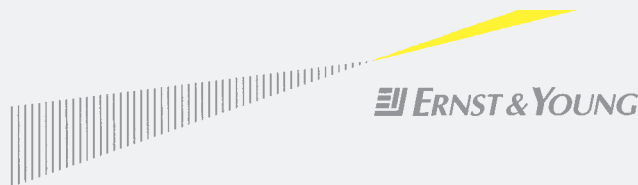




NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 12

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS AS AT 31 DECEMBER 2011



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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 2011, 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, as amended ('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 2011 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

13 March 2012
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
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Ing. Dalimil Draganovský
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a v zozname auditorov vedenom Slovenskou komorou auditorov pod č. 257.



FINANCIAL STATEMENTS OF NÁRODNÁ BANKA SLOVENSKA AS AT 31 DECEMBER 2011

BALANCE SHEET of Národná banka Slovenska				
		Note	31 Dec 2011 EUR '000	31 Dec 2010 EUR '000
ASSETS				
A1	Gold and gold receivables	1	1,239,740	1,075,260
A2	Claims on non-euro area residents denominated in foreign currency	2	651,913	537,665
A3	Claims on euro area residents denominated in foreign currency	3	267,950	112,058
A4	Claims on non-euro area residents denominated in euro	4	3,089,605	2,910,931
A5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	1,264,000	1,005,000
A6	Other claims on euro area credit institutions denominated in euro	6	43,391	49,040
A7	Securities of euro area residents denominated in euro	7	12,547,350	11,038,843
A8	General government debt denominated in euro			
A9	Intra-Eurosystem claims	8	1,475,834	2,332,897
A10	Items in course of settlement		97	
A11	Other assets	9	6,530,992	5,905,237
A12	Loss for the year	34	76,734	515,173
	TOTAL ASSETS		27,187,606	25,482,104
LIABILITIES				
L1	Banknotes in circulation	10	8,099,844	7,674,876
L2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	645,975	715,464
L3	Other liabilities to euro area credit institutions denominated in euro	12	328,816	1,050,059
L4	Debt certificates issued			
L5	Liabilities to other euro area residents denominated in euro	13	160,002	111,383
L6	Liabilities to non-euro area residents denominated in euro	14	1,493,748	278,324
L7	Liabilities to euro area residents denominated in foreign currency	15	90,497	86,118
L8	Liabilities to non-euro area residents denominated in foreign currency	16	65,368	62,457
L9	Counterpart of special drawing rights allocated by the IMF	17	404,046	394,002
L10	Intra-Eurosystem liabilities	18	13,600,041	13,305,868
L11	Items in course of settlement			
L12	Other liabilities	19	1,169,028	895,866
L13	Provisions	20	7,743	4,876
L14	Revaluation accounts	21	764,701	544,466
L15	Capital and reserves	22	357,797	358,345
L16	Profit for the year	34		
	TOTAL LIABILITIES		27,187,606	25,482,104



PROFIT AND LOSS ACCOUNT of Národná banka Slovenska			
	Note	31 Dec 2011 EUR '000	31 Dec 2010 EUR '000
1.1 Interest income		980,508	666,197
1.2 Interest expense		(673,405)	(623,006)
1 Net interest income	24	307,103	43,191
2.1 Realised gains arising from financial operations		115,700	158,269
2.2 Write-downs on financial assets and positions		(461,988)	(673,530)
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	(346,288)	(515,261)
3.1 Fees and commissions income		5,075	5,057
3.2 Fees and commissions expense		(1,371)	(1,250)
3 Net income / (expense) from fees and commissions	26	3,704	3,807
4 Income from equity shares and participating interests	27	9,092	16,891
5 Net result of pooling of monetary income	28	15,596	5,541
6 Other income	29	8,778	6,936
Total net income		(2,015)	(438,895)
7 Staff costs	30	(33,971)	(34,365)
8 Administrative expenses	31	(17,038)	(16,205)
9 Depreciation of tangible and intangible fixed assets	32	(10,342)	(11,161)
10 Banknote production services	33	(3,070)	(9,498)
11 Other expenses	29	(10,298)	(5,049)
12 Income tax and other government charges on income			
(Loss) / Profit	34	(76,734)	(515,173)



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

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 17 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, five branches in Slovakia, and special-purpose organizational units. In accordance with the decision of the NBS Bank Board (subsequently the “Bank Board”), the branches in Humenné and Lučenec and in Bratislava and Trenčín ceased client services as at 30 September 2011 and as at 31 October 2011, respectively.

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 authorization 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 performance of tasks arising from such representation. Within its supervision of the financial market, the NBS also performs 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 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 organizational units when implementing the common European monetary policy;
- Determines the principles of conduct and the organization 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 reports on result 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 use;
- Determines the organizational structure of the NBS;



In 2011, 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 Láni Sedláková	1. 6. 2007 – 1. 6. 2012	Member	1. 6. 2007
Ing. Štefan Králik	1. 4. 2009 – 1. 4. 2014	Member	1. 4. 2009

The term of office of Ing. Slavomír Šťastný, PhD., MBA on the Bank Board came to an end on 1 January 2011.

- Sets the amount of annual contributions of supervised entities in the financial market;
- Determines the procedure to be followed by the NBS and its organizational units when issuing euro banknotes and euro coins, including commemorative euro coins and collector euro coins, in accordance with the separate 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;
- 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 not more than two consecutive terms of office and as Deputy Governor for not more than two consecutive terms of office. The Governor represents the NBS vis-à-vis third parties.

