

Independent auditor's report and Financial Statements of NBS as at 31 December 2019

Národná banka Slovenska INDEPENDENT AUDITOR'S REPORT

To the Bank Board of Národná banka Slovenska:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS"), which comprise the balance sheet as at 31 December 2019, the income statement for the year then ended, and notes, which include a summary of significant accounting policies and accounting methods.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance for the year then ended in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2016/34 as amended (hereinafter the "ECB Guideline") and the Act on Accounting No. 431/2002 Coll. as amended (hereinafter the "Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank Board of the NBS for the Financial Statements

The Bank Board of the NBS is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the ECB Guideline and the Act on Accounting, and for such internal control as the Bank Board of the NBS determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank Board of the NBS is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank Board of the NBS.
- Conclude on the appropriateness of the Bank Board of the NBS's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The Bank Board of the NBS is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting and Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (hereinafter the "Act on NBS"). Our opinion on the financial statements stated above does not apply to other information disclosed in the annual report.

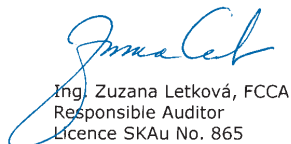
In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

When we obtain the annual report, we will evaluate whether the Bank's annual report includes information whose disclosure is required by the Act on Accounting and Act on NBS, and based on procedures performed during the audit of the financial statements, we will express our opinion on whether:

- Information disclosed in the annual report prepared for 2019 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting and Act on NBS.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Bank and its position, obtained in the audit of the financial statements.

Bratislava, 3 March 2020



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

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

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BALANCE SHEET
of Národná banka Slovenska

ASSETS	Note	31 Dec 2019 EUR '000	31 Dec 2018 EUR '000
A1 Gold and gold receivables	1	1,379,644	1,142,102
A2 Claims on non-euro area residents denominated in foreign currency	2	9,103,406	7,093,274
A3 Claims on euro area residents denominated in foreign currency	3	874,462	877,053
A4 Claims on non-euro area residents denominated in euro	4	2,766,448	2,025,916
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	533,540	1,166,540
A6 Other claims on euro area credit institutions denominated in euro	6	15,070	16,529
A7 Securities of euro area residents denominated in euro	7	22,406,480	22,276,945
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	10,157,079	10,492,010
A10 Items in course of settlement		0	0
A11 Other assets	9	5,047,053	5,068,450
A12 Loss for the year		0	0
TOTAL ASSETS		52,283,182	50,158,819
LIABILITIES			
L1 Banknotes in circulation	10	13,670,747	12,428,298
L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	3,012,873	2,282,672
L3 Other liabilities to euro area credit institutions denominated in euro	12	1,532,155	2,371,382
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	967,858	973,855
L6 Liabilities to non-euro area residents denominated in euro	14	25,249,177	25,113,626
L7 Liabilities to euro area residents denominated in foreign currency	15	1,063,593	1,557,192
L8 Liabilities to non-euro area residents denominated in foreign currency	16	2,892,800	1,912,559
L9 Counterpart of special drawing rights allocated by the IMF	17	420,114	413,818
L10 Intra-Eurosystem liabilities	18	918,315	884,468
L11 Items in course of settlement		0	0
L12 Other liabilities	19	453,213	463,235
L13 Provisions	20	675,931	675,559
L14 Revaluation accounts	21	856,544	552,022
L15 Capital and reserves	22	357,797	357,797
L16 Profit for the year	35	212,065	172,336
TOTAL LIABILITIES		52,283,182	50,158,819

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

**PROFIT AND LOSS ACCOUNT
of Národná banka Slovenska**

	Note	31 Dec 2019 EUR '000	31 Dec 2018 EUR '000
1.1 Interest income		399,746	320,899
1.2 Interest expense		(169,116)	(114,720)
1 Net interest income	24	230,630	206,179
2.1 Realised gains/(losses) arising from financial operations		16,444	16,328
2.2 Write-downs on financial assets and positions		(45,471)	(38,314)
2.3 Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks		0	(30,000)
2 Net result of financial operations, write-downs and risk provisions	25	(29,027)	(51,986)
3.1 Fee and commission income		2,464	2,752
3.2 Fee and commission expense		(1,353)	(1,111)
3 Net income/(expense) from fees and commissions	26	1,111	1,641
4 Income from equity shares and participating interests	27	24,668	17,603
5 Net result of pooling of monetary income	28	91,995	99,658
6 Other income	29	22,828	16,044
Total net income		342,205	289,139
7 Staff costs	30	(53,455)	(47,456)
8 Administrative expenses	31	(25,124)	(23,369)
9 Depreciation of tangible and intangible fixed assets	32	(9,243)	(9,022)
10 Banknote production services	33	(3,383)	(4,911)
11 Other expenses	29	(3,859)	(3,161)
12 Income tax and other government charges on income	34	(35,076)	(28,884)
PROFIT	35	212,065	172,336

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NOTES

to the Financial Statements as at 31 December 2019

Bratislava, 3 March 2020

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A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska (the “NBS” or the “Bank”) was established in accordance with Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (the „NBS Act “). The NBS commenced its activities on 1 January 1993.

Upon euro adoption in Slovakia on 1 January 2009, the NBS became a full member of the Eurosystem. The NBS abides by the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (the “Statute”).

In accordance with Article 39 (5) of the NBS Act, the NBS submits the annual report on the results of its operations to the National Council of the Slovak Republic within three months of the end of the calendar year. In addition to the NBS financial statements and the auditor’s opinion thereon, the report provides information on the Bank’s operating costs. If so requested by the National Council of the Slovak Republic, the NBS is obliged within six weeks, to supplement the report as requested and/or provide explanations to the submitted report.

The supreme governing body of the NBS is the Bank Board of the NBS (the “Bank Board”). As at 31 December 2019, the Bank Board had the following structure:

Name	Term of Office in the Bank Board		Current Position
	From	Until	
Ing. Peter Kažimír	01/06/2019	01/06/2025	Governor
Mgr. Ľudovít Ódor	20/02/2018	20/02/2024	Deputy Governor
RNDr. Karol Mrva	01/06/2012	02/06/2023	Member
Ing. Vladimír Dvořáček	02/04/2014	03/04/2025	Member
prof. Mgr. Ľuboš Pástor, M.A. PhD.	15/03/2015	15/03/2021	Member

The term of doc. Ing. Jozef Makúch ceased as at 1 June 2019.

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Legal framework and accounting principles

The Bank applies accounting principles in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2016/34 as amended (the “ECB Guideline”). When recognising transactions not regulated by the ECB Guideline, the Bank observes International Financial Reporting Standards. In other cases, the Bank acts in accordance with Act No. 431/2002 Coll. on Accounting, as amended. In accordance with this legal framework, the Bank applies the following fundamental accounting principles:

- Economic reality and transparency
- Prudence
- Recognition of post-balance sheet events
- Materiality
- Accruals principle
- Going-concern basis

- Consistency and comparability

Assets and liabilities are only held on the balance sheet if it is probable that any future economic benefits associated with them will flow to or from the Bank, all risks and benefits have been transferred to the Bank and the assets or liabilities can be valued reliably.

Foreign exchange transactions, financial instruments excluding securities, and the corresponding accruals, are subject to the economic principle. Transactions are recorded on off-balance sheet accounts on the trade date. On the settlement date, off-balance sheet booking entries are reversed and the transactions are recorded on the balance sheet. Other economic transactions and transactions with securities are recorded in accordance with the cash settlement principle, i.e. no accounting entries are made on the trade date and the transaction is recorded on the balance sheet on the settlement date.

