



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

SECTION C

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF NBS AS AT 31 DECEMBER 2014

C



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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 2014, 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 2014 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

10 March 2015
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
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Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT



Národná banka Slovenska
Financial statements as at 31 December 2014 – Balance Sheet
(in thousands of EUR)

BALANCE SHEET of Národná banka Slovenska

| ASSETS | | Note | 31 Dec 2014 EUR '000 | 31 Dec 2013 EUR '000 |
|-------------------|--|------|-------------------------|-------------------------|
| A1 | Gold and gold receivables | 1 | 1,006,401 | 887,649 |
| A2 | Claims on non-euro area residents denominated in foreign currency | 2 | 1,819,180 | 670,543 |
| A3 | Claims on euro area residents denominated in foreign currency | 3 | 103,367 | 36,472 |
| A4 | Claims on non-euro area residents denominated in euro | 4 | 3,904,956 | 2,931,025 |
| A5 | Lending to euro area credit institutions related to monetary policy operations denominated in euro | 5 | 570,326 | 328,900 |
| A6 | Other claims on euro area credit institutions denominated in euro | 6 | 55,977 | 33,113 |
| A7 | Securities of euro area residents denominated in euro | 7 | 6,160,578 | 7,727,275 |
| A8 | General government debt denominated in euro | | | |
| A9 | Intra-Eurosystem claims | 8 | 3,973,029 | 3,377,923 |
| A10 | Items in course of settlement | | | |
| A11 | Other assets | 9 | 5,480,476 | 6,083,461 |
| A12 | Loss for the year | | | |
| TOTAL ASSETS | | | 23,074,290 | 22,076,361 |
| LIABILITIES | | | | |
| L1 | Banknotes in circulation | 10 | 10,322,943 | 8,701,284 |
| L2 | Liabilities to euro area credit institutions related to monetary policy operations denominated in euro | 11 | 751,999 | 1,284,770 |
| L3 | Other liabilities to euro area credit institutions denominated in euro | 12 | 4,601,404 | 2,960,118 |
| L4 | Debt certificates issued | | | |
| L5 | Liabilities to other euro area residents denominated in euro | 13 | 1,228,097 | 2,917,838 |
| L6 | Liabilities to non-euro area residents denominated in euro | 14 | 2,942,803 | 3,059,016 |
| L7 | Liabilities to euro area residents denominated in foreign currency | 15 | 397,075 | 115,946 |
| L8 | Liabilities to non-euro area residents denominated in foreign currency | 16 | 260,600 | 62,995 |
| L9 | Counterpart of special drawing rights allocated by the IMF | 17 | 405,987 | 380,758 |
| L10 | Intra-Eurosystem liabilities | | | 75,966 |
| L11 | Items in course of settlement | | | |
| L12 | Other liabilities | 18 | 659,166 | 777,770 |
| L13 | Provisions | 19 | 524,830 | 304,654 |
| L14 | Revaluation accounts | 20 | 519,396 | 587,603 |
| L15 | Capital and reserves | 21 | 357,797 | 357,797 |
| L16 | Profit for the year | 33 | 102,193 | 489,846 |
| TOTAL LIABILITIES | | | 23,074,290 | 22,076,361 |

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.



Národná banka Slovenska
Financial statements as at 31 December 2014 – Profit and Loss Account
(in thousands of EUR)

PROFIT AND LOSS ACCOUNT of Národná banka Slovenska

| | Note | 31 Dec 2014 EUR '000 | 31 Dec 2013 EUR '000 |
|---|-----------|-------------------------|-------------------------|
| 1.1 Interest income | | 430,245 | 596,887 |
| 1.2 Interest expense | | (216,183) | (284,544) |
| 1 Net interest income | 23 | 214,062 | 312,343 |
| 2.1 Realized gains arising from financial operations | | 147,055 | 220,717 |
| 2.2 Write-downs on financial assets and positions | | (53,677) | (6,802) |
| 2.3 Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks | | (220,000) | (50,000) |
| 2 Net result of financial operations, write-downs and risk provisions | 24 | (126,622) | 163,915 |
| 3.1 Fees and commissions income | | 734 | 577 |
| 3.2 Fees and commissions expense | | (999) | (1,044) |
| 3 Net income/(expense) from fees and commissions | 25 | (265) | (467) |
| 4 Income from equity shares and participating interests | 26 | 10,575 | 19,224 |
| 5 Net result of pooling of monetary income | 27 | 47,072 | 50,381 |
| 6 Other income | 28 | 32,416 | 12,421 |
| Total net income | | 177,238 | 557,817 |
| 7 Staff costs | 29 | (35,096) | (33,770) |
| 8 Administrative expenses | 30 | (22,463) | (17,449) |
| 9 Depreciation of tangible and intangible fixed assets | 31 | (7,714) | (9,007) |
| 10 Banknote production services | 32 | (6,255) | (3,585) |
| 11 Other expenses | 28 | (3,361) | (2,786) |
| 12 Income tax and other items decreasing income | | (156) | (1,374) |
| Profit | 33 | 102,193 | 489,846 |

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Národná banka Slovenska
Financial statements as at 31 December 2014 – Notes
(in thousands of EUR)

NOTES
to the financial statements
as at 31 December 2014

Bratislava, 10 March 2015

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Národná banka Slovenska
Financial statements as at 31 December 2014 – Notes
(in thousands of EUR)

A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska ("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 Národná banka Slovenska as amended ("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 on 1 January 2009, the NBS became a full member of the Eurosystem. The NBS abides by the Protocol on the Statute of the

European System of Central Banks and of the European Central Bank ("the Statute").

In accordance with Article 39 (5) of the NBS Act, the NBS submits the annual report on 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 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.

The supreme governing body of the NBS is the Bank Board. As at 31 December 2014, the Bank Board had the following structure:

| Name | Term of Office in the Bank Board | | Current Position | Date of Appointment |
|------------------------------|-------------------------------------|-------------|---------------------|------------------------|
| Doc. Ing. Jozef Makúch, PhD. | 1 Jan 2006 | 12 Jan 2015 | Governor | 12 Jan 2010 |
| Mgr. Ján Tóth, M.A. | 5 Nov 2012 | 5 Nov 2017 | Deputy Governor | 5 Nov 2012 |
| RNDr. Karol Mrva | 1 Jun 2012 | 1 Jun 2017 | Member | 1 Jun 2012 |
| Ing. Vladimír Dvořáček | 2 Apr 2014 | 2 Apr 2019 | Member | 2 Apr 2014 |

Bank Board member Ing. Štefan Králik's term ended as at 1 April 2014.

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Legal framework and accounting principles

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 ("the ECB Guideline"). In recognizing transactions not regulated by the ECB Guideline, the Bank observes International Financial Reporting Standards (IFRS). In other cases, the Bank acts in accordance with Act No. 431/2002 Coll. on Accounting, as amended ("the Act on Accounting"). In accordance with this legal framework, the Bank applies the following basic accounting principles:

- Economic reality and transparency
- Prudence
- Recognition of post-balance-sheet events
- Materiality
- Accrual basis of accounting
- The going-concern assumption
- Consistency and comparability

Assets and liabilities are held on the balance sheet only if it is probable that any future economic benefits attributable to them will flow to the credit or debit of the Bank, any risks and benefits have been transferred to the Bank and the assets or liabilities can be measured reliably.