In accordance with Article 39 (4) of the NBS Act, the financial result of the NBS for a reporting period 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 report on result of its operations to the National Council of the Slovak Republic within three months after the end of the calendar year. In addition to the NBS financial statements and the auditor's opinion thereon, the report provides information on the 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 report as submitted.

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Basis for 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, as amended (subsequently the "ECB Guideline"). In recognizing 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 harmonized 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, 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 book- ing 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, with the exception of 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 on 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.

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

Over the course of 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, with the exception of XDR. In the case of XDR, the ECB determines the exchange rate only on a quarterly basis. Over the course of any three-month period, assets and liabilities in XDR are valued at the market price. The difference between the reference exchange rate or the market price 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, any unrealized foreign exchange losses exceeding unrealized foreign exchange gains of the respective currency are recognized in the profit and loss account and any unrealized foreign exchange gains remain recognized on the revaluation accounts in equity.

Foreign exchange spot transactions and currency forwards 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 foreign exchange swaps, the 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 valuation of these 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.

The foreign exchange rates of key foreign currencies against EUR 1 used to value the assets and liabilities as at 31 December 2011, were as follows:

Currency	31 Dec 2011	31 Dec 2010
GBP	0.83530	0.86075
USD	1.29390	1.33620
JPY	100.20000	108.65000
XDR	0.84267	0.86415
EUR/t oz*	1,216.864	1,055.418

* t oz (troy ounce) = 31.1034807 g

(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/t oz (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 (see Notes 12, 14 and 15). The gold used in such transactions remains in the Bank's total assets under the item "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 considered 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 single monetary 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 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 Purchase 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. In the event of impairment, a provision is created at the last calendar day of the year, which is subsequently reassessed annually.

The impairment test for bonds acquired under the SMP is performed by the ECB on a centralized basis and is subject to approval of the ECB Governing Council. Under Article 32.4 of the Pro-



tocol on the Statute of the European System of Central Banks and of the European Central Bank (subsequently the "Statute"), any losses arising from ownership of securities acquired under the SMP are shared by the Eurosystem central banks based on their share in the ECB's paid-up capital existing at the time of the initial impairment.

The impairment test for bonds acquired under the CBPP is coordinated by the ECB. By a decision of the Bank Board, the NBS accepts the results of the coordinated test.

Debt securities are disclosed with the amortized premium/discount. Coupons are reported under "Other assets".

(f) Derivatives

Currency swap transactions are recorded on the off-balance sheet accounts from the agreed trade date to the value date. On the settlement date of a spot / forward part of the transaction, the accounting entries on off-balance sheet accounts are reversed and the transactions are recorded on the balance sheet accounts. The difference between the spot and forward values of the transaction is considered as interest expense or interest income. Interest is accrued on a daily basis using the linear method from the date following the value date to the swap maturity date.

In the case of interest rate swaps, the nominal value is recorded on the off-balance sheet from the trade date to the interest rate swap maturity date. The straight-line method is applied to interest accruals. The interest is recognized on a daily basis from the date following the value date or the interest maturity date to the next interest maturity or the swap maturity date.

Gold swap transactions are recognized as repurchase transactions with gold (see Section B, Notes d and h). In connection with long-term gold repo transactions concluded in 2005 and 2006, the Bank entered into four option contracts to sell gold and four option contracts to purchase gold which were terminated in 2011 (see Note 25).

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.

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

The Bank also deals in interest rate futures. Initial margins to interest rate futures are deposited in cash.

(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. The 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 on the basis of a court ruling on their non-recoverability or based on the Bank Board's decision. Any related provisions are released to expenses.

(h) Reverse Transactions

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

Transactions conducted under a reverse repurchase agreement (reverse repurchase transactions) are recognized as a collateralized outward loan on the assets side of the balance sheet. Securities accepted under a reverse repurchase transaction are not accounted for.

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

Collateralized gold transactions are treated as repurchase agreements.



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

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

(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 L9 "Counterpart of special drawing rights allocated by the IMF".

(j) Intra-Eurosystem Claims and Liabilities

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

Within 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, share of the NBS in the ECB's total income from euro banknotes in circulation and the balance of NBS current accounts maintained with the euro area central banks and current accounts of the central banks maintained with the NBS, is recognized on a net basis in liabilities.

(k) Participating Interests

The Bank records a participating interest in the ECB. In accordance with the Statute, the amount of the total capital share of the 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 ESCB. The capital key was ad-

justed 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 recognizes 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.

The latest adjustment to the participating interests of the central banks in the capital of the ECB was realized pursuant to Decision ECB/2010/26 and Decision ECB/2010/27 on the increase of the European Central Bank's capital with effect from 29 December 2010 (see Note 8). On 1 January 2011, the Eurosystem key adjustments were made for the national central banks following the entry of Estonia to the Eurosystem.

