	(12,611)
2.3 Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks		(30,000)	0
<b>2 Net result of financial operations, write-downs and risk provisions</b>	<b>25</b>	<b>(51,986)</b>	<b>19,902</b>
3.1 Fees and commissions income		2,752	2,190
3.2 Fees and commissions expense		(1,111)	(1,040)
<b>3 Net income/(expense) from fees and commissions</b>	<b>26</b>	<b>1,641</b>	<b>1,150</b>
<b>4 Income from equity shares and participating interests</b>	<b>27</b>	<b>17,603</b>	<b>14,381</b>
<b>5 Net result of pooling of monetary income</b>	<b>28</b>	<b>99,658</b>	<b>78,139</b>
<b>6 Other income</b>	<b>29</b>	<b>16,044</b>	<b>13,094</b>
<b>Total net income</b>		<b>289,139</b>	<b>237,580</b>
<b>7 Staff costs</b>	<b>30</b>	<b>(47,456)</b>	<b>(45,573)</b>
<b>8 Administrative expenses</b>	<b>31</b>	<b>(23,369)</b>	<b>(19,300)</b>
<b>9 Depreciation of tangible and intangible fixed assets</b>	<b>32</b>	<b>(9,022)</b>	<b>(8,758)</b>
<b>10 Banknote production services</b>	<b>33</b>	<b>(4,911)</b>	<b>(93)</b>
<b>11 Other expenses</b>	<b>29</b>	<b>(3,161)</b>	<b>(7,684)</b>
<b>12 Income tax and other government charges on income</b>	<b>34</b>	<b>(28,884)</b>	<b>(28,460)</b>
<b>Profit for the year</b>	<b>35</b>	<b>172,336</b>	<b>127,712</b>

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Financial statements as at 31 December 2018 – Notes  
(in thousands of EUR)

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## **NOTES**

### **to the Financial Statements as at 31 December 2018**

**Bratislava, 5 March 2019**

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NÁRODNÁ BANKA SLOVENSKA  
Financial statements as at 31 December 2018 – 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 2018, 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.	01/01/2006	12/01/2021	Governor	12/01/2015
Mgr. Ľudovít Ódor	20/02/2018	20/02/2024	Deputy Governor	20/02/2018
RNDr. Karol Mrva	01/06/2012	02/06/2023	Member	02/06/2017
Ing. Vladimír Dvořáček	02/04/2014	02/04/2019	Member	02/04/2014
prof. Mgr. Ľuboš Pástor, M.A. PhD.	15/03/2015	15/03/2021	Member	15/03/2015

## 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





NÁRODNÁ BANKA SLOVENSKA  
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(in thousands of EUR)

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.

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.





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Participating interests, except the BIS Investment Pool Sovereign China equity fund denominated in CNY ("BISIP") and Exchange Traded Funds denominated in USD ("ETF"), 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 equity fund is valued at the net asset value of the fund provided by the Bank for International Settlements ("BIS") in Basel, Switzerland on a monthly basis. The ETF funds are valued at mid-market prices on a monthly basis for each security (ISIN) separately.

The exchange rates of key foreign currencies against EUR 1, used to value the assets and liabilities as at 31 December 2018, were as follows:

Currency	31 Dec 2018	31 Dec 2017	Change
GBP	0.89453	0.88723	0.00730
USD	1.14500	1.19930	(0.05430)
JPY	125.85000	135.01000	(9.16000)
XDR	0.82277	0.84203	(0.01926)
CNY	7.87510	7.80440	0.07070
EUR/ozs*	1,120.961	1,081.881	39.08000

\* 1 ozs (troy ounce) = 31.1034807 g

### (c) Accounting and recognition of income

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 mid-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 and 14). The gold used in such transactions remains in the Bank's total assets under the item "Gold and gold receivables".



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#### **(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 recognised in the profit and loss account under "Income tax and other charges on income" (see Note 34).

#### **(f) Derivatives**

Foreign exchange 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 paid or received interest that is accrued.

The forward position of foreign exchange 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 individually for each transaction based on generally accepted valuation models using corresponding yield curves derived from quoted interest rates.

For interest rate or foreign exchange 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.



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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. Income from these transactions are recognised 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 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. They are disclosed under "Intra-Eurosystem claims or liabilities".

Interest income or interest expense from these claims/liabilities is disclosed net in the Bank's profit and loss account under "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.



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(in thousands of EUR)

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.

Depreciation Group	Depreciation Period in Years
1. Buildings, long-term investments, technical improvements to immovable cultural	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 financial risks to hedge against foreign exchange rate, interest rate, credit and gold price risks (see Notes 20 and 25), which is presented in the Bank's equity.

The level of the general provision is reassessed at year-end and is based on the estimated potential loss in a one-year horizon, taking into account historical scenarios of financial market developments in relation to the total investment reserves. The provision also includes the NBS's share on the credit risks resulting from monetary policy refinancing operations and the Eurosystem intervention purchase programmes.

