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NÁRODNÁ BANKA SLOVENSKA
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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 June 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 present issue, as the previous one, contains a thematic chapter following the *Foreword*. A thematic chapter is published in each issue on a selected area of statistics. The theme selected for the second quarter of 2014 is *non-performing loans in the households and non-financial corporations sectors*.

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



Non-performing loans

During the financial and economic crisis of 2007–2009, the quality of bank assets in Slovakia deteriorated as a result of a slowdown in the European and Slovak economies. Although the first wave of the financial crisis affected the Slovak banking sector only slightly, thanks to the reasonably prudent lending policy of banks, the financial crisis grew into a general slowdown in economic activity in 2008. The weakening economy, rising unemployment, and stagnating wage growth were reflected in the lending activity of banks, as well as in the quality of loans provided.

Owing to the structure of the banking sector and the nature of its activities, banking risks are closely connected with the state of the real economy. The fact that the quality of banks' loan portfolios closely related to the economic cycle is not at all surprising and is generally accepted. The loan default rate may also be influenced by the level of interest rates, which determines the credit burden of borrowers, as well as loan repayment. Non-performing loans may also be affected by exchange rate developments (where the share of foreign currency loans is significant), and/or by equity market developments

(the availability of other resources or wealth), though to a negligible extent under Slovak conditions.

A specific borrower is considered to be in default if the bank assesses that the borrower will probably fail to meet its commitments to the bank or a related company, without the collateral being realised, or if the borrower is more than 90 days in arrears with a significant commitment to the bank or a related company. This chapter covers only non-performing loans; the other aspects of bank lending, such as credit risk criteria (loan security, loan-to-value ratio, arrears, ratio of loan repayments to income, etc.) are not discussed and taken into account.

At the end of 2009, non-performing household loans accounted for 5.4% of the total volume of loans granted to households. This represented an increase of almost 1.5 percentage points since the beginning of the year (see Chart 1). For comparison, the share of non-performing household loans increased from 2006 to end-2008 by less than 0.9 percentage points. In 2009, the share of non-performing loans increased in all loan categories, particularly in bank overdrafts, credit card loans, and consumer loans.

Chart 1 Development of the share non-performing loans to households and nonfinancial organizations (%)

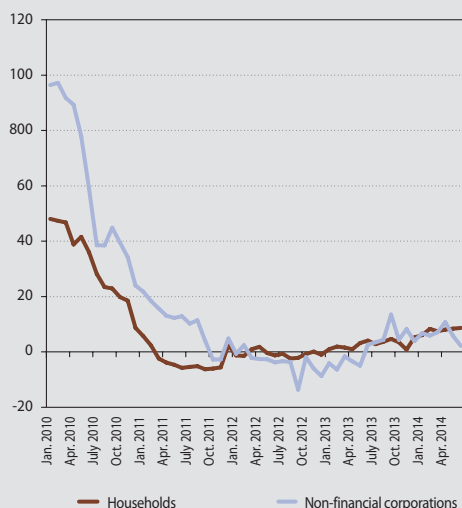


Source: NBS.

The development of non-performing loans of different types for households followed a similar pattern with a peak of non-performing loan ratio to total loans in the first half of 2010. Since then the ratio had been decreasing with various speed concerning different types of loans. During the first half of 2010 the lowest share of non-performing loans was reported for housing loans (3.7%) and since then the share even decreased to the current level of 3%. On the contrary credit card loans were reported the highest share with more than 16%. From 2009 till end 2010 the non-performing consumer loans represented more than 12%, but after that consumer loans had been continually decreasing to the current level of 7.5%.

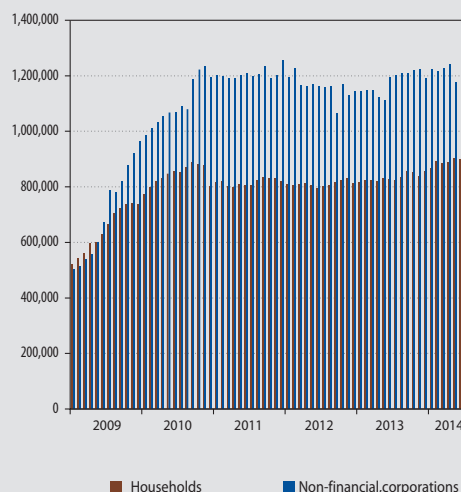
The share of non-performing household loans in total loans reached a maximum in May 2010 (almost 5.7%), then decreased gradually until

Chart 2 Year on year change of non-performing loans in %



Source: NBS.

Chart 3 Development of Non-performing Loans in EUR



Source: NBS.

the middle of 2011. At the turn of 2009/2010, the share of non-performing household loans increased somewhat, but this was rather attributable to loan portfolio restructuring than to an improvement on the side of households.

After reaching a minimum in July 2007 (2.3%), the share of non-performing loans in the non-financial corporations sector increased slightly, to 2.7% in November 2008. From December 2008 to October 2010, the share of non-performing loans in this sector increased to 8.17%. Since that time, it has never fallen below the level of 7%.

The amount of non-performing loans in absolute terms for non-financial corporations did not decrease for the first time until the second half of 2010.

It is interesting, that from 2009 till 2010 the share of the non-performing loans on total loans was increasing, but from that date it is more or less stable and does not decrease (with the exception of operational loans and credit cards).

The share of non-performing loans to households decreased slightly in 2010, owing to an improvement in the economy and the labour market in an environment of low interest rates.

After the share of non-performing loans had increased for a short time in the middle of 2011, the quality of loans continued to improve, causing the share of non-performing household loans to decrease. In December 2012, the share of non-performing household loans fluctuated around 4.18% (compared with 4.73% in December 2011). The volume of non-performing loans also fell in the first half of 2012, however rebounding in the second half of 2012.

From the end of 2010 to the middle of 2013, the share of non-performing corporate loans was stable (the volume of non-performing loans even fell slightly). This contributed positively to the banking sector's stability. The corporate loan portfolio's quality was favourably influenced by the trends prevailing in the sector.

In 2013, the share of non-performing loans in the non-financial corporations sector increased from 7.5% to 8.1%, while the figure for the household sector stagnated, at the level of around 4.2%. This was caused largely by the overall trend in the volume of loans, which fell in the non-financial corporations sector.

In absolute terms, the volume of non-performing loans continued to grow in the household sector from beginning 2013, while stagnating in the non-financial corporations sector.



The rate of depreciation and sale of non-performing loans slowed in both sectors in 2013. With this effect left out of consideration, the share of non-performing household loans would have increased, too.

In the first half of 2014, the share of non-performing loans in the household and non-financial corporations sectors remained unchanged. The

rate of depreciation and sale of non-performing loans accelerated in both sectors in comparison to preceding year.

Under the current risks arising from negative economic developments, the deteriorating quality of banks' loan portfolios and rising credit risk costs pose a major threat to the banking sector's profitability.



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

Over the second quarter of 2014, the structure of financial market entities changed only in the 'other financial intermediaries' sector, where four new investment funds entered the market.

Among bond funds, *Tatra Asset Management, a.s.*, has established a new mutual fund, namely *Raiffeisen Emerging Markets Bonds, o.p.f. Asset Man-*

agement Slovenskej sporiteľne, a.s., has opened three mutual funds with a mixed investment strategy, i.e. *SPORO ŠIP Aktiv, o.p.f.*; *SPORO ŠIP Balans, o.p.f.*; and *SPORO ŠIP Klasik, o.p.f.*

In the monetary financial institutions sector, a noteworthy event in the last quarter of 2013 was an organisational change in *UniCredit Bank Slovakia, a.s.*, which was transformed into *UniCredit Bank Czech Republic and Slovakia, a.s.*, a foreign bank branch.

Table 1 Structure of the financial market in Slovakia

	VI. 2013	IX. 2013	XII. 2013	III. 2014	VI. 2014
Monetary financial institutions (S.121 + S.122)	31	31	30	30	30
Central bank (S.121)	1	1	1	1	1
Credit institutions (S.122)	28	29	28	28	28
Banks	11	11	10	10	10
Branches of foreign banks	13	14	14	14	14
Credit cooperatives	1	1	1	1	1
Building societies	3	3	3	3	3
Money Market Funds (S.122)	2	1	1	1	1
Other financial intermediaries (S.123)	178	178	177	176	180
Investment funds	83	83	82	81	85
Equity funds	12	12	11	11	11
Bond funds	20	20	21	21	22
Mixed funds	26	27	26	25	28
Real estate funds	6	6	6	6	6
Other funds	19	18	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)

	VI. 2013	IX. 2013	XII. 2013	III. 2014	VI. 2014
Monetary financial institutions (S.121 + S.122)	82,352	81,208	77,716	83,462	79,894
Central bank (S.121)	22,401	21,423	16,684	21,662	17,703
Credit institutions (S.122)	59,830	59,703	60,950	61,725	62,116
Money Market Funds (S.122)	121	82	82	75	75
Other financial intermediaries (S.123)	8,697	9,008	9,342	9,685	9,854
Investment funds	3,986	4,268	4,524	4,752	5,037
Leasing companies (financial leasing)	3,215	3,276	3,249	3,262	3,103
Consumer credit companies	1,349	1,303	1,409	1,508	1,560
Factoring companies	139	153	152	155	146
Securities and derivatives dealers ¹⁾	8	8	8	8	8
Financial auxiliaries (S.124)	267	257	264	272	276
Insurance corporations and pension funds (S.125)	13,710	13,847	14,053	14,651	14,721
Insurance corporations (without SIB) ²⁾	6,844	6,816	6,896	7,293	7,105
Pension funds	6,866	7,031	7,157	7,358	7,616

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 second quarter of 2014, unlike in the previous quarter, the number of employees in the banking sector decreased slightly in quarter-on-quarter terms. From 31 March 2014 to 30 June 2014, the number of employees dropped by 0.12%, i.e. by

24 staff. The number of employees also decreased in year-on-year terms, by 0.08% (i.e. 16 staff). 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		
	30.6.	30.9.	31.12.	31.3.	30.6.	30.9.	31.12.	31.3.	30.6.
Banking sector	19,542	19,656	19,662	19,628	19,576	19,623	19,551	19,584	19,560
Central bank	1,020	1,021	1,007	1,003	1,001	1,013	1,011	1,008	1,007
Banks and branches of foreign banks	18,522	18,635	18,655	18,625	18,575	18,610	18,540	18,576	18,533
of which: Banks	17,679	17,802	17,769	17,779	17,719	17,763	16,674	16,719	16,795
Branches of foreign banks	843	833	886	846	856	847	1,866	1,857	1,758

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 1.15 percentage points year-on-year, from 7.01% as at 30 June 2013 to 5.86% as at 30 June 2014.

At the end of the second quarter of 2014, domestic share capital was part of the subscribed capital of nine domestic credit institutions (out 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 1.15 percentage points year-on-year, from 92.99% as at 30 June 2013 to 94.14% as at 30 June 2014.

From 30 June 2013 to 30 June 2014, the volume of foreign share capital increased in absolute terms by €521.9 million (i.e. by 20.21%).

This growth was stimulated largely by foreign capital from the Czech Republic, which had increased roughly 1.74-fold year-on-year by 30 June 2014, and its proportion to total foreign share capital in the banking sector had risen by approximately 16 percentage points.

Broken down by credit institutions, the structure of foreign share capital in the banking sector as at 30 June 2014 showed the following changes compared with the same period a year earlier: control over *Dexia banka Slovensko* 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 2.7 percentage points (Luxembourg) and 11.7 percentage points (Austria). The Czech Republic's share increased by 16 percentage points, mainly as a result of the said organisational change in *UniCredit Bank*. This increase was partly due to additional funding provided

to the local branches of *Komerční banka, a.s.*, and *J&T banka, a.s.*, and to the Košice branch of *AKCENTA, spořitelní a úvěrní družstvo*. Since the local branch of *AXA Bank Europe* ended its operations in the last quarter of 2013, the proportion of foreign capital from Belgium has decreased by 1.61 percentage points.

Chart 4 Foreign capital in the banks in the Slovak Republic as at 30 June 2014

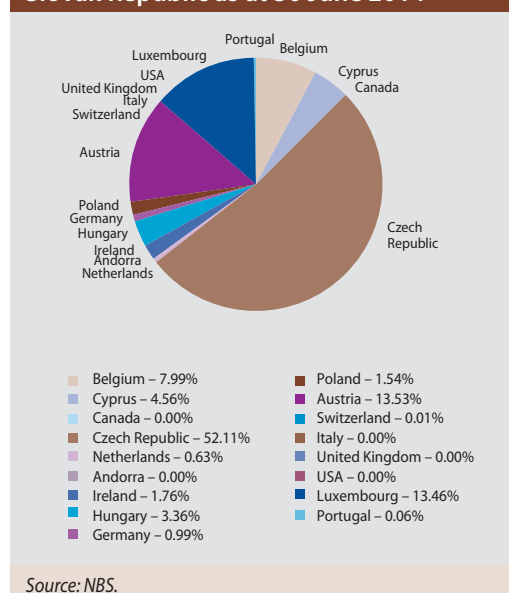
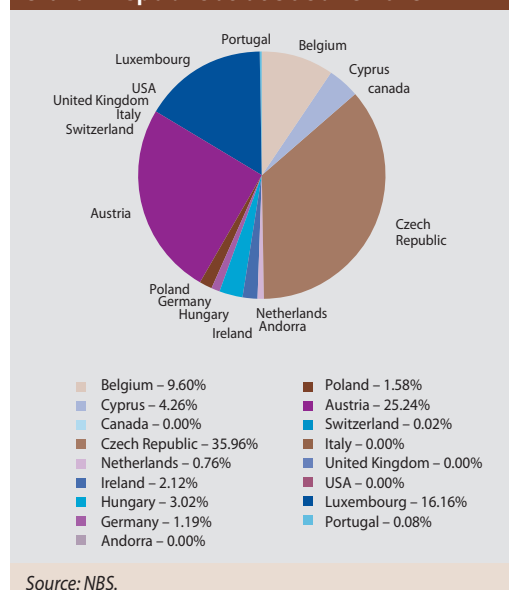


Chart 5 Foreign capital in the banks in the Slovak Republic as at 30 June 2013





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CHAPTER 2

STATISTICS OF OTHER MONETARY FINANCIAL INSTITUTIONS

2 STATISTICS OF OTHER 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 €62.1 billion at the end of the second quarter of 2014, and were by €2.3 billion (by 3.82%) higher than a year earlier. This increase took place mostly in the outstanding amount of loan claims.