Interest accruals attributable to financial instruments are calculated and recorded on a daily basis. Accruals of premium and discount are recorded using the internal rate of return method (IRR). In other cases, the linear method or a method defined for the relevant financial instrument is applied. Interest accruals are reported separately from the financial instrument in "Other assets" or "Other liabilities". Accruals of premium and discount are reported together with the financial instrument.

When preparing the financial statements, the Bank acts in accordance with the recommended harmonised disclosures for Eurosystem national central banks' annual accounts.

The Bank does not prepare consolidated financial statements in accordance with Article 22 of the Act on Accounting.

(b) Valuation of assets and liabilities

Financial assets and liabilities, excluding held-to-maturity securities, securities held for monetary policy purposes and non-marketable participating interests, are valued on a monthly basis at mid-market rates and prices. Foreign currency revaluation, including balance sheet and off-balance sheet transactions, is performed for each currency separately; securities are valued for each ISIN separately and interest rate and cross-currency swaps and futures agreements are valued individually. For gold, no distinction is made between price and currency revaluation differences.

Securities held for monetary policy purposes are valued at amortised cost and are subject to an impairment test. In the event of impairment, provisions are created as at the end-of-year date and reassessed on an annual basis. The provision for impairment of securities acquired under the securities market programme ("SMP"), the third covered bond purchase programme ("CBPP3"), the corporate sector purchase programme ("CSPP") and securities issued by international organisations and multilateral development banks acquired under the public sector purchase programme on the secondary market ("PSPP") is created in percentage proportion to the prevailing ECB capital key shares valid at the time of the initial impairment. In the event of an impairment of securities acquired under the covered bond purchase programme ("CBPP1") or securities issued by the Government of the Slovak Republic acquired under the PSPP programme the Bank creates a provision in full amount (see Note 7).

Current accounts and deposits granted/received and loans are valued at face value.

Participating interests, except the BIS Investment Pool Sovereign China equity fund denominated in CNY ("BISIP") and Exchange Traded Funds denominated in USD ("ETF"), are valued at historical cost and are subject to an impairment test. A provision is recognised for the impairment in participating

interests through profit/loss. The BISIP equity fund is valued at the net asset value of the fund provided by the Bank for International Settlements (“BIS”) in Basel, Switzerland on a monthly basis. The ETF funds are valued at mid-market prices on a monthly basis for each security (ISIN) separately.

The exchange rates of key foreign currencies against EUR 1, used to value the assets and liabilities as at 31 December 2019, were as follows:

Currency	31 Dec 2019	31 Dec 2018	Change
GBP	0.85080	0.89453	(0.04373)
USD	1.12340	1.14500	(0.02160)
JPY	121.94000	125.85000	(3.91000)
XDR	0.81044	0.82277	(0.01233)
CNY	7.82050	7.87510	(0.05460)
EUR/ozs*	1,354.104	1,120.961	233.14300

* 1 ozs (troy ounce) = 31.1034807 g

(c) Accounting and recognition of income

Realised profits and losses are derived from the daily valuation of changes in assets and liabilities and represent the difference between the transaction value and the average value of the respective financial instrument or currency. They are recognised directly in the profit and loss account.

Unrealised profits and losses result from the monthly valuation of assets and liabilities and represent the difference between the average value and the month-end accounting and mid-market value of the respective financial instrument or currency. Unrealised profits are shown in equity on revaluation accounts (see Note 21). Unrealised losses in excess of unrealised revaluation profits from the given financial instrument or currency are recognised in the profit and loss account. Unrealised losses on a financial instrument or currency are not netted off against unrealised profits made on another financial instrument or currency. In the event of an unrealised loss at year-end, the average acquisition cost is adjusted to the year-end exchange rate or fair value of the valued item. Unrealised revaluation losses on interest rate and cross-currency swaps and marketable securities are amortised to income in the following years.

Premiums and discounts of acquired securities are recognised in the profit and loss account as interest income.

According to the agreed recommended harmonised disclosure rules, the Bank presents the negative interest income or expense stemming from the application of negative interest rates on a net basis with other interest income or expense on the underlying transactions. The net interest income is included in interest income; net interest expense is included in interest expense.

(d) Gold and gold receivables

Gold swap transactions are recognised as repurchase transactions with gold (see Notes 12 and 14). The gold used in such transactions remains in the Bank’s total assets under the item “Gold and gold receivables”.

(e) Debt securities

At initial recognition, securities are valued at transaction costs. Fees which are not part of the transaction costs are directly recognised in the profit and loss account and are not considered as part of the average cost of the securities.

Securities are recognised together with the accrued premium and discount. Coupons are recorded under "Other assets". The withholding income tax on bonds and treasury notes is recognised in the profit and loss account under "Income tax and other charges on income" (see Note 34).

(f) Derivatives

Foreign exchange forward and swap transactions are included in the net currency positions for calculating the average acquisition cost of currencies and foreign exchange gains and losses. They are recognised on off-balance sheet accounts at the spot rate of the transaction on the trade date.

The difference between the spot and forward values of the transaction is considered as paid or received interest that is accrued.

The forward position of foreign exchange swaps is valued together with the related spot position, so the currency position is only affected by the accrued interest in foreign currency.

Interest rate swaps are recorded in the off-balance sheet accounts from the trade date until the settlement date. They are valued individually for each transaction based on generally accepted valuation models using corresponding yield curves derived from quoted interest rates.

For cross-currency swaps, the provisions are applied separately to the foreign exchange and interest rate legs of the swap. Forward and spot purchases and sales of cross-currency swaps are recognised in balance-sheet accounts at the respective settlement date at the spot rate of the transactions. They are included in the net currency position to calculate the average cost of the currency position and foreign exchange gains and losses. Interest payments are agreed upon in regular instalments in two different currencies. Interests paid and received are accrued on a daily basis. The same rules as for interest rate swaps apply to the valuation of the interest rate leg.

For interest rate, foreign exchange or cross-currency swaps, if there is an increase or decrease in the net swap position, a collateral adjustment in the form of deposits with a daily extension is contractually agreed with selected counterparties. The interest is settled monthly (see Notes 9 and 19).

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

(g) Reverse transactions

Reverse transactions are the transactions that the Bank conducts under reverse repo agreements or collateralised loan transactions.

Repo agreements (repo transactions) are recognised as a collateralised inward deposit on the liabilities side of the balance sheet, and the item provided as collateral remains on the assets side of the balance sheet. Securities provided under a repo transaction remain part of the Bank's portfolio.

Reverse repo agreements (reverse transactions) are recognised as a collateralised outward loan on the assets side of the balance sheet. Securities accepted under a reverse repo transaction are not accounted for.

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

The Bank does not account for security lending transactions conducted under an automated security lending program. Income from these transactions are recognised in the profit and loss account.

(h) Banknotes in circulation

Pursuant to Decision ECB/2010/29 as amended, euro banknotes are issued jointly by the national central banks within the Eurosystem and the ECB. The total amount of banknotes in circulation is allocated to individual central banks in the Eurosystem on the last working day of each month, according to the Banknote Allocation Key. The ECB's share of the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share of the total issue of euro banknotes within the Eurosystem is 1.0575% (1.0095% until 31 December 2018). The share of banknotes in circulation is recognised under liabilities "Banknotes in circulation" (see Note 10).

The difference between banknotes allocated according to the Banknote Allocation Key and banknotes in circulation represents an interest-bearing claim or liability within the Eurosystem. They are disclosed under "Intra-Eurosystem claims or liabilities".

Interest income or interest expense from these claims/liabilities is disclosed net in the Bank's profit and loss account under "Net interest income" (see Note 24).