(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, as amended, monetary income represents net 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 the allocation of euro banknotes. The liability base



Participating interests of the 27 central banks of the European Union in the capital of the ECB as at 31 December 2011:

	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	220,583,718.02	3.4666
Eesti Pank	0.1790	19,261,567.80	16,278,234.47	0.2558
Deutsche Bundesbank	18.9373	2,037,777,027.43	1,722,155,360.77	27.0647
Central Bank and Financial Services Authority of Ireland	1.1107	119,518,566.24	101,006,899.58	1.5874
Bank of Greece	1.9649	211,436,059.06	178,687,725.72	2.8082
Banco de España	8.3040	893,564,575.51	755,164,575.51	11.8679
Banque de France	14.2212	1,530,293,899.48	1,293,273,899.48	20.3246
Banca d'Italia	12.4966	1,344,715,688.14	1,136,439,021.48	17.8598
Central Bank of Cyprus	0.1369	14,731,333.14	12,449,666.48	0.1957
Banque centrale du Luxembourg	0.1747	18,798,859.75	15,887,193.09	0.2497
Central Bank of Malta	0.0632	6,800,732.32	5,747,398.98	0.0903
De Nederlandsche Bank	3.9882	429,156,339.12	362,686,339.12	5.6998
Oesterreichische Nationalbank	1.9417	208,939,587.70	176,577,921.04	2.7750
Banco de Portugal	1.7504	188,354,459.65	159,181,126.31	2.5016
Banka Slovenije	0.3288	35,381,025.10	29,901,025.10	0.4699
Národná banka Slovenska	0.6934	74,614,363.76	63,057,697.10	0.9910
Suomen Pankki – Finlands Bank	1.2539	134,927,820.48	114,029,487.14	1.7920
<i>Total euro-area NCBs*</i>	<i>69.9705</i>	<i>7,529,282,289.35</i>	<i>6,363,107,289.36</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	
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>30.0295</i>	<i>3,231,370,113.23</i>	<i>121,176,379.25</i>	
Total*	100.00	10,760,652,402.58	6,484,283,668.61	

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

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 (0.9910%). 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 ECB 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/2010/29 on the issue of euro banknotes, euro banknotes are issued jointly by the national central banks within the Eurosystem and the ECB. The total amount of banknotes in circulation is allocated to individual central banks in the Eurosystem on the last working day of each month, according to the Banknote Allocation Key. The ECB's share in the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share in the total issue of euro banknotes within the Eurosystem is 0.9115%. 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 item "Net Claims Related to Allocation of Euro Banknotes within the Eurosystem" (see Note 8).

Over a period of five years from the Bank's transition to euro as cash (1 January 2009), receivables or liabilities relating to the allocation of euro banknotes within the Eurosystem are adjusted in order to eliminate major changes in the yield position of the 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. For the NBS, the period of adjusting banknotes issue ends on 31 December 2014.

Interest income or interest expense from these receivables/liabilities is disclosed in the Bank's profit and loss account under the item "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, consist-

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

The ECB 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 ECB 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 ECB's remaining net profit is re-allocated among the central banks within the Eurosystem upon approval of the ECB's financial statements, i.e. in the following calendar year. Under Article 33 of the Statute, transfers from the net earned profit of the ECB are made first 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 within the Eurosystem in proportion to their paid-up shares in the capital of the ECB.

In the event of the ECB incurring a loss, the shortfall may be offset against the ECB's general reserve fund and, if necessary, following a decision by the ECB Governing Council, against the monetary income of the respective financial year in proportion and up to the amounts allocated to the national central banks within 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 listed under separate regulations (e.g. Act No. 206/2009 Coll. on Museums and Galleries and on the Protection of Cultural Valuables) are recognized on the balance sheet irrespective of their input price. The assets listed under separate regulations are recognized on the off-balance sheet and in records maintained for collection items at cost. Tangible



and intangible fixed assets up to EUR 10,000 that were acquired and put in use prior to 1 January 2010 are depreciated as put in use until they are fully depreciated.

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, immovable historic landmarks, 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. Buildings 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 regarded as highly probable. These assets are not depreciated.

Assets classified as fixed assets available for sale are disclosed at whichever is 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.

The Bank creates a provision in relation to the impairment of securities acquired as part of the

single monetary policy of the Eurosystem (see Section B, Note e).

(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 a registered VAT payer since 1 July 2004 pursuant to Act No. 222/2004 Coll., as amended.

The NBS is a payer of broadcasting fees pursuant to the full wording of Act No. 68/2008 Coll. on Payments for Public Services Provided by Slovak Television and Slovak Radio, and a payer of local taxes from real estate, motor vehicles as well as local taxes for accommodation, municipal waste and air pollution pursuant to Act No. 582/2004 on Local Taxes and Local Charges for Municipal and Minor Construction Waste, as amended.

(u) Off-Balance Sheet Instruments

Forward and spot purchases and sales are recognized on 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.



Futures are recognized by the Bank on the 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. NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ITEMS

1. GOLD AND GOLD RECEIVABLES

EUR'000	31 Dec 2011	31 Dec 2010
Bars in standard form	1,237,826	1,073,599
Gold in other form	1,914	1,661
	1,239,740	1,075,260

As at 31 December 2011, gold comprises a total of 1,019 thousand t oz. of gold (1,019 thousand t oz. of gold as at 31 December 2010), of which 2 thousand t oz. of gold are deposited with the Bank, 132 thousand t oz. of gold are deposited in correspondent banks and 885 thousand t oz. of gold are used in repurchase transactions. The value of gold provided as collateral in gold repurchase transactions at 31 December 2011 amounted to EUR 1,076,809 thousand (EUR 756,588 thousand as at 31 December 2010).