Foreign exchange transactions and financial instruments, excluding securities and the corresponding accruals, are subject to the economic principle, i.e., transactions are recorded on off-balance sheet accounts



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on the trade date. On the settlement date, off-balance sheet booking entries are reversed and the transactions are recorded on the balance sheet. Other economic transactions, 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 balance sheet on the settlement date.

Accruals of interest rates attributable to financial instruments are calculated and recorded on a daily basis. Accruals of premium and discount are recorded using the internal rate of return method (IRR). In other cases, the linear method is applied.

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) Valuation of assets and liabilities

Financial assets and liabilities, excluding HTM securities, securities held for monetary policy purposes and participating interests, are measured on a monthly basis at mid-rates and market prices. Foreign exchange, including balance sheet and off-balance sheet transactions, is measured for each currency separately; securities are measured for each ISIN separately and interest rate swaps and futures agreements are measured individually. In the case of gold, there is no distinction between price and exchange rate valuation differences.

Securities held for monetary policy purposes are measured at amortized cost and are subject to an impairment test. In the event of impairment, provisions are created as at the end-of-year date and reassessed on an annual basis. The impairment provisions for certain types of securities held for monetary policy purposes are shared within the Eurosystem, based on the shares in the paid-up capital of the ECB, valid at the time of initial impairment.

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

The exchange rates of key foreign currencies against 1 euro, used to value the assets and liabilities as at 31 December 2014, were as follows:

| Currency | 31 Dec 2014 | 31 Dec 2013 | Change |
|----------|-------------|-------------|-----------|
| GBP | 0.77890 | 0.83370 | (0.05480) |
| USD | 1.21410 | 1.37910 | (0.16500) |
| JPY | 145.23000 | 144.72000 | 0.51000 |
| XDR | 0.83864 | 0.89421 | (0.05557) |
| EUR/t oz | 987.769 | 871.220 | 116.54900 |

* t oz (troy ounce) = 31.1034807 g

(c) Accounting and recognition of revenues

Realized gains and losses are derived from the daily measurement of changes in assets and liabilities and represent the difference between the transaction value and the average value of the respective financial instrument or currency. They are recognized on the face of the profit and loss account.

Unrealized gains and losses result from the monthly measurement of assets and liabilities and represent the difference between the average value and the month-end market value of the respective financial instrument or currency. Unrealized gains are shown in equity on revaluation accounts (see Note 21). Unrealized losses in excess of unrealized revaluation gains from the given financial instrument or currency are recognized in the profit and loss account. Unrealized losses on one financial instrument or currency are not set



off against unrealized gains made on another financial instrument or currency. In the event of an unrealized loss at year-end, the average acquisition cost is adjusted to the year-end exchange rate or fair value of the measured item. Unrealized revaluation losses on interest rate swaps and marketable securities are amortized to income in the following years.

Premiums and discounts of acquired securities are recognized in the profit and loss account against interest income.

(d) Gold and gold receivables

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

Securities are recognized together with the accruals of the premium and the discount. Coupons are recorded under "Other assets".

The impairment test for bonds held for monetary policy purposes and bonds acquired within the Securities Markets Programme ("SMP") is carried out centrally by the ECB and is subject to the approval of the Governing Council of the ECB. The impairment test for bonds acquired within the first Covered Bonds Purchase Programme ("CBPP1") and within the third Covered Bond Purchase Programme ("CBPP3") is coordinated by the ECB. Based on the decision of the Bank Board, the NBS accepts the results of tests for CBPP1 coordinated by the ECB. The results of tests for CBPP3 are subject to the approval of the Governing Council of the ECB.

(f) Derivatives

For the purposes of calculating the average acquisition cost of currencies and foreign exchange rates gains and losses, spot, forward and swap contracts are included in the net currency positions. They are

recognized on off-balance sheet accounts at the spot rate of the transaction on the trade date.

The difference between the spot and forward values of the transaction is considered as interest expense or interest income.

In the case of currency swaps, forward positions are measured together with the corresponding spot position. Therefore, currency positions are only affected by accruals of interest rates in a foreign currency.

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. They are measured based on generally acceptable valuation models using corresponding yield curves derived from listed interest rates.

In the case of interest rate or currency swaps, if there is an increase or a decrease in the net swap position, a collateral adjustment in the form of deposits with daily extension is agreed upon contractually with selected counterparties. Payment of interest is on a monthly basis (see Notes 9 and 18).

The Bank recognizes futures contracts on off-balance sheet accounts from the trade date to the settlement at the nominal value of the underlying instrument. Initial margins may be provided either in cash or in the form of securities. The initial deposit in the form of securities is not accounted for. The daily settlement of revaluation differences on the margin account is recognized in the profit and loss account.

(g) Reverse transactions

Reverse transactions are those transactions the Bank conducts under reverse repurchase agreements or collateralized loan transactions.

Transactions conducted under a repurchase agreement (repurchase transaction) are recognized as a



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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.

Reverse repurchase agreements 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 extended on a daily basis (see Notes 12 and 14).

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

(h) Banknotes in circulation

Pursuant to Decision ECB/2010/29 as amended, euro banknotes are issued jointly by the national central banks within the Eurosystem and the ECB. The total amount of banknotes in circulation is allocated to individual central banks in the Eurosystem on the last working day of each month, according to the Banknote Allocation Key. The ECB's share 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 1.0155%. The share of 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

or Liabilities Related to Allocation of Euro Banknotes within the Eurosystem".

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 ended on 31 December 2014.

Interest income or interest expense from these receivables/liabilities is disclosed in the Bank's profit and loss account against the item "Net Interest Income" (see Note 23).

(i) ECB profit redistribution

In accordance with Decision ECB/2014/57 as amended, the ECB's income, consisting of the remuneration of the ECB's 8% share in euro banknotes issue and net income from securities purchased by the ECB under the SMP, CBPP3 and asset-backed securities programme 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 profit (see Note 26).

Under Article 33 of the Statute, 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.

(j) Fixed assets

With effect from 1 January 2010 and pursuant to the ECB's Guideline, the NBS's fixed assets include tangible and intangible fixed assets with an input price higher than EUR 10,000 and with a useful life of more than one year. Immovable, works of art, immovable historic landmarks and collections with the exception of those



listed under separate regulations (Act No. 206/2009 Coll. on Museums and Galleries and on the Protection of Cultural Valuables, as amended by Act No. 38/2014 Coll.) 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 acquisition cost. Tangible and intangible fixed assets up to EUR 10,000 that were acquired and put in use prior to 1 January 2010 are depreciated as put in use until they are fully depreciated.

Fixed assets held for sale are recognized at cost net of accumulated depreciation and provisions, or at fair value net of cost of sale, whichever amount is lower.

| Depreciation group | Depreciation period in years |
|---|------------------------------|
| | 30 |
| 1. Buildings and structures | 4 - 12 ¹⁾ |
| 2. Utility network | 20 |
| 3. Machines 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 investments | 30 |
| 9. Technical improvements of immovable historic landmarks | 30 |

¹⁾ asset components

(k) Taxes

In accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes as amended, the NBS is not liable to corporate income tax. 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.

(l) Provisions

The Bank creates a general provision for foreign exchange rate, interest rate and credit risks as well as risk from changes in

gold prices (see Note 19 and 24), which is presented in the Bank's equity. The amount and reasonableness of the general provision is reassessed on an annual basis with the impact on the profit and loss account. The provision is subject to the approval of the Bank Board.