(i) ECB profit redistribution

In accordance with Decision ECB/2014/57 as amended, the ECB's income, consisting of the remuneration of the ECB's 8% share in euro banknote issues and net income from securities purchased by the ECB under the SMP, CBPP3, asset-backed securities purchase programme (ABSPP) and PSPP, is re-allocated among the Eurosystem's individual central banks and is recognised in the year in which originated as an interim distribution of the ECB's profit (see Note 27).

Under Article 33 of the Statute, the ECB's remaining net profit is reallocated among the central banks within the Eurosystem upon approval of the ECB's financial statements, i.e. in the following calendar year.

(j) Fixed assets

With effect from 1 January 2010 and pursuant to the ECB's Guideline, the NBS's fixed assets include tangible and intangible fixed assets with an input price higher than EUR 10,000 and with a useful life of more than one year. Immovables, works of art, immovable cultural monuments and collections, with the exception of those listed under separate regulations (Act No. 206/2009 Coll. on Museums and Galleries and on the Protection of Cultural Valuables, as amended), are recognised on the balance sheet irrespective of their input price. The assets listed under separate regulations are recognised on the off-balance sheet and in records maintained for collection items at cost. Tangible and intangible fixed assets up to EUR 10,000 that were acquired and put in use prior to 1 January 2010 are depreciated as put in use until they are fully depreciated.

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

Depreciation Group	Depreciation Period in Years
1. Buildings, long-term investments, technical improvements to immovable cultural monuments	30
2. Separable components built into structures identified for separate depreciation	4 - 20
3. Utility networks	20
4. Machines and equipment	2 - 12
5. Transport means	4 - 6
6. Fixtures and fittings	4 - 12
7. Intangible fixed assets - purchased software	2 - 10
8. Other intangible fixed assets	4 or as per a contract

(k) Taxes

In accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes, as amended, the NBS is not a corporate income tax payer. Only income taxed by withholding tax is subject to taxation (see Note 34).

The NBS has been a registered VAT payer since 1 July 2004, pursuant to Act No. 222/2004 Coll., as amended.

(l) Provisions

The Bank creates a general provision for financial risks to hedge against foreign exchange rate, interest rate, credit, equity risks and gold price risks (see Notes 20 and 25), which is presented in the Bank's equity.

The level of the provision is reassessed at year-end and is based on the estimated potential loss using the Expected Shortfall at the confidence level of 99% in a one-year horizon, taking into account the simulation of potential scenarios of financial markets developments in relation to the positions of the financial instruments held by the NBS.

The provision also reflects the NBS's share of credit risks resulting from monetary policy operations and the Eurosystem intervention purchase programmes, and when compared to the previous period, the Bank adjusted the methodology for calculating the estimated level of the provision to cover potential losses from credit risks. The share of the NBS on the ECB's risks and monetary policy portfolios credit risks, of which gains and losses are shared by the Eurosystem central banks, are derived from the outputs generated by the ECB as part of the regular analysis of financial risks and buffers of the Eurosystem national central banks. The estimated provision to cover a potential loss from the credit risks of other monetary policy portfolios and investment portfolio of the Bank is calculated at the NBS level.

For the risk assessment calculations, the financial positions are considered at market prices except for monetary policy portfolios, which are taken at amortised cost from accounting books. In accordance with the approved approach, the Bank Board may reflect on additional factors that are

expected to have an impact on the risk value when making a decision on the final level of the provision.

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

(m) NBS profit redistribution

In accordance with Article 39 (4) of the NBS Act, the profit generated by the Bank is allocated to the reserve fund and other funds created from profit, or it is used to cover accumulated losses from prior years. Losses incurred in the reporting period may be settled by the NBS from the reserve fund or from other funds. Alternatively, the Bank Board may decide to carry the accumulated loss forward to the following reporting period.

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

1. Gold and gold receivables

	31 Dec 2019	31 Dec 2018	Change
Gold in repo transactions	1,373,718	1,137,196	236,522
Gold stored in banks	3,795	3,142	653
Gold in stock	2,131	1,764	367
	<u>1,379,644</u>	<u>1,142,102</u>	<u>237,542</u>

As at 31 December 2019, gold totalled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2018), of which 1,014 thousand t oz. were used in repo transactions, 3 thousand t oz. deposited with correspondent banks and 2 thousand t oz. deposited with the Bank.

As at 31 December 2019, the market price of gold was EUR 1,354.104 per t oz. (EUR 1,120.961 per t oz. as at 31 December 2018). The changes in the account balances were associated with revaluation differences (see Note 21).

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

	31 Dec 2019	31 Dec 2018	Change
Receivables from/Payables to the IMF	632,674	585,016	47,658
Balances with banks and security investments, external loans and other external assets	8,470,732	6,508,258	1,962,474
	<u>9,103,406</u>	<u>7,093,274</u>	<u>2,010,132</u>

Receivables from / Payables to the International Monetary Fund

	31 Dec 2019		31 Dec 2018		Change EUR '000
	Equivalent XDR million	EUR '000	Equivalent XDR million	EUR '000	
Receivables from the IMF:	1,315	1,624,628	1,301	1,580,244	44,384
1) Member's quota	1,001	1,236,729	1,001	1,215,672	21,057
a) Member's contribution	803	991,954	820	995,228	(3,274)
b) Reserve position	198	244,775	181	220,444	24,331
- Foreign exchange part of Member's quota	138	170,247	138	167,695	2,552
- Reserve position of FTP	60	74,528	43	52,749	21,779
2) Nostro account in the IMF	314	387,899	300	364,572	23,327
Payables to the IMF:	803	991,954	820	995,228	(3,274)
1) Loro accounts in the IMF	803	991,557	803	974,636	16,921
2) Currency valuation adjustment account	0	397	17	20,592	(20,195)
Total reported amount (net)	512	632,674	481	585,016	47,658

Within the Financial Transaction Plan (hereinafter the "FTP"), the NBS received two instalments totalling XDR 13 million and provided a loan in the amount of XDR 30 million in 2019, thus, increasing the FTP reserve position. As a result of the above transactions, the structure of the Member's quota changed, although its level remained unchanged.

Payables to the IMF represent the IMF loro accounts and the associated currency valuation adjustment account. Liabilities in local currency change depending on the IMF representative exchange rate. A significant part of payables on the IMF loro accounts consists of a note of EUR 851,935 thousand (EUR 813,935 thousand as at 31 December 2018).

The Bank records a payable to the IMF from the allocation under item 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 2019	31 Dec 2018	Change
Debt securities	4,185,500	2,827,791	1,357,709
Other	4,285,232	3,680,467	604,765
	8,470,732	6,508,258	1,962,474

The caption "Debt securities" mainly consists of securities denominated in USD, GBP, CHF, CNY and JPY. As at 31 December 2019, the Bank mainly recorded securities issued by monetary financial institutions. An increase in the volume is related to the purchase of securities.

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

3. Claims on euro area residents denominated in foreign currency

	31 Dec 2019	31 Dec 2018	Change
Debt securities	873,564	875,675	(2,111)
Current accounts	898	1,378	(480)
	<u>874,462</u>	<u>877,053</u>	<u>(2,591)</u>

The caption "Debt securities" consists of securities denominated in GBP, USD, CHF and JPY. As at 31 December 2019, the Bank mainly recorded securities issued by monetary financial institutions.

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

	31 Dec 2019	31 Dec 2018	Change
Debt securities	2,763,993	2,025,434	738,559
Current accounts	2,455	482	1,973
	<u>2,766,448</u>	<u>2,025,916</u>	<u>740,532</u>

As at 31 December 2019, 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

	31 Dec 2019	31 Dec 2018	Change
Main refinancing operations	0	101,000	(101,000)
Longer-term refinancing operations (LTRO)	8,000	0	8,000
Targeted longer-term refinancing operations (TLTRO II)	525,540	1,065,540	(540,000)
	<u>533,540</u>	<u>1,166,540</u>	<u>(633,000)</u>

As at 31 December 2019, the Bank recognised longer-term refinancing operations (LTRO) conducted through standard tenders with a maturity of 3 months.