Compared to the previous period, the Bank adjusted the methodology for calculating the estimated level of the general provision for financial risks. When measuring financial risks, the Bank applies expected shortfall at the confidence level of 99%, where the risk value is determined by simulated development of risk factors related to the investment portfolio. Credit risk values were taken from the outputs generated by the ECB as part of a regular analysis of the financial risks and buffers at the level of individual national central banks. For the risk assessment calculations, the financial assets are considered at market prices except for monetary policy portfolios, which are taken at amortised cost from accounting books. In accordance with the approved approach, the Bank Board may reflect on additional factors that are expected to have an impact on the risk value when making a decision on the final level of the general provision.

The rationale and the level of this provision is reassessed on an annual basis and is subject to the approval of the Bank Board. Based on the Bank Board's decision, the provision is used to cover future losses from financial activities.



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#### (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.

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

#### 1. Gold and gold receivables

	31 Dec 2018	31 Dec 2017	Change
Gold in repo transactions	1,137,196	1,097,554	39,642
Gold stored in banks	3,142	3,033	109
Gold in stock	1,764	1,702	62
	<b>1,142,102</b>	<b>1,102,289</b>	<b>39,813</b>

As at 31 December 2018, gold totalled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2017), 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 2018, the market price of gold was EUR 1,120.961 per t oz. (EUR 1,081.881 per t oz. as at 31 December 2017). 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 2018	31 Dec 2017	Change
Receivables from/Payables to the IMF	585,016	537,434	47,582
Balances with banks and security investments, external loans and other external assets	6,508,258	3,267,882	3,240,376
	<b>7,093,274</b>	<b>3,805,316</b>	<b>3,287,958</b>

#### Receivables from / Payables to the International Monetary Fund

	31 Dec 2018		31 Dec 2017		Change EUR '000
	Equivalent mil. XDR	EUR '000	Equivalent mil. XDR	EUR '000	
<b>Receivables from the IMF:</b>	<b>1,301</b>	<b>1,580,244</b>	<b>1,300</b>	<b>1,543,947</b>	<b>36,297</b>
1) Member's quota	1,001	1,215,672	1,001	1,188,685	26,987
a) Member's contribution	820	995,228	848	1,006,513	(11,285)
b) Reserve position	181	220,444	153	182,172	38,272
- Foreign exchange part of Member's quota	138	167,695	153	182,172	(14,477)
- Reserve position of FTP	43	52,749	0	0	52,749
2) Nostro account in the IMF	300	364,572	299	355,262	9,310
<b>Payables to the IMF:</b>	<b>820</b>	<b>995,228</b>	<b>848</b>	<b>1,006,513</b>	<b>(11,285)</b>
1) Loro accounts in the IMF	803	974,636	896	1,063,215	(88,579)
2) Currency valuation adjustment account	17	20,592	(48)	(56,702)	77,294
<b>Total reported amount (net)</b>		<b>585,016</b>		<b>537,434</b>	<b>47,582</b>



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In January 2018, the IMF purchased a portion of the foreign exchange part of the Member's quota amounting to XDR 15 million. Within the Financial Transaction Plan, the NBS provided funds totalling XDR 43 million, thus decreasing loro accounts and Member's contribution. As a result, the structure of the Member's quota changed, however keeping its amount on the same level.

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 813,935 thousand (EUR 867,740 thousand as at 31 December 2017).

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).

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

	31 Dec 2018	31 Dec 2017	Change
Debt securities	2,827,791	1,299,913	1,527,878
Other	3,680,467	1,967,969	1,712,498
	<u>6,508,258</u>	<u>3,267,882</u>	<u>3,240,376</u>

The caption "Debt securities" mainly consists of securities denominated in USD, GBP, CHF and CNY. As at 31 December 2018, the Bank mainly records securities issued by monetary financial institutions.

The caption "Other" mainly includes cash on nostro accounts in foreign currency. An increase in the caption "Other" is related to foreign exchange swaps.

### 3. Claims on euro area residents denominated in foreign currency

	31 Dec 2018	31 Dec 2017	Change
Debt securities	875,675	439,698	435,977
Current accounts	1,378	786	592
	<u>877,053</u>	<u>440,484</u>	<u>436,569</u>

The caption "Debt securities" consists of securities denominated in GBP, USD, CHF and JPY. As at 31 December 2018, the Bank mainly records securities issued by monetary financial institutions.

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

	31 Dec 2018	31 Dec 2017	Change
Debt securities	2,025,434	1,052,339	973,095
Current accounts	482	580	(98)
	<u>2,025,916</u>	<u>1,052,919</u>	<u>972,997</u>

As at 31 December 2018, the Bank mainly records securities issued by monetary financial institutions.



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

	31 Dec 2018	31/12/2017	Change
Main refinancing operations	101,000	0	101,000
Targeted longer-term refinancing operations (TLTRO)	0	16,160	(16,160)
Targeted longer-term refinancing operations (TLTRO II)	1,065,540	1,065,540	0
	<b>1,166,540</b>	<b>1,081,700</b>	<b>84,840</b>

As at 31 December 2018, the Bank recorded main refinancing operations amounting to EUR 101,000 thousand. The main refinancing operations are weekly liquidity-providing reverse transactions, usually with a one-week maturity.

