



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

STATISTICAL BULLETIN

MONETARY
AND FINANCIAL
STATISTICS

Q1
2014

Published by:
© Národná banka Slovenska

Address:
Národná banka Slovenska
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<http://www.nbs.sk/en/statistics/money-and-banking-statistics>

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Unedited.

ISSN 1338-6565 (online)



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FOREWORD



FOREWORD

The *Statistical Bulletin – Monetary and Financial Statistics* is a quarterly publication issued by the Statistics Department of Národná banka Slovenska.

The present issue is based on data as at March 2014. The publication is based on statistical data which are the main source for compilation of the European Central Bank's euro area statistics, of the International Monetary Fund's and Eurostat's statistics, and for monetary and financial stability analyses at the national level. The last chapter is summarising the methodological notes to the individual areas of statistics under analysis.

The *Thematic chapter* following the Foreword represents a *new addition to the Statistical Bulletin*. A similar thematic chapter devoted to a selected area of statistics will be published in each issue. The theme selected for the first quarter of 2014 is collective investment and the fact that total assets under management by domestic mutual funds reached an all-time maximum as at 31 March 2014.

Main goal of the Bulletin is to improve the presentation of monthly and quarterly data published on the website of Národná banka Slovenska and

to provide users with more comprehensive data on monetary and financial statistics. The Bulletin presents the available aggregated data compiled according to the ECB's methodology and detailed national data presented in the form of tables, charts and commentaries.

The information published in the Bulletin comprises data that are processed and reported by domestic financial institutions, specifically by banks and branches of foreign banks, collective investment undertakings, securities and derivatives dealers, leasing companies, factoring companies, and consumer credit companies.

The Bulletin is available in electronic form on the NBS website (www.nbs.sk), in PDF format.

We hope that by processing the data in this way, and with the help of feedback from our readers and data users, we will succeed in providing an overview that is quick and easy to use. Any remarks or suggestions regarding the quality of this publication and how it may be improved can be sent to mbs@nbs.sk.

Editors of the Monetary
and Financial Statistics Section



NÁRODNÁ BANKA SLOVENSKA
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THEMATIC CHAPTER



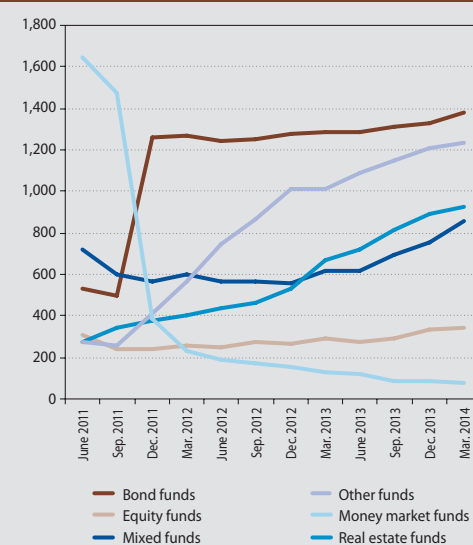
COLLECTIVE INVESTMENT: ASSETS OF DOMESTIC MUTUAL FUNDS REACHED HISTORICAL MAXIMUM

After rising steadily for the second consecutive year, the total value of assets under management by domestic mutual funds reached an all-time maximum at the end of March 2014. As at 31 March 2014, the total assets of mutual funds stood at approximately €4.8 billion, exceeding the previous maximum, i.e. €4.6 billion recorded in the first half of 2008 (prior to the financial crisis).

The main impulse was the recodification of the law on collective investment¹ in 2011 and the possibility of introducing new products under the new legislation.

As a result, new types of investment funds² started to emerge on the Slovak capital market. Specialised real estate funds, securities funds, or alternative investment funds (e.g. commodity funds) emerged in the public and retail sectors, as well as specialised professional (qualified) investor funds, which offer their shares/units in non-public offerings. The new types of funds and the related investment strategies attracted the interest of investors and brought about a revival

Chart 2 Development of total assets of mutual funds by type (EUR millions)



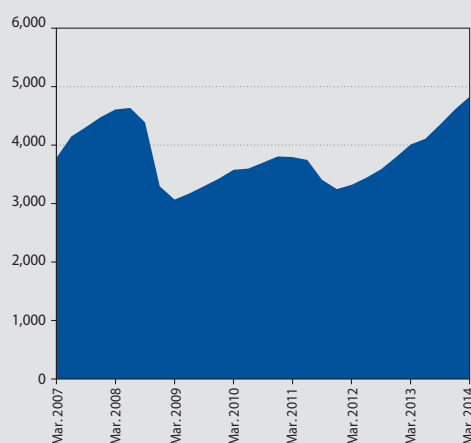
Source: NBS.

in the collective investment market. Within the European Central Bank's statistics on investment funds assets and liabilities, these trends were mainly reflected in the 'other funds' category, to which most of the funds mentioned above belong.

The total assets of other funds increased by almost 120% in two years, from €564 million as at 31 March 2012 to €1.24 billion as at 31 March 2014. Their share in the total assets of mutual funds increased over the same period by less than 9 percentage points, from 17% as at end-March 2012 to 25.7% as at end-March 2014.

However, certain types of mutual funds experienced unfavourable developments. After the Committee of European Securities Regulators (CESR) Guidelines on a common definition of European money market funds of 19 May 2010 had been transposed into the European³ and national⁴ legislation, this type of investment virtually ceased to exist in Slovakia. With the aim of improving the protection of investors, stricter criteria, limits and restrictions were defined for the

Chart 1 Development of total assets managed by domestic mutual funds (EUR millions)



Source: NBS.

- Under Article 2(1) of Act No 203/2011 on Collective Investment as amended, 'collective investment' means business activity aimed at collecting funds from investors with the objective of making investments in favour of these investors in accordance with a predetermined investment policy.
- 'Investment fund' means a mutual fund other than a money market fund or a short-term money market fund.
- Regulation of the European Central Bank (EU) No 883/2011 of 25 August 2011 amending Regulation (EC) No 25/2009 concerning the balance sheet of the monetary financial institutions sector (ECB/2008/32) (ECB/2011/12).
- Decree of Národná banka Slovenska of 13 September 2011 specifying the criteria, limits, and restrictions that are to be met by short-term money market funds and money market funds.

activities of money market funds. Where a money market fund failed to meet these conditions, it had to change its name and categorisation according to investment strategy to make it clear that the fund was no longer a money market fund. On the basis of these legislative changes, eleven money market funds were reclassified in the course of December 2011 and January 2012 as 'short-term bond funds' or 'short-term investment funds', which also belong to bond funds according to the ECB's definition. Investors had the option of leaving such money market funds and approximately 50% of the owners of shares/units issued by such funds did so.

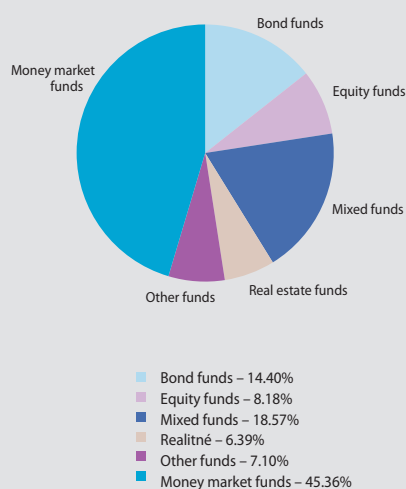
Immediately before the above mentioned change, as at 30 September 2011, the value of assets under management by 13 domestic

money market funds stood at €1.47 billion and accounted for approximately 43% of the total assets of all mutual funds.

Following the reclassification of funds to short-term investment funds, there were only two money market funds in the market as at 31 March 2014 with €230 million worth of assets and a share of less than 7% in the total assets of mutual funds.

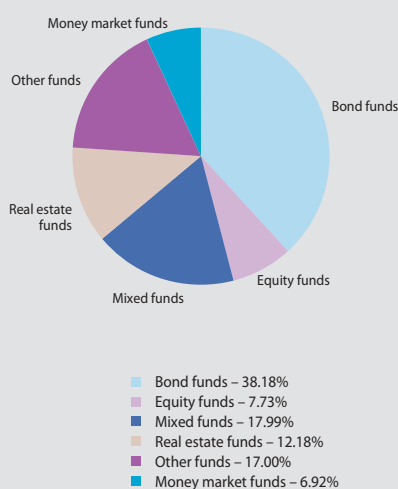
Investors had lost interest in funds pursuing a limited investment strategy, and management companies had lost interest in offering such funds. As at 31 March 2014, there was only one money market fund operating in the Slovak market, with €75 million worth of assets and a share of 1.5% in the total assets of mutual funds (see p. 42, Chart 71).

Chart 3 Breakdown of total assets of mutual funds by type as at 31 March 2011



Source: NBS.

Chart 4 Breakdown of total assets of mutual funds by type as at 31 March 2012



Source: NBS.



NÁRODNÁ BANKA SLOVENSKA
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CHAPTER 1

STRUCTURE OF THE FINANCIAL MARKET IN SLOVAKIA



1 STRUCTURE OF THE FINANCIAL MARKET IN SLOVAKIA

1.1 OVERVIEW OF PARTICIPANTS

The structure of financial market entities underwent no significant changes over the first quarter of 2014.

was an organisational change in *UniCredit Bank Slovakia, a.s.*, which was transformed into *UniCredit Bank Czech Republic and Slovakia, a.s.*, branch of a foreign bank.

In the monetary financial institutions sector, a noteworthy event in the last quarter of 2013

Table 1 Structure of the financial market in Slovakia

	III. 2013	VI. 2013	IX. 2013	XII. 2013	III. 2014
Monetary financial institutions (S.121 + S.122)	31	31	31	30	30
Central bank (S.121)	1	1	1	1	1
Credit institutions (S.122)	28	28	29	28	28
Banks	11	11	11	10	10
Branches of foreign banks	13	13	14	14	14
Credit cooperatives	1	1	1	1	1
Building societies	3	3	3	3	3
Money Market Funds (S.122)	2	2	1	1	1
Other financial intermediaries (S.123)	174	178	178	177	176
Investment funds	79	83	83	82	81
Equity funds	12	12	12	11	11
Bond funds	20	20	20	21	21
Mixed funds	26	26	27	26	25
Real estate funds	6	6	6	6	6
Other funds	15	19	18	18	18
Leasing companies (financial leasing)	47	47	47	47	47
Consumer credit companies	39	39	39	39	39
Factoring companies	5	5	5	5	5
Securities and derivatives dealers ¹	4	4	4	4	4
Financial auxiliaries (S.124)	16	16	16	16	16
Asset Management Companies	6	6	6	6	6
Pension Savings Companies	6	6	6	6	6
Supplementary Pension Asset Management Companies	4	4	4	4	4
Insurance corporations and pension funds (S.125)	52	52	52	52	52
Insurance corporations	17	17	17	17	17
Pension funds	36	36	36	36	36

Source: NBS.

¹) Securities and derivatives dealers that hold a licence under Act No 566/2001 Coll., except for banks, branches of foreign banks, asset management companies, and branches of foreign asset management companies; and that according to its licence make business on their own account.

**Table 2 Total assets of individual sectors of the financial market in Slovakia (EUR millions)**

	III. 2013	VI. 2013	IX. 2013	XII. 2013	III. 2014
Monetary financial institutions (S.121 + S.122)	80,835	82,352	81,208	77,716	83,462
Central bank (S.121)	20,876	22,401	21,423	16,684	21,662
Credit institutions (S.122)	59,826	59,830	59,703	60,950	61,725
Money Market Funds (S.122)	133	121	82	82	75
Other financial intermediaries (S.123)	8,447	8,697	9,008	9,342	9,685
Investment funds	3,875	3,986	4,268	4,524	4,752
Leasing companies (financial leasing)	3,117	3,215	3,276	3,249	3,262
Consumer credit companies	1,309	1,349	1,303	1,409	1,508
Factoring companies	138	139	153	152	155
Securities and derivatives dealers ¹	8	8	8	8	8
Financial auxiliaries (S.124)	267	267	257	264	272
Insurance corporations and pension funds (S.125)	13,642	13,710	13,847	14,053	14,651
Insurance corporations (without SIB) ²	6,891	6,844	6,816	6,896	7,293
Pension funds	6,751	6,866	7,031	7,157	7,358

Source: NBS.

1) Securities and derivatives dealers that hold a licence under Act No 566/2001 Coll., except for banks, branches of foreign banks, asset management companies, and branches of foreign asset management companies; and that according to its licence make business on their own account.

2) Slovak Insurers' bureau (SIB) has been established by virtue of the Act No. 381/2001 on Compulsory MTPL Insurance and on changes in, and amendments to, some laws.

1.2 EMPLOYEES IN THE BANKING SECTOR

In the first quarter of 2014, unlike in the previous quarter, the number of employees in the banking sector increased slightly in quarter-on-quarter terms. From 31 December 2013 to 31 March 2014, the number of employees increased by 0.17%, representing 33 employees in abso-

lute terms. In year-on-year terms, however, the number of employees decreased by 0.22%, i.e. by 44 persons. The number of employees in foreign bank branches recorded a marked increase at the end of 2013, owing to the transformation of *UniCredit Bank Slovakia, a.s.* into *UniCredit Bank Czech Republic and Slovakia, a.s.*, a foreign bank branch.

Table 3 Number of employees in the banking sector

	2012				2013				2014
	31.3.	30.6.	30.9.	31.12.	31.3.	30.6.	30.9.	31.12.	31.3.
Banking sector	19,494	19,542	19,656	19,662	19,628	19,576	19,623	19,551	19,584
Central bank	1,033	1,020	1,021	1,007	1,003	1,001	1,013	1,011	1,008
Banks and branches of foreign banks	18,461	18,522	18,635	18,655	18,625	18,575	18,610	18,540	18,576
of which: Banks	17,634	17,679	17,802	17,769	17,779	17,719	17,763	16,674	16,719
Branches of foreign banks	827	843	833	886	846	856	847	1,866	1,857

Source: NBS.

1.3 STRUCTURE OF SHARE CAPITAL IN THE BANKING SECTOR

The ratio of domestic share capital to total subscribed capital in the banking sector fell in the quarter under review by 1.17 percentage points year-on-year, from 7.05% as at 31 March 2013 to 5.88% as at 31 March 2014.

At the end of the first quarter of 2014, domestic share capital was a part of the subscribed capital in 9 domestic credit institutions (out of the total of 28), with two banks (*ČSOB stavebná sporiteľňa, a.s.*, and *Slovenská záručná a rozvojová banka, a.s.*) having a 100% share of domestic capital.

The ratio of foreign share capital to total subscribed capital in domestic banks rose by 1.17 percentage points year-on-year, from 92.95% as at 31 March 2013 to 94.12% as at 31 March 2014. From 31 March 2013 to 31 March 2014, the volume of foreign share capital grew in absolute terms by €527.4 million (in relative terms by 20.54%). This growth was stimulated largely by foreign capital from the Czech Republic, which had increased roughly 2.3-fold year-on-year by 31 December 2013, and its proportion to total foreign capital in the banking sector had increased by 24 percentage points.

Broken down by credit institutions, the structure of foreign share capital in the banking sector as at 31 March 2013 showed the following changes compared with the same period a year earlier: control over *Dexia banka Slovensko, a.s.*, had been taken over by Cypriot capital, replacing the holdings of shareholders from Luxembourg and Austria; Austrian capital in *UniCredit Bank* had been replaced by capital from the Czech Republic as a result of an organisational change. The share of these countries in total foreign capital consequently decreased by 2.75 percentage points (Luxembourg) and 11.4 percentage points (Austria). The Czech Republic's share increased by 24 percentage points and that of Cyprus decreased by 7.18 percentage points, mainly as a result of the said organisational change in *UniCredit Bank* and the transfer of funds in *Poštová banka, a.s.*, between these countries. The increase in the Czech Republic's share

was partly due to additional funding provided to the local branches of *Komerční banka, a.s.*, *J&T banka, a.s.*, and to the Košice branch of *AK-CENTA, spořitelní a úvěrní družstvo*. Since the local branch of *AXA Bank Europe* ended its operations, the proportion of foreign capital from Belgium decreased by 2.14 percentage points in the last quarter of 2013.

Chart 5 Foreign capital in the banks in the Slovak Republic as at 31 March 2014

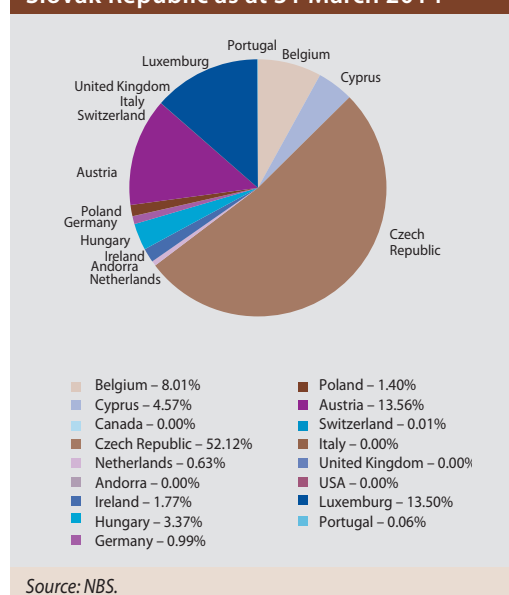
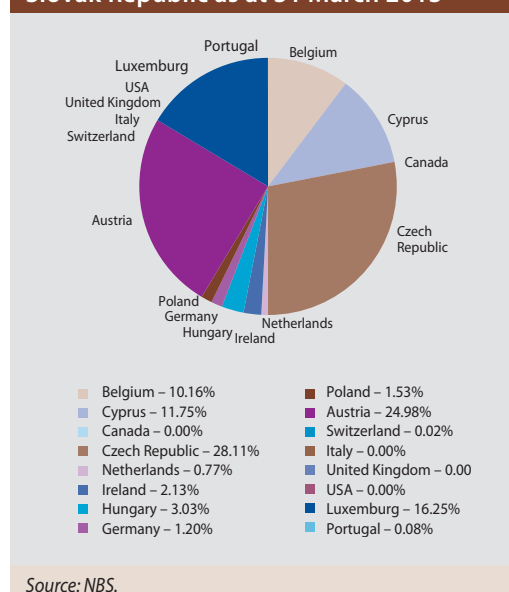


Chart 6 Foreign capital in the banks in the Slovak Republic as at 31 March 2013





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CHAPTER 2

STATISTICS OF MONETARY FINANCIAL INSTITUTIONS

2 STATISTICS OF MONETARY FINANCIAL INSTITUTIONS

2.1 BALANCE-SHEET STATISTICS OF CREDIT INSTITUTIONS: ASSETS

The total assets of banks and branches of foreign banks operating in Slovakia, excluding NBS (hereinafter referred to as 'credit institutions') reached €61.7 billion as at 31 March 2014, and were by 3.17% higher than a year earlier. This increase took place mostly in the outstanding amount of loan claims.

The structure of total assets was dominated by loan claims, with a share of 71.65% as at 31 March 2014. This was by 1.06 percentage points more than a year earlier. The outstanding amount of such claims increased year-on-year by €2.0 billion (by 4.72%), owing mainly to long-term claims with a maturity of over five years. The outstanding amount of claims with a maturity of up to one year decreased year-on-year by 1.7%.

The proportion of securities other than shares and mutual fund shares/units to total assets decreased year-on-year by 0.42 percentage point, to 22.09% as at the end of the first quarter of 2014. The outstanding amount of such securities in the portfolio of credit institutions grew year-on-year by 1.24% (by €0.2 billion), mainly as a result of an increase in the outstanding amount of securities with a maturity of over two years (by €0.6 billion), offset partly by a decrease in the outstanding amount of securities with a maturity of up to one year (by €0.5 billion).

Shares and other equity participations accounted for 0.98% of total assets (as at 31 March 2014). This was by 0.03 percentage point less than in the same period a year earlier. In year-on-year terms,

the outstanding amount of shares and other equity participations in the aggregated portfolio of credit institutions increased by only 0.59%.

The proportion of other assets (including fixed assets) to total assets decreased by 0.60 percentage point year-on-year, to stand at 4.23% as at 31 March 2014. The outstanding amount of other assets (including fixed assets) decreased by €0.3 billion (by 9.73%) year-on-year.

The proportion of cash holdings of credit institutions to total assets decreased by 0.01 percentage point year-on-year, to 1.05% as at the end of the first quarter of 2014. The outstanding amount of cash increased by 1.98% (by €0.01 billion) compared with the same period a year earlier.

Chart 7 Structure of assets of credit institutions as at 31 March 2013

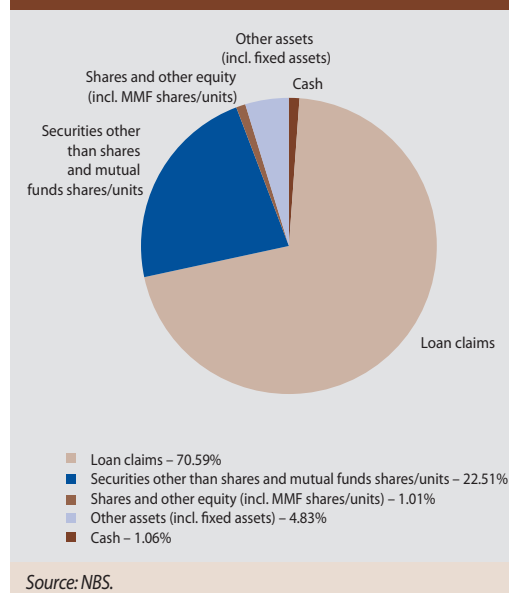


Table 4 Structure of assets of credit institutions in the SR (EUR thousands)

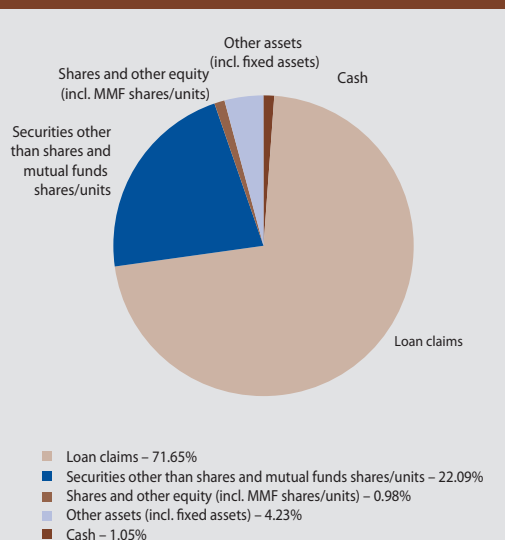
	III. 13	VI. 13	IX. 13	XII. 13	III. 14
ASSETS	59,828,939	59,831,355	59,703,397	60,949,725	61,725,423
Cash	637,144	633,513	644,121	732,879	649,765
Loan claims	42,230,921	41,993,745	42,075,898	43,753,051	44,224,932
Securities other than shares and mutual funds shares/units	13,469,036	13,968,438	13,589,873	13,208,903	13,636,597
Shares and other equity (incl. MMF shares/units)	602,016	602,308	646,709	643,134	605,578
Other assets (incl. fixed assets)	2,889,822	2,633,351	2,746,796	2,611,758	2,608,551

Source: NBS.

1) Loan claims – including deposits of banks with other entities and non-tradable securities.

2) Assets excluding depreciation and including provisions.

Chart 8 Structure of assets of credit institutions as at 31 March 2014



Source: NBS.

The share of capital and provisions in the liabilities of credit institutions increased by 0.22 percentage points year-on-year, to 14.55% as at 31 March 2014. The total amount of capital and provisions grew by €0.4 billion (by 4.79%) year-on-year.

The proportion of debt securities issued to the total liabilities of credit institutions increased by 0.04 percentage point year-on-year, to 6.18%. At the end of the first quarter of 2014, the outstanding amount of these securities stood at €3.8 billion, representing an increase by €0.1 billion (by 3.88%) compared with the same period a year earlier.

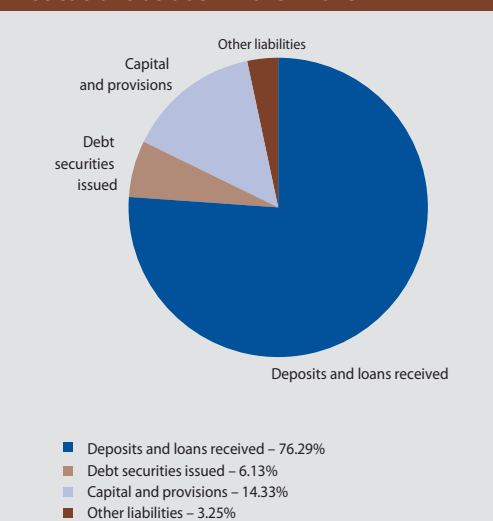
The share of other liabilities in the total liabilities of credit institutions decreased year-on-year by 0.14 percentage point, to 3.11%. The outstanding amount of other liabilities fell by €0.03 billion (by 1.33%) year-on-year.

2.2 BALANCE-SHEET STATISTICS OF CREDIT INSTITUTIONS: LIABILITIES

The total liabilities of credit institutions operating in Slovakia reached €61.7 billion as at the end of the first quarter of 2014. This represented a year-on-year increase by 3.17%, and took place mostly in deposits and loan received.

Total liabilities continued to be dominated by deposits and loans received, the share of which, however, decreased by 0.13 percentage point compared with the same period a year earlier, to 76.17% as at 31 March 2014. Their outstanding amount increased year-on-year by €1.4 billion (by 3.0%), as a consequence of growth in deposits and loans received with a maturity of up to one year. The volume of deposits with a maturity of over one year decreased.

Chart 9 Structure of liabilities of credit institutions as at 31 March 2013



Source: NBS.

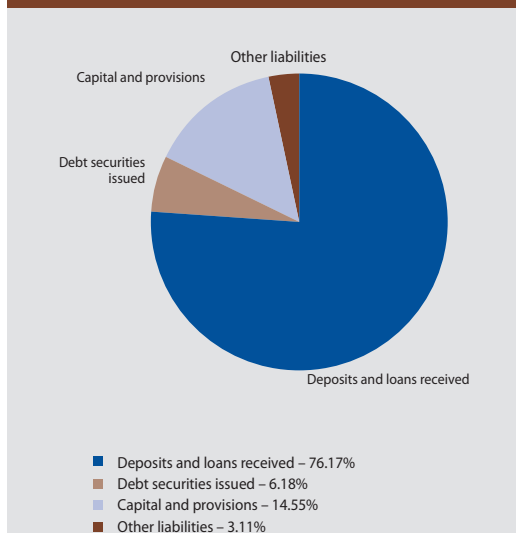
Table 5 Structure of liabilities of credit institutions in SR (EUR thousands)

	III. 13	VI. 13	IX. 13	XII. 13	III. 14
LIABILITIES	59,828,939	59,831,355	59,703,397	60,949,725	61,725,423
Deposits and loans received	45,645,090	46,039,428	45,567,627	46,911,815	47,014,541
Debt securities issued	3,669,634	3,588,109	3,651,097	3,711,738	3,812,077
Capital and provisions	8,571,181	8,335,818	8,539,857	8,819,999	8,981,659
Other liabilities	1,943,034	1,868,000	1,944,816	1,506,173	1,917,146

Source: NBS.

