



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 12

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS AS AT 31 DECEMBER 2010



Ernst & Young Slovakia, spol. s r.o.
Hlavné sídlo: Bratislava
Právnická forma: spoločnosť s ručením obmedzeným
Právny záznam: 146184
Právnik: Ing. Dalimil Draganovský
SKAU Licencia No. 893

Independent Auditors' Report

To the Bank Board of the National Bank of Slovakia:

We have audited the accompanying financial statements of the National Bank of Slovakia ('the Bank'), which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Responsibility of the Bank Board of the National Bank of Slovakia for the Financial Statements

Bank Board of the National Bank of Slovakia is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks No ECB/2010/20 ('the ECB Guideline') and with Act No. 431/2002 Coll. on Accounting, as amended ('the Act on Accounting') and for such internal control as the Bank Board of the National Bank of Slovakia determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Bank's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank Board of the National Bank of Slovakia, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

15 March 2011
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
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FINANCIAL STATEMENTS OF NÁRODNÁ BANKA SLOVENSKA AS AT 31 DECEMBER 2010

BALANCE SHEET of Národná banka Slovenska				
		Note	31 Dec 2010 EUR '000	31 Dec 2009 EUR '000
ASSETS				
A1	Gold and gold receivables	1	1,075,260	780,755
A2	Claims on non-euro area residents denominated in foreign currency	2	537,665	486,014
A3	Claims on euro area residents denominated in foreign currency	3	112,058	105,847
A4	Claims on non-euro area residents denominated in euro	4	2,910,931	2,450,078
A5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	1,005,000	2,063,000
A6	Other claims on euro area credit institutions denominated in euro	6	49,040	100,005
A7	Securities of euro area residents denominated in euro	7	11,038,843	10,196,074
A8	General government debt denominated in euro			
A9	Intra-Eurosystem claims	8	2,332,897	3,429,484
A10	Items in course of settlement			
A11	Other assets	9	5,905,237	5,784,452
A12	Loss for the year	33	515,173	
	TOTAL ASSETS		25,482,104	25,395,709
LIABILITIES				
L1	Banknotes in circulation	10	7,674,876	7,481,457
L2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	715,464	1,198,172
L3	Other liabilities to euro area credit institutions denominated in euro	12	1,050,059	38,512
L4	Debt certificates issued			
L5	Liabilities to other euro area residents denominated in euro	13	111,383	66,443
L6	Liabilities to non-euro area residents denominated in euro	14	278,324	370,093
L7	Liabilities to euro area residents denominated in foreign currency	15	86,118	78,507
L8	Liabilities to non-euro area residents denominated in foreign currency	16	62,457	57,161
L9	Counterpart of special drawing rights allocated by the IMF	17	394,002	370,644
L10	Intra-Eurosystem liabilities	18	13,305,868	14,499,760
L11	Items in course of settlement			
L12	Other liabilities	19	895,866	503,334
L13	Provisions	20	4,876	4,950
L14	Revaluation accounts	21	544,466	297,743
L15	Capital and reserves	22	358,345	358,345
L16	Profit for the year	33		70,588
	TOTAL LIABILITIES		25,482,104	25,395,709



PROFIT AND LOSS ACCOUNT of Národná banka Slovenska			
	Note	31 Dec 2010 EUR '000	31 Dec 2009 EUR '000
1.1 Interest income		666,364	647,802
1.2 Interest expense		(623,173)	(555,919)
1 Net interest income	24	43,191	91,883
2.1 Realised gains arising from financial operations		158,269	174,264
2.2 Write-downs on financial assets and positions		(673,530)	(157,955)
2.3 Transfer to/from provisions for foreign exchange rate, interest rate and gold price risks			
2 Net result of financial operations, write-downs and risk provisions	25	(515,261)	16,309
3.1 Fees and commissions income		5,057	2,893
3.2 Fees and commissions expense		(1,250)	(1,332)
3 Net income / (expense) from fees and commissions	26	3,807	1,561
4 Income from equity shares and participating interests	27	16,891	8,652
5 Net result of pooling of monetary income	28	5,541	12,818
6 Other income	29	6,936	8,865
Total net income		(438,895)	140,088
7 Staff costs	30	(34,365)	(31,569)
8 Administrative expenses		(16,205)	(18,766)
9 Depreciation of tangible and intangible fixed assets	31	(11,161)	(11,585)
10 Banknote production services	32	(9,498)	
11 Other expenses	29	(5,049)	(7,579)
12 Income tax and other government charges on income			(1)
(Loss) / Profit	33	(515,173)	70,588



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010

A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska (the National Bank of Slovakia, subsequently the “NBS” or the “Bank”) is the independent central bank of the Slovak Republic. The NBS was established in accordance with Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (subsequently the “NBS Act”). The NBS commenced its activities on 1 January 1993 as the bank issuing the currency of Slovakia. Upon euro-adoption in Slovakia as at 1 January 2009, the NBS became a full member of the Eurosystem, the euro area central banking system consisting of the European Central Bank (subsequently the “ECB”) and the 16 national central banks of the European Union member states with the common euro currency.

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 Slovakia, and special-purpose organisational units.

Under the NBS Act, the Bank’s primary objective is to maintain price stability. For this purpose, the NBS:

- Participates in the common monetary policy determined by the ECB for the euro area;
- Issues euro banknotes and euro coins in accordance with special regulations valid in the euro area;
- Supports the smooth and cost-effective operation of payment services; controls, coordinates and facilitates the currency circulation;
- Holds and manages foreign reserves and executes foreign exchange operations; in conducting operations within the Eurosystem, it acts in accordance with the separate legal provisions applicable to Eurosystem operations;
- Performs other activities resulting from its participation in the European System of Central Banks.

In the area of the financial market, the NBS contributes to the stability of the financial system as a whole, as well as to the secure and sound operation of the financial market with the purpose of

maintaining its credibility, client protection, and respect for the rules of economic competition. The NBS performs financial market supervision and other activities in the area of the financial market.

The Bank, with the authorisation of the Government of Slovakia (subsequently the “Government”), represents Slovakia in international institutions in the area of the financial market and in operations on the international financial markets where it ensures the fulfilment of tasks arising from such representation. Within its supervision of the financial market, the NBS also fulfils tasks in the area of international cooperation.

The NBS performs its tasks independently of instructions from state authorities, local self-government bodies and other public authorities. Within the scope of its authority, the NBS serves the Government in an advisory capacity.

The supreme governing body of the NBS is the NBS Bank Board (subsequently the “Bank Board”). In exercising its powers and authorities under the NBS Act, the Bank Board is required to observe the rules valid for the European System of Central Banks and the rules applicable for the Eurosystem. Following accession to the Eurosystem, the Bank Board primarily:

- Determines the procedural principles followed by the NBS and its organisational units when implementing the common European monetary policy;
- Determines the principles of conduct and the organisation of supervision of the financial market;
- Sets guiding principles for the activities and operations of the NBS;
- Approves the budget of the NBS, financial statements of the NBS, annual results of operations and annual reports of the NBS, decides on the use of profits or settlement of losses of the NBS, and sets the types of funds of the NBS and their amount and usage;
- Determines the organisational structure of the NBS;
- Sets the amount of annual contributions of supervised entities in the financial market;
- Determines the procedure followed by the NBS and its organisational units when issuing euro banknotes and euro coins, including commemorative euro coins and collector euro coins, in accordance with the separate



As at 31 December 2010, the Bank Board consisted of the following members:

Name	Term of Office in the Bank Board	Current Position	Date of Appointment
Doc. Ing. Jozef Makúch, PhD.	1. 1. 2006 – 12. 1. 2015	Governor	12. 1. 2010
Ing. Viliam Ostrožlík, MBA	1. 3. 2007 – 11. 7. 2012	Deputy Governor	11. 7. 2007
Ing. Slavomír Šťastný, PhD., MBA	1. 1. 2006 – 1. 1. 2011	Member	1. 1. 2006
RNDr. Karol Mrva	10.1. 2007 – 10. 1. 2012	Member	10. 1. 2007
Ing. Gabriela Sedláková	1. 6. 2007 – 1. 6. 2012	Member	1. 6. 2007
Ing. Štefan Králik	1. 4. 2009 – 1. 4. 2014	Member	1. 4. 2009

legal provisions applicable in the euro area for the issue of euro banknotes and euro coins;

- Approves the generally binding regulations issued by the NBS and bills which the NBS presents or co-presents to the Government; and
- Approves draft agreements on mutual assistance, cooperation, and provision of information and supporting documents between the NBS and foreign supervisory authorities in the area of financial markets or between the NBS and public authorities in Slovakia which perform oversight and supervision pursuant to separate regulations.

