

**Independent auditor's
report and Financial
Statements of NBS as
at 31 December 2020**

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 2020, 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 2020, 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.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

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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 assess 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 2020 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, 9 March 2021



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

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

BALANCE SHEET
of Národná banka Slovenska

ASSETS	Note	31 Dec 2020 EUR' 000	31 Dec 2019 EUR' 000
A1 Gold and gold receivables	1	1,572,996	1,379,644
A2 Claims on non-euro area residents denominated in a foreign currency	2	8,826,725	9,103,406
A3 Claims on euro area residents denominated in a foreign currency	3	1,330,152	874,462
A4 Claims on non-euro area residents denominated in euro	4	2,114,530	2,766,448
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	3,952,470	533,540
A6 Other claims on euro area credit institutions denominated in euro	6	11,637	15,070
A7 Securities of euro area residents denominated in euro	7	31,014,799	22,406,480
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	8,449,873	10,157,079
A10 Items in course of settlement		0	0
A11 Other assets	9	4,983,428	5,047,053
A12 Loss for the year		0	0
TOTAL ASSETS		62,256,610	52,283,182
 LIABILITIES			
L1 Banknotes in circulation	10	15,112,584	13,670,747
L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	5,022,054	3,012,873
L3 Other liabilities to euro area credit institutions denominated in euro	12	1,517,167	1,532,155
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	4,083,362	967,858
L6 Liabilities to non-euro area residents denominated in euro	14	27,957,619	25,249,177
L7 Liabilities to euro area residents denominated in a foreign currency	15	2,750,690	1,063,593
L8 Liabilities to non-euro area residents denominated in a foreign currency	16	1,177,847	2,892,800
L9 Counterpart of special drawing rights allocated by the IMF	17	401,288	420,114
L10 Intra-Eurosystem liabilities	18	1,425,192	918,315
L11 Items in course of settlement		0	0
L12 Other liabilities	19	479,401	453,213
L13 Provisions	20	817,206	675,931
L14 Revaluation accounts	21	1,128,360	856,544
L15 Capital and reserves	22	357,797	357,797
L16 Profit for the year	35	26,043	212,065
TOTAL LIABILITIES		62,256,610	52,283,182

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 2020 EUR' 000	31 Dec 2019 EUR' 000
1.1 Interest income		386,792	399,746
1.2 Interest expense		(121,716)	(169,116)
1 Net interest income	24	265,076	230,630
2.1 Realised gains/(losses) arising from financial operations		48,129	16,444
2.2 Write-downs on financial assets and positions		(83,012)	(45,471)
2.3 Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks		(140,000)	0
2 Net result of financial operations, write-downs and risk provisions	25	(174,883)	(29,027)
3.1 Fee and commission income		2,828	2,464
3.2 Fee and commission expense		(1,688)	(1,353)
3 Net income/(expense) from fees and commissions	26	1,140	1,111
4 Income from equity shares and participating interests	27	28,885	24,668
5 Net result of pooling of monetary income	28	25,606	91,995
6 Other income	29	12,729	22,828
Total net income		158,553	342,205
7 Staff costs	30	(58,865)	(53,455)
8 Administrative expenses	31	(23,052)	(25,124)
9 Depreciation/amortisation of tangible and intangible fixed assets	32	(9,563)	(9,243)
10 Banknote production services	33	(7,018)	(3,383)
11 Other expenses	29	(6,838)	(3,859)
12 Income tax and other government charges on income	34	(27,174)	(35,076)
PROFIT	35	26,043	212,065

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NOTES
to the Financial Statements as at 31 December 2020

Bratislava, 9 March 2021

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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 2020, the Bank Board had the following structure:

Name	Term of Office in the Bank Board		Current Position
	From	Until	
Ing. Peter Kažimír	1.6.2019	1.6.2025	Governor
Mgr. Ľudovít Ódor	20.2.2018	20.2.2024	Deputy Governor
RNDr. Karol Mrva	1.6.2012	2.6.2023	Member
Ing. Vladimír Dvořáček	2.4.2014	3.4.2025	Member
prof. Mgr. Ľuboš Pástor, M.A. PhD.	15.3.2015	15.3.2021	Member

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. Accruals of premium and discount for securities with an embedded option for early repayment are recorded until the official maturity of securities. Interest accruals are disclosed separately from the financial instrument in "Other assets" or "Other liabilities". Accruals of premium and discount are disclosed 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. Options embedded in securities are not reported separately from the host instrument and the financial instrument is valued as a whole. 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. The Bank creates a provision in full amount for impairment of securities issued by the Government of the Slovak Republic acquired under the PSPP programme and the pandemic emergency purchase programme ("PEPP", 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 2020, were as follows:

Currency	31 Dec 2020	31 Dec 2019	Change
GBP	0.89903	0.85080	0.04823
USD	1.22710	1.12340	0.10370
JPY	126.49000	121.94000	4.55000
XDR	0.84846	0.81044	0.03802
CNY	8.02250	7.82050	0.20200
EUR/ozs*	1,543.884	1,354.104	189.78000

* 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 Note 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.

Options embedded in debt securities are not reported separately from the host instrument.

(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 1.0535% (1.0575% until 31 December 2019). 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 (hereinafter "ABSPP"), PSPP and PEPP, 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. Operating lease	as per a contract
7. Fixtures and fittings	4 - 12
8. Intangible fixed assets - purchased software	2 - 10
9. 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. 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.