Within longer-term operations, the Bank recognised targeted longer-term refinancing operations (TLTRO II) with a maturity in 2020 and 2021. A decrease in the caption is related to a partial early repayment of loans in 2019. Targeted longer-term refinancing operations are intended to support bank lending to the non-financial private sector, excluding loans to households for purchases of residential real estate. The agreed final interest rate for these operations is a negative interest rate of -0.40% p.a.

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

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

	31 Dec 2019	31 Dec 2018	Change
Redistribution loan	13,195	15,828	(2,633)
Current accounts	697	701	(4)
Deposits provided for repo transactions	1,178	0	1,178
	<u>15,070</u>	<u>16,529</u>	<u>(1,459)</u>

A redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. For 2019, the interest rate for the redistribution loan remained at 0.50% p.a. (0.50% p.a. as at 31 December 2018).

As at 31 December 2019, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 13,600 thousand on the off-balance sheet (EUR 16,350 thousand as at 31 December 2018). 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 2019	31 Dec 2018	Change
Securities held for monetary policy purposes	21,986,683	21,573,530	413,153
Other securities	419,797	703,415	(283,618)
	<u>22,406,480</u>	<u>22,276,945</u>	<u>129,535</u>

Debt securities held for monetary policy purposes

Under this caption, the Bank disclosed securities purchased under the SMP, CBPP1, CBPP3 and PSPP programmes. They are mainly issued by public authorities and monetary financial institutions of the euro area.

The purchase of securities within the CBPP1 programme and the SMP programme was terminated in June 2010 and in September 2012, respectively. The CBPP3 programme was announced by the Governing Council of the ECB in October 2014. The PSPP programme was announced by the Governing Council of the ECB in January 2015. On 1 November 2019 the Eurosystem restarted its net purchases of securities under the APP, which includes CBPP3, PSPP, ABSPP and CSPP, at a monthly pace of €20 billion on average. This followed a period of ten months since end-2018 during which the Eurosystem only reinvested, in full, the principal payments from maturing securities purchased under these programmes. For the PSPP government bonds, the allocation of reinvested securities was adjusted on a regular basis in order to achieve compliance with the share on the ECB's paid-up capital. The Governing Council expects net purchases to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council also intends to continue the reinvestments for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. Income on securities with a source in the Slovak Republic is net of withholding tax (see Note 34).

Securities purchased under all monetary policy programmes are valued on an amortised cost basis and are subject to an impairment test. The amortised and market values of securities held for monetary policy purposes are shown in the table below (market valuation is not recorded in the Balance Sheet or the Profit and Loss Account and is provided for comparison purposes only):

	31 Dec 2019		31 Dec 2018		Change	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP1	10,000	10,017	9,994	10,444	6	(427)
CBPP3	2,051,919	2,108,527	2,085,143	2,113,588	(33,224)	(5,061)
SMP	88,358	105,344	183,288	203,662	(94,930)	(98,318)
PSPP gov.	9,523,063	10,158,723	8,898,258	9,133,327	624,805	1,025,396
PSPP supr.	10,313,343	10,627,116	10,396,847	10,354,207	(83,504)	272,909
	21,986,683	23,009,727	21,573,530	21,815,228	413,153	1,194,499

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under the monetary policy programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council of the ECB. Based on the results of the impairment test on securities held for monetary policy purposes performed as at 31 December 2019 and pursuant to the decision of the Governing Council of the ECB which has deemed it appropriate to establish a buffer, the NBS created a provision for losses from monetary policy operations (see Note 20).

Other securities

Under this caption, as at 31 December 2019, the Bank recognised securities held for trading issued by the euro area monetary financial institutions.

8. Intra-Eurosystem claims

	31 Dec 2019	31 Dec 2018	Change
Participating interest in ECB	282,754	262,722	20,032
Claims equivalent to the transfer of foreign reserves	463,840	447,672	16,168
Other Intra-Eurosystem claims (net)	9,410,486	9,781,616	(371,130)
	10,157,080	10,492,010	(334,930)

Participating interest in the ECB

As at 31 December 2019, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 86,643 thousand (31 December 2018: EUR 83,623 thousand) and a claim of EUR 41,897 thousand from the changes of its participating interest in the ECB's net equity (31 December 2018: EUR 24,885 thousand). The change resulted from the regular five-year revision of participating interests of the Eurosystem national central banks as at 1 January 2019 in accordance with Article 29 (3) of the Statute. The NBS's capital key was adjusted from 0.7725% to 0.8004%.

In accordance with Article 48 (2) of the Statute and the decision of the Governing Council of the ECB, the NBS contributed EUR 154,214 thousand to the ECB's provisions to cover credit, foreign exchange, interest rate and gold price risks and to the ECB revaluation accounts.

Claims equivalent to the transfer of foreign reserves

Under the five-year revision of participating interests of the national central banks, the NBS records a claim from the transfer of foreign reserves to the ECB of EUR 463,840 thousand as at 31 December 2019 (EUR 447,672 thousand as at 31 December 2018), in accordance with Article 30 (1) of the Statute. The claim bears interest at 85% of the rate for the main refinancing operations. As at 31

December 2019, the Bank recorded no interest income from the claim from the transfer of foreign reserves due to the interest rate of 0% p.a. As at 1 January 2019, the NBS's Eurosystem key was adjusted from 1.0974% to 1.1497%.

As at 31 December 2019, the shares of 28 central banks of the European Union in the ECB's capital were as follows:

	Capital Key for Subscription of ECB's Capital (%)	Subscribed Share in Capital (EUR)	Paid-up Capital (EUR)	Eurosystem Key (%) - Share on the ECB's Paid- up Capital
Banque National de Belgique	2.5280	273,656,178.72	273,656,178.72	3.6313
Eesti Pank	0.1968	21,303,613.91	21,303,613.91	0.2827
Deutsche Bundesbank	18.3670	1,988,229,048.48	1,988,229,048.48	26.3827
Central Bank and Financial Services Authority of Ireland	1.1754	127,237,133.10	127,237,133.10	1.6884
Bank of Greece	1.7292	187,186,022.25	187,186,022.25	2.4839
Banco de España	8.3391	902,708,164.54	902,708,164.54	11.9784
Banque de France	14.2061	1,537,811,329.32	1,537,811,329.32	20.4059
Banca d'Italia	11.8023	1,277,599,809.38	1,277,599,809.38	16.9530
Central Bank of Cyprus	0.1503	16,269,985.63	16,269,985.63	0.2159
Latvijas Banka	0.2731	29,563,094.31	29,563,094.31	0.3923
Lietuvos bankas	0.4059	43,938,703.70	43,938,703.70	0.5830
Banque centrale du Luxembourg	0.2270	24,572,766.05	24,572,766.05	0.3261
Central Bank of Malta	0.0732	7,923,905.17	7,923,905.17	0.1051
De Nederlandsche Bank	4.0677	440,328,812.57	440,328,812.57	5.8429
Oesterreichische Nationalbank	2.0325	220,018,268.69	220,018,268.69	2.9195
Banco de Portugal	1.6367	177,172,890.71	177,172,890.71	2.3510
Banka Slovenije	0.3361	36,382,848.76	36,382,848.76	0.4828
Národná banka Slovenska	0.8004	86,643,356.59	86,643,356.59	1.1497
Suomen Pankki – Finlands Bank	1.2708	137,564,189.84	137,564,189.84	1.8254
<i>Subtotal euro area NCBs*</i>	<i>69.6176</i>	<i>7,536,110,121.72</i>	<i>7,536,110,121.72</i>	<i>99.9960</i>
Българска народна банка (Bulgarian National Bank)	0.8511	92,131,635.17	3,454,936.32	
Česká národní banka	1.6172	175,062,014.33	6,564,825.54	
Danmarks Nationalbank	1.4986	162,223,555.95	6,083,383.35	
Magyar Nemzeti Bank	1.3348	144,492,194.37	5,418,457.29	
Narodowy Bank Polski	5.2068	563,636,468.10	21,136,367.55	
Banca Națională a României	2.4470	264,887,922.99	9,933,297.11	
Sveriges Riksbank	2.5222	273,028,328.31	10,238,562.31	
Bank of England	14.3374	1,552,024,563.60	58,200,921.14	
Hrvatska narodna banka	0.5673	61,410,265.11	2,302,884.94	
<i>Subtotal non-euro area NCBs*</i>	<i>30.3824</i>	<i>3,288,896,947.93</i>	<i>123,333,635.55</i>	
Total*	100.00	10,825,007,069.64	7,659,443,757.27	

