



NÁRODNÁ BANKA SLOVENSKA  
EUROSYSTEM

CHAPTER 14

FINANCIAL  
STATEMENTS  
OF NÁRODNÁ BANKA  
SLOVENSKA  
FOR THE YEAR ENDED  
31 DECEMBER 2008





**PricewaterhouseCoopers  
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## INDEPENDENT AUDITOR'S REPORT

To the Bank Board of Národná banka Slovenska.:

We have audited the accompanying financial statements of Národná banka Slovenska, which comprise the balance sheet as at 31 December 2008, the income statement and the statement of changes in equity for the year then ended, and the notes.

### Responsibility of the Bank Board for the Financial Statements

The Bank Board of Národná banka Slovenska is responsible for the preparation and fair presentation of these financial statements in accordance with Slovak Accounting Act and European Central Bank rules ("ECB rules"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The company's ID (IČO) No. 35739347.  
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.  
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.  
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.  
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.



## PRICEWATERHOUSECOOPERS

### Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Národná banka Slovenska as of 31 December 2008, and its financial performance for the year then ended in accordance with Slovak Accounting Act and ECB rules.

*PricewaterhouseCoopers Slovensko s.r.o.*

PricewaterhouseCoopers Slovensko, s.r.o.  
SKAU licence No.: 161



*Mária Frühwaldová*

Mária Frühwaldová  
SKAU licence No.: 047

17 March 2009

### Translation note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

(2)

NÁRODNÁ BANKA SLOVENSKA  
Financial statements as at 31 December 2008 – Balance sheet  
(in millions of SKK)The Ministry of Finance of the Slovak Republic  
Decree No. MF/8338/2005-74**BALANCE SHEET**  
of Národná banka Slovenska  
in millions of SKK

<b>Assets</b>		<b>Notes</b>	<b>At 31.12.2008</b>	<b>At 31.12.2007</b>
1.	Gold	1	20,826	21,538
2.	Debt securities denominated in foreign currency	2	387,815	387,289
3.	Derivatives	3	1,490	318
4.	Receivables from banks and central banks	4	7,890	33,844
4.1	Current accounts, deposits and loans denominated in foreign currency		5,769	31,102
4.2	loans related to monetary policy operations in SKK			
4.3	Receivables not related to monetary policy operations in SKK		2,121	2,742
5.	Receivables from the International Monetary Fund	5	12,602	13,454
6.	Receivables from clients	6	307	316
7.	Equity shares in subsidiaries and affiliates and other shares and participating interests	7	386	413
8.	Non-current assets	8	5,414	5,712
8.1	depreciable		5,022	5,318
8.2	non-depreciable		392	394
9.	Other assets	9	384	242
<b>TOTAL ASSETS</b>			<b>437,114</b>	<b>463,126</b>



FINANCIAL STATEMENTS OF NBS FOR THE YEAR

NÁRODNÁ BANKA SLOVENSKA  
Financial statements as at 31 December 2008 – Balance sheet  
(in millions of SKK)

<b>Liabilities</b>	<b>Notes</b>	<b>As at 31.12.2008</b>	<b>As at 31.12.2007</b>
1. Currency in circulation	10	77,714	155,154
2. Liabilities to banks and central banks	11	454,365	332,547
2.1. Current accounts denominated in SKK		14,069	2,536
2.2. Overnight deposits, loans and deposits denominated in SKK and minimum reserves		430,254	325,590
2.3. Current accounts, deposits and loans denominated in foreign currency		10,042	4,421
3. Liabilities from debt securities	12	30,178	67,712
3.1. Denominated in SKK		30,178	67,712
3.2. Denominated in foreign currency			
4. Derivatives	3	3,050	2,442
5. Liabilities to the International Monetary Fund	5	11,545	13,311
6. Liabilities to other international financial institutions	13	848	772
7. Liabilities to clients	14	1,887	1,163
8. Provisions and other liabilities	15	351	276
9. Statutory fund	16	483	483
10. Funds from profit appropriations and capital funds	16	10,312	10,312
11. Valuation differences from revaluation of	16	25,186	20,783
11.1. Gold		18,488	19,208
11.2. Derivatives		940	190
11.3. Securities		5,737	1,385
11.4. Foreign currencies		21	-
12. Retained earnings/ (accumulated deficit) from previous years	16	(141,829)	(122,365)
13. Profit / (loss) for the current accounting period	16	(36,976)	(19,464)
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>437,114</b>	<b>463,126</b>

Translation of the financial statements originally issued in the Slovak language.

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NÁRODNÁ BANKA SLOVENSKA  
Financial statements as at 31 December 2008 – Income statement  
(in millions of SKK)The Ministry of Finance of the Slovak Republic  
Decree No. MF/8338/2005-74**INCOME STATEMENT**  
**of Národná banka Slovenska**  
in millions of SKK

	Notes	As at 31.12.2008	As at 31.12.2007
1. Interest and similar income		15,872	16,943
1.1. on SKK - denominated loans related to monetary policy operations		4	24
1.2. on SKK - denominated receivables not related to monetary policy operations		65	92
1.3. on receivables and securities denominated in foreign currency		15,803	16,827
a. Interest and similar expense		(16,216)	(15,947)
a.1. on SKK - denominated liabilities related to monetary policy operations and from securities		(16,006)	(15,585)
a.2. on SKK - denominated liabilities not related to monetary policy operations		(72)	(65)
a.3. on liabilities and securities denominated in foreign currency		(138)	(297)
<b>I. Net interest income</b>	<b>17</b>	<b>(344)</b>	<b>996</b>
2. Fees and commission income		334	237
b. Fees and commission expense		(23)	(16)
<b>II. Fee and commission income</b>	<b>18</b>	<b>311</b>	<b>221</b>
3./c. Net gains / (losses) from operations in, and derivatives involving, securities denominated in foreign currency	19	2,632	(296)
4./d. Net gains / (losses) from operations in, and derivatives involving, foreign exchange and gold	20	(36,232)	(18,529)
5. Revenues from dividends and other profit distributions		24	28
6. Revenues from currency in circulation		36	5
e. Expenses on currency in circulation		(1,571)	(129)
<b>III. Net profit / (loss) from currency in circulation</b>		<b>(1,535)</b>	<b>(124)</b>
7. Income from reversal of provisions and written-off receivables and securities			
f. Expenses on provisioning and the write-off of receivables and securities			
8. Other operating income		305	125
g. Other operating expenses	21	(2,137)	(1,885)
g.1. Staff costs		(894)	(867)
g.2. Depreciation of tangible and intangible fixed assets		(431)	(481)
g.3. Other operating costs		(812)	(537)
<b>A. Profit / (loss) before appropriations</b>		<b>(36,976)</b>	<b>(19,464)</b>
h. Profit appropriations			
<b>B. Profit / (loss) after appropriations</b>		<b>(36,976)</b>	<b>(19,464)</b>



NÁRODNÁ BANKA SLOVENSKA  
Financial statements as at 31 December 2008 – Statement of changes in equity  
(in millions of SKK)

The Ministry of Finance of the Slovak Republic  
Decree No. MF/8338/2005-74

**STATEMENT OF CHANGES IN EQUITY**  
**of Národná banka Slovenska**  
in millions of SKK

	Statutory fund	Capital fund	Reserve fund	Revaluati on funds	Accumulated deficit	Equity
<b>1. Balance as at 31 December 2007</b>	<b>483</b>	<b>43</b>	<b>10,269</b>	<b>20,783</b>	<b>(141,829)</b>	<b>(110,251)</b>
Settlement of loss from previous 2. accounting periods	-	-	-	-	-	-
3. Appropriation to statutory fund	-	-	-	-	-	-
4. Appropriation to accumulated deficit	-	-	-	-	-	-
5. Appropriation to reserve funds	-	-	-	-	-	-
6. Revaluation of securities	-	-	-	4,352	-	4,352
7. Revaluation of derivatives	-	-	-	750	-	750
8. Change in gold revaluation fund	-	-	-	(720)	-	(720)
9. Revaluation of foreign currencies	-	-	-	21	-	21
10. (Loss) / profit for the current accounting period	-	-	-	-	(36,976)	(36,976)
11. Profit appropriations	-	-	-	-	-	-
12. Appropriation to social fund	-	-	-	-	-	-
13. Change over the accounting period	-	-	-	4,403	(36,976)	(32,573)
<b>14. Balance as at 31 December 2008</b>	<b>483</b>	<b>43</b>	<b>10,269</b>	<b>25,186</b>	<b>(178,805)</b>	<b>(142,824)</b>