The Bank creates a provision in relation to the impairment of securities acquired as part of the single monetary policy of the Eurosystem (see Section B, Note e).

The Bank also creates provisions in line with the Act on Accounting (see Note 19).

(m) NBS profit redistribution

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.

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

1. Gold and gold receivables

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---------------------------|------------------|----------------|----------------|
| Bars in repo transactions | 952,959 | 840,582 | 112,377 |
| Gold on stock | 1,554 | 1,371 | 183 |
| Gold stored in banks | 51,888 | 45,696 | 6,192 |
| | <u>1,006,401</u> | <u>887,649</u> | <u>118,752</u> |

As at 31 December 2014, gold comprised a total of 1,019 thousand t oz. of gold (1,019 thousand t oz. of gold as at 31 December



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2013), of which 965 thousand t oz. of gold were used in repurchase transactions, 52 thousand t oz. were deposited in correspondent banks and 2 thousand t oz. of gold were deposited with the Bank.

Changes in the balances of gold and gold receivables were mostly affected by gold revaluation accounts (see Note 20).

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|------------------|----------------|------------------|
| Receivables from the IMF | 608,831 | 630,013 | (21,182) |
| Balances with banks and security investments, external loans and other external assets | 1,210,349 | 40,530 | 1,169,819 |
| | <u>1,819,180</u> | <u>670,543</u> | <u>1,148,637</u> |

Receivables from the International Monetary Fund

| | 31 Dec 2014 | | 31 Dec 2013 | | Change |
|--|---------------------|----------------|---------------------|----------------|-----------------|
| | Equivalent mil. XDR | ths. EUR | Equivalent mil. XDR | ths. EUR | ths. EUR |
| Receivables from IMF: | 779 | 928,396 | 837 | 934,813 | (6,417) |
| 1) Quota: | 428 | 510,003 | 428 | 477,812 | 32,191 |
| a) Quota in local currency | 268 | 319,565 | 273 | 304,800 | 14,765 |
| b) Reserve position | 160 | 190,438 | 155 | 173,012 | 17,426 |
| - Foreign exchange part of members' quotas | 18 | 20,867 | 18 | 19,570 | 1,297 |
| - FTP reserve position | 142 | 169,571 | 137 | 153,442 | 16,129 |
| 2) Nostro account in IMF | 323 | 385,208 | 355 | 396,691 | (11,483) |
| 3) Bilateral loans | 28 | 33,185 | 54 | 60,310 | (27,125) |
| Payables to IMF | 268 | 319,565 | 273 | 304,800 | 14,765 |
| 1) Loro accounts in IMF | 251 | 299,639 | 282 | 315,116 | (15,477) |
| 2) Valorization account | 17 | 19,926 | (9) | (10,316) | 30,242 |
| Total reported amount (net) | | <u>608,831</u> | | <u>630,013</u> | <u>(21,182)</u> |

The FTP reverse position represents the receivable of the NBS relating to loans provided to the IMF.

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 on the IMF loro accounts consists of a note in the amount of EUR 297,682 thousand (EUR 312,533 thousand as at 31 December 2013).

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

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|-----------------|------------------|---------------|------------------|
| Debt securities | 484,686 | | 484,686 |
| Other | 725,663 | 40,530 | 685,133 |
| | <u>1,210,349</u> | <u>40,530</u> | <u>1,169,819</u> |

As at 31 December 2014, the caption "Debt securities" mainly consists of bonds issued by financial institutions and denominated in USD.

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



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3. Claims on euro area residents denominated in foreign currency

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|------------------|----------------|---------------|---------------|
| Debt securities | 103,270 | 36,363 | 66,907 |
| Current accounts | 97 | 109 | (12) |
| | <u>103,367</u> | <u>36,472</u> | <u>66,895</u> |

Debt securities categorized under this caption are denominated in USD. As per security issuers, as at 31 December 2014 the Bank mainly recorded securities of monetary financial institutions.

The increase in the volume of debt securities compared to the preceding period was due to the purchase of securities denominated in USD.

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

As at 31 December 2014, under this caption, the Bank mainly recognized debt securities of non-euro area residents of EUR 3,904,556 thousand (EUR 2,931,025 thousand as at 31 December 2013). As per the security issuers, the Bank mainly recorded securities of 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 recognized longer-term refinancing operations of EUR 385,320 thousand as at 31 December 2014 (EUR 301,900 thousand as at 31 December 2013).

Longer-term refinancing operations are regular liquidity-providing reverse transactions of a longer period; as at 31 December 2014, transactions with a maturity of three to four years were recognized. These transactions are performed through standard tenders and bear interest at the main refinancing rate, which is 0.05% p.a. Under these transactions, the Bank also recognizes targeted longer-term refinancing operations

to support bank lending to the non-financial private sector (with the exception of lending to households for the purpose of house purchases). As at 31 December 2014, the targeted longer-term refinancing operations were EUR 215,320 thousand, bearing the main refinancing rate increased by 10bp.

As at 31 December 2014, the Bank recognized the main refinancing transactions of EUR 185,000 thousand (EUR 27,000 thousand as at 31 December 2013) at a 0.05% p.a. rate. The main refinancing transactions are regular liquidity-providing reverse transactions at one week intervals with a current maturity of one week.

As at 31 December 2014, the Bank recognized the marginal lending facilities of EUR 6 thousand (EUR 0 as at 31 December 2013) at a 0.30% p.a. rate. The marginal lending facility is an overnight liquidity-providing transaction, secured by collateral.

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

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|-------------------------------------|---------------|---------------|---------------|
| Redistribution loan | 28,533 | 32,416 | (3,883) |
| Current accounts | 27,224 | 697 | 26,527 |
| Deposits to reverse transactions | 220 | | 220 |
| | <u>55,977</u> | <u>33,113</u> | <u>22,864</u> |

The 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 2014, the redistribution loan bore interest of 0.5% p.a. (0.5% p.a. as at 31 December 2013).

As at 31 December 2014, the NBS recorded a state guarantee of EUR 29,722 thousand received for the redistribution loan on the off-balance sheet (EUR 33,830



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thousand as at 31 December 2013). The amount of the state guarantee represents the principal and interest up to the loan maturity.

7. Securities of euro area residents denominated in euro

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---|------------------|------------------|--------------------|
| Debt securities held for monetary policy purposes | 1,358,176 | 1,670,087 | (311,911) |
| Other securities | 4,802,402 | 6,057,188 | (1,254,786) |
| | <u>6,160,578</u> | <u>7,727,275</u> | <u>(1,566,697)</u> |

Debt securities held for monetary policy purposes

As at 31 December 2014, under the "Securities held for monetary policy purposes" caption, the Bank disclosed securities purchased under the CBPP1, CBPP3 and SMP, issued mainly by the public authorities and monetary financial institutions of the euro area. The decrease of EUR 311,911 thousand compared to the preceding period was due to the maturity of securities.

CBPP1

Under the CBPP1 programme, the ECB and national central banks have purchased the covered bonds denominated in euro, issued by euro area institutions. The purchases under this programme were fully implemented by the end of June 2010.