The market value of gold as at 31 December 2011 was EUR 1,216.864 per t oz. (EUR 1,055.418 per t oz as at 31 December 2010). As at 31 December 2011, the balance of the gold revaluation accounts represented gains of EUR 606,583 thousand (EUR 442,116 thousand as at 31 December 2010).

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

EUR'000	31 Dec 2011	31 Dec 2010
Receivables from/payables to the IMF	604,565	501,345
Balance with banks and security investments, external loans and other external assets	47,384	36,320
	651,913	537,665

Receivables from / Payables to the International Monetary Fund

Receivables from the IMF consist of the quota of Slovakia in the IMF, nostro account in the IMF and bilateral loans granted. The last increase of the quota was of XDR 70 million, realized in March 2011, from XDR 358 million to XDR 428 million.

As at 31 December 2011, the Bank recognized a total reserve position against the IMF of XDR 133 million, equal to EUR 157,724 thousand (EUR 74,772 thousand as at 31 December 2010). This position is created by a part of the quota in foreign currency and the FTP reserve position, which represents a receivable from loans granted in respect of the Financial Transactions Plan (FTP). Under the FTP, as at 31 December 2011, funds of XDR 115 million were provided to third countries, amounting to EUR 136,957 thousand (EUR 74,772 thousand as at 31 December 2010).

The balance of the nostro account in the IMF in XDR, as at 31 December 2011, was XDR 325 mil-

Receivables from / Payables to the International Monetary Fund

	31 Dec 2011		31 Dec 2010	
	Equivalent in XDR mil.	EUR '000	Equivalent in XDR mil.	EUR '000
Receivables from IMF	805	954,115	726	841,000
1) Quota	428	507,274	358	414,427
– Quota in local currency	295	349,550	293	339,655
– Quota in foreign currency	18	20,767		
– FTP reserve position	115	136,957	65	74,772
2) Nostro account in IMF	325	385,453	341	395,525
3) Bilateral lending	52	61,388	27	31,048
Liabilities to IMF	295	349,550	293	339,655
1) IMF loro accounts	270	320,519	287	332,648
2) Currency Valuation Adjustment account	25	29,031	6	7,007
Total (net)		604,565		501,345



lion, equaling EUR 385,453 thousand (EUR 395,525 thousand as at 31 December 2010). In accordance with the agreement with the IMF, the Slovak Republic granted bilateral loans amounting to XDR 52 million to selected countries, equaling EUR 61,388 thousand (EUR 31,048 thousand as at 31 December 2010). 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 in IMF loro accounts with the NBS in the amount of EUR 320,519 thousand (EUR 332,648 thousand as at 31 December 2010). Liabilities in local currency change depending on the IMF representative exchange rate, which is recorded in the currency valuation adjustment account. A significant part of the liabilities consists of a note in the amount of EUR 317,293 thousand (EUR 315,943 thousand as at 31 December 2010).

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, External Loans and Other External Assets

EUR'000	31 Dec 2011	31 Dec 2010
Debt securities	33,374	31,347
Other	13,974	4,973
	47,348	36,320

Debt securities recognized as at 31 December 2011, categorized in this caption, are denominated in US dollars. As for the security issuers, they are financial intermediary securities.

As at 31 December 2011, "Other" mainly included cash in foreign currency in nostro accounts and term deposits of euro area non-residents.

3. CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

EUR'000	31 Dec 2011	31 Dec 2010
Receivables from reverse transactions	154,571	
Debt securities	108,155	111,752
Current accounts	5,224	306
	267,950	112,058

The item "Receivables from reverse transactions" represents transactions concluded with the purpose of providing the euro area credit institutions with short-term liquidity in USD. Under this programme, the Bank entered into a short-term swap transaction with the ECB, with the aim of securing USD (see Note 23). The euro part of the back-to-back swap is disclosed under the item "Intra-Eurosystem Liabilities" (see Note 18).

Debt securities categorized under this item are denominated in US dollars. As per security issuers, as at 31 December 2011 the Bank recorded securities of financial institutions and public authority.

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

As at 31 December 2011, within this category the Bank recognized debt securities of non-euro area residents of EUR 3,089,605 thousand (EUR 2,910,931 thousand as at 31 December 2010). As for the security issuers, 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 longer-term refinancing operations of EUR 1,264,000 thousand as at 31 December 2011 (EUR 1,005,000 thousand as at 31 December 2010, of which the volume of the main refinancing operations and longer-term refinancing operations represented EUR 815,000 thousand and EUR 190,000 thousand, respectively).

Longer-term refinancing operations are regular liquidity-providing reverse transactions of a longer period; as at 31 December 2011, transactions with a maturity of six months, one year and three years were recognized. These transactions are performed through standard tenders.

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

EUR'000	31 Dec 2011	31 Dec 2010
Redistribution loan	42,220	48,200
Current accounts	1,171	840
	43,391	49,040



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 2011, the redistribution loan bore interest of 0.50% p.a. (0.50% p.a. as at 31 December 2010).