Within longer-term operations concluded in 2016, as at 31 December 2018 the Bank recognised targeted longer-term refinancing operations (TLTRO II) with a maturity of 4 years. Targeted longer-term refinancing operations are intended to support bank lending to the non-financial private sector, excluding loans to households for purchases of residential real estate. The final interest rate for these operations was determined based on the volume of provided loans in the defined period (see Note 24).

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 2018	31 Dec 2017	Change
Redistribution loan	15,828	18,435	(2,607)
Current accounts	701	679	22
	<b>16,529</b>	<b>19,114</b>	<b>(2,585)</b>

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 2018, the interest rate for the redistribution loan remained at 0.50% p.a. (0.50% p.a. as at 31 December 2017).

As at 31 December 2018, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 16,350 thousand on the off-balance sheet (EUR 19,085 thousand as at 31 December 2017). 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 2018	31 Dec 2017	Change
Securities held for monetary policy purposes	21,573,530	19,881,042	1,692,488
Other securities	703,415	203,341	500,074
	<b>22,276,945</b>	<b>20,084,383</b>	<b>2,192,562</b>





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### 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 169,303 thousand compared to the previous year was due to the maturity of securities. The CBPP3 programme was announced by the Governing Council of the ECB in October 2014. The PSPP programme was announced by the Governing Council of the ECB in January 2015. In 2018, the Eurosystem continued to purchase securities as part of expanding asset purchase programmes ("APP"), which include CBPP3, PSPP, ABSPP and the corporate sector purchase programme ("CSPP") for the purchase of corporate securities. The monthly pace of combined net APP purchases by the Eurosystem was EUR 30 billion on average until September 2018 and EUR 15 billion from October 2018 until the end of the year when the net purchases ended. The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. 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 2018		31 Dec 2017		Change	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP1	9,994	10,444	35,096	36,432	(25,102)	(25,988)
CBPP3	2,085,143	2,113,588	2,162,630	2,194,187	(77,487)	(80,599)
SMP	183,288	203,662	327,489	358,309	(144,201)	(154,647)
PSPP gov.	8,898,258	9,133,327	8,422,354	8,572,256	475,904	561,071
PSPP supr.	10,396,847	10,354,207	8,933,473	8,880,406	1,463,374	1,473,801
	<b>21,573,530</b>	<b>21,815,228</b>	<b>19,881,042</b>	<b>20,041,590</b>	<b>1,692,488</b>	<b>1,773,638</b>

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 2018 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 (see Note 20).

### Other securities

Under this caption, as at 31 December 2018, the Bank recognised securities held for trading issued mainly by the euro area monetary financial institutions.



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## 8. Intra-Eurosystem claims

	31 Dec 2018	31 Dec 2017	Change
Participating interest in ECB	262,722	262,722	0
Claims equivalent to the transfer of foreign reserves	447,672	447,672	0
Other Intra-Eurosystem claims (net)	9,781,616	9,081,697	699,919
	<u>10,492,010</u>	<u>9,792,091</u>	<u>699,919</u>

### Participating interest in the ECB

As at 31 December 2018, 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.



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As at 31 December 2018, 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
<b>Národná banka Slovenska</b>	<b>0.7725</b>	<b>83,623,179.61</b>	<b>83,623,179.61</b>	<b>1.0974</b>
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>	
<b>Total*</b>	<b>100.00</b>	<b>10,825,007,069.61</b>	<b>7,740,076,934.57</b>	

\*Sub totals and totals may not correspond due to the effect of rounding.

#### 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 2017), 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 2018, 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.



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### 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 9,667,872 thousand as at 31 December 2018 (claim of EUR 8,991,962 thousand as at 31 December 2017). The position bears an interest rate for the main refinancing operations. The Bank recorded no interest as at 31 December 2018 due to the interest rate of 0% p.a.

The caption also comprises a receivable from monetary income of EUR 100,670 thousand (EUR 78,895 thousand as at 31 December 2017, see Note 28) and a receivable from the NBS's share in the ECB's profit for 2018 of EUR 13,074 thousand (EUR 10,840 thousand as at 31 December 2017, see Note 27).