CBPP3

In October 2014, the technical parameters of CBPP3 programme were announced by the Governing Council of the ECB. Under the programme, the ECB and national central banks started purchasing covered bonds denominated in euro, issued by euro area institutions with the aim of easing funding conditions for credit institutions. The programme will last at least for two years.

SMP

Under the SMP programme announced in May 2010, the ECB and national central banks purchased public and private debt

securities denominated in euro, in order to address malfunctioning of certain segments of the euro area debt securities markets and to restore the proper functioning of the monetary policy transmission mechanism. In September 2012, the Governing Council of the ECB decided to immediately close the programme.

The Governing Council of the ECB evaluates the risks related to bonds purchased under the SMP and CBPP3 programmes on a regular basis. The total amount of SMP and CBPP3 securities in the euro area as at 31 December 2014 was EUR 161,499,286 thousand, out of which the NBS recognizes the amount of EUR 1,111,494 thousand. In accordance with Article 32 (4) of the Statute, all risks, if material, are shared by the national central banks of the Eurosystem, according to their capital key.

On the basis of the results of the impairment test for securities acquired under the SMP and CBPP3 conducted as at 31 December 2014 and pursuant to a decision of the Governing Council of the ECB, it is expected that all the future cash flows related to these securities will be received. For this reason, the Bank did not create a provision for impairment losses (see Section B, Note e).

On the basis of the results of the impairment test for securities acquired under the CBPP1, as coordinated by the ECB, the Bank Board decided that it was not necessary to create a provision for impairment losses (see Section B, Note e).

| | 31.12.2014 | | 31.12.2013 | | Change | |
|-------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Amortised cost | Market value | Amortised cost | Market value | Amortised cost | Market value |
| CBPP1 | 246,682 | 260,167 | 387,319 | 403,441 | (140,637) | (143,274) |
| CBPP3 | 291,407 | 292,449 | | | 291,407 | 292,449 |
| SMP | 820,087 | 912,425 | 1,282,768 | 1,351,422 | (462,681) | (438,997) |
| | <u>1,358,176</u> | <u>1,465,041</u> | <u>1,670,087</u> | <u>1,754,863</u> | <u>(311,911)</u> | <u>(289,822)</u> |

Other securities

As at 31 December 2014, under this caption, the Bank recognized trading securities, mainly issued by monetary



financial institutions and public authorities of the euro area.

The decrease compared to the preceding period of EUR 1,254,786 thousand was mainly caused by the sale of securities.

8. Intra-Eurosystem claims

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|------------------|------------------|----------------|
| Participating interest in ECB | 262,722 | 228,701 | 34,021 |
| Claims equivalent to the transfer of foreign reserves | 447,672 | 398,761 | 48,911 |
| Net claims related to the allocation of euro banknotes within the Eurosystem | 965,669 | | 965,669 |
| Other claims within the Eurosystem | 2,296,966 | 2,750,461 | (453,495) |
| | <u>3,973,029</u> | <u>3,377,923</u> | <u>595,106</u> |

Participating interest in ECB

As at 31 December 2014, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 83,623 thousand (EUR 74,487 thousand as at 31 December 2013) and a claim of EUR 24,885 thousand, raised from the changes of its participating interest in the ECB's net equity. The increase of the NBS's share in the ECB's capital and the rise to the claim related to changes of NBS's participating interest in the ECB's net equity, was caused by a quinquennial capital key adjustment effective from 1 January 2014.

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.



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| | Capital Key for Subscription of ECB's Capital (%) from 1.1.2014 | Paid-up Capital (EUR) until 31.12.2013 | Paid-up Capital (EUR) from 1.1.2014 | Decrease(-) /Increase(+) in paid-up capital due to a quinquennial Capital Key adjustment | Eurosystem Key (%) - share in ECB's paid-up capital from 1.1.2014 |
|---|--|---|---|---|---|
| Banque National de Belgique | 2.4778 | 261,705,370.91 | 268,222,025.17 | 6,516,654.26 | 3.5408 |
| Eesti Pank | 0.1928 | 19,268,512.58 | 20,870,613.63 | 1,602,101.05 | 0.2755 |
| Deutsche Bundesbank | 17.9973 | 2,030,803,801.28 | 1,948,208,997.34 | (82,594,803.94) | 25.7184 |
| Central Bank and Financial Services Authority of Ireland | 1.1607 | 120,276,653.55 | 125,645,857.06 | 5,369,203.51 | 1.6587 |
| Bank of Greece | 2.0332 | 210,903,612.74 | 220,094,043.74 | 9,190,431.00 | 2.9055 |
| Banco de España | 8.8409 | 893,420,308.48 | 957,028,050.02 | 63,607,741.54 | 12.6338 |
| Banque de France | 14.1792 | 1,530,028,149.23 | 1,534,899,402.41 | 4,871,253.18 | 20.2623 |
| Banca d'Italia | 12.3108 | 1,348,471,130.66 | 1,332,644,970.33 | (15,826,160.33) | 17.5923 |
| Central Bank of Cyprus | 0.1513 | 14,429,734.42 | 16,378,235.70 | 1,948,501.28 | 0.2162 |
| Latvijas Banka | 0.2821 | 1,113,081.35 | 30,537,344.94 | 29,424,263.59 | 0.4031 |
| Banque centrale du Luxembourg | 0.2030 | 18,824,687.29 | 21,974,764.35 | 3,150,077.06 | 0.2901 |
| Central Bank of Malta | 0.0648 | 6,873,879.49 | 7,014,604.58 | 140,725.09 | 0.0926 |
| De Nederlandsche Bank | 4.0035 | 429,352,255.40 | 433,379,158.03 | 4,026,902.63 | 5.7210 |
| Oesterreichische Nationalbank | 1.9631 | 209,680,386.94 | 212,505,713.78 | 2,825,326.84 | 2.8053 |
| Banco de Portugal | 1.7434 | 190,909,824.68 | 188,723,173.25 | (2,186,651.43) | 2.4913 |
| Banka Slovenije | 0.3455 | 35,397,773.12 | 37,400,399.43 | 2,002,626.31 | 0.4937 |
| Národná banka Slovenska | 0.7725 | 74,486,873.65 | 83,623,179.61 | 9,136,305.96 | 1.1039 |
| Suomen Pankki – Finlands Bank | 1.2564 | 134,836,288.06 | 136,005,388.82 | 1,169,100.76 | 1.7954 |
| Subtotal euro-area NCBs* | 69.9783 | 7,530,782,323.83 | 7,575,155,922.19 | 44,373,598.36 | 100.00 |
| Българска народна банка (Bulgarian National Bank) | 0.8590 | 3,508,926.04 | 3,487,005.40 | (21,920.64) | |
| Česká národní banka | 1.6075 | 5,901,929.17 | 6,525,449.57 | 623,520.40 | |
| Danmarks Nationalbank | 1.4873 | 5,989,205.79 | 6,037,512.38 | 48,306.59 | |
| Lietuvos bankas | 0.4132 | 1,661,503.27 | 1,677,334.85 | 15,831.58 | |
| Magyar Nemzeti Bank | 1.3798 | 5,577,584.89 | 5,601,129.28 | 23,544.39 | |
| Narodowy Bank Polski | 5.1230 | 19,720,862.57 | 20,796,191.71 | 1,075,329.14 | |
| Banca Națională a României | 2.6024 | 9,924,772.42 | 10,564,124.40 | 639,351.98 | |
| Sveriges Riksbank | 2.2729 | 9,179,064.74 | 9,226,559.46 | 47,494.72 | |
| Bank of England | 13.6743 | 58,584,938.26 | 55,509,147.81 | (3,075,790.45) | |
| Hrvatska narodna banka | 0.6023 | 2,413,300.01 | 2,444,963.16 | 31,663.15 | |
| Subtotal non-euro area NCBs* | 30.0217 | 122,462,087.16 | 121,869,418.02 | (592,669.14) | |
| Total* | 100.00 | 7,653,244,410.99 | 7,697,025,340.21 | 43,780,929.22 | |