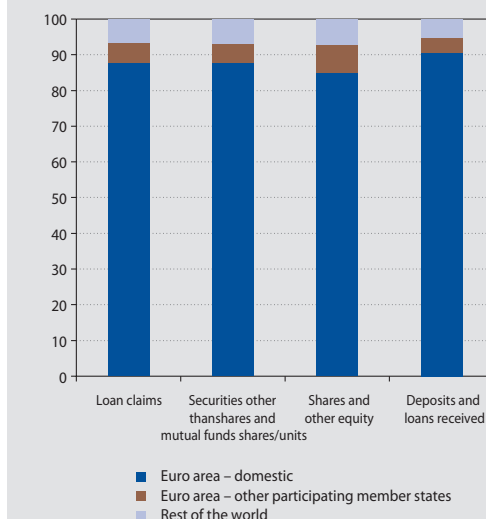
1) Deposits and loans received – including non-tradable debt securities.

Chart 10 Structure of liabilities of credit institutions as at 31 March 2014



Source: NBS.

Chart 11 Selected assets/liabilities: breakdown of counterparties by residency as at 31 March 2014 (%)



Source: NBS.

2.3 SELECTED ASSET AND LIABILITY ITEMS BY RESIDENCY OF COUNTERPARTY

The aggregated loan claims of credit institutions in Slovakia (€44.2 billion) continued to be dominated by claims on domestic entities (87.84%). The outstanding amount of these claims as at end-March 2014 stood at €38.8 billion. Loan claims on entities from other euro area countries and from the rest of the world accounted for 5.51% (€2.4 billion) and 6.64% (€2.9 billion) respectively.

The aggregated portfolio of credit institutions contained purchased securities other than shares and mutual fund shares/units worth €13.6 billion. Securities issued by domestic issuers accounted for 87.74% (€12.0 billion). Securities issued by issuers from other euro area countries and from the rest of the world accounted for 5.51% (€0.8 billion) and 6.75% (€0.9 billion) respectively.

The structure of shares and other equity participations held in portfolio by credit institutions (worth €0.6 billion) was dominated by domestic securities (85.03%). Equity securities issued in other euro area countries accounted for 7.92% (€0.05 billion) and those issued in the rest of the world represented 7.05% (€0.04 billion).

Deposits and loans received amounted to €47.0 billion (as at 31 March 2014). Of this amount, 90.45% was accounted for by deposits and loans received from domestic entities (€42.5 billion). The creditors of credit institutions operating in Slovakia from other euro area countries and from the rest of the world accounted for 4.33% (€2.0 billion) and 5.22% (€2.5 billion) respectively.

2.4 SELECTED ASSET AND LIABILITY ITEMS BY SECTOR OF COUNTERPARTY

Domestic loan claims as at 31 March 2014 (€38.8 billion) were dominated by claims on other sectors, i.e. other than the monetary financial institutions and general government sectors (94.41%). These claims amounted to €36.7 billion and comprised mostly claims on households and non-profit institutions serving households (€20.9 billion) and claims on non-financial corporations (€14.8 billion).

Claims on domestic monetary financial institutions (MFIs) accounted for 3.18% of the total outstanding amount of domestic loan claims; claims on the general government sector represented 2.41%.

Domestic securities other than shares and mutual fund shares/units held in portfolio by credit institutions as at 31 March 2014 (worth €11.9 bil-



lion) were dominated by government debt securities with a share of 92.94%.

Securities other than shares and mutual fund shares/units issued by domestic MFIs accounted for 3.69%, and those issued by entities from other domestic sectors represented 3.37%.

The total value of domestic shares and other equity participations held in portfolio by credit institutions stood at approximately €0.5 billion. Of this amount, securities issued by entities from other sectors accounted for 95.15%. Equity securities issued by domestic MFIs and held by domestic credit institutions accounted for 4.85%.

At the end of the period under review, deposits and loans received from domestic entities amounted to €42.5 billion. They were dominated by deposits from other sectors (96.22%), mostly from households. Deposits and loans received from the general government sector represented 2.43%. Domestic MFIs accounted for 1.35% of the total volume of domestic deposits and loans received.

The loan claims of credit institutions operating in Slovakia on residents of **other euro area Member States** totalled €2.4 billion as at 31 March

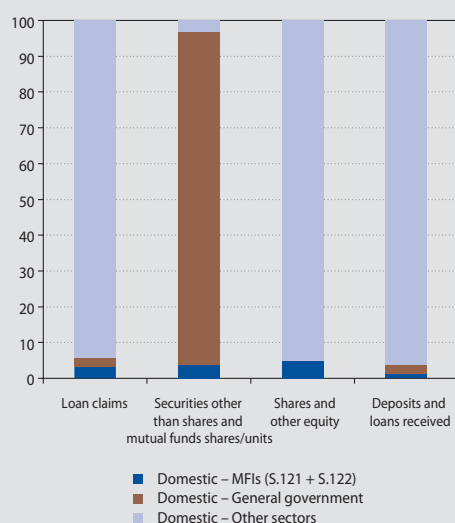
2014 and were dominated by claims on monetary financial institutions (50.28%). Claims on other sectors accounted for 49.72%.

The total value of securities other than shares and mutual fund shares/units issued by residents of other euro area countries, and held in the portfolios of credit institutions in Slovakia, stood at €0.8 billion as at the end of the first quarter of 2014. Of this amount, government securities accounted for 61.56%, securities issued by monetary financial institutions for 25.38%, and securities issued by issuers from other sectors for 13.06%.

Shares and other equity participations (issued by residents of other euro area countries) held by credit institutions operating in Slovakia amounted to €0.05 billion. Of this amount, equity securities issued by entities from other sectors accounted for 97.96% and those issued by monetary financial institutions represented 2.04%.

Deposits and loans received from residents of other euro area countries amounted to €2.0 billion. They were dominated by deposits and loans received from monetary financial institutions (58.10%) in the total amount of €1.2 billion. Deposits from other sectors accounted for 41.86%, while deposits from the general government sector represented only 0.04%.

Chart 12 Selected assets/liabilities: sectoral breakdown of domestic counterparty as at 31 March 2014 (%)

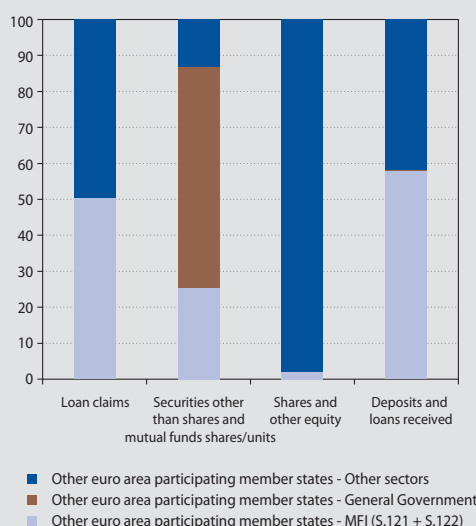


Source: NBS.

1) Monetary financial institutions – MFIs (S.121 + S.122).

2) Other sectors = Other financial intermediaries and Financial auxiliaries (S.123 and S.124) + Insurance corporations and Pension funds (S.125) + Non-financial corporations (S.11) + Households and Non-profit institutions serving households (S.14 and S.15).

Chart 13 Selected assets/liabilities: sectoral breakdown of counterparty from other euro area member states as at 31 March 2014 (%)



Source: NBS.



Loan claims on residents from the **rest of the world** stood at €2.9 billion as at the end of the first quarter of 2014. They were dominated by claims on monetary financial institutions (€1.9 billion; 66.01%), followed by claims on other sectors (33.90%). Claims on the general government sector accounted for only 0.09%.

Credit institutions operating in Slovakia held, in their portfolio, €0.9 billion worth of securities other than shares and mutual fund shares/units issued by rest of the world residents. Of this amount, government securities accounted for 54.05%, securities issued by monetary financial institutions for 27.28%, and those issued by entities from other sectors for 18.66%.

The value of shares and other equity securities issued by rest of the world residents and held in portfolio by credit institutions in Slovakia amounted to only €0.04 billion. These comprised equity securities issued by other sectors (i.e. by entities other than MFIs and the general government sector).

Deposits and loans received from rest of the world residents amounted to €2.5 billion at the end of the first quarter of 2014. Of this amount, other sectors accounted for 59.23% (€1.5 billion), monetary financial institutions for 40.19%, and the general government sector for 0.58%.

2.5 ASSETS AND LIABILITIES OF CREDIT INSTITUTIONS: YEAR-ON-YEAR CHANGES

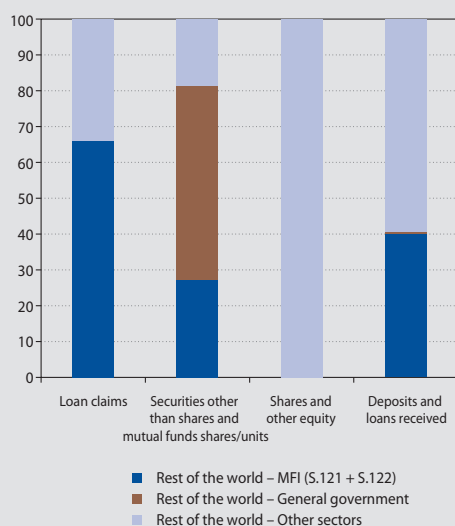
The total **assets of credit institutions** recorded a year-on-year increase at the end of each quarter in the period from 31 March 2013 to 31 March 2014. The most significant increase was recorded in the first quarter of 2014, when the outstanding amount of assets increased by €1.9 billion (by 3.17%) year-on-year.

The most significant change in loan claims occurred in the fourth quarter of 2013, when their outstanding amount increased year-on-year by 4.91%, mainly as a result of growth in claims with a maturity of over five years (by €1.8 billion).

Securities other than shares and mutual fund shares/units held in portfolio by credit institutions recorded a major change in the third quarter of 2013, when their outstanding amount fell by €0.6 billion (by 4.44%) year-on-year.

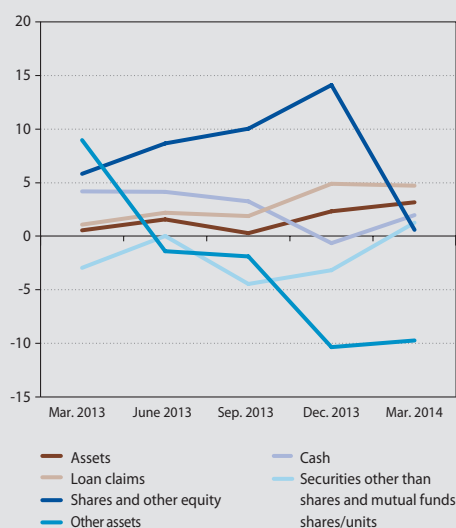
The outstanding amount of shares and other equity participations (including money market fund shares/units) was relatively low at the end of each quarter in the period under monitoring (below €0.65 billion). The most significant change was recorded at the end of the last quarter of 2013: a year-on-year increase by €0.08 billion (by 14.12%).

Chart 14 Selected assets/liabilities: sectoral breakdown of counterparty from the rest of the world as at 31 March 2014 (%)



Source: NBS.

Chart 15 Year-on-year changes in assets of credit institutions (change of stock in %)



Source: NBS.

**Table 6 Year-on-year changes in assets of credit institutions in the SR (EUR thousands)**

	III. 13	VI. 13	IX. 13	XII. 13	III. 14
ASSETS	339,323	933,501	174,873	1,385,207	1,896,484
Cash	25,572	25,058	20,182	-4,878	12,621
Loan claims	451,155	891,988	779,763	2,046,095	1,994,011
Loan claims – up to 1 year	-278,922	-192,321	-272,040	266,735	-207,941
Loan claims – over 1 and up to 5 years	-443,013	-259,257	-271,034	6,599	63,764
Loan claims – over 5 years	1,173,090	1,343,566	1,322,837	1,772,761	2,138,188
Securities other than shares and mutual funds shares/units	-407,959	5,275	-631,245	-433,972	167,561
Securities other than shares and mutual funds shares/units up to 1 year	-166,832	-937,685	-1,056,004	-504,953	-481,396
Securities other than shares and mutual funds shares/units over 1 and up to 2 years	7,127	264,806	174,715	147,021	63,079
Securities other than shares and mutual funds shares/units over 2 years	-248,254	678,154	250,044	-76,040	585,878
Shares and other equity	33,180	48,080	58,988	79,569	3,562
Other assets	237,375	-36,900	-52,815	-301,607	-281,271

Source: NBS.

In other assets (including fixed assets), the biggest change was reported at the end of the last quarter of 2013: a year-on-year decrease by €0.3 billion (by 10.35%).

The most significant change in the cash holdings of credit institutions was recorded at the end of the first quarter of 2013: a year-on-year increase by €0.03 billion (by 4.18%). This increase took place in euro-denominated cash holdings.

The total **liabilities of credit institutions** recorded a year-on-year increase at the end of each quarter in the period from 31 March 2013 to 31 March 2014. The most significant change, i.e. a year-on-year increase by €1.9 billion (by 3.17%), was recorded at the end of the first quarter of 2014.

This change was caused mainly by deposits and loans received, which grew in volume by €1.4 billion (by 3.00%) year-on-year. The most significant

increase took place in the outstanding amount of deposits and loans received with a maturity of up to one year.

In the period under monitoring, the outstanding amount of debt securities issued changed most significantly in the third quarter of 2013, when a year-on-year decrease by €0.2 billion (by 6.15%) was recorded, mainly in securities with a maturity of up to one year and over two years.

The most significant change in the total amount of capital and provisions was recorded at the end of the first quarter of 2013: a year-on-year increase by €0.7 billion (by 8.59%).

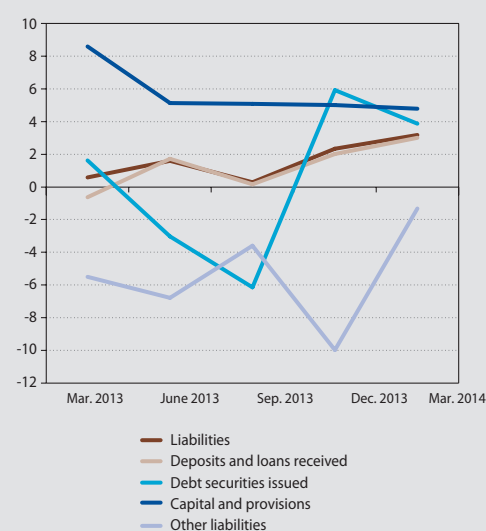
In the period under monitoring, the outstanding amount of other liabilities changed most significantly in the last quarter of 2013, when a year-on-year decrease by €0.2 billion (by 9.96%) was recorded.

Table 7 Year-on-year changes in liabilities of credit institutions (in thousands EUR)

	III. 13	VI. 13	IX. 13	XII. 13	III. 14
LIABILITIES	339,323	933,501	174,873	1,385,207	1,896,484
Deposits and loans received	-284,330	775,643	74,190	924,116	1,369,451
Deposits and loans received up to 1 year	1,435,567	2,647,928	2,314,599	3,032,752	2,229,644
Deposits and loans received over 1 year	-1,719,897	-1,872,285	-2,240,409	-2,108,636	-860,193
Debt securities issued	58,152	-112,195	-239,335	207,425	142,443
Debt securities issued up to 1 year	47,192	48,771	-133,853	-82,635	-104,055
Debt securities issued over 1 and up to 2 years	-53,112	21,177	4,170	9,500	30,957
Debt securities issued over 2 years	64,072	-182,143	-109,652	280,560	215,541
Capital and provisions	678,327	406,054	412,672	420,290	410,478
Other liabilities	-112,826	-136,001	-72,654	-166,624	-25,888

Source: NBS.

Chart 16 Year-on-year changes in liabilities of credit institutions (change of stock in %)



Source: NBS.

2.6 PROFIT /LOSS ANALYSIS FOR CREDIT INSTITUTIONS

2.6.1 CURRENT PERIOD PROFIT /LOSS IN THE FIRST QUARTER OF 2014

According to preliminary data as at 31.3.2014, the profit in banking sector reached €140.1 million. Reported amount of cumulative profit belongs to three highest profits in the last five years.

By the end of January 2014, the cumulative profit had increased year-on-year by 9.2%, which was 18.8 percentage points more than in the same period a year earlier, when the cumulative profit was 9.6% lower than the figure for 31 January 2012.

As regards the structure of income and expense items as reflected in the cumulative profit for the first quarter of 2014, the most significant positive contribution came from net interest income generated in particular by other interest income, growing year-on-year by 6.2%. For comparison, the same period a year earlier saw a year-on-year increase of 3.9%. This growth rate was influenced by the decrease of other interest costs, by 14.3% year-on-year.

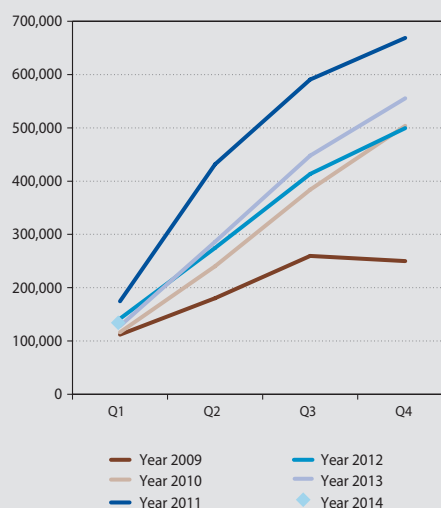
Another income item contributing to bank profits were foreign exchange operations growing

by 68.2% year-on-year as at the end of first quarter 2014.

Amount of profit of banking sector was influenced also by the decrease of securities operations costs (year-on-year by 35.4%) in combination with higher income from securities operations (year-on-year by 9.18%).

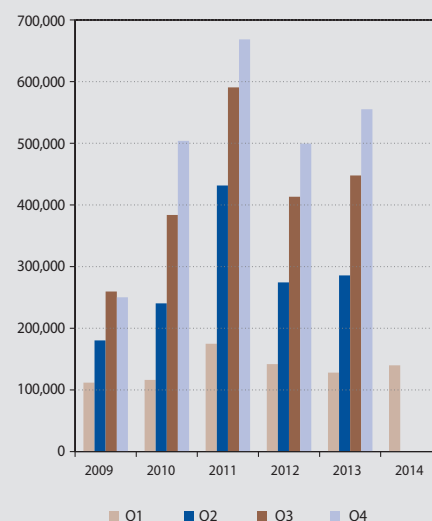
As regards the structure of expenses, the highest expense item in the first quarter of 2014 was

Chart 17 Current period profit/loss (EUR thousands)



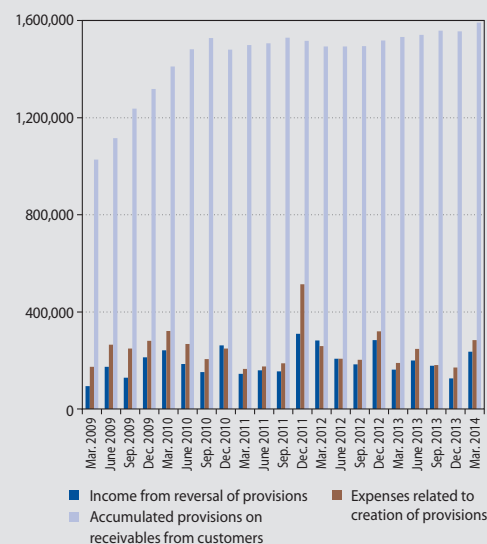
Source: NBS.

Chart 18 Current period profit/loss (EUR thousands)



Source: NBS.

Chart 19 Provisions (EUR thousands)



Source: NBS.

general operating expenses, though they decreased by 0.6% year-on-year.

The sector's net operating loss as at end-March 2014 was 15.8% lower than in the same period a year earlier.

Loan-loss provisioning in the first quarter of 2014 increased by 3.9% year-on-year. The claims of customers for which provisions were created increased by 6.2% year-on-year. Highest growth was recorded for claims in EUR to non-residents (year-on-year by 11.6%), while those to residents grew by 6.2%. The ratio of provisions on the amount of claims was 4.1% as at the end of 1. quarter 2014, what was 0.5 percentage points less than a year earlier.

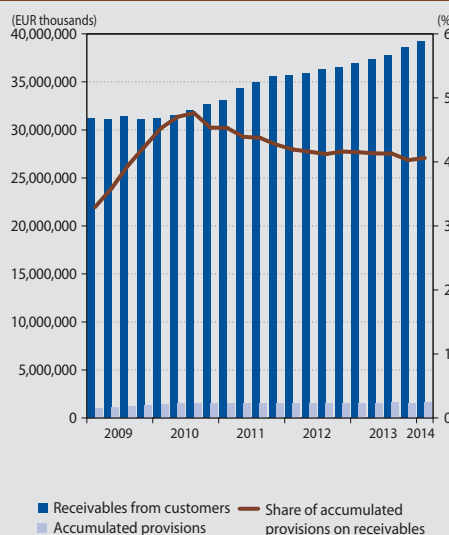
Provisioning expenses as at 31 March 2014 were 49.9% higher than a year earlier. This represented a grow of 77 percentage points compared with the same period of the previous year. Income from the cancellation of provisions increased by 46% year-on-year. This represented a positive growth rate of 88.7 percentage points.

A comparison of written-off and assigned claims on non-bank customers (in terms of costs and incomes) indicates that, in the first quarter of 2014, a net profit was made on assigned claims (€110

thousands). On written-off claims a net loss was recorded a year-on-year decrease by 13.7% was seen at the end of first quarter. This was caused mainly by a decrease in the costs of written-off claims.

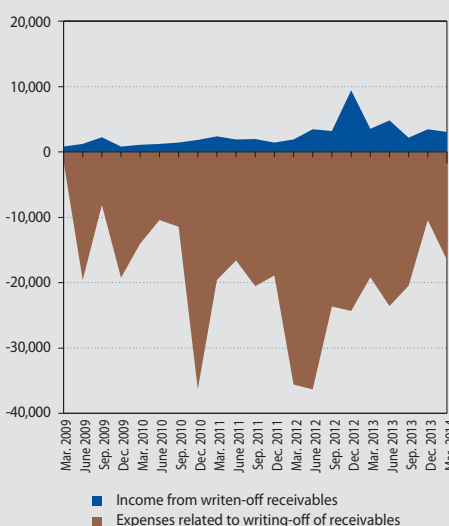
Provisioning expenses or incomes are reported in aggregate terms, for all three months of the quarter under review. Loans to non-bank customers and provisions created for such loans

Chart 20 Receivables from non-bank customers



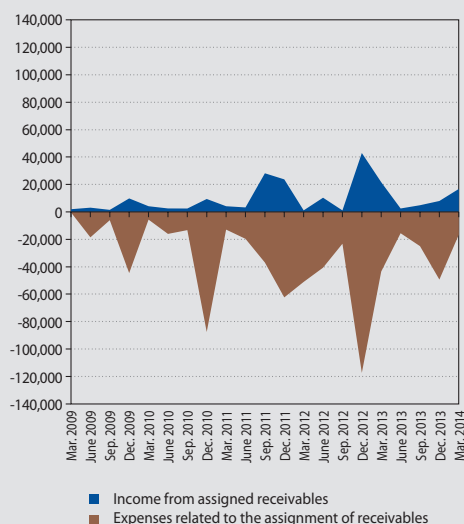
Source: NBS.

Chart 21 Written-off receivables from customers (EUR thousands)



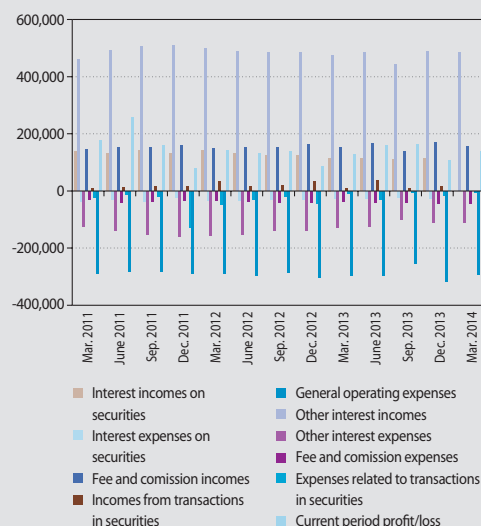
Source: NBS.

Chart 22 Assigned receivables from customers (EUR thousands)



Source: NBS.

Chart 23 Selected incomes and expenses compared with current period profit/loss (EUR thousands)



Source: NBS.

are reported in cumulative terms for the given period.

2.6.2 SELECTED REVENUE/EXPENDITURE ITEMS AS REFLECTED IN PROFITS/LOSSES

Particular incomes and expenses were selected for comparison with the profit or loss made according to the main activities of credit institutions.

The presented values of incomes and expenses were calculated as aggregates of three monthly values recorded in the first quarter of 2014.

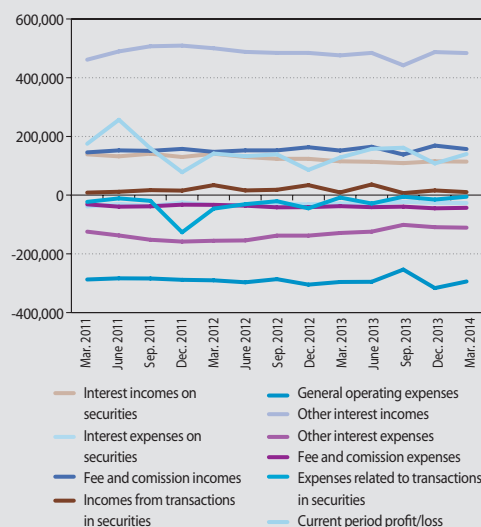
According to data as at 31 March 2014, interest income from securities declined by 1% year-on-year, what was 17.3 percentage points less than recorded in the same period a year earlier. Interest expenses on securities dropped year-on-year by 6%, which was 11.3 percentage points more than in the same period a year earlier.

Other interest income increased by 1.7% year-on-year. Other interest expenses dropped year-on-year by 14.3%, faster by 2.8 percentage points compared with the same period a year earlier.