### 9. Other assets

	31 Dec 2018	31 Dec 2017	Change
Tangible and intangible fixed assets	115,399	122,348	(6,949)
Other financial assets	99,247	53,624	45,623
Off-balance sheet instruments revaluation differences	0	540	(540)
Accruals and prepaid expenses	281,469	235,052	46,417
Accumulated losses from previous years	4,534,268	4,661,980	(127,712)
Sundry	38,067	55,798	(17,731)
	<b>5,068,450</b>	<b>5,129,342</b>	<b>(60,892)</b>

### Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2018:

	Tangible Assets, Advances and Assets under Construction	Intangible Assets, Advances and Assets under Construction	TOTAL
Acquisition cost as at 1 January 2018	255,970	38,671	294,641
Additions	1,852	4,613	6,465
Disposals	10,100	2,820	12,920
Acquisition cost as at 31 December 2018	247,722	40,464	288,186
Accumulated depreciation as at 1 January 2018	144,656	30,659	175,315
Additions	6,822	2,200	9,022
Disposals	7,966	354	8,320
Accumulated depreciation and provisions as at 31 December 2018	143,512	32,505	176,017
Carrying amount of tangible and intangible assets as at 1 January 2018	111,314	8,012	119,326
Carrying amount of tangible and intangible assets as at 31 December 2018	104,210	7,959	112,169

As at 31 December 2018, the NBS recognised fixed assets held for sale in the amount of EUR 3,230 thousand (EUR 3,022 thousand as at 31 December 2017).



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### Other financial assets

	31 Dec 2018	31 Dec 2017	Change
Equity shares in ETF funds	47,123	0	47,123
Equity shares in BISIP fund	44,826	42,684	2,142
Shares of BIS	7,173	7,009	164
Shares of SWIFT	92	92	0
Inštitút bankového vzdelávania, n.o.	33	33	0
Share certificates of RVS, a.s.	0	3,806	(3,806)
	<b>99,247</b>	<b>53,624</b>	<b>45,623</b>

Since June 2018, the Bank has purchased shares in Exchange Traded Funds ("ETF") denominated in USD, which are in the form of marketable securities and are traded as common shares on a stock exchange.

As at 31 December 2018, the Bank recognised shares within the BISIP programme which represents an indirect form of investing in the on-shore Chinese government bonds' market. The bank's share represents 1.35% of the fund's total value (1.57% share of the fund's total value as at 31 December 2017, see Section B, Note b).

The Bank's share in the BIS capital represents 0.51% (0.51% as at 31 December 2017). 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).

The Bank holds shares of SWIFT, representing a 0.0245% capital share (0.0245% capital share as at 31 December 2017).

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.

In June 2018, the General Assembly of RVS, a.s. v likvidácii (in liquidation) approved the distribution of the company's liquidation balance. The NBS share in the liquidation balance amounted to EUR 3,770 thousand. An impairment of EUR 36 thousand was charged to the Bank's expenses (see Note 25).

### Accruals and prepaid expenses

This caption mainly includes accrued bond coupons in the amount of EUR 241 170 thousand (EUR 201 900 thousand as at 31 December 2017).

### Sundry

	31 Dec 2018	31 Dec 2017	Change
Deposits - collaterals to derivatives	13,830	37,070	(23,240)
Fair value of interest rate swaps - profits	12,737	8,491	4,246
Investment loans granted to employees	4,545	5,789	(1,244)
Interest rate futures	2,671	920	1,751
Other	4,284	3,528	756
	<b>38,067</b>	<b>55,798</b>	<b>(17,731)</b>



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The purpose of the deposits granted – collaterals to derivatives – is to secure counterparty credit risk in the case of a decrease in the value of swap transactions 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 swap transactions on the part of the NBS.

#### 10. Banknotes in circulation

	31 Dec 2018	31 Dec 2017	Change
Euro banknotes in circulation issued by the NBS	13,312,766	12,037,721	1,275,045
Euro banknotes not issued by the NBS	(884,468)	(219,343)	(665,125)
<b>Total volume of euro banknotes in line with the NBS</b>			
<b>Banknote Allocation Key</b>	<b>12,428,298</b>	<b>11,818,378</b>	<b>609,920</b>

As at 31 December 2018, the Bank issued banknotes amounting to EUR 13,312,766 thousand, which is an increase of EUR 884,468 thousand (increase of EUR 219,343 thousand as at 31 December 2017) 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 2018	31 Dec 2017	Change
Current accounts covering the minimum reserve system	2,191,672	1,831,084	360,588
Deposit facility	91,000	122,000	(31,000)
	<b>2,282,672</b>	<b>1,953,084</b>	<b>329,588</b>

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 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 2018, the net interest income resulting from this liability amounts to EUR 4,025 thousand (EUR 3,735 thousand as at 31 December 2017, 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 2018, a negative interest rate of -0.40% p.a. was valid for this type of transactions.

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

	31 Dec 2018	31 Dec 2017	Change
Liabilities from repo transactions	2,259,118	563,905	1,695,213
Liabilities from repo transactions with gold	103,300	201,374	(98,074)
Deposits received to repo transactions	8,877	757	8,120
Interbank clearing in Slovakia (SIPS)	87	166	(79)
Tri-party repo transactions	0	0	0
	<b>2,371,382</b>	<b>766,202</b>	<b>1,605,180</b>

The interest rate applicable to repo transactions denominated in EUR ranges from -0.10 to -0.43% p.a. (from -0.42 to -0.45% p.a. as at 31 December 2017).