As at 31 December 2011, the NBS recorded a state guarantee of EUR 44,237 thousand received for the redistribution loan on the off-balance sheet (EUR 50,589 thousand as at 31 December 2010). 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 2011	31 Dec 2010
Debt securities held for monetary policy purposes	2,416,086	1,394,282
Other securities	10,131,264	9,644,561
	12,547,350	11,038,843

Debt Securities Held for Monetary Policy Purposes

As at 31 December 2011, under the "Securities held for monetary policy purposes" caption, the Bank disclosed securities purchased under the SMP of EUR 1,863,689 thousand (EUR 840,426 thousand as at 31 December 2010) and securities purchased under the CBPP of EUR 552,397 thousand (EUR 553,856 thousand as at 31 December 2010). They were issued mainly by public authorities and monetary financial institutions of the euro area.

On the basis of the result of the impairment test for securities acquired under the SMP, conducted on 31 December 2011, and pursuant to a decision of the Governing Council, it is expected that all future cash flows related to these securities will be received. For this reason, the Bank did not create a provision for impairment (see Section B, Note e).

On the basis of the results of the impairment test for securities acquired under the CBPP, as coordinated by the ECB, the Bank Board decided that it was not necessary to create a provision for impairment losses (refer to Section B, Note e).

Other Securities

As at 31 December 2011, the Bank recognized trading securities issued by monetary financial

institutions and public authorities of the euro area under this item.

As at 31 December 2011, under the item referred to above, the Bank recorded securities issued by the Government of the Slovak Republic of EUR 44,395 thousand (EUR 41,854 thousand as at 31 December 2010). 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 2011	31 Dec 2010
Participating interest in ECB	217,272	205,715
Claims equivalent to the transfer of foreign reserves	399,444	399,444
Net claims related to the allocation of euro banknotes within the Eurosystem	859,118	1,727,738
	1,475,834	2,332,897

Participating Interest in ECB

As at 31 December 2011, the Bank recorded a participating interest in the ECB's capital of EUR 63,058 thousand (EUR 51,501 thousand as at 31 December 2010). In accordance with Article 49(1) of the Statute and under Decisions ECB/2010/26 and ECB/2010/27 on the increase and the paying-up of the ECB's capital, with effect from 29 December 2010, the NBS's share in the ECB's capital was adjusted from EUR 39,944 thousand to EUR 74,614 thousand. On 28 December 2011 the NBS paid the second of three equal installments of EUR 11,557 thousand. Payment of the remaining portion of the share in the ECB's capital is to be made in December 2012.

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

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 2011, interest income from the claim equivalent to the transfer of foreign reserves amounted to EUR 4,301 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 859,118 thousand as at 31 December 2011 (EUR 1,727,738 thousand as at 31 December 2010). The claim bears interest at the interest rate for main refinancing operations (see Note 24).

9. OTHER ASSETS

EUR'000	31 Dec 2011	31 Dec 2010
Tangible and intangible fixed assets	154,779	162,701
Other financial assets	10,622	10,448
Off-balance-sheet instruments revaluation differences		127
Accruals and prepaid expenses	378,790	339,769
Accumulated losses from previous years	5,529,158	5,014,533
Sundry	457,643	377,659
	6,530,992	5,905,237

Tangible and Intangible Fixed Assets

This item comprises fixed assets of the NBS. The balance of tangible and intangible fixed assets as at 31 December 2011 was as follows:

As at 31 December 2011, the NBS recognized fixed assets held for sale of EUR 4,876 thousand.

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 2011	277,611	25,716	303,327
Additions	3,239	2,371	5,610
Disposals	14,286	589	14,875
Acquisition cost as at 31 December 2011	266,564	27,498	294,062
Accumulated depreciation as at 1 January 2011	122,751	17,875	140,626
Additions	7,399	2,943	10,342
Disposals	6,772	37	6,809
Accumulated depreciation and provisions as at 31 December 2011	123,378	20,781	144,159
Carrying amount of TA and IA as at 1 January 2011	154,860	7,841	162,701
Carrying amount of TA and IA as at 31 December 2011	143,186	6,717	149,903

Other Financial Assets

As at 31 December 2011 and 31 December 2010, 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.

As at 31 December 2011 and 31 December 2010, the Bank owned 2,858 BIS shares of EUR 19,722 thousand (EUR 19,232 thousand as at 31 December 2010), 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 7,004 thousand (EUR 6,830 thousand as at 31 December 2010). The liability from the outstanding shares of 75% of the face value of each share represents EUR 12,718 thousand (EUR 12,402 thousand as at 31 December 2010). The outstanding portion of the shares is due on demand.

As at 31 December 2011, 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 2010).

Accruals and Prepaid Expenses

This item mainly represents accrued bond coupons of EUR 235,827 thousand (EUR 237,554 thousand as at 31 December 2010) and interest accrued on derivatives of EUR 78,927 thou-



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sand (EUR 67,811 thousand as at 31 December 2010).

Sundry

EUR'000	31 Dec 2011	31 Dec 2010
Deposits – collaterals to derivatives	421,900	306,000
Interest rate swaps	16,300	41,069
Options purchased		4,681
Interest rate futures	5,967	12,522
Investment and consumer loans granted to employees	10,726	10,950
Other	2,750	2,437
	457,643	377,659

The purpose of the deposits granted – collaterals to derivatives – is to secure counterparty credit risk in respect of a decrease in the value of the swap on the part of the NBS (see Section B, Note f).