Pursuant to the amendment to Act No. 492/2009 Coll., the Bank Board should have five members: the Governor, two Deputy Governors, and two other members. Members of the Bank Board are appointed for a term of five years. A person may be reappointed as a member of the Bank Board with the provision that the same person may be appointed as Governor for no more than two consecutive terms of office and as Deputy Governor for no more than two consecutive terms of office. The Governor represents the NBS vis-à-vis third parties.

The number of Bank Board members will be adjusted to five gradually as the term of office lapses for those individual Bank Board members whose office existed as at 1 December 2009.

The assets and liabilities of the NBS falling under the Eurosystem regime are recognized and measured under the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (subsequently the "Statute"). The NBS participates in allocating monetary income in the Eurosystem and allocating net profits and losses of the ECB to the extent and under the conditions specified in the Statute.

In accordance with Article 39 (4) of the NBS Act, the financial result of the NBS for a reporting peri-

od is the profit it generated or loss it incurred. The profit generated by the Bank is allocated to the reserve fund and other funds created from profit, or it is used to cover accumulated losses from prior years. Any loss incurred in the current 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.

The NBS submits the annual results of its operations to the National Council of the Slovak Republic within three months after the end of the calendar year. In addition to the NBS financial statements and the auditor's opinion thereon, the annual results of operations provide information on the NBS'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 to provide explanations to the submitted report.

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Basis of Preparation of the Financial Statements

The Bank applies its accounting principles in accordance with the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks No ECB/2010/20 (subsequently the "ECB Guideline"). In recognition of transactions not regulated by the ECB Guideline, the Bank observes the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and in line with the interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Commission pursuant to the Directive of the European Parliament and the Council of the European Union. In



other cases, the Bank acts in accordance with Act No. 431/2002 Coll. on Accounting, as amended (subsequently the “Act on Accounting”).

In accordance with the ECB Guideline, the Bank applies the following basic accounting principles: the principle of economic reality and transparency, the principle of prudence, the recognition of post-balance-sheet events, the principle of materiality, the accruals principle, the going-concern basis, and the principle of consistency and comparability. Income and expenses are recognized in the accounting period in which they are earned or incurred.

Other accounting principles are detailed in the individual sections of the financial statements.

When preparing the financial statements, the Bank acts in accordance with the recommended harmonised procedures for the preparation of disclosures to the financial statements of a national central bank within the Eurosystem.

(b) Transaction Date

Foreign exchange transactions, financial instruments denominated in local and foreign currency and related accruals excluding securities are subject to the economic principle, i.e. transactions are recorded on off-balance sheet accounts on the trade date. On the settlement date, off-balance sheet booking entries are reversed and the transactions are recorded on the balance sheet accounts in the Bank’s assets and liabilities.

Other economic transactions including transactions with debt securities are recorded in accordance with the cash/settlement principle, i.e. no accounting entries are made on the trade date and the transaction is recorded on the settlement date.

(c) Methods for Valuing Assets and Liabilities

Debt securities, except for held-to-maturity securities, are valued monthly at market prices. During the reporting period, valuation differences are recognized in equity. Profit/loss is only affected at the end of the reporting period if there is a loss on valuation.

Held-to-maturity debt securities purchased under the common monetary policy are valued at cost as at the acquisition date, and then at amortized cost. As at the balance sheet date, the Bank

assesses whether there is any objective evidence of their impairment.

Interest rate swaps are valued individually at market prices on a monthly basis. During the reporting period, the valuation difference, which is the difference between the market price and the carrying amount, is recognized in equity. As at the year-end, gains on valuation are recognized in equity in the Bank’s balance sheet and losses on valuation are recognized in the Bank’s profit and loss account. Losses are amortized in subsequent years up to the maturity of the interest rate swap.

Options are valued individually at market prices on a monthly basis in line with the selected valuation model. During the reporting period, valuation differences are recognized on the revaluation accounts and disclosed in equity. As at the year-end, losses on valuation are recognized in the profit and loss account and gains on valuation are recognized in equity in the Bank’s balance sheet.

Futures are valued at market prices on a daily basis and recognized in the profit and loss account.

During the year, assets (including gold) and liabilities denominated in foreign currency are valued at the average cost of the currency on a daily basis. Foreign exchange differences arising on the daily valuation from movements in assets and liabilities are recognized in the profit and loss account. As at the month-end, assets and liabilities are valued at the reference exchange rate announced by the ECB. The difference between the reference exchange rate and the rate used in the accounting books (the average cost of the currency) represents unrealized foreign exchange gains or losses, which are recognized on the revaluation accounts in equity over the course of the year. At the year-end, unrealized foreign exchange losses are recognized in the profit and loss account and unrealized foreign exchange gains remain recognized on the revaluation accounts in equity.

Foreign exchange spot transactions, currency forwards and currency swaps recorded on the off-balance sheet accounts from the agreed trade date affect the net foreign currency position for calculating the average cost of the currency. For the valuation of the off-balance sheet instruments, the same principle applies as for the valuation of balance-sheet instruments.



Each currency is valued separately. Foreign exchange losses in one currency are not netted with foreign exchange gains in other currencies.

Foreign exchange rates of key foreign currencies used to value the assets and liabilities as at 31 December 2010 were as follows:

Currency	Amount	31 Dec 2010	31 Dec 2009
GBP	1	0.86075	0.88810
USD	1	1.33620	1.44060
JPY	1	108.65000	133.16000
XDR	1	0.86415	0.91861
EUR/ozs	1	1,055.418	766.347

(d) Gold and Gold Receivables

In accordance with the ECB Guideline, gold is treated as a foreign currency. No distinction is made between price and currency revaluation differences. Gold is valued on a daily basis at the average price of the currency (gold). On a monthly basis, gold is measured at the market value, which is the London gold morning fixing in USD/ozs (troy ounce) translated at the EUR/USD exchange rate valid as at the revaluation date.

Gold swap transactions are recognized as repurchase transactions with gold. The gold used in such transactions remains included in the Bank's total assets under the heading "Gold".

(e) Debt Securities

Debt securities are initially recognized at cost. From the date following the purchase date to the sale or maturity of the security (including the sale or maturity date), the Bank amortizes the premium or the discount on a daily basis (the difference between the cost and nominal value). The IRR method is applied to the calculation of the amortized premium/discount.

In the event of the acquisition of debt securities with a coupon, the amount of the purchased coupon is regarded as a separate item. From the date following the settlement date to the sale or maturity of the coupon (including the sale or maturity date) the interest income from the coupon is accrued. The straight-line method is applied to coupon accruals.

Debt securities, except for held-to-maturity securities acquired as part of the common mon-

etary policy, are valued on a monthly basis at the mid-market price on an individual basis, i.e. separately based on the same ISIN number. The valuation difference is the difference between the mid-market price and the average cost net of the amortized discount/premium recognized in the accounting books. Over the year, valuation differences are recognized in equity. As at the year-end, gains on valuation are recognized in the Bank's equity and losses on valuation are recognized in the Bank's profit and loss account.

The mid-market price of debt securities for which an active market exists is derived from the mid-market price on the market. If no mid-market price is available, the price is determined by a qualified estimate.

Upon the sale of a security, the difference between the average cost adjusted for the amortized discount/premium and the selling price is the gain or loss realized on the sale (market effect), which is recognized in the Bank's profit and loss account.