*Translation of the financial statements originally issued in the Slovak language.*

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NÁRODNÁ BANKA SLOVENSKA  
Financial statements as at 31 December 2008 – Statement of changes in equity  
(in millions of SKK)

### STATEMENT OF CHANGES IN EQUITY of Národná banka Slovenska

in millions of SKK

	Statutory fund	Capital fund	Reserve fund	Revaluation funds	Accumulated deficit	Equity
<b>1. Balance as at 31 December 2006</b>	<b>483</b>	<b>43</b>	<b>10,269</b>	<b>16,931</b>	<b>(122,365)</b>	<b>(94,639)</b>
Settlement of loss accounting periods	-	-	-	-	-	-
2. from previous	-	-	-	-	-	-
3. Appropriation to statutory fund	-	-	-	-	-	-
4. Appropriation to accumulated deficit	-	-	-	-	-	-
5. Appropriation to reserve funds	-	-	-	-	-	-
6. Revaluation of securities	-	-	-	1,328	-	1,328
7. Revaluation of derivatives	-	-	-	(227)	-	(227)
8. Change in gold revaluation fund	-	-	-	2,751	-	2,751
9. Revaluation of foreign currencies (Loss) / profit for the current	-	-	-	-	-	-
10. accounting period	-	-	-	-	(19,464)	(19,464)
11. Profit appropriations	-	-	-	-	-	-
12. Appropriation to social fund	-	-	-	-	-	-
13. Change over the accounting period	-	-	-	3,852	(19,464)	(15,612)
<b>14. Balance as at 31 December 2007</b>	<b>483</b>	<b>43</b>	<b>10,269</b>	<b>20,783</b>	<b>(141,829)</b>	<b>(110,251)</b>





NÁRODNÁ BANKA SLOVENSKA  
The notes to the financial statements at 31 December 2008  
(in SKK millions)

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## NOTES

**to the financial statements for the year ended 31 December 2008**

**Bratislava, 17 March 2009**

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These Notes are an integral part of the financial statements of Národná banka Slovenska.  
*Translation of the financial statements originally issued in the Slovak language.*

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#### A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska (The National Bank of Slovakia – ‘the NBS’ or ‘the Bank’) is the independent central bank of the Slovak Republic. The NBS was established in accordance with Act N° 566/1992 Coll. on the National Bank of Slovakia as amended (‘the NBS Act’). It commenced its activities on 1 January 1993 as the bank issuing the currency of the Slovak Republic. The NBS is a legal entity (Corporate ID: 30 844 789) seated at Imricha Karvaša 1, Bratislava. In respect of its own assets, the NBS acts as a business entity. The NBS has its head office in Bratislava, nine branches in the Slovak Republic and special-purpose organizational units.

The Bank’s primary objective is to maintain price stability. Therefore, the NBS:

- determines the monetary policy;
- issues banknotes and coins;
- manages, co-ordinates and ensures money circulation, payment transactions, the clearing of payment transaction data and ensures their smooth clearance and efficiency;
- effects the activities, tasks, rights and obligations resulting from the participation of Národná banka Slovenska in the European System of Central Banks;
- contributes to the stability of the financial system as a whole and to the safe and sound functioning of the financial market in the interest of maintaining credibility of the financial market, protection of clients and respecting of the rules of economic competition; the Bank also supervises the financial market and other financial market activities;
- represents the Slovak Republic in international financial institutions and ensures the fulfillment of tasks resulting from such representations; and
- represents the Slovak Republic in international financial market operations related to the implementation of the monetary policy.

The NBS’s highest executive body is the NBS Bank Board (‘the Bank Board’). The Bank Board has eleven members: the Governor, two Deputy Governors, and eight other members, three of whom may be persons not employed by the NBS. Membership in the Bank Board is limited to a maximum of two consecutive terms of office. The NBS is represented by the Governor.

At 31 December 2008, the Bank Board consisted of the following members:

Name	Term of office in the Bank Board		Current position	Date of appointment
	from	to		
Ing. Ivan Šramko	11 Jan. 2002	1 Jan. 2010	Governor	1 Jan. 2005
Ing. Martin Barto, CSc.	1 Dec. 2004	31 Jan. 2010	Deputy Governor	31 Jan. 2005
Ing. Viliam Ostrožlík, MBA	1 Mar. 2007	11 July 2012	Deputy Governor	11 July 2007
Ing. Peter Ševčovic	1 Oct. 2004	1 Oct. 2009	Member	1 Oct. 2004
Ing. Milena Koreňová	1 Jan. 2005	1 Jan. 2010	Member	1 Jan. 2005
Doc. Ing. Jozef Makúch, PhD.	1 Jan. 2006	1 Jan. 2011	Member	1 Jan. 2006
Mgr. Ľudovít Ódor	1 Jan. 2006	1 Jan. 2011	Member	1 Jan. 2006
Ing. Slavomír Šťastný, PhD., MBA	1 Jan. 2006	1 Jan. 2011	Member	1 Jan. 2006
RNDr. Karol Mrva	10 Jan. 2007	10 Jan. 2012	Member	10 Jan. 2007
Ing. Gabriela Sedláková	1 June 2007	1 June 2012	Member	1 June 2007



NÁRODNÁ BANKA SLOVENSKA  
Notes to the financial statements as at 31 December 2008  
(in SKK millions)

In accordance with the NBS Act, the Bank Board determines the monetary policy, the instruments for its implementation and decides on NBS's monetary transactions. The Bank ensures the implementation of the monetary policy mainly by using the following tools – base interest rate, open market operations (repo tenders, issues of treasury bills, direct purchase or direct sale of state securities and NBS treasury bills, foreign exchange operations), overnight refinancing and overnight money withdrawing operations, minimum reserves requirements, exchange rate regime after the entry of the Slovak Republic into the Exchange Rate Mechanism ERM II from 28 November 2005.

The Bank ensures the administration of foreign exchange reserves primarily by means of financial operations related to securities denominated in foreign currencies, acceptance of loans from foreign entities, purchase of foreign currency from banks and branches of foreign banks, and financial transactions with foreign currencies and gold with the purpose of holding them for the purpose their appreciation.

Main objectives of NBS and functions of Bank Board are changing by accession to the Eurosystem (see Note. H).

All the costs necessary for the Bank's activities are covered from its revenues. According to Article 39 paragraph 4 of the NBS Act, the Bank generates either a profit or a loss over the accounting period. Profit generated by the Bank is allocated to the reserve fund and to other profit reserves, or used to cover losses from previous years. The remaining profit is transferred to the State budget or, based on the Slovak Government's decision, to state financial assets under a separate regulation. The NBS may settle the loss for the current period from the reserve fund or from other reserves; alternatively, the Bank Board may decide to transfer the loss to the next accounting period as accumulated deficit (refer to Note 16).

The Bank submits an annual report on its financial results 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 data and the auditor's opinion on these financial statements, the report specifically states information about the NBS operating costs. Should the National Council of the Slovak Republic request so, the NBS is obliged to amend the report within six weeks to bring it into compliance with the request or, as appropriate, provide explanations to the data stated in the report.

## **B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED**

### **(a) Basic principles of preparation of the financial statements**

The NBS financial statements have been prepared in accordance with Act N<sup>o</sup> 431/2002 Coll. on Accounting as amended ('Accounting Act'). Pursuant to Section 17b of the above Act, the NBS maintains its accounting records in accordance with the Guideline of the European Central Bank of 10 November 2006 on the legal framework for accounting and financial reporting in the European System of Central Banks N<sup>o</sup> ECB/2006/16 ('ECB Guideline').