10. BANKNOTES IN CIRCULATION

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 2011 amounted to EUR 8,099,844 thousand (EUR 7,674,876 thousand as at 31 December 2010). Euro banknotes actually issued by the NBS as at 31 December 2011 amounted to EUR 7,240,726 thousand (EUR 5,947,138 thousand as at 31 December 2010). As at 31 December 2011, the difference between the euro banknotes actually issued 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 859,118 thousand (EUR 1,727,738 thousand as at 31 December 2010).

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

EUR'000	31 Dec 2011	31 Dec 2010
Current accounts covering the minimum reserve system	217,174	600,731
Deposit facility	428,801	89,733
Fixed-term deposits		25,000
	645,975	715,464

As at 31 December 2011, current accounts represented monetary reserves of credit institutions that are subject to the minimum reserve system (subsequently the "MRS") in accordance with the Statute. The MRS enables the average fulfillment of monetary reserves of credit institutions over the maintenance period set, as published by the ECB. The MRS holdings are remunerated at the average rate of the Eurosystem's main refinancing operations valid over the given maintenance period. Excess reserves bear no interest.

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 2011	31 Dec 2010
Liabilities from repo transactions	281,595	
Tri-party repo transactions		1,000,000
Liabilities from repo transactions with gold	44,659	49,951
Deposits received for repo transactions	2,144	
Interbank clearing in Slovakia (SIPS)	418	108
	328,816	1,050,059

13. LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

EUR'000	31 Dec 2011	31 Dec 2010
Public authority	620	115
Other liabilities	159,382	111,268
	160,002	111,383

Public authority

As at 31 December 2011, the NBS recognized the current accounts of the State treasury under this heading.

Other Liabilities

EUR'000	31 Dec 2011	31 Dec 2010
Client current accounts	11,234	11,187
Client term deposits	28,676	29,290
Current accounts of auxiliary financial institutions	267	215
Term deposits of auxiliary financial institutions	119,205	70,576
	159,382	111,268



As at 31 December 2011 and 31 December 2010, the NBS maintained current accounts and term deposit accounts of the following auxiliary financial institutions: the Deposit Protection Fund and the Investment Guarantee Fund.

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

EUR '000	31 Dec 2011	31 Dec 2010
Tri-party repo transactions	690,000	
Liabilities from repo transactions with gold	570,108	
Liabilities from repo transactions	226,058	275,029
Liabilities to international financial institutions	4,546	3,277
Client loro accounts		18
Deposits received for repo transactions	3,036	
	1,493,748	278,324

15. LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

EUR '000	31 Dec 2011	31 Dec 2010
Liabilities from repo transactions with gold	90,484	86,117
Current accounts of the State Treasury in foreign currency	13	1
	90,497	86,118

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

As at 31 December 2011, this heading included liabilities from long-term repo transactions with gold denominated in US dollars in the total amount of EUR 65,368 thousand (EUR 62,457 thousand as at 31 December 2010).

17. COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

As at 31 December 2011, the Bank recorded a liability to the IMF from the allocation of EUR 404,046 thousand (EUR 394,002 thousand as at 31 December 2010). 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

Under this caption, the major item represents the Bank's liability to TARGET2, which was EUR

13,622,088 thousand as at 31 December 2011 (EUR 13,311,469 thousand as at 31 December 2010) (see Section B, Note j). This position, except for the euro part of the back-to-back swap (see Note 3), bears interest for the main refinancing operations. Total interest paid was EUR 143,684 thousand as at 31 December 2011 (see Note 24).

19. OTHER LIABILITIES

EUR '000	31 Dec 2011	31 Dec 2010
Off-balance-sheet instruments revaluation differences	10,395	892
Accruals and income collected in advance	228,796	231,307
Sundry	929,837	663,667
	1,169,028	895,866

Off-Balance-Sheet Instruments Revaluation Differences

This item represented an exchange rate gain from off-balance sheet instruments valuation (see Note 23) of EUR 10,395 thousand (EUR 892 thousand as at 31 December 2010).

Accruals and Income Collected in Advance

As at 31 December 2011, the major part of accruals represented interest expense from interest rate swaps in euro of EUR 214,851 thousand (EUR 219,142 thousand as at 31 December 2010) and interest on TARGET2 remuneration of EUR 10,721 thousand (EUR 11,155 thousand as at 31 December 2010).

Sundry

EUR '000	31 Dec 2011	31 Dec 2010
Interest rate swaps	336,807	214,540
Deposits – collaterals to derivatives	338,220	9,900
Euro coins in circulation	115,605	103,709
SKK banknotes in circulation	86,902	93,539
SKK coins in circulation	47,221	47,395
Options sold		189,587
Other	5,082	4,997
	929,837	663,667

The purpose of deposits received – collaterals to derivatives – is to secure the NBS credit risk in respect of a decrease in the value of the swap on the part of the counterparty (see Section B, Note f).



INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS

20. PROVISIONS

EUR'000	31 Dec 2011	31 Dec 2010
Provisions for payables to employees	3,668	3,479
Provisions for legal disputes	3,356	766
Provisions for unbilled supplies	719	631
	7,743	4,876

21. REVALUATION ACCOUNTS

EUR'000	31 Dec 2011	31 Dec 2010
Revaluation accounts of:		
gold	606,583	442,116
securities	131,698	56,277
derivatives	16,300	41,069
foreign currency	10,120	5,004
	764,701	544,466

22. CAPITAL AND RESERVES

EUR'000	31 Dec 2011	31 Dec 2010
Capital	16,041	16,041
Reserves	341,756	342,304
	357,797	358,345

Capital

This item includes the statutory fund representing the paid-up 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 the 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.