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

Other claims within the Eurosystem (net)

Claims within the Eurosystem represent the NBS's position towards other members of the European System of Central Banks ("ESCB") arising from cross-border transactions. This caption comprises the claim of the NBS against other central banks and the ECB arising from operations within TARGET 2, which amounted to EUR 9,302,825 thousand as at 31 December 2019 (claim of EUR 9,667,872 thousand as at 31 December 2018). The position bears an interest rate for the main refinancing operations. The Bank recorded no interest as at 31 December 2019 due to the interest rate of 0% p.a.

The caption also comprises a receivable from monetary income of EUR 91,208 thousand (EUR 100,670 thousand as at 31 December 2018, see Note 28) and a receivable from the NBS's share in the ECB's profit for 2019 of EUR 16,452 thousand (EUR 13,074 thousand as at 31 December 2018, see Note 27).

9. Other assets

	31 Dec 2019	31 Dec 2018	Change
Tangible and intangible fixed assets	109,339	115,399	(6,060)
Other financial assets	210,684	99,247	111,437
Off-balance sheet instruments revaluation differences	17,189	0	17,189
Accruals and prepaid expenses	278,853	281,469	(2,616)
Accumulated losses from previous years	4,361,932	4,534,268	(172,336)
Sundry	69,056	38,067	30,989
	5,047,053	5,068,450	(21,397)

Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2019:

	Tangible Assets, Advances and Assets under Construction	Intangible Assets, Advances and Assets under Construction	TOTAL
Acquisition cost as at 1 January 2019	247,722	40,464	288,186
Additions	7,717	5,144	12,861
Disposals	7,049	3,600	10,649
Acquisition cost as at 31 December 2019	248,390	42,008	290,398
Accumulated depreciation as at 1 January 2019	143,512	32,505	176,017
Additions	6,799	2,444	9,243
Disposals	4,190	10	4,200
Accumulated depreciation and provisions as at 31 December 2019	146,121	34,939	181,060
Carrying amount of tangible and intangible assets as at 1 January 2019	104,210	7,959	112,169
Carrying amount of tangible and intangible assets as at 31 December 2019	102,269	7,069	109,338

As at 31 December 2019, the NBS recognised fixed assets held for sale in the amount of EUR 1 thousand (EUR 3,230 thousand as at 31 December 2018).

Other financial assets

	31 Dec 2019	31 Dec 2018	Change
Equity shares in ETF funds	156,550	47,123	109,427
Equity shares in BISIP fund	46,727	44,826	1,901
Shares of BIS	7,282	7,173	109
Shares of SWIFT	92	92	0
Inštitút bankového vzdelávania, n.o.	33	33	0
	210,684	99,247	111,437

Since June 2019, the Bank has purchased shares in ETF denominated in USD, which are in the form of marketable securities and are traded as common shares on a stock exchange.

As at 31 December 2019, the Bank recognised shares within the BISIP programme which represents an indirect form of investing in the on-shore Chinese government bonds' market. The bank's share represents 0.70% of the fund's total value (1.35% share of the fund's total value as at 31 December 2018, see Section B, Note b).

The Bank's share in the BIS capital represents 0.51% (0.51% as at 31 December 2018). The participating interest in BIS is recognised in the amount of the paid-up share (25%). The unpaid proportion of the share (75%) is payable on demand. Dividends are distributed in euro from the total share of the NBS in BIS held in XDR (see Note 27).

The Bank holds shares of SWIFT, representing a 0.0246% capital share (0.0245% capital share as at 31 December 2018).

Since 2008, the Bank has recognised a contribution to the registered capital of Inštitút bankového vzdelávania NBS, n. o. Bratislava. The Bank holds a 100% share in the company.

Off-balance sheet instruments revaluation differences

As at 31 December 2019, the caption comprises a foreign exchange gain from the valuation of open foreign exchange and cross currency swaps in the amount of EUR 17,189 thousand.

Accruals and prepaid expenses

This caption mainly includes accrued bond coupons in the amount of EUR 254,080 thousand (EUR 241,170 thousand as at 31 December 2018).

Sundry

	31 Dec 2019	31 Dec 2018	Change
Deposits - collateral to derivatives	51,425	13,830	37,595
Fair value of interest rate swaps - gains	6,239	12,737	(6,498)
Investment loans granted to employees	4,020	4,545	(525)
Cross currency swap	509	0	509
Interest rate futures	370	2,671	(2,301)
Other	6,493	4,284	2,209
	69,056	38,067	30,989

The purpose of the deposits granted – collaterals to derivatives – is to secure counterparty credit risk in the case of a decrease in the value of swap transactions on the part of the NBS. The year-on-year increase in the volume of deposits is related to the decrease in the market price of swaps on the part of the NBS.

10. Banknotes in circulation

	31 Dec 2019	31 Dec 2018	Change
Euro banknotes in circulation issued by the NBS	14,589,062	13,312,766	1,276,296
Adjustment to euro banknotes in circulation	(918,315)	(884,468)	(33,847)
Total volume of euro banknotes in line with the NBS			
Banknote Allocation Key	13,670,747	12,428,298	1,242,449

As at 31 December 2019, the Bank issued banknotes amounting to EUR 14,589,062 thousand, which is an increase of EUR 918,315 thousand (increase of EUR 884,468 thousand as at 31 December 2018) compared to the volume allocated to the NBS by the Banknote Allocation Key (see Section B, Note h). This difference represents a liability of the NBS to the Eurosystem (see Note 18).

In connection with the five-year revision of capital keys as at 1 January 2019, the euro banknote allocation key was adjusted from 1.0095% to 1.0575%.

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

	31 Dec 2019	31 Dec 2018	Change
Current accounts covering the minimum reserve system	3,012,873	2,191,672	821,201
Deposit facilities	0	91,000	(91,000)
	3,012,873	2,282,672	730,201

Current accounts represent monetary reserves of credit institutions that are subject to the minimum reserve system ("MRS") in accordance with the Statute. The MRS enables the average fulfilment of monetary reserves of credit institutions over the set maintenance period, as published by the ECB.

The MRS bear interest at the average rate of the Eurosystem's main refinancing operations valid over the given maintenance period. Since June 2014, reserves exceeding the minimum reserve system (hereinafter "Excess Reserves") bear interest at zero percent or at the deposit facility rate, whichever is lower. Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, which exempts part of credit institutions' excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. This exempt tier is remunerated at the annual rate of 0% and its volume is determined by a multiplier approved by the Governing Council (multiplier valid for 2019 is 6). The non-exempt tier of excess liquidity holdings continues to be remunerated at the lower of either zero percent or the deposit facility rate. With effect from 18 September 2019, the ECB applies a negative interest rate of -0.50% p.a. to deposit facilities.