Income from fees and provisions grew in the first quarter of 2014 by 3.3% year-on-year. Expenses on fees and provisions increased by 16.3%.

Income from transactions in securities increased by 9.1% year-on-year, with the growth rate plunging by 81 percentage points, compared with the same period a year earlier. Expenses on securities transactions dropped by 35.4% year-on-year.

Chart 24 Selected incomes and expenses compared with current period profit/loss (EUR thousands)



Source: NBS.



General operating costs decreased in the quarter under review by 0.6% year-on-year, with the growth rate falling by 2.5 percentage points compared with the same period a year earlier.

As at 31 March 2014, the profit for the current period was 9.2% higher than at the end of March 2013, when it was 9.6% lower than a year earlier.

2.7 LENDING TO NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS

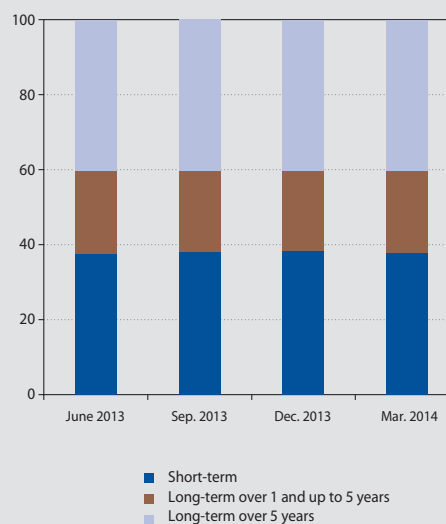
2.7.1 LOANS TO NON-FINANCIAL CORPORATIONS BY MATURITY

After declining steadily since the middle of 2012, the value of loans provided to non-financial corporations rose slightly in March 2014, by 0.1% year-on-year.

In month-on-month terms, these loans showed a highly unstable tendency: a modest month-on-month increase in the third quarter (from September to November) was followed by a slowdown leading to a decline, which was attributable to seasonal factors.

The value of short-term loans increased in year-on-year terms in March 2014, in line with the upward trend observed since August 2013. As in the pre-

Chart 26 Loans to non-financial corporations by maturity (% share)



Source: NBS.

vious quarters, the value of long-term loans (with a maturity of over one and up to five years, and over five years) declined in year-on-year terms. In March 2014, however, the rate of decline slowed in both cases in comparison with the previous period. This also contributed to the overall year-on-year growth in lending to non-financial corporations. The value of loans with a maturity of over one and up to five years fell only by 0.1% year-on-year.

Chart 25 Loans to non-financial corporations by maturity (year-on-year changes in %)



Source: NBS.

Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.

Regarding the structure of individual loans by maturity, the share of short-term loans decreased slightly in March 2014 in favour of loans with a maturity of over one and up to five years. The share of short-term loans reached almost 39% in October and November 2013, the highest figure since March 2009. Since that time, however, the share of these loans has been diminishing gradually. The share of loans with a maturity of over one and up to five years increased slightly in comparison with the previous quarter (to 21.9%), mainly as a result of the steady month-on-month growth observed in this category of loans since September 2013. Long-term loans with a maturity of over five years maintained their share slightly above 40%.

2.7.2 LOANS TO HOUSEHOLDS BY MATURITY

In year-on-year terms, the value of loans to households had been rising rapidly since the beginning of monitoring in 2009 and continued to rise in the first quarter of 2014, too. The value of total loans to households increased in March

Chart 27 Loans to households by maturity (year-on-year changes in %)

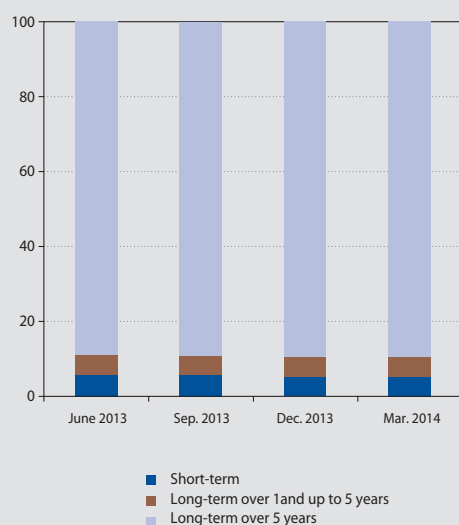


Source: NBS.

Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.

2014 by 9.9% year-on-year. The individual categories of loans by maturity, however, underwent vastly different developments again. In year-on-year terms, the value of short-term loans continued to decline in the first quarter of 2014, with the rate of decline reaching 3.8% in March.

Chart 28 Loans to households by maturity (% share)



Source: NBS.

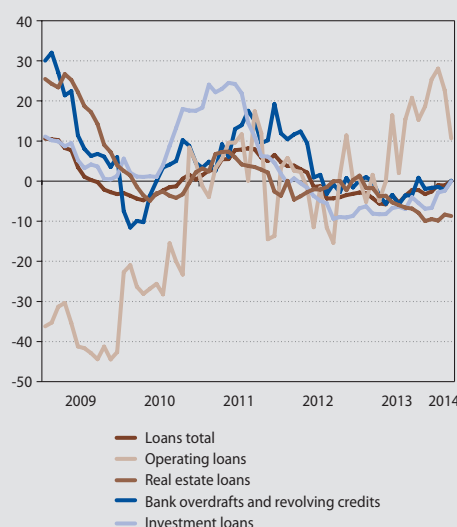
A significant change occurred in household loans with a maturity of over one and up to five years, which grew in year-on-year terms in February 2014 for the first time since the beginning of monitoring (January 2009). In February and March, loans in this category increased year-on-year by 1.3% and 3.6% respectively. The value of long-term loans to households with a maturity of over five years continued to rise dynamically, by 11.2% year-on-year in March 2014. Loans with a maturity of over five years had been growing at a two-digit rate since the beginning of monitoring (2009).

The year-on-year changes in the individual types of loans were in line with the trends from the previous periods, in terms of their share in the total amount of household loans. The share of loans with a maturity of over five years steadily increased (by 1.1 percentage points since March 2013, up to 89.7% in March 2014) to the detriment of short-term loans and loans with a maturity of over one and up to five years. A smaller change was only recorded in the share of loans with a maturity of over one and up to five years, which increased to 5.2%.

2.7.3 LOANS TO NON-FINANCIAL CORPORATIONS BY TYPE OF LOAN

The data available indicate that operating loans grew steadily in year-on-year terms throughout

Chart 29 Loans to non-financial corporations by type of loan (year-on-year change in %)



Source: NBS.

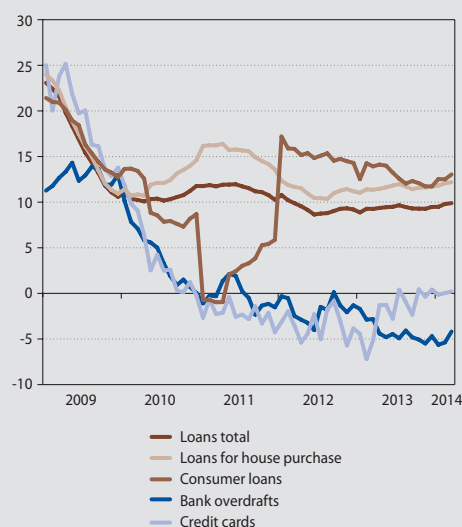
Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.

the first quarter, in line with the trend from the previous period. Although the year-on-year rate of growth slowed in March, it was still relatively fast (10.7%, compared with 28.1% in January and 22.6% in February). The sharpest year-on-year decline was recorded in real estate loans (-8.7%). In year-on-year terms, the values of bank overdrafts, revolving loans, and investment loans remained unchanged in March 2014.

2.7.4 LOANS TO HOUSEHOLDS BY TYPE OF LOAN

The breakdown of loans granted to households by purpose shows that, as in the previous periods, consumer loans and housing loans grew most dynamically in the quarter under review. In March 2014, housing loans and consumer loans increased by 12.2% and 13% respectively. By contrast, bank overdrafts continued to decrease, by 4.2% year-on-year.

Chart 30 Loans to households by type of loan (year-on-year change in %)



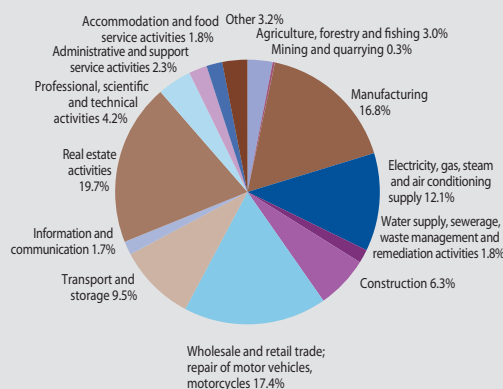
Source: NBS.

Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.

2.7.5 LOANS TO NON-FINANCIAL CORPORATIONS BY SECTOR OF ECONOMIC ACTIVITY

In the first quarter of 2014, loans were provided mostly to the following sectors: real estate sector (19.7%), wholesale and retail trade, repair of motor vehicles and motorcycles (17.4%), and manufacturing (16.8% of total loans). The largest increase in the share of loans since March 2013 was recorded in electricity, gas and steam

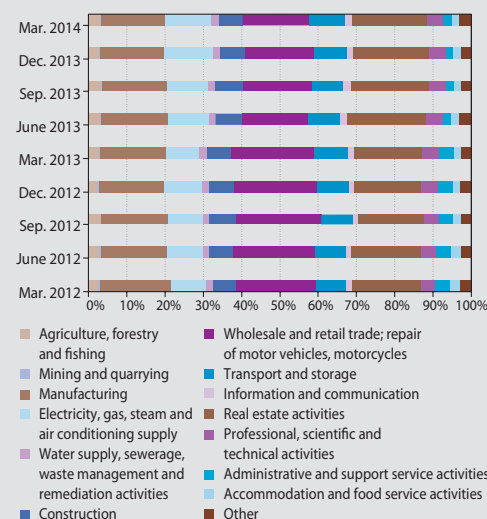
Chart 31 Loans to non-financial corporations by economic activity as at 31 March 2014



Source: NBS.

supply, where the share of loans increased by 3.3 percentage points (loans in the real estate sector grew as a result of methodological changes). By contrast, the sharpest decrease occurred in wholesale and retail trade (as a result of methodological changes) and in administrative and support service activities.

Chart 32 Loans to non-financial corporations by economic activity



Source: NBS.

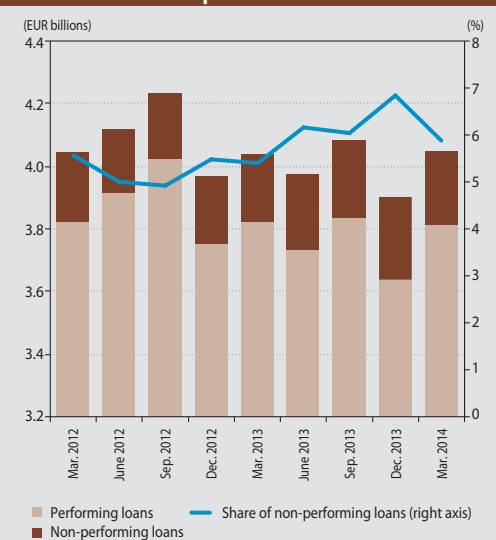


2.7.6 NON-PERFORMING LOANS

2.7.6.1 Non-performing loans in the non-financial corporation sector

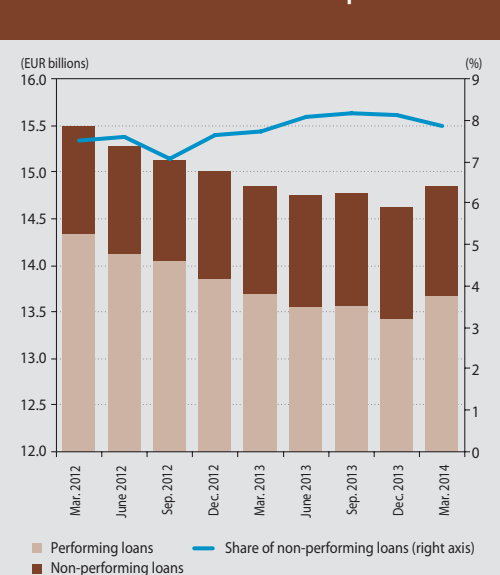
The share of non-performing loans in the total volume of loans granted to non-financial corporations decreased by 0.4 percentage point over the quarter under review, to 7.8% as at end-March 2014. A value below 8% was recorded for the first time since May 2013. (The value above 8% had persisted since June, when it was first recorded since December 2011, and remained above that level throughout the second half of 2013). The share of non-performing loans decreased in comparison with December 2013 in all loan categories, except in the credit cards category.

Chart 34 Share of non-performing loans on bank overdrafts and revolving credits to non-financial corporations



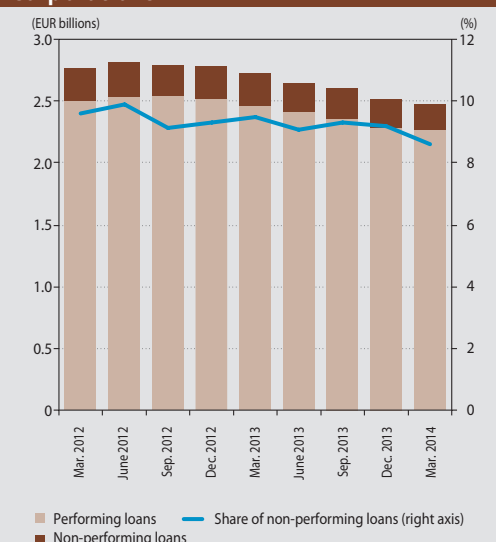
Source: NBS.

Chart 33 Share of non-performing loans on total loans to non-financial corporations



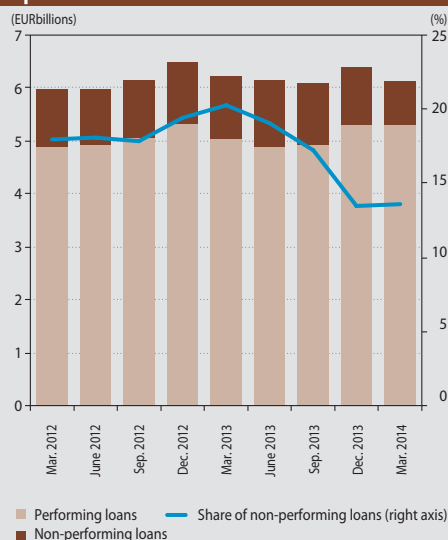
Source: NBS.

Chart 35 Share of non-performing loans on real estate loans to non-financial corporations



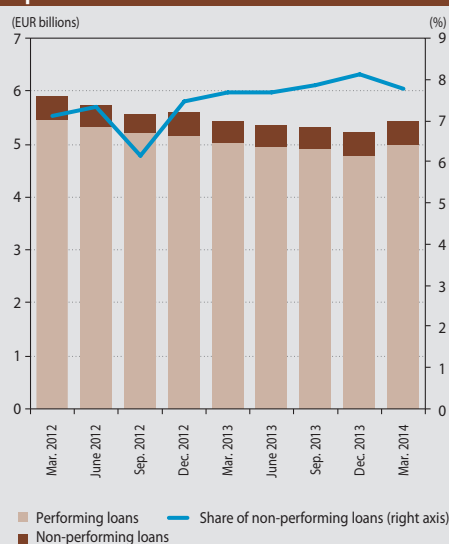
Source: NBS.

Chart 36 Share of non-performing loans on credit card loans to non-financial corporations



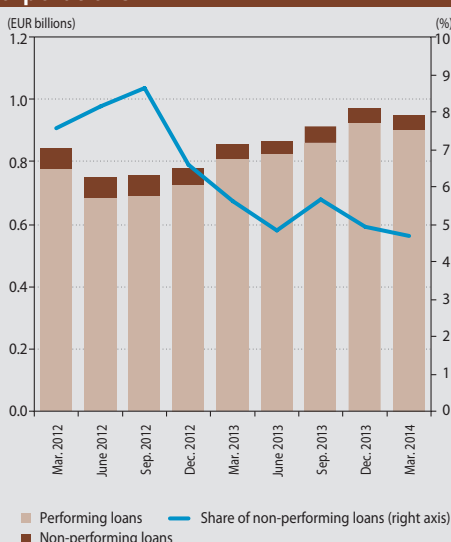
Source: NBS.

Chart 38 Share of non-performing loans on operating loans to non-financial corporations



Source: NBS.

Chart 37 Share of non-performing loans on investment loans to non-financial corporations



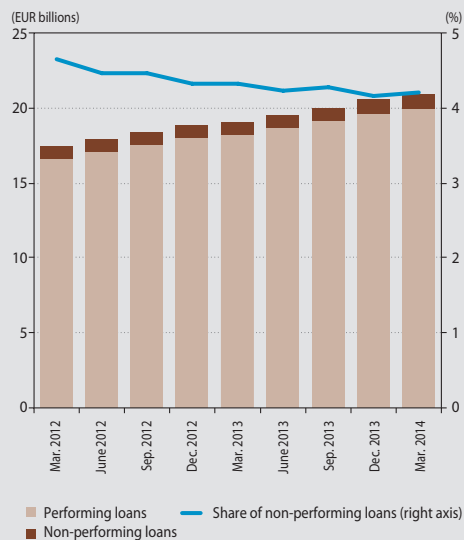
Source: NBS.

2.7.6.2 Non-performing loans in the household sector

In March 2014, the share of non-performing loans in the total volume of household sector loans remained at 4.2% as in the previous quarters. The share of non-performing household loans had been fluctuating between 4.1% and 4.3% since the last quarter of 2012. Compared with the previous quarter, this share remained unchanged in the first quarter of 2014. The share of non-performing *housing loans* had been hovering around the level of 3% since the end of 2011. The share of non-performing *consumer loans* remained virtually unchanged, at the level of the previous quarter (7.7%).

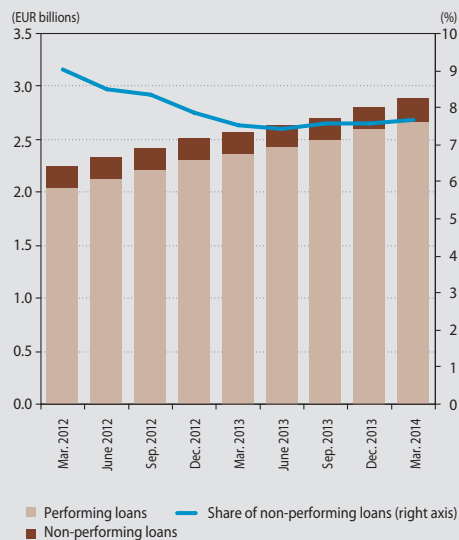


Chart 39 Share of non-performing loans on total loans to households



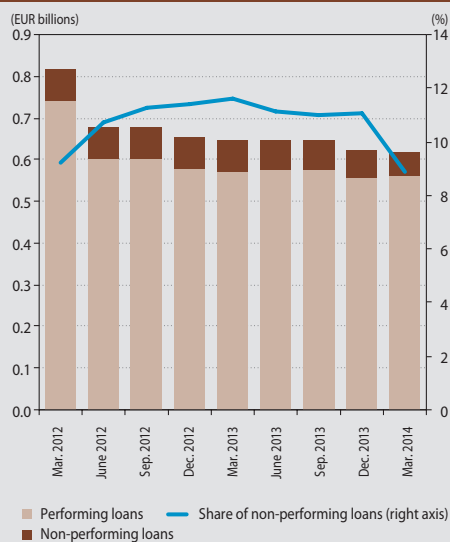
Source: NBS.

Chart 41 Share of non-performing loans on consumer loans to households



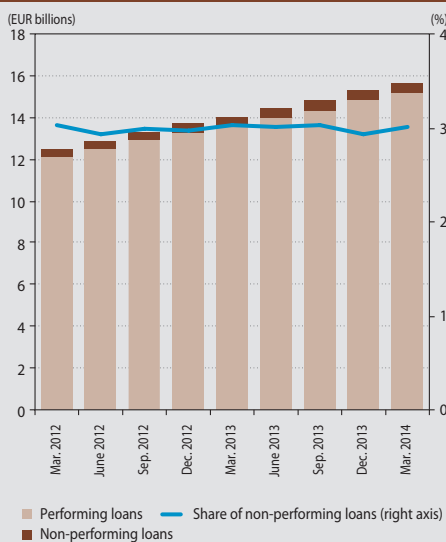
Source: NBS.

Chart 40 Share of non-performing loans on bank overdrafts to households



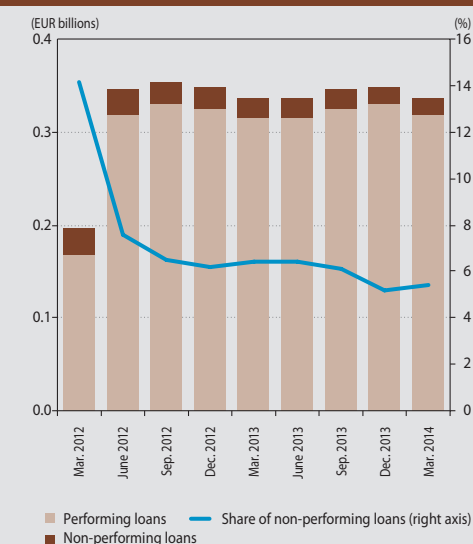
Source: NBS.

Chart 42 Share of non-performing loans on loans for house purchase to households



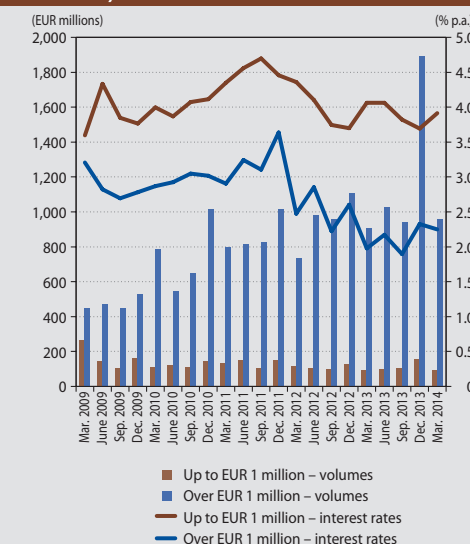
Source: NBS.

Chart 43 Share of non-performing loans on credit card loans to households



Source: NBS.

Chart 44 Interest rates and volumes on loans to non-financial corporations (new business)



Source: NBS.

2.8 INTEREST RATES AND VOLUMES: LOANS PROVIDED

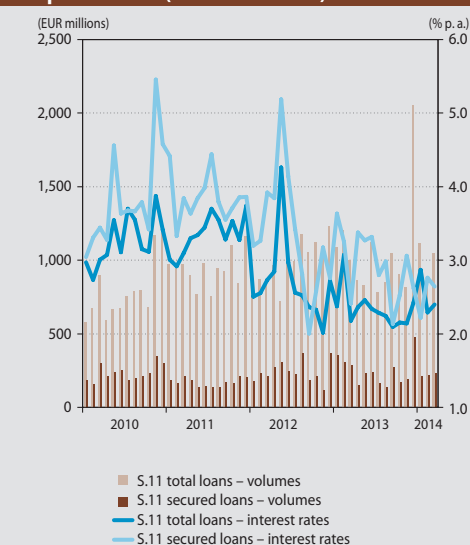
2.8.1 INTEREST RATES AND VOLUMES: LOANS TO NON-FINANCIAL CORPORATIONS (NEW BUSINESS)

The total volume of new loans granted to non-financial corporations in the first quarter of 2014 decreased by 9.1%, compared with the first quarter of 2013. In the **loans of up to €1 million** category, the volume of loans increased by 8.1% in the quarter under review. The share of loans of this type in the total volume of loans provided stood at 9.7%. The average lending rate in the period under review rose slightly, by 0.1% to 3.9% p.a. By contrast, the volume of loans in the **loans of over €1 million** category fell by 10.6% in the first quarter of 2014, compared with the first quarter of 2013. The share of new **loans of over €1 million** in the total volume of loans granted to non-financial corporations reached 90.3% in the quarter under review, while the average interest rate dropped by 0.1% to 2.4% p.a.

In the first quarter of 2014, the share of new secured loans in the **total** volume of new loans granted to non-financial corporations decreased in year-on-year terms, from 28.6% to 22.2%. The

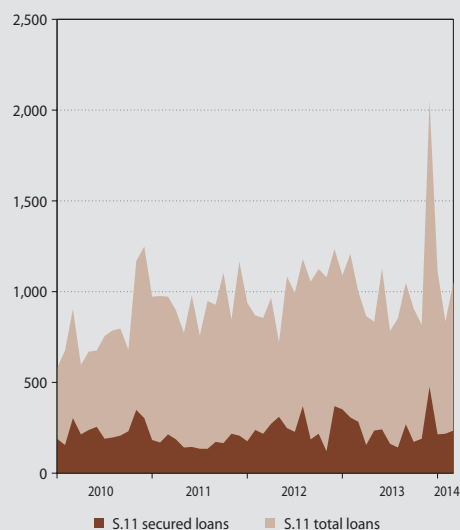
average interest rate on secured loans dropped to 2.5% p.a. in the first quarter of 2014, from 3.1% p.a. in the first quarter of 2013. The average rate for new loans granted to non-financial corporations also fell in this period by 0.1% to 2.5% p.a.

Chart 45 Interest rates and volumes on secured and total loans to non-financial corporations (new business)



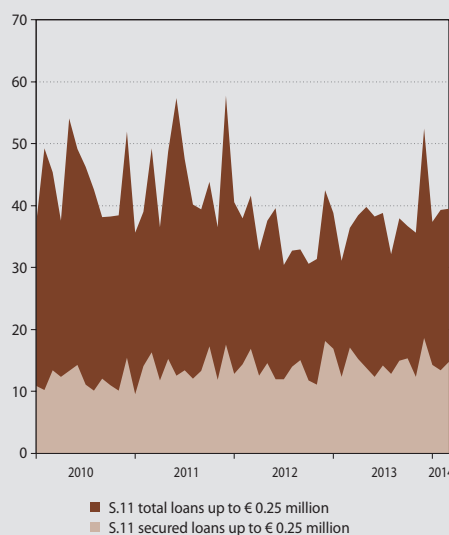
Source: NBS.

Chart 46 Share of secured loans on total loans to non-financial corporations (new business) (EUR millions)



Source: NBS.