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### 13. Liabilities to other euro area residents denominated in euro

	31 Dec 2018	31 Dec 2017	Change
General government	889,453	1,496,564	(607,111)
Other liabilities	84,402	106,570	(22,168)
	<u>973,855</u>	<u>1,603,134</u>	<u>(629,279)</u>

Given a change in the sector recognition methodology, the comparative period of 2017 was restated (the restatement was in the amount of EUR 77 thousand).

#### General government

Under this caption, the Bank recognised current accounts and term deposits of the general government. The bulk of this caption includes current accounts of the State Treasury.

#### Other liabilities

	31 Dec 2018	31 Dec 2017	Change
Client current accounts	36,912	63,408	(26,496)
Client term deposits	41,157	37,463	3,694
Current accounts of auxiliary financial institutions	6,333	5,699	634
	<u>84,402</u>	<u>106,570</u>	<u>(22,168)</u>

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

	31 Dec 2018	31 Dec 2017	Change
Client current accounts	20,038,566	20,026,527	12,039
Liabilities from received term deposits	3,688,275	1,230,000	2,458,275
Liabilities from repo transactions with gold	964,630	903,498	61,132
Liabilities from repo transactions	419,973	0	419,973
Deposits received to repo transactions	2,182	85	2,097
	<u>25,113,626</u>	<u>22,160,110</u>	<u>2,953,516</u>

"Client current accounts" are mainly 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. (see Note 24).

"Liabilities from received term deposits" represent national central banks' deposits with a maturity of 1-3 months at an interest rate ranging from -0.40% to -0.41% p.a. (-0.40% p.a. as at 31 December 2017).

The interest rate applicable to repo transactions ranges from -0.35 to -0.38% p.a.

Given a change in the sector recognition methodology, the comparative period of 2017 was restated.





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#### 15. Liabilities to euro area residents denominated in foreign currency

	31 Dec 2018	31 Dec 2017	Change
Liabilities from repo transactions	1,526,606	750,505	776,101
State Treasury current accounts in foreign currency	18	7	11
Liabilities from received deposits	30,568	0	30,568
	<u>1,557,192</u>	<u>750,512</u>	<u>806,680</u>

The interest rate applicable to repo transactions in USD ranges from 3.00 to 3.30% p.a. (1.77 to 4.51% p.a. as at 31 December 2017) and the interest rate applicable to repo transactions in GBP ranges from 1.10 to 1.30% p.a.

The interest rate applicable to received deposits denominated in USD is 3.75% p.a.

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

	31 Dec 2018	31 Dec 2017	Change
Liabilities from repo transactions	1,581,555	748,193	833,362
Liabilities from received deposits	331,004	95,889	235,115
	<u>1,912,559</u>	<u>844,082</u>	<u>1,068,477</u>

The interest rate applicable to repo transactions in GBP ranges from 0.90 to 1.25% p.a. (from 0.66 to 0.70% p.a. as at 31 December 2017), the interest rate applicable to repo transactions in USD ranges from 2.59 to 3.60% p.a. (from 2.00 to 6.75% p.a. as at 31 December 2017).

The interest rate applicable to received deposits denominated in USD ranges from 2.80 to 3.86% p.a. (from 1.75 to 6.50% p.a. as at 31 December 2017).

#### 17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2018, the Bank recorded a liability to the IMF from the allocation of EUR 413,818 thousand (EUR 404,353 thousand as at 31 December 2017). 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.

#### 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 884,468 thousand (EUR 219,343 thousand as at 31 December 2017). The position bears interest rate at the rate for the main refinancing operations. As at 31 December 2018, 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.

#### 19. Other liabilities

	31 Dec 2018	31 Dec 2017	Change
Off-balance sheet instruments revaluation differences	39,146	11,923	27,223
Accruals and income collected in advance	34,759	16,918	17,841
Sundry	389,330	325,646	63,684
	<u>463,235</u>	<u>354,487</u>	<u>108,748</u>



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### Accruals and income collected in advance

As at 31 December 2018, the bulk of accruals was represented by interest expense from euro-denominated interest rate swaps of EUR 18,578 thousand (EUR 9,969 thousand as at 31 December 2017).

### Sundry

	31 Dec 2018	31 Dec 2017	Change
Euro coins in circulation	189,836	175,605	14,231
SKK banknotes in circulation	71,737	72,650	(913)
Deposits - collaterals to derivatives	50,000	5,900	44,100
SKK coins in circulation	23,185	23,186	(1)
Fair value of interest rate swaps - losses	20,403	14,718	5,685
Other	34,169	33,587	582
	<b>389,330</b>	<b>325,646</b>	<b>63,684</b>

The value of interest rate swaps as at 31 December 2018 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 value of swap transactions on the part of the counterparty. The year-on-year increase in deposits is connected with the decrease of the market value of swap transactions on the part of the counterparty.