(m) NBS profit redistribution

In accordance with Article 39 (4) of the NBS Act, the profit generated by the Bank can be 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 2020	31 Dec 2019	Change
Gold in repo transactions	1,566,616	1,373,718	192,898
Gold stored in banks	3,955	3,795	160
Gold in stock	2,425	2,131	294
	1,572,996	1,379,644	193,352

As at 31 December 2020, gold totalled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2019), of which 1,015 thousand t oz. were used in repo transactions, 3 thousand t oz. deposited with correspondent banks and 1 thousand t oz. deposited with the Bank.

As at 31 December 2020, the market price of gold was EUR 1,543.884 per t oz. (EUR 1,354.104 per t oz. as at 31 December 2019). 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 2020	31 Dec 2019	Change
Receivables from/Payables to the IMF	662,823	632,674	30,149
Balances with banks and security investments, external loans and other external assets	8,163,902	8,470,732	(306,830)
	8,826,725	9,103,406	(276,681)

Receivables from / Payables to the International Monetary Fund

	31 Dec 2020		31 Dec 2019		Change EUR '000
	Equivalent XDR million	EUR '000	Equivalent XDR million	EUR '000	
Receivables from the IMF:	1,316	1,554,834	1,315	1,624,628	(69,794)
1) Member's quota	1,001	1,183,739	1,001	1,236,729	(52,990)
a) Member's contribution	753	892,011	803	991,954	(99,943)
b) Reserve position	248	291,728	198	244,775	46,953
- Foreign exchange part of Member's quote	138	162,618	138	170,247	(7,629)
- Reserve position of FTP	110	129,110	60	74,528	54,582
2) Nostro account in the IMF	315	371,095	314	387,899	(16,804)
Payables to the IMF:	753	892,011	803	991,954	(99,943)
1) Loro accounts in the IMF	802	949,888	803	991,557	(41,669)
2) Currency valuation adjustment account	(49)	(57,877)	0	397	(58,274)
Total reported amount (net)	563	662,823	512	632,674	30,149

Within the Financial Transaction Plan (hereinafter the “FTP”), the NBS received two instalments totalling XDR 5 million and provided a loan in the amount of XDR 55 million in 2020, 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 868,807 thousand (EUR 851,935 thousand as at 31 December 2019).

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 2020	31 Dec 2019	Change
Debt securities	5,152,373	4,185,500	966,873
Other	3,011,529	4,285,232	(1,273,703)
	8,163,902	8,470,732	(306,830)

The caption “Debt securities” mainly consists of securities denominated in USD, GBP, CHF, CNY, JPY and AUD. As at 31 December 2020, 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. A decrease in the caption “Other” is mainly related to foreign exchange swaps.

3. Claims on euro area residents denominated in foreign currency

	31 Dec 2020	31 Dec 2019	Change
Debt securities	1,328,872	873,564	455,308
Current accounts	1,280	898	382
	1,330,152	874,462	455,690

The caption “Debt securities” consists of securities denominated in GBP, USD, CHF, AUD and JPY. As at 31 December 2020, the Bank mainly recorded securities issued by monetary financial institutions.

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

	31 Dec 2020	31 Dec 2019	Change
Debt securities	2,114,515	2,763,993	(649,478)
Current accounts	15	2,455	(2,440)
	2,114,530	2,766,448	(651,918)

As at 31 December 2020, the Bank mainly recorded securities issued by monetary financial institutions. The decrease is mainly related to the sale of securities.

5. Lending to euro area credit institutions related to monetary policy operations denominated in euro

The main refinancing operations (“MRO”) are regular liquidity-providing reverse transactions with a frequency and maturity of one week. As at 31 December 2020, the Bank does not record such transactions.

Longer-term refinancing operations of EUR 3,952,470 thousand (EUR 533,540 thousand as at December 2019) are regular liquidity-providing reverse transactions for a longer period, with a maturity of 3 to 48 months. As part of these operations, in 2016 the Governing Council launched a series of four targeted longer-term refinancing operations (TLTRO II) with a maturity of 4 years with the option of repayment after two years. These operations are aimed at supporting bank lending to the non-financial private sector, excluding loans to households for house purchases. The agreed final interest rate for these operations is a negative interest rate of -0.40% p.a. In this category, the Bank records one operation with a Slovak lending institution with a maturity in March 2021.

In 2019, the Governing Council introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTRO III), with a maturity of three years and an earlier repayment option after two years. From September 2021, repayment will be possible one year after the settlement of each operation. The programme is aimed at supporting the provision of bank lending to the small and medium-sized enterprises most affected by the COVID-19 pandemic. Furthermore, in 2020, the Governing Council decided that for the period between 24 June 2020 and 23 June 2022, the interest rate applicable to all outstanding loans is 50 basis points below the average interest rate on the main refinancing operations. When the lending performance threshold (lending benchmark) is reached, the interest rate can be as low as 50 basis points below the average deposit facility rate. For interest accrual recognition, the NBS applies (under the prudence principle) the lowest possible interest rate of -0.5% below the average deposit facility rate, i.e. -1% p.a.

Under this programme, the Bank records five operations with three Slovak lending institutions with a maturity in 2023.