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



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Claims equivalent to the transfer of foreign reserves

The NBS recognizes a claim of EUR 447,672 thousand (EUR 398,761 thousand as at 31 December 2013), 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 claim increased due to a quinquennial capital key adjustment as at 1 January 2014. The receivable bears interest amounting to 85% of the main refinancing operations rate. As at 31 December 2014, interest income from the claim, equivalent to the transfer of foreign reserves, amounted to EUR 629 thousand (see Note 23).

Net claims related to allocation of banknotes in the Eurosystem

The caption represents the net claim related to banknotes allocation within the Eurosystem of EUR 965,669 thousand (a liability of EUR 75,966 thousand as at 31 December 2013, see Note 10), bearing the interest rate for the main refinancing operations. For the financial year ending 31 December 2014, the Bank recognized interest income of EUR 457 thousand related to allocation of banknotes in the Eurosystem (see Note 23).

Other intra-Eurosystem claims

Intra-Eurosystem claims and liabilities represent the position of NBS towards other members of the European System of Central Banks ("ESCB") arising from cross-border transactions. The most significant part of this caption represents the claim of the NBS against other central banks and the ECB, arising from operations within TARGET2, which amounted to EUR 2,240,613 thousand as at 31 December 2014 (EUR 2,686,542 thousand as at 31 December 2013). The position bears an interest rate for the main refinancing operations. The total amount of received interest amounted to EUR 8,497 thousand as at 31 December 2014 (see Note 23).

Other significant amounts within this caption are claims arising from the pooling and allocation of monetary income amounting to EUR 47,072 thousand and NBS's share in the ECB's interim profit distribution for 2014 amounting to EUR 9,281 thousand (see Notes 27 and 26).

9. Other assets

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---|------------------|------------------|------------------|
| Tangible and intangible fixed assets | 137,501 | 141,554 | (4,053) |
| Other financial assets | 51,691 | 10,241 | 41,450 |
| Off-balance sheet instruments revaluation differences | | 1,999 | (1,999) |
| Accruals and prepaid expenditure | 167,506 | 193,986 | (26,480) |
| Accumulated losses from previous years | 4,916,607 | 5,406,453 | (489,846) |
| Sundry | 207,171 | 329,228 | (122,057) |
| | <u>5,480,476</u> | <u>6,083,461</u> | <u>(602,985)</u> |



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Tangible and intangible fixed assets

This item comprises fixed assets of the NBS as at 31 December 2014 in the following breakdown:

| | TA & advances and assets under construction | IA & advances and assets under construction | TOTAL |
|--|---|---|---------|
| Acquisition cost as at 1 January 2014 | 262,996 | 29,481 | 292,477 |
| Additions | 2,408 | 4,613 | 7,021 |
| Disposals | 2,639 | 1,027 | 3,666 |
| Acquisition cost as at 31 December 2014 | 262,765 | 33,067 | 295,832 |
| Accumulated depreciation as at 1 January 2014 | 130,018 | 25,781 | 155,799 |
| Additions | 6,504 | 1,210 | 7,714 |
| Disposals | 1,219 | | 1,219 |
| Accumulated depreciation and provisions as at 31 December 2014 | 135,303 | 26,991 | 162,294 |
| Carrying amount of TA and IA as at 1 January 2014 | 132,978 | 3,700 | 136,678 |
| Carrying amount of TA and IA as at 31 December 2014 | 127,462 | 6,076 | 133,538 |

As at 31 December 2014, the NBS recognized fixed assets held for sale of EUR 3,963 thousand (EUR 4,876 thousand as at 31 December 2013).

Other financial assets

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|-----------------------|---------------|---------------|---------------|
| Shares of BISIP | | | |
| CNY fund | 41,012 | | 41,012 |
| Share certificates of | | | |
| RVS, a.s. | 3,585 | 3,585 | 0 |
| Shares of BIS | 7,038 | 6,600 | 438 |
| Institute of Banking | | | |
| Education | 33 | 33 | 0 |
| Shares of SWIFT | 23 | 23 | 0 |
| | <u>51,691</u> | <u>10,241</u> | <u>41,450</u> |

As at 31 December 2014, the NBS recognized shares within the BISIP CNY programme which represents an indirect form of investing in the on-shore Chinese government bonds market. The purchase of shares was realized in December 2014 and represents a 3.9% share of the fund's total value.

In accordance with the Commercial Code (Act No. 513/1991 Coll. as amended), the NBS is the controlling entity in the voting rights in RVS, a.s. Bratislava, with a 52% equity share. Despite the significant influence of the NBS in RVS, a.s., in accordance with Article 22 of the Act on Accounting, the Bank does not prepare consolidated financial statements.

The Bank recognizes a participating interest in the Bank for International Settlements in Basel, Switzerland. The Bank's share on the BIS capital represents 0.51%. The participating interest in BIS is recognized in the amount of paid-up capital (25%). The unpaid proportion of the capital (75%) is payable on demand. Dividends are distributed in euro from the total share of the NBS in BIS as held in XDR (see Note 26).

As at 31 December 2014, the Bank recognized a deposit in the registered capital of the Inštitút bankového vzdelávania NBS, n. o. Bratislava, which was established by NBS on 28 October 2008. The Bank is the only shareholder of the company.

The Bank holds a 0.0063% capital share in SWIFT. The allocation took place in April 2013 based on share reallocation to individual members depending on their financial compensation, paid for using SWIFT services in 2011.

Accruals and prepaid expenditure

This item mainly represents accrued bond coupons of EUR 138,677 thousand (EUR 168,193 thousand as at 31 December 2013) and interest accrued on interest rate swaps of EUR 6,433 thousand (EUR 10,204 thousand as at 31 December 2013). The value of purchased bond coupons of



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EUR 16,491 thousand (EUR 6,489 thousand as at 31 December 2013) also represents a significant part of this caption.

Sundry

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|----------------|----------------|------------------|
| Deposits – collaterals to derivatives | 173,131 | 297,401 | (124,270) |
| Claims on foreign entities | 18,076 | 18,076 | |
| FV of interest rate swaps | 2,367 | 15,279 | (12,912) |
| Interest rate futures | 1,890 | 2,901 | (1,011) |
| Investment and consumer loans granted to employees | 8,452 | 9,428 | (976) |
| Other | 3,255 | 4,219 | (964) |
| | <u>207,171</u> | <u>329,228</u> | <u>(122,057)</u> |

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. The year-on-year decrease in the volume of deposits is due to a decrease in the volume of interest rate swaps.