Debt securities acquired under the Securities Markets Programme (subsequently "SMP") and covered bonds acquired under the Covered Bonds Purchased Programme (subsequently "CBPP") as part of the common monetary policy are held to maturity and at purchase are valued at acquisition cost and then at amortized cost. As at the balance sheet date, the Bank assesses whether there is any objective evidence of their impairment. Loss on impairment is calculated as the difference between the carrying amount of the debt security as at the last calendar day of the year and the present value of the estimated future cash flows discounted by the original interest rate.

The impairment test for bonds acquired under the SMP is performed by the European Central Bank (subsequently "ECB") on a centralized basis and is subject to the approval of the Governing Council. In the event of impairment of bonds, a provision is created as at the last calendar day of the year, in the amount of the NBS's share in the ECB's paid-up capital existing at the time of the initial impairment. Subsequently, the provision is adjusted annually as at the balance sheet date, on the basis of the Governing Council's decision.

The impairment test for bonds acquired under the CBPP is performed by the Bank. Impairment



affects the average cost of the debt security and the loss is recognized in the profit and loss account. If the loss on impairment decreases in the subsequent reporting period, the loss on impairment previously recognized is reversed directly to the profit and loss account.

Debt securities are presented including the amortized premium/discount. Coupons are disclosed under "Other assets".

(f) Derivatives

In 2005 and 2006, the Bank entered into four long-term repo transactions with gold (subsequently the "gold repo transactions"). Seeking to eliminate the risk of a decrease in the gold market price, under the gold repo transactions the Bank purchased four European put options and sold four European call options for the same volume of gold. The option premiums for the options purchased and sold were not paid but were included in a lower than market interest rate for the long-term loan received by the Bank. The options are an embedded derivative which meets the criteria for separation from the host contract. Therefore, the options were separated from the loan received and are recognized separately.

The difference between the market price of the put options purchased and the call options sold on the transaction date affected the amount of the loan received and is accrued daily in expenses using the IRR method.

Since 2008, the Bank also recognizes short-term gold repo transactions not backed by options (see Notes 12 and 14).

The Bank also performs interest rate and currency swap transactions and deals in interest rate futures.

Initial margins to interest rate futures are deposited in cash.

For swap transactions, if there is an increase/decrease in the net swap position, a collateral adjustment is agreed upon contractually with selected counterparties. The collateral takes the form of deposits provided and/or received. Deposits bear interest at the ECB reference marginal rate or EO-NIA, which is adjusted on a daily basis. The interest on deposits received and granted is recognized in the profit and loss account on a daily basis.

(g) Receivables

Receivables are recognized on the balance sheet at their nominal value increased for accrued interest. Receivables are net of provisions for impairment losses. Creation and release of provisions for impairment losses is recorded in the profit and loss account.

Observing the prudence principle, the Bank assesses the risk of receivables, categorizes them, and recognizes provisions for receivables.

Receivables are written off into expenses based on a court decision on their irrecoverability or based on the Bank Board's decision. Related provisions are released to expenses.

(h) Reverse Transactions

Transactions in which the Bank received securities in exchange for cash with a simultaneous liability to return the securities at a certain date for an amount equalling the transferred cash plus interest (reverse repurchase transactions) or granted a collateralized loan, are recognized as granted loans. The securities and collateral received are not recognized by the Bank.

Transactions in which the Bank provided securities or gold in exchange for cash with a simultaneous liability to receive the securities or gold back at a certain date for an amount equalling cash plus interest (repurchase transaction) or received a collateralized loan are recognized as loans received. The collateral provided in repurchase transactions remains on the balance sheet and is revalued to the market price.

The Bank also performs Tri-party repurchase transactions, i.e. reverse repurchase transactions with a third party entering the relationship between the NBS and a partner bank.

(i) Receivables from / Payables to the International Monetary Fund

Receivables from and payables to the International Monetary Fund (subsequently the "IMF") are disclosed on a net basis, i.e. receivables and payables are netted. The payable from the allocation is disclosed under L 9 "Counterpart of special drawing rights allocated by the IMF".

(j) Participating Interests

The Bank records a participating interest in the ECB. In accordance with the Statute, 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 Statute, the capital key is adjusted on a five-year basis or upon the accession of new members to the European System of Central Banks (subsequently the "ESCB"). The capital key was adjusted most recently as at 1 January 2009 and for the NBS represents 0.6934%.

In accordance with the Commercial Code (Act No. 513/1991 Coll. as amended), the NBS is the controlling entity with a majority share in the voting rights in RVS, a.s. Bratislava. The equity share of RVS, a.s. Bratislava is measured at cost.

The Bank recognized an equity share in the Bank for International Settlements in Basel, Switzerland (subsequently the "BIS"). The equity shares in BIS are measured at cost. The participating interest in the BIS is recognized in the amount of the share paid (25%). The outstanding portion (75%) is payable on demand. Dividends are paid in euro on the NBS's total share in the BIS maintained in XDR.

The NBS recognizes a capital share in Inštitút bankového vzdelávania NBS, n.o. Bratislava, which the Bank established on 28 October 2008. The capital share is valued at cost.

(k) Intra-Eurosystem Claims and Liabilities

Intra-Eurosystem claims and liabilities represent the position of the NBS towards other ESCB members from cross-border transactions; such transactions are performed mainly through TARGET2 (Trans-European Automated Real-Time Gross settlement Express Transfer system 2, subsequently "TARGET2").

In Intra-Eurosystem claims, the Bank recognizes its claim from the ECB related to the allocation of euro banknotes and the transfer of foreign reserves. The net position to TARGET2 together with a receivable resulting from the reallocation of monetary income is recognized on a net basis in liabilities.

(l) Monetary Income

Under Article 32(1) of the Statute and Decision ECB/2010/23 on the allocation of monetary income of the national central banks of participating member states, monetary income represents annual income derived from the assets of a national central bank held against banknotes

in circulation and deposit liabilities to credit institutions. Monetary income results from implementation of the ESCB's monetary policy.

The amount of monetary income of each central bank in the Eurosystem is derived from the actual income on earmarkable assets held against the liability base. Earmarkable assets largely consist of gold, lending to euro area credit institutions related to monetary policy operations denominated in euro, securities held for monetary policy purposes, and intra-Eurosystem claims from allocation of euro banknotes. The liability base largely consists of banknotes in circulation, liabilities to euro area credit institutions related to monetary policy operations denominated in euro and liabilities resulting from TARGET2 transactions. Any interest paid on liabilities included within the liability base is deducted from the monetary income pooled.

Monetary income is allocated at the end of each financial year in proportion to the NBS's paid-up share in the capital of the ECB (0.9935%). The subsequent transfer of financial means is performed through the TARGET 2 payment system by the end of January of the following calendar year (see Note 28).

By decision of the Governing Council, the ECB loss can be settled from the monetary income of the respective financial year.

(m) Issue of Banknotes

Pursuant to Decision ECB/2008/26, euro banknotes are issued jointly by national central banks in the Eurosystem and the ECB. The total amount of banknotes in circulation is allocated to individual central banks in the Eurosystem on the last working day of each month, according to the Banknote Allocation Key. The ECB's share in the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share in the total issue of euro banknotes within the Eurosystem is 0.914%. The share in banknotes in circulation is recognized under liabilities "Banknotes in Circulation" (see Note 10).

The difference between the banknotes allocated according to the Banknote Allocation Key and the banknotes actually in circulation represents an interest-bearing receivable or liability within the Eurosystem. This is disclosed under the heading "Net Claims Related to Allocation of Euro Banknotes within the Eurosystem" (see Note 8).



Over the five years since the Bank's transition to euro as cash, receivables/liabilities relating to the allocation of euro banknotes within the Eurosystem have been adjusted in order to eliminate major changes in the yield position of a respective central bank compared to prior years. The adjustment is based on the average issue of banknotes of the local currency two years prior to accession to the Eurosystem. The period of adjusting banknote issue for the NBS for the reasons listed above ends on 31 December 2014.

Interest income or interest expense from the receivables/liabilities referred to above is disclosed in the Bank's profit and loss account under the heading "Net Interest Income" (see Note 24).