### 20. Provisions

	31 Dec 2018	31 Dec 2017	Change
General provisions for financial risks	660,000	630,000	30,000
Provision for losses from monetary policy operations	1,768	756	1,012
Other	13,791	13,093	698
	<b>675,559</b>	<b>643,849</b>	<b>31,710</b>

In accordance with the Bank Board's decision, the general provision for financial risks was increased by EUR 30,000 thousand as at 31 December 2018 due to the changed methodology and an increase in the volume of the Bank's investment reserves (see Note 25 and section B, Note I).

As a result of the impairment test conducted on securities purchased within the corporate sector purchase programme ("CSPP"), the Governing Council has deemed it appropriate to establish a buffer totalling to EUR 161 million against credit risks in monetary policy operations during 2018. In accordance with Article 32 (4) of the Statute, this buffer is funded by all the national central banks of the Eurosystem in proportion to their subscribed capital key shares in the ECB prevailing in 2018. As a result, the NBS established a provision of EUR 1,768 thousand (see part B, paragraph b and Note 28).

The size of the provision for losses on monetary policy operations created in the amount of EUR 756 thousand in 2017 was calculated taking into account the information regarding the sale of the securities from CSPP portfolio in January 2018. Therefore the loss realised in 2018 was fully covered by usage of the provision.

As at 31 December 2018, the Bank's "Other provisions" represented mainly provisions for payables to employees of EUR 9,566 thousand (EUR 8,501 thousand as at 31 December 2017).



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## 21. Revaluation accounts

	31 Dec 2018	31 Dec 2017	Change
Revaluation accounts of gold	508,868	469,055	39,813
Revaluation accounts of securities	18,272	12,799	5,473
Revaluation accounts of derivatives	12,737	8,491	4,246
Revaluation accounts of foreign currency	6,377	10,977	(4,600)
Revaluation accounts of equity shares (BISIP, ETF)	5,768	3,273	2,495
	<u>552,022</u>	<u>504,595</u>	<u>47,427</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.

As at 31 December 2018, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2017). 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 2018, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2017).



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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)	Accumulated (Loss) from Previous Years	Profit/(Loss) for the Current Year	Equity
1. Balance as at 31 Dec 2017	16,041	882	340,874	630,000	504,595	(4,661,980)	127,712	(3,041,876)
2. Transfer of profit for 2017 to accumulated loss from previous years						127,712	(127,712)	
3. Transfer to statutory fund								
4. Transfer to general reserves								
5. Change in the general provision for financial risks				30,000				30,000
6. Change in revaluation accounts of securities					5,473			5,473
7. Change in revaluation accounts of derivatives					4,246			4,246
8. Change in revaluation accounts of gold					39,813			39,813
9. Change in revaluation accounts of foreign currencies					(4,600)			(4,600)
10. Change in revaluation accounts of equity shares in BISIP and ETF funds					2,495			2,495
11. Profit for the current reporting period							172,336	172,336
12. Change for the reporting period				30,000	47,427	127,712	44,624	249,763
13. Balance as at 31 Dec 2018	16,041	882	340,874	660,000	552,022	(4,534,268)	172,336	(2,792,113)

**23. Off-balance sheet instruments**

	31 Dec 2018		31 Dec 2017		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange swaps in EUR	4,328,593	535,703	2,093,482	99,468	2,235,111	436,235
Foreign exchange swaps in USD	365,008	144,555	96,781	106,729	268,227	37,826
Foreign exchange swaps in CNY	0	16,698	0	15,504	0	1,194
Foreign exchange swaps in GBP	167,119	438,487	1,364	12,398	165,756	426,088
Foreign exchange swaps in JPY	0	13,190	0	10,814	0	2,376
Foreign exchange swaps in CZK	0	3,665,837	0	1,958,097	0	1,707,741
Foreign exchange swaps in CHF	0	85,386	0	0	0	85,386
	<b>4,860,720</b>	<b>4,899,855</b>	<b>2,191,626</b>	<b>2,203,010</b>	<b>2,669,094</b>	<b>2,696,845</b>

	31 Dec 2018		31 Dec 2017		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange forwards in EUR	2,266	0	0	0	2,266	0
Foreign exchange forwards in CNY	0	2,277	0	0	0	2,277
	<b>2,266</b>	<b>2,277</b>	<b>0</b>	<b>0</b>	<b>2,266</b>	<b>2,277</b>

	31 Dec 2018		31 Dec 2017		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in EUR	0	296,600		50,000	0	246,600
Interest rate futures in GBP	60,367	348,787	169,066	312,208	(108,699)	36,579
Interest rate futures in USD	0	17,467		10,006	0	7,461
Interest rate futures in CHF	0	63,005		0	0	63,005
	<b>60,367</b>	<b>725,858</b>	<b>169,066</b>	<b>372,213</b>	<b>(108,699)</b>	<b>353,645</b>