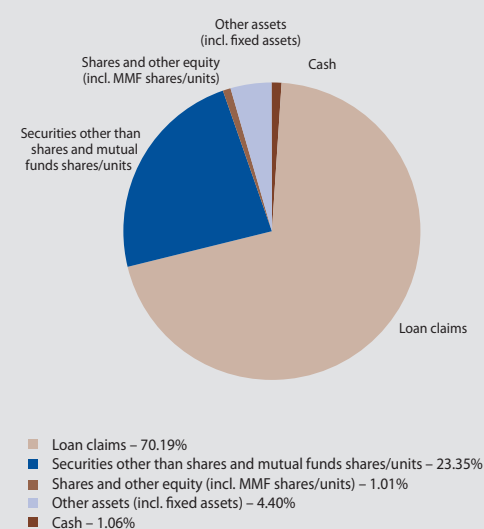
The structure of total assets was dominated by loan claims, with a share of 72.22% as at 30 June 2014. This was by 2.03 percentage points more than a year earlier. The outstanding amount of these claims grew year-on-year by €2.9 billion (by 6.82%). This growth took place mostly in long-term claims with a maturity of over five years (by €2.5 billion). The outstanding amount of loan claims with a maturity of up to one year increased by €0.4 billion, while the claims with a maturity of over one and up to five years remained almost unchanged in year-on-year terms.

The proportion of securities other than equities and mutual fund shares/units decreased by 1.78 percentage points year-on-year, to 21.57% as at the end of the second quarter of 2014. The outstanding amount of such securities in the portfolio of credit institutions fell year-on-year by €0.6 billion (by 4.09%), owing to a decrease in the outstanding amount of securities with a maturity of over one and up to two years (by €0.3 billion) and in securities with a maturity of over two years (by €0.3 billion).

Shares and other equity participations accounted for 1.05% of total assets (as at 30 June 2014). This was by 0.04 percentage points more than in the same period a year earlier. The outstanding amount of shares and other equity participations in the aggregated portfolio of credit institutions increased year-on-year by 8.28%.

The proportion of other assets (including fixed assets) to total assets decreased year-on-year by 0.33 percentage point, to 4.07% as at end-June 2014. The outstanding amount of other assets (including fixed assets) decreased by €0.1 billion (by 3.91%) year-on-year.

Chart 6 Structure of assets of credit institutions as at 30 June 2013



Source: NBS.

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

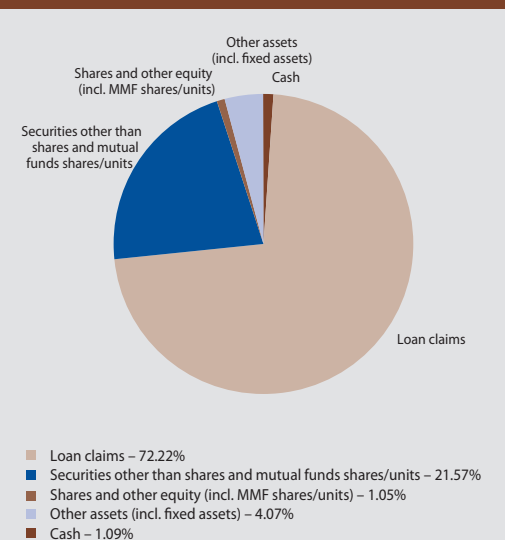
	VI. 13	IX. 13	XII. 13	III. 14	VI. 14
ASSETS	59,831,355	59,703,397	60,949,720	61,725,423	62,115,971
Cash	633,513	644,121	732,879	649,765	679,079
Loan claims	41,993,745	42,075,898	43,753,052	44,252,378	44,857,753
Securities other than shares and mutual funds shares/units	13,968,438	13,589,873	13,208,903	13,636,597	13,396,705
Shares and other equity (incl. MMF shares/units)	602,308	646,709	643,134	605,578	652,173
Other assets (incl. fixed assets)	2,633,351	2,746,796	2,611,752	2,581,105	2,530,261

Source: NBS.

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

2) Assets excluding depreciation and including provisions.

Chart 7 Structure of assets of credit institutions as at 30 June 2014



Source: NBS.

The proportion of cash holdings of credit institutions to total assets increased by 0.03 percentage point year-on-year, to 1.09% as at the end of the second quarter of 2014. The outstanding amount of cash holdings grew by €0.05 billion (by 7.19%) compared with the same period a year earlier.

2.2 BALANCE-SHEET STATISTICS OF CREDIT INSTITUTIONS: LIABILITIES

The total liabilities of credit institutions operating in Slovakia reached €62.1 billion as at the end of the second quarter of 2014. This represented a year-on-year increase by €2.3 billion (by 3.82%), which took place mostly in deposits received.

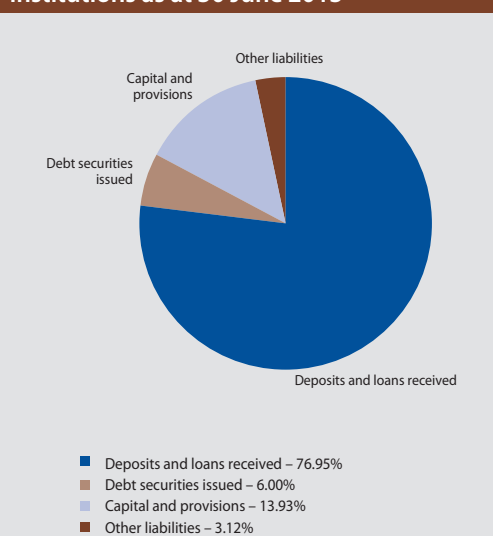
Total liabilities continued to be dominated by deposits and loans received, the share of which,

however, decreased by 0.20 percentage point compared with the same period a year earlier, to 76.75% as at 30 June 2014. Their outstanding amount increased year-on-year by €1.6 billion (by 3.55%), as a consequence of growth in deposits and loans received with a maturity of up to one year (by €2.7 billion), while the amount of deposits with a maturity of over one year decreased.

The share of capital and provisions in the liabilities of credit institutions increased year-on-year by 0.03 percentage point, to 13.96% as at 30 June 2014. The total amount of capital and provisions grew by €0.3 billion (by 4.01%) year-on-year.

The proportion of debt securities issued to the total liabilities of credit institutions increased by 0.18 percentage point year-on-year, to 6.17%. At the end of the second quarter of 2014, the out-

Chart 8 Structure of liabilities of credit institutions as at 30 June 2013



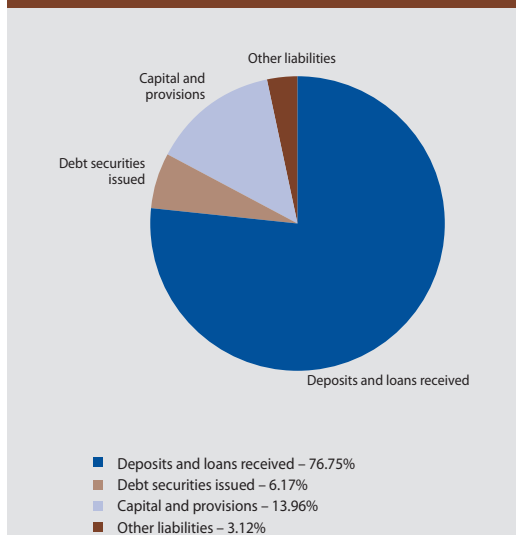
Source: NBS.

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

	VI. 13	IX. 13	XII. 13	III. 14	VI. 14
LIABILITIES	59,831,355	59,703,397	60,949,720	61,725,423	62,115,971
Deposits and loans received	46,039,428	45,567,627	46,885,816	47,014,541	47,671,865
Debt securities issued	3,588,109	3,651,097	3,711,738	3,812,077	3,835,575
Capital and provisions	8,335,818	8,539,857	8,846,118	8,981,659	8,670,393
Other liabilities	1,868,000	1,944,816	1,506,048	1,917,146	1,938,138

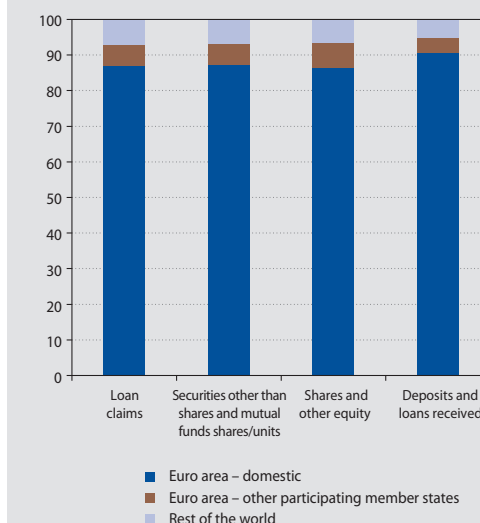
Source: NBS.

Chart 9 Structure of liabilities of credit institutions as at 30 June 2014



Source: NBS.

Chart 10 Selected assets/liabilities: breakdown of counterparties by residency as at 30 June 2014 (%)



Source: NBS.

standing amount of these securities stood at €3.8 billion, representing an increase by €0.2 billion (by 6.90%) compared with the same period a year earlier. This increase took place mostly in debt securities with a maturity of over two years.

The share of other liabilities in the total liabilities of credit institutions remained unchanged in year-on-year terms, at 3.12% as at 30 June 2014. The outstanding amount of other liabilities grew by €0.07 billion (by 3.75%) year-on-year.

2.3 SELECTED ASSET AND LIABILITY ITEMS BY RESIDENCY OF COUNTERPARTY

The aggregated loan claims of credit institutions in Slovakia (€44.9 billion) continued to be dominated by claims on domestic entities (86.93%). The outstanding amount of these claims as at end-June 2014 stood at €39.0 billion. Loan claims on entities from other euro area member states and from the rest of the world accounted for 6.09% (€2.7 billion) and 6.98% (€3.1 billion) respectively.

The aggregate portfolio of credit institutions contained purchased securities other than equities and mutual fund shares/units worth €13.4 billion. Securities issued by domestic issuers accounted

for 87.21% (€11.7 billion). Securities issued by issuers from other euro area member states and from the rest of the world accounted for 5.90% (€0.8 billion) and 6.89% (€0.9 billion) respectively.

The structure of shares and other equity participations held in portfolio by credit institutions (worth €0.7 billion) was dominated by domestic securities (86.36%). Equity securities issued by issuers from other euro area member states accounted for 7.07% (€0.05 billion) and those issued by the rest of the world residents represented 6.57% (€0.04 billion).

Deposits and loans received amounted to €47.7 billion (as at 30 June 2014). Of this amount, 90.61% was accounted for by deposits and loans received from domestic residents (€43.2 billion). The creditors of credit institutions operating in Slovakia from other euro area member states and from the rest of the world accounted for 4.14% (€2.0 billion) and 5.25% (€2.5 billion) respectively.

2.4 SELECTED ASSET AND LIABILITY ITEMS BY SECTOR OF COUNTERPARTY

Domestic loan claims as at 30 June 2014 (€39.0 billion) were dominated by claims on other sectors, i.e. other than the general gov-

ernment and monetary financial institutions (95.52%). These claims amounted to €37.2 billion and comprised mostly claims on households and non-profit institutions serving households (€21.6 billion) and claims on non-financial corporations (€14.7 billion).

Claims on domestic monetary financial institutions (MFIs) accounted for 2.05% of the total outstanding amount of domestic loan claims; claims on the general government sector represented 2.43%.

Domestic securities other than equities and mutual fund shares/units held in portfolio by credit institutions as at 30 June 2014 (worth €11.7 billion) were dominated by government debt securities with a share of 93.18%.

Securities other than equities and mutual fund shares/units issued by domestic MFIs accounted for 3.76%, and those issued by other domestic sectors represented 3.06%.

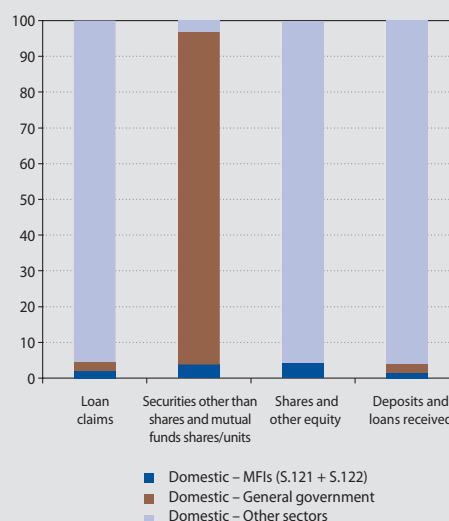
The total value of domestic shares and other equity participations held in portfolio by credit institutions stood at approximately €0.6 billion. Of this figure, securities issued by issuers from other sectors accounted for 95.56%. Equity securities issued by domestic MFIs and held by domestic credit institutions accounted for 4.44%.