Chart 48 Share of secured loans on total „loans up to € 0.25 million“ to non-financial corporations (new business) (EUR millions)

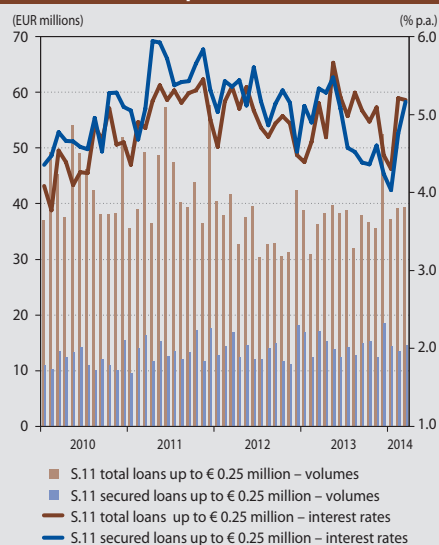


Source: NBS.

In the **loans of up to €0.25 million** category, the share of new secured loans in the total volume of new loans granted to non-financial corporations decreased by 7.0% to 36.6% in the first

quarter of 2014. The average interest rate on secured loans of this category fell by 0.4% in the period under review, to 4.7% p.a. By contrast, the average interest rate on new **loans of up to €0.25 million** granted to non-financial corporations rose in the period under review, by 0.2% to stand at 4.9% p.a.

Chart 47 Interest rates and volumes on secured and total „loans up to € 0.25 million“ to non-financial corporations (new business)



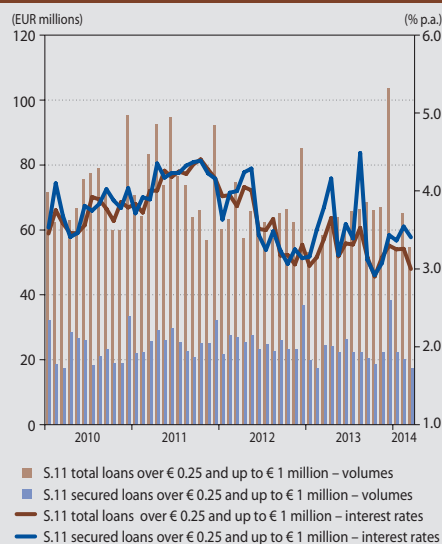
Source: NBS.

In the **loans of over €0.25 million and up to €1 million** category, the share of new secured loans in the total volume of new loans granted to non-financial corporations decreased by 3.6% in the first quarter of 2014, to 34.4%. The average interest rate on secured loans of this category fell by 0.1% in the period under review, to 3.4% p.a. The average interest rate on new **loans of over €0.25 million and up to €1 million** granted to non-financial corporations remained unchanged in the period under review, at 3.2% p.a.

In the **loans of over €1 million** category, the share of new secured loans in the total volume of new loans granted to non-financial corporations decreased by 6.8% year-on-year, to 20.8% in the first quarter of 2014. The average interest rate on secured loans of this category

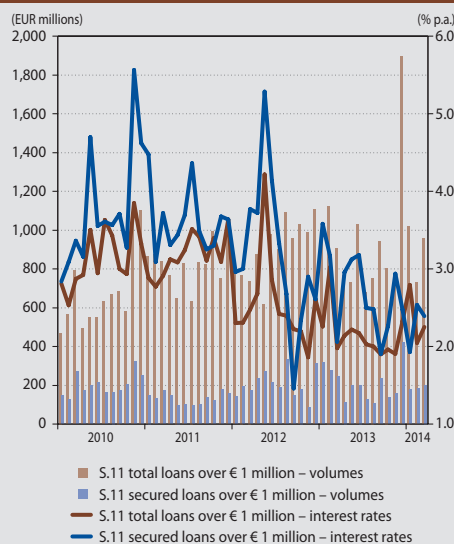


Chart 49 Interest rates and volumes on secured and total „loans over € 0.25 and up to € 1 million” to non-financial corporations (new business)



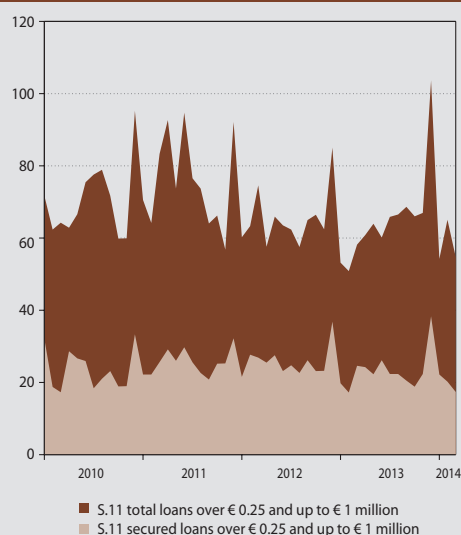
Source: NBS.

Chart 51 Interest rates and volumes on secured and total „loans over € 1 million” to non-financial corporations (new business)



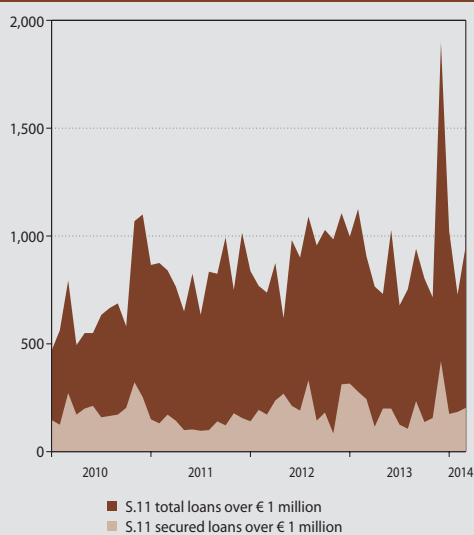
Source: NBS.

Chart 50 Share of secured loans on total „loans over € 0.25 and up to € 1 million” to non-financial corporations (new business) (EUR millions)



Source: NBS.

Chart 52 Share of secured loans on total „loans over € 1 million” to non-financial corporations (new business) (EUR millions)



Source: NBS.

dropped from 3.0% p.a. to 2.3% p.a. in the period under review. The average interest rate on new **loans of over €1 million** granted to non-

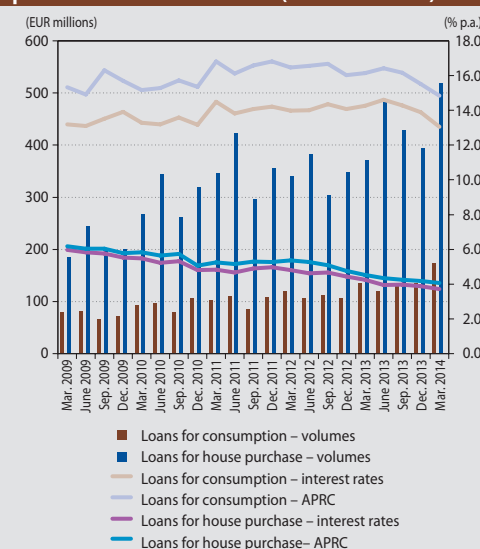
financial corporations also fell in the period under review, though to a lesser extent (by 0.1% to 2.4% p.a.).

2.8.2 INTEREST RATES AND VOLUMES: LOANS TO HOUSEHOLDS (NEW BUSINESS)

Demand for loans in the household sector continued to be dominated by demand for housing loans. The average interest rate on housing loans dropped by 0.7% to 3.8% p.a. in the first quarter of 2014, compared with the first quarter of 2013. Lending rates for the individual types of housing loans changed in year-on-year terms as follows: the average rate for **intermediate loans**, which are offered by building savings banks, rose by 1.2% (to 5.9% p.a.); the average rate for **building loans** remained unchanged (at 4.8% p.a.); and the average rate for **other loans for house purchases** fell by 0.8% (to 3.6% p.a.). The sharpest fall was recorded in the average rate for **mortgage loans**, which dropped in the period under review by 1.0% (to 3.5% p.a.).

The annual percentage rate of charge (APRC) related to loans provided to households usually exceeds the rate of interest charged for these loans. Compared with the first quarter of 2013, the average interest rate on housing loans, as well as the average APRC for loans of this type, dropped by 0.6% to 4.1% p.a. in the first quarter of 2014. The APRC value for consumer loans followed a similar trend. The average interest rate on consumer loans fell in the first quarter of 2014 by 0.7% to 13.6%. The average APRC for consum-

Chart 54 Interest rates, APRC and volumes on loans for consumption and loans for house purchases to households (new business)

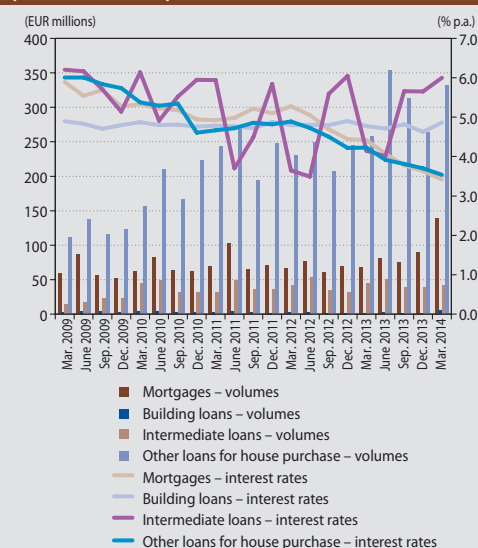


Source: NBS.

er loans dropped more significantly in the period under review, by 0.9% to 15.4% p.a.

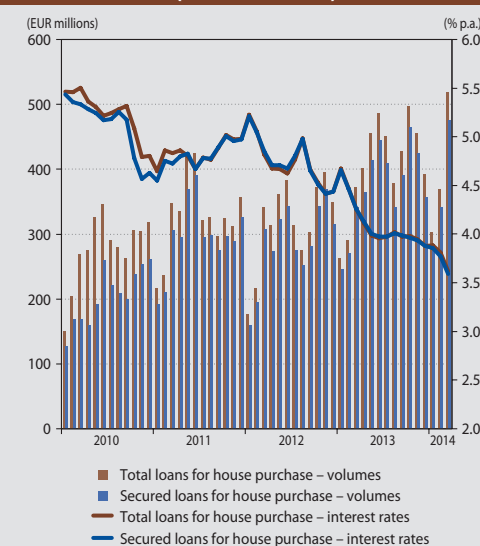
The share of **new secured housing loans** in the total volume of loans provided to households for housing purposes decreased in the first quarter of 2014 by 1.3% (to 91.5%), compared with the

Chart 53 Interest rates and volumes on loans for house purchase to households (new business)



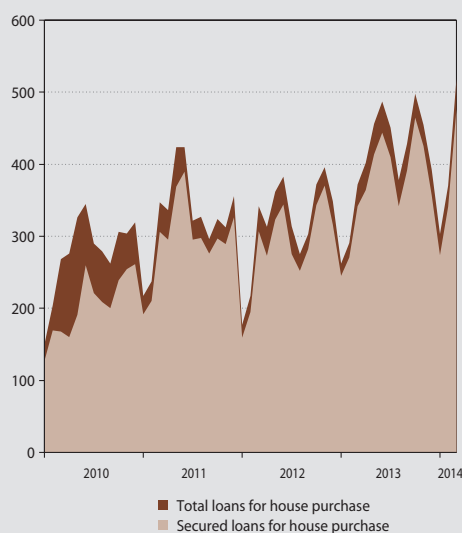
Source: NBS.

Chart 55 Interest rates and volumes on secured and total loans for house purchase to households (new business)



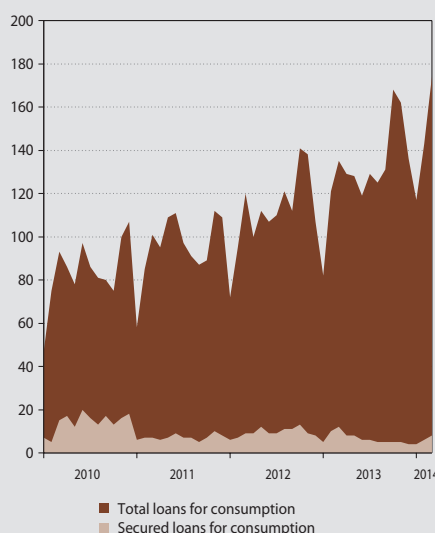
Source: NBS.

Chart 56 Share of secured loans for house purchase on total loans for house purchase to households (new business) (EUR millions)



Source: NBS.

Chart 58 Share of secured loans for consumption on total loans for consumption to households (new business) (EUR millions)



Source: NBS.

first quarter of 2013. The average interest rate on secured housing loans fell by 0.7% to 3.7% p.a. in the period under review.

In the case of **consumer loans**, the share of **secured loans** was substantially smaller than in the case of housing loans. The first quarter of

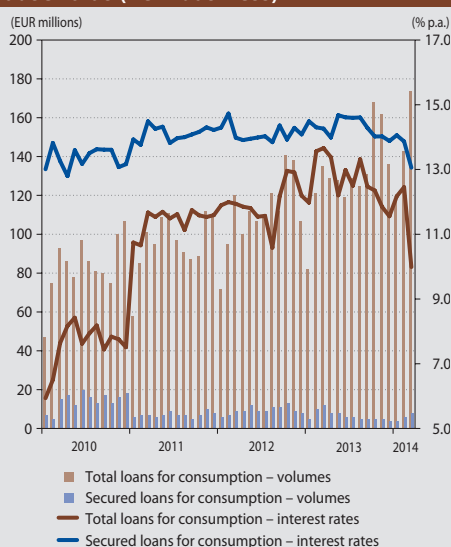
2014 saw a year-on-year decrease in the share of secured loans, from 8.0% to 4.1%. The average interest rate on secured consumer loans dropped by 2.0% to 11.3% p.a. in the period under review.

2.8.3 INTEREST RATES AND VOLUMES: LOANS TO NON-FINANCIAL CORPORATIONS (OUTSTANDING AMOUNTS)

Interest rates on loans granted to non-financial corporations with a maturity of over one and up to five years have historically been higher than the rates for other loan categories, but these loans are the smallest of all in volume terms. Since the middle of 2009, the most significant loans in volume terms in the domestic loan market have been loans with a maturity of over five years. This trend continued throughout the first quarter of 2014.

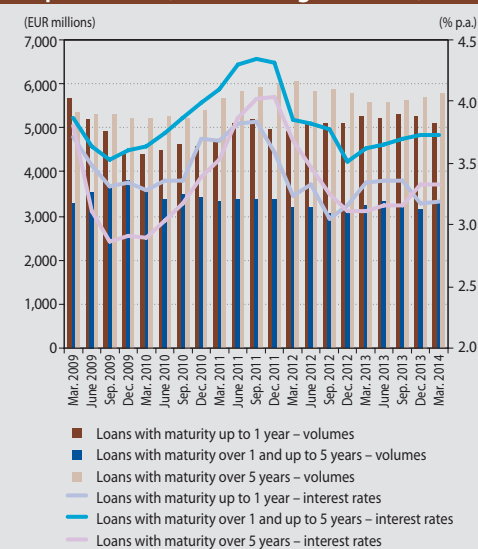
The level of interest rates on **loans granted to non-financial corporations** (not including short-term loans) rose in the first quarter of 2014, compared with the first quarter of 2013. The average interest rate on loans with the maturity of up to one year fell by 0.1%, to 3.2% p.a. The opposite trend – a rise of 0.2% was recorded in the average rates for loans with a maturity of over one and up to five years and for loans with a maturity of over five years,

Chart 57 Interest rates and volumes on secured and total loans for consumption to households (new business)



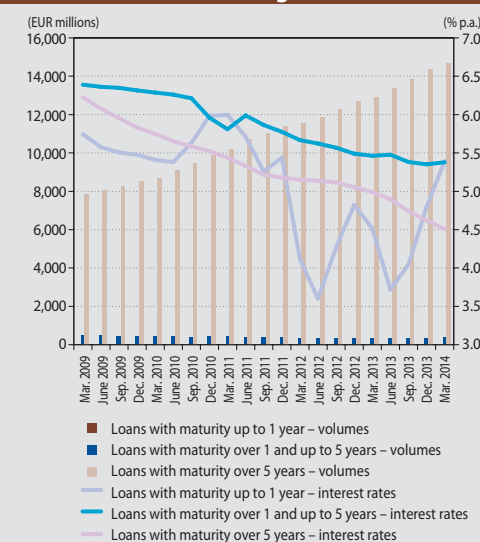
Source: NBS.

Chart 59 Interest rates and volumes of loans by maturity to non-financial corporations (outstanding amounts)



Source: NBS.

Chart 60 Interest rates and volumes on loans for house purchase by maturity to households (outstanding amounts)



Source: NBS.

specifically to 3.7% p.a. and 3.3% p.a. respectively.

2.8.4 INTEREST RATES AND VOLUMES: LOANS TO HOUSEHOLDS (OUTSTANDING AMOUNTS)

In volume terms, loans granted to households for consumption or for housing purposes are clearly dominated by loans with a maturity of over five years.

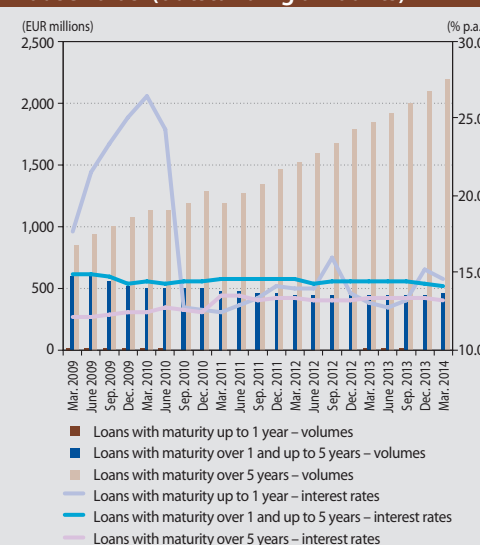
Interest rates on **housing loans** provided to households (not including short-term loans) showed a falling tendency in the first quarter of 2014. The sharpest year-on-year fall in this quarter was recorded in the average rate for loans provided for housing purposes with a maturity of over five years (-0.5%, to 4.5% p.a.). The average rate for housing loans with a maturity of over one and up to five years fell by 0.1% to 5.4% p.a. in the period under review. In the same period, the average rate for loans with a maturity of up to one year rose by 0.4% to stand at 5.2% p.a.

Consumer loans with a maturity of up to one year remained negligible in volume terms. Hence, interest rates on such loans were rather volatile. The volume of consumer loans with a maturity of over one and up to five years showed a moderately growing trend in the period under review. In volume terms, the most significant category

was that of consumer loans with a maturity of over five years.

Broken down by maturity, interest rates on **consumer loans** provided to households changed in the period under review as follows: the average rate for consumer loans with a maturity of

Chart 61 Interest rates and volumes on loans for consumption by maturity to households (outstanding amounts)



Source: NBS.

over one and up to five years fell slightly, by 0.1% to 14.3%; the average rate for consumer loans with a maturity of over five years remained unchanged, at 13.3% p.a.; and the average rate for consumer loans with a maturity of up to one year rose by 1.5% to 14.7%, but these loans remained insignificant in volume terms.

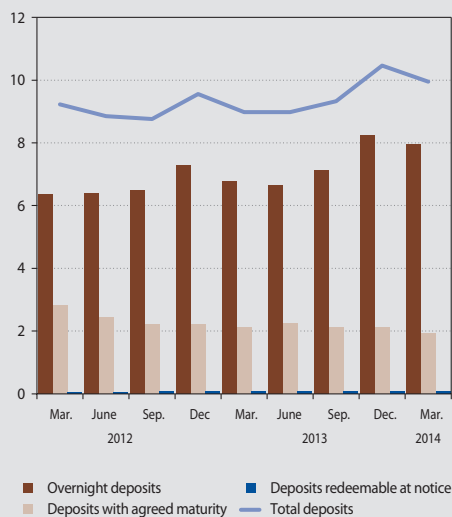
2.9 DEPOSITS RECEIVED FROM NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS

2.9.1 DEPOSITS RECEIVED FROM NON-FINANCIAL CORPORATIONS

In March 2014, the value of deposits received from non-financial corporations rose by as much as 10.9%, mainly as a result of growth in overnight deposits. These increased by 17.4% year-on-year and the year-on-year increases continued to exceed the previous records. By contrast, deposits with agreed maturity continued to decline for the seventh quarter in a row (except in October 2013, when a year-on-year increase was recorded).

The share of overnight deposits received from non-financial corporations in total deposits in-

Chart 63 Deposits to non-financial corporations (% share) (EUR billions)



Source: NBS.

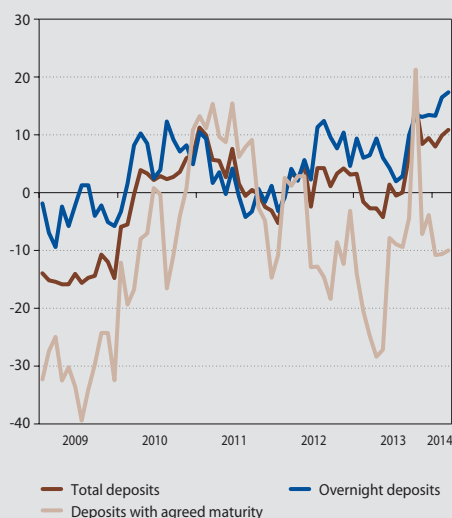
creased to almost 80%. The share of deposits with agreed maturity decreased to 19.2%.

2.9.2 DEPOSITS RECEIVED FROM HOUSEHOLDS

In value terms, deposits received from households grew year-on-year by 2% in March 2014, with the annual growth rate decelerating since its culmination in March 2012. The value of household deposits with agreed maturity continued to decline in year-on-year terms, following the downward trend that started at the end of that quarter. Overnight deposits continued to grow dynamically over the first quarter of 2014 and produced a year-on-year increase of 10.2%. Household deposits redeemable at notice continued to grow as in the previous months, and produced a year-on-year increase of 17% in March.

The share of household deposits with agreed maturity decreased below 50% in December 2013, for the first time since December 2010, and continued to decrease still further. The share of household deposits with agreed maturity decreased in March 2014 by 0.9 percentage point compared with December 2013, and by 4.2 percentage points compared with March 2013. The share of overnight deposits increased to 44.5%. The share of deposits redeemable at notice reached 7.2% in March 2013.

Chart 62 Deposits of non-financial corporations by type (year-on-year change in %)

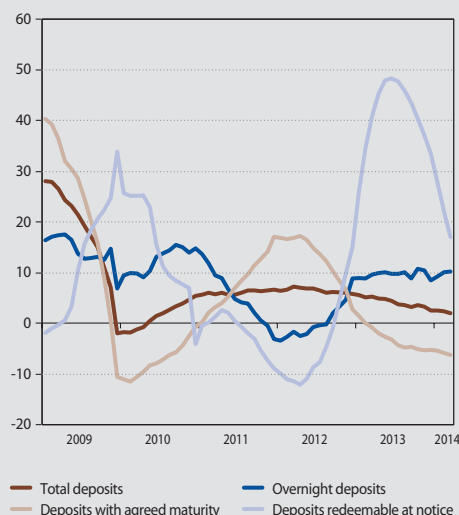


Source: NBS.

Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.



Chart 64 Deposits of households by type
(year-on-year change in %)



Source: NBS.

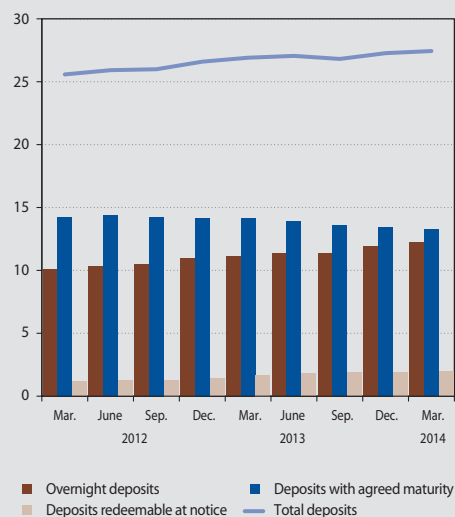
Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.

2.10 INTEREST RATES AND VOLUMES: DEPOSITS RECEIVED

2.10.1 INTEREST RATES AND VOLUMES: DEPOSITS RECEIVED FROM HOUSEHOLDS (OUTSTANDING AMOUNTS)

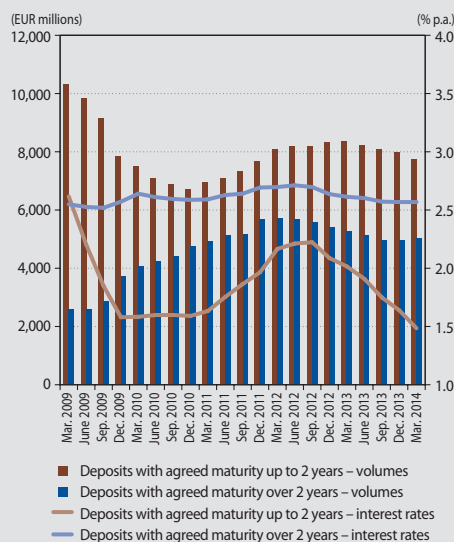
The outstanding amount of household deposits **with an agreed maturity of up to two years**, expressed as a share of total deposits with agreed maturity, decreased in the first quarter of 2014 by 0.2% (to 60.9%), compared with the first quarter of 2013. The average interest rate on household deposits with an agreed maturity of up to two years dropped by 0.5% year-on-year, to 1.5% p.a. The average interest rate on new deposits **with an agreed maturity of over two years** remained unchanged, at 2.6% p.a. The total volume of household deposits with agreed maturity decreased by 6.0% in the period under review.

Chart 65 Deposits to households (% share)



Source: NBS.

Chart 66 Interest rates and volumes of
deposits with agreed maturity from
households (outstanding amounts)



Source: NBS.



2.10.2 INTEREST RATES AND VOLUMES: DEPOSITS

RECEIVED FROM HOUSEHOLDS (NEW BUSINESS)

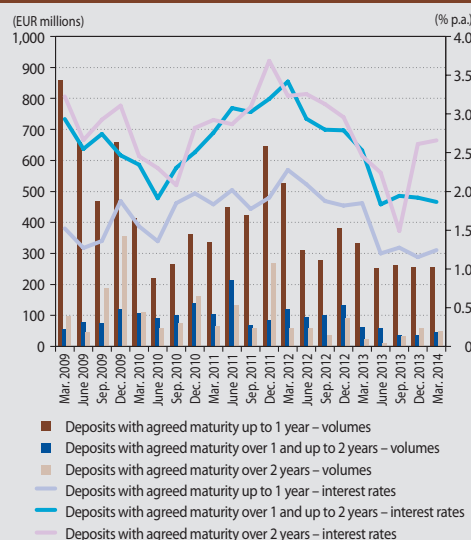
Interest rates on **new household deposits** with agreed maturity followed a falling trend over the period under review, except in the case of **deposits with an agreed maturity of over two years**, where the average rate rose by 0.1% to 2.6% p.a. and the share of these deposits increased by 7.0% to 14.3% of the total volume of new deposits with agreed maturity. Interest rates were reduced most significantly for **new deposits with an agreed maturity of over one and up to two years** (by 0.8%, to an average of 1.9% p.a.), while the share of these deposits in the total volume of new household deposits with agreed maturity decreased by 7.8% to 11.7%. The average interest rate on new **deposits with an agreed maturity of up to one year** dropped from 1.8% p.a. to 1.5% p.a. The share of these deposits increased by 1.0% in the period under review, to 74.0% of the total volume of new household deposits with agreed maturity.