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## 24. Net interest income

	31 Dec 2018	31 Dec 2017	Change
<b>Investments in EUR:</b>	<b>90,661</b>	<b>23,179</b>	<b>67,482</b>
net income from current accounts and term deposits	92,610	12,716	79,894
net income from securities	2,533	9,989	(7,456)
net expense from derivatives	(13,784)	(10,579)	(3,205)
net income from repo transactions	9,214	10,952	(1,738)
other	88	101	(13)
<b>Investments in foreign currency:</b>	<b>21,888</b>	<b>8,380</b>	<b>13,508</b>
net income from securities	56,160	26,582	29,578
net income/(expense) from derivatives	5,377	2,236	3,141
net expense from current accounts and term deposits	(4,725)	(3,220)	(1,505)
net expense from repo transactions	(36,847)	(18,026)	(18,821)
compensation from MF SR	1,923	808	1,115
<b>Monetary policy operations:</b>	<b>93,630</b>	<b>79,355</b>	<b>14,275</b>
net income from securities	93,739	79,349	14,390
net expense from deposits and loans	(4,134)	(3,729)	(405)
net income from MRS	4,025	3,735	290
	<b>206,179</b>	<b>110,914</b>	<b>95,265</b>

The increase in "Net income from current accounts and term deposits" denominated in EUR is mainly related to remuneration of clients' term accounts (see Note 14).

The increase in net interest income from securities denominated in foreign currency is due to purchases of securities (see Notes 2 and 3).

The increase in net interest income from monetary policy operations is due to purchases of securities held for monetary policy purposes (see Note 7).

As at 31 December 2018, the Bank records no interest on remuneration of the claim from the transfer of foreign reserves, remuneration of euro-banknotes and TARGET2 remuneration due to an interest rate of 0% p.a. (see Notes 8 and 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 2018:



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	Balance Sheet Item	31 Dec 2018	31 Dec 2017	Change
<b>Investments in EUR</b>				
<b>Gross interest income, of which:</b>		<b>98,084</b>	<b>18,865</b>	<b>79,219</b>
Current accounts and term deposits	L6	93,925	13,936	79,989
Repo transactions	L3, L6	4,159	4,929	(770)
<b>Gross interest expense, of which:</b>		<b>(41)</b>	<b>(13)</b>	<b>(28)</b>
Current accounts	A6	(41)	(13)	(28)
<b>Investments in foreign currency:</b>				
<b>Gross interest expense, of which:</b>		<b>(13)</b>	<b>(58)</b>	<b>45</b>
Current accounts	A2, A3	(13)	(58)	45
<b>Monetary policy operations</b>				
<b>Gross interest income, of which:</b>		<b>4,211</b>	<b>3,928</b>	<b>283</b>
MRS	L2	4,025	3,735	290
Deposit facility	L2	186	193	(7)
<b>Gross interest expense, of which:</b>		<b>(4,321)</b>	<b>(3,940)</b>	<b>(381)</b>
Longer-term refinancing operations	A5	(4,321)	(3,940)	(381)

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

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

	31 Dec 2018	31 Dec 2017	Change
<b>Realised gains from financial operations</b>	<b>16,328</b>	<b>32,513</b>	<b>(16,185)</b>
Net gains from interest rate swaps	11,577	12,851	(1,274)
Net gains from sale of securities	2,828	18,720	(15,892)
Net foreign exchange gains	1,959	942	1,017
Net loss from equity shares upon a company's liquidation	(36)	0	(36)
<b>Write-downs on financial assets and positions</b>	<b>(38,314)</b>	<b>(12,611)</b>	<b>(25,703)</b>
Losses from securities revaluation	(18,939)	(4,460)	(14,479)
Losses from interest rate swaps revaluation	(16,927)	(1,158)	(15,769)
Losses from foreign currency revaluation	(2,448)	(6,993)	4,545
<b>Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks</b>	<b>(30,000)</b>	<b>0</b>	<b>(30,000)</b>
General provision for financial risks	(30,000)	0	(30,000)
	<b>(51,986)</b>	<b>19,902</b>	<b>(71,888)</b>



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

	31 Dec 2018	31 Dec 2017	Change
<b>Fees and commissions from investment operations:</b>	<b>85</b>	<b>117</b>	<b>(32)</b>
Net profit from operations with clients	215	216	(1)
Net profit from operations with securities	9	10	(1)
Net loss from operations with banks	(88)	(71)	(17)
Net loss from interest rate futures	(24)	(5)	(19)
Other	(27)	(33)	6
<b>Fees and commissions from monetary policy operations:</b>	<b>1,489</b>	<b>963</b>	<b>526</b>
Net profit from operations with securities	2,065	1,527	538
Net loss from operations with banks	(576)	(564)	(12)
<b>Net profit from exchange of euro coins</b>	<b>67</b>	<b>70</b>	<b>(3)</b>
	<b>1,641</b>	<b>1,150</b>	<b>491</b>

## 27. Income from equity shares and participating interests

	31 Dec 2018	31 Dec 2017	Change
Interim distribution of the ECB's profit of the current year	13,074	10,840	2,234
Share in the ECB's profit of the previous year	3,150	2,490	660
Dividends from BIS shares	812	1,051	(239)
Dividends from ETF funds	567	0	567
	<b>17,603</b>	<b>14,381</b>	<b>3,222</b>

## 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 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 on the paid-up capital of the ECB after the end of each financial year (1.0974%).