At the end of the period under review, deposits and loans received from domestic entities amounted to €43.2 billion. They were dominated by deposits from other sectors (96.04%), mostly from households. Deposits and loans received from the general government sector represented 2.54%. Domestic MFIs accounted for 1.42% 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 €2.7 billion as at 30 June 2014 and were dominated by claims on monetary financial institutions (50.66%). Claims on other sectors accounted for 49.34%.

The total value of securities other than equities and mutual fund shares/units issued by residents of other euro area countries, and held in portfolio by credit institutions in Slovakia, stood at €0.8 billion as at end-June 2014. Of this figure, government securities accounted for 60.16%, securities issued by monetary financial institutions

Chart 11 Selected assets/liabilities: sectoral breakdown of domestic counterparty as at 30 June 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).

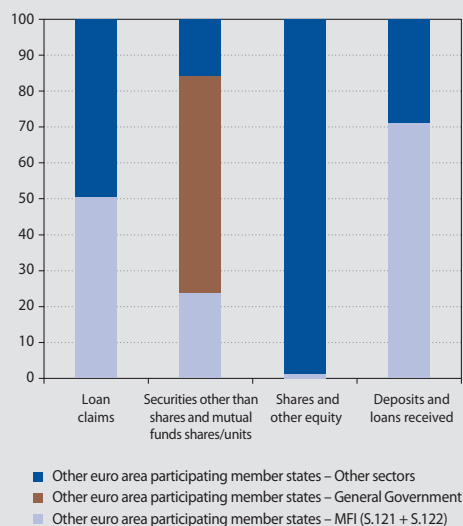
for 23.96%, and securities issued by issuers from other sectors for 15.87%.

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 98.55% and those issued by monetary financial institutions represented 1.45%.

Deposits and loans received from residents of other euro area member states amounted to €2.0 billion. They were dominated by deposits and loans received from monetary financial institutions (71.23%) in the total amount of €1.4 billion. Deposits from other sectors accounted for 28.74%, while deposits from the general government sector represented only 0.04%.

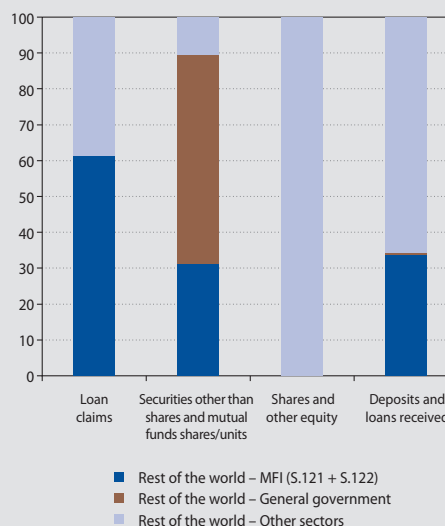
Loan claims on residents from the **rest of the world** stood at €3.1 billion as at the end of the second quarter of 2014. They were dominated by claims on monetary financial institutions (61.44%, worth €1.9 billion), followed by claims on other sectors (38.48%). Claims on the general government sector accounted for only 0.08%.

Chart 12 Selected assets/liabilities: sectoral breakdown of counterparty from other euro area member states as at 30 June 2014 (%)



Source: NBS.

Chart 13 Selected assets/liabilities: sectoral breakdown of counterparty from the rest of the world as at 30 June 2014 (%)



Source: NBS.

Credit institutions operating in Slovakia held in their portfolio securities other than equities and mutual fund shares/units issued by rest of the world residents in total amount of €0.9 billion. Of this amount, government securities accounted for 58.37%, securities issued by monetary financial institutions for 31.25%, and those issued by issuers from other sectors for 10.37%.

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. other than the general government and monetary financial institutions sectors).

Deposits and loans received from the rest of the world residents amounted to €2.5 billion as at end-June 2014. Of this amount, other sectors accounted for 65.72% (€1.6 billion), monetary financial institutions for 33.77%, and the general government sector for 0.50%.

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

The total **assets of credit institutions** showed a year-on-year increase at the end of each quarter in the period from 30 June 2013 to 30 June 2014. The most significant increase occurred in the second quarter of 2014, when the outstanding amount of assets increased by €2.3 billion (by 3.82%) year-on-year.

The most significant change in loan claims was observed in the second quarter of 2014, when their outstanding amount increased year-on-year by 6.82%, mainly as a result of growth in claims with a maturity of over five years (by €2.5 billion).

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



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

	VI. 13	IX. 13	XII. 13	III. 14	VI. 14
ASSETS	933,501	174,873	1,385,202	1,896,484	2,284,616
Cash	25,058	20,182	-4,878	12,621	45,566
Loan claims	891,988	779,763	2,046,096	2,021,457	2,864,008
Loan claims – up to 1 year	-192,321	-272,040	266,736	-206,331	407,538
Loan claims – over 1 and up to 5 years	-259,257	-271,034	6,599	86,293	-1,355
Loan claims – over 5 years	1,343,566	1,322,837	1,772,761	2,141,495	2,457,825
Securities other than shares and mutual funds shares/units	5,275	-631,245	-433,972	167,561	-571,733
Securities other than shares and mutual funds shares/units up to 1 year	-937,685	-1,056,004	-504,953	-481,396	31,871
Securities other than shares and mutual funds shares/units over 1 and up to 2 years	264,806	174,715	147,021	63,079	-301,071
Securities other than shares and mutual funds shares/units over 2 years	678,154	250,044	-76,040	585,878	-302,533
Shares and other equity	48,080	58,988	79,569	3,562	49,865
Other assets	-36,900	-52,815	-301,613	-308,717	-103,090

Source: NBS.

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 review (it culminated at €0.66 billion as at 30 June 2014). 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%).

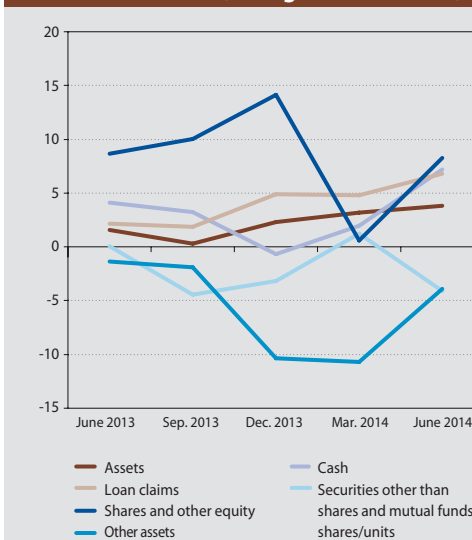
In other assets (including fixed assets), the greatest change was recorded at the end of the first quarter of 2014: a year-on-year decrease by €0.3 billion (by 10.68%).

The most significant change in the cash holdings of credit institutions was recorded at the end of the second quarter of 2014: a year-on-year increase by €0.05 billion (by 7.19%). This increase took place mostly in euro-denominated cash holdings.

The total **liabilities of credit institutions** showed a year-on-year increase at the end of each quarter in the period from 30 June 2013 to 30 June 2014. The most significant change, i.e. a year-on-year increase by €2.3 billion (by 3.82%), was recorded at the end of the second quarter of 2014.

This change was caused mainly by deposits and loans received, which grew in volume by €1.6 bil-

Chart 14 Year-on-year changes in assets of credit institutions (change of stock in %)



Source: NBS.

lion (by 3.55%) year-on-year (as at 30 June 2014). 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 second quarter of 2014, when

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

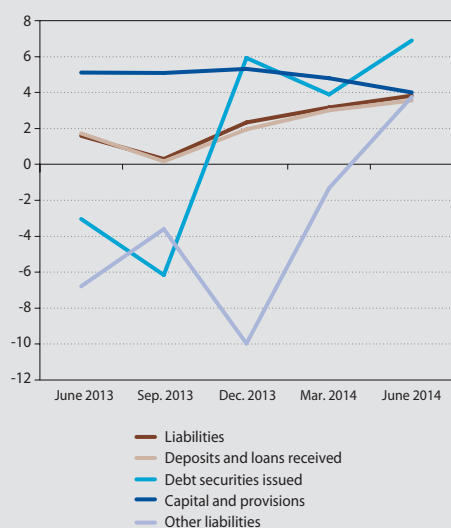
	VI. 13	IX. 13	XII. 13	III. 14	VI. 14
LIABILITIES	933,501	174,873	1,385,202	1,896,484	2,284,616
Deposits and loans received	775,643	74,190	898,117	1,369,451	1,632,437
Deposits and loans received up to 1 year	2,647,928	2,314,599	3,032,753	2,229,644	2,654,262
Deposits and loans received over 1 year	-1,872,285	-2,240,409	-2,134,636	-860,193	-1,021,825
Debt securities issued	-112,195	-239,335	207,425	142,443	247,466
Debt securities issued up to 1 year	48,771	-133,853	-82,635	-104,055	-105,634
Debt securities issued over 1 and up to 2 years	21,177	4,170	9,500	30,957	968
Debt securities issued over 2 years	-182,143	-109,652	280,560	215,541	352,132
Capital and provisions	406,054	412,672	446,409	410,478	334,575
Other liabilities	-136,001	-72,654	-166,749	-25,888	70,138

Source: NBS.

a year-on-year increase by €0.2 billion (by 6.90%) was recorded, mainly in securities with a maturity of over two years.

The most significant change in the total amount of capital and provisions was recorded at the end of the last quarter of 2013: a year-on-year increase by €0.45 billion (by 5.31%).

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 decline by €0.2 billion (by 9.97%) was recorded.

Chart 15 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

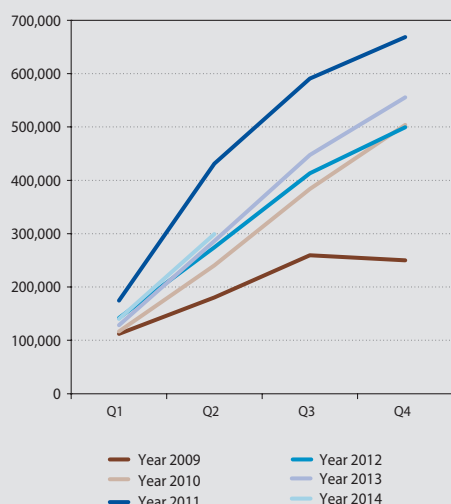
According to preliminary data, the banking sector's cumulative profit reached almost €300 million as at 30 June 2014. This represents the second highest profit recorded since 2009. The highest profit was made in the first half of 2011 (slightly more than €430 million). In the second quarter of 2014, the banking sector's profit remained virtually unchanged, at the level of the same period a year earlier (it rose by only 0.8%).

As regards the structure of income and expense items as reflected in the cumulative profit for the second quarter of 2014, the most significant positive contribution came again from net interest income, which increased by 6.8% year-on-year. For comparison, the same period a year earlier saw a modest year-on-year decrease. Net interest income growth in the first half of 2014 was stimulated by all components (i.e. expense and income items), except for interest income from securities, which fell by 2.5% year-on-year. Net interest income growth was influenced mainly by a year-on-year decline in other interest expenses (by 18.65% over the first six months), accompanied by growth in other interest income (by 1.65%).

Net non-interest income declined throughout the first half of 2014, mainly as a result of lower



Chart 16 Cumulative current period profit/loss (EUR thousands)



Source: NBS.

dividends received, lower income from transactions in securities, and lower profit from foreign exchange transactions.

Net profit growth in the banking sector was also dampened by a modest increase in general operating expenses (by 1.6%). By contrast, loan-loss provisioning diminished by 21% over the first half of 2014, compared with the same period

a year earlier, and thus represented a significant source of net profit growth.

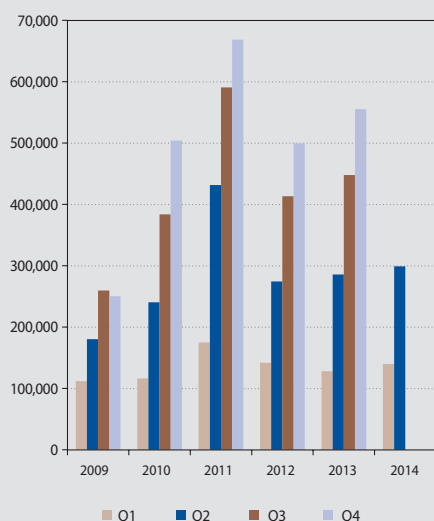
Loan-loss provisioning in the second quarter of 2014 decreased by 1.5% year-on-year. Claims on customers provisions for which had been created increased year-on-year by 7.6%. The most significant increase was recorded in euro-denominated claims on non-residents (+33.17% year-on-year). Claims on residents in euro increased by 6.4%.

The ratio of provisions to claims fell by 0.35 percentage point year-on-year, to 3.78% as at the end of the first quarter.

Provisioning expenses in cumulative terms increased over the first half-year period by 26.7% year-on-year (status as at 30 June 2014). The second quarter saw a change of 9%. Income from the cancellation of provisions grew over the first six months by 58% year-on-year. This rapid growth took place in both cases in the second quarter of 2014.