2.10.3 INTEREST RATES AND VOLUMES: DEPOSITS

RECEIVED FROM NON-FINANCIAL CORPORATIONS (OUTSTANDING AMOUNTS)

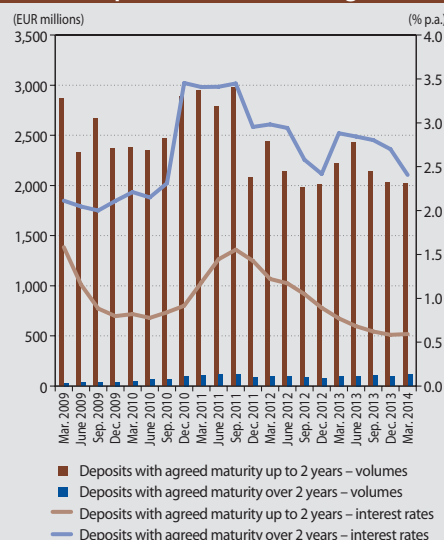
The share of **deposits with an agreed maturity of over two years** in the total outstanding amount of deposits with agreed maturity, received from non-financial corporations, increased by 0.5% to 5.1% in the first quarter of 2014, compared with the first quarter of 2013. The average interest rate on these deposits fell by 0.4%, to stand at 2.5% p.a. The average rate for **deposits with an agreed maturity of up to two years** fell in the period under review by 0.2% to 0.6% p.a., while the share of these deposits in the total volume of deposits with agreed maturity, received from non-financial corporations, decreased by 0.5% to 94.9%. The total volume of deposits with agreed maturity, received from non-financial corporations, decreased by 5.9% in the period under review.

Chart 67 Interest rates and volumes on deposits with agreed maturity from households (new business)



Source: NBS.

Chart 68 Interest rates and volumes on deposits with agreed maturity from non-financial corporations (outstanding amounts)



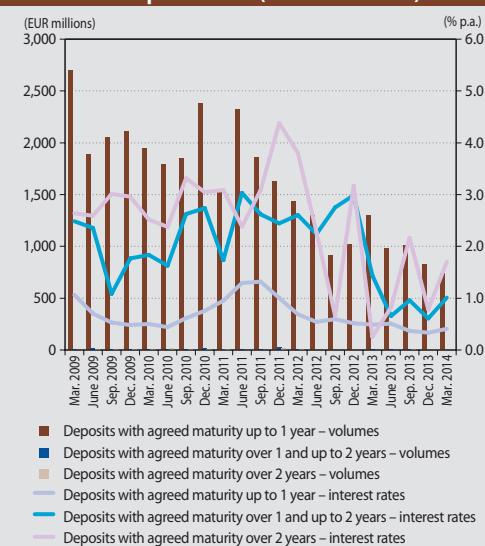
Source: NBS.



2.10.4 INTEREST RATES AND VOLUMES: DEPOSITS RECEIVED FROM NON-FINANCIAL CORPORATIONS (NEW BUSINESS)

Interest rates on **new deposits** with agreed maturity, received from non-financial corporations, followed a falling trend in the first quarter of 2014, compared with the first quarter of 2013, in all maturity bands. The average rate for deposits **with an agreed maturity of over two years** fell by 2.9% to stand at 1.2%. The share of these deposits, however, was insignificant (0.8% of the total volume of deposits with agreed maturity), as well as the share of new deposits **with an agreed maturity of over one and up to two years** (1.1%), the average price of which dropped by 1.0% to 0.9% p.a. The average interest rate on new deposits **with an agreed maturity of up to one year** fell by 0.1% year-on-year, to stand at 0.4% p.a. In volume terms, these deposits represented the most significant category of new deposits: they accounted for 98.1% of the volume of new deposits with agreed maturity, received from non-financial corporations.

Chart 69 Interest rates and volumes on deposits with agreed maturity from non-financial corporations (new business)



Source: NBS.



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 3

COLLECTIVE INVESTMENT: MUTUAL FUNDS



3 COLLECTIVE INVESTMENT: MUTUAL FUNDS

In the financial market of Slovakia, collective investment is represented by six domestic asset management companies and by one foreign asset management company, managing a total of 82 open-end mutual funds as at 31 March 2014.

Domestic asset management companies:

- Alico Funds Central Europe správ. spol., a.s.
- Asset Management Slovenskej sporiteľne, správ. spol., a.s.
- IAD Investments, správ. spol., a.s.
- Prvá Penzijná správcovská spoločnosť Poštovej banky, správ. spol., a.s.
- Tatra Asset Management, správ. spol., a.s.
- VÚB Asset Management, správ. spol., a.s.

Foreign asset management company:

- ČSOB Asset Management, investiční společnost, a.s.

dominant position in the mutual funds market, with a share of 28.7% of total assets. The third largest group as at 31 March 2014 was constituted by real estate funds with a share of 19.2% (despite a decrease of 0.2 percentage point). They were followed by mixed funds with a share of 17.8% as at end-March 2014. As in the previous quarter, the smallest category among investment funds (mutual funds other than money market funds) was that of equity funds with a share of 7.1%.

By the end of the first quarter of 2014, the share of equity funds had grown by 17.53% year-on-year. The rate of growth, however, slowed by approximately 10 percentage points compared with the previous quarter.

The value of assets managed by real estate funds has historically shown a rising tendency. By the end of March 2014, the assets of these funds had grown by 38.81% year-on-year.

3.1 CURRENT DEVELOPMENTS IN THE DOMESTIC MUTUAL FUNDS MARKET

In the first quarter of 2014, the mutual funds market still reflected the trends from 2013. Owing to the stricter criteria and limits set for the portfolios of money market funds, asset management companies were no longer motivated to offer investment opportunities of this type to investors. The money market funds' share of the total assets of mutual funds decreased throughout 2013, and this trend has continued into 2014. The share of money market funds decreased to 1.5% as at 31 March 2014. The share of other funds, including secured funds, specialised alternative investment funds, specialised securities funds, and specialised professional investor funds, remained virtually unchanged over the quarter under review, at 25.7% (as at 31 March 2014). Bond funds maintained their

The influence of newly established specialised funds on the year-on-year growth rate of total assets in the category of other funds diminished gradually over the course of 2013, and the growth of these funds slowed step by step. Towards the end of the first quarter of 2014, the rate of growth accelerated somewhat, by roughly 3 percentage points. By 31 March 2014, total assets had increased by 22.69% year-on-year.

Over the past year, bond funds had maintained a moderately rising trend in the value of assets they managed. In the quarter under review, this trend continued, with the value of total assets increasing by 7.32 % (by 31 March 2014).

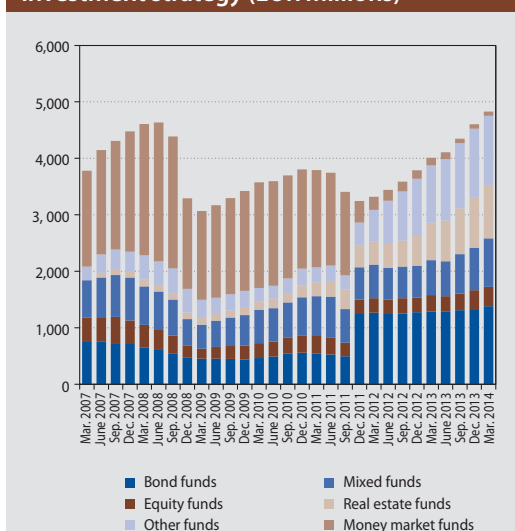
The persistent lack of interest in money market funds among investors has led to a year-on-year decline of 43.67% in their assets (as at 31 March 2014).

Table 8 Year-on-year changes in total assets of mutual funds by type

Total assets	Year-on-year change (in %)				
	III. 13	VI. 13	IX. 13	XII. 13	III. 14
Bond funds	1.68	2.99	4.78	4.42	7.32
Equity funds	12.99	9.73	8.72	27.66	17.53
Mixed funds	3.46	9.61	23.81	34.29	39.41
Real estate funds	65.51	63.11	77.10	68.73	38.81
Other funds	78.85	46.04	32.51	19.88	22.69
Money market funds	-42.20	-37.04	-52.67	-45.95	-43.67

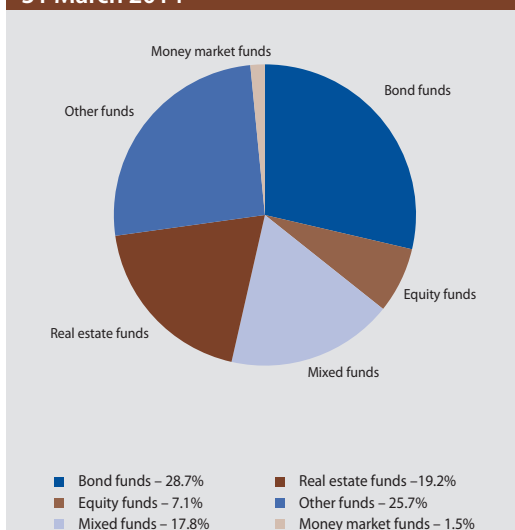
Source: NBS.

Chart 70 Mutual funds broken down by investment strategy (EUR millions)



Source: NBS.

Chart 71 Share of funds types on total assets of domestic mutual funds as at 31 March 2014



Source: NBS.

3.2 ASSET STRUCTURE OF DOMESTIC MUTUAL FUNDS

3.2.1 MONEY MARKET FUNDS

Money market funds are considered to be the least risky type of mutual funds. They invest predominantly in money market instruments and liquid securities.

As at the end of the first quarter of 2014, money market funds had 83.7% of their resources invested in bank deposits and 16.1% in debt securities. The remaining 0.3% was in other assets. Compared with the previous quarter, the asset structure of money market funds changed slightly in favour of bank deposits, the share of which increased by 2.3 percentage points.

The securities portfolio of money market funds as at 31 March 2014 contained exclusively domestic securities. This was due to an increase of 13.3 percentage points in the share of domestic securities in comparison with the previous quarter, when the portfolio also contained securities issued in other euro area Member States.

Broken down by sector, money market funds invested mostly in debt securities issued by non-financial institutions (Sector S.11), which accounted for 54% of the total amount invested. Their share in the portfolio of money market funds increased as a result of the aforementioned sale of government bonds from other euro area countries. The remaining part of the portfolio was formed by government bonds (Sector S.13) with a share of 46%.

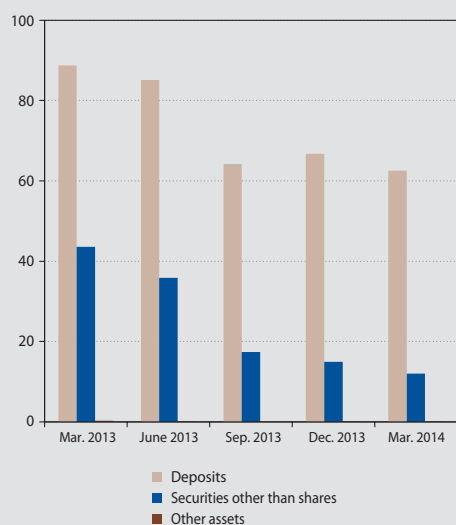
The liquidity and maturity of securities in the portfolio of mutual funds are important factors in the risk assessment process. Interesting information in this respect can be obtained from a comparison of the original and residual ma-



turities of securities in the aggregated portfolio of money market funds: while securities with an agreed maturity of over two years accounted for 100% (as at 31 March 2014), their share dropped to zero when the residual maturity was taken into account. The share of securities

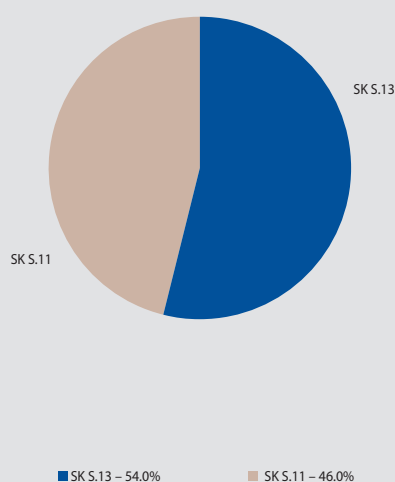
with a residual maturity of over one and up to two years stood at 33.3% as at the end of the first quarter of 2014. The remaining part of the portfolio was formed by securities with a residual maturity of up to one year and a share of 66.7%.

Chart 72 Money market funds: evolution of assets (EUR millions)



Source: NBS.

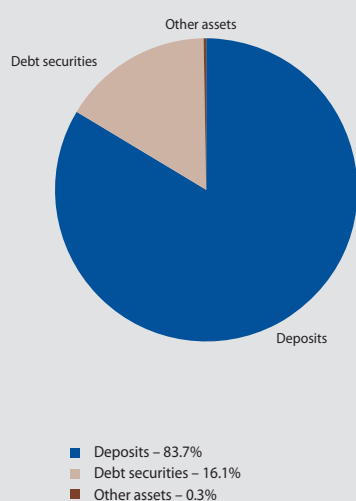
Chart 74 Geographical and sectoral breakdown of debt securities in portfolio of money market funds as at 31 March 2014



Source: NBS.

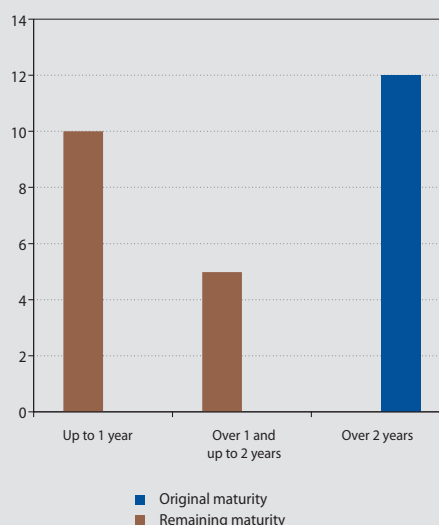
Note: SK = domestic issuers.

Chart 73 Money market funds: structure of assets as at 31 March 2014



Source: NBS.

Chart 75 Maturity breakdown of debt securities in portfolio of money market funds as at 31 March 2014 (EUR millions)



Source: NBS.

3.2.2 BOND FUNDS

Bond funds invest primarily in government and bank debt securities, and in fixed-term bank deposits.

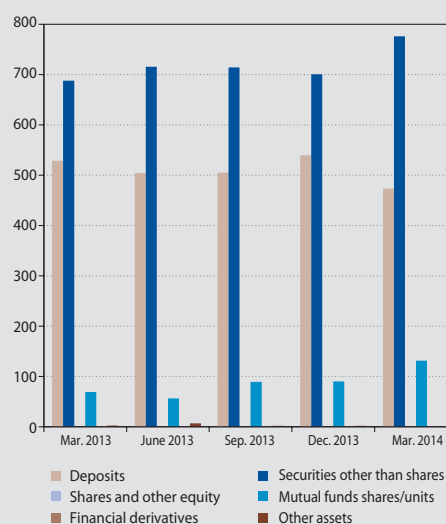
The assets under management by bond funds as at 31 March 2014 were dominated by debt securities, the share of which increased in comparison with the previous quarter by approximately 3.5 percentage points (to 56.12%). A large part of these financial assets were invested in fixed-term bank deposits or held on current accounts, the share of which in total assets reached 34.24% at the end of the first quarter. They were followed by mutual fund shares/units, the proportion of which increased by less than 3 percentage points quarter-on-quarter (to 9.51%), the remaining 0.13% was formed by other assets, including financial derivatives.

At the end of the first quarter of 2014, the overall securities portfolio of bond funds was dominated by domestic securities (with a share of 43.42%), followed by securities issued outside the euro area (36.43%) and securities issued in other euro area countries (20.16%).

Broken down by sector, the securities portfolio of bond funds as at 31 March 2014 comprised mostly government bonds (47.98%) and debt securities issued by banks (42.34%). The remaining 9.68% was made up by debt securities issued by non-financial corporations and other financial institutions.

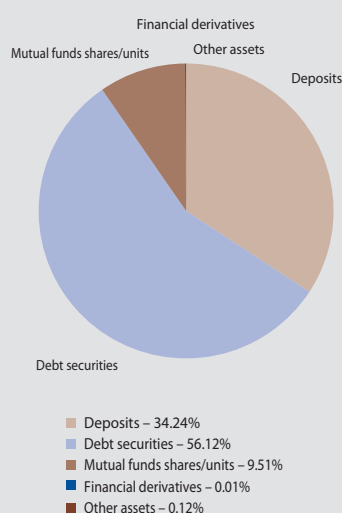
Broken down by residual maturity, bond funds held 27.35% of their portfolio in securities with a maturity of up to one year, 20.78% in securities with a maturity of over one and up to two years, and 51.87% in securities with a maturity of over two years.

Chart 76 Bond funds: evolution of assets (EUR millions)



Source: NBS.

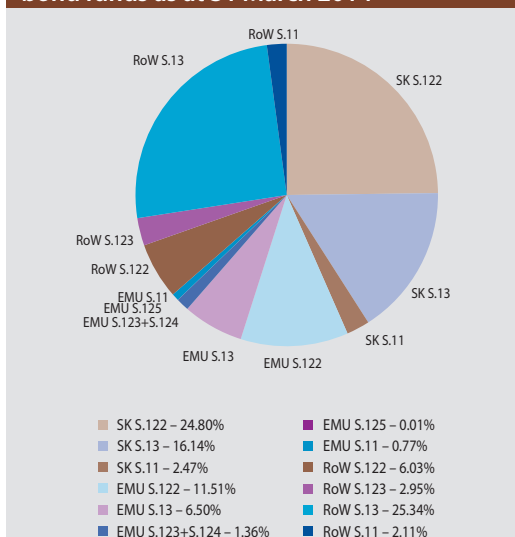
Chart 77 Bond funds: structure of assets as at 31 March 2014



Source: NBS.



Chart 78 Geographical and sectoral breakdown of debt securities in portfolio of bond funds as at 31 March 2014



Source: NBS.

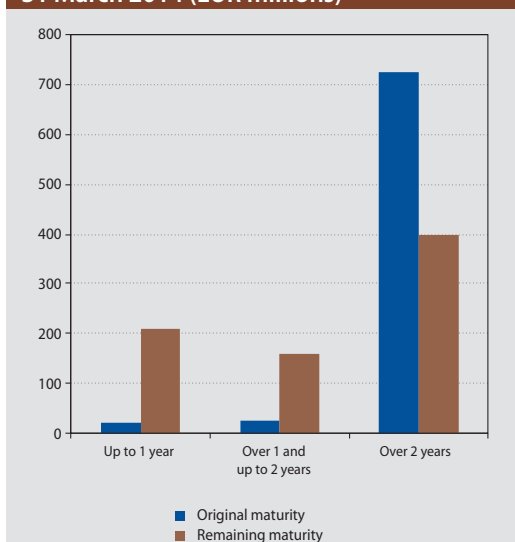
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

a share of 33.9% and mutual fund shares/units with a share of 33.8%. The share of debt securities increased somewhat owing to the purchase of such securities for portfolio (to 0.4% as at 31 March 2014). Other assets, including financial derivatives, accounted for 0.1% of the total assets of equity funds.

The geographical breakdown of mutual fund shares/units remained virtually unchanged over the quarter under review. Shares/units issued by domestic mutual funds accounted for 43.87% as at end-March 2014, those issued by mutual funds from other euro area countries accounted for 38.96%, and shares/units issued by mutual funds from the rest of the world represented 17.16%.

The proportions of money market fund shares/units and investment fund shares/units remained virtually unchanged in comparison with the previous quarter. The proportion of investment fund shares/units to all mutual fund shares/units in portfolio stood at 94.85% as at end-March 2014.

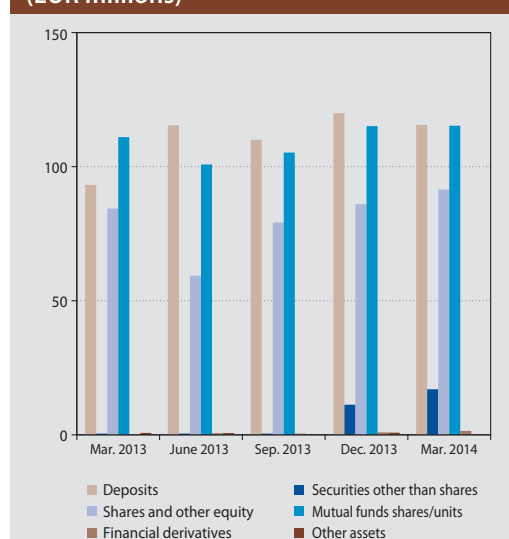
Chart 79 Maturity breakdown of debt securities in portfolio of bond funds as at 31 March 2014 (EUR millions)



Source: NBS.

The aggregated portfolio of equity funds was dominated by shares of non-financial corporations from the rest of the world (63.1%), followed by shares of non-financial corporations from other euro area countries (17.6%) and shares of banks from non-euro area countries (9.3%).

Chart 80 Equity funds: evolution of assets (EUR millions)

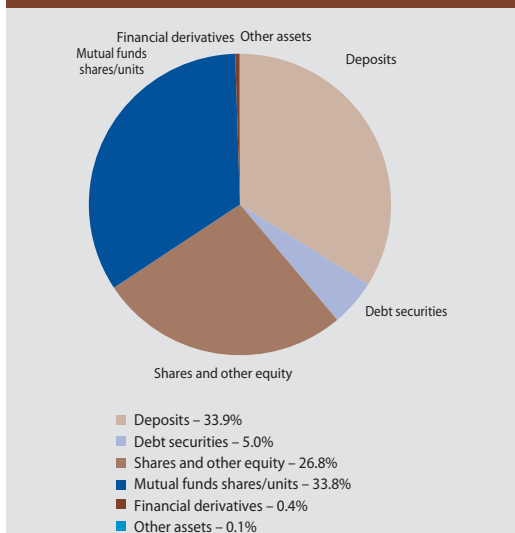


Source: NBS.

3.2.3 EQUITY FUNDS

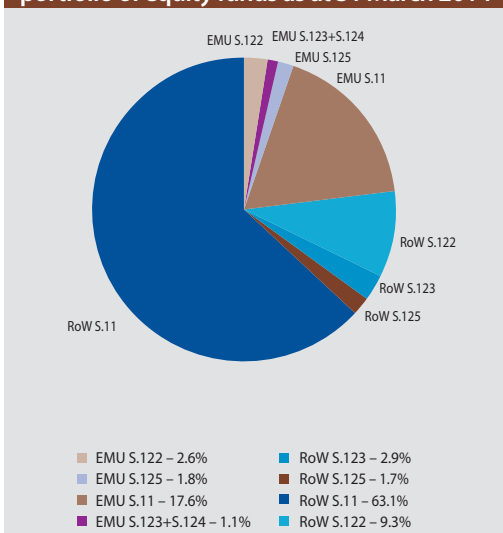
The proportion of shares and other equity participations increased by one percentage point quarter-on-quarter, to 27.8% as at 31 March 2014. The most significant asset components as at end-March 2014 were bank deposits with

Chart 81 Equity funds: structure of assets as at 31 March 2014



Source: NBS.

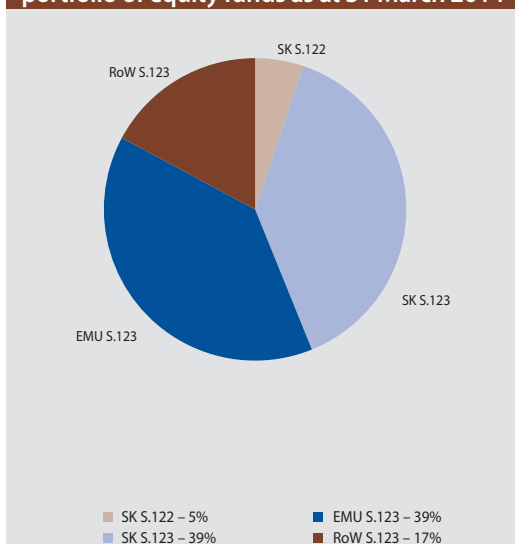
Chart 83 Geographical and sectoral breakdown of shares and other equity in portfolio of equity funds as at 31 March 2014



Source: NBS.

Note: EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

Chart 82 Geographical and sectoral breakdown of mutual funds shares/units in portfolio of equity funds as at 31 March 2014



Source: NBS.

Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

3.2.4 MIXED FUNDS

The most significant asset item in the balance sheets of mixed funds has historically been mutual fund shares/units. They accounted for 51.9% of total assets as at 31 March 2014. Further significant asset items were bank deposits (23.4%), debt securities (15.7%), and equities (7.5%). The proportion of other assets, including financial derivatives, reached 1.5% as at 31 March 2014.

In geographical terms, the structure of mutual fund shares/units changed in the first quarter of 2014 in favour of shares/units from other euro area Member States. Since their proportion increased by almost 3 percentage points, these shares/units became the most significant component in the mutual fund shares/units portfolio (42.86%). They were followed by shares/units issued by domestic mutual funds (42.08%). The proportion of mutual fund shares/units issued in the rest of the world remained virtually unchanged, at 15.06% as at the end of the first quarter.

In geographical terms, the structure of securities in the portfolio of mixed funds as at 31 March 2014 was dominated by bonds issued by domestic companies (42.77%), followed by securities from the rest of the world (37.89%) and securities from other euro area countries (19.34%).

Broken down by sector, the portfolio of mixed funds was dominated by the general government sector (Sector S.13) with a share of 47.01% as at 31 March 2014.

Broken down by residual maturity, mixed funds had 24.2% of their portfolio in securities with a maturity of up to one year, 24.6% in securities with a maturity of over one and up to two years, and 51.2% in securities with a maturity of over two years.