As at 31 December 2019, the net interest income from the MRS amounts to EUR 4,783 thousand (EUR 4,025 thousand as at 31 December 2018, see Note 24).

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

	31 Dec 2019	31 Dec 2018	Change
Liabilities from repo transactions	1,532,099	2,259,118	(727,019)
Deposits received to repo transactions	0	8,877	(8,877)
Interbank clearing in Slovakia (SIPS)	56	87	(31)
Liabilities from repo transactions with gold	0	103,300	(103,300)
Tri-party repo transactions	0	0	0
	<u>1,532,155</u>	<u>2,371,382</u>	<u>(839,227)</u>

The interest rate applicable to repo transactions denominated in EUR ranges from -0.44 to -0.47% p.a. (from -0.10 to -0.43% p.a. as at 31 December 2018).

13. Liabilities to other euro area residents denominated in euro

	31 Dec 2019	31 Dec 2018	Change
General government	876,296	889,453	(13,157)
Other liabilities	91,562	84,402	7,160
	<u>967,858</u>	<u>973,855</u>	<u>(5,997)</u>

General government

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

Other liabilities

	31 Dec 2019	31 Dec 2018	Change
Client current accounts	47,302	36,912	10,390
Client term deposits	44,259	41,157	3,102
Current accounts of auxiliary financial institutions	1	6,333	(6,332)
	<u>91,562</u>	<u>84,402</u>	<u>7,160</u>

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

	31 Dec 2019	31 Dec 2018	Change
Client current accounts	20,016,306	20,038,566	(22,260)
Liabilities from received term deposits	3,472,987	3,688,275	(215,288)
Liabilities from repo transactions with gold	1,342,387	964,630	377,757
Liabilities from repo transactions	417,407	419,973	(2,566)
Deposits received to repo transactions	90	2,182	(2,092)
	<u>25,249,177</u>	<u>25,113,626</u>	<u>135,551</u>

“Client current accounts” are mainly funds in the TARGET2 accounts of clients who are not subject to MRS. The interest rate for client current accounts is -0.50% p.a. (see Note 24).

“Liabilities from received term deposits” represent national central banks’ deposits with a maturity of 1-3 months at an interest rate ranging from -0.50% to -0.51% p.a. (-0.40% to -0.41% as at 31 December 2018).

The interest rate applicable to repo transactions ranges from -0.35 to -0.41 p.a. (-0.35 to -0.38% p.a. as at 31 December 2018)

15. Liabilities to euro area residents denominated in foreign currency

	31 Dec 2019	31 Dec 2018	Change
Liabilities from repo transactions	1,063,589	1,526,606	(463,017)
Liabilities from received deposits	0	30,568	(30,568)
State Treasury current accounts in foreign currency	4	18	(14)
	<u>1,063,593</u>	<u>1,557,192</u>	<u>(493,599)</u>

The interest rate applicable to repo transactions in USD ranges from 2.10% to 2.52% p.a. (3.00% to 3.30% p.a. as at 31 December 2018).

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

	31 Dec 2019	31 Dec 2018	Change
Liabilities from repo transactions	2,884,789	1,581,555	1,303,234
Liabilities from received deposits	8,011	331,004	(322,993)
	<u>2,892,800</u>	<u>1,912,559</u>	<u>980,241</u>

The interest rate applicable to repo transactions in GBP ranges from 0.83% to 0.98% p.a. (from 0.90% to 1.25% p.a. as at 31 December 2018), the interest rate applicable to repo transactions in USD ranges from 2.45% to 2.70% p.a. (from 2.59% to 3.60% p.a. as at 31 December 2018).

The interest rate applicable to received deposits denominated in USD is 1.85% p.a. (from 2.80% to 3.86% p.a. as at 31 December 2018).

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2019, the Bank recorded a liability to the IMF from the allocation of EUR 420,114 thousand (EUR 413,818 thousand as at 31 December 2018). The liability from the allocation is denominated in XDR. As part of the general allocation and special allocation, the IMF allocated XDR 265 million and XDR 75 million to the Slovak Republic, respectively.

18. Intra-Eurosystem liabilities

This position is a net liability of the NBS from the allocation of euro banknotes within the Eurosystem, which amounted to EUR 918,315 thousand (EUR 884,468 thousand as at 31 December 2018). The position bears interest rate at the rate for the main refinancing operations. As at 31 December 2019, the Bank has no interest expense resulting from the liability from the euro banknote allocation within the Eurosystem due to the interest rate of 0% p.a.

19. Other liabilities

	31 Dec 2019	31 Dec 2018	Change
Off-balance sheet instruments revaluation differences	15,968	39,146	(23,178)
Accruals and income collected in advance	28,950	34,759	(5,809)
Sundry	408,295	389,330	18,965
	<u>453,213</u>	<u>463,235</u>	<u>(10,022)</u>

Off-balance sheet instruments revaluation differences

As at 31 December 2019, the caption comprises a foreign exchange loss mainly from the valuation of open foreign exchange and cross currency swaps in the amount of EUR 15,968 thousand (EUR 39,146 thousand as at 31 December 2018).

Accruals and income collected in advance

As at 31 December 2019, the bulk of accruals was represented by interest expense from -interest rate swaps of EUR 16,412 thousand (EUR 18,578 thousand as at 31 December 2018).

Sundry

	31 Dec 2019	31 Dec 2018	Change
Euro coins in circulation	202,268	189,836	12,432
SKK banknotes in circulation	70,835	71,737	(902)
Deposits - collateral to derivatives	16,250	50,000	(33,750)
Fair value of interest rate swaps - losses	54,178	20,403	33,775
SKK coins in circulation	23,184	23,185	(1)
Cross currency swap	918	0	918
Other	40,662	34,169	6,493
	<u>408,295</u>	<u>389,330</u>	<u>18,965</u>

The value of interest rate swaps as at 31 December 2019 represented the cumulative year-end revaluation loss, which is gradually amortised to the profit and loss account under net realised gains from interest rate swaps in accordance with the ECB Guideline (see Note 25).

The purpose of received deposits (collateral to derivatives) is to secure the NBS credit risk in the event of a decrease in the value of swap transactions on the part of the counterparty. The year-on-year decrease in the volume of deposits is related to the increase in the market price of swaps on the part of the counterparty.

20. Provisions

	31 Dec 2019	31 Dec 2018	Change
General provision for financial risks	660,000	660,000	0
Provision for losses from monetary policy operations	981	1,768	(787)
Other	14,950	13,791	1,159
	<u>675,931</u>	<u>675,559</u>	<u>372</u>

In accordance with the Bank Board's decision, the amount of the general provision for financial risks remained unchanged as at 31 December 2019 (see Note 25 and section B, letter l).

Based on the result of the impairment test for securities purchased under the CSPP programme, the Governing Council reassessed the level of the buffer for credit risks created in 2018 and decided to decrease it from EUR 161,075 thousand to EUR 89,388 thousand. In accordance with Article 32 (4) of the Statute, any losses related to the holding of securities purchased within the CSPP programme, if they were to materialise, are shared by the Eurosystem national central banks in proportion to their prevailing share in the ECB's paid-up capital valid at the time of the initial impairment. Concerning this, the NBS created a provision amounting to its percentage share of the ECB's paid-up capital valid for 2018 in the amount of EUR 981 thousand (see section B, letter b and Note 28).

As at 31 December 2019, the Bank's "Other provisions" represented mainly provisions for payables to employees of EUR 10,141 thousand (EUR 9,566 thousand as at 31 December 2018).