(n) ECB Profit Redistribution

In accordance with Decision ECB/2010/24 of 25 November 2010, the ECB's income, consisting of the ECB's 8% share in euro banknotes issue and net income from securities purchased by the ECB under the SMP, is re-allocated among the Eu-

Participating interests of the 27 central banks of the European Union in the capital of the ECB as at 31 December 2010:

	Capital Key for Subscription of ECB's Capital (%)	Subscribed Share in Capital (EUR)	Paid-up Capital (EUR)	Eurosystem Key (%)
Banque National de Belgique	2.4256	261,010,384.68	180,157,051.35	3.4755
Deutsche Bundesbank	18.9373	2,037,777,027.43	1,406,533,694.10	27.1339
Central Bank and Financial Services Authority of Ireland	1.1107	119,518,566.24	82,495,232.91	1.5915
Bank of Greece	1.9649	211,436,059.06	145,939,392.39	2.8154
Banco de España	8.3040	893,564,575.51	616,764,575.51	11.8983
Banque de France	14.2212	1,530,293,899.48	1,056,253,899.48	20.3768
Banca d'Italia	12.4966	1,344,715,688.14	928,162,354.81	17.9056
Central Bank of Cyprus	0.1369	14,731,333.14	10,167,999.81	0.1962
Banque centrale du Luxembourg	0.1747	18,798,859.75	12,975,526.42	0.2503
Central Bank of Malta	0.0632	6,800,732.32	4,694,065.65	0.0906
De Nederlandsche Bank	3.9882	429,156,339.12	296,216,339.12	5.7144
Oesterreichische Nationalbank	1.9417	208,939,587.70	144,216,254.37	2.7822
Banco de Portugal	1.7504	188,354,459.65	130,007,792.98	2.5081
Banka Slovenije	0.3288	35,381,025.10	24,421,025.10	0.4711
Národná banka Slovenska	0.6934	74,614,363.76	51,501,030.43	0.9935
Suomen Pankki – Finlands Bank	1.2539	134,927,820.48	93,131,153.81	1.7966
<i>Total euro-area NCBs*</i>	<i>69.7915</i>	<i>7,510,020,721.55</i>	<i>5,183,637,388.22</i>	<i>100.00</i>
Българска народна банка (Bulharská národná banka)	0.8686	93,467,026.77	3,505,013.50	
Česká národní banka	1.4472	155,728,161.57	5,839,806.06	
Danmarks Nationalbank	1.4835	159,634,278.39	5,986,285.44	
Eesti Pank	0.1790	19,261,567.80	722,308.79	
Latvijas Banka	0.2837	30,527,970.87	1,144,798.91	
Lietuvos bankas	0.4256	45,797,336.63	1,717,400.12	
Magyar Nemzeti Bank	1.3856	149,099,599.69	5,591,234.99	
Narodowy Bank Polski	4.8954	526,776,977.72	19,754,136.66	
Banca Națională a României	2.4645	265,196,278.46	9,944,860.44	
Sveriges Riksbank	2.2582	242,997,052.56	9,112,389.47	
Bank of England	14.5172	1,562,145,430.59	58,580,453.65	
<i>Total non-euro area NCBs*</i>	<i>30.2085</i>	<i>3,250,631,681.03</i>	<i>121,898,688.04</i>	
Total*	100.00	10,760,652,402.58	5,305,536,076.26	

* Subtotals and totals are not required to correspond, due to the effect of rounding.



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rosystem's individual central banks in the same financial year as accrued in the form of an interim distribution of the ECB's income.

The Governing Council decides on the amount of the interim distributed income prior to the end of the calendar year, whereas the amount cannot exceed the ECB's net profit for that year. At the same time, the Governing Council may decide to transfer all or part of the ECB's income to reserves for credit, exchange rate, interest rate and gold price risks (see Note 27).

The remaining net profit of the ECB is re-allocated among the central banks within the Eurosystem upon approval of the ECB's financial statements, i.e. in the following calendar year. Under Article 33 of the Statute, transfers from the earned net profit of the ECB are first made to the general reserve fund of the ECB (which may not exceed 20% of the net profit, subject to a limit equal to 100% of the capital). The remaining net profit is redistributed to the national central banks in the Eurosystem in proportion to their paid-up shares in the capital of the ECB (see Note 27).

In the event of a loss incurred by the ECB, the shortfall may be offset against the ECB's general reserve fund and, if necessary, following a decision by the Governing Council, against the monetary income of the relevant financial year in proportion and up to the amounts allocated to the national central banks in the Eurosystem in accordance with Article 32.5 of the Statute.

(o) Fixed Assets

With effect from 1 January 2010 and pursuant to the ECB's Guideline, the NBS's fixed assets include tangible fixed assets and intangible fixed assets with an initial cost higher than EUR 10,000 and with a useful life of more than one year. Land, works of art, fixed historic landmarks and collections with the exception of those which are listed under separate regulations (e.g. Act No. 115/1998 Coll. on Museums and Galleries as amended) are recognized on the balance sheet regardless of their input price. Tangible and intangible fixed assets up to EUR 10,000 which were acquired and put in use prior to 1 January 2010 are depreciated as put in use until they are fully depreciated.

On the balance sheet, tangible and intangible fixed assets are recognized at cost including incidental

expenses; depreciated fixed assets are net of accumulated depreciation. Land, works of art, collections and tangible and intangible assets under construction or in progress are not depreciated.

Tangible and intangible fixed assets of the NBS are included in the individual depreciation groups as follows:

Depreciation Group	Depreciation period in years
1. Land and structures	30 4 – 12 ¹⁾
2. Utility networks	20
3. Plant and equipment	4 – 12
4. Transport means	4 – 6
5. Fittings and fixtures	4 – 12
6. Software	2 – 4
7. Other intangible fixed assets	2 – 4 or as per contract
8. Fixed property investment	30
9. Technical improvements of immovable historic landmarks	30

¹⁾ asset components

(p) Fixed Assets Held for Sale

Fixed assets available for sale include land and structures that are available for sale in their current condition, where the sale is considered to be highly probable. These assets are not depreciated.

Assets classified as fixed assets available for sale are disclosed under "Other assets" at the lower of cost less accumulated depreciation and provisions or fair value less costs of sale.

(r) Provisions

The Bank recognizes provisions if it has a present liability as a result of past events and it is probable that an outflow of financial resources will be required to settle the liability, and the amount of the liability may be reliably estimated.

(s) Cost of Employee Benefits

The NBS makes regular payments on behalf of its employees to health insurance companies for health insurance and to the Social Insurance Company for sickness, retirement, accident, guarantee and unemployment insurance and a contribution to the Guarantee Fund. Contributions are made 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 a disability, as stipulated in the Employment Act.



In association with supplementary pension management companies, the NBS has established a supplementary pension scheme for its employees.

The Bank also creates a provision for employee benefits in accordance with the statutory and other requirements.

(t) Taxation

The NBS is liable to corporate income tax. In accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes as amended, only income taxed by withholding tax is subject to taxation.

The NBS has been registered as a VAT payer since 1 July 2004.

(u) Off-Balance Sheet Instruments

Forward and spot purchases and sales are recognized in off-balance sheet accounts from the trade date to the settlement date at the spot rate of the transaction. On the settlement date the off-balance sheet booking entries are reversed, and the transactions are recorded on the balance sheet accounts.

Foreign exchange spot and forward transactions affect the net currency positions for calculating the average cost of the foreign currency position from the trade date. For foreign exchange swaps, the foreign currency position is only affected by the accrued interest expense and income (the difference between the spot and forward rates), which is accrued on the balance sheet on a daily basis.

For calculating and recognizing gains and losses on these off-balance sheet instruments, the same principle as for valuing assets and liabilities denominated in foreign currencies applies (see Section B, Note c).

Options and futures are recognized by the Bank on off-balance sheet accounts from the trade date to the settlement date at the price of the underlying instrument. Valuation of the underlying instruments does not affect the net foreign currency position for calculating the average cost of the currency.

C. PARTIES RELATED TO THE NATIONAL BANK OF SLOVAKIA

Parties related to the National Bank of Slovakia include members of the Bank Board. The salaries

and employee benefits of the Bank Board's members amounted to EUR 1,463 thousand for 2010 (EUR 1,433 thousand for 2009).