Chart 85 Mixed funds: structure of assets as at 31 March 2014

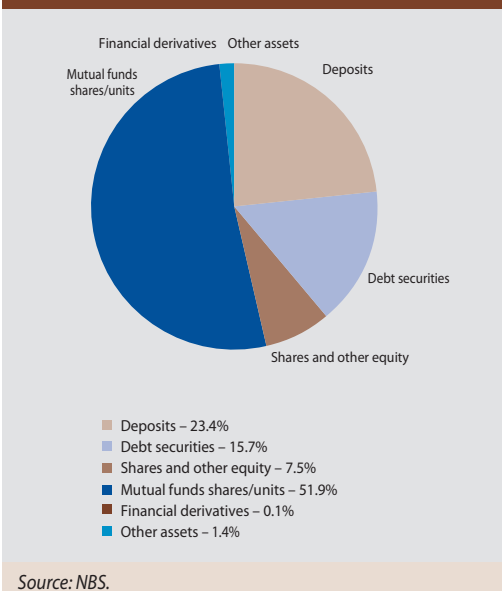


Chart 84 Mixed funds: evolution of assets (EUR millions)

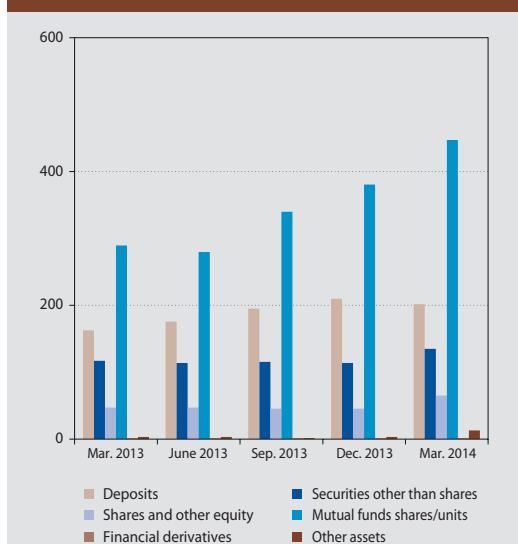
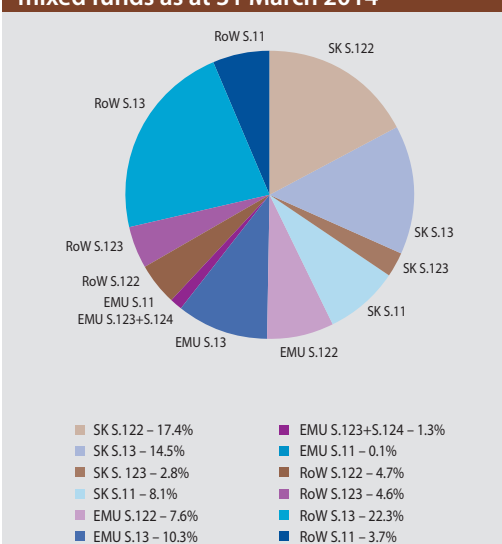
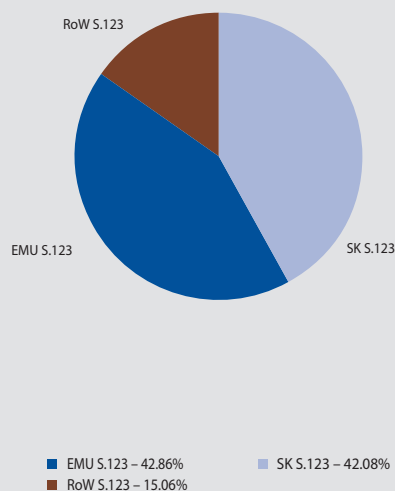


Chart 86 Geographical and sectoral breakdown of debt securities in portfolio of mixed funds as at 31 March 2014



Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

Chart 87 Geographical and sectoral breakdown of mutual funds shares/units in portfolio of mixed funds as at 31 March 2014



Source: NBS.

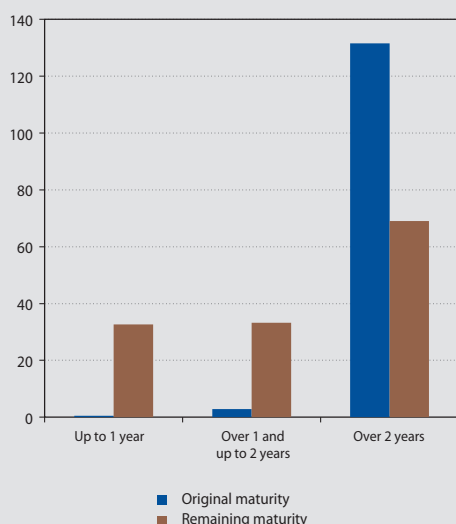
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

3.2.5 REAL ESTATE FUNDS

Real estate funds invest primarily in shares and equity participations in real estate companies, in line with their investment strategy. In compliance with the law, they use part of the funds obtained to grant loans to real estate companies. The share of bank deposits and loans to real estate companies decreased by as much as 7.5 percentage points over the first quarter of 2014, to 32.2%. The proportion of shares and other equity participations increased by 6.2 percentage points, from 50.6% as at 31 December 2013 to 56.8% as at 31 March 2014. In the quarter under review, real estate funds also invested, though to a lesser extent, in debt securities (6.1% of the portfolio), mutual fund shares/unit (3.1%), and other assets, including financial derivatives (1.7%).

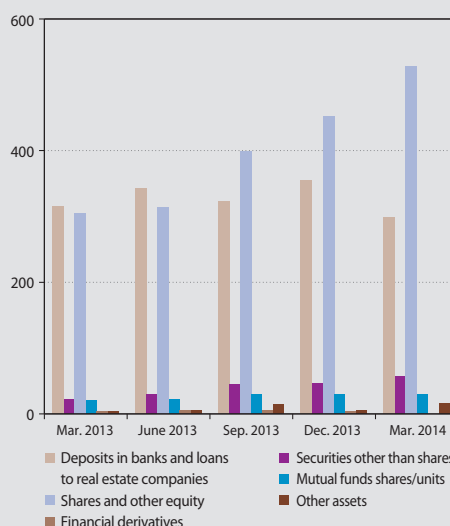
The geographical and sectoral breakdowns of shares and equity participations in the aggregated portfolio of real estate funds indicate that the largest share (83.3%) was accounted for by

Chart 88 Maturity breakdown of debt securities in portfolio of bond funds as at 31 March 2014 (EUR millions)



Source: NBS.

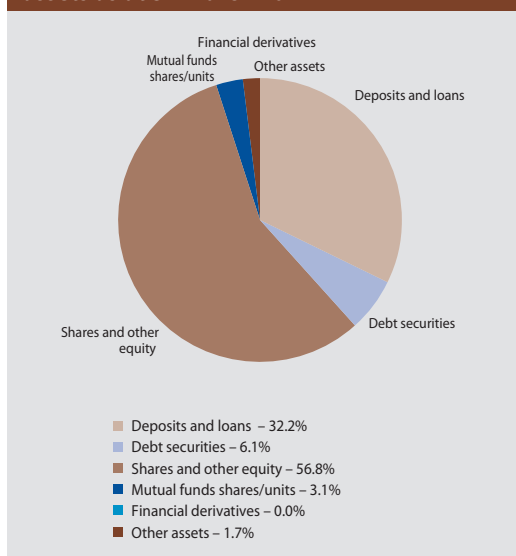
Chart 89 Real estate funds: evolution of assets (EUR millions)



Source: NBS.

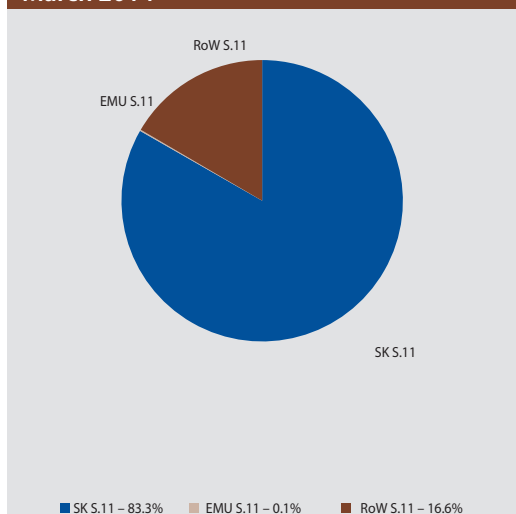
domestic non-financial corporations (Sector S.11). Their share increased by approximately 3 percentage points quarter-on-quarter. Compared with 31 December 2013, the share of non-financial corporations from other EU Member States decreased by 4.9 percentage points (to 16.6%), while that of non-financial corporations from other euro area countries remained unchanged (at 0.1%).

Chart 90 Real estate funds: structure of assets as at 31 March 2014



Source: NBS.

Chart 91 Geographical and sectoral breakdown of shares and other equity in portfolio of real estate funds as at 31 March 2014



Source: NBS.

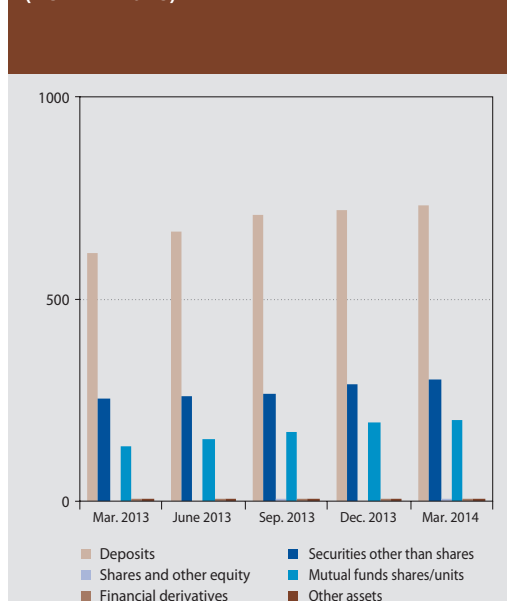
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

3.2.6 OTHER FUNDS

Other mutual funds are defined as mutual funds that do not actually belong to any of the categories mentioned above (in terms of their investment strategy). They comprise guaranteed funds, specialised alternative investment funds (e.g. commodity funds), specialised securities funds, specialised professional investor funds, and other funds. The main asset items of other funds managed by domestic asset management companies are bank deposits, debt securities, and mutual fund shares/units. Developments in this category of funds have historically been influenced by the emergence of new funds, whose assets in the first few months of operation consist largely of bank deposits. As at 31 March 2014, bank deposits still represented the most significant asset item in the balance sheets of other funds, with a share of 59.3%. The share of debt securities increased by 0.5 percentage point quarter-on-quarter, to 24.1% as at the end of the quarter under review. The share of mutual fund shares/units stood at 15.9%.

In geographical terms, debt securities in the aggregated portfolio of other funds have historically had a uniform structure. A dominant position in this structure as at 31 March 2014 was maintained by securities issued by domes-

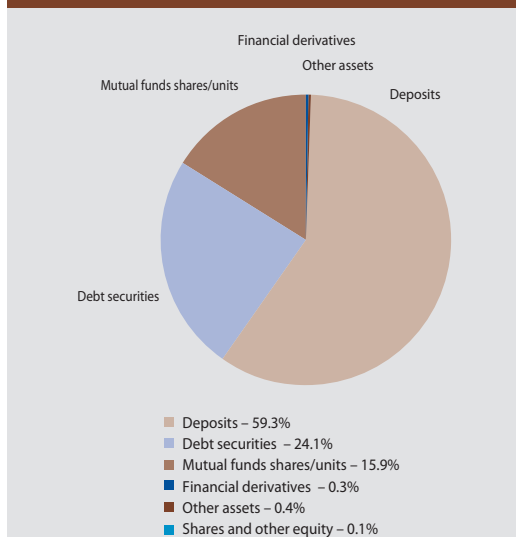
Chart 92 Other funds: evolution of assets (EUR millions)



Source: NBS.

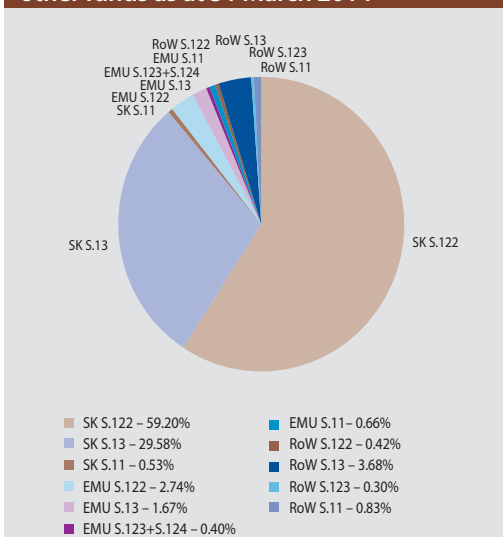


Chart 93 Other funds: structure of assets as at 31 March 2014



Source: NBS.

Chart 94 Geographical and sectoral breakdown of debt securities in portfolio of other funds as at 31 March 2014



Source: NBS.

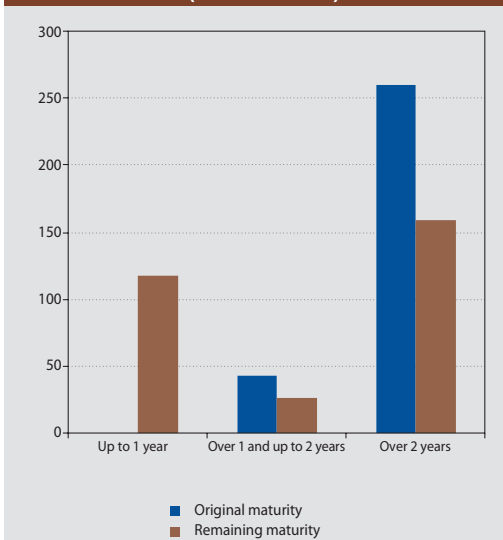
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

tic institutions (89.31%). They were followed by securities issued in other euro area countries (5.47%) and bonds issued in the rest of the world (5.22%).

Broken down by sector, the aggregated securities portfolio was dominated by securities issued by banks (Sector S.122) with a share of 62.35%, followed by government bonds (Sector S.13) with a share of 34.93% as at end-March 2014.

Broken down by residual maturity, the other funds' portfolio had the following composition: securities with a maturity of up to one year (38.9%), securities with a maturity of over one and up to two years (8.6%), and securities with a maturity of over two years (52.5%).

Chart 95 Maturity breakdown of debt securities in portfolio of other funds as at 31 March 2014 (EUR millions)



Source: NBS.



LEASING COMPANIES, FACTORING COMPANIES, AND CONSUMER CREDIT COMPANIES

4 LEASING COMPANIES, FACTORING COMPANIES, AND CONSUMER CREDIT COMPANIES

According to the sectoral classification of economic entities, the companies under analysis are included in the S.123 sector – *other financial intermediaries*⁵, as a subcategory referred to as *financial corporations engaged in lending*.

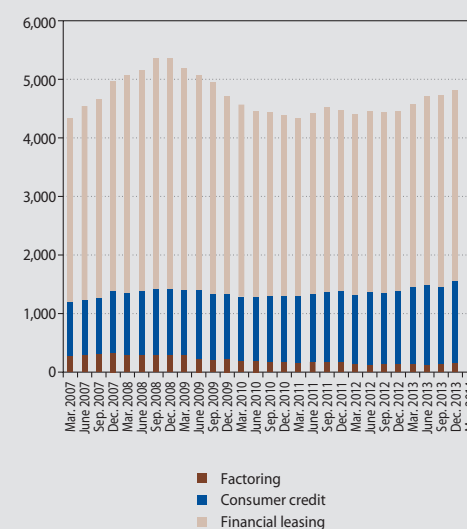
The first quarter of 2014 proved successful for all three types of companies falling into this category.

The favourable trend in the consumer credit market from the previous periods continued throughout the first quarter of 2014. By 31 March 2014, the total assets of consumer credit companies had grown by 15.2%, compared with the figure for 31 March 2013. The rate of growth accelerated in comparison with the previous quarter by 3.2 percentage points.

The total assets of factoring companies increased in value by 12% over the first quarter of 2014, compared with the figure for end-March 2013.

The total assets of leasing companies continued to grow in the quarter under review, as in the previous quarter. By 31 March 2014, the value of these assets had increased by 4.67% compared with the figure for 31 March 2013.

Chart 96 Evolution of total assets by type of business (EUR millions)



Source: NBS.

Among companies engaged in non-bank lending, the dominant position has historically been maintained by leasing companies. They had a market share of 66% as at the end of the first quarter of 2014.

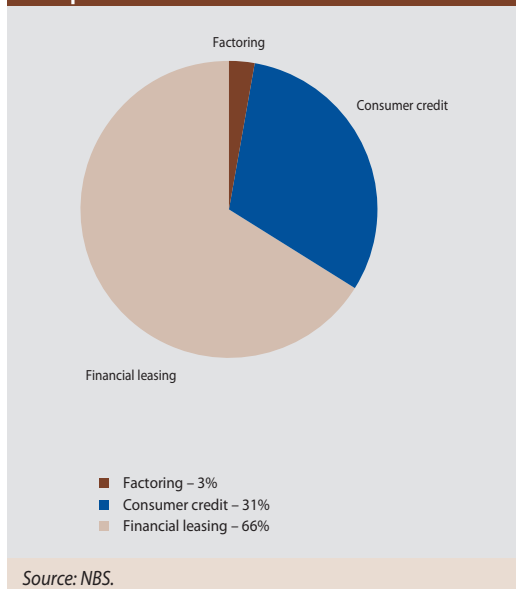
Table 9 Year-on-year changes in total assets of financial corporations engaged in lending

Total assets	Year-on-year change in %				
	III. 13	VI. 13	IX. 13	XII. 13	III. 14
Financial leasing	1.07	4.39	6.20	5.87	4.67
Factoring	1.41	-0.63	6.38	8.78	12.00
Consumer credit	10.32	10.07	7.17	12.43	15.20

Source: NBS.

⁵ The European System of National Accounts (ESA 95) defines other financial intermediaries, except insurance corporations and pension funds as financial corporations and quasi-corporations engaged mainly in financial intermediation through the acceptance of liabilities in forms other than cash, deposits and/or close substitutes for deposits from institutional units other than monetary financial institutions, or insurance technical reserves.

Chart 97 Financial corporations engaged in lending: Assets share of included companies as at 31 March 2014



The geographical breakdown of credits and loans provided by domestic companies engaged in non-bank lending indicates that such credits and loans are used predominantly by domestic customers.

As at the end of the quarter under review, loans offered by domestic leasing companies were used exclusively by domestic customers.

As at 31 March 2013, domestic consumer credit companies had predominantly domestic customers (90.33%). Customers from other euro area Member States accounted for 9.67%.

The share of domestic customers in the clientele of factoring companies changed at the beginning of 2013, when new reporting entities entered the market. As at 31 March 2014, domestic customers accounted for approximately 79%. They were followed by customers from the rest of the world, particularly from EU Member States, with a share of 15% as at end-March 2014. The remaining 6% was made up by customers from other euro area countries.

The clientele of factoring companies has historically been dominated by non-financial corpora-

tions, owing to the nature of their activities. As at end-March 2014, they accounted for 98.88% of all customers.

Financial leasing services were also used primarily by non-financial corporations (87.94%), followed by households (10.87%) and other sectors (1.19%).

The sale of consumer goods against payment by instalment has historically been an important form of household financing in Slovakia. Hence, the structure of domestic customers was dominated in the period under review by households (Sector S.14), with a share of 94.41% as at 31 March 2014. They were followed by non-financial corporations (Sector S.11) with a share of 4.85% and by other financial intermediaries (Sector S.123) with a share of 0.74%.

Regarding the flow of funds across the individual economic sectors, an interesting aspect is the allocation of financial resources to the types of companies under analysis, for the provision of credits and loans through non-bank lending channels.

Chart 98 Geographical and sectoral breakdown of financial leasing companies lending as at 31 March 2014

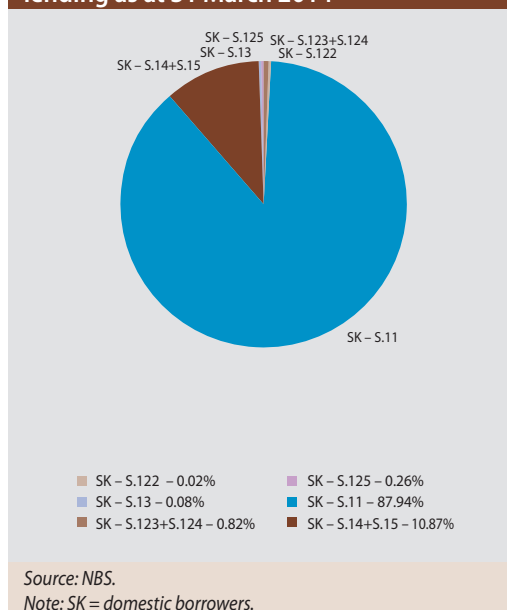
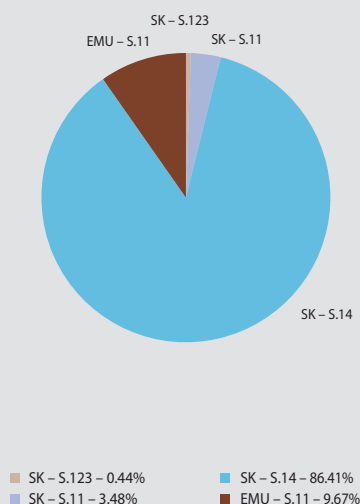




Chart 99 Geographical and sectoral breakdown of consumer credit companies lending as at 31 March 2014



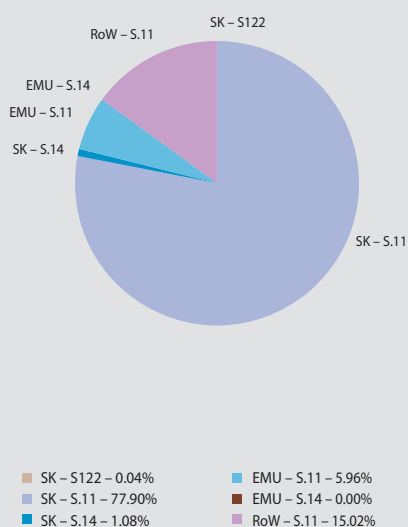
Source: NBS.

Note: SK = domestic borrowers; EMU = borrowers from other euro area member states.

As in the previous periods, the main source of financing was foreign (borrowed) capital representing 73.3% of the total financial resources. Foreign capital was obtained mostly in the form of bank loans, which accounted for 71.28% as at 31 March 2014. The rest was obtained in the form of proceeds from issues of debt securities (15.94%) and credits or loans borrowed from companies belonging to the same group (12.79%).

The main components of own capital were share capital, retained earnings from previous periods, shares and other equity participations.

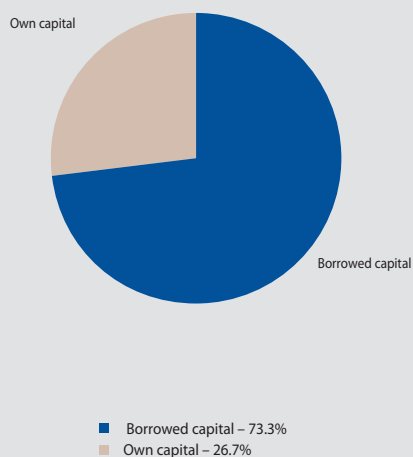
Chart 100 Geographical and sectoral breakdown of factoring companies lending as at 31 March 2014



Source: NBS.

Note: SK = domestic borrowers; EMU = borrowers from other euro area member states; RoW = borrowers from the rest of the world.

Chart 101 Breakdown of source capital as at 31 March 2014



Source: NBS.



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 5

SECURITIES

5 SECURITIES

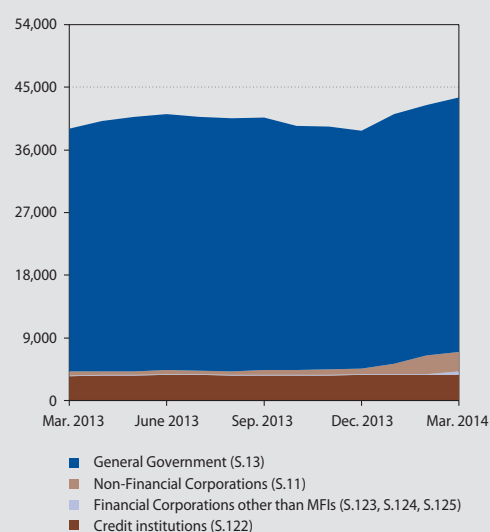
5.1 DEBT SECURITIES

The total amount of debt securities issued has historically been dominated by government bonds. Their outstanding amount as at end-March 2014 stood at €36,595.5 million. Bank bonds, including mortgage bonds, represented the second most significant component with a total amount of €3,810.8 million. The share of non-monetary financial institutions increased significantly in comparison with the previous quarter and reached a level comparable to that of monetary financial institutions (€3,452.4 million).

The total issue amount in net terms increased in comparison with the previous quarter, i.e. the amount of new issues exceeded that of repaid issues, by €2,688.8 million. In the case of monetary financial institutions, the net issue amount increased by €88.5 million. Non-monetary financial institutions recorded an increase of €191.6 million in the net issue amount. The net issue amount in the general government sector increased by as much as €2,408.7 million in the quarter under review.

The outstanding issue amount increased by 6.56% in the first quarter of 2014. The last quarter of 2013 recorded only a modest increase (+0.78%) in the outstanding issue amount. This increase was caused by growth in the outstand-

Chart 102 Debt securities by sector (outstanding amounts, EUR millions)



Source: NBS.

ing issue amounts in three sectors: the general government (+7.08%), monetary financial institutions (+2.37%), and non-monetary financial institutions (+5.88%).

In the first quarter of 2014, the outstanding issue amount increased month-on-month in all three months under review: in January by 4.3%, in February by 0.4%, and in March by 1.7%.

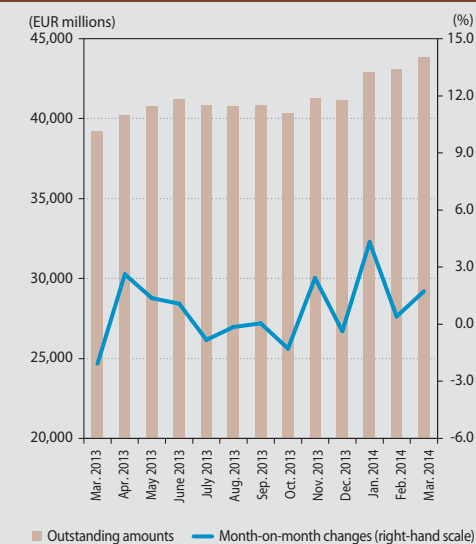
Table 10 Debt securities (EUR thousands)

Month	Outstanding amounts				Net issues			
	Total	Monetary Financial Institutions	Non-Monetary Financial Institutions	General Government	Total	Monetary Financial Institutions	Non-Monetary Financial Institutions	General Government
2013 / 03	39,206,671	3,679,789	654,888	34,871,994	2,306,170	177,340	24,133	2,104,697
2013 / 06	41,225,466	3,599,703	803,364	36,822,400	2,060,851	-78,532	148,617	1,990,765
2013 / 09	40,841,742	3,661,612	888,663	36,291,466	-356,414	61,227	85,152	-502,793
2013 / 12	41,158,966	3,722,405	3,260,832	34,175,729	406,023	69,653	2,375,007	-2,038,636
2014 / 03	43,858,691	3,810,780	3,452,430	36,595,481	2,688,814	88,455	191,619	2,408,739

Source: NBS.