When accounting for transactions is not regulated by the ECB Guideline, the Bank proceeds in line with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and in line with the interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Commission pursuant to the Directive of the European Parliament and the Council of the European Union. Other cases are subject to the Accounting Act.

When disclosing items of its financial statements, the Bank proceeds in line with the Decree of the Ministry of Finance of the Slovak Republic N<sup>o</sup> MF/8338/2005-74 of 14 December 2005 setting out details on the arrangement, description of items in separate financial statements, contents of these items, and the extent of data from financial statements designated for publishing for the National Bank of Slovakia ('Decree of MF SR').



**(b) Transaction day**

The Bank records an accounting entry on the day when the respective accounting event occurred, i.e. on the day when cash was paid or received; in the case of a direct debit, on the payment day; in the case of securities and gold, on the settlement date; in the case of derivatives and spot transactions, on the trade date; in the case of cash in foreign currency, on the day it was credited according to the deal message received; in the case of property relations, on the day when the property title was acquired or terminated; and in the case of a shortage, deficit or surplus, on the day the difference was identified.

**(c) Methods of foreign currency valuation and settlement of valuation differences**

During the year, assets (including gold and derivatives) and liabilities denominated in foreign currencies are stated using the average currency exchange rate. Differences between the exchange rate announced by the NBS and the average currency exchange rate represent unrealized foreign exchange gains or losses. At the balance sheet date, unrealized foreign exchange gains exceeding unrealized foreign exchange losses are recognized in the Bank's equity on revaluation accounts. Unrealized foreign exchange losses are recognized in the income statement. Foreign exchange losses of one currency cannot be offset against foreign exchange gains of other currencies or gold.

Realized foreign exchange gains and losses from the sale of assets and settlement of liabilities are recognized in the income statement.

The exchange rates of principal foreign currencies used for the valuation of assets and liabilities as at 31 December 2008 were as follows:

Currency	Amount	31 December 2008	31 December 2007
EUR	1	30.126	33.603
USD	1	21.385	22.870
JPY	100	23.652	20.218
XDR	1	33.014	36.068

**(d) Gold**

Gold is stated at the market price of London's commodity market morning fixing of gold in USD/oz. (troy ounce) at the balance sheet date. Gains from gold revaluation to fair value are included in equity, while losses from gold revaluation to fair value have impact on the Bank's financial results. The sale of gold is recorded in the income statement in the amount of difference between the agreed selling price and the gold's book value. At the same time the aliquot part of the valuation differences from revaluation of gold related to the sold gold is posted in the income statement.

Swap transactions with gold are recorded as repurchase transactions with gold, i.e. gold used in these transactions as collateral is part of the balance sheet amount under the caption 'Gold'.

**(e) Debt securities**

Debt securities are initially recognized at acquisition cost. As of the day after the purchase up to and including the security's sale or maturity date the Bank amortizes the premium or the discount on a daily basis (the difference between the security's acquisition cost and nominal value). The amortization of the premium/discount is recognized under interest and similar income in the income statement.

In the financial statements, the Bank recognizes debt securities at fair value. The difference between the security's fair value and the average acquisition cost adjusted for the amortized discount or premium



NÁRODNÁ BANKA SLOVENSKA  
Notes to the financial statements as at 31 December 2008  
(in SKK millions)

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represents a valuation difference. Valuation differences constituting gains are recognized in the Bank's equity. Valuation differences constituting losses are included in the Bank's income statement.

The fair value of debt securities, for which there is an active market and whose market value can be reliably measured, is determined on the basis of the market value on such a market. If the market value is not available, fair value is determined as the sum of future cash flows discounted using market interest rates of the relevant currency, maturity and the risk rating of the security's issuer.

Upon the sale of a security, the difference between the average acquisition cost adjusted for the amortized discount or premium and the sales price represents a realized gain or loss that has an effect on the Bank's income statement.

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

The derivatives include options, interest rate futures and currency swaps.

At the trade date, interest rate futures, options and currency swaps are recorded off-balance sheet in the amount of the underlying instrument. During the year, they are measured individually at fair value on the balance sheet. The positive fair value of options is recognized as an asset and the negative value is recognized as a liability.

During the year, losses and gains from options valuation are recognized in the revaluation accounts in equity and do not affect the profit and loss. At the end of the year, the valuation losses are recognized in the income statement and the valuation gains remain in equity, on revaluation accounts. Options are recognized at fair value that is based on the market value, using the discounted cash flow method and Merton Model.

Options entered into with respect to swap transactions with gold are recorded as derivatives embedded to other financial instruments. Embedded derivatives are treated as separate derivatives and recorded separately from the host financial instrument provided that they are not closely related to the economic characteristics and risks of the host financial instrument.

Changes in fair values of interest rate futures are based on closing prices of the contracts in the relevant markets and are recognized on a daily basis as a realized gain or loss in the income statement.

Currency swap is a combination of a spot and forward transaction. It represents a contract, which is part of the spot buying and selling (the spot portion of trade) and a forward sales and purchases (forward part of transaction) of one currency for another. The difference between the spot and forward value of the transaction is considered as interest expense/ income which is accrued on a daily basis.

Major risks influencing derivatives include the price volatility of gold and changes in interest rates and foreign currency rates.

#### **(g) Receivables**

Receivables are recognized on the balance sheet at their nominal value increased by accumulated interest ("amortized cost"). Receivables are decreased by impairment losses. Creation and release of impairment loss provisions has an impact on the income statement.

Following the prudence principle, the Bank evaluates the risk of receivables, categorizes them and creates impairment loss provisions for them.

Bad debts are written off to expenses based on a court decision, on their irrecoverability and based upon the Bank Board's decision and the release of the related impairment loss provision is credited to expenses.



**(h) Repurchase and reverse repurchase transactions**

Transactions, in which the Bank accepted securities in exchange for cash, along with the commitment to return these securities at a certain date in exchange for the transferred cash amount plus interest (reverse repurchase transaction), are recorded as loans provided. The collateral accepted in a reverse repurchase transaction is recorded at market value on off-balance sheet accounts.

Transactions in which the Bank provided securities or gold in exchange for cash, along with the commitment to accept back these securities or gold at a certain date in exchange for the original cash amount plus interest (repurchase transaction), are recorded as received loans with a transfer of collateral. The collateral provided in a repurchase transaction remains in the balance sheet and in the financial statements it is valued at fair value.

Tri-Party reverse repurchase transactions are transactions with a third party entering the relationship between the NBS and a partner bank. The partner bank is an entity with whom the NBS performs financial transactions relating to the administration of foreign exchange assets.

In addition to repurchase and reverse repurchase transactions performed directly by the Bank, the Bank issued a mandate to perform transactions with securities held by the NBS to selected banks based on contracts for provision of services, the so-called 'Securities Lending'. Reverse repurchase transactions including lending of securities carried out under the program of lending and receiving of securities, are recorded on off-balance sheet accounts. For these transactions, the NBS receives a portion of the income, which is recognized in the income statement.

The Bank's market and credit risks in these transactions are minimized through the specification of products in which the cash received can be invested, as well as the counterparties with whom deals may be performed.

**(i) Receivables from and liabilities to the International Monetary Fund**

Receivables from and liabilities to the International Monetary Fund ('IMF') at 31 December 2008 are stated using the gross method, i.e. receivables and liabilities are not offset.

**(j) Equity shares in subsidiaries and affiliates and other shares and participating interests**

The Bank has a majority ownership interest with a control over RVS, a.s. Bratislava. The equity shares of RVS, a.s. Bratislava are stated at cost.

The Bank has an equity stake in the Bank for International Settlements, Basel, Switzerland ('BIS'). Shares in BIS are stated at cost. The equity interest in BIS is disclosed in the amount of the paid-up share (25%). The unpaid part (75%) is due upon request. Dividends are paid out in EUR from the NBS total share in BIS maintained in XDR.