The Bank has receivables from loans provided to the Bank Board's members totalling EUR 215 thousand as at 31 December 2010 (EUR 275 thousand as at 31 December 2009).

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

1. GOLD AND GOLD RECEIVABLES

EUR '000	31 Dec 2010	31 Dec 2009
Bars in standard form	1,073,599	779,549
Gold in other form	1,661	1,206
	1,075,260	780,755

At 31 December 2010, gold comprises a total of 1,019 thousand troy ounces of gold (1,019 thousand troy ounces of gold as at 31 December 2009), of which 300 thousand troy ounces of gold are deposited in correspondent banks, 717 thousand troy ounces of gold are used in repurchase transactions, and 2 thousand troy ounces are deposited with the Bank.

The market value of gold as at 31 December 2010 was EUR 1,055,418 per ozs (EUR 766,347 per ozs as at 31 December 2009). As at 31 December 2010, the balance of the gold revaluation account was EUR 442,116 thousand (EUR 147,610 thousand as at 31 December 2009).

The value of gold provided as collateral in gold repurchase transactions at 31 December 2010 amounted to EUR 756,588 thousand (EUR 698,647 thousand as at 31 December 2009).

2. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

EUR '000	31 Dec 2010	31 Dec 2009
Receivables from/payables to the IMF	501,345	445,665
Balance with banks and security investments, foreign loans and other foreign assets	36,320	40,349
	537,665	486,014



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Receivables from / Payables to the International Monetary Fund

	31 Dec 2010		31 Dec 2009	
	Equivalent in XDR mil.	EUR '000	Equivalent in XDR mil.	EUR '000
Receivables from the IMF	726	841,000	699	760,955
1) National quota	358	414,427	358	389,070
– Membership contribution	293	339,655	290	315,290
– Reserve position	65	74,772	68	73,780
2) Nostro account in the IMF	341	395,525	341	371,885
3) Bilateral lending	27	31,048		
Liabilities to the IMF	293	339,655	290	315,290
1) IMF loro accounts	287	332,648	301	327,311
2) Adjustment account	6	7,007	(11)	(12,021)
Total (net)		501,345		445,665

Receivables from / Payables to the International Monetary Fund

Receivables from the IMF consist of the national quota of Slovakia in the IMF, nostro account in the IMF and bilateral loans granted. Part of the national quota is the membership contribution maintained in EUR and the reserve position in Special Drawing Rights (XDR), which represents a receivable from loans granted in respect of the Financial Transactions Plan (subsequently the "FTP"). Under the FTP, as at 31 December 2010, funds were provided to third countries in the amount of XDR 65 million, amounting to EUR 74,772 thousand (EUR 73,780 thousand as at 31 December 2009). The balance of the nostro account in the IMF as at 31 December 2010 of EUR 395,525 thousand (EUR 371,885 thousand as at 31 December 2009) is mainly represented by the general and special allocation from 2009. In accordance with the agreement with the IMF, the Slovak Republic granted bilateral loans to selected countries amounting to XDR 27 million, equalling EUR 31,048 thousand. In granting the loans, the NBS records a receivable from the IMF which bears an IMF interest rate.

Liabilities to the IMF represent financial funds of the IMF deposited on IMF loro accounts with the NBS in the amount of EUR 332,648 thousand (EUR 327,311 thousand as at 31 December 2009). Liabilities on the loro account in local currency change depending on the IMF representative exchange rate (currency adjustment). A significant part of the liabilities consists of a non-marketable and non-interest-bearing note of Slovakia due on demand in the amount of EUR 315,943 thousand (EUR 326,040 thousand as at 31 December 2009).

The Bank records a liability to the IMF from the allocation recorded under L 9 "Counterpart of special drawing rights allocated by the IMF" (see Note 17).

Balance with Banks and Security Investments, Foreign Loans and Other Foreign Assets

EUR '000	31 Dec 2010	31 Dec 2009
Debt securities	31,347	29,513
Other	4,973	10,836
	36,320	40,349

Debt securities recognized as at 31 December 2010, categorized in this caption, are denominated in US dollars. As for the security issuers, they are public authority securities.

As at 31 December 2010, "Other" mainly included cash in foreign currency on nostro accounts of euro area non-residents.

3. CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

EUR '000	31 Dec 2010	31 Dec 2009
Debt securities	111,752	105,465
Current accounts	306	382
	112,058	105,847

Debt securities categorized under this heading are denominated in US dollars. As per security issuers, as at 31 December 2010 the Bank recorded securities of financial institutions and public authority.

**4. CLAIMS ON NON-EURO AREA RESIDENTS
DENOMINATED IN EURO**

As at 31 December 2010, within this category the Bank recognized debt securities of non-euro area residents of EUR 2,910,931 thousand (EUR 2,450,078 thousand as at 31 December 2009). As for the security issuers, as at 31 December 2010 the Bank mainly recorded securities issued by monetary financial institutions.

**5. LENDING TO EURO AREA CREDIT INSTITUTIONS
RELATED TO MONETARY POLICY OPERATIONS
DENOMINATED IN EURO**

In accordance with the rules for monetary policy operations in the Eurosystem, the NBS performed main and longer-term refinancing operations in the amount of EUR 1,005,000 thousand as at 31 December 2010 (EUR 2,063,000 thousand as at 31 December 2009).

Main refinancing operations are regular liquidity-providing reverse transactions with a weekly frequency and a normal maturity of one week. Longer-term refinancing operations are regular liquidity-providing reverse transactions of a longer period; as at 31 December 2010, transactions with a maturity of three and six months were recognized. These transactions are performed through standard tenders.

As at 31 December 2010, the volume of main refinancing operations and longer-term refinancing operations was EUR 815,000 thousand and EUR 190,000 thousand, respectively (EUR 68,000 thousand and EUR 1,995,000 thousand as at 31 December 2009, respectively).

**6. OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS
DENOMINATED IN EURO**

EUR '000	31 Dec 2010	31 Dec 2009
Redistribution loan	48,200	55,138
Current accounts	840	44,563
Granted loans		304
	49,040	100,005

A discounted rate redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. As at 31 December 2010, the redistribution

loan bore interest of 0.50% p.a. (0.50 % p.a. as at 31 December 2009).

As at 31 December 2010, the NBS recorded a state guarantee received for the redistribution loan of EUR 50,589 thousand (EUR 57,967 thousand as at 31 December 2009). The amount of the state guarantee represents the principal and interest up to maturity.

**7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED
IN EURO**

EUR '000	31 Dec 2010	31 Dec 2009
Debt securities held for monetary policy purposes	1,394,282	268,102
Other securities	9,644,561	9,927,972
	11,038,843	10,196,074

As at 31 December 2010, under the "Debt securities held for monetary policy purposes" caption the Bank disclosed securities purchased under the SMP of EUR 840,426 thousand and covered bonds of EUR 553,856 thousand (EUR 268,102 thousand as at 31 December 2009).

These securities are held to maturity and are subject to impairment testing. They were mainly issued by public authorities and monetary financial institutions of the euro area.

As at 31 December 2010, SMP securities within the Eurosystem totalled EUR 73,976,000 thousand. Under Article 32(4) of the Statute, any losses resulting from ownership of the SMP securities are shared by the central banks within the Eurosystem based on their participating interests in the ECB's paid-up capital. As at 31 December 2010, the Bank did not recognize any impairment losses.

As at 31 December 2010, under the "Other securities" caption, the Bank recognized securities issued by monetary financial institutions and public authorities of the euro area. These are included in the trading portfolio.

As at 31 December 2010, under the item referred to above, the Bank recorded securities issued by the Government of the Slovak Republic of EUR 41,854 thousand. The securities were purchased in compliance with the rules as defined in Article 123 of the Treaty on the European Union and Article 21 of the Statute.