Monetary income pooled by the NBS for 2018 into the common pool of monetary income of the Eurosystem amounted to EUR 37,154 thousand. The monetary income equivalent to the 1.0974% share of the NBS amounted to EUR 133,959 thousand. The difference of EUR 96,805 thousand (EUR 78,928 thousand as at 31 December 2017) represents the net result of the pooling of monetary income. NBS income increased by EUR 3,865 thousand as a result of a revision of the Eurosystem monetary income for 2016 and 2017 (income decreased by EUR 33 thousand as at 31 December 2017 as a result of a revision for 2016).

This item also contains the Bank's share in the provision against losses in monetary policy operations of EUR 1,768 thousand which was established in relation to securities held in the CSPP portfolio, as well as the dissolving of the provision established in 2017 against losses in monetary policy operations (EUR 756 thousand as at 31 December 2017) due to the sale of bonds in January 2018 (see Note 20).





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## 29. Other income and other expenses

As at 31 December 2018, the most significant portion of the Bank's "Other income" was represented by income from fees and contributions from financial market entities of EUR 9,554 thousand (EUR 8,186 thousand as at 31 December 2017), earned fees from participation in settlement systems of EUR 3,109 thousand (EUR 3,011 thousand as at 31 December 2017), and income from sale of commemorative and collector coins of EUR 1,715 thousand (EUR 1,473 thousand as at 31 December 2017).

As at 31 December 2018, the Bank's "Other expenses" mainly represented costs of the minting of general circulation and collector coins, including costs of related services, of EUR 3,033 thousand (EUR 4,359 thousand as at 31 December 2017).

## 30. Staff costs

	31 Dec 2018	31 Dec 2017	Change
Wages and salaries	(31,293)	(29,678)	1,615
Social security costs	(11,346)	(10,875)	471
Other employee costs	(4,817)	(5,020)	(203)
	<u>(47,456)</u>	<u>(45,573)</u>	<u>1,883</u>

As at 31 December 2018, the average FTE number of employees was 1,097 (1,094 as at 31 December 2017), of who 104 were managers (104 as at 31 December 2017).

Wages and employee benefits of the members of the Bank Board for 2018 amounted to EUR 633 thousand (EUR 617 thousand in 2017). As at 31 December 2018 and 2017, 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".

## 31. Administrative expenses

As at 31 December 2018, this item mainly included costs for technical support and IS maintenance, repairs and maintenance, energy consumption and telecommunications costs totalling EUR 10,373 thousand (EUR 9,707 thousand as at 31 December 2017).

Costs for audit and verification of the financial statements by the auditor amounted to EUR 89 thousand as at 31 December 2018 (EUR 86 thousand as at 31 December 2017). As at 31 December 2018, 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 2018	31 Dec 2017	Change
Depreciation of tangible fixed assets	(6,822)	(6,713)	109
Depreciation of intangible fixed assets	(2,200)	(2,045)	155
	<u>(9,022)</u>	<u>(8,758)</u>	<u>264</u>



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### **33. Banknote production services**

As at 31 December 2018, the costs of printing euro banknotes were EUR 4,911 thousand (EUR 93 thousand as at 31 December 2017).

### **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 2018, the NBS paid a withholding tax of EUR 28,884 thousand (EUR 28,460 thousand at 31 December 2017). The increase by EUR 424 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 2018 was a profit of EUR 172,336 thousand (profit of EUR 127,712 thousand as at 31 December 2017). 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 20 February 2019, the Governing Council of the ECB decided to distribute the ECB's net profit for 2018 to individual central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 4,215 thousand from the profit distribution is recognised in the 2019 reporting period.

In accordance with Article 29 (3) of the Statute the weightings assigned to national central banks of the ESCB shall be adjusted every five years. The most recent such adjustment took place on 1 January 2019, when the NBS capital key was adjusted to 0.8004% (0.7725% until 31 December 2018), the NBS Eurosystem key to 1.1497% (1.097% until 31 December 2018) and the NBS banknote allocation key to 1.0575% (1.0095% until 31 December 2018).

As a result of the anticipated exit of the United Kingdom of Great Britain and Northern Ireland from the European Union in 2019 and the subsequent withdrawal of the Bank of England from the ESCB, the readjustment of the shares of the ESCB's national central banks in the ECB's share capital is expected in 2019.

No significant events occurred subsequent to 31 December 2018 that would require any further adjustments to the 2018 financial statements.

Bratislava, 5 March 2019

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Governor

Ing. Miroslav Uhrin  
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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:

1. We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2018 presented on pages 70 - 99 of the accompanying annual report of the Bank. We issued an Independent Auditor's Report on the Audit of Financial Statements dated 5 March 2019 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 2018, 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 2018, 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.

##### 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.

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

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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.

## 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 2018 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, 30 April 2019

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

On behalf of  
Deloitte Audit s.r.o.  
Licence SKAu No. 014

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