As part of other participating interests, the Bank accounts for a participation in the European Central Bank ('ECB'). On 1 May 2004, the NBS became a member of the European System of Central Banks ('ESCB'). In accordance with the Statute of the ESCB and ECB, the NBS has paid the initial minimum contribution to the ECB's capital. The amount of the total capital share of individual national central banks depends on the capital key determined on the basis of the following statistical categories: GDP and population. In accordance with the Protocol on the Statute of the ESCB and the ECB, the capital key is adjusted every five years or when new members enter the ESCB. Last time, the capital key was adjusted at 1 January 2007 (see Note 7) and it will be updated at 1 January 2009 (see Note H).





NÁRODNÁ BANKA SLOVENSKA  
Notes to the financial statements as at 31 December 2008  
(in SKK millions)

#### (k) Non-current assets

Non-current assets include tangible assets, the acquisition cost of which is higher than SKK 30,000 and whose term of operational and technical capabilities exceeds one year, and intangible assets, the acquisition cost of which is higher than SKK 50,000 and whose term of operational and technical capabilities exceeds one year. On the balance sheet, they are stated at acquisition cost, including the costs related to their acquisition. The carrying value of depreciated non-current assets is shown net of accumulated depreciation. For depreciation purpose, the Bank uses a depreciation plan that specifies depreciation periods for individual types of assets. The depreciation period is based on the determined period of use that takes into account factor such as expected use, physical wear and tear and technical obsolescence. Land, works of art, collections and tangible and intangible fixed assets under construction are not subject to depreciation.

The NBS's tangible and intangible fixed assets were classified into individual depreciation groups as follows:

Depreciation group	Depreciation period in years
1. Buildings and halls	30
2. Engineering structures	4 - 12 <sup>1)</sup>
3. Machines and equipment	20
4. Transportation means	4 - 12
5. Inventory	4 - 6
6. Software	4 - 12
7. Other non-current intangible assets	2 - 4
	2 - 4
8. Non current investment property	by contract
9. Technical improvement of intangible cultural landmarks	30
	30

<sup>1)</sup> components of assets

#### (l) Non-current assets held for sale

Non-current assets held for sale comprise buildings and land, which are classified for sale in their present condition and their sale is considered to be highly probable.

Assets classified as non-current assets held for sale are included in 'Other assets' at the lower of acquisition cost less accumulated depreciation and impairment losses and fair value less costs to sell.

#### (m) Currency in circulation

NBS administers the issue of banknotes and coins and their withdrawal from circulation. Currency in circulation represents the Bank's liability arising from issued banknotes and coins. The liability is decreased by the banknotes and coins in the NBS's cash desk. The liability due to currency in circulation is stated at the nominal value.

#### (n) Liabilities arising from debt securities

The Bank issues short-term securities falling due within one year (NBS bills). The issues are made for the purpose of sale to commercial banks in primary markets and to create a sufficient stock of securities for the performance of money withdrawing repurchase transactions. Money withdrawing repurchase transactions relate to the implementation of monetary policy in open market operations.

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From the settlement date of the issue to the due date, the value of issued and sold NBS bills is gradually increased by the accrued interest (the so-called amortized cost). On the balance sheet, issued NBS bills are shown netted off by any bills repurchased to the NBS portfolio, including the accrued interest.

**(o) Provisions**

The Bank recognizes provisions if it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**(p) Interest income and interest expense**

Interest income and interest expense are recognized in the income statement based on the accrued amount using the straight-line method. The effective interest method ('IRR') is applied to interest income which is accrued from discounted securities with the residual maturity exceeding 1 year at the time of their acquisition.

The interest includes amortized discounts or premiums from purchased and issued securities.

**(q) Cost of employee benefits**

The NBS pays regular contributions on behalf of its employees to health insurance agencies for health insurance and to the Social Insurance Agency for sickness, retirement, accident, guarantee, and unemployment insurance, and a contribution to the Guarantee Fund. Contributions are paid in the amounts required by law in the respective year. The Bank also pays a contribution for not employing the obligatory percentage of persons with disability, as set out in the Employment Act.

In co-operation with agencies offering supplementary retirement insurance, the NBS has created an additional pension scheme for its employees.

**(r) Taxation**

The NBS is liable to corporate income tax. In accordance with Article 12 of Act N<sup>o</sup> 595/2003 Coll. on Income Taxes as amended ('Income Taxes Act') only those revenues are taxed which are subject to the withholding tax.

The NBS is registered as a VAT payer.

**C. RELATED PARTY TRANSACTIONS**

According to the Decree of MF SR, parties related to Národná banka Slovenska are mainly the members of the Bank Board. In 2008, their remuneration and other employee benefits amounted to SKK 38 million (SKK 36 million for 2007).

The Bank recognizes receivables from the Bank Board members for loans provided in the total amount of SKK 10 million at 31 December 2008 (SKK 11 million at 31 December 2007).



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## D. NOTES TO BALANCE SHEET ITEMS AND INCOME STATEMENT

### 1. Gold

The gold consists of the following items:

	2008	2007
Bullion in standard form	20,799	21,510
Gold in other form	27	28
	<u>20,826</u>	<u>21,538</u>

At 31 December 2008, 'Gold' comprised a total of 1,126 thousand ounces of gold (1,126 thousand ounces of gold at 31 December 2007), of which 372 thousand ounces were deposited in correspondent banks, 752 thousand ounces were used in repurchase transactions, and 2 thousand ounces were held by the Bank.

The market value of gold at 31 December 2008 was USD 865.00 /oz. (USD 836.50 /oz. at 31 December 2007). Despite the growth in the market price of gold, the strengthening of the SKK/USD exchange rate (see Note E) had a negative effect on the amount reported under 'Gold' at fair value and under 'Valuation differences from revaluation of gold'. At 31 December 2008, the balance on Gold revaluation funds was SKK 18,488 million (SKK 19,208 million at 31 December 2007).

The value of gold provided as collateral in gold repurchase transactions at 31 December 2008 (see Note 11) amounted to SKK 13,905 million (SKK 7,656 million at 31 December 2007).

From the beginning of the year through to 31 December 2008, the Bank sold 1 ounce of gold in the form of gold coins (251 ounces of gold in 2007).

### 2. Debt securities

As at 31 December 2008, the Bank's portfolio of securities comprised the following items (at fair value):

	2008	2007
State zero-coupon bonds	7,492	123,098
State coupon bonds	179,054	76,689
Coupons	3,468	1,650
<b>Securities of state bodies - total</b>	<u>190,014</u>	<u>201,437</u>
Other zero-coupon bonds	5,363	20,074
Other coupon bonds	188,756	162,822
Coupons	3,682	2,956
<b>Securities of other entities - total</b>	<u>197,801</u>	<u>185,852</u>
<b>Total securities</b>	<u>387,815</u>	<u>387,289</u>

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According to the issuer of securities the sector breakdown of the Bank's portfolio of securities is as follows:

	2008	2007
Public sector	190,014	201,437
Financial institutions	190,022	159,905
Financial services organizations	6,384	23,775
Non-financial institutions	1,395	2,172
<b>Total securities</b>	<b>387,815</b>	<b>387,289</b>

According to the issuer of securities, at 31 December 2008 the Bank registered securities from EMU countries in the amount of SKK 340,670 million (SKK 300,473 million at 31 December 2007) and securities from other countries, including international institutions, in the amount of SKK 47,145 million (SKK 86,816 million at 31 December 2007). The Bank trades with securities on foreign financial markets, mainly in New York, London, Basel, and in the euro area countries. These trades mostly involve transactions outside the stock exchanges.

### 3. Derivatives

The fair value of derivatives is as follows:

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Put options purchased	1,008	-	271	-
Call options sold	-	3,049	-	2,442
Interest rate futures	482	-	47	-
Currency swaps	-	1	-	-
	<b>1,490</b>	<b>3,050</b>	<b>318</b>	<b>2,442</b>

The Bank concluded four long-term repurchase transactions in gold ('gold repos') in 2005 and 2006. To eliminate the risk of a decrease in the market value of gold, the Bank purchased four European put options and sold four European call options for the same amount of gold. Option premiums for the purchased and sold options were not paid, but were incorporated in the rate of interest (lower than the market rate) for the long-term loan accepted by the Bank. The options are embedded derivatives which meet the criteria of separating the derivative from the host financial instrument. Therefore, the options were separated from the accepted loan and are recorded separately.