10. Banknotes in circulation

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---|-------------------|------------------|------------------|
| Euro banknotes in circulation issued by NBS | 9,357,274 | 8,777,250 | 580,024 |
| Euro banknotes not issued by NBS | 965,669 | (75,966) | 1,041,635 |
| Total volume of euro banknotes in line with the NBS Banknote Allocation Key | <u>10,322,943</u> | <u>8,701,284</u> | <u>1,621,659</u> |

As at 31 December 2014, the Bank issued banknotes amounting to EUR 9,357,274 thousand; down by EUR 965,669 thousand (up by EUR 75,966 thousand as at 31 December 2013) compared to the volume allocated to the NBS by the Banknote Allocation Key (see part B, para h). This difference represents a claim of the NBS on the Eurosystem (see Note 8). Following the quinquennial capital key adjustment and entry of Latvia into the Eurosystem, the Banknote Allocation Key for the NBS increased from 0.9100% to 1.0155% as at 1 January 2014.

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|----------------|------------------|------------------|
| Current accounts covering the minimum reserve system | 651,999 | 1,096,170 | (444,171) |
| Deposit facility | 100,000 | 5,600 | 94,400 |
| Fixed-term deposits | | 183,000 | (183,000) |
| | <u>751,999</u> | <u>1,284,770</u> | <u>(532,771)</u> |

Current accounts represent monetary reserves of credit institutions that are subject to the minimum reserve system (MRS) in accordance with the Statute. The MRS enables the average 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. In accordance with Decision ECB/2014/23 as amended, reserve holdings exceeding the required minimum reserves shall be remunerated at zero per cent or the deposit facility rate, whichever is lower. With effect from 10 September 2014, the ECB applies the negative interest rate 0.20% p.a. for the deposit facility.

The deposit facility represents overnight deposits at a pre-specified interest rate as announced by the ECB. The purpose of such deposits is to provide contracting parties with the option to deposit short-term surplus liquidity. As at 31 December 2014, a negative interest rate 0.20% p.a. was applied for this type of transaction.

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|------------------|------------------|------------------|
| Tri-party repo transactions | 2,400,000 | 2,150,000 | 250,000 |
| Liabilities from repo transactions | 2,146,378 | 777,320 | 1,369,058 |
| Liabilities from repo transactions with gold | 34,230 | 30,660 | 3,570 |
| Deposits received for repo transactions | 271 | 1,242 | (971) |
| Interbank clearing in Slovakia (SIPS) | 20,525 | 896 | 19,629 |
| | <u>4,601,404</u> | <u>2,960,118</u> | <u>1,641,286</u> |



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The interest rate applicable to repo transactions is from -0.075 to 0.050% p.a. (from 0.171 to 0.250% p.a. as at 31 December 2013).

The increase in liabilities from repo transactions compared to the preceding period is due to an increase in the volume of repo transactions.

13. Liabilities to other euro area residents denominated in euro

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--------------------|------------------|------------------|--------------------|
| General government | 1,000,977 | 2,722,653 | (1,721,676) |
| Other liabilities | 227,12 | 195,185 | 31,935 |
| | <u>1,228,097</u> | <u>2,917,838</u> | <u>(1,689,741)</u> |

General government

As at 31 December 2014, under this caption, the NBS recognized term deposits from the Ministry of Finance of the Slovak Republic ("MFSR") amounting to EUR 1,000,000 thousand (EUR 1,800,000 thousand as at 31 December 2013), and current accounts of the State Treasury amounting to EUR 977 thousand (EUR 922,653 thousand as at 31 December 2013).

The interest rate applicable to term deposits is 0.357% p.a. (from 0.140 to 0.365% p.a. as at 31 December 2013).

Other liabilities

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|----------------|----------------|---------------|
| Client current accounts | 12,442 | 12,127 | 315 |
| Client term deposits | 30,070 | 28,137 | 1,933 |
| Current accounts of auxiliary financial institutions | 895 | 3,831 | (2,936) |
| Term deposits of auxiliary financial institutions | 183,713 | 151,090 | 32,623 |
| | <u>227,120</u> | <u>195,185</u> | <u>31,935</u> |

As at 31 December 2014 and 2013, the Bank recognized current accounts and deposits from clients and auxiliary financial institutions (the Deposit Protection Fund and the Investment Guarantee Fund) within this item.

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---|------------------|------------------|------------------|
| Liabilities from term deposits | 2,424,102 | 2,400,000 | 24,102 |
| Liabilities from repo transactions with gold | 513,333 | 473,407 | 39,926 |
| Liabilities from repo transactions | | 180,795 | (180,795) |
| Liabilities to international financial institutions | 5,367 | 4,794 | 573 |
| Deposits received for repo transactions | | 20 | (20) |
| Clients' loan accounts | 1 | | 1 |
| | <u>2,942,803</u> | <u>3,059,016</u> | <u>(116,213)</u> |

Liabilities from inward term deposits represent central banks' deposits with maturity from one day to one month at an interest rate from -0.030 to 0.030% p.a. (0.190% p.a. as at 31 December 2013).

15. Liabilities to euro area residents denominated in foreign currency

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|----------------|----------------|----------------|
| Liabilities from repo transactions | 295,493 | | 295,493 |
| Liabilities from repo transactions with gold | 101,580 | 87,890 | 13,690 |
| Current accounts of the State Treasury in foreign currency | 2 | 28,056 | (28,054) |
| | <u>397,075</u> | <u>115,946</u> | <u>281,129</u> |

The interest rate applicable to repo transactions is from 0.250 to 0.330% p.a.

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|----------------|---------------|----------------|
| Liabilities from repo transactions | 188,079 | | 188,079 |
| Liabilities from repo transactions with gold | 72,521 | 62,995 | 9,526 |
| | <u>260,600</u> | <u>62,995</u> | <u>197,605</u> |

The interest rate applicable to repo transactions denominated in USD is from 0.330 to 0.380% p.a.

As at 31 December 2014, the Bank recognized liabilities from long-term repo transactions with gold due in 2015 and 2016.



17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2014, the Bank recorded a liability to the IMF from the allocation of EUR 405,987 thousand (EUR 380,758 thousand as at 31 December 2013). The liability from the allocation is denominated in XDR. As part of the general allocation and the special allocation, the IMF allocated XDR 265 million and XDR 75 million to Slovakia, as at 31 December 2014 and 31 December 2013, respectively.

18. Other liabilities

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---|----------------|----------------|------------------|
| Off-balance sheet instruments revaluation differences | 15,729 | 743 | 14,986 |
| Accruals and income collected in advance | 82,796 | 119,457 | (36,661) |
| Sundry | 560,641 | 657,570 | (96,929) |
| | <u>659,166</u> | <u>777,770</u> | <u>(118,604)</u> |

Off-balance sheet instruments revaluation differences

As at 31 December 2014, this item represented exchange losses from the revaluation of currency swaps of EUR 15,729 thousand (EUR 743 thousand as at 31 December 2013).

Accruals and income collected in advance

As at 31 December 2014, the major part of accruals was represented by interest expense from interest rate swaps in EUR of EUR 78,856 thousand (EUR 113,119 thousand as at 31 December 2013).