In April 2020, the Governing Council decided to conduct a new series of seven non-targeted longer-term refinancing operations called “Pandemic emergency longer-term refinancing operations” (PELTROs) with a maturity in 3Q 2021. The new series is aimed at supporting liquidity and the smooth functioning of money markets in euro area. An interest rate of 25 basis points below the average rate of the Eurosystem’s main refinancing operations, i.e. -0.25%, is applied to the operations. The Bank records one operation with a Slovak lending institution with a maturity in September 2021.

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 2020	31 Dec 2019	Change
Redistribution loan	10,629	13,195	(2,566)
Current accounts	698	697	1
Deposits provided for repo transactions	310	1,178	(868)
	11,637	15,070	(3,433)

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 2020, the interest rate for the redistribution loan remained at 0.50% p.a. (0.50% p.a. as at 31 December 2019).

As at 31 December 2020, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 10,939 thousand on the off-balance sheet (EUR 13,600 thousand as at 31 December 2019). 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 2020	31 Dec 2019	Change
Securities held for monetary policy purposes	30,827,872	21,986,683	8,841,189
Other securities	186,927	419,797	(232,870)
	31,014,799	22,406,480	8,608,319

Debt securities held for monetary policy purposes

Under this caption, the Bank disclosed securities purchased under the SMP, CBPP3, PSPP and PEPP programmes.

Programme	Commencement Date	Termination Date	No. of the ECB's Decision	Securities as at 31 Dec 2020
SMP	May 2010	September 2012	ECB/2010/5	debt securities issued by euro area governments
CBPP3	October 2014	ongoing	ECB/2020/8 (as amended)	covered bonds issued by euro area residents
PSPP	March 2015	ongoing	ECB/2020/9 (as amended)	debt securities issued by euro area governments, international organisations and multilateral development banks based in euro area
PEPP	March 2020	ongoing	ECB/2020/17	all securities eligible under APP

Net securities purchases under the APP programme, which includes the CBPP3, PSPP, ABSPP and CSPP programmes, continue at a monthly pace of EUR 20 billion on average, together with the purchase of assets under a temporary additional envelope of EUR 120 billion, which will terminate at the end of the year. The Governing Council also expects that monthly net purchases will run for as long as necessary to reinforce the accommodative impact of monetary policy rates and to end shortly before it starts raising key interest rates. The Governing Council also intends to continue to reinvest, in full, the principal payments of maturing securities purchased under the APP programme for an extended period of time until the ECB starts raising key interest rates, and for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

On 18 March 2020, the Governing Council launched a temporary PEPP programme with an envelope of EUR 750 billion. The PEPP programme envelope was increased by EUR 600 billion on 4 June 2020 and on 10 December 2020 by an additional EUR 500 billion to a new total of EUR 1,850 billion. The horizon for net purchases under the PEPP programme was also extended to at least the end of March 2022, and until the COVID-19 pandemic crisis is over. The principal payments from maturing securities will be reinvested under the PEPP programme until at least the end of 2023. The future roll-off of the PEPP portfolios will be managed to avoid interference with the appropriate monetary stance.

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 2020		31 Dec 2019		Change	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP1	0	0	10,000	10,017	(10,000)	(10,017)
CBPP3	1,959,307	2,021,150	2,051,919	2,108,527	(92,612)	(87,377)
SMP	58,260	71,892	88,358	105,344	(30,098)	(33,452)
PSPP gov.	11,105,736	12,203,048	9,523,063	10,158,723	1,582,673	2,044,325
PSPP supr.	11,026,867	11,602,836	10,313,343	10,627,116	713,524	975,720
PEPP gov.	4,357,655	3,999,282	0	0	4,357,655	3,999,282
PEPP supr.	2,292,042	2,322,492	0	0	2,292,042	2,322,492
PEP covered by debt sec.	28,005	28,711	0	0	28,005	28,711
	30,827,872	32,249,411	21,986,683	23,009,727	8,841,189	9,239,684

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 2020 and pursuant to the decision of the Governing Council of the ECB, the NBS did not create a provision for losses from monetary policy operations (see Note 20).

Other securities

Under this caption, as at 31 December 2020, the Bank recognised securities held for trading issued by the euro area monetary financial institutions.

8. Intra-Eurosystem claims

	31 Dec 2020	31 Dec 2019	Change
Participating interest in the ECB	281,193	282,754	(1,561)
Claims equivalent to the transfer of foreign reserves	462,031	463,840	(1,809)
Other Intra-Eurosystem claims (net)	7,706,649	9,410,485	(1,703,836)
	8,449,873	10,157,079	(1,707,206)

Participating interest in the ECB

As at 31 December 2020, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 86,850 thousand (31 December 2019: EUR 86,643 thousand) and a claim of EUR 40,129 thousand from the changes of its participating interest in the ECB's net equity (31 December 2019: EUR 41,897 thousand). This change is due to BREXIT, i.e. the departure of the United Kingdom of Great Britain and Northern Ireland from the European Union and the consequent withdrawal of the Bank of England from the European System of Central Banks ("ESCB") on 31 January 2020. Subsequently, weighted participating interests of the Eurosystem national central banks were adjusted. The NBS's capital key was adjusted from 0.8004% to 0.9314% with effect from 1 February 2020.