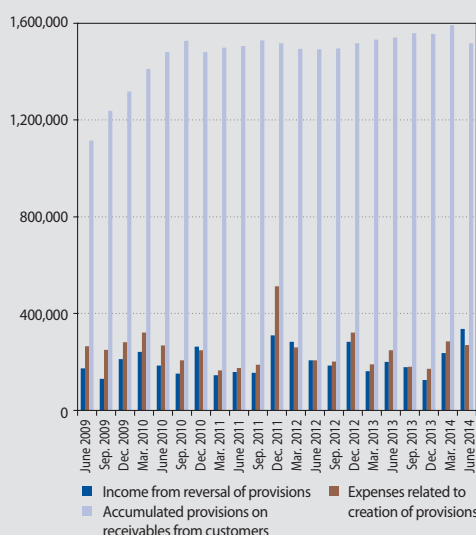
A comparison of written-off and assigned claims on non-bank customers (in terms of costs and incomes) indicates that, in the second quarter of 2014, a net loss was made on assigned claims on customers (€45 million). The net loss made on written-off claims on customers in the second quarter of 2014 increased to €117 million

Chart 17 Cumulative current period profit/loss (EUR thousands)



Source: NBS.

Chart 18 Provisions (EUR thousands)

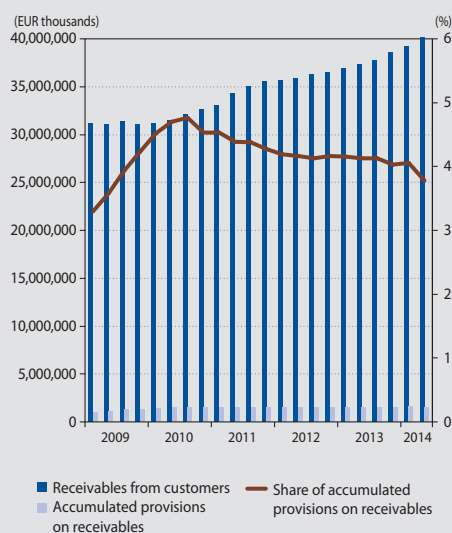


Source: NBS.

year-on-year. This was due mainly to a marked increase in the costs of written-off claims on customers recorded in the second quarter of 2014.

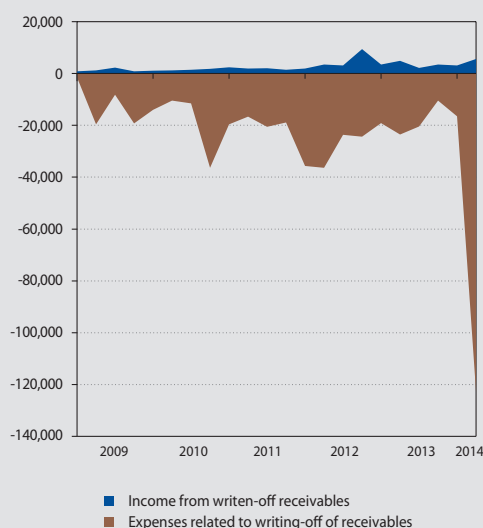
Provisioning expenses or incomes are reported in aggregate terms, for all three months of the quarter under review. Loans provided to non-bank customers and provisions created for such loans are reported in cumulative terms for the given period.

Chart 19 Receivables from non-bank customers



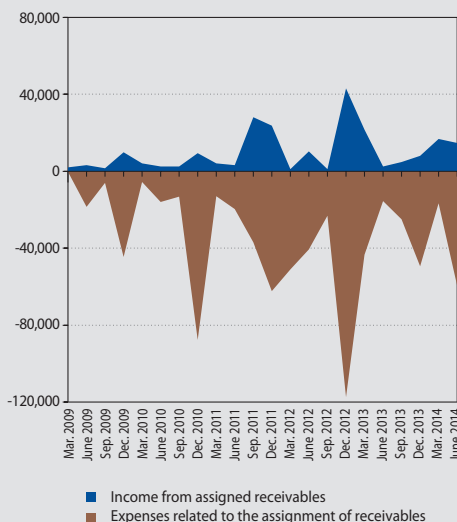
Source: NBS.

Chart 20 Written-off receivables: incomes and expenses (EUR thousands)



Source: NBS.

Chart 21 Assigned receivables: incomes and expenses (EUR thousands)



Source: NBS.

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

Income and expense items related to the main activities of credit institutions were selected; they are compared with the profit or loss made.

According to data for the second quarter of 2014 (aggregated data for three months), interest income from securities fell by almost 4% compared with the same period a year earlier. Thus, the year-on-year decline from the first quarter (-1%) deepened in the second quarter. Interest expenses on securities dropped year-on-year by 3.2%, in line with the downward trend from the first quarter of 2014.

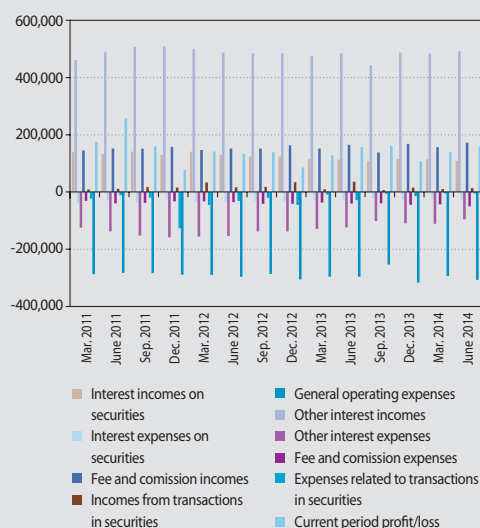
Other interest income increased year-on-year by 1.6% in the second quarter, at a pace comparable with that recorded in the previous quarter. Other interest expenses dropped year-on-year by almost a quarter (23.2%), causing the year-on-year rate of decline to accelerate by almost 9 percentage points compared with the first quarter.

Income from fees and provisions grew in the second quarter of 2014 by 4.9% year-on-year. Expenses on fees and commissions increased by 22.8%.

Income from transactions in securities dropped by 63.2% year-on-year, owing to a base effect

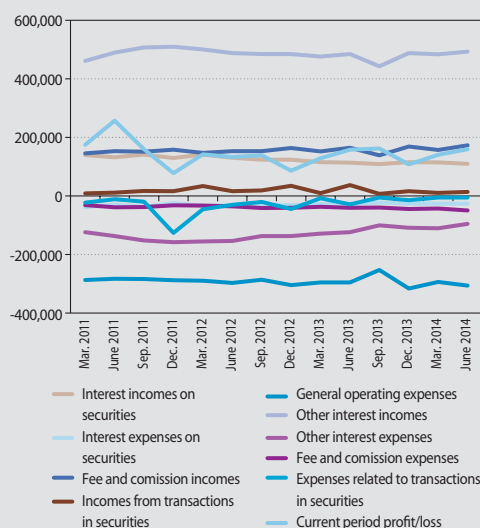


Chart 22 Selected incomes and expenses compared with current period profit/loss (EUR thousands)



Source: NBS.

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



Source: NBS.

(a relatively high level of such income was observed in the second quarter of the previous year). Expenses on securities transactions declined year-on-year at a faster pace than income: they dropped by 80% year-on-year.

General operating costs increased in the quarter under review by 3.85%.

The profit for the second quarter of 2014 was comparable with the profit for the same quarter a year earlier (it rose by only 0.82%). The cumulative profit increased by 4.58% for the first half of the year.

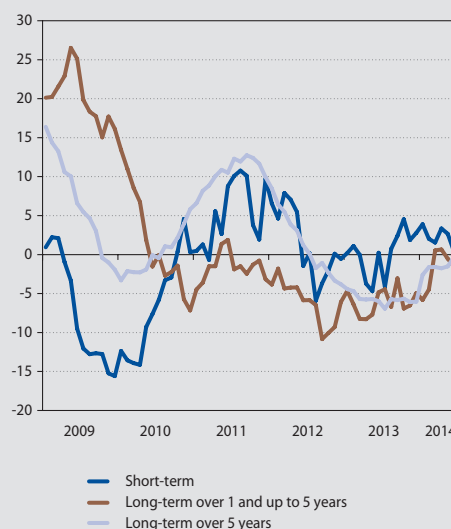
2.7 LENDING TO NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS

2.7.1 LOANS TO NON-FINANCIAL CORPORATIONS BY MATURITY

After a longer period, the value of loans granted to non-financial corporations rose in year-on-year terms in March to May 2014 (the previous rise was recorded in May 2012). In June, however, the year-on-year rise again turned into a moderate decline (-0.3%).

In June 2014, the value of short-term loans continued to rise in year-on-year terms (though by only 0.4%), in line with the upward trend observed since August 2013. As in the previous quarters, the value of long-term loans (with a maturity of over five years) declined in year-on-year terms, though at a steadily decelerating pace (-0.3% in June). Long-term loans for non-financial corporations with a maturity of over one and up to five years grew year-on-year in March and April by 0.5% and 0.7% respectively, for the

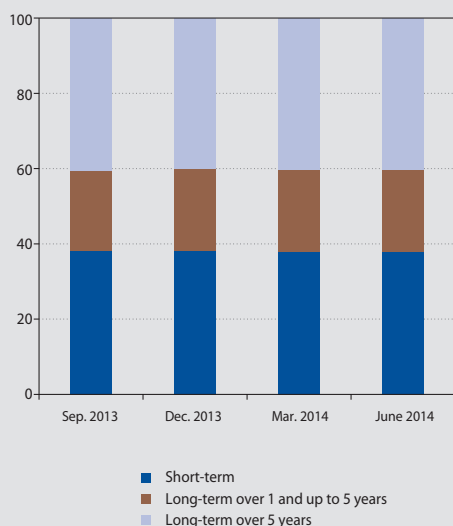
Chart 24 Loans to non-financial corporations by maturity (year-on-year changes in %)



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.

Chart 25 Loans to non-financial corporations by maturity (% share)



Source: NBS.

first time since May 2010, and their decline continued in the following months.

Compared with March 2014, the structure of loans by maturity showed stagnation in June, when all loan categories maintained their share from March. The share of short-term loans reached almost 39% in October and November 2013, the highest figure since March 2009. Subsequently, the share of these loans diminished gradually, to 37.8% in June 2014. The share of loans with a maturity of over one and up to five years reached 22%, while long-term loans with a maturity of over five years maintained their share slightly above 40%.

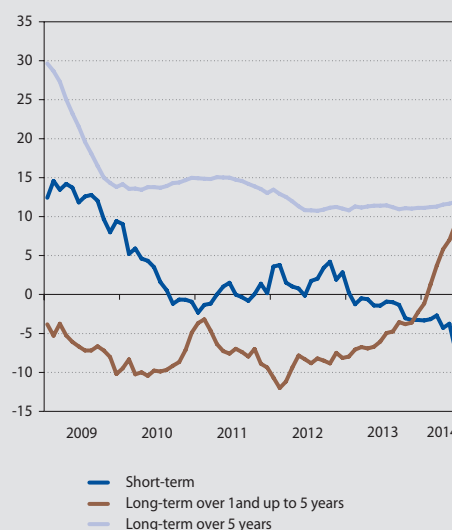
2.7.2 LOANS TO HOUSEHOLDS BY MATURITY

In year-on-year terms, the total value of loans granted to households had been rising rapidly since the beginning of monitoring (2009) and continued to rise in the second quarter of 2014, too. The total value of household loans rose in June 2014 by 10.6% year-on-year and thus showed a two-digit year-on-year increase since March. The individual categories of loans by maturity, however, underwent vastly different developments as usual. 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 7.2% in March (the sharpest decline recorded since the beginning of monitoring).

A significant change occurred in household loans with a maturity of over one and up to five years, which showed a year-on-year rise in value in February 2014 for the first time since the beginning of monitoring (January 2009). This trend has continued into the quarter under review. Loans of this category grew year-on-year by 1.3% in February. June saw a year-on-year increase of 9.1%. The value of long-term loans to households with a maturity of over five years continued to rise dynamically, by 11.9% in June 2014. Loans with a maturity of over five years have been growing at a two-digit rate since the beginning of monitoring (2009).

The year-on-year growth in short-term loans and decline in long-term loans in value terms (with a maturity of over one and up to five years) were not fully reflected in the structure of household loans by maturity. The share of loans with a maturity of over five years steadily increased (an increase of 1 percentage point since June 2013, up to 89.9% in June 2014) to the detriment of short-term loans and loans with a maturity of over one and up to five years. The share of loans with a maturity of over one and up to five years decreased to 4.8% in June (by 0.4 percentage point compared with March 2014).

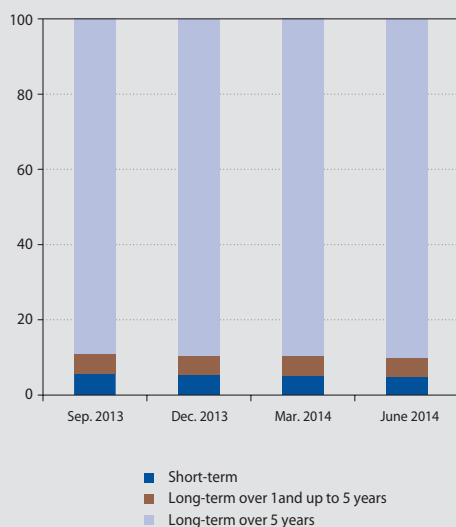
Chart 26 Loans to households by maturity (year-on-year changes in %)



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.

Chart 27 Loans to households by maturity (% share)



Source: NBS.