Sundry

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---------------------------------------|----------------|----------------|-----------------|
| FV of interest rate swaps | 95,632 | 191,224 | (95,592) |
| Deposits – collaterals to derivatives | 218,620 | 201,820 | 16,800 |
| Euro coins in circulation | 141,627 | 132,478 | 9,149 |
| SKK banknotes in circulation | 76,735 | 79,235 | (2,500) |
| SKK coins in circulation | 23,193 | 46,985 | (23,792) |
| Other | 4,834 | 5,828 | (994) |
| | <u>560,641</u> | <u>657,570</u> | <u>(96,929)</u> |

The value of interest rate swaps as at 31 December 2014 represented the cumulative year-end revaluation loss which is gradually amortized to the profit/loss under net realized gains on interest rate swaps in accordance with the ECB Guideline (see Note 24).

The purpose of deposits received – collateral for 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.

The year-on-year decrease of SKK coins in circulation mainly reflects the extraordinary issuance gain related to old Slovak coins that remained in circulation after their expiration as at 2 January 2014 in accordance with legal requirements (see Note 28).

19. Provisions

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---------------------------------------|----------------|----------------|----------------|
| General provision for financial risks | 520,000 | 300,000 | 220,000 |
| Provisions for payables to employees | 3,805 | 3,715 | 90 |
| Provisions for legal disputes | 340 | 301 | 39 |
| Provisions for unbilled supplies | 685 | 638 | 47 |
| | <u>524,830</u> | <u>304,654</u> | <u>220,176</u> |

The Bank created a general provision for financial risks in order to protect against foreign exchange, interest rate, credit risks and risk from changes in gold prices. The amount of provision is reassessed on an annual basis, and corresponds to an estimate of potential loss from the total investment reserves and gold of the NBS, taking into account historical scenarios of financial market development. In accordance with the decision of the Bank Board, the provision will be used to cover future realized and unrealized losses from financial activities. The potential negative development on the financial markets in the subsequent period has been taken into account in creating the provision.



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20. Revaluation accounts

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--------------------------|----------------|----------------|-----------------|
| Revaluation accounts of: | | | |
| gold | 373,167 | 254,418 | 118,749 |
| securities | 125,537 | 306,367 | (180,830) |
| derivatives | 2,367 | 15,279 | (12,912) |
| foreign currency | 18,129 | 11,539 | 6,590 |
| shares of BISIP CNY | 196 | | 196 |
| | <u>519,396</u> | <u>587,603</u> | <u>(68,207)</u> |

The increase in the revaluation accounts of gold compared to the prior year is due to increased gold prices. The year-on-year decrease in the revaluation accounts of securities is linked to the development in the financial markets.

21. Capital and reserves

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") 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 consist of general reserves and capital reserves.

As at 31 December 2014, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2013). 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 2014, the closing balance of the NBS's capital reserves amounted to EUR 882 thousand (EUR 882 thousand as at 31 December 2013).



Národná banka Slovenska
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Summary of changes in equity and accumulated losses

| | Statutory fund | Capital reserves | General reserves | General provision for financial risks | Revaluation accounts profit/(loss) | Accumulated (loss) from previous years | Profit/(loss) of current year | Equity |
|---|-------------------|---------------------|---------------------|---|--|--|-------------------------------------|-------------|
| 1. Balance as at 31 December 2013 | 16,041 | 882 | 340,874 | 300,000 | 587,603 | (5,406,453) | 489,846 | (3,671,207) |
| 2. Transfer of profit for 2013 to accumulated loss from previous years | | | | | | 489,846 | (489,846) | |
| 3. Transfer to statutory fund | | | | | | | | |
| 4. Transfer to general reserves | | | | | | | | |
| 5. Change in the general provision for financial risks | | | | 220,000 | | | | 220,000 |
| 6. Change in revaluation accounts of securities | | | | | (180,830) | | | (180,830) |
| 7. Change in revaluation accounts of derivatives | | | | | (12,912) | | | (12,912) |
| 8. Change in revaluation accounts of gold | | | | | 118,749 | | | 118,749 |
| 9. Change in revaluation accounts of foreign currencies | | | | | 6,590 | | | 6,590 |
| 10. Change in revaluation accounts of shares in BISIP CNY fund | | | | | 196 | | | 196 |
| 11. Profit for the current reporting period | | | | | | | 102,193 | 102,193 |
| 12. Change for the reporting period | | | | 220,000 | (68,207) | 489,846 | (387,653) | 253,986 |
| 13. Balance as at 31 December 2014 | 16,041 | 882 | 340,874 | 520,000 | 519,396 | (4,916,607) | 102,193 | (3,417,221) |

22. Off-balance sheet instruments

| | 31 Dec 2014 | | 31 Dec 2013 | | Change | |
|-------------------------------------|------------------|------------------|----------------|----------------|------------------|------------------|
| | Receivables | Liabilities | Receivables | Liabilities | Receivables | Liabilities |
| Currency swaps in EUR (forward leg) | 1,176,507 | 358,768 | 74,235 | 30,506 | 1,102,272 | 328,262 |
| Currency swaps in USD (forward leg) | 357,878 | 429,454 | 30,455 | 18,853 | 327,423 | 410,601 |
| Currency swaps in JPY (forward leg) | 2,327 | 614,088 | | 23,729 | 2,327 | 590,359 |
| Currency swaps in GBP (forward leg) | 1,708 | 27,089 | | 30,347 | 1,708 | (3,258) |
| Currency swaps in CHF (forward leg) | | 124,750 | | | 0 | 124,750 |
| | 1,538,420 | 1,554,149 | 104,690 | 103,435 | 1,433,730 | 1,450,714 |

| | 31 Dec 2014 | | 31 Dec 2013 | | Change | |
|------------------------------|-------------|---------------|-------------|---------------|-------------|---------------|
| | Receivables | Liabilities | Receivables | Liabilities | Receivables | Liabilities |
| Interest rate futures in EUR | | 45,700 | | 35,000 | 0 | 10,700 |
| Interest rate futures in USD | | 5,271 | | | 0 | 5,271 |
| | 0 | 50,971 | 0 | 35,000 | 0 | 15,971 |



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(in thousands of EUR)

23. Net interest income

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|----------------|----------------|-----------------|
| Investments in EUR | 142,631 | 191,081 | (48,450) |
| Investments in foreign currency | 1,176 | 1,688 | (512) |
| Monetary operations | 60,672 | 92,120 | (31,448) |
| net interest income from securities | 61,161 | 89,527 | (28,366) |
| net interest (expense)/income from loans and deposits | (13) | 4,650 | (4,663) |
| net interest expense from MRS | (476) | (2,057) | 1,581 |
| Remuneration of claim from transfer of foreign currency reserves | 629 | 1,904 | (1,275) |
| Remuneration of eurobanknotes | 457 | (4,655) | 5,112 |
| Remuneration of TARGET 2 | 8,497 | 30,205 | (21,708) |
| | 214,062 | 312,343 | (98,281) |

The decrease in net interest income from investments in EUR is mainly linked to the decrease in the net interest income from securities. The lower interest income from securities is due to the decrease of the ECB's basic interest rate and volume of securities portfolio (see Note 7).

The decrease of the ECB's basic interest rate has led to a decrease of interest income from remuneration of claims within the Eurosystem (see Note 8).