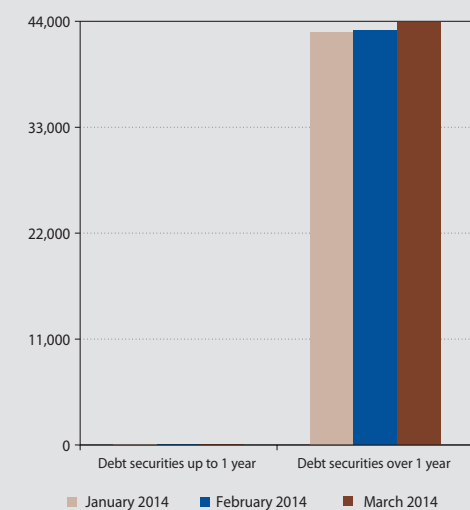


Chart 103 Debt securities (outstanding amounts, month-on-month changes)



Source: NBS.

Chart 104 Debt securities (outstanding amounts, EUR millions, Q1 2014)



Source: NBS.

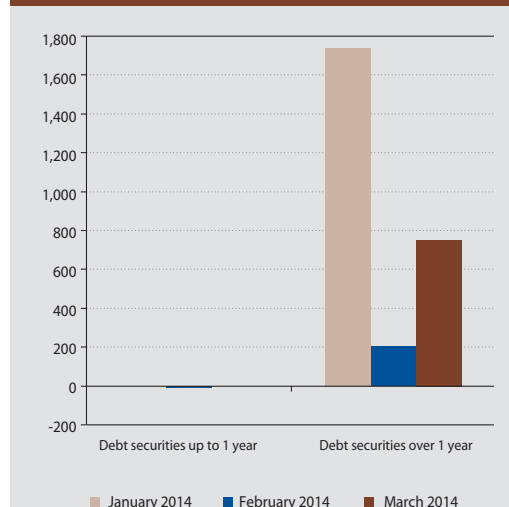
During the first quarter of 2014, a total of 31 new issues were placed on the securities market, of which 15 were issued by banks, 12 by non-financial corporations, and 4 by the general government (government bond issues), of which 3 were placed on foreign markets.

The amount of short-term debt securities decreased in net terms by €7.2 million during the first quarter. In the monetary financial institutions sector, the net issue amount decreased by €11.2 million, while the non-financial corporations sector recorded an increase of €4.0 million in the net issue amount.

The total issue amount of long-term debt securities in net terms increased by €2,696.0 million in the period under review. The net issue amount of government bonds⁶ increased by €2,408.7 million, while that of bank bonds increased by €99.7 million. Non-financial corporations sector recorded a net issue amount of €217.7 million. The other sectors recorded a decrease of €30.0 million in the net issue amount.

According to classification by sector, the largest share of the outstanding issue amount was accounted for by the general government sector (more than 83%), followed by monetary financial institutions (almost 9%) and non-monetary financial institutions (almost 8%). According to the coupon type, the majority of issues had a fixed coupon (more than 86%) which is followed by a variable coupon (more than 11%). Zero-coupon issues accounted for less than 2.5%. The is-

Chart 105 Debt securities (net issues, EUR millions, Q1 2014)



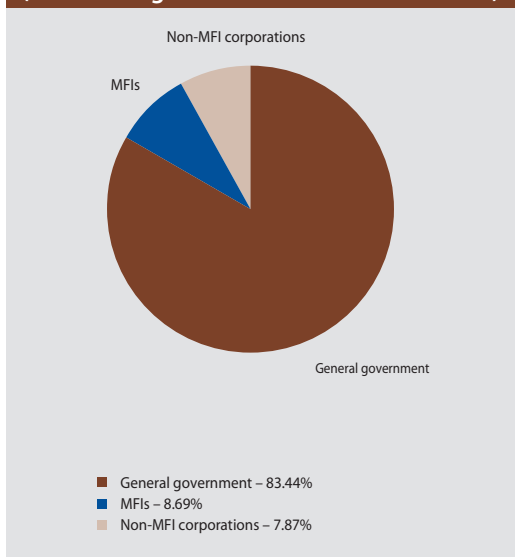
Source: NBS.

⁶ The government bond issues in question are new tranches of existing issues.

sues were denominated mostly in euro (almost 93%); only about 7% of them were in other currencies. As for maturity, only a minor part (less

than 0.1%) of the issues had an original maturity of up to one year, but more than 14% of them had a residual maturity of up to one year.

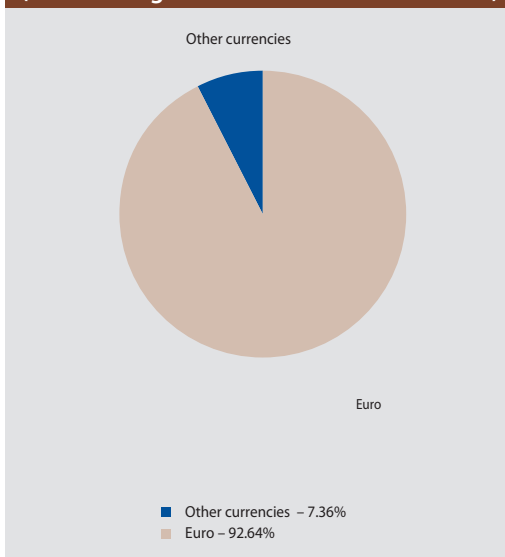
Chart 106 Debt securities by sector
(outstanding amounts as at 31 March 2014)



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 31 March 2014.

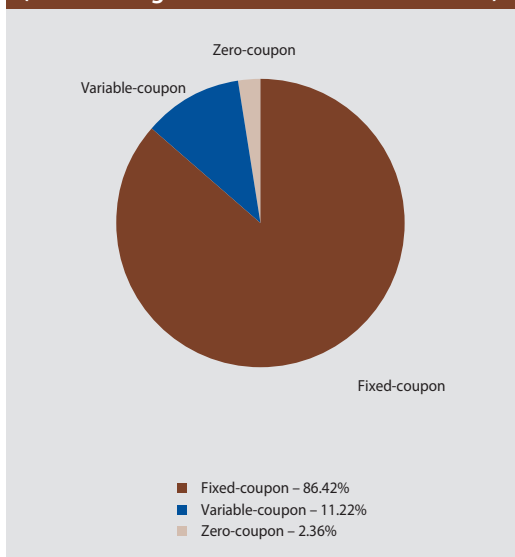
Chart 108 Debt securities by currency
(outstanding amounts as at 31 March 2014)



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 31 March 2014.

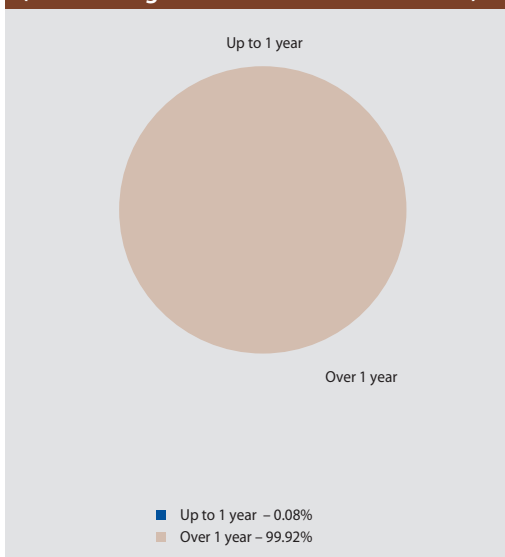
Chart 107 Debt securities by coupon type
(outstanding amounts as at 31 March 2014)



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 31 March 2014.

Chart 109 Debt securities by original maturity
(outstanding amounts as at 31 March 2014)

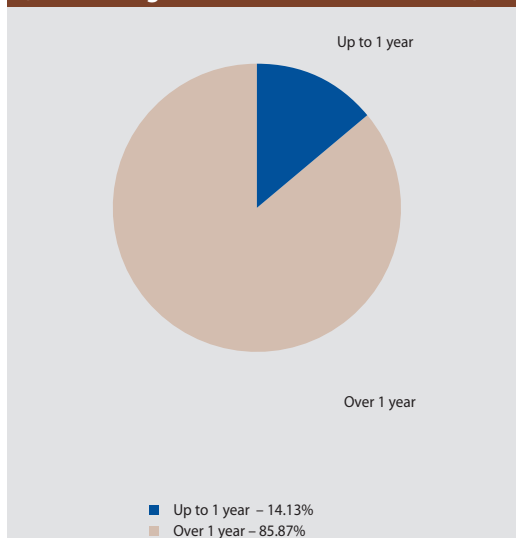


Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 31 March 2014.



**Chart 110 Debt securities by residual maturity
(outstanding amounts as at 31 March 2014)**



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 31 March 2014.

non-financial corporations sector) as a function of the issue amount and maturity.

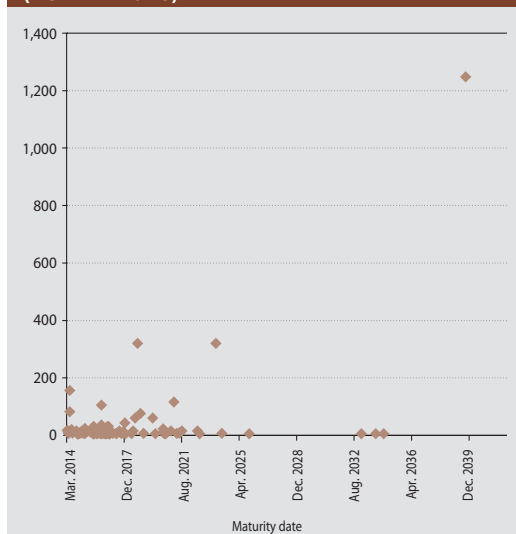
The most numerous debt securities placed on the domestic market by non-financial corporations are those with an outstanding amount of up to €10 million and maturity in 2017. The largest outstanding issue amount is more than €1.2 billion and the longest maturity period exceeds 25 years.

The largest outstanding issue amount of debt securities issued by banks is up to €40 million and the longest maturity period is until 2018. The largest outstanding issue amount fluctuates around €100 million and the longest maturity period is until 2037.

The number of debt securities issues made in the government sector is lower than the number of issues made in the aforementioned two sectors, but the outstanding amount is much higher in the former case. The issue with the highest outstanding amount is worth €3.0 billion. The most recent issue will mature in 2033.

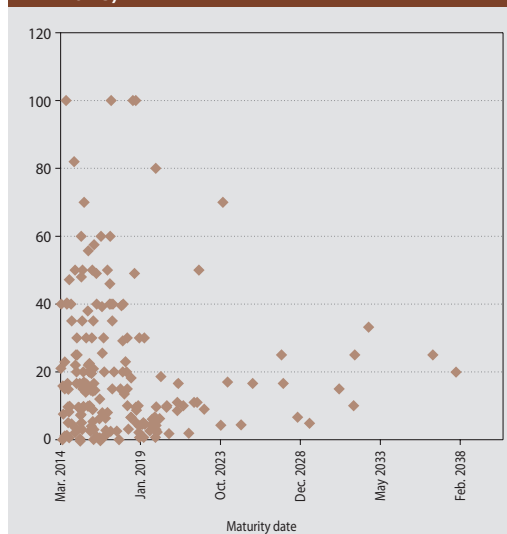
The following charts illustrate the outstanding amounts of issues in the three key sectors (the government sector, the banking sector, and the

Chart 111 Debt securities: outstanding amounts of domestic issues in S.11 sector (EUR millions)



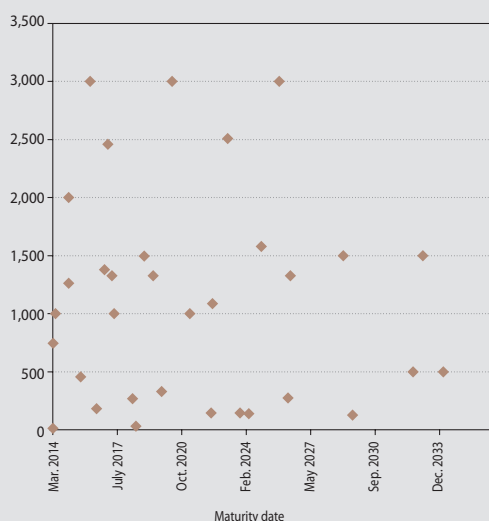
Source: NBS.

Chart 112 Debt securities: outstanding amounts of issues in S.122 Sector (EUR millions)



Source: NBS.

Chart 113 Debt securities: outstanding amounts of issues in S.13 Sector (EUR millions)

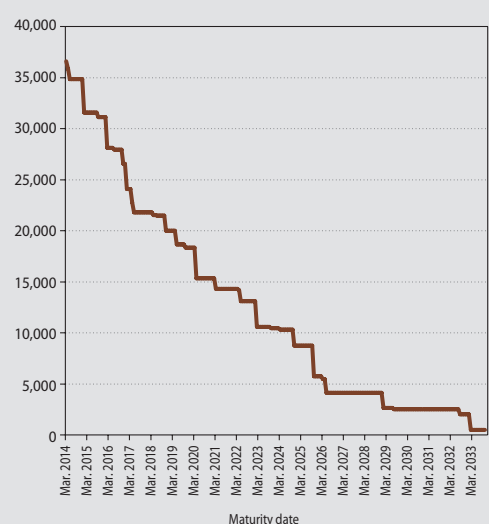


Source: NBS.

The maturity profile illustrates the course of government debt repayment based on the assumption that no new government bonds will be issued and all the existing issues will be repaid in due time.

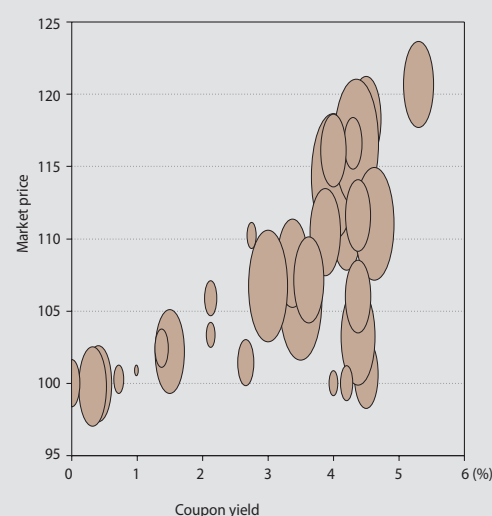
The following chart illustrates the outstanding amounts of coupon-paying government bonds as a function their market price and coupon yield as at the end of the first quarter of 2014. The average market price⁷ of these government bonds stood at 109.28% and the coupon yield was 3.58% at that time.

Chart 114 Government bonds: maturity profile (EUR millions)



Source: NBS.

Chart 115 Government bonds: outstanding amounts (coupon bonds only, %)



Source: CSDB, issue conditions.

Note: The bubble in this chart is directly proportional in size to the outstanding amounts of the individual issues, while the centre of the bubble is given by the intersection of the market price (Source: ECB Centralised Securities Database) and the coupon yield (Source: Issue conditions).

⁷ Arithmetical average weighted by the outstanding amount of issues.

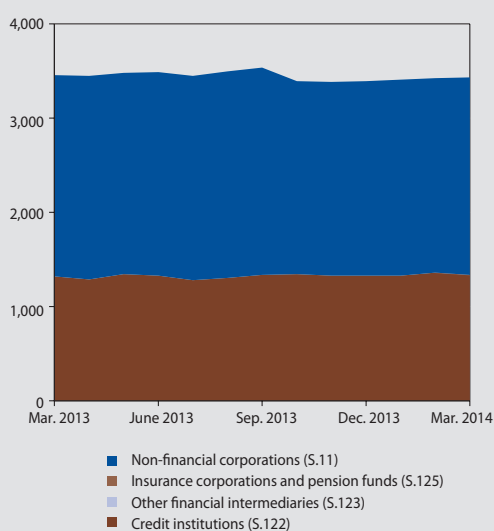
5.2 QUOTED SHARES

By the end of March 2014, the outstanding amount of quoted share issues had increased by €38.8 million, compared with the end of the previous quarter. This increase took place in credit institutions (+€14.9 million) and non-financial corporations (+€23.8 million). In the insurance corporations and pension funds sector, the outstanding amount of quoted shares remained unchanged in comparison with the previous quarter. Total market capitalisation stood at €3,430.4 million as at the end of the first quarter of 2014.

The outstanding amount of quoted share issues increased by 1.14% compared with the previous quarter. A quarter-on-quarter increase in quoted shares was also reported by credit institutions (+1.1%) and non-financial corporations (+1.2%).

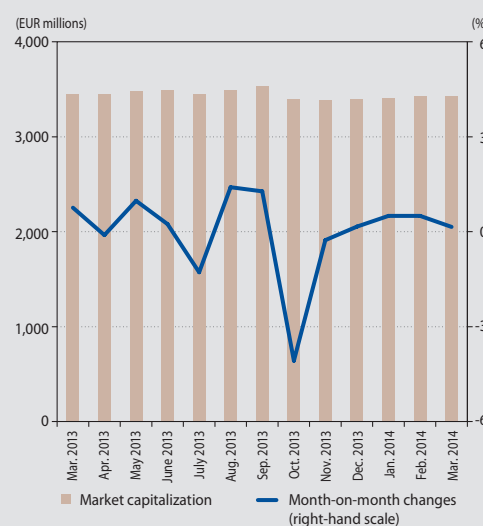
During the first quarter of 2014, the outstanding amount of quoted share issues showed a month-on-month increase in all three months: +0.5% in January, +0.5% in February, and +0.1% in March.

Chart 116 Quoted shares: market capitalization by sector (EUR millions)



Source: NBS.

Chart 117 Quoted shares (market capitalization, month-on-month changes)



Source: NBS.

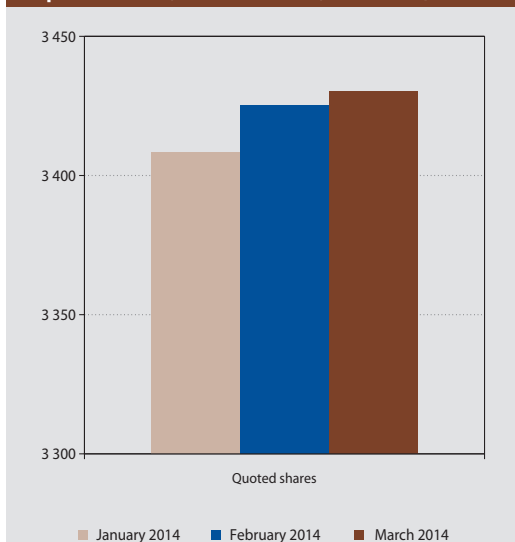
Table 11 Quoted shares (EUR thousands)

Outstanding amounts				
Month	Total	Credit Institutions	Insurance Corp. and Pension Funds	Non-Financial Corporations
2013 / 03	3,453,300	1,321,117	225	2,131,958
2013 / 06	3,491,702	1,327,927	225	2,163,549
2013 / 09	3,539,657	1,335,075	225	2,204,357
2013 / 12	3,391,595	1,324,676	225	2,066,694
2014 / 03	3,430,374	1,339,630	225	2,090,519

Source: NBS.

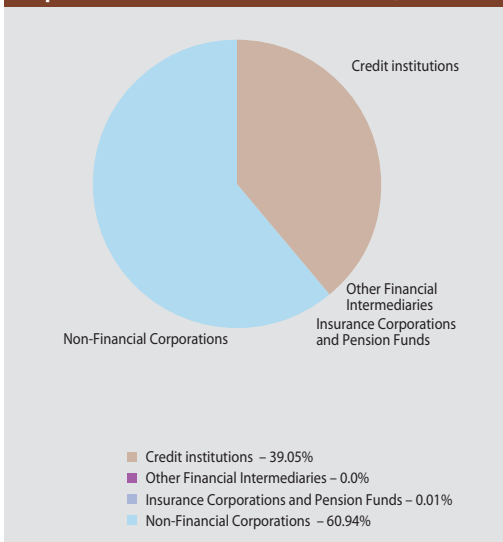


Chart 118 Quoted shares (market capitalization, EUR millions, Q1 2014)



Source: NBS.

Chart 119 Quoted shares by sector (market capitalization as at 31 March 2014)



Source: NBS.

Broken down by sector, the largest share in market capitalisation, i.e. almost 61%, was accounted for by non-financial corporations, which were followed by credit institutions with a share of more than 39%. The other sectors were insignificant in this respect.



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 6

SELECTED MACROECONOMIC INDICATORS



6 SELECTED MACROECONOMIC INDICATORS

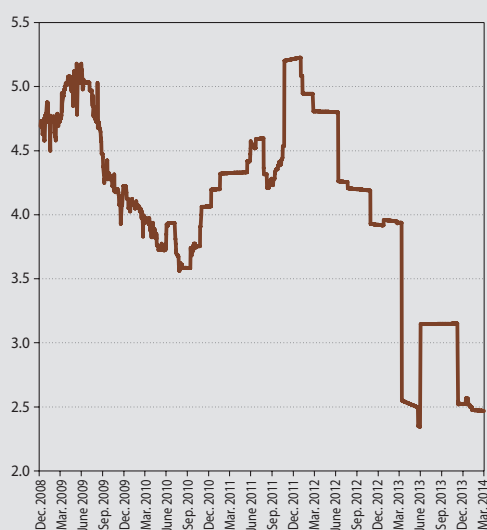
6.1 LONG-TERM INTEREST RATES

With effect from 1 July 2013, the approach based on a 'basket of bonds' was replaced with a 'benchmark-oriented' approach,⁸ using the government bond SK4120009044 as a benchmark. This approach with the same bond remained in force throughout the first quarter of 2014. During this period, the interest level fell from 2.52% as at end-December 2013 to 2.46% as at end-March 2014.

6.2 KEY ECB INTEREST RATES

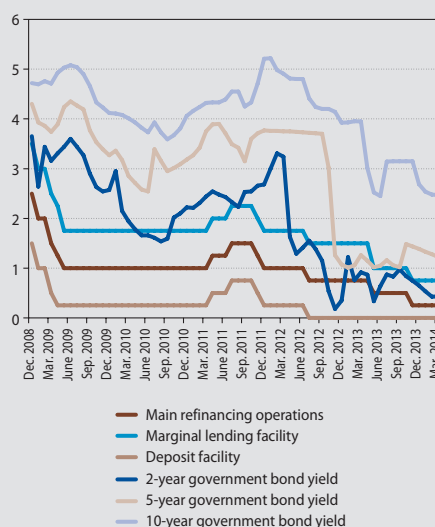
The key ECB interest rate on the main refinancing operations remained unchanged in comparison with the last quarter of 2013, at 0.25%.⁹ The key rates for overnight refinancing operations (the marginal refinancing facility) and overnight sterilisation operations (the deposit facility) were also kept unchanged, at 0.75% and 0.00% respectively. Two-year government bond yields decreased by 0.22% quarter-on-quarter (from 0.65% to 0.43%), five-year government bond yields decreased from 1.39% to 1.22%, and ten-year government bond yields decreased from 2.69% to 2.47%.

Chart 120 Benchmark – yield to maturity (p.a.)



Source: BCPB.

Chart 121 Interest rates (p.a.)



Source: ECB, BCPB.

⁸ See 'Methodological Notes' in Part 7.6. Long-term interest rates.

⁹ The current value of the key ECB interest rate has been in force since 13 November 2013.



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EUROSYSTEM

CHAPTER 7

METHODOLOGICAL NOTES

7 METHODOLOGICAL NOTES

7.1 BALANCE-SHEET STATISTICS OF MONETARY FINANCIAL INSTITUTIONS

Credit institutions in Slovakia: banks and branches of foreign banks operating in Slovakia, (except Národná banka Slovenska).

Household sector – this sector includes:

a/ Households (S.14): a sub-sector comprising households (sole proprietors) and the population (citizens). Households (sole proprietors) are private entrepreneurs not registered in the Commercial Register, doing business under the Trade Licensing Act, and natural persons doing business under a law other than the Trade Licensing Act and not registered in the Commercial Register, and private farmers not registered in the Commercial Register. The population includes households in their capacity as final consumers (citizens' accounts).

b/ Non-profit institutions serving households (S.15): a sub-sector comprising civic interest associations (unions, societies, movements, trade unions, etc.) and their organisational units, political parties and movements, their organisational units, church and religious societies, and institutions ensuring the proper conduct of certain professions (professional organisations). This sub-sector also includes the following institutions: funds; apartment owners' associations; land, forest and pasture associations; organisations providing publicly beneficial services; humanitarian societies; social, cultural, recreational and sports associations and clubs; charities; church and private schools; private preschool facilities; non-public special-purpose funds (e.g. the anti-drug fund); interest associations of legal entities.

Monetary financial institutions (MFI): financial institutions which together form the money-issuing/creating sector of the euro area. These include resident central banks, credit institutions and other resident financial institutions whose business is to receive deposits and/or other redeemable instruments from entities other than MFIs and, for their own account (at least in eco-

nomic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds, i.e. funds investing in short-term and low-risk instruments, which usually have a maturity of up to and including one year.

Non-financial corporations (S.11): business entities that are registered in the Commercial Register, i.e. domestic or foreign corporate entities, domestic natural persons registered in the Commercial Register and engaged in profit-oriented activities in any area of business, except in financial intermediation and insurance. The non-financial sector also includes subsidised organisations, public institutions and non-profit institutions whose expenses are covered with sales by 50 percent or more.

Non-performing loans: defaulted loans that are subject to the provisions of Section 73 of NBS Decree No. 4/2007 of 13 March 2007 (as amended) on banks' own funds and own funds requirements and on investment firms' own funds and own funds requirements.

A specific borrower is considered to be in default if

a) the bank assesses that the borrower will probably fail to meet its commitments to the bank, its subsidiary or parent company, without the security being realised;

or

b) the borrower is more than 90 days in arrears with a significant commitment to the bank, its subsidiary or parent company.

Principle of residency: the principle that a counterparty's country of residence is the country in which the counterparty has a centre of economic interest. This means that an economic agent is considered to be resident in the country where the agent operates for one or more years, or intends to operate on a permanent basis, or where the agent has already been registered.