2.7.3 LOANS TO NON-FINANCIAL CORPORATIONS BY TYPE OF LOAN

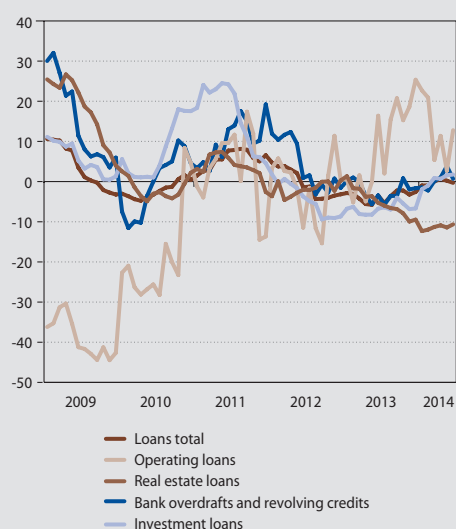
The available data indicate that operating loans continued to grow in year-on-year terms throughout the second quarter, in line with

the trend from the previous period, though at a slower pace. The average growth rate did not exceed 10% in the second quarter of 2014. The sharpest year-on-year decline was recorded in real estate loans (-10.6%). In year-on-year terms, the value of investment loans increased over the second quarter, at a gradually accelerating pace. The total value of bank overdrafts and revolving loans showed positive year-on-year changes, but was rather unstable owing to the nature of these types of loans.

2.7.4 LOANS TO HOUSEHOLDS BY TYPE OF LOAN

According to purpose, loans provided to households can be divided into two categories. The first category includes consumer loans and housing loans. These loans have shown a rapidly growing trend since the beginning of monitoring (2009). This trend also continued in the second quarter of 2014, when a two-digit annual growth rate was recorded. The second category comprises credit card loans and bank overdrafts, which had been growing until 2011, when they started to stagnate or decline. Bank overdrafts declined over the second quarter by an average of 1%, while credit card loans fell by 6.6%.

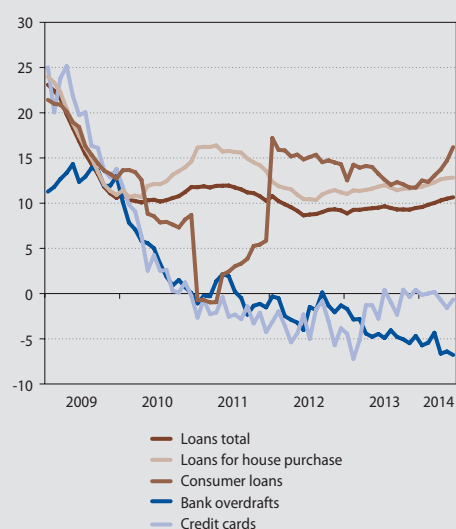
Chart 28 Loans to non-financial corporations by type of loan (year-on-year change in %)



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.

Chart 29 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.

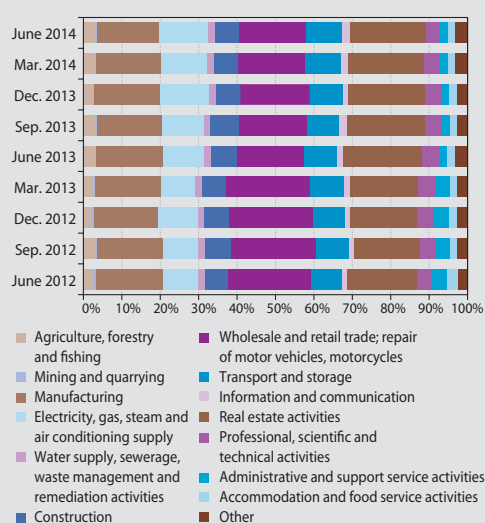


2.7.5 LOANS TO NON-FINANCIAL CORPORATIONS BY SECTOR OF ECONOMIC ACTIVITY

In the second quarter of 2014, loans were provided mostly to the following sectors: real estate (19.8%), wholesale and retail trade, repair of motor vehicles and motorcycles (17.4%), and manufacturing (16.0% of total loans). The

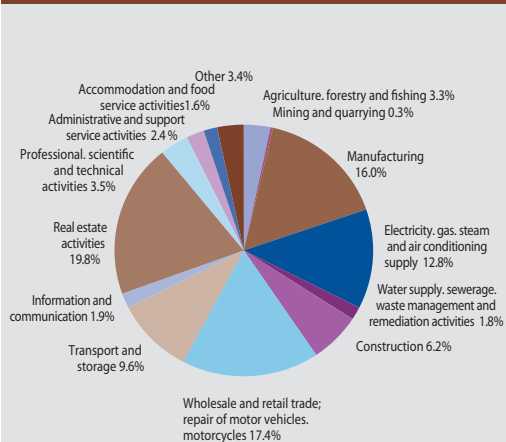
largest increase in the share of loans since June 2013 was recorded in electricity, gas, steam and air conditioning supply, where the share of loans increased by 2.0 percentage points (loans in the real estate sector grew as a result of methodological changes). By contrast, the sharpest decrease occurred in manufacturing and in professional, scientific, and technical activities.

Chart 30 Loans to non-financial corporations by economic activity



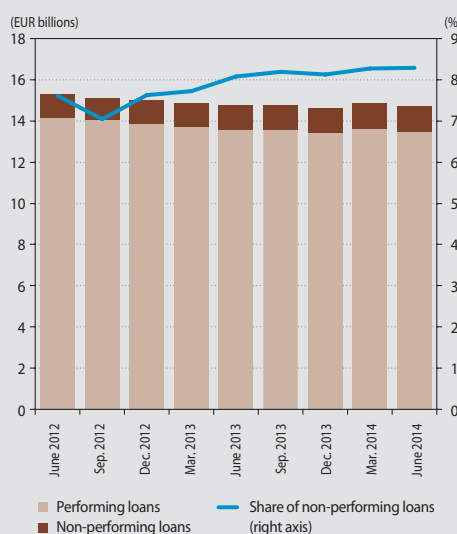
Source: NBS.

Chart 31 Loans to non-financial corporations by economic activity as at 30 June 2014



Source: NBS.

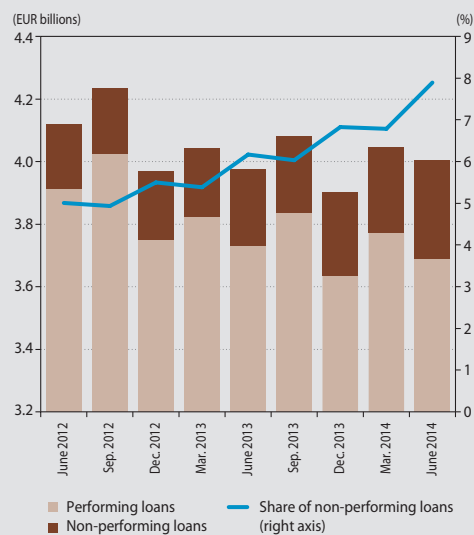
Chart 32 Share of non-performing loans on total loans to non-financial corporations



Source: NBS.

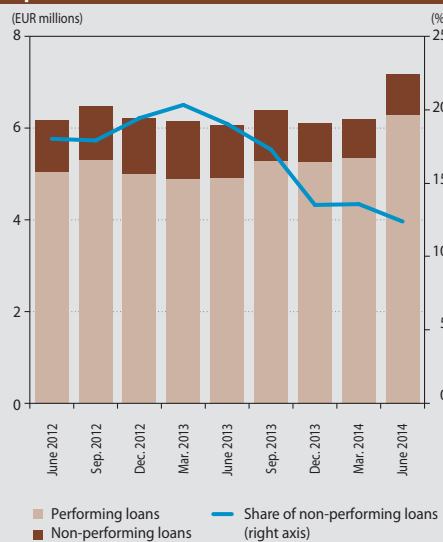


Chart 33 Share of non-performing loans on bank overdrafts and revolving credits to non-financial corporations



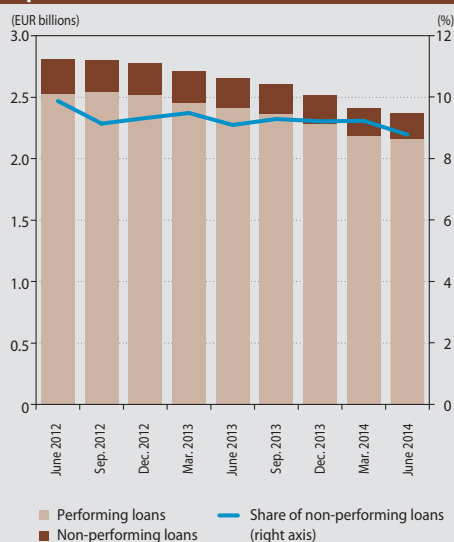
Source: NBS.

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



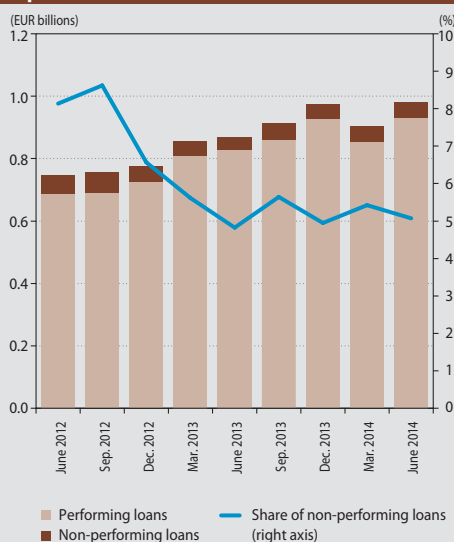
Source: NBS.

Chart 34 Share of non-performing loans on real estate loans to non-financial corporations



Source: NBS.

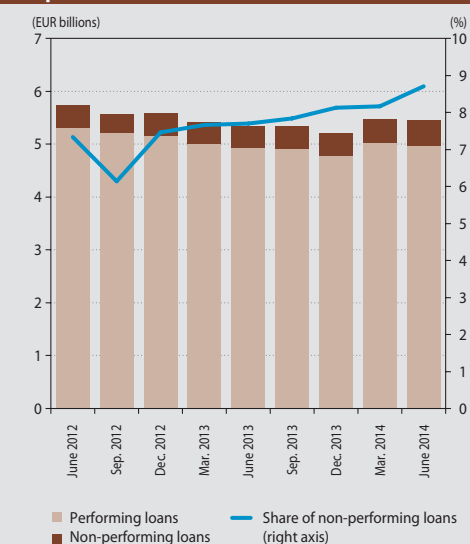
Chart 36 Share of non-performing loans on investment loans to non-financial corporations



Source: NBS.

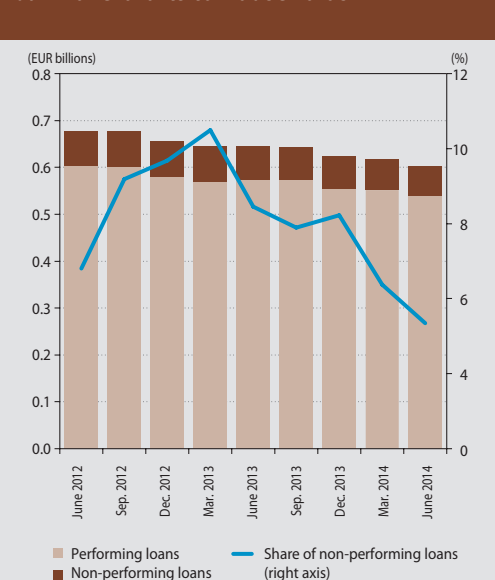


Chart 37 Share of non-performing loans on credit card loans to non-financial corporations



Source: NBS.

Chart 39 Share of non-performing loans on bank overdrafts to households



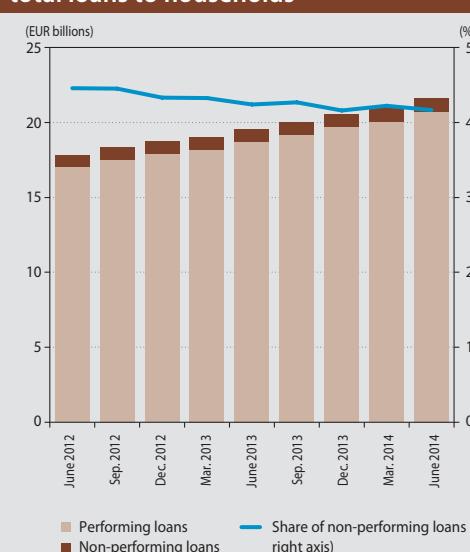
Source: NBS.

2.7.6.2 Non-performing loans in the household sector

In June 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 pre-

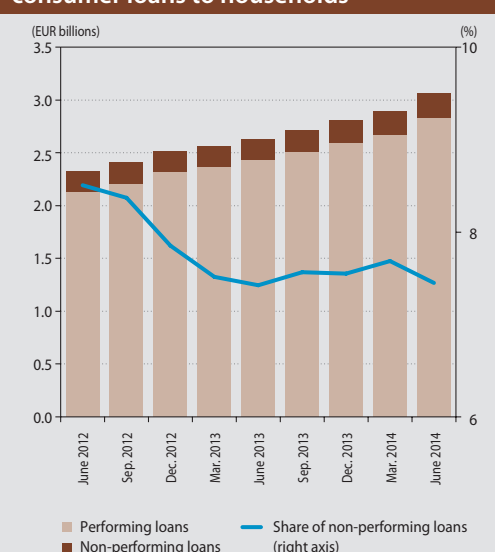
vious quarter, this share remained unchanged throughout the second quarter of 2014. The share of non-performing housing loans had been hovering around the level of 3% since the end of 2011. The share of non-performing consumer loans and bank overdrafts decreased somewhat in comparison with the previous quarter (to 7.5% and 10.3% respectively).