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

The Bank records a claim from the transfer of foreign reserves to the ECB of EUR 462,031 thousand as at 31 December 2020 (EUR 463,840 thousand as at 31 December 2019), in accordance with Article 30 (1) of the Statute. The year-on-year change in the claim was due to BREXIT. The claim bears interest at 85% of the rate for the main refinancing operations. As at 31 December 2020, the Bank recorded no interest income from the claim from the transfer of foreign reserves due to the interest rate of 0% p.a. With effect from 1 February 2020, the NBS's Eurosystem key was adjusted from 1.1497% to 1.1452%.

As at 1 February 2020, after BREXIT, the participating interests of the 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	2.9630	320,744,959.47	276,290,916.71	3.6432
Eesti Pank	0.2291	24,800,091.20	21,362,892.01	0.2817
Deutsche Bundesbank	21.4394	2,320,816,565.68	1,999,160,134.91	26.3615
Central Bank and Financial Services Authority of Ireland	1.3772	149,081,997.36	128,419,794.29	1.6934
Bank of Greece	2.0117	217,766,667.22	187,585,027.73	2.4735
Banco de España	9.6981	1,049,820,010.62	904,318,913.05	11.9246
Banque de France	16.6108	1,798,120,274.32	1,548,907,579.93	20.4243
Banca d'Italia	13.8165	1,495,637,101.77	1,288,347,435.28	16.9885
Central Bank of Cyprus	0.1750	18,943,762.37	16,318,228.29	0.2152
Latvijas Banka	0.3169	34,304,447.40	29,549,980.26	0.3897
Lietuvos bankas	0.4707	50,953,308.28	43,891,371.75	0.5788
Banque centrale du Luxembourg	0.2679	29,000,193.94	24,980,876.34	0.3294
Central Bank of Malta	0.0853	9,233,731.03	7,953,970.70	0.1049
De Nederlandsche Bank	4.7662	515,941,486.95	444,433,941.02	5.8604
Oesterreichische Nationalbank	2.3804	257,678,468.28	221,965,203.55	2.9269
Banco de Portugal	1.9035	206,054,009.57	177,495,700.29	2.3405
Banka Slovenije	0.3916	42,390,727.68	36,515,532.56	0.4815
Národná banka Slovenska	0.9314	100,824,115.85	86,850,273.32	1.1452
Suomen Pankki – Finlands Banki	1.4939	161,714,780.61	139,301,721.39	1.8369
<i>Subtotal euro area NCBs*</i>	<i>81.3286</i>	<i>8,803,826,699.60</i>	<i>7,583,649,493.38</i>	<i>100.0000</i>
Българска народна банка (Bulharská národná banka)	0.9832	106,431,469.51	3,991,180.11	
Česká národní banka	1.8794	203,445,182.87	7,629,194.36	
Danmarks Nationalbank	1.7591	190,422,699.36	7,140,851.23	
Magyar Nemzeti Bank	1.5488	167,657,709.49	6,287,164.11	
Narodowy Bank Polski	6.0335	653,126,801.54	24,492,255.06	
Banca Națională a României	2.8289	306,228,624.99	11,483,573.44	
Sveriges Riksbank	2.9790	322,476,960.60	12,092,886.02	
Hrvatska narodna banka	0.6595	71,390,921.62	2,677,159.56	
<i>Subtotal non-euro area NCBs*</i>				
	<u>18.6714</u>	<u>2,021,180,369.98</u>	<u>75,794,263.89</u>	
Total*	100.00	10,825,007,069.61	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 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 7,667,592 thousand as at 31 December 2020 (claim of EUR 9,302,825 thousand as at 31 December 2019). The position bears an interest rate for the main refinancing operations. The Bank recorded no interest as at 31 December 2020 due to the interest rate of 0% p.a.

The caption also comprises a receivable from monetary income of EUR 24,625 thousand (EUR 91,208 thousand as at 31 December 2019, see Note 28) and a receivable from the NBS's share in the ECB's profit for 2020 of EUR 14,432 thousand (EUR 16,452 thousand as at 31 December 2019, see Note 27).

9. Other assets

	31 Dec 2020	31 Dec 2019	Change
Tangible and intangible fixed assets	105,002	109,339	(4,337)
Other financial assets	289,901	210,684	79,217
Off-balance sheet instruments revaluation difference	31,950	17,189	14,761
Accruals and prepaid expenses	301,531	278,853	22,678
Accumulated losses from previous years	4,149,867	4,361,932	(212,065)
Other	105,177	69,056	36,121
	4,983,428	5,047,053	(63,625)

Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2020:

	Tangible Assets, Advances and Assets under Construction	Intangible Assets, Advances and Assets under Construction	TOTAL
Acquisition cost as at 1 Jan 2020	248,390	42,008	290,398
Additions	5,520	4,253	9,773
Disposal	5,710	2,970	8,680
Acquisition cost as at 31 Dec 2020	248,200	43,291	291,491
Accumulated depreciation as at 1 Jan 2020	146,121	34,939	181,060
Additions	7,181	2,382	9,563
Disposal	3,652	481	4,133
Accumulated depreciation and provisions as at 31 Dec 2020	149,650	36,840	186,490
Carrying amount of tangible and intangible assets as at 1 Jan 2020	102,269	7,069	109,338
Carrying amount of tangible and intangible assets as at 31 Dec 2020	98,550	6,451	105,001

As at 31 December 2020, the NBS recognised fixed assets held for sale in the amount of EUR 1 thousand (EUR 1 thousand as at 31 December 2019).