21. Revaluation accounts

	31 Dec 2019	31 Dec 2018	Change
Revaluation accounts of gold	746,410	508,868	237,542
Revaluation accounts of securities	69,518	18,272	51,246
Revaluation accounts of derivatives	6,749	12,737	(5,988)
Revaluation accounts of foreign currency	7,593	6,377	1,216
Revaluation accounts of equity shares (BISIP, ETF)	26,274	5,768	20,506
	<u>856,544</u>	<u>552,022</u>	<u>304,522</u>

22. Capital and reserves

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

Reserves consist of general reserves and capital reserves.

As at 31 December 2019, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2018). The general reserves consist of contributions from profits of EUR 337,412 thousand generated in previous years. As at 1 January 2006, following the merger of ÚFT with the NBS, ÚFT's general reserves of EUR 3,462 thousand were transferred to the NBS's general reserves.

As at 31 December 2019, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2018).

Summary of changes in equity and accumulated losses

	Statutory Fund	Capital Reserves	General Reserves	General Provision for Financial Risks	Revaluation Accounts Gain/(Loss)	Accumulated (Loss) from Previous Years	Profit/(Loss) for the Current Year	Equity
1. Balance as at 31 Dec 2018	16,041	882	340,874	660,000	552,022	(4,534,268)	172,336	(2,792,113)
2. Transfer of profit for 2018 to accumulated loss from previous years						172,336	(172,336)	0
3. Transfer to statutory fund								0
4. Transfer to general reserves								0
5. Change in the general provision for financial risks								0
6. Change in revaluation accounts of securities					51,246			51,246
7. Change in revaluation accounts of derivatives					(5,988)			(5,988)
8. Change in revaluation accounts of gold					237,542			237,542
9. Change in revaluation accounts of foreign currencies					1,216			1,216
10. Change in revaluation accounts of equity shares in BISIP and ETF funds					20,506			20,506
11. Profit for the current reporting period							212,065	212,065
12. Change for the reporting period					304,522	172,336	39,729	516,587
13. Balance as at 31 Dec 2019	16,041	882	340,874	660,000	856,544	(4,361,932)	212,065	(2,275,526)

23. Off-balance sheet instruments

	31 Dec 2019	31 Dec 2018	Change
Interest rate swaps in EUR	2,707,000	2,284,300	422,700
Interest rate swaps in USD	1,708,563	1,562,271	146,293
Interest rate swaps in GBP	1,193,604	681,587	512,017
	5,609,167	4,528,158	1,081,009

	31 Dec 2019		31 Dec 2018		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange swaps in EUR	4,860,120	6,200	4,328,593	535,703	531,527	(529,503)
Foreign exchange swaps in USD	6,146	229,966	365,008	144,555	(358,862)	85,412
Foreign exchange swaps in CNY	0	24,231	0	16,698	0	7,533
Foreign exchange swaps in GBP	0	271,509	167,119	438,487	(167,119)	(166,977)
Foreign exchange swaps in JPY	0	587,256	0	13,190	0	574,066
Foreign exchange swaps in CHF	0	44,223	0	85,386	0	(41,162)
Foreign exchange swaps in CZK	0	3,699,622	0	3,665,837	0	33,785
	4,866,266	4,863,008	4,860,720	4,899,855	5,546	(36,847)

	31 Dec 2019		31 Dec 2018		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange forwards in EUR	0	9,295	2,266	0	(2,266)	9,295
Foreign exchange forwards in CNY	0	0	0	2,277	0	(2,277)
Foreign exchange forwards in GBP	1,057	0	0	0	1,057	0
Foreign exchange forwards in USD	8,171	0	0	0	8,171	0
	9,227	9,295	2,266	2,277	6,962	7,018

	31 Dec 2019		31 Dec 2018		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Cross currency swaps in EUR	460,284	0	0	0	460,284	0
Cross currency swaps in JPY	0	185,501	0	0	0	185,501
Cross currency swaps in USD	0	187,716	0	0	0	187,716
Cross currency swaps in CHF	0	89,036	0	0	0	89,036
	460,284	462,253	0	0	460,284	462,253

	31 Dec 2019		31 Dec 2018		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in EUR	0	0	0	296,600	0	(296,600)
Interest rate futures in GBP	0	125,764	60,367	348,787	(60,367)	(223,023)
Interest rate futures in CHF	0	0	0	63,005	0	(63,005)
Interest rate futures in USD	0	6,449	0	17,467	0	(11,018)
	0	132,213	60,367	725,858	(60,367)	(593,645)

24. Net interest income

	31 Dec 2019	31 Dec 2018	Change
Investments in EUR, of which:	92,024	90,661	1,363
net income from current accounts and term deposits	103,857	92,610	11,247
net income from repo transactions	10,423	9,214	1,209
net income from securities	3,821	2,533	1,288
net expense from derivatives	(26,151)	(13,784)	(12,367)
other	74	88	(14)
Investments in foreign currency, of which:	33,446	21,888	11,558
net income from securities	99,072	56,160	42,912
net expense from repo transactions	(63,297)	(36,847)	(26,450)
net expense/income from derivatives	(3,825)	5,377	(9,202)
net expense from current accounts and term deposits	(1,290)	(4,725)	3,435
compensation from MF SR	2,786	1,923	863
Monetary policy operations, of which:	105,160	93,630	11,530
net income from securities	104,413	93,739	10,674
net expense from deposits and loans	(4,036)	(4,134)	98
net income from MRS	4,783	4,025	758
	230,630	206,179	24,451

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

The increase in net interest income from securities denominated in foreign currency is due to purchases of securities (see Notes 2 and 4).

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

As at 31 December 2019, the Bank records no interest on remuneration of the claim from the transfer of foreign reserves, remuneration of euro-banknotes and TARGET2 remuneration due to an interest rate of 0% p.a. (see Notes 8 and 18).

Due to the introduction of negative interest rates to the financial markets since 2014, and the method of reporting (see Section B, Note c), the NBS recorded the following gross interest income and gross interest expense as at 31 December 2019:

	Balance Sheet Item	31 Dec 2019	31 Dec 2018	Change
Investments in EUR				
Gross interest income, of which:		111,278	98,084	13,194
Current accounts and term deposits	L6	105,351	93,925	11,426
Repo transactions	L3, L6	5,927	4,159	1,768
Gross interest expense, of which:		(43)	(41)	(2)
Current accounts	A6	(43)	(41)	(2)
Investments in foreign currency:				
Gross interest expense, of which:		(7)	(13)	6
Current accounts	A2, A3	(7)	(13)	6
Monetary policy operations				
Gross interest income, of which:		4,944	4,211	733
MRS	L2	4,783	4,025	758
Deposit facilities	L2	161	186	(25)
Gross interest expense, of which:		(4,197)	(4,321)	124
Longer-term refinancing operations	A5	(4,197)	(4,321)	124

Development of interest rates as announced by the ECB:

With Effect From	Marginal Lending Facility	Main Refinancing Operations	Deposit Facility
16/03/2016	0.25% p.a	0,00% p.a	-0.40% p.a
18/09/2019	0.25% p.a	0,00% p.a	-0.50% p.a

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

	31 Dec 2019	31 Dec 2018	Change
Realised gains from financial operations	16,444	16,328	116
Net gains from sale of securities	11,471	2,828	8,643
Net gains from interest rate swaps	3,766	11,577	(7,811)
Net foreign exchange gains	1,207	1,959	(752)
Net loss from equity shares upon a company's liquidation	0	(36)	36
Write-downs on financial assets and positions	(45,471)	(38,314)	(7,157)
Losses from interest rate swaps revaluation	(42,575)	(16,927)	(25,648)
Losses from securities revaluation	(2,336)	(18,939)	16,603
Losses from foreign currency revaluation	(560)	(2,448)	1,888
Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks	0	(30,000)	30,000
General provision for financial risks	0	(30,000)	30,000
	<u>(29,027)</u>	<u>(51,986)</u>	<u>22,959</u>

The year-on-year increase of revaluation losses from interest rate swaps is due to a decrease of market prices of interest rate swaps.