Chart 38 Share of non-performing loans on total loans to households



Source: NBS.

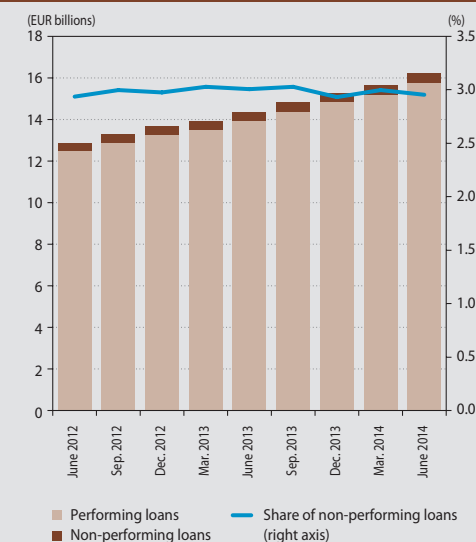
Chart 40 Share of non-performing loans on consumer loans to households



Source: NBS.



Chart 41 Share of non-performing loans on loans for house purchase to households



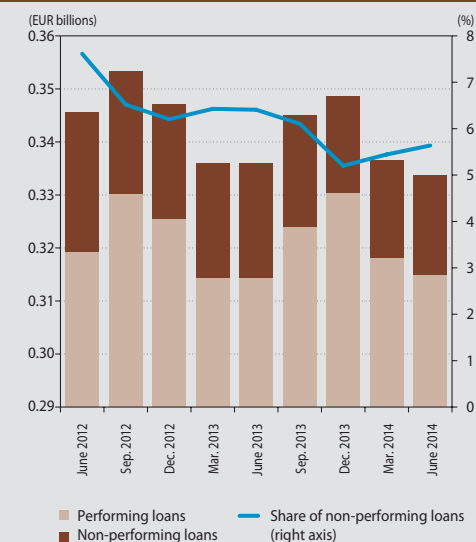
Source: NBS.

2.8 INTEREST RATES AND VOLUMES: LOANS PROVIDED

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

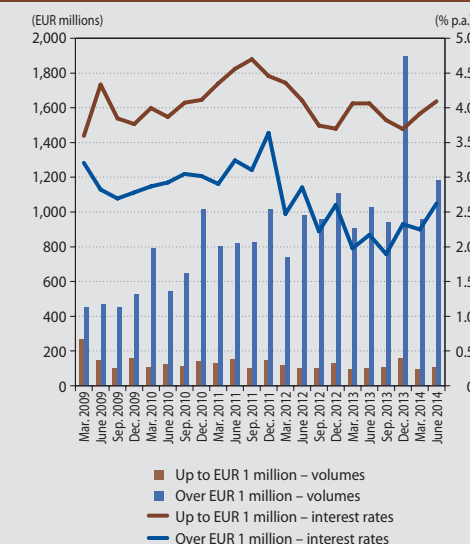
The total volume of new loans granted to non-financial corporations in the second quarter of 2014 increased by 8.8%, compared with the second quarter of 2013. In the **loans of up to €1 million** category, the volume of loans fell by 5.5% in the quarter under review, compared with the same quarter of 2013. The share of loans of this type in the total volume of loans provided stood at 9.3%. The average lending rate in the period under review rose slightly, by 0.1% to 4.2% p.a. By contrast, **loans of over €1 million** grew by 10.5% in the second quarter of 2014, compared with the second quarter of 2013. The share of new loans of over €1 million in the total volume of loans granted to non-financial cor-

Chart 42 Share of non-performing loans on credit card loans to households



Source: NBS.

Chart 43 Interest rates and volumes on loans to non-financial corporations (new business)



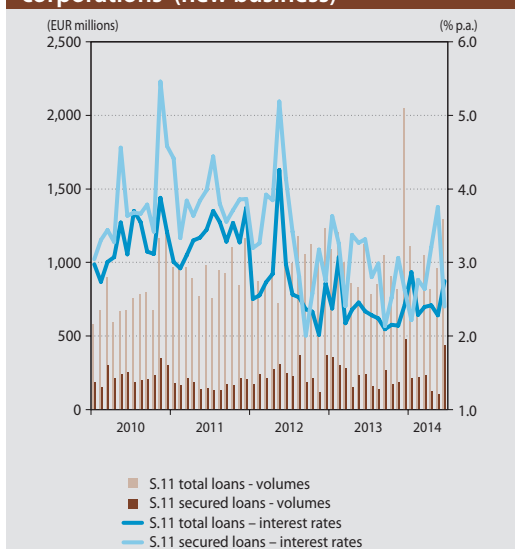
Source: NBS.

porations reached 90.7% in the quarter under review, while the average interest rate rose by 0.1% to 2.3% p.a.

In the second 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 22.3% to 21.7%. The average interest rate on secured loans dropped to 2.8% p.a. in the second quarter of 2014, from 3.3% p.a. in the second quarter of 2013. By contrast, the average rate for new loans granted to non-financial corporations rose by 0.1% in the period under review to 2.5% p.a.

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

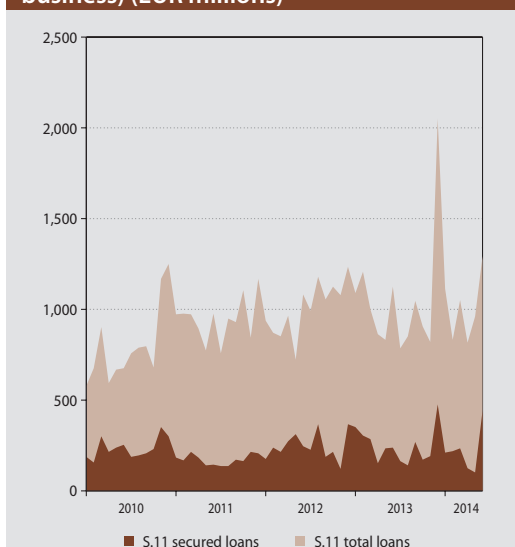


Source: NBS.

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 2.8% to 32.8% in the second quarter of 2014. The average interest rate on secured loans of this category fell by 0.4% in the period under review, to 4.9% p.a. The average interest rate on new loans of up to €0.25 million granted to non-financial corporations remained unchanged in the period under review, at 5.2% p.a.

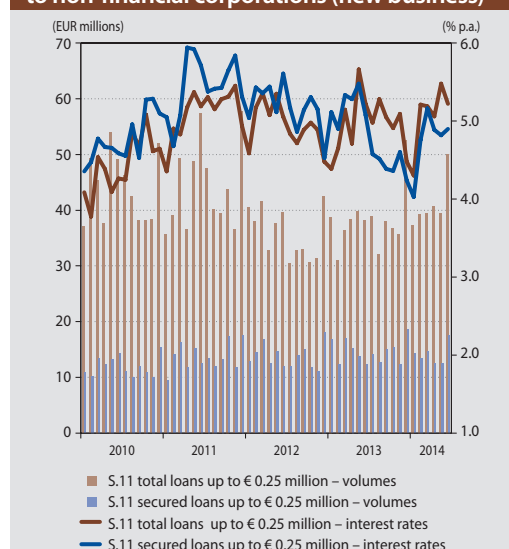
In the **loans of over €0.25 million and up to €1 million** category, the share of new secured loans in the total volume of new loans granted to non-financial corporations decreased by 2.6% to 36.8% in the second quarter of 2014. The average interest rate on secured loans of

Chart 45 Share of secured loans on total loans to non-financial corporations (new business) (EUR millions)



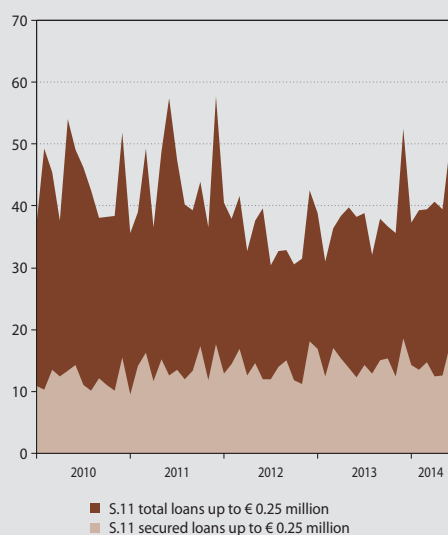
Source: NBS.

Chart 46 Interest rates and volumes on secured and total „loans up to €0.25 million“ to non-financial corporations (new business)



Source: NBS.

Chart 47 Share of secured loans on total „loans up to € 0.25 million“ to non-financial corporations (new business) (EUR millions)

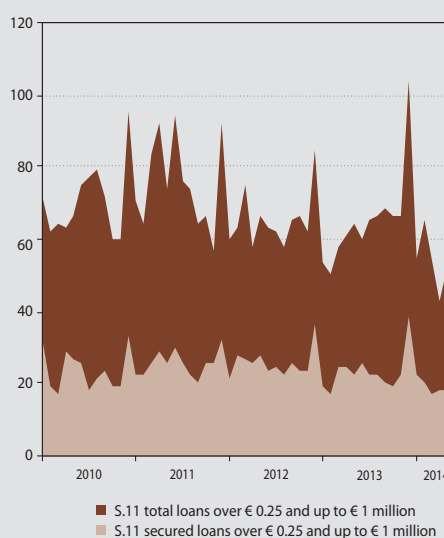


Source: NBS.

this category fell by 0.1% in the period under review, to 3.5% p.a. The average interest rate on new loans of over €0.25 million and up to €1 million granted to non-financial corporations fell in the period under review by 0.1%, to 3.3% p.a.

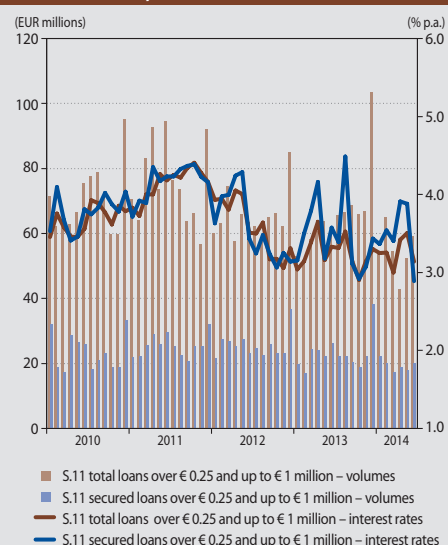
In the **loans of over €1 million** category, the share of new secured loans in the total volume of new loans granted to non-financial corporations decreased somewhat in year-on-year terms, by 0.1% to 20.3% in the second quarter of 2014.

Chart 49 Share of secured loans on total „loans over € 0.25 and up to € 1 million“ to non-financial corporations (new business) (EUR millions)



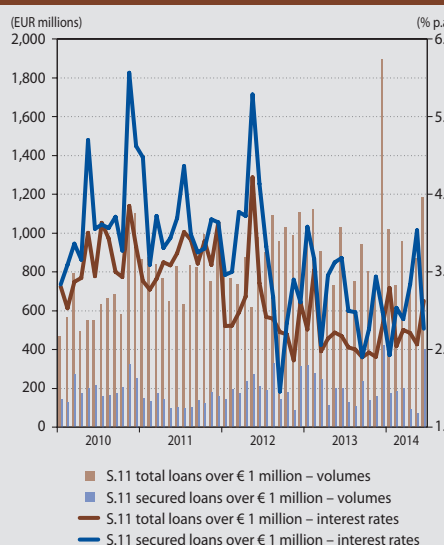
Source: NBS.

Chart 48 Interest rates and volumes on secured and total „loans over € 0.25 and up to € 1 million“ to non-financial corporations (new business)



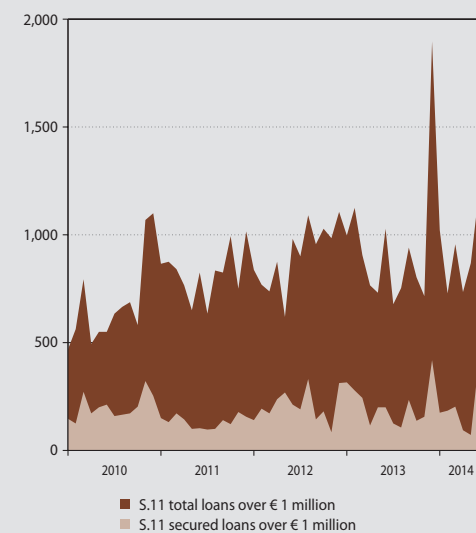
Source: NBS.

Chart 50 Interest rates and volumes on secured and total „loans over € 1 million“ to non-financial corporations (new business)



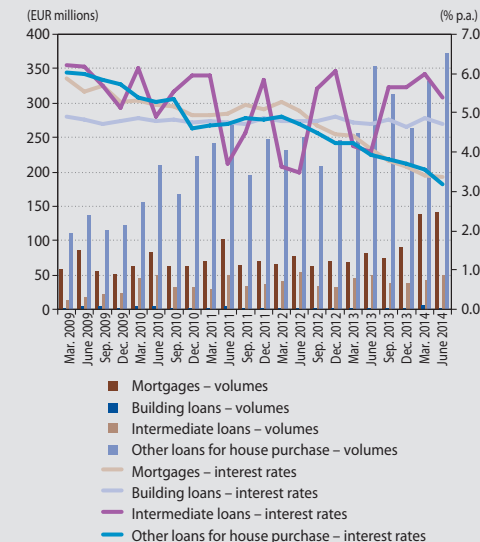
Source: NBS.