The difference between the market value of purchased put options and sold call options in closing the transaction had an effect on the amount of the accepted loan. Using the IRR method, it is accrued into expenses on a daily basis.

Since 2006, within the management of foreign currency assets, the Bank performs transactions with foreign currency interest rate futures. At 31 December 2008, the Bank recorded futures contracts entered into with respect to debt securities. Initial margins are provided in the form of cash. All contracts are measured at fair value on a daily basis and changes in the fair value are recognized in the income statement.

At 31 December 2008 the Bank recorded currency swaps in foreign currency. The difference between spot and forward value of the transaction is considered as interest expense or income. Foreign currency position on currency swaps is affected by amounts of currency recognized for accruals of interest expense and interest income in foreign currency.



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#### 4. Receivables from banks and central banks

##### Current accounts, deposits and loans in foreign currency

	2008	2007
Receivables from banks in the European System of Central Banks	21	387
Receivables from banks abroad in foreign currency	2,992	730
Deposits	2,756	4,326
Loans granted to commercial banks for the support of business in foreign currency	-	13
Loans granted through repurchase transactions in foreign currency	-	25,646
	<u>5,769</u>	<u>31,102</u>

##### Receivables in SKK related to monetary policy operations

Loans related to the execution of monetary policy include receivables from loans from repurchase transactions with domestic banks.

##### Receivables in SKK not related to monetary policy operations

	2008	2007
Loans granted to domestic banks for the support of business activities by JBIC (Japan Bank for International Cooperation) and EIB in SKK	84	230
Redistribution loans	2,006	2,491
Other	31	21
	<u>2,121</u>	<u>2,742</u>

The aim of loans accepted from foreign banks (JBIC and EIB) is to support small and medium-sized enterprises and specific industries of the Slovak economy.

A preferential redistribution loan was provided for a complex construction of apartment buildings. The redistribution loan interest rate was 1.00% at 31 December 2008 to (2.75% at 31 December 2007).

At 31 December 2008, the NBS recorded a state guarantee accepted for the redistribution loan provided in the amount of SKK 2,206 million (SKK 3,193 million at 31 December 2007). The state guarantee is provided for the amount of principal, plus interest to maturity of the loan.



## 5. Receivables from and liabilities to the International Monetary Fund

	2008		2007	
	XDR equivalent	SKK	XDR equivalent	SKK
Membership quota in the IMF	357	12,568	357	13,419
XDR holdings	1	34	1	35
<b>Investments and receivables in foreign currency</b>	<b>358</b>	<b>12,602</b>	<b>358</b>	<b>13,454</b>
Account No. 1, 2	2	53	15	555
Securities	325	11,492	340	12,756
<b>Liabilities to non-residents in domestic currency</b>	<b>327</b>	<b>11,545</b>	<b>355</b>	<b>13,311</b>

The membership quota of the Slovak Republic in the IMF is allocated in special drawing rights (XDR) and is expressed in Slovak crowns using the exchange rate set by the IMF. The Bank thus records a receivable of XDR 358 million which is SKK 12,602 million (SKK 13,454 million at 31 December 2007). Part of the membership quota is a receivable from the loans granted within the Financial Transactions Plan which based on the IMF call was provided by the Slovak Republic in the amount of XDR 31 million, i.e. SKK 1,023 million at 31 December 2008 (XDR 3 million, SKK 114 million as at 31 December 2007).

The Bank records a liability of the Government of the Slovak Republic to the IMF of SKK 11,545 million (SKK 13,311 million as at 31 December 2007), representing mainly a non-transferable and non-interest-bearing promissory note payable on demand in the amount of SKK 11,492 million (12,756 million at 31 December 2007).

## 6. Receivables from clients

At 31 December 2008, the NBS recorded receivables from clients of SKK 307 million (SKK 316 million as at 31 December 2007). The major part of the receivables from clients consists of consumer and investment loans provided to employees totaling SKK 302 million (SKK 302 million at 31 December 2007) and debit balances on current accounts of employees totaling SKK 4 million (SKK 9 million at 31 December 2007).

## 7. Equity shares in subsidiaries and affiliates and other shares and participating interests

### Equity shares in subsidiaries

The Bank holds shares in RVS, a.s. Bratislava, a company involved in relaxation and educational activities. At 31 December 2008, similarly to 31 December 2007, the Bank held 1,080 certified shares in the amount of SKK 108 million. This volume represented a 52.33% share in the company's share capital, which is by 0.75% more than it was at 31 December 2007. This increase resulted from reduction of the share capital by 30 pieces of own shares based on the approved resolution of the 18<sup>th</sup> extraordinary General Meeting of RVS in December 2007.

Even though the Bank is the majority shareholder in RVS, a.s. Bratislava, it does not prepare consolidated financial statements according to Section 22 of the Accounting Act.



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### Other participating interests

The Bank holds ownership interests in BIS. At 31 December 2008, the Bank held 2,858 shares of BIS valued at SKK 549 million (SKK 599 million At 31 December 2007), which represented a 0.52% share in the BIS share capital. The share in BIS is disclosed on the balance sheet in the amount of the 25% paid-up share, i.e. at SKK 195 million (SKK 213 million at 31 December 2007). The liability from the unpaid share at 75% of the nominal value of each share amounts to SKK 354 million (SKK 386 million at 31 December 2007). The unpaid part of the share is due upon request. In July 2008, the NBS received dividends from BIS shares in the amount of SKK 24 million (SKK 28 million in 2007).

At 31 December 2008, the amount of paid-up initial contribution of the Bank to ECB's subscribed capital was SKK 82 million (SKK 92 million at 31 December 2007), which represents 7% of the NBS total share in the ECB's subscribed capital. From 1 January 2007 the Bank's share in ECB's capital is determined at 0.6765%, which is EUR 39 million (see Note H)

At 31 December 2008 the Bank recorded a base capital contribution in of SKK 1 million in Inštitút bankového vzdelávania NBS, n.o. (Institute of Banking Education of NBS, n. o. Bratislava). The company was established by NBS in October 2008.

### 8. Non-current assets

For the year ended as at 31 December 2008 movements in non-current tangible and intangible assets were as follows:

	Land	Other non-depreciable tangible assets	Buildings and constructions	Technological equipment and machines	Other depreciable tangible assets	Software and other intangible assets	Advances on tangible and intangible assets	Total
<b>Acquisition cost as at 31 December 2007</b>	232	56	6,457	1,374	249	569	144	9,081
Additions			35	76	-	30	142	283
Disposals	2	-	10	77	14	8	142	253
<b>Acquisition cost as at 31 December 2008</b>	230	56	6,482	1,373	235	591	144	9,111
<b>Acc. depreciation as at 31 December 2007</b>			1,614	1,216	222	279	38	3,369
Additions			220	91	20	100	-	431
Disposals			4	78	14	7	-	103
<b>Acc. depreciation and provisions as at 31 December 2008</b>			1,830	1,229	228	372	38	3,697
<b>Net Book value of tangible and intangible assets as at 31 December 2007</b>	232	56	4,843	158	27	290	106	5,712
<b>Net Book value of tangible and intangible assets as at 31 December 2008</b>	230	56	4,652	144	7	219	106	5,414

At 31 December 2008, the Bank recognized a valuation allowance for advances paid in the amount of SKK 38 million (SKK 38 million at 31 December 2007).



## 9. Other assets

	2008	2007
Trade receivables	338	46
Cash in foreign currency	14	15
Assets held for sale	7	156
Other	25	25
	<u>384</u>	<u>242</u>

Substantial part of Trade receivables includes the start-up euro coin packets sold to Slovenská pošta, a.s. in accordance with a SKK 200 million contract and an advance payment for the purchase of material, paid to Mincovňa Kremnica in accordance with a Contract on minting and supply of euro coins made of ordinary metal at SKK 98 million.