Other financial assets

	31 Dec 2020	31 Dec 2019	Change
Participating interests in ETF funds	236,156	156,550	79,606
Participating interests in BISIP fund	46,664	46,727	(63)
Shares of BIS	6,956	7,282	(326)
Shares of SWIFT	92	92	0
Inštitút bankového vzdelávania, n.o.	33	33	0
	289,901	210,684	79,217

Since June 2018, 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 2020, 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 0.57% of the fund's total value (0.70% share of the fund's total value as at 31 December 2019, see Section B, Note b).

The Bank's share in the BIS capital represents 0.51% (0.51% as at 31 December 2019). 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. In 2020, dividends were not paid due to the coronavirus pandemic (see Note 27).

The Bank holds shares of SWIFT, representing a 0.0247% capital share (0.0246% capital share as at 31 December 2019).

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 2020, the caption comprises a foreign exchange gain primarily from the valuation of foreign exchange and cross currency swaps in USD and JPY in the amount of EUR 31,950 thousand (EUR 17,189 thousand as at 31 December 2019).

Accruals and prepaid expenses

This caption mainly includes accrued bond coupons in the amount of EUR 260,121 thousand (EUR 254,080 thousand as at 31 December 2019).

Sundry

	31 Dec 2020	31 Dec 2019	Change
Deposits - collateral to derivatives	89,680	51,425	38,255
Fair value of interest rate swaps - gains	7,470	6,239	1,231
Investment loans granted to employees	3,256	4,020	(764)
Cross currency swap	477	509	(32)
Interest rate futures	387	370	17
Other	3,907	6,493	(2,586)
	105,177	69,056	36,121

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 2020	31 Dec 2019	Change
Euro banknotes in circulation issued by the NBS	16,537,776	14,589,062	1,948,714
Adjustment to euro banknotes in circulation	(1,425,192)	(918,315)	(506,877)
Total volume of euro banknotes in line with the NBS Banknote Allocation Key	15,112,584	13,670,747	1,441,837

As at 31 December 2020, the Bank issued banknotes amounting to EUR 16,537,776 thousand (EUR 14,589,062 thousand as at 31 December 2019), which is an increase of EUR 1,425,192 thousand 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).

As a result of the departure of the United Kingdom of Great Britain and Northern Ireland from the European Union and the consequent withdrawal of the Bank of England from the ESCB on 31 January 2020, the euro banknote allocation key was adjusted from 1.0575% to 1.0535% with effect from 1 February 2020 (see Note 8).

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

	31 Dec 2020	31 Dec 2019	Change
Current accounts covering the minimum reserve system	4,894,054	3,012,873	1,881,181
Deposit facilities	128,000	0	128,000
	5,022,054	3,012,873	2,009,181

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 2020 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 2020, the net interest income from the MRS amounts to EUR 6,080 thousand (EUR 4,783 thousand as at 31 December 2019, see Note 24).

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

	31 Dec 2020	31 Dec 2019	Change
Tri-party repo transactions	1,250,000	0	1,250,000
Liabilities from repo transactions	266,059	1,532,099	(1,266,040)
Deposits received to repo transactions	1,084	0	1,084
Interbank clearing in Slovakia (SIPS)	24	56	(32)
	1,517,167	1,532,155	(14,988)

The interest rate applicable to repo transactions denominated in EUR ranges from -0.46% to -0.48% p.a. (from -0.44% to -0.47% p.a. as at 31 December 2019). The interest rate applicable to three-party repo transactions denominated in EUR is -0.47% p.a.

13. Liabilities to other euro area residents denominated in euro

	31 Dec 2020	31 Dec 2019	Change
General government	3,993,150	876,296	3,116,854
Other liabilities	90,212	91,562	(1,350)
	4,083,362	967,858	3,115,504

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 2020	31 Dec 2019	Change
Client current accounts	45,659	47,302	(1,643)
Client term deposits	44,553	44,259	294
Current accounts of auxiliary financial institutions	0	1	(1)
	90,212	91,562	(1,350)

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

	31 Dec 2020	31 Dec 2019	Change
Client current accounts	20,178,337	20,016,306	162,031
Liabilities from received term deposits	6,039,783	3,472,987	2,566,796
Liabilities from repo transactions with gold	1,588,711	1,342,387	246,324
Liabilities from repo transactions	149,861	417,407	(267,546)
Deposits received to repo transactions	927	90	837
	27,957,619	25,249,177	2,708,442

“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 1-7 months at an interest rate of -0.50% p.a. (from -0.50% to -0.51% p.a. as at 31 December 2019).

The interest rate applicable to repo transactions is -0.48% p.a. (from -0.35% to -0.41% p.a. as at 31 December 2019).

15. Liabilities to euro area residents denominated in foreign currency

	31 Dec 2020	31 Dec 2019	Change
Liabilities from repo transactions	1,744,046	1,063,589	680,457
Tri-party repo transactions	1,006,640	0	1,006,640
State Treasury current accounts in foreign currency	4	4	0
	2,750,690	1,063,593	1,687,097

The interest rate applicable to repo transactions in USD ranges from 0.28% to 0.66% p.a. (from 2.10% to 2.52% p.a. as at 31 December 2019).

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

	31 Dec 2020	31 Dec 2019	Change
Liabilities from repo transactions	1,177,847	2,884,789	(1,706,942)
Liabilities from received deposits	0	8,011	(8,011)
	<u>1,177,847</u>	<u>2,892,800</u>	<u>(1,714,953)</u>

The interest rate applicable to repo transactions in GBP ranges from 0.10% to 0.18% p.a. (from 0.83% to 0.98% p.a. as at 31 December 2019), the interest rate applicable to repo transactions in USD ranges from 0.3% to 0.33% p.a. (from 2.45% to 2.70% p.a. as at 31 December 2019).