As at 31 December 2011, the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2010). The general reserves consist of contributions from profits of EUR 337,412 thousand generated from previous years. 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 2011, the NBS's capital reserves amounted to EUR 882 thousand (EUR 1,430 thousand as at 31 December 2010). They mainly included real estate delimitation balances. On a decision of the Bank Board, a portion of the capital fund of EUR 548 thousand was transferred to the accumulated loss from previous years.

Summary of Changes in Equity and Accumulated Losses

EUR'000	Statutory fund	Capital reserves	General reserves	Revaluation Accounts profit/(loss)	Accumulated (loss) from previous years	Profit/(loss) of current year
1. Balance as at 31 December 2010	16,041	1,430	340,874	544,466	(5,014,533)	(515,173)
2. Transfer of profit for 2010 to accumulated loss from previous years					(515,173)	515,173
3. Transfer of part of capital reserves to accumulated loss from previous years		(548)			548	
4. Transfer to statutory fund						
5. Transfer to general reserves						
6. Change in revaluation accounts of securities				75,421		
7. Change in revaluation accounts of derivatives				(24,769)		
8. Change in revaluation accounts of gold				164,467		
9. Change in revaluation accounts of foreign currencies				5,116		
10. (Loss)/profit for the current reporting period						(76,734)
11. Remittances from profit						
12. Change for the reporting period		(548)		220,235	(514,625)	438,439
13. Balance as at 31 December 2011	16,041	882	340,874	764,701	(5,529,158)	(76,734)

**23. OFF-BALANCE SHEET INSTRUMENTS**

EUR '000	31 Dec 2011		31 Dec 2010	
	Receivables	Liabilities	Receivables	Liabilities
Currency swaps in EUR (forward leg)	278,310		69,114	
Currency swaps in USD (forward leg)		238,813		43,032
Currency swaps in JPY (forward leg)		27,385		16,972
Currency swaps in GBP (forward leg)		22,507		9,875
	278,310	288,705	69,114	69,879

EUR '000	31 Dec 2011		31 Dec 2010	
	Receivables	Liabilities	Receivables	Liabilities
Call options sold			273,278	422,396
Put options purchased			161,500	422,396
			434,778	844,792

EUR '000	31 Dec 2011		31 Dec 2010	
	Receivables	Liabilities	Receivables	Liabilities
Interest rate futures in EUR		68,200		245,400
Interest rate futures in USD		20,867		50,891
		89,067		296,291

The major part of the value of currency swaps in EUR and USD relates to reverse transactions of the monetary policy in USD in order to provide credit institutions with short-term liquidity (see Note 3).

24. NET INTEREST INCOME

EUR '000	31 Dec 2011	31 Dec 2010
Interest income	980,508	666,197
Interest income from bonds	629,631	417,293
Interest income from derivatives	337,814	221,338
Interest income from repo transactions	6,205	17,985
Interest income from claims equivalent to the transfer of foreign reserves	4,301	3,442
Interest from client loans and deposits	2,324	1,790
Net interest income from remuneration of euro banknotes		4,073
Interest from redistribution loan	219	252

Other	14	24
Interest expense	(673,405)	(623,006)
Interest expense from derivatives	(482,732)	(465,604)
Interest expense from TARGET2 remuneration	(143,684)	(141,974)
Interest expense from repo transactions	(32,440)	(6,306)
Interest expense from minimum reserve requirement	(8,884)	(6,951)
Interest on current accounts, deposits and loans	(3,582)	(2,165)
Net interest expense from remuneration of euro banknotes	(2,057)	
Other	(26)	(6)
	307,103	43,191

In 2011, the result of the remuneration of euro banknotes was recognized on a net basis. The 2010 comparatives were adjusted accordingly.



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

EUR '000	31 Dec 2011	31 Dec 2010
Gains realized from financial operations	115,700	158,269
Net gains from interest rate swaps	117,131	47,865
Net foreign exchange gains/(losses) from daily valuation	11,808	(725)
Net gains from sale of securities	11,647	111,137
Net foreign exchange (loss) from other operations	(12)	(8)
Net (losses) from options	(24,874)	
Write-downs on financial assets and positions	(461,988)	(673,530)
Losses from derivatives valuation	(233,329)	(226,745)
Losses from securities valuation	(221,795)	(440,520)
Losses from foreign currency valuation	(6,864)	(6,265)
	(346,288)	(515,261)

The net result of financial operations was mainly influenced by a loss from the valuation of interest rate swaps and securities using market price.

Net losses realized from options relate to an early termination of eight option contracts; they represent the difference between the market price of the options as at the date of the early termination and the option premiums adjusted for unrealized losses from valuation.