At 31 December 2008, the Bank recognized valuation allowances for receivables from fines due from financial market entities in the amount of SKK 20 million (SKK 20 million at 31 December 2007), valuation allowances for receivables from contributions of financial market entities in the amount of SKK 1 million (SKK 2 million at 31 December 2007) and valuation allowances for operating receivables of SKK 16 million (SKK 15 million at 31 December 2007).

At 31 December 2007, the Bank recorded inventories of SKK 7 million (SKK 7 million at 31 December 2007). Inventories are stated at cost, i.e. inclusive of costs related to their acquisition.

## 10. Currency in circulation

The issue of banknotes and coins represents the valid national banknotes and coins in circulation:

	2008	2007
Issued coins	2,243	2,500
Issued bank notes	75,471	152,654
	<u>77,714</u>	<u>155,154</u>

At 31 December 2008 NBS supplied Euro notes amounting to SKK 28,647 million and Euro coins amounting to SKK 2,950 million to commercial banks. Inventories of Euro notes amount to SKK 184,673 million and Euro coins amount to SKK 1,330 million. Collaterals received from banks for the supply are recognized off balance sheet at SKK 35,318 million.

## 11. Liabilities to banks and central banks

### Current accounts in SKK

	2008	2007
Current accounts of banks for transfers and replenishments	14,064	2,521
LORO accounts of central banks	5	15
	<u>14,069</u>	<u>2,536</u>





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At 31 December 2008, the NBS had liabilities to banks and central banks in SKK worth SKK 14,069 million (SKK 2,536 million at 31 December 2007), a major portion of which consisted of current accounts of banks used for transfers and replenishments.

#### Overnight deposits, deposits and loans in SKK and minimum reserves

	2008	2007
Loans received in repurchase transactions in SKK	278,437	260,834
Minimum reserves in the NBS	57,643	17,826
Overnight deposits from banks	93,839	45,034
Interbank settlement in SKK	199	1,896
Deposits from banks – supply of Euro	136	-
	<u>430,254</u>	<u>325,590</u>

At 31 December 2008, the Bank recognized liabilities from repurchase transactions totaling to SKK 278,437 million (at 31 December 2007: SKK 260,834 million) relating to money withdrawing repurchase transactions in the Slovak interbank market.

#### Current accounts, deposits and loans in foreign currency

	Loan maturity in year	FC code	2008 FC	SKK	2007 FC	SKK
Deposits from banks	2009	EUR	1	15	-	-
Gold repo	2009	USD	276	5,892	-	-
Gold repo	2015	USD	82	1,747	81	1,861
Gold repo	2016	USD	112	2,386	110	2,530
AGL II	2009	EUR	-	2	1	30
			<u>x</u>	<u>10,042</u>	<u>x</u>	<u>4,421</u>

In December 2008, the Bank concluded six new gold repurchase transactions due in the first half of 2009. At 31 December 2008, the Bank recognized liabilities from gold repurchase transactions in the amount of SKK 10,025 million (SKK 4,391 million at 31 December 2007).

#### 12. Liabilities from debt securities

At 31 December 2008, the NBS issued bills of SKK 530,178 million (SKK 1,067,712 million at 31 December 2007) and repurchased bills in the amount of SKK 500,000 million (SKK 1,000,000 million at 31 December 2007).

At 31 December 2008, NBS bills of SKK 308,994 million were used for money withdrawing operations (SKK 329,893 million at 31 December 2007), of which SKK 278,816 million (SKK 262,181 million at 31 December 2007) were in the form of money withdrawing repurchase transactions and SKK 30,178 million (SKK 67,712 million at 31 December 2007) remained in the portfolios of domestic banks.



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**13. Liabilities to other international financial institutions**

	<b>2008</b>	<b>2007</b>
Current accounts - Euro Account European Commission	348	169
Loro accounts - World Bank, Bank for International Settlements	499	602
Deposits - PHARE	1	1
	<u><b>848</b></u>	<u><b>772</b></u>

At 31 December 2008, the NBS recorded liabilities to other international financial institutions in the amount of SKK 848 million (SKK 772 million at 31 December 2007).

**14. Liabilities to clients**

	<b>2008</b>	<b>2007</b>
Term deposits of employees	840	650
Current accounts of employees	325	289
Current accounts of financial service organizations	16	28
Term deposits of financial service organizations	17	48
Accounts of government	11	147
Other	678	1
	<u><b>1,887</b></u>	<u><b>1,163</b></u>

'Other' mainly includes sold starter euro packets in the amount SKK 660 million.

**15. Provisions and other liabilities**

	<b>2008</b>	<b>2007</b>
Provisions	272	125
Liabilities to suppliers	30	61
Other	49	90
	<u><b>351</b></u>	<u><b>276</b></u>

As at 31 December 2008, the Bank recorded provisions for liabilities to employees of SKK 104 million (SKK 95 million at 31 December 2007), provisions for uninvoiced supplies, lawsuits, audit of the financial statements and the annual report, of SKK 168 million (SKK 30 million at 31 December 2007).

'Other' includes received advances, settlement of taxes and other liabilities.

**16. Equity**

As at 31 December 2008, the NBS recorded a loss of SKK 36,976 million (SKK 19,464 million at 31 December 2007) and a negative equity of SKK 142,824 million (SKK 110,251 million at 31 December 2007). Funds generated from changes in valuation differences of securities, derivatives, gold and foreign currency represented SKK 25,186 million (SKK 20,783 million at 31 December 2007).



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The Bank Board decided that the losses of the NBS would be covered from the Bank's future profits and own resources.

### Valuation differences

	2008	2007
Revaluation of gold	18,488	19,208
Revaluation of derivatives	940	190
Revaluation of securities	5,737	1,385
Revaluation of foreign currency	21	-
	<u>25,186</u>	<u>20,783</u>

### 17. Net interest income/expense

	2008	2007
Interest received on loans related to monetary policy operations, in SKK	4	24
Interest received on receivables not related to monetary policy operations, in SKK	65	92
Interest received on receivables and securities in foreign currency	15,803	16,827
<b>Interest and similar income</b>	<b>15,872</b>	<b>16,943</b>
Interest paid on liabilities related to monetary policy operations and securities, in SKK	(16,006)	(15,585)
Interest paid on liabilities not related to monetary policy operations, in SKK	(72)	(65)
Interest paid on liabilities and securities in foreign currency	(138)	(297)
<b>Interest and similar expense</b>	<b>(16,216)</b>	<b>(15,947)</b>
<b>Net interest income/expense</b>	<b>(344)</b>	<b>996</b>

### 18. Net profit from fees and commissions

At 31 December 2008, fee income from transactions concluded based on contracts for provision of services in the area of securities, the so-called 'Securities Lending', amounted to SKK 276 million (SKK 174 million at 31 December 2007).

	2008	2007
Revenues from fees and commissions	334	237
Costs of fees and commissions	(23)	(16)
<b>Net income from fees and commissions</b>	<b>311</b>	<b>221</b>



**19. Net gains/losses from operations in, and derivatives involving, securities denominated in foreign currency**

	2008	2007
Gains from debt securities	4,341	228
Losses from debt securities and revaluations	(1,709)	(524)
<b>Net gains/losses from operations in, and derivatives involving, securities denominated in foreign currency</b>	<b>2,632</b>	<b>(296)</b>

**20. Net loss from operations in, and derivatives involving, foreign exchange and gold**

	2008	2007
Gains from derivatives	1,732	384
Losses from derivatives	(2,837)	(1,382)
<b>Net exchange loss</b>	<b>(35,127)</b>	<b>(17,531)</b>
<b>Net loss from operations in, and derivatives involving, FX and gold</b>	<b>(36,232)</b>	<b>(18,529)</b>

Strengthening of the Slovak crown against EUR and USD had major impact on the net foreign exchange loss.