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

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|------------------|-----------------|------------------|
| Gains realized from financial operations | 147,055 | 220,717 | (73,662) |
| Net gains from interest rate swaps | 128,346 | 198,215 | (69,869) |
| Net gains from sale of securities | 15,950 | 21,138 | (5,188) |
| Net gains from other operations | 2,759 | 1,364 | 1,395 |
| Write-downs on financial assets and positions | (53,677) | (6,802) | (46,875) |
| Losses from interest rate swaps valuation | (43,392) | (1,229) | (42,163) |
| Losses from securities valuation | (1,473) | (2,469) | 996 |
| Losses from foreign currency valuation | (8,812) | (3,104) | (5,708) |
| Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks | (220,000) | (50,000) | (170,000) |
| General provision for financial risks | (220,000) | (50,000) | (170,000) |
| | (126,622) | 163,915 | (290,537) |

25. Net result from fees and commissions

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|--|--------------|--------------|------------|
| Fees and commissions from investment portfolio: | (248) | (396) | 148 |
| Net profit from operations with securities | 179 | 106 | 73 |
| Net profit from operations with clients | 216 | 247 | (31) |
| Net loss from operations with banks | (598) | (701) | 103 |
| Net loss from interest futures | (32) | (36) | 4 |
| Other | (13) | (12) | (1) |
| Fees and commissions from monetary operations: | (71) | (129) | 58 |
| Net loss from operations with banks | (108) | (188) | 80 |
| Net profit from operations with securities | 37 | 59 | (22) |
| Net profit from exchange of euro coins | 54 | 58 | (4) |
| | (265) | (467) | 202 |

26. Income from equity shares and participating interests

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---|---------------|---------------|----------------|
| Interim ECB's profit distribution | 9,281 | 13,550 | (4,269) |
| Participating interest in the ECB's net profit from previous year | 599 | 4,196 | (3,597) |
| Share on the ECB's net equity | | 438 | (438) |
| Dividends from BIS shares | 695 | 1,040 | (345) |
| | 10,575 | 19,224 | (8,649) |

27. Net result of pooling of monetary income

Monetary income in accordance with Article 32 (1) of the Statute and Decision ECB/2010/23 as amended represents the net annual income derived from the assets of the national central bank, held against its banknotes in circulation and deposit liabilities to credit institutions. Monetary income is the income accruing in the performance of the monetary policy function of the ESCB.

Monetary income is distributed to the NBS in proportion to its paid-up shares in the capital of the ECB at the end of each financial year (1.1039%).

Monetary income pooled by the NBS for 2014 into the common pool of monetary income of the Eurosystem amounted to EUR 64,684 thousand. The monetary income equivalent to the 1.1039% share of



the NBS amounted to EUR 109,803 thousand. The difference of EUR 45,119 thousand (EUR 50,381 thousand as at 31 December 2013) represents the net result of the pooling of monetary income. The additional net income of the NBS in the amount of EUR 1,953 thousand resulted from revisions of monetary income for the period 2009-2013.

28. Other income and other expenses

As at 31 December 2014, the most significant part of the Bank's "Other Income" was mainly represented by extraordinary gain from issuance of Slovak coins of EUR 23,778 thousand (see Note 18), income from fees and contributions from financial market entities of EUR 4,203 thousand (EUR 4,027 thousand as at 31 December 2013), earned fees from participation in settlement systems of EUR 2,643 thousand (EUR 2,701 thousand as at 31 December 2013), and income from sale of commemorative coins and coins in circulation of EUR 1,269 thousand (EUR 1,749 thousand as at 31 December 2013).

As at 31 December 2014, the Bank's "Other Expenses" mainly represented costs of the minting of general circulation and collector coins, including costs of related services, of EUR 2,409 thousand (EUR 2,776 thousand as at 31 December 2013).

29. Staff costs

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|-----------------------|-----------------|-----------------|----------------|
| Wages and salaries | (23,257) | (22,346) | (911) |
| Social security costs | (8,364) | (8,153) | (211) |
| Other employee costs | (3,475) | (3,271) | (204) |
| | <u>(35,096)</u> | <u>(33,770)</u> | <u>(1,326)</u> |

As at 31 December 2014, the average FTE number of employees was 1,008 (1,005 as at 31 December 2013), of whom 97 were managers (93 as at 31 December 2013).

Wages and employee benefits of the Bank Board's members for 2014 amounted to EUR 542 thousand (EUR 635 thousand in 2013). As at 31 December 2014 and 2013, the Bank recorded no outstanding loans to the members of the Bank Board.

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

30. Administrative expenses

As at 31 December 2014, this item mainly included the costs of complex assessments of three major credit institutions in the Slovak Republic by external audit firms that resulted from the Single Supervisory Mechanism in the Eurosystem, costs of technical support and IS maintenance, repairs and maintenance, energy consumption and telecommunications costs totaling EUR 13,661 thousand (EUR 9,397 thousand as at 31 December 2013).

Costs of audit and verification of the financial statements by the auditor amounted to EUR 71 thousand as at 31 December 2014 (EUR 71 thousand as at 31 December 2013). As at 31 December 2014, 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.

31. Depreciation of tangible and intangible fixed assets

| | 31 Dec 2014 | 31 Dec 2013 | Change |
|---|----------------|----------------|--------------|
| Depreciation of tangible fixed assets | (6,504) | (6,630) | 126 |
| Depreciation of intangible fixed assets | (1,210) | (2,377) | 1,167 |
| | <u>(7,714)</u> | <u>(9,007)</u> | <u>1,293</u> |

32. Banknote production services

As at 31 December 2014, the cost of printing euro banknotes amounted to EUR 6,255 thousand (EUR 3,585 thousand as at 31 December 2013).

33. Profit for the year

The overall financial result of the Bank as at 31 December 2014 was a profit of EUR 102,193 thousand (profit of EUR 489,846



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thousand as at 31 December 2013). The most significant part of this item is represented by net interest income (see Note 23).

D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 18 February 2015, the ECB Governing Council decided to distribute the ECB's net profit for 2014 to individual central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 1,635 thousand from the distribution of profit is accounted for in the 2015 reporting period.

In connection with the entry of Lithuania into the Eurosystem, the Eurosystem keys of the national central banks were adjusted

accordingly in line with Decision ECB/2014/61. As at 1 January 2015, the Eurosystem key of NBS was adjusted to 1.0974% (1.1039% until 31 December 2014). The Banknote Allocation Key was adjusted to 1.0095% (1.0155% until 31 December 2014).

On 12 January 2015, doc. Ing. Jozef Makúch, PhD. was reappointed for a second term as the Governor of Národná banka Slovenska by the President of the Slovak Republic. The Government of the Slovak Republic on 11 February 2015 appointed a member of the Bank Board prof. Ľuboš Pástor, PhD. with effect from 15 March 2015.

No significant events occurred subsequent to 31 December 2014 that would require any adjustments to the 2014 financial statements.

Bratislava, 10 March 2015

doc. Ing. Jozef Makúch, PhD.

Governor

Ing. Miroslav Uhrin

Executive Director
Division for
Financial Management,
Information Technology
and Facility Services

Ing. Katarína Taragelová

Director
Financial Management
Department



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**Appendix to the independent 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 2014 presented in the annual report on pages 68 – 92. We issued the following audit report dated 10 March 2015 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 2014, 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 2014 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

10 March 2015

Bratislava, Slovak Republic

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

*Ing. Dalimil Draganovský
SKAU Licence No. 893"*

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- II. We have also audited the consistency of the annual report with the above-mentioned financial statements. The management 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 2014. 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 2014 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.

28 April 2015
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský
SKAU Licence No.893

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