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2020, the Bank recorded a liability to the IMF from the allocation of EUR 401,288 thousand (EUR 420,114 thousand as at 31 December 2019). 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 1,425,192 thousand (EUR 918,315 thousand as at 31 December 2019). The position bears interest rate at the rate for the main refinancing operations. As at 31 December 2020, 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 2020	31 Dec 2019	Change
Off-balance sheet instruments revaluation differences	22,333	15,968	6,365
Accruals and income collected in advance	31,583	28,950	2,633
Sundry	425,485	408,295	17,190
	<u>479,401</u>	<u>453,213</u>	<u>26,188</u>

Off-balance sheet instruments revaluation differences

As at 31 December 2020, the caption comprises a foreign exchange loss mainly from the valuation of open foreign exchange swaps in GBP and CZK in the amount of EUR 22,333 thousand (EUR 15,968 thousand as at 31 December 2019).

Accruals and income collected in advance

As at 31 December 2020, the bulk of accruals was represented by interest from refinancing monetary policy operations of EUR 16,139 thousand (EUR 6,240 thousand as at 31 December 2019) and interest expense from interest rate swaps of EUR 12,753 thousand (EUR 16,412 thousand as at 31 December 2019).

Sundry

	31 Dec 2020	31 Dec 2019	Change
Euro coins in circulation	212,194	202,268	9,926
SKK banknotes in circulation	70,221	70,835	(614)
Deposits - collateral to derivatives	4,460	16,250	(11,790)
Fair value of interest rate swaps - losses	77,732	54,178	23,554
SKK coins in circulation	23,183	23,184	(1)
Cross currency swap	3,556	918	2,638
Other	34,139	40,662	(6,523)
	425,485	408,295	17,190

The value of interest rate swaps as at 31 December 2020 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 2020	31 Dec 2019	Change
General provision for financial risks	800,000	660,000	140,000
Provision for losses from monetary policy operations	0	981	(981)
Other	17,206	14,950	2,256
	817,206	675,931	141,275

In accordance with the Bank Board's decision, the general provision for financial risks was increased by EUR 140,000 thousand to EUR 800,000 thousand as at 31 December 2020 (see Note 25 and section B, letter l). The main reason for the increase of the provision is the NBS's elevated credit risk exposure stemming from monetary policy operations of higher volumes during 2020 in response to instability on financial markets caused by the COVID-19 pandemic.

The amount of EUR 64 million from the provision for losses from monetary policy operations created by the Eurosystem national central banks totalling EUR 90 million (the NBS's share: EUR 981 thousand) was used to cover the loss realised after the sale of impaired securities (the NBS's share: EUR 698 thousand). The residual portion of the provision in the amount of EUR 26 million was released to profit and loss account by the Eurosystem national central banks in proportion to their subscribed capital key shares in the ECB's paid-up capital prevailing at the time of initial impairment (the NBS's share: EUR 283 thousand). For other information, see section B, letter b and Note 28.

As at 31 December 2020, the Bank's "Other provisions" represented mainly provisions for payables to employees of EUR 11,648 thousand (EUR 10,141 thousand as at 31 December 2019).

21. Revaluation accounts

	31 Dec 2020	31 Dec 2019	Change
Revaluation accounts of gold	939,764	746,410	193,354
Revaluation accounts of securities	107,957	69,518	38,439
Revaluation accounts of derivatives	7,946	6,749	1,197
Revaluation accounts of foreign currency	14,027	7,593	6,434
Revaluation accounts of share securities (BISIP, ETF)	58,666	26,274	32,392
	<u>1,128,360</u>	<u>856,544</u>	<u>271,816</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 2020, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2019). 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 2020, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2019).

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 2019	16,041	882	340,874	660,000	856,544	(4,361,932)	212,065	(2,275,526)
2. Transfer of profit for 2019 to accumulated loss from previous years						212,065	(212,065)	0
3. Transfer to statutory fund								0
4. Transfer to general reserves								0
5. Change in the general provision for financial risks				140,000				140,000
6. Change in revaluation accounts of securities					38,439			38,439
7. Change in revaluation accounts of derivatives					1,197			1,197
8. Change in revaluation accounts of gold					193,354			193,354
9. Change in revaluation accounts of foreign currencies					6,434			6,434
10. Change in revaluation accounts of equity shares in BISIP and ETF funds					32,392			32,392
11. Profit for the current reporting period							26,043	26,043
12. Change for the reporting period				140,000	271,816	212,065	(186,022)	437,859
13. Balance as at 31 Dec 2020	16,041	882	340,874	800,000	1,128,360	(4,149,867)	26,043	(1,837,667)

23. Off-balance sheet instruments

	31 Dec 2020	31 Dec 2019	Change
Interest rate swaps in EUR	3,374,900	2,707,000	667,900
Interest rate swaps in USD	1,712,542	1,708,563	3,978
Interest rate swaps in GBP	1,822,862	1,193,604	629,259
Interest rate swaps in AUD	94,678	0	94,678
	7,004,982	5,609,167	1,395,815