**21. Other operating expenses**

	2008	2007
Salaries and bonuses	(608)	(566)
Social costs	(195)	(174)
Other personnel costs	(91)	(127)
<b>Staff expenses</b>	<b>(894)</b>	<b>(867)</b>
<b>Depreciation of tangible and intangible assets</b>	<b>(431)</b>	<b>(481)</b>
<b>Other operating costs</b>	<b>(812)</b>	<b>(537)</b>
<b>Other operating expenses</b>	<b>(2,137)</b>	<b>(1,885)</b>

At 31 December 2008, the average number of staff employed was 1,078 (1,081 at 31 December 2007), of which 109 were managers (107 at 31 December 2007). At 31 December 2008, the average number of staff in banking supervision over the capital market, insurance market, pension savings, banks and securities brokers was 173 (177 at 31 December 2007), of which 20 were managers (20 at 31 December 2007).

For the year ended as at 31 December 2008, costs of audit of the financial statements amounted to SKK 4 million (SKK 2 million for the year ended as at 31 December 2007).



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**E. Currency structure of assets and liabilities**

	Line No.	SKK	Foreign currencies converted to SKK - total	of which EUR	USD	Other	Not defined
1. Gold		-	20,826	-	20,826	-	-
Debt securities denominated							
2. in foreign currency		-	387,815	368,415	19,400	-	-
3. Derivatives		-	1,490	418	1,072	-	-
Receivables from banks and central banks		2,121	5,769	82	5,645	42	-
Receivables from the International Monetary Fund		11,545	1,057	-	-	1,057	-
6. Receivables from clients		307	-	-	-	-	-
Equity shares in subsidiaries and affiliates and other shares and participating interests		109	277	82	-	195	-
8. Non-current assets		-	-	-	-	-	5,414
9. Other assets		366	18	7	4	7	-
<b>Assets</b>	<b>1</b>	<b>14,448</b>	<b>417,252</b>	<b>369,004</b>	<b>46,947</b>	<b>1,301</b>	<b>5,414</b>
1. Currency in circulation		77,714	-	-	-	-	-
Liabilities to banks and central banks		444,323	10,042	17	10,025	-	-
Liabilities from debt securities		30,178	-	-	-	-	-
4. Derivatives		-	3,050	-	3,050	-	-
Liabilities to the International Monetary Fund		11,545	-	-	-	-	-
Liabilities to other international financial institutions		500	348	348	-	-	-
7. Liabilities to clients		1,876	11	11	-	-	-
Provisions and other liabilities		316	35	35	-	-	-
<b>Liabilities</b>	<b>2</b>	<b>566,452</b>	<b>13,486</b>	<b>411</b>	<b>13,075</b>	<b>-</b>	<b>-</b>
<b>Open foreign exchange position at 31 Dec 2008</b>	<b>3=1-2</b>	<b>(552,004)</b>	<b>403,766</b>	<b>368,593</b>	<b>33,872</b>	<b>1,301</b>	<b>5,414</b>
<b>Assets</b>	<b>4</b>	<b>16,811</b>	<b>440,603</b>	<b>339,918</b>	<b>100,401</b>	<b>284</b>	<b>5,712</b>
<b>Liabilities</b>	<b>5</b>	<b>566,197</b>	<b>7,180</b>	<b>346</b>	<b>6,828</b>	<b>6</b>	<b>-</b>
<b>Open foreign exchange position at 31 Dec 2007</b>	<b>6=4-5</b>	<b>(549,386)</b>	<b>433,423</b>	<b>339,572</b>	<b>93,573</b>	<b>278</b>	<b>5,712</b>

Currency risk results from the open foreign exchange position of the NBS. The impact of exchange rate changes on NBS's performance is significant. This primarily results from the size of the open foreign exchange position and the volatility of the SKK/EUR and EUR/USD exchange rates.



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At 31 December 2008, the exchange rate of SKK to EUR strengthened by 10.35% (from EUR 1 = SKK 33.603 at 31 December 2007 to EUR 1 = SKK 30.126) and the exchange rate of SKK to USD strengthened by 6.49% (from USD 1 = SKK 22.870 as at 31 December 2007 to USD 1 = SKK 21.385).

The open foreign exchange position at 31 December 2008 dropped by 5.59% compared to 31 December 2007, from SKK 433,423 million to SKK 409,180 million.

**F. Interest rates on assets and liabilities**

The following table summarizes the interval (in percentage) of the average interest rates on assets and liabilities for 2008 and 2007, by the main currencies:

2008	EUR	USD	XDR	SKK
<b>Assets</b>				
Gold	-	0.11 - 0.40	-	-
Debt securities in foreign currency	1.41 - 5.43	0.02 - 4.54	-	-
Derivatives	-	-	-	-
Receivables from banks and central banks	3.86 - 5.47	-	-	1.00 - 8.50
Receivables from the IMF	-	-	0.80 - 3.50	-
Receivables from clients	-	-	-	1.00 - 5.25
<b>Liabilities</b>				
Liabilities to banks and central banks	3.36 - 4.67	-	-	0.10 - 1.50
Liabilities from debt securities	-	-	-	2.49 - 4.25
Derivatives	-	-	-	-
Liabilities to the IMF	-	-	-	-
Liabilities to government and other clients	-	-	-	0.10 - 7.75
<b>2007</b>				
<b>Assets</b>				
Gold	-	0.01 - 0.10	-	-
Debt securities in foreign currency	3.62 - 7.00	2.37 - 5.37	-	-
Derivatives	-	-	-	-
Receivables from banks and central banks	4.17 - 5.46	-	-	-
Receivables from the IMF	-	-	0.00 - 4.38	-
Receivables from clients	-	-	-	1.00 - 5.25
<b>Liabilities</b>				
Liabilities to banks and central banks	3.67 - 4.69	-	-	0.75 - 4.75
Liabilities from debt securities	-	-	-	4.05 - 4.25
Derivatives	-	-	-	-
Liabilities to the IMF	-	-	-	-
Liabilities to government and other clients	-	-	-	0.75 - 7.75



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### G. Maturity of assets and liabilities

The structure of NBS's assets and liabilities by the remaining time to maturity at 31 December 2007 was as follows:

As at 31 December 2008		Due within 1 month incl.	Due within 1-3 months incl.	Due within 1 year incl.	Due within 1-5 years incl.	Due in 5+ years	Not defined	Total
1.	Gold	3,845	-	6,820	-	7,403	2,758	20,826
2.	Debt securities in foreign currency	13,719	14,810	49,171	308,985	1,130	-	387,815
3.	Derivatives	63	418	-	-	1,009	-	1,490
4.	Receivables from banks and central banks	5,883	-	118	545	1,333	11	7,890
4.1	Current accounts, deposits and loans in foreign currency	5,769	-	-	-	-	-	5,769
4.2	Loans related to monetary policy operations in SKK	-	-	-	-	-	-	-
4.3	Receivables not related to monetary policy operations in SKK	114	-	118	545	1,333	11	2,121
5.	Receivables from the International Monetary Fund	-	-	-	-	-	12,602	12,602
6.	Receivables from clients	5	-	-	2	300	-	307
	Equity shares in subsidiaries and affiliates and other shares and participating interests	-	-	-	-	-	386	386
8.	Non-current assets	-	-	-	-	-	5,414	5,414
9.	Other assets	96	234	14	-	-	40	384
	<b>TOTAL ASSETS</b>	<b>23,611</b>	<b>15,462</b>	<b>56,123</b>	<b>309,532</b>	<b>11,175</b>	<b>21,211</b>	<b>437,114</b>
1.	Currency in circulation	-	-	-	-	-	77,714	77,714
2.	Liabilities to banks and central banks	446,814	163	3,273	-	4,115	-	454,365
2.1	Current accounts denominated in SKK	14,069	-	-	-	-	-	14,069
2.2	Overnight deposits, loans and deposits in SKK and minimum reserves	430,118	136	-	-	-	-	430,254
2.3	Current accounts, deposits and loans in foreign currency	2,627	27	3,273	-	4,115	-	10,042
3.	Liabilities from debt securities	30,178	-	-	-	-	-	30,178
3.1	Denominated in SKK	30,178	-	-	-	-	-	30,178
3.2	Denominated in foreign currency	-	-	-	-	-	-	-
4.	Derivatives	-	-	-	-	-	3,050	3,050
5.	Liabilities to the IMF	-	-	-	-	-	11,545	11,545
6.	Liabilities to other international financial institutions	348	-	-	-	-	500	848
7.	Liabilities to clients	1,022	31	189	207	438	-	1,887
8.	Provisions and other liabilities	195	32	21	9	23	71	351
	<b>TOTAL LIABILITIES</b>	<b>478,557</b>	<b>226</b>	<b>3,483</b>	<b>216</b>	<b>4,576</b>	<b>92,880</b>	<b>579,938</b>

Overnight bank deposits (item 2.2. under Liabilities) amounted to SKK 93,839 million.