Chart 51 Share of secured loans on total „loans over € 1 million“ to non-financial corporations (new business) (EUR millions)



Source: NBS.

Chart 52 Interest rates and volumes on loans for house purchase to households (new business)



Source: NBS.

The average interest rate on secured loans of this category dropped from 3.1% p.a. to 2.5% p.a. in the period under review. The opposite trend was recorded in interest rates on new loans of over €1 million granted to non-financial corporations, which rose by 0.1% to an average of 2.3%p.a.

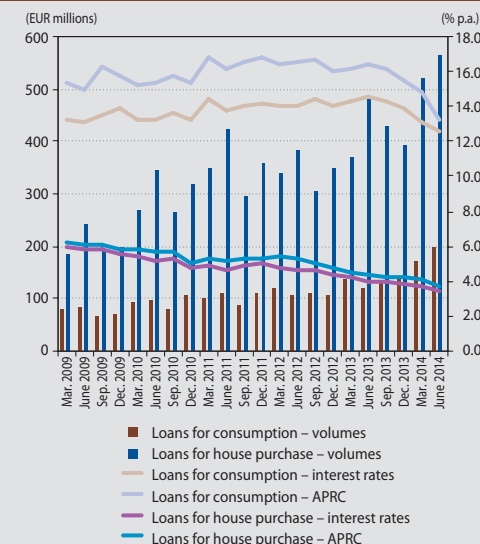
2.8.2 INTEREST RATES AND VOLUMES: LOANS TO HOUSEHOLDS (NEW BUSINESS)

Demand for loans in the household sector continued to be dominated by housing loans. The average interest rate on housing loans fell by 0.6% to 3.5% p.a. in the second quarter of 2014, compared with the second 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 1.6% (to 5.6% p.a.); the average rate for **building loans** fell by 0.1% (to 4.7% p.a.); and the average rate for **other loans for house purchases** dropped by 0.7% (to 3.2% p.a.). The sharpest fall was recorded in the average rate for **mortgage loans**, which dropped in the period under review by 0.8% (to 3.4% 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 second quarter of

2013, the average interest rate on housing loans, as well as the average APRC for this type of loans, dropped by 0.6% to 3.7% p.a. in the second quarter of 2014. The APRC value for consumer loans followed a similar trend. The average interest rate on consumer loans fell in the second quarter of 2014 by 1.9%, to stand at 12.6% p.a. The

Chart 53 Interest rates, APRC and volumes on loans for consumption and loans for house purchases to households (new business)



Source: NBS.



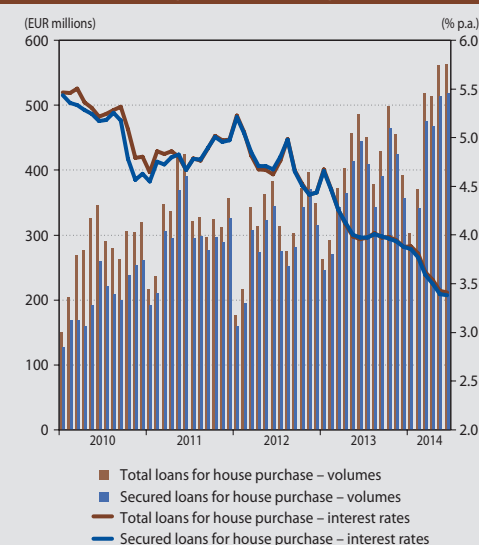
average APRC for consumer loans dropped more significantly in the period under review, by 2.5% to 13.6% p.a.

The share of **new secured housing loans** in the total volume of loans granted to households for housing purposes increased by 0.7% to 91.6% in

the second quarter of 2014, compared with the second quarter of 2013. The average interest rate on secured housing loans fell by 0.6% to 3.4% p.a. in the period under review.

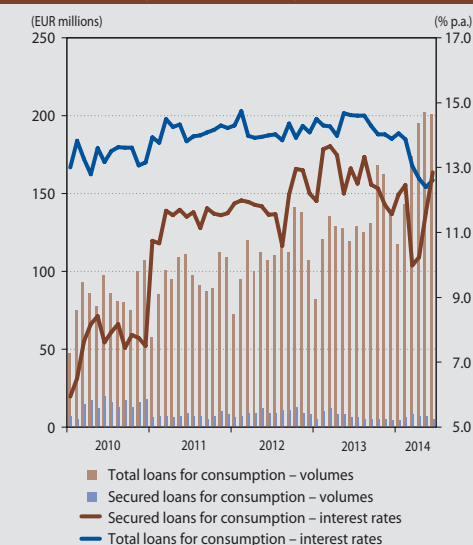
In the case of **consumer loans**, the share of **secured loans** was substantially smaller than in the

Chart 54 Interest rates and volumes on secured and total loans for house purchase to households (new business)



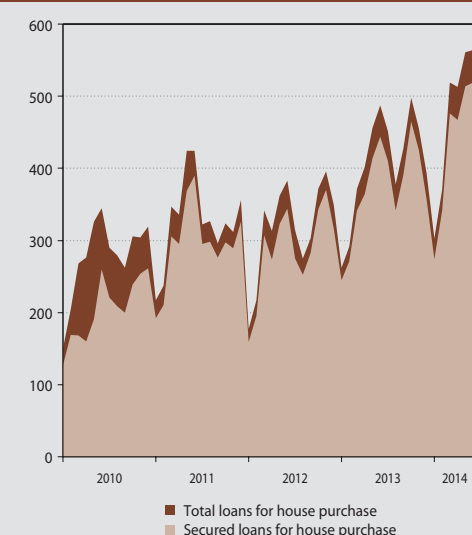
Source: NBS.

Chart 56 Interest rates and volumes on secured and total loans for consumption to households (new business)



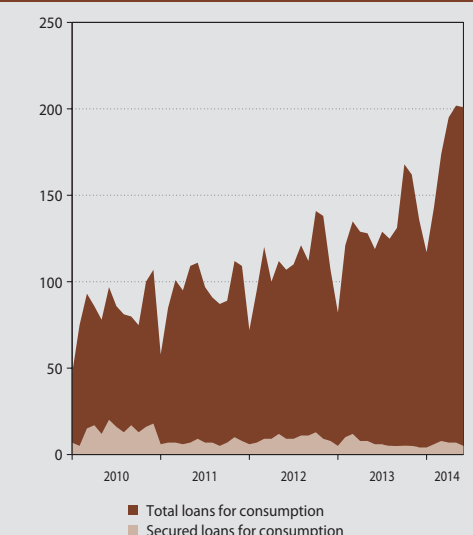
Source: NBS.

Chart 55 Share of secured loans for house purchase on total loans for house purchase to households (new business) (EUR millions)



Source: NBS.

Chart 57 Share of secured loans for consumption on total loans for consumption to households (new business) (EUR millions)



Source: NBS.

case of housing loans. The second quarter of 2014 saw a year-on-year decrease in the share of secured loans, from 5.9% to 3.2%. The average interest rate on secured consumer loans dropped by 1.4% to 11.4% 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 second quarter of 2014.

The level of interest rates on **loans granted to non-financial corporations** (not including short-term loans) rose in the second quarter of 2014, compared with the second quarter of 2013. The average interest rate on loans with a maturity of up to one year fell by 0.1%, to stand at 3.2% p.a. The opposite trend – a rise – was recorded in the average rates for loans with a maturity of over one and up to five years (+0.1%) and for loans with a maturity of over five years (+0.2%), to 3.7% p.a. and 3.3% p.a. respectively.

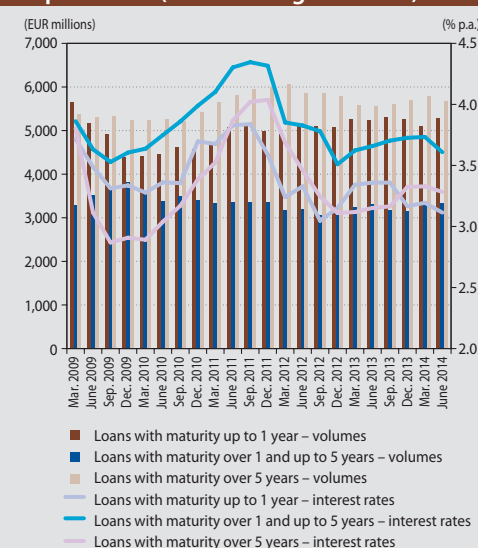
2.8.4 INTEREST RATES AND VOLUMES: LOANS TO HOUSEHOLDS (OUTSTANDING AMOUNTS)

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 second 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 4.4% 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 1.5% to stand at 5.4% p.a.

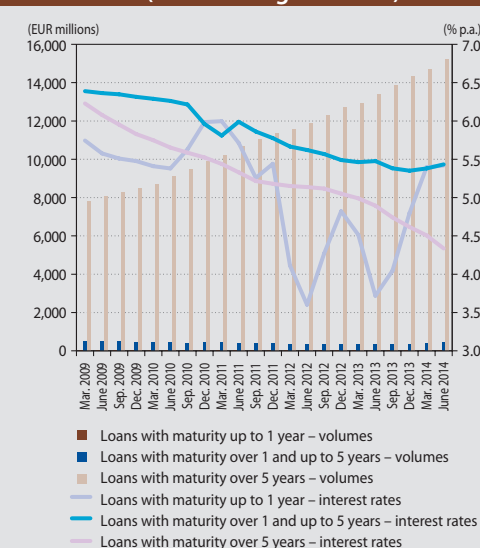
Consumer loans with a maturity of up to one year remained negligible in volume terms. Hence, interest rates on such loans were rather volatile. The volume of consumer loans with a maturity of over one and up to five years showed a moderately growing trend throughout the period under review. In volume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

Chart 58 Interest rates and volumes of loans by maturity to non-financial corporations (outstanding amounts)



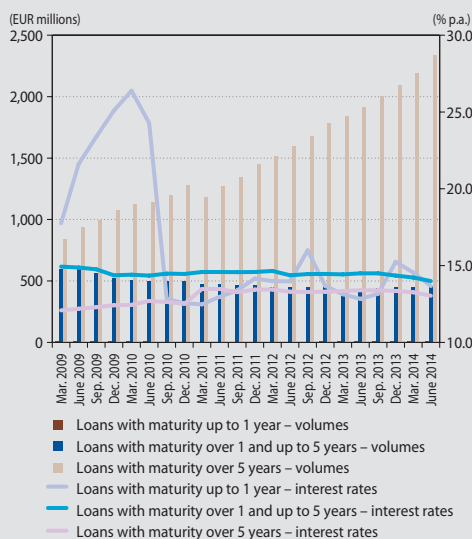
Source: NBS.

Chart 59 Interest rates and volumes on loans for house purchase by maturity to households (outstanding amounts)



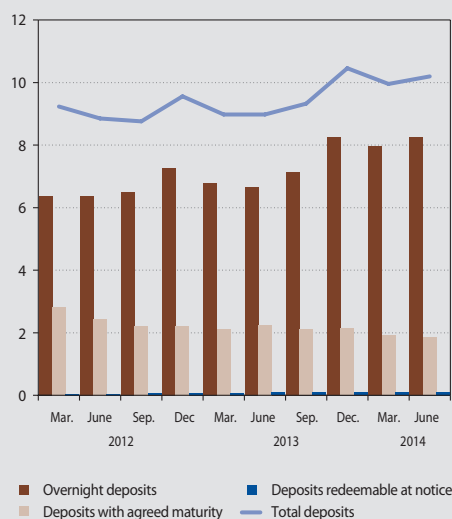
Source: NBS.

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



Source: NBS.

Chart 61 Deposits to non-financial corporations (% share) (EUR billions)



Source: NBS.

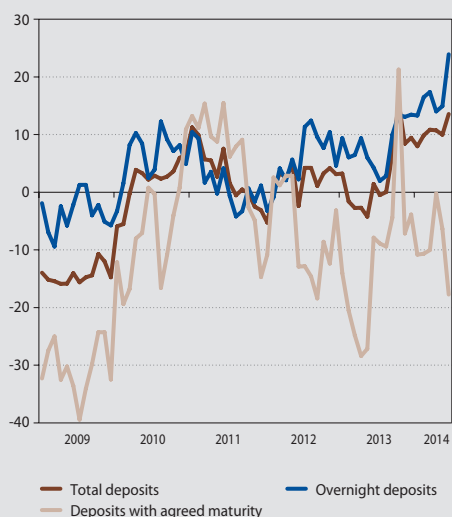
Broken down by maturity, interest rates on **consumer loans** provided to households changed in the period under review as follows: the average rate for consumer loans with a maturity of over one and up to five years fell by 0.4% to 14.0% p.a.; the average rate for consumer loans with a maturity of over five years fell by 0.3% to 13.1% p.a.; and the average rate for consumer loans with a maturity of up to one year rose by 1.0% to 13.9% p.a.

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 13.6%, mainly as a result of growth in overnight deposits. These increased by 23.9% 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 eighth quarter in a row (except in October 2013, when a year-on-year increase was recorded).

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.