8. INTRA-EUROSYSTEM CLAIMS

EUR '000	31 Dec 2010	31 Dec 2009
Participating interest in ECB	205,715	194,158
Claims equivalent to the transfer of foreign reserves	399,444	399,444
Net claims related to allocation of euro banknotes within the Eurosystem	1,727,738	2,835,882
	2,332,897	3,429,484

Participating Interest in ECB

As at 31 December 2010, the Bank recorded a participating interest in the ECB's capital of EUR 51,501 thousand (EUR 39,944 thousand as at 31 December 2009), which in accordance with the percentage shares set, represents a 0.6934% share of the NBS on the ECB's capital.

Pursuant to Decision ECB/2010/26 of 13 December 2010, the ECB's capital was increased by EUR 5 billion to EUR 10,760,652 thousand. The NBS is required to pay the share in the ECB's increased capital in three equal annual instalments. The first instalment of EUR 11,557 thousand was paid on 29 December 2010 and two further instalments will be paid in 2011 and 2012.

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

Claims Equivalent to the Transfer of Foreign Reserves

The NBS recognizes a claim of EUR 399,444 thousand equivalent to the transfer of foreign reserves

to the ECB made according to the NBS capital key under Article 30(1) of the Statute. The receivable bears interest amounting to 85% of the main refinancing operations rate. As at 31 December 2010, accrued interest income from the claim equivalent to the transfer of foreign reserves amounted to EUR 3,442 thousand (see Note 24).

Net Claims Related to the Allocation of Euro Banknotes within the Eurosystem

The item represents a claim related to the application of the banknote allocation key, which amounted to EUR 1,727,738 thousand as at 31 December 2010 (EUR 2,835,882 thousand as at 31 December 2009). The claim bears interest at the interest rate for main refinancing operations. As at 31 December 2010, net interest received from the receivable amounted to EUR 4,073 thousand (see Note 24).

9. OTHER ASSETS

EUR '000	31 Dec 2010	31 Dec 2009
Tangible and intangible fixed assets	162,701	171,584
Other financial assets	10,448	10,043
Revaluation differences of off-balance sheet instruments	127	101
Accruals and prepaid expenses	339,769	270,386
Accumulated losses from previous years	5,014,533	5,085,121
Sundry	377,659	247,217
	5,905,237	5,784,452

Tangible and Intangible Fixed Assets

This heading comprises fixed assets of the NBS. The balance of tangible and intangible fixed assets as at 31 December 2010 was as follows:

Tangible and Intangible Fixed Assets

EUR '000	TA & advances and assets under construction	IA & advances and assets under construction	TOTAL
Acquisition cost as at 1 January 2010	278,936	24,736	303,672
Additions	2,065	2,560	4,625
Disposals	3,390	1,580	4,970
Acquisition cost as at 31 December 2010	277,611	25,716	303,327
Accumulated depreciation as at 1 January 2010	117,234	14,896	132,130
Additions	7,899	3,262	11,161
Disposals	2,382	283	2,665
Accumulated depreciation and provisions as at 31 December 2010	122,751	17,875	140,626
Carrying amount of TA and IA as at 1 January 2010	161,702	9,840	171,542
Carrying amount of TA and IA as at 31 December 2010	154,860	7,841	162,701



As at 31 December 2010, the NBS did not recognize fixed assets held for sale (EUR 42 thousand as at 31 December 2009).

Other Financial Assets

As at 31 December 2010 and 31 December 2009, the Bank owned 1,080 certificate shares of RVS a.s. Bratislava with a value of EUR 3,585 thousand, representing a 52.33% share of the company's registered capital. Despite its majority share in RVS, a.s., the Bank does not prepare consolidated financial statements in accordance with Article 22 of the Act on Accounting. Based on the equity analysis, the Bank did not identify any significant risk associated with its equity share or any need for recognizing an impairment loss.

As at 31 December 2010, the Bank owned 2,858 BIS shares in the amount of EUR 19,232 thousand (EUR 18,092 thousand as at 31 December 2009), representing a 0.51% share in the registered capital of BIS. The share in BIS is recognized on the balance sheet in the amount equal to 25% of the paid-up shares, i.e. EUR 6,830 thousand (EUR 6,425 thousand as at 31 December 2009). The liability from the outstanding shares in the amount of 75% of the face value of each share represents EUR 12,402 thousand (EUR 11,667 thousand as at 31 December 2009). The outstanding portion of the shares is due on demand. As at 31 December 2010, the Bank recognized dividends from BIS shares of EUR 2,326 thousand (EUR 831 thousand as at 31 December 2009 – see Note 27).

As at 31 December 2010, the NBS recorded a contribution in the registered capital of Inštitút bankového vzdelávania NBS, n. o. Bratislava of EUR 33 thousand (EUR 33 thousand as at 31 December 2009).

Revaluation Differences of Off-Balance Sheet Instruments

The balance represents gains from the revaluation of off-balance sheet instruments amounting to EUR 127 thousand (EUR 101 thousand as at 31 December 2009).

Accruals and Prepaid Expenses

This item represents mainly accrued bond coupons of EUR 237,554 thousand (EUR 163,072 thousand as at 31 December 2009). The bond coupons purchased amounted to EUR 28,709 thousand (EUR 61,939 thousand as at 31 December 2009).

Interest accrued on derivatives amounted to EUR 67,811 thousand (EUR 30,079 thousand as at 31 December 2009).

Sundry

EUR '000	31 Dec 2010	31 Dec 2009
Deposits granted related to interest rate swaps	306,000	196,500
Interest rate swaps	41,069	4,374
Purchased options	4,681	8,532
Interest rate futures	12,522	25,082
Investment and consumer loans granted to employees	10,950	10,240
Other	2,437	2,489
	377,659	247,217

The purpose of the deposits granted related to swap operations is to secure counterparty credit risk in respect of a decrease of the value of the swap on the part of the NBS.

10. BANKNOTES IN CIRCULATION

"Banknotes in circulation" represents the total amount of euro banknotes attributable to the NBS according to the Banknote Allocation Key:

EUR '000	31 Dec 2010	31 Dec 2009
Euro banknotes in circulation issued by the NBS	5,947,138	4,534,715
Euro banknotes not issued by the NBS	1,727,738	2,835,882
Total euro banknotes according to the NBS		
Banknote Allocation Key	7,674,876	7,370,597
SKK Banknotes		110,860
	7,674,876	7,481,457

The total volume of euro banknotes issued by the Eurosystem central banks is redistributed on the last day of each month in accordance with the Banknote Allocation Key (see Section B, Note m). The total of euro banknotes according to the Banknote Allocation Key attributable to NBS as at 31 December 2010 amounted to EUR 7,674,876 thousand (EUR 7,370,597 thousand as at 31 December 2009). Euro banknotes actually issued by the NBS as at 31 December 2010 amounted to EUR 5,947,138 thousand (EUR 4,534,715 thousand as at 31 December 2009). As at 31 December 2010, the difference between the euro banknotes actually issued



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and the euro banknotes attributable to the NBS according to the Banknote Allocation Key (see Note 8) represents a receivable for the NBS of EUR 1,727,738 thousand (EUR 2,835,882 thousand as at 31 December 2009). Unchanged Slovak banknotes in circulation are disclosed as of 1 January 2010 under L12 "Other liabilities" (see Note 19).

**11. LIABILITIES TO EURO AREA CREDIT INSTITUTIONS
RELATED TO MONETARY POLICY OPERATIONS
DENOMINATED IN EURO**

EUR '000	31 Dec 2010	31 Dec 2009
Current accounts covering the minimum reserve system	600,731	520,802
Deposit facility	89,733	677,370
Term deposits	25,000	
	715,464	1,198,172

As at 31 December 2010, current accounts represented monetary reserves of credit institutions that are subject to the minimum reserve system in accordance with the Statute. The deposit facility represents overnight deposits at a pre-specified interest rate.

12. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

EUR '000	31 Dec 2010	31 Dec 2009
Repo transactions (Tri-party)	1,000,000	
Liabilities from repo transactions with gold	49,951	38,501
Interbank clearing in Slovakia (SIPS)	108	11
	1,050,059	38,512

**13. LIABILITIES TO OTHER EURO AREA RESIDENTS
DENOMINATED IN EURO**

EUR '000	31 Dec 2010	31 Dec 2009
Public authority	115	70
Other liabilities	111,268	66,373
	111,383	66,443

Public authority

As at 31 December 2010, the NBS recognized current accounts of the State treasury in the amount of EUR 115 thousand under this heading (EUR 70 thousand as at 31 December 2009).