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange swaps in EUR	5,068,839	16,500	4,860,120	6,200	208,719	10,300
Foreign exchange swaps in USD	16,347	176,677	6,146	229,966	10,201	(53,290)
Foreign exchange swaps in CNY	0	25,678	0	24,231	0	1,447
Foreign exchange swaps in GBP	0	1,600,725	0	271,509	0	1,329,216
Foreign exchange swaps in JPY	0	391,920	0	587,256	0	(195,336)
Foreign exchange swaps in CHF	0	143,492	0	44,223	0	99,269
Foreign exchange swaps in CZK	0	2,610,319	0	3,699,622	0	(1,089,303)
Foreign exchange swaps in AUD	0	134,625	0	0	0	134,625
	5,085,186	5,099,936	4,866,266	4,863,008	218,920	236,928

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange forwards in EUR	14,183	2,377	0	9,295	14,183	(6,918)
Foreign exchange forwards in CNY	0	4,222	0	0	0	4,222
Foreign exchange forwards in GBP	0	0	1,057	0	(1,057)	0
Foreign exchange forwards in USD	0	0	8,171	0	(8,171)	0
Foreign exchange forwards in JPY	2,379	9,637	0	0	2,379	9,637
	16,562	16,236	9,227	9,295	7,335	6,942

NÁRODNÁ BANKA SLOVENSKA
Financial statements as at 31 December 2020 – Notes
(in thousands of EUR)

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Cross currency swaps in EUR	592,282		460,284	0	131,998	0
Cross currency swaps in JPY	0	174,717	0	185,501	0	(10,784)
Cross currency swaps in USD	0	149,947	0	187,716	0	(37,769)
Cross currency swaps in CHF	0	244,251	0	89,036	0	155,215
	592,282	568,915	460,284	462,253	131,998	106,662

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in GBP	0	96,215	0	125,764	0	(29,549)
Interest rate futures in USD	0	0	0	6,449	0	(6,449)
	0	96,215	0	132,213	0	(35,998)

24. Net interest income

	31 Dec 2020	31 Dec 2019	Change
Investments in EUR, of which:	131,382	92,024	39,358
net income from current accounts and term deposits	133,374	103,857	29,517
net income from repo transactions	13,031	10,423	2,608
net income from securities	2,716	3,821	(1,105)
net expense from derivatives	(17,800)	(26,151)	8,351
other	61	74	(13)
Investments in a foreign currency, of which:	39,933	33,446	6,487
net income from securities	89,252	99,072	(9,820)
net expense from repo transactions	(21,243)	(63,297)	42,054
net expense/income from derivatives	(28,726)	(3,825)	(24,901)
net expense from current accounts and term deposits	(762)	(1,290)	528
compensation from the MF SR	1,412	2,786	(1,374)
Monetary policy operations, of which:	93,761	105,160	(11,399)
net income from securities	103,956	104,413	(457)
net expense from deposits and loans	(16,275)	(4,036)	(12,239)
net income from MRS	6,080	4,783	1,297
	265,076	230,630	34,446

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 2020, 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 2020:

	Balance Sheet Item	31 Dec 2020	31 Dec 2019	Change
Investments in EUR				
Gross interest income, of which:				
Current accounts and term deposits	L6	142,332	111,278	31,054
Repo transactions	L3, L6	7,435	5,927	1,508
Gross interest expense, of which:				
Current accounts	A6	(39)	(43)	4
Investments in a foreign currency				
Gross interest income, of which:				
Repo transactions	L7, L8	2	0	2
Gross interest expense, of which:				
Current accounts	A2, A3	(15)	(7)	(8)
Monetary policy operations				
Gross interest income, of which:				
MRS	L2	6,564	4,944	1,620
Deposit facilities	L2	484	161	323
Gross interest expense, of which:				
Longer-term refinancing operations	A5	(16,768)	(4,197)	(12,571)

Development of interest rates as announced by the ECB:

With Effect From	Marginal Lending Facility	Main Refinancing Operations	Deposit Facility
16.3.2016	0.25% p.a	0.00% p.a	-0.40% p.a
18.9.2019	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 2020	31 Dec 2019	Change
Realised gains from financial operations	48,129	16,444	31,685
Net gains from sale of securities	29,877	11,471	18,406
Net gains from interest rate swaps	14,806	3,766	11,040
Net foreign exchange gains	2,937	1,207	1,730
Net gains from cross currency swaps	509	0	509
Write-downs on financial assets and positions	(83,012)	(45,471)	(37,541)
Losses from interest rate swaps revaluation	(51,026)	(42,575)	(8,451)
Losses from foreign currency revaluation	(27,705)	(560)	(27,145)
Losses from securities revaluation	(1,134)	(2,336)	1,202
Losses from cross currency swaps revaluation	(3,147)	0	(3,147)
Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks	(140,000)	0	(140,000)
General provision for financial risks	(140,000)	0	(140,000)
	(174,883)	(29,027)	(145,856)

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

	31 Dec 2020	31 Dec 2019	Change
Fees and commissions from investment portfolio, of which:	(281)	(92)	(189)
Net profit from operations with clients	226	216	10
Net loss from operations with banks	(556)	(230)	(326)
Net profit from operations with securities	87	(32)	119
Net loss from interest rate futures	(10)	(18)	8
Other	(28)	(28)	0
Fees and commissions	1,360	1,131	229
Net profit from operations with securities	2,012	1,736	276
Net loss from operations with banks	(652)	(605)	(47)
Net profit from exchange of euro coins	61	72	(11)
	1,140	1,111	29

27. Income from equity shares and participating interests

	31 Dec 2020	31 Dec 2019	Change
Interim distribution of the ECB's profit of the current year	14,432	16,452	(2,020)
Share in the ECB's profit of the previous year	10,747	4,214	6,533
Dividends from ETF funds	3,706	3,143	563
Dividends from BIS shares	0	859	(859)
	28,885	24,668	4,217

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.