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

	31 Dec 2019	31 Dec 2018	Change
Fees and commissions from investment operations, of which:	(92)	85	(177)
Net profit from operations with clients	216	215	1
Net loss from operations with banks	(230)	(88)	(142)
Net loss/profit from operations with securities	(32)	9	(41)
Net loss from interest rate futures	(18)	(24)	6
Other	(28)	(27)	(1)
Fees and commissions from monetary policy operations, of which:	1,131	1,489	(358)
Net profit from operations with securities	1,736	2,065	(329)
Net loss from operations with banks	(605)	(576)	(29)
Net profit from exchange of euro coins	72	67	5
	<u>1,111</u>	<u>1,641</u>	<u>(530)</u>

27. Income from equity shares and participating interests

	31 Dec 2019	31 Dec 2018	Change
Interim distribution of the ECB's profit of the current year	16,452	13,074	3,378
Share in the ECB's profit of the previous year	4,214	3,150	1,064
Dividends from ETF funds	3,143	567	2,576
Dividends from BIS shares	859	812	47
	24,668	17,603	7,065

28. Net result of pooling of monetary income

Monetary income in accordance with Article 32 (1) of the Statute and Decision ECB/2016/36 on the allocation of monetary income of the national central banks of Member States whose currency is the euro, as amended, represents the net annual income from the assets of the national central bank, held against banknotes in circulation and deposit liabilities to credit institutions. Monetary income is the income resulting from the performance of the monetary policy of the ESCB.

Monetary income is distributed in proportion to NBS's share on the paid-up capital of the ECB after the end of each financial year (1.1497%).

Monetary income pooled by the NBS for 2019 into the common pool of monetary income of the Eurosystem amounted to EUR 38,544 thousand. The monetary income equivalent to the 1.1497% share of the NBS amounted to EUR 129,928 thousand. The difference of EUR 91,384 thousand (EUR 96,805 thousand as at 31 December 2018) represents the net result of the pooling of monetary income. The NBS's income decreased by EUR 176 thousand as a result of a revision of the Eurosystem monetary income for 2017 and 2018 (income increased by EUR 3,865 thousand as at 31 December 2018 as a result of a revision for 2016 and 2017).

This caption also contains the Bank's share on the provision against impairment losses from monetary policy operations in the amount of EUR 981 thousand (EUR 1,768 thousand as at 31 December 2018) related to securities held in the CSPP portfolio (see Note 20).

29. Other income and other expenses

As at 31 December 2019, the most significant portion of the Bank's "Other income" comprised income from fees and contributions from financial market entities of EUR 11,974 thousand (EUR 9,554 thousand as at 31 December 2018), income from sale of tangible assets in the amount of EUR 5,202 thousand (EUR 1,262 thousand as at 31 December 2018) and received fees from participation in settlement systems of EUR 3,245 thousand (EUR 3,109 thousand as at 31 December 2018).

As at 31 December 2019, the Bank's "Other expenses" mainly represented costs for minting circulation and collector coins, including costs for related services, of EUR 3,850 thousand (EUR 3,033 thousand as at 31 December 2018).

30. Staff costs

	31 Dec 2019	31 Dec 2018	Change
Wages and salaries	(34,334)	(31,293)	3,041
Social security costs	(12,580)	(11,346)	1,234
Other employee costs	(6,541)	(4,817)	1,724
	<u>(53,455)</u>	<u>(47,456)</u>	<u>5,999</u>

As at 31 December 2019, the average FTE number of employees was 1,103 (1,097 as at 31 December 2018), of who 105 were managers (104 as at 31 December 2018).

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

31. Administrative expenses

As at 31 December 2019, this item mainly included costs for technical support and IS maintenance, repairs and maintenance, energy consumption and telecommunications costs totalling EUR 11,210 thousand (EUR 10,373 thousand as at 31 December 2018).

The cost of the statutory auditor for the audit of the financial statements amounted to EUR 61 thousand as at 31 December 2019 (EUR 61 thousand as at 31 December 2018). As at 31 December 2019, the Bank did not record any costs of assurance and audit services and tax consulting as per Article 18 (6) of the Act on Accounting.

32. Depreciation of tangible and intangible fixed assets

	31 Dec 2019	31 Dec 2018	Change
Depreciation of tangible fixed assets	(6,799)	(6,822)	(23)
Depreciation of intangible fixed assets	(2,444)	(2,200)	244
	<u>(9,243)</u>	<u>(9,022)</u>	<u>221</u>

33. Banknote production services

As at 31 December 2019, the costs for printing euro banknotes were EUR 3,383 thousand (EUR 4,911 thousand as at 31 December 2018).

34. Income tax and other charges on income

According to Article 43 of Act No. 595/2003 Coll. on Income Tax, as amended, the NBS is a payer of tax on income (proceeds) from bonds issued in the jurisdiction of the Slovak Republic. In 2019, the NBS paid a withholding tax of EUR 35,076 thousand (EUR 28,884 thousand at 31 December 2018). The increase by EUR 6,192 thousand compared to the preceding period was due to an increase in the volume of securities used for monetary policy purposes (see Note 7).

35. Profit for the year

The Bank's financial result as at 31 December 2019 was a profit of EUR 212,065 thousand (profit of EUR 172,336 thousand as at 31 December 2018). The bulk of the profit was generated by net interest income (see Note 24).

D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 19 February 2020, the Governing Council of the ECB decided to distribute the ECB's net profit for 2019 to national central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 10,747 thousand from the profit distribution is recognised in the 2020 reporting period.

As a result of the exit of the United Kingdom of Great Britain and Northern Ireland from the European Union on 31 January 2020 and the subsequent withdrawal of the Bank of England from the ESCB, the weighted shares of the Eurosystem national central banks were adjusted. As at 1 February 2020, the amount of the NBS's capital key was adjusted to 0.9314% (0.8004% until 31 January 2019), the amount of the NBS's Eurosystem key was adjusted to 1.1452% (1.1497% until 31 January 2019), and the amount of the euro banknote allocation key was adjusted to 1.0535% (1.0575% until 31 January 2019).

No significant events occurred subsequent to 31 December 2019 that would require any further adjustments to the 2019 financial statements.

Bratislava, 3 March 2020



Ing. Peter Kažimír
Governor



Ing. Jaroslav Mikša
Executive Director
Financial Management
and Information
Technology Division



Ing. Jana Langerová
Director
Financial Management
Department

Národná banka Slovenska
SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT
to Section Report on Information Disclosed in the Annual Report

To the Bank Board of Národná banka Slovenska:

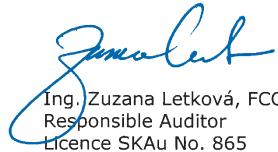
We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2019 disclosed on pages 124 – 156 of the accompanying annual report of the Bank, on which we issued an independent auditor's report on 3 March 2020 that is disclosed on pages 125 – 126 of the Bank's annual report. We have prepared this supplement in accordance with Article 27 (6) of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Statutory Audit Act").

Based on the performed procedures described in section "Report on Information Disclosed in the Annual Report" of the independent auditor's report specified above, in our opinion:

- Information disclosed in the Bank's annual report prepared for 2019 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to Act No. 431/2002 Coll. on Accounting, as amended and Act on NBS, as amended.

Furthermore, based on our understanding of the Bank and its position obtained during our audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report. There are no findings that should be reported in this regard.

Bratislava, 28 April 2020



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

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

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