Other Liabilities

EUR '000	31 Dec 2010	31 Dec 2009
Client current accounts	11,187	10,981
Client term deposits	29,290	29,279
Current accounts of auxiliary financial institutions	215	2,347
Term deposits of auxiliary financial institutions	70,576	23,766
	111,268	66,373

Auxiliary financial institutions include the Deposit Protection Fund and the Investment Guarantee Fund.

**14. LIABILITIES TO NON-EURO AREA RESIDENTS
DENOMINATED IN EURO**

EUR '000	31 Dec 2010	31 Dec 2009
Liabilities from repo transactions with gold	275,029	356,704
Liabilities to international financial institutions	3,277	13,388
Client loro accounts	18	1
	278,324	370,093

15. LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

EUR '000	31 Dec 2010	31 Dec 2009
Liabilities from repo transactions with gold	86,117	78,507
Current accounts of the State Treasury in foreign currency	1	
	86,118	78,507

**16. LIABILITIES TO NON-EURO AREA RESIDENTS
DENOMINATED IN FOREIGN CURRENCY**

As at 31 December 2010, this caption included liabilities from long-term repo transactions with gold denominated in US dollars in the total amount of EUR 62,457 thousand (EUR 57,161 thousand as at 31 December 2009).

**17. COUNTERPART OF SPECIAL DRAWING RIGHTS
ALLOCATED BY THE IMF**

As at 31 December 2010, the Bank recorded a liability to the IMF from the allocation of EUR 394,002 thousand (EUR 370,644 thousand as at 31 December 2009). The liability from the allocation is denominated in XDR. The IMF allocated XDR 265 million as part of the general allocation and XDR 75 million as part of a special allocation to Slovakia.

**18. INTRA-EUROSYSTEM LIABILITIES**

The major part of this caption represents the Bank's liability to TARGET2, which was EUR 13,311,469 thousand as at 31 December 2010 (EUR 14,520,625 thousand as at 31 December 2009) (see Section B, Note k). The position bears interest at the rate applied to main refinancing operations. Total interest paid was EUR 141,974 thousand as at 31 December 2010 (see Note 24).

19. OTHER LIABILITIES

EUR '000	31 Dec 2010	31 Dec 2009
Revaluation differences of off-balance sheet instruments	892	97
Accruals and income collected in advance	231,307	139,977
Sundry	663,667	363,260
	895,866	503,334

As at 31 December 2010, "Revaluation differences of off-balance sheet instruments" represented a loss from off-balance sheet instruments valuation of EUR 892 thousand (EUR 97 thousand as at 31 December 2009).

The major part of accruals represented interest expense from interest rate swaps in euro of EUR 219,142 thousand (EUR 126,422 thousand as at 31 December 2009) and interest on TARGET2 remuneration of EUR 11,155 thousand (EUR 12,818 thousand as at 31 December 2009).

Sundry

EUR '000	31 Dec 2010	31 Dec 2009
Derivatives	414,027	220,124
SKK banknotes in circulation	93,539	
Euro coins in circulation	103,709	91,637
SKK coins in circulation	47,395	47,566
Other	4,997	3,933
	663,667	363,260

As at 31 December 2010, "Derivatives" consisted of call options sold of EUR 189,587 thousand (EUR 123,387 thousand as at 31 December 2009) and an interest rate swap of EUR 214,540 thousand (EUR 96,737 thousand as at 31 December 2009). Collaterals of EUR 9,900 thousand in swap operations are also disclosed under this item (see Section B, Note f).

20. PROVISIONS

EUR '000	31 Dec 2010	31 Dec 2009
Provisions for payables to employees	3,479	3,460
Provisions for unbilled supplies	575	733
Provisions for legal disputes	766	669
Provision for audit	42	66
Provision for Annual Report	14	22
	4,876	4,950

21. REVALUATION ACCOUNTS

EUR '000	31 Dec 2010	31 Dec 2009
Valuation differences from gold valuation	442,116	147,610
Valuation differences from derivatives valuation	41,069	4,374
Valuation differences from securities valuation	56,277	139,581
Valuation differences from foreign currency valuation	5,004	6,178
	544,466	297,743

The balance of "Valuation Differences from Derivatives Valuation" is represented by revaluation differences from the valuation of interest rate swaps.

22. CAPITAL AND RESERVES

EUR '000	31 Dec 2010	31 Dec 2009
Capital	16,041	16,041
Reserves	342,304	342,304
	358,345	358,345

Capital

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

Reserves

Reserves consist of general reserves and capital reserves.



INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS

As at 31 December 2010, the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2009). The general reserves consist of contributions from generated profits of EUR 337,412 thousand. As at 1 January 2006, following the merger of the ÚFT

with the NBS, the ÚFT's reserve fund of EUR 3,462 thousand was transferred to the NBS reserves.

As at 31 December 2010, the NBS's capital reserves amounted to EUR 1,430 thousand and included mainly real estate delimitation balances.

Summary of Changes in Equity and Accumulated Losses

EUR '000	Statutory fund	Capital reserves	General reserves	Valuation differences fund profit/(loss)	Accumulated (loss) from previous years	Profit/(loss) of current year
1. Balance as at 31 December 2009	16,041	1,430	340,874	297,743	(5,085,121)	70,588
2. Transfer of profit for 2009 to accumulated loss					70,588	(70,588)
3. Transfer to statutory fund						
4. Transfer to general reserves						
5. Change in valuation differences from securities				(83,304)		
6. Change in valuation differences from derivatives				36,695		
7. Change in valuation differences from gold				294,506		
8. Change in valuation differences from foreign currencies				(1,174)		
9. (Loss)/profit for the current reporting period						(515,173)
10. Remittances from profit						
11. Change for the reporting period				246,723	70,588	(585,761)
12. Balance as at 31 December 2010	16,041	1,430	340,874	544,466	(5,014,533)	(515,173)

23. OFF-BALANCE SHEET INSTRUMENTS

EUR '000	31 Dec 2010		31 Dec 2009	
	Receivables	Liabilities	Receivables	Liabilities
Currency swaps in EUR (forward portion)	69,114		56,361	
Currency swaps in USD (forward portion)		43,032		39,914
Currency swaps in GBP (forward portion)		9,875		7,101
Currency swaps in JPY (forward portion)		16,972		9,342
	69,114	69,879	56,361	56,357

EUR '000	31 Dec 2010		31 Dec 2009	
	Receivables	Liabilities	Receivables	Liabilities
Put options purchased	161,500	422,396	149,796	306,705
Call options sold	273,278	422,396	253,474	306,705
	434,778	844,792	403,270	613,410

EUR '000	31 Dec 2010		31 Dec 2009	
	Receivables	Liabilities	Receivables	Liabilities
Interest rate futures in EUR		245,400		2,335,472
Interest rate futures in USD		50,891		
		296,291		2,335,472

**24. NET INTEREST INCOME**

EUR '000	31 Dec 2010	31 Dec 2009
Interest income	666,364	647,802
Interest income from bonds	417,293	366,694
Interest income from derivatives	221,338	239,866
Interest income from repo transactions	17,985	11,547
Interest received from euro banknotes remuneration	4,240	23,964
Interest received from a claim equivalent to the transfer of foreign reserves	3,442	4,374
Interest from redistribution loan	252	306
Interest from client loans and deposits	1,790	1,050
Other	24	1
Interest expense	(623,173)	(555,919)
Interest expense from derivatives	(465,604)	(362,123)
Interest expense from repo transactions	(6,306)	(10,774)
Interest paid from TARGET2 remuneration	(141,974)	(163,967)
Interest paid from minimum reserve requirement	(6,951)	(9,610)
Interest on current accounts, deposits and loans	(2,165)	(7,528)
Interest expense from NBS treasury bills		(1,459)
Interest paid from euro banknotes remuneration	(167)	
Other	(6)	(458)
	43,191	91,883

With effect from 2010, interest income from bonds also includes the amortization of premium. The 2009 comparatives were adjusted accordingly.

25. NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS

EUR '000	31 Dec 2010	31 Dec 2009
Realized gains arising from financial operations	158,269	174,264
Net foreign exchange (losses)/gains from daily valuation	(725)	1,308
Net gains from sale of securities	111,137	172,908

Net gains from interest rate swaps	47,865	
Net foreign exchange (losses)/gains from other operations	(8)	48
Write-downs on financial assets and positions	(673,530)	(157,955)
Losses from write-downs on derivatives	(226,745)	(145,327)
Losses from write-downs on valuation of securities	(440,520)	(10,340)
Losses from write-downs on foreign currency	(6,265)	(2,288)
	(515,261)	16,309

Net gains from interest rate swaps also include the amortized year-end loss from 2009 as per Article 19 of the ECB Guideline. The net result from financial operations was influenced by a loss from the valuation of securities, options and interest rate swaps using fair value.

26. Net Income/Expense from Fees and Commissions

EUR '000	31 Dec 2010	31 Dec 2009
Fees and commissions income	5,057	2,893
Fees received from SIPS participants	1,788	1,731
Fees and commissions received from clients	334	425
Fees and commissions in operations with securities	2,516	359
Fees received from share on TARGET2 pooled income	344	343
Fees received from exchange of euro coins	71	
Received contractual penalties from monetary policy operations		23
Other	4	12
Fees and commissions expense	(1,250)	(1,332)
Fees paid to banks	(954)	(847)
Fees paid related to interest rate futures	(154)	(323)
Fees paid to SWIFT	(111)	(107)
Fees paid to TARGET2	(37)	(38)
Other	6	(17)
	3,807	1,561



27. INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

EUR '000	31 Dec 2010	31 Dec 2009
Participating interest in the ECB's net profit	14,565	
Dividends from shares and participating interests	2,326	831
Income on euro banknotes in circulation		7,821
	16,891	8,652

Income from equity shares and participating interests represents a share in the ECB's net profit received of EUR 14,565 thousand for 2009. As at 31 December 2010, in relation to the participating interest in BIS, the Bank recorded dividends received from BIS shares of EUR 2,326 thousand (EUR 831 thousand as at 31 December 2009 – see Note 9).

By the Decision of the Governing Council of 16 December 2010, the whole ECB's income from euro banknotes in circulation and from purchases of securities under the SMP will be used to create the ECB's reserves for credit, foreign exchange rate, interest rate and gold price risks.

28. NET RESULT OF POOLING OF MONETARY INCOME

Monetary income pooled by the NBS for 2010 into the common pool of the monetary income of the Eurosystem was EUR 97,736 thousand. Monetary income corresponding to the 0.9935% share of the NBS in the common pool was EUR 103,928 thousand. The difference of EUR 6,192 thousand (EUR 12,818 thousand as at 31 December 2009) represents the net result arising from the pooling of monetary income.

The correction of the monetary income of the Eurosystem for the year 2009 resulted in costs for the NBS of EUR 651 thousand.

29. OTHER INCOME AND OTHER EXPENSES

As at 31 December 2010, most of the Bank's other income represented income from fees and contributions from financial market entities of EUR 4,054 thousand (EUR 3,797 thousand as at 31 December 2009) and income from sales of commemorative coins and material from damaged SKK coins of EUR 2,066 thousand (EUR 1,463 thousand as at 31 December 2009).

As at 31 December 2010, the Bank's other expenses mainly represented coinage of euro coins of EUR 1,850 thousand (EUR 6,148 thousand as at 31 December 2009) and costs of coinage of commemorative coins of EUR 3,025 thousand (EUR 948 thousand as at 31 December 2009).

30. PERSONNEL COSTS

EUR '000	31 Dec 2010	31 Dec 2009
Wages and salaries	(22,339)	(21,638)
Social security costs	(7,303)	(6,689)
Other employee costs	(4,723)	(3,242)
	(34,365)	(31,569)

As at 31 December 2010, the average FTE number of employees was 1,082 (1,083 as at 31 December 2009), of which 102 were managers (106 as at 31 December 2009).

31. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

EUR '000	31 Dec 2010	31 Dec 2009
Amortization of intangible fixed assets	(3,262)	(2,884)
Depreciation of tangible fixed assets	(7,899)	(8,701)
	(11,161)	(11,585)

32. BANKNOTE PRODUCTION SERVICES

As at 31 December 2010, the cost of printing euro banknotes amounted to EUR 9,498 thousand.

33. PROFIT/LOSS

The result of the Bank's operations as at 31 December 2010 was a loss of EUR 515,173 thousand (profit of EUR 70,588 thousand as at 31 December 2009). The Bank Board determined that the loss would be allocated to the accumulated loss from previous years. The reported loss was largely affected by unrealized losses from valuation of financial instruments to market value of EUR 673,530 thousand (see Note 25), which in accordance with the ECB's Guideline are recorded in the profit and loss account at the end of the reporting period. Unrealized gains remain on the balance sheet and are recognized in equity (see Note 21).

E. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 3 March 2011, the Governing



Council decided to distribute the ECB's net profit to individual central banks based on the key on the ECB's paid-up capital. The NBS income from the distribution of profit in the amount of EUR 1.7 million is included in the 2011 reporting period.

Following the accession of Estonia to the Eurosystem, Eurosystem key adjustments were made for national central banks on the basis

of Decision ECB/2010/34. As at 1 January 2011, the NBS's Eurosystem key was adjusted to 0.99098906% (0.99353073% up to 31 December 2010). The key for the allocation of banknotes changed to 0.9115% (0.9140% up to 31 December 2010).

No significant events occurred subsequent to 31 December 2010 that would require any adjustments to the 2010 financial statements.

Bratislava, 15 March 2011

Doc. Ing. Jozef Makúch, PhD.
Governor

Ing. Viliam Ostrožlík, MBA
Deputy Governor

Ing. Katarína Taragelová
Financial Management
Director



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**Appendix to the auditor's report
on the consistency of annual report with audited financial statements
in accordance with Act No. 540/2007 Z.z. § 23 par. 5**

To the Bank Board of the National Bank of Slovakia:

- I. We have audited the financial statements of the National Bank of Slovakia ('the Bank') as at 31 December 2010 presented in the annual report on pages 81 - 103. We issued the following audit report dated 15 March 2011 on the financial statements:

"Independent Auditors' Report"

To the Bank Board of the National Bank of Slovakia:

We have audited the accompanying financial statements of the National Bank of Slovakia ('the Bank'), which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Responsibility of the Bank Board of the National Bank of Slovakia for the Financial Statements

Bank Board of the National Bank of Slovakia is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks No ECB/2010/20 ('the ECB Guideline') and with Act No. 431/2002 Coll. on Accounting, as amended ('the Act on Accounting') and for such internal control as the Bank Board of the National Bank of Slovakia determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Bank's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank Board of the National Bank of Slovakia, 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.

Opinion

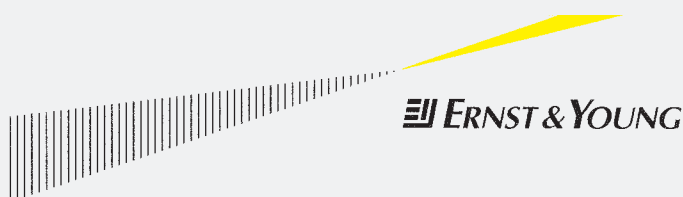
In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

15 March 2011
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský
SKAU Licence No. 893"

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



- II. We have also audited the consistency of the annual report with the above-mentioned financial statements. The Bank Board of the National Bank of Slovakia is responsible for the accuracy of preparation of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the financial statements. We have checked that the information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2010. We have not audited information that has not been derived from audited financial statements or Bank accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements of the Bank as at 31 December 2010 and is in accordance with the Act No 566/1992 Coll. on the National Bank of Slovakia, as amended and special regulations valid for the Eurosystem.

18 April 2011
Bratislava, Slovak Republic

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