The recognised share of the NBS in monetary income also includes a share of the realised loss in relation to the sale of securities held by a Eurosystem central bank in the CSPP portfolio, as well as the release of the provision established in 2019 against losses from monetary policy operations (see Note 20).

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% until 31 January 2020; 1.1452% since 1 February 2020).

Monetary income pooled by the NBS for 2020 into the common pool of monetary income of the Eurosystem amounted to EUR 24,247 thousand. The monetary income corresponding to the share of the NBS in the ECB's paid-up capital amounted to EUR 49,547 thousand. The difference of EUR 25,300 thousand (EUR 91,384 thousand as at 31 December 2019) represents the net result of the pooling of monetary income. The NBS's income decreased by EUR 675 thousand as a result of a revision of the Eurosystem monetary income for 2018 and 2019 (income decreased by EUR 176 thousand as at 31 December 2019 as a result of a revision for 2017 and 2018). The decrease in the NBS's income from the redistribution of the Eurosystem monetary income compared to 2019 resulted mainly from the increased volume of longer-term refinancing operations carried out with the aim to mitigate COVID-19 impacts on the euro area economy (see Note 5).

This caption also contains the Bank's share in the realised loss from the sale of securities held in the CSPP portfolio and the release of the provision for losses from monetary policy operations created in 2019 (see Note 20).

29. Other income and other expenses

As at 31 December 2020, the most significant portion of the Bank's "Other income" comprised income from fees and contributions from financial market entities of EUR 6,877 thousand (EUR 11,974 thousand as at 31 December 2019) and received fees from participation in settlement systems of EUR 3,334 thousand (EUR 3,245 thousand as at 31 December 2019). The year-on-year decrease in income from fees and contributions from financial market entities is due to the Bank's decision to waive annual contributions for the second half of 2020 in order to mitigate negative impacts of the COVID-19 pandemic on the financial sector.

As at 31 December 2020, the Bank's "Other expenses" mainly represented costs for minting circulation and collector coins, including costs for related services, of EUR 6,833 thousand (EUR 3,850 thousand as at 31 December 2019).

30. Staff costs

	31 Dec 2020	31 Dec 2019	Change
Wages and salaries	(38,367)	(34,334)	4,033
Social security costs	(13,864)	(12,580)	1,284
Other employee costs	(6,634)	(6,541)	93
	(58,865)	(53,455)	5,410

As at 31 December 2020, the average FTE number of employees was 1,108.6 (1,103.2 as at 31 December 2019), of which 113 were managers (105 as at 31 December 2019).

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 2020, this item mainly included costs for technical support and IS maintenance, repairs and maintenance, energy consumption and telecommunications costs totalling EUR 11,506 thousand (EUR 11,210 thousand as at 31 December 2019).

The cost of the statutory auditor for the audit of the financial statements amounted to EUR 61 thousand as at 31 December 2020 (EUR 61 thousand as at 31 December 2019). As at 31 December 2020, 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 2020	31 Dec 2019	Change
Depreciation of tangible fixed assets	(7,181)	(6,799)	382
Amortisation of intangible fixed assets	(2,382)	(2,444)	(62)
	<u>(9,563)</u>	<u>(9,243)</u>	<u>320</u>

33. Banknote production services

As at 31 December 2020, the costs for printing euro banknotes were EUR 7,018 thousand (EUR 3,383 thousand as at 31 December 2019).

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 2020, the NBS paid a withholding tax of EUR 27,174 thousand (EUR 35,076 thousand at 31 December 2019). The decrease by EUR 7,902 thousand compared to the preceding period was due to a decrease in income from securities realised for monetary policy purposes (see Note 7).

35. Profit for the year

The Bank's financial result as at 31 December 2020 was a profit of EUR 26,043 thousand (profit of EUR 212,065 thousand as at 31 December 2019). Compared to 2019, the financial result decreased due to lower income from the redistribution of the Eurosystem monetary income (see Note 28) and an increase in the general provision for financial risks (see Note 20), in both cases this was due to the increased volume of monetary policy operations carried out in response to the market instability caused by the COVID-19 pandemic.

D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 17 February 2021, the Governing Council of the ECB decided to distribute the ECB's net profit for 2020 to national central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 4,387 thousand from the profit distribution is recognised in the 2021 reporting period.

No significant events occurred subsequent to 31 December 2020 that would require any further adjustments to the 2020 financial statements.

Bratislava, 9 March 2021



Peter Kažimír

Governor



Albin Kotian

Executive Director
Financial Management
and Information
Technology Division



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:

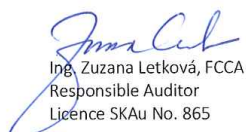
We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2020 disclosed on pages 136 – 168 of the accompanying annual report of the Bank, on which we issued an independent auditor's report on 9 March 2021 that is disclosed on pages 137 – 138 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 2020 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, 25 May 2021



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

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