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The structure of NBS assets and liabilities by the remaining time to maturity at 31 December 2007 was as follows:

As at 31 December 2007	Due within 1 month incl.	Due within 1-3 months incl.	Due within 1 year incl.	Due within 1-5 years incl.	Due in 5+ years	Not defined	Total
1. Gold	9,551	-	4,303	-	7,656	28	21,538
2. Debt securities in foreign currency	54,220	68,674	135,222	121,684	7,489	-	387,289
3. Derivatives	29	18	-	-	271	-	318
4. Receivables from banks and central banks	31,216	85	217	751	1,564	11	33,844
4.1 Current accounts, deposits and loans in foreign currency	31,090	9	3	-	-	-	31,102
4.2 Loans related to monetary policy operations in SKK	-	-	-	-	-	-	-
4.3 Receivables not related to monetary policy operations in SKK	126	76	214	751	1,564	11	2,742
5. Receivables from the International Monetary Fund	-	-	-	-	-	13,454	13,454
6. Receivables from clients	14	-	-	5	297	-	316
Equity shares in subsidiaries and affiliates and other shares and participating interests	-	-	-	-	-	413	413
8. Non-current assets	-	-	-	-	-	5,712	5,712
9. Other assets	17	168	18	-	-	39	242
<b>TOTAL ASSETS</b>	<b>95,047</b>	<b>68,945</b>	<b>139,760</b>	<b>122,440</b>	<b>17,277</b>	<b>19,657</b>	<b>463,126</b>
1. Currency in circulation	-	-	-	-	-	155,154	155,154
2. Liabilities to banks and central banks	328,126	76	11	2	4,332	-	332,547
2.1 Current accounts denominated in SKK	2,536	-	-	-	-	-	2,536
2.2 Overnight deposits, loans and deposits in SKK and minimum reserves	325,590	-	-	-	-	-	325,590
2.3 Current accounts, deposits and loans in foreign currency	-	76	11	2	4,332	-	4,421
3. Liabilities from debt securities	13,661	54,051	-	-	-	-	67,712
3.1 Denominated in SKK	13,661	54,051	-	-	-	-	67,712
3.2 Denominated in foreign currency	-	-	-	-	-	-	-
4. Derivatives	-	-	-	-	2,442	-	2,442
5. Liabilities to the IMF	-	-	-	-	-	13,311	13,311
6. Liabilities to other international financial institutions	169	-	-	-	-	603	772
7. Liabilities to clients	511	8	177	467	-	-	1,163
8. Provisions and other liabilities	121	21	19	15	47	53	276
<b>TOTAL LIABILITIES</b>	<b>342,588</b>	<b>54,156</b>	<b>207</b>	<b>484</b>	<b>6,821</b>	<b>169,121</b>	<b>573,377</b>

Overnight bank deposits (item 2.2. under Liabilities) amounted to SKK 45,034 million.





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#### H. Post-balance-sheet events

After 31 December 2008, there were no significant events that would require adjustments or disclosures in the 2008 financial statements.

At 1 January 2009, Slovakia joined the Eurosystem. In accordance with the ECB Statute, Article 29.3, the capital key of NBS was adjusted from 0.6765 to 0.6934 from 1 January 2009.

NBS was required to:

- pay the remainder of the outstanding share in ECB up to EUR 39,944,363.76;
- transfer in favour of ECB's account a specified amount of foreign currency reserves in USD amounting to EUR 376,623,232.58 and in gold amounting to EUR 66,462,923.69 pursuant to Article 30.1 and Article 49.1 of ECB's Statute;
- contribute an amount of EUR 154,213,619.75 to ECB's reserves and reserve funds;
- convert the balance sheet amounts to Euros at 1 January 2009.

By joining the Eurosystem and in accordance with Act 659/2007 Coll. on the Euro Introduction in Slovakia, the main purpose of NBS is to maintain the price stability. For this purpose, the Bank:

- participates in a common currency policy determined by the European Central Bank for the euro area;
- issues Euro banknotes and Euro coins pursuant to special regulations applicable in the euro area;
- supports smooth operations of payment and clearance systems, manages, coordinates and ensures money circulation, payment relations and settlement of payment data in the extent determined by the Act and a special Act 1a) and ensures their efficiency;
- maintains foreign currency reserves, uses them and makes foreign currency transactions. In transactions within the Eurosystem, it follows the special regulations applicable for the Eurosystem;

After joining the Eurosystem, the Bank's Board as the highest body shall be responsible particularly for :

- determining NBS's and its branch's policies relating to the execution of the common European currency policy;
- determining principles and organization of financial market oversight;
- determining principles of activities and transactions of NBS;
- approving the NBS's budget, approving its financial statements, annual reports on the results of operations and the NBS's Annual Reports, deciding on profit distribution or covering the loss, and determining types of NBS's reserves, their amount and use;
- deciding on NBS's and its branches' procedures relating to the issue of Euro notes and Euro coins including commemorative Euro coins and collection Euro coins, pursuant to special regulations applicable in the euro area for the issue of Euro banknotes and Euro coins;



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- approving generally binding principles issued by the NBS and proposals of acts submitted by NBS Bank individually or jointly with other institutions;
- approving agreements on mutual cooperation and provision of information and material between NBS and foreign market oversight bodies, or between the Bank and Governmental bodies that perform an oversight pursuant to special regulations.

Ing. Ivan Šramko

Governor

Ing. Viliam Ostrožlík, MBA

Deputy Governor

Ing. Katarína Taragelová

Director  
Financial Management Dept.



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**Report on Verifying Consistency of the Annual Report with the Financial Statements,  
as required by § 23 of Act No. 540/2007 Coll.  
(Addendum to the Auditor's Report)**

To the Bank Board of Národná banka Slovenska:

We have audited the accompanying financial statements of Národná banka Slovenska at 31 December 2008 on which we issued an unqualified Auditor's Report on 17 March.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the annual report of Národná banka Slovenska at 31 December 2008 is consistent with the audited financial statements referred to above.

**Responsibility of the Bank Board of Národná banka Slovenska**

The Bank Board of Národná banka Slovenska is responsible for the preparation, accuracy, and completeness of the annual report in accordance with the Slovak Accounting Act.

**Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements**


Our responsibility is to express an opinion on whether the accounting information presented in the annual report is consistent, in all material respects, with the information in the audited financial statements of Národná banka Slovenska. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the annual report is free from accounting information that would significantly differ from the information stated in the financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the annual report is consistent with the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the annual report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Národná banka Slovenska. We did not verify those data and information in the annual report that were not derived from the financial statements.

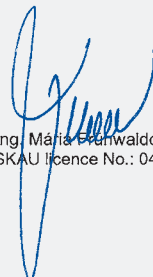
We believe that the procedures performed provide a sufficient and appropriate basis for our opinion.

**Opinion**

In our opinion, the accounting information presented in the annual report of Národná banka Slovenska prepared for the year ended on 31 December 2008 is consistent, in all material respects, with the audited financial statements referred to above.

  
PricewaterhouseCoopers Slovensko, s.r.o.  
SKAU licence No. 161



  
Ing. Mária Franwaldová  
SKAU licence No.: 047

Bratislava, 26 June 2009

The company's ID (IČO) No. 35739347.  
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.  
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.  
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.  
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.