Remaining assets: a residual item on the asset side of the balance sheet. In addition to fixed assets and financial derivatives with a positive fair value, this item includes, for example, accrued

revenues, including accrued interest received; profit share to be received; prepaid expenses; prepaid insurance premiums; outstanding insurance claims; claims of credit institutions not related to their main business; other cash items and cash in transit, transit items, suspense items, collection claims, advance payments and other asset items not elsewhere classified.

Remaining liabilities: a residual item on the liability side of the balance sheet. This item includes, for example, financial derivatives with a negative fair value; accrued expenses, including accrued interest payable on deposits and loans received, and on securities; profit share to be paid; deferred revenues; liabilities of credit institutions not related to their main business; provisions representing liabilities towards third parties; transit items; suspense items; funds waiting for settlement; subsidies; net equity of households in pension fund reserves, liabilities arising from collection, prepayments received and other liability items not elsewhere classified.

7.2 INTEREST RATE STATISTICS OF MONETARY FINANCIAL INSTITUTIONS

Harmonised MFI interest rate statistics are compiled from data obtained from credit institutions on deposits received from, and loans provided to, non-financial corporations and households, which are both Slovak and euro area residents. The term *households* refers to the population, including households, sole proprietors and non-profit institutions serving households. The term *new loans* or *new deposits* covers all new deposits received or loans granted during the respective reference month.

The term *outstanding amount* of loans or deposits means balances at the end of the respective reference period. Interest rates applied by credit institutions on loans or deposits are calculated as weighted arithmetic averages of the rates agreed on an annual basis.

In the case of loans provided to households for *house purchase* and *loans for consumption*, the *annual percentage rate of charge* is also reported to express the borrower's total credit-related costs. The borrower's total costs comprise the element of interest rate and the element of other

credit-related costs. The collection of the annual percentage rates of charge for statistical purposes allows developments in credit-related charges to be monitored over time.

Secured loans represent a new category, which is required for the compilation of interest rate statistics as from 2010. These are the loans secured by any type of collateral or a personal guarantee, the value of which is higher than, or equal to, the new loan's total volume. A partially secured loan is to be classified as unsecured.

The category of *loans of up to €1 million* for non-financial corporations is designed specifically for small and medium-sized enterprises. The *loans of over €1 million* category is intended for large corporations. Interest rates reflect the borrower's economic power to negotiate appropriate credit terms and conditions. Interest rate developments indicate that loans of *up to €1 million* are provided at higher rates than loans of *over €1 million*.

Agreed average annual interest rate: average interest rate individually agreed between a bank and its customer for a loan, expressed in annualised terms (percentage per annum). An agreed average annual rate is to be determined on the basis of all interest rates on loans.

An agreed interest rate is converted into an average annual interest rate according to the formula:

$$x = \left(1 + \frac{r_{ag}}{n} \right)^n - 1,$$

where

- x is the agreed average annual interest rate;
- r_{ag} is the annual interest rate agreed between the bank and its customer (borrower). The dates of loan interest capitalisation are set for the year at regular intervals;
- n is the number of periods of loan interest capitalisation per year, i.e. 1 for annual payments; 2 for semi-annual payments, 4 for quarterly payments, and 12 for monthly payments.

Interest rate statistics (outstanding amounts): these cover the outstanding amounts of bank loans of all types provided to customers and not yet repaid, and the outstanding amounts of all deposits received from customers and not yet redeemed, in all periods up to the date of report-



ing (reference period). The average interest rates agreed are expressed in annualised terms (p.a.). The method of calculation depends on the periodicity of capitalisation. The criterion for outstanding amount classification is the maturity of loans or the term of deposits.

Interest rate statistics (new business): these cover all the new loan and deposit agreements made between banks and their customers in the period under review (month). This applies to any agreement in which an interest rate is set for the first time, as well as to existing agreements that are renegotiated with the customers and in which the original terms and conditions are changed with an impact on interest levels (e.g. the new agreement is not prolonged automatically, variable interest rates are not changed, etc.). Interest rate statistics on new transactions cover the actual rates of interest agreed in individually negotiated agreements in the reference month. The method for calculating the average interest rates agreed, in annualised terms, depends on the periodicity of capitalisation.

Initial rate fixation: the period of time, set in advance, during which the interest rate on a loan is fixed. In interest rate statistics for new loans (new business), **only** the rate agreed for an initial fixation period prior to the loan agreement is reported. Loans **without** interest rate fixation are included in the category of 'variable rates and initial rate fixation for up to one year'.

7.3 STATISTICS OF MUTUAL FUNDS

Under the act on collective investment No. 203/2011 Coll., mutual funds are divided into open-end funds, closed-end funds, and specialised funds. Open-end mutual funds can be categorised according to the type of instrument in which they primarily invest. According to the area of investment, mutual funds are divided into money market funds, equity funds, bond funds, mixed funds, real estate funds, and other funds. The investment strategy of a fund is directly related to the expected rate of return, as well as to the risk involved. The general rule is that the higher the potential return, the higher the risk involved. Limits for investment in the individual types of instruments are defined in the Collective Investment Act.

According to the sectoral classification of economic entities, money market funds are treated as *monetary financial institutions* (S.122) and other categories of mutual funds, referred to as investment funds, are treated as *other financial intermediaries* (S.123).

The statistics of mutual funds assets and liabilities are defined by the relevant regulations and guidelines of the European Central Bank¹⁰.

Money market funds (MMFs) are collective investment undertakings complying with the following criteria:

- a) they pursue the investment objective of maintaining a fund's principal and providing a return in line with the interest rates of money market instruments;
- b) they invest in money market instruments which comply with the criteria for money market instruments set out in Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations, and administrative provisions relating to undertakings for collective investment in transferable securities, or deposits with credit institutions or, alternatively, ensure that the liquidity and valuation of the portfolio in which they invest is assessed on an equivalent basis;
- c) they ensure that the money market instruments they invest in are of high quality, as determined by the management company. The quality of a money market instrument shall be considered, inter alia, on the basis of these factors:
 - the credit quality of the money market instrument;
 - the nature of the asset class represented by the money market instrument;
 - for structured financial instruments, the operational and counterparty risk inherent within the structured financial transaction;
 - the liquidity profile;
- d) they ensure that their portfolio has a weighted average maturity of no more than six months and a weighted average life of no more than twelve months;
- e) they provide daily net asset value and a price calculation of their shares/units, and daily subscription and redemption of shares/units;
- f) they limit investment in securities to those with a residual maturity until the legal re-

¹⁰ Regulation (EC) No. 958/2007 of the European Central Bank of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8). (http://www.ecb.int/ecb/legal/pdf/l_21120070811en00080029.pdf)
Regulation (EC) No. 25/2009 of the European Central bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (ECB/2008/32) (http://www.ecb.int/ecb/legal/pdf/l_01520090120en00140062.pdf), as amended by ECB Regulation No. ECB/2011/12.
Guideline of the European Central Bank of 1 August 2007 on monetary, financial institutions and markets statistics (ECB/2007/9) (<http://www.ecb.int/ecb/legal/pdf/02007o0009-20100701-en.pdf>), as amended by the Guidelines ECB/2008/31, ECB/2009/23 and ECB/2011/13.



demption date of less than or equal to two years, provided that the time remaining until the next interest rate reset date is less than or equal to 397 days, whereby floating rate securities should be reset to a money market rate or index;

- g) they limit investment in other collective investment undertakings to those complying with the definition of MMFs;
- h) they do not take direct or indirect exposure to equity or commodities, including via derivatives, and only use derivatives in line with the money market investment strategy of the fund. Derivatives which give exposure to foreign exchange may only be used for hedging purposes. Investment in non-base currency securities is allowed provided the currency exposure is fully hedged;
- i) they have either a constant or fluctuating net asset value.

The following terms are used in the definition of a money market fund:

Close substitutability for deposits in terms of liquidity: the ability of shares/units of collective investment undertakings, under normal market circumstance, to be repurchased, redeemed or transferred, at the request of the holder, where the liquidity of the shares/units is comparable to the liquidity of deposits.

Money market instruments: instruments of a high credit quality, if they have been awarded one of the two highest available short-term credit ratings by each recognised credit rating agency that has rated the instruments or, if the instruments are not rated, they are of an equivalent quality as determined by the management company's internal rating process. Where a recognised credit rating agency divides its highest short-term rating into two categories, these two ratings shall be considered as a single category and therefore the highest rating available.

When the weighted average lifetime and the weighted average maturity are calculated, the impact of financial derivative instruments, deposits and efficient portfolio management techniques are to be taken into account.

Undertakings for collective investment: undertakings the sole object of which is the collec-

tive investment in transferable securities of capital raised from the public and the shares/units of which are, at the request of holders, redeemed directly or indirectly, out of those undertakings' assets. Such undertakings may be constituted under the law of contract (as *common funds* managed by an asset management company), or under the trust law (as *unit trusts*), or under the commercial law (as *investment companies*).

Weighted average life: the weighted average of the remaining maturity of each security held in a fund, meaning the time until the principal is repaid in full, disregarding interest and not discounting. Contrary to the calculation of the weighted average maturity, the calculation of the weighted average life for floating rate securities and structured financial instruments does not permit the use of interest rate reset dates and instead only uses a security's stated final maturity. The weighted average life is used to measure the credit risk: the longer the reimbursement of principal is postponed, the higher the credit risk. The weighted average life is also used to limit the liquidity risk.

Weighted average maturity: a measure of the average length of time to maturity of all of the underlying securities in the fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to a money market rate, rather than the time remaining before the principal value of the security must be repaid. In practice, weighted average maturity is used to measure the sensitivity of a MMF to changing money market interest rates.

7.4 STATISTICS OF OTHER FINANCIAL INTERMEDIARIES

The European System of National Accounts (ESA 95) defines *other financial intermediaries, except insurance corporations and pension funds – sector S.123* (hereinafter 'OFI') as financial corporations and quasi-corporations engaged mainly in financial intermediation through the acceptance of liabilities in forms other than cash, deposits, and/or close substitutes for deposits from institutional units other than monetary financial institutions, or insurance technical reserves.



The S.123 sector comprises the following types of companies:

1. **Investment funds** – mutual funds other than money market funds;
2. **Financial companies engaged in lending** – companies granting credits and loans to non-financial corporations and households. They include financial leasing companies, factoring companies, and consumer credit companies.
3. **Securities and derivatives dealers** – private individuals or firms specialising in securities market transactions; 1) they provide assistance to companies issuing new securities, provide guarantee for new securities and their placement on the market; 2) they trade in existing or new securities **for their own account**.
4. **Financial holding companies**
5. **Special-purpose vehicles** – financial companies created to be holders of securitised assets or liabilities that have been removed from the balance sheets of corporations within the scope of their restructuring.

Other financial intermediaries are engaged primarily in long-term financing, which distinguishes the S.123 sector from that of S.122 (monetary financial institutions).

Data on OFIs need to be collected for the purpose of monitoring their activities in financial intermediation outside the *monetary financial institutions* sector (MFIs – banks, branches of foreign banks, and money market funds). The activities performed by OFIs are similar to those pursued by MFIs. The two types of institutions complement each other. Since the balance sheets of MFIs reported to the European Central Bank for statistical purposes contain no data on OFIs (though OFIs are owned fully or partly by MFIs), statistical data on OFIs need to be collected for the sake of a more detailed statistical overview.

The NBS Statistics Department has been monitoring these institutions since 2007, when their obligation to report data to NBS was imposed by an NBS decree¹¹. The range of data reported complies in full with the current requirements¹² of the European Central Bank regarding the statistics of other financial intermediaries.

In order to minimise the costs related to the reporting of data to NBS, the so-called stratified

cut-off tail sampling technique is applied, with data collected only from entities forming a representative sample within the given group, i.e. from entities representing at least 95% of the group's total assets. In 2012, quarterly balance-sheet data are collected from eighteen (out of ca 70) companies providing financial leasing services as the main or substantial part of their business activity, from eight (out of ca 60) consumer credit companies, and from all five factoring companies. The missing data are supplemented with estimated figures, in order that the given types of entities are covered up to 100%.

7.5 SECURITIES STATISTICS

7.5.1 SECURITIES ISSUANCE STATISTICS

The compilation of securities issues statistics is governed by the relevant guideline of the European Central Bank¹³. These statistics provide information on all debt securities and quoted shares issued by domestic entities in any currency and in any country.

The individual issues are classified according to the sector of issuer. Further classification is made according to currency (issues in euro or other currency), type of security (debt or quoted securities), and according to the original maturity (short-term up to one year or long-term over one year). Debt securities are further divided according to the type of coupon yield (fixed, variable, or zero coupon).

Debt securities statistics focus on the outstanding amounts of issues (stocks) and flows, which are broken down into gross issues and redemptions. The difference between them represents issues in net terms.

a) Gross issues

Gross issues during the reporting period must include all issues of debt securities and quoted shares where the issuer sells newly created securities for cash. They concern the regular creation of new instruments. The point in time at which issues have been concluded is defined as the time at which payment is made; the recording of issues must therefore reflect as closely as possible the timing of payment of the underlying issue.

11 Decrees of Národná banka Slovenska No. 6/2006, No. 14/2007 and No. 22/2008 on reporting by factoring, leasing and consumer credit companies for statistical purposes.

12 Guideline of the European Central Bank No. 9/2007 on monetary, financial institutions and markets statistics, as amended by Guidelines Nos. 31/2008, 23/2009 and 13/2011. (Annex III, Part 11), (<http://www.ecb.int/ecb/legal/pdf/02007o0009-20100701-en.pdf>).

13 Guideline of the European Central Bank No. 9/2007 on monetary, financial institutions and markets statistics, as amended by Guidelines Nos. 31/2008, 23/2009 and 13/2011. (Annex III, Part 12), (<http://www.ecb.int/ecb/legal/pdf/02007o0009-20100701-en.pdf>).

b) Redemptions

Redemptions during the reporting period cover all repurchases of debt securities and quoted shares by the issuer, where the investor receives cash for the securities. Redemptions concern the regular deletion of instruments. They cover all debt securities reaching their maturity date, as well as early redemptions. Company share buy-backs are covered, if the company repurchases all shares against cash prior to a change of its legal form, or part of its shares against cash which are cancelled, leading to a reduction in capital.

c) Net issues

Net issues represent the balance of all issues made, minus all redemptions that have occurred during the reporting period.

Outstanding amounts in the reporting period should be equal to the outstanding amounts recorded in the previous period, increased by gross issues made in the reporting period and reduced by issues redeemed in the same period. In the same way, the outstanding amounts in the reporting period can be expressed as the outstanding amounts recorded in the previous period, plus net issues in the reporting period (see the Scheme 1 below).

In fact, differences may occur as a result of price and exchange rate changes, reclassification, revision, or other adjustments.

7.5.2 DEBT SECURITIES

For debtors, debt securities represent an alternative to bank loans; for creditors, they represent a possible substitute for bank deposits and marketable instruments issued by banks.

Securities issues statistics cover the following instruments:

i) **Short-term debt securities**

- Treasury bills and other short-term paper issued by the general government;
- negotiable short-term securities issued by financial and non-financial corporations; a variety of terms are used for such paper including, for example commercial papers, commercial bills, promissory notes, bills of trade, bills of exchange and certificates of deposit;
- short-term securities issued under long-term underwritten note issuance facilities;
- bankers' acceptances.

ii) **Long-term debt securities**

- bearer bonds;
- subordinated bonds;
- bonds with optional maturity dates, the latest of which is more than one year away;
- undated or perpetual bonds;
- variable rate notes;
- convertible bonds;
- covered bonds;
- index-linked securities where the value of the principal is linked to a price index, the price of a commodity or to an exchange rate index;
- deep-discounted bonds;
- zero coupon bonds;
- euro bonds;
- global bonds;
- privately issued bonds;
- securities resulting from the conversion of loans;
- loans that have become negotiable de facto;
- special types of bonds (debentures) and borrowed securities (loan stock) convertible into shares, whether the shares of the issuing corporation or shares of another company, as long as they have not been converted. Where

Scheme 1

a)	outstanding issues at the end of the reporting period	≈	outstanding issues at the end of the previous reporting period	+	Gross issues during the reporting period	-	Redemptions during the reporting period
b)	outstanding issues at the end of the reporting period	≈	outstanding issues at the end of the previous reporting period	+	Net issues during the reporting period		



separable from the underlying bond, the conversion option, considered to be a financial derivative, is excluded;

- shares or stocks that pay a fixed income but do not provide for participation in the distribution of the residual value of the corporation on dissolution, including non-participating preference shares;
- financial assets issued as part of the securitisation of loans, mortgages, credit card debt, accounts receivable, and other assets.

The following instruments are excluded:

- transactions in securities as part of repurchase agreements;
- issues of non-negotiable securities;
- non-negotiable loans.

7.5.2 QUOTED SHARES

Quoted shares are defined in this case as shares that have been admitted to trading on a quoted market, i.e. the main or parallel market, as well as shares admitted to trading on a regulated free market, but only if they have a fair market value. Their values are reported as market capitalisation for the individual sectors.

Quoted shares include:

- capital shares issued by limited liability companies;
- redeemed shares in limited liability companies;
- dividend shares issued by limited liability companies;
- preferred or preference stocks or shares which provide for participation in the distribution of the residual value on dissolution of a corporation; these may be quoted or unquoted on a recognised stock exchange;
- private placements where possible.

If a company is privatised and the government keeps part of the shares and the other part is quoted on a regulated market, the whole value of the company's capital is recorded within the outstanding amount of quoted shares, since all shares could potentially be traded at any time at market value. The same applies if part of the shares is sold to large investors and only the remaining part, i.e. free float, is traded on the stock exchange.

Quoted shares exclude:

- shares offered for sale but not taken up on issue;
- debentures and loan stock convertible into shares; these are included once they are converted into shares;
- the equity of partners with unlimited liability in incorporated partnerships;
- government investments in the capital of international organisations which are legally constituted as corporations with share capital;
- issues of bonus shares at the time of issue only and split share issues; bonus shares and split shares are, however, included indistinguishably in the total stock of quoted shares.

7.6 LONG-TERM INTEREST RATES

Long-term interest rate stability is one of the convergence criteria laid down in the Maastricht Treaty. This criterion expresses the requirement for sustainable convergence, which is to be achieved by each Member State. The average nominal long-term interest rate in a Member State must not exceed, by more than 2%, the average nominal long-term interest rate in the three Member States with the lowest inflation rates in the year following the last assessment. The interest rates are measured on the basis of *long-term government bond rates* or the rates for comparable securities.

The statistical principles of long-term interest rate reporting are defined in the following key terms.

The term *bond issuer* refers to the *central government*. The *maturity of government bonds* is a residual maturity period of around ten years. The residual maturity period is recommended to be between 9.5 and 10.5 years. The type of bonds used should be sufficiently *liquid*. This requirement affects the choice between a *benchmark-oriented approach* and an *approach based on a basket of bonds*, depending on the national conditions. The benchmark-oriented approach treats bonds as a key indicator of the market conditions. The bond issue with the highest liquidity and turnover is often the most recent issue of sizeable volume. The approach based on a basket of bonds offers a choice of bonds from



various types of bonds with various ISIN codes. The bonds available have the same weight.

In view of the situation in the local market for securities, the *benchmark-oriented approach* had been used until the end of January 2012. From the entry of Slovakia into the euro area to January 2012, daily yields to maturity were reported to the ECB for the following government bond issues:

SK4120004318 Benchmark for the period
01/2009 – 06/2010

SK4120007204 Benchmark for the period
07/2010 – 01/2012.

With effect from 1 February 2012, the benchmark-oriented approach has been replaced with an approach based on a basket of bonds. This basket included two government bond issues that fully complied with the criteria:

SK4120004318 and SK4120007543 Benchmark
for the period 02/2012 – 06/2013.

With effect from 1 July 2013, the *approach based on a basket of bonds* has been replaced with a *benchmark-oriented approach*.

SK4120004318 Benchmark for the period
07/2013 – to date.



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GLOSSARY AND ABBREVIATIONS



ABBREVIATIONS

APRC	Annual percentage rate of charge
ECB	European Central Bank
ESA95	European System of Accounts
MFI	Monetary financial institutions (banks, branches of foreign banks, money market funds)
MMF	Money market funds
NMFI	Non-monetary financial institutions
p. p.	Percentage point
P	Provisions
S	Securities
SASS	Slovak Association of Asset Management Companies
SDDS	Special Data Dissemination Standard as defined by the International Monetary Fund



GLOSSARY

Aggregate balance sheet of Slovakia: a summary statistical balance sheet of all monetary and financial institutions based in Slovakia, excluding NBS.

Building loans: loans provided by home savings banks under Act No. 310/1992 Coll. on home savings as amended.

Consumer loans: defined for reporting purposes as loans provided for the purpose of personal consumption, i.e. the purchase of goods and services.

Investment loans: loans tied to the cycle of fixed assets, where the individual components of fixed assets are tied for a period longer than one year (except for loans provided for the purchase and/or technical development of land and buildings).

Intermediate loans: loans provided by home savings banks under the provisions of Act No. 310/1992 Coll. on home savings as amended.

Key ECB interest rates: the interest rates set by the Governing Council of the European Central Bank (ECB), determining the monetary policy stance of the ECB. These interest rates are the rate for the main refinancing operations, the rate for the marginal lending facility, and the rate for the deposit facility.

Monetary financial institutions (MFI): national central banks, credit institutions and other financial institutions whose business is to collect deposits and/or other redeemable instruments from entities other than MFIs, to grant credit and loans, and to make investments in securities for their own account (e.g. money market funds).

Mortgage loans: loans with a maturity of at least four years (but not more than 30 years), which are secured by a lien on domestic real estate and which satisfy the requirements laid down in Section 68 of Act No. 483/2001 Coll. on banks and on amendments to certain laws as amended.

Nominal value of loan: the outstanding amount of the loan principal, excluding accruals and other due amounts.

Non-performing loan: any loan where the bank assesses that the borrower is unlikely to meet its commitments without the security being realised, or where the borrower is more than 90 days in arrears with a significant commitment to the bank.

Operating loans: loans tied to the cycle of operating (current) assets, where the individual current asset components are usually fixed for a period of up to one year. Such loans are provided, for example, for the purchase of material supplies, raw materials, semi-finished goods, finished products, claims related to trade credits, or for the coverage of seasonal fluctuations in economic activities.

Original maturity period: the time aspect of claims and liabilities classification based on the contractual (agreed) maturity period.

Other real estate loans: real estate loans other than mortgage loans, building loans, or intermediate loans.

Pension funds: funds managed by pension fund management companies or supplementary pension asset management companies.



GLOSSARY AND ABBREVIATIONS

Real estate loans: all loans provided for the purchase and/or technical development of land and buildings, which are registered with the Land Registry under Act No. 162/1995 Coll. on land registries and registration of ownership title and other rights to real estate (the Land Registry Act) as amended.

Residual maturity period: for claims and liabilities, the residual maturity period is the difference between the agreed maturity date and the date for which the relevant report/statement is compiled, i.e. usually the end of a month, quarter, or year.

Secured loans: for the purpose of interest rate statistics, these are loans secured up to their total amount using the technique of 'funded credit protection', or secured by a guarantee using the technique of 'unfunded credit protection' so that the value of collateral or guarantee is higher or equal to the total amount of the new loan. If the requirements for credit protection are not satisfied, the new loan is considered unsecured.



SECTOR CLASSIFICATION

Classification of institutional sectors and sub-sectors according to the European System of National and Regional Accounts (ESA 95):

- S.1 Residents – Slovakia (residents of the Slovak Republic)**
 - Residents – Other euro area member states** (euro area residents, except SR residents)
 - S.11 Non-financial corporations**
 - S.12 Financial corporations**
 - S.121 Central Bank (Národná banka Slovenska)
 - S.122 Other monetary financial institutions
 - S.123 Other financial intermediaries, except insurance corporations and pension funds
 - S.124 Financial auxiliaries
 - S.125 Insurance corporations and pension funds
 - S.13 General government**
 - S.1311 Central government
 - S.1312 Regional government
 - S.1313 Local government
 - S.1314 Social security funds
 - S.14 Households**
 - S.141 Employers
 - S.142 Own-account workers
 - S.143 Employees
 - S.144 Recipients of property incomes, pensions and other transfer incomes
 - S.145 Others
 - S.15 Non-profit institutions serving households**
- S.2 Rest of the world** (all countries, except Slovakia and the euro area)



LIST OF ADDITIONAL LINKS

Sector breakdown:

<http://www.ecb.int/pub/pdf/other/mbssmen.pdf>

Revision policy:

http://www.nbs.sk/_img/Documents/STATIST/MET/revpola.pdf

Structure of the financial market

List of monetary financial institutions:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/monetary-statistics-of-monetary-financial-institutions#ZOZPFI>

List of investment funds:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/investment-funds-statistics>

List of other financial intermediaries:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistics-on-financial-corporations-engaged-in-lending>

Overview of developments in the monetary sector:

<http://www.nbs.sk/en/statistics/a-survey-of-financial-sector-development>

Statistics of credit institutions and monetary statistics

Statistics of monetary financial institutions:

<http://www.nbs.sk/sk/statisticke-udaje/menova-a-bankova-statistika/menova-statistika-penaznych-financnych-institucii>

Monetary aggregates in the euro area:

<http://www.ecb.int/stats/money/aggregates/aggr/html/index.en.html>

Balance sheets of monetary financial institutions based in the euro area:

<http://www.ecb.int/stats/money/aggregates/bsheets/html/index.en.html>

Interest rate statistics:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/interest-rate-statistics>

Interest rate statistics – bank loans:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/interest-rate-statistics/banking-interest-rates-statistics-loans>

Interest rate statistics – bank deposits:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/interest-rate-statistics/banking-interest-rates-statistics-deposits>

Interest rates statistics for the euro area:

<http://www.ecb.europa.eu/stats/money/interest/interest/html/index.en.html>

Long-term interest rate statistics:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/long-term-interest-rates-statistics>



Non-performing loans:

http://www.nbs.sk/_img/Documents/STATIST/MET/Bad_Loans.pdf

Source data of monetary financial institutions:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistical-data-of-monetary-financial-institutions>

Statistics of investment funds:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/investment-funds-statistics>

Statistics of financial corporations engaged in lending (FCLs)

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistics-on-financial-corporations-engaged-in-lending>

Source data of other financial intermediaries (OFIs):

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistical-data-of-other-financial-intermediaries>

Statistics on securities issues:

<http://www.nbs.sk/en/statistics/money-and-banking-statistics/securities-issues-statistics>

Data categories within SDDS:

<http://www.nbs.sk/en/statistics/data-categories-of-sdds>



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