26. NET INCOME/(EXPENSE) FROM FEES AND COMMISSIONS

EUR '000	31 Dec 2011	31 Dec 2010
Fees and commissions income	5,075	5,057
Fees and commissions in operations with securities	2,445	2,516
Fees received from SIPS participants	1,900	1,788
Fees and commissions received from clients	297	334
Fees received from share of TARGET 2 pooled income	345	344
Fees received from exchange of euro coins	78	71
Other	10	4
Fees and commissions expense	(1,371)	(1,250)
Fees paid to banks	(1,160)	(954)
Fees paid to SWIFT	(101)	(111)

Fees related to interest rate futures	(65)	(154)
Fees for TARGET2	(38)	(37)
Other	(7)	6
	3,704	3,807

27. INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

EUR '000	31 Dec 2011	31 Dec 2010
Income on euro banknotes in circulation	6,461	
Participating interest in the ECB's net profit from previous year	1,697	14,565
Dividends from shares and participating interest	934	2,326
	9,092	16,891

By the Decision of the ECB Governing Council of 21 December 2011, the ECB's income from euro banknotes in circulation in the amount of EUR 652 million was partially redistributed among the national central banks of the Eurosystem.

In relation to the participating interest in BIS, as at 31 December 2011 the Bank recorded dividends received from BIS shares of EUR 934 thousand (EUR 2,326 thousand as at 31 December 2010).

28. NET RESULT OF POOLING OF MONETARY INCOME

Monetary income pooled by the NBS for 2011 into the common pool of the monetary income of the Eurosystem was EUR 140,037 thousand. Monetary income corresponding to the 0.9910% share of the NBS in the common pool was EUR 155,445 thousand. The difference of EUR 15,408 thousand (EUR 6,192 thousand as at 31 December 2010) represents the net result arising from the pooling of monetary income.

The correction of the monetary income of the Eurosystem for 2009 and 2010 resulted in the NBS achieving a net income of EUR 188 thousand (costs of EUR 651 thousand as at 31 December 2010).

29. OTHER INCOME AND OTHER EXPENSES

As at 31 December 2011, most of the Bank's other income represented income from fees and contributions from financial market entities of EUR 4,281 thousand (EUR 4,054 thousand as at 31 December 2010) and income from sales of commemorative coins and material from damaged



SKK coins of EUR 3,816 thousand (EUR 2,066 thousand as at 31 December 2010).

As at 31 December 2011, the Bank's other expenses mainly represented costs of the minting of collector coins of EUR 3,977 thousand (EUR 3,025 thousand as at 31 December 2010) and costs of minting euro coins of EUR 2,608 thousand (EUR 1,850 thousand as at 31 December 2010).

30. STAFF COSTS

EUR '000	31 Dec 2011	31 Dec 2010
Wages and salaries	(22,242)	(22,339)
Social security costs	(7,648)	(7,303)
Other employee costs	(4,081)	(4,723)
	(33,971)	(34,365)

As at 31 December 2011, the average FTE number of employees was 1,073 (1,082 as at 31 December 2010), of whom 99 were managers (102 as at 31 December 2010).

Wages and employee benefits of the Bank Board's members for 2011 amounted to EUR 812 thousand (EUR 1,463 thousand in 2010). As at 31 December 2011, the Bank recorded no outstanding loans to the members of the Bank Board (EUR 215 thousand as at 31 December 2010).

31. ADMINISTRATIVE EXPENSES

As at 31 December 2011, this item mainly included costs of technical support and IS maintenance, repairs and maintenance, energy consumption and telecommunications costs totaling EUR 10,128 thousand (EUR 9,738 thousand as at 31 December 2010).

Costs of audit of the financial statements by the auditor represented EUR 71 thousand as at 31 December 2011 (EUR 70 thousand as at 31 December 2010). As at 31 December 2011, the Bank did not record any costs of assurance and audit services and tax consulting as per Article 18 (6) of the Act on Accounting.

32. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

EUR '000	31 Dec 2011	31 Dec 2010
Depreciation of tangible fixed assets	(7,399)	(7,899)
Depreciation of intangible fixed assets	(2,943)	(3,262)
	(10,342)	(11,161)

33. BANKNOTE PRODUCTION SERVICES

As at 31 December 2011, the cost of printing euro banknotes amounted to EUR 3,070 thousand (EUR 9,498 thousand as at 31 December 2010).

34. (LOSS)/PROFIT FOR THE YEAR

The result of the Bank's operations as at 31 December 2011 was a loss of EUR 76,734 thousand (loss of EUR 515,173 thousand as at 31 December 2010). The Bank Board decided that the loss would be allocated to the accumulated loss from previous years. The reported loss was largely affected by unrealized losses from the valuation of financial instruments to market value of EUR 461,988 thousand (see Note 25) which, in accordance with the ECB 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).

D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 8 March 2012, the ECB Governing Council decided to distribute the ECB's net profit for 2011 to individual central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 755 thousand from the distribution of profit is included in the 2012 reporting period.

No significant events occurred subsequent to 31 December 2011 that would require any adjustments to the 2011 financial statements.

Bratislava, 13 March 2012

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 Coll., § 23 par. 5**

To the Bank Board of the National Bank of Slovakia:

- I. We have audited the financial statements of National Bank of Slovakia ('the Bank') as at 31 December 2011 presented in the annual report on pages 75 - 97. We issued the following audit report dated 13 March 2012 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 2011, 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, as amended ('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.

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.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2011 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

13 March 2012
Bratislava, Slovak Republic

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Ing. Dalimil Draganovský
SKAU Licence No. 893

- 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 2011. 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 2011 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.

24 April 2012
Bratislava, Slovak Republic

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