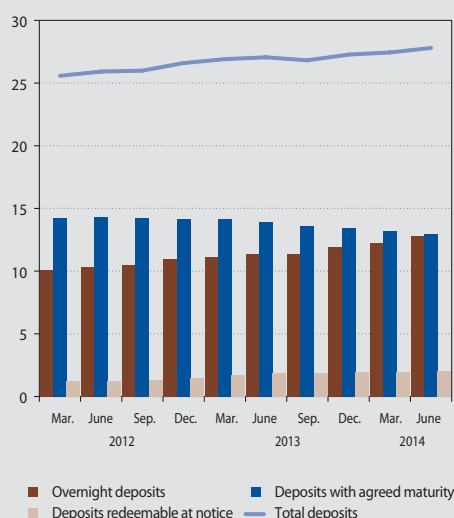
The share of overnight deposits received from non-financial corporations in total deposits increased to almost 81%. The share of deposits with agreed maturity decreased to 18.1%.

2.9.2 DEPOSITS RECEIVED FROM HOUSEHOLDS

In value terms, deposits received from households grew year-on-year by 2.8% in June 2014, with the annual growth rate accelerating since March 2014 when it reached a minimum of 2.0%. 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 the first quarter of 2013. Overnight deposits showed a year-on-year increase of 13.1% in June 2014. Household deposits redeemable at notice continued to grow as in the previous months, and ended the second quarter with a year-on-year increase of 10.6%.

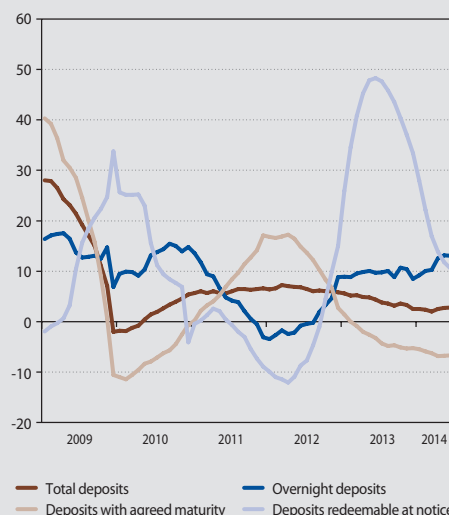
The share of household deposits with agreed maturity decreased below 50% in December 2013, for the first time since December 2010, and has continued to decrease still further. The share of household deposits with agreed maturity decreased in June 2014 by 2.6 percentage points compared with December 2013, and by 4.7 percentage points compared with March 2013. At the same time, overnight deposits increased their share in total deposits to 46.1%, and thus lagged behind deposits with agreed maturity by only 0.5 percentage point. The share of deposits redeemable at notice fluctuated around 7.3% in June 2014.

Chart 63 Deposits to households (% share) (EUR billions)



Source: NBS.

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

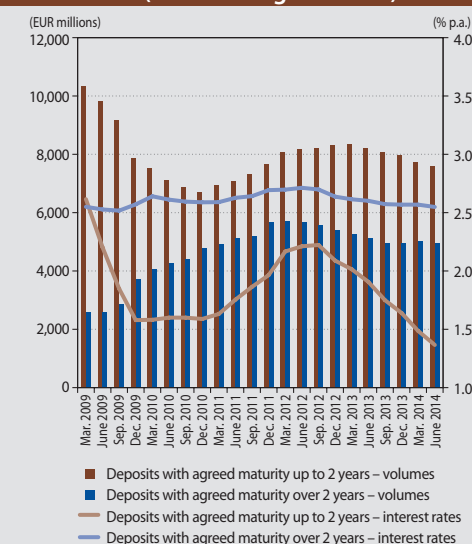
2.10.1 INTEREST RATES AND VOLUMES: DEPOSITS RECEIVED FROM HOUSEHOLDS (OUTSTANDING AMOUNTS)

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 second quarter of 2014 by 1.0% (to 60.5%), compared with the second quarter of 2013. The average interest rate on household deposits with an agreed maturity of up to two years dropped by 0.6% year-on-year, to stand at 1.4% 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 6.5% in the period under review.

2.10.2 INTEREST RATES AND VOLUMES: DEPOSITS RECEIVED FROM HOUSEHOLDS (NEW BUSINESS)

Interest rates on **new household deposits** with agreed maturity showed a falling tendency in the period under review, in all maturity bands. The sharpest fall was recorded in rates for **depos-**

Chart 65 Interest rates and volumes of deposits with agreed maturity from households (outstanding amounts)



Source: NBS.

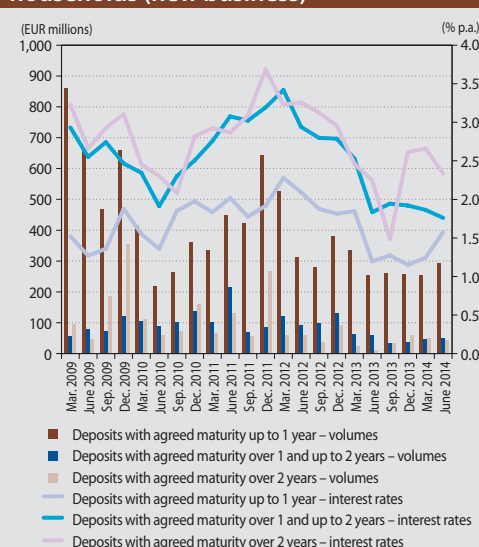
its with an agreed maturity of over two years (-0.4%, to an average of 1.9% p.a.), while the share of these deposits in the total volume of new deposits with agreed maturity increased by 8.6% to 13.4%. Interest rates on the other two categories of new deposits fell equally by 0.3%. The average rate for new **deposits with an agreed maturity of**

over one and up to two years stood at 1.8% p.a. and the share of these deposits increased in the period under review by 2.8% to 15.0% of the total volume of new household deposits with agreed maturity. The average rate for **deposits with an agreed maturity of up to one year** stood at 1.5% p.a., while the share of these deposits decreased by 11.4% to 71.6% 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)

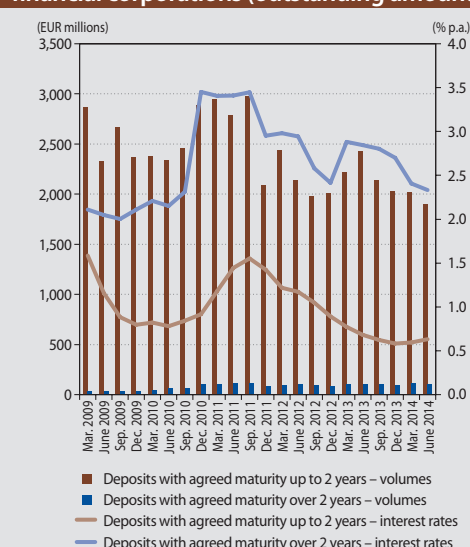
The share of **deposits with an agreed maturity of over two years** in the total outstanding amount of deposits with agreed maturity received from non-financial corporations increased by 0.9% to 5.0% in the second quarter of 2014, compared with the second quarter of 2013. The average interest rate on these deposits fell by 0.5%, to stand at 2.4% p.a. The average rate for **deposits with an agreed maturity of up to two years** fell in the period under review by 0.1% 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 0.9% to 95.0%. The total volume of deposits with agreed maturity received from non-financial corporations decreased by 11.3% in the period under review.

Chart 66 Interest rates and volumes on deposits with agreed maturity from households (new business)



Source: NBS.

Chart 67 Interest rates and volumes on deposits with agreed maturity from non-financial corporations (outstanding amounts)



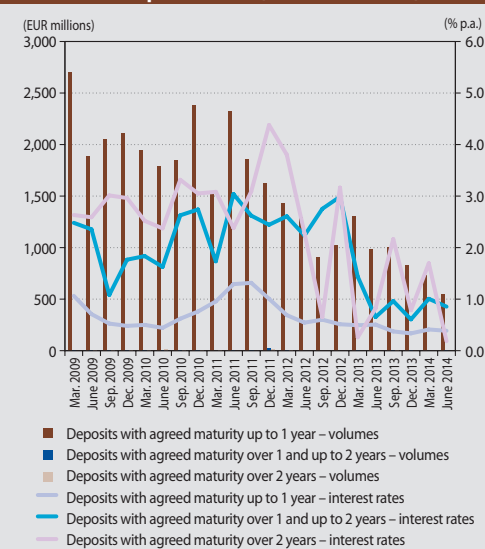
Source: NBS.



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 showed a falling tendency in the second quarter of 2014, compared with the second quarter of 2013, in all maturity bands. The average rate for deposits **with an agreed maturity of over two years** fell by 0.2%, to stand at 0.9% p.a. The share of these deposits, however, was insignificant (0.1% 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** (0.2%), the average price of which fell by 0.1% to 0.8% 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 deposit category: they accounted for 99.7% of the volume of new deposits with agreed maturity received from non-financial corporations.

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





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 85 open-end mutual funds as at 30 June 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.

3.1 CURRENT DEVELOPMENTS IN THE DOMESTIC MUTUAL FUNDS MARKET

For the purposes of monetary and financial statistics compiled by the European Central Bank, mutual funds are divided according to the investment strategy employed into the following categories: money market funds, short-term money market funds, bond funds, equity funds, mixed funds, real estate funds, and other funds.

In the second quarter of 2014, the mutual funds market saw a continuation of the trends from 2013 and the first quarter of 2014. 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 in the total assets of mutual funds decreased throughout 2013, and this trend has continued into 2014. As at 30 June 2014, the share of money market funds stabilised at the level of 1.5%. The share of other funds, including secured funds, specialised alternative investment funds, specialised securities funds, and specialised professional investor funds, remained virtually un-

changed over the quarter under review, at 24.6% (as at 30 June 2014). Bond funds maintained their dominant position in the mutual funds market, with a share of 28.6% of total assets. The third largest group as at 30 June 2014 was constituted by real estate funds with a share of 19.5%. They were followed by mixed funds with a share of 18.9% as at end-June 2014. Their share increased by 1.1 percentage points compared with March 2014, owing to the emergence of three new funds of this category. 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 6.9%.

By the end of the second quarter of 2014, the share of equity funds had grown by 27.7% year-on-year. The rate of growth accelerated by roughly 10 percentage points compared with the previous quarter.

The value of assets managed by real estate funds has historically shown a rising tendency. By end-June 2014, the assets of these funds had grown year-on-year by 38.66%.

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. This trend has continued into 2014. Towards the end of the second quarter of 2014, the rate of growth slowed by approximately seven percentage points. By 30 June 2014, total assets had increased by 15.44% year-on-year.

Over the past year, bond funds maintained a moderately rising trend in the value of assets they managed. This trend has continued into 2014, with the value of assets rising more rapidly. By 30 June 2014, the value of total assets had increased by 13.87% year-on-year, showing an accelerated growth rate of 6.55 percentage points.

The persistent lack of interest in money market funds among investors has led to a year-on-year decline of 38.08% in their assets (as at end-June 2014).

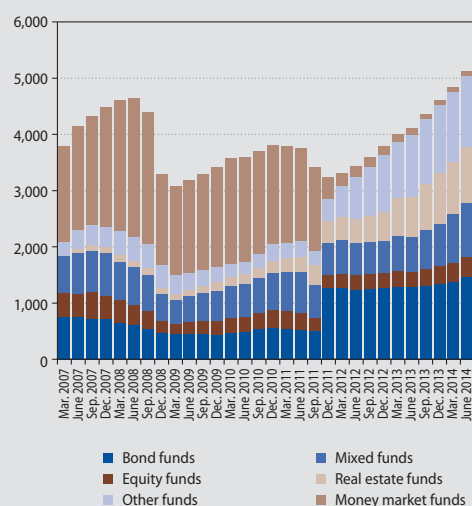


Table 8 Year-on-year changes in total assets of mutual funds by type

Total assets	Year-on-year change in %				
	VI. 13	IX. 13	XII. 13	III. 14	VI. 14
Bond funds	2.99	4.78	4.42	7.32	13.87
Equity funds	9.73	8.72	27.66	17.53	27.70
Mixed funds	9.61	23.81	34.29	39.41	56.76
Real estate funds	63.11	77.10	68.73	38.81	38.66
Other funds	46.04	32.51	19.88	22.69	15.44
Money market funds	-37.04	-52.67	-45.95	-43.67	-38.08

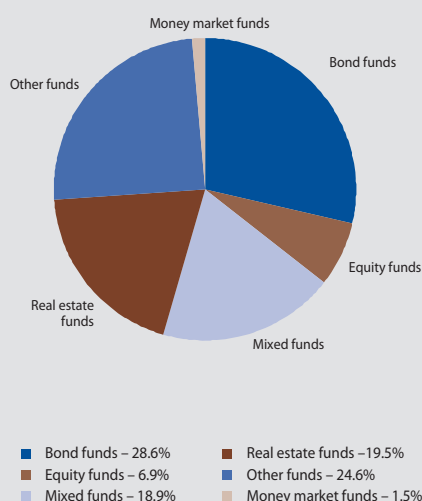
Source: NBS.

Chart 69 Mutual funds broken down by investment strategy (EUR millions)



Source: NBS.

Chart 70 Share of funds types on total assets of domestic mutual funds as at 30 June 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.

At the end of the second quarter of 2014, money market funds had 86% of their assets invested in bank deposits and 13.7% 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 30 June 2014 also contained foreign securities. In the previous quarter, the portfolio contained solely domestic securities. Thus, the share of domestic securities decreased quarter-on-quarter by 51.5 percentage points, to 48.5%. They were followed by securities issued in other euro area countries (39.3%) and securities issued in EU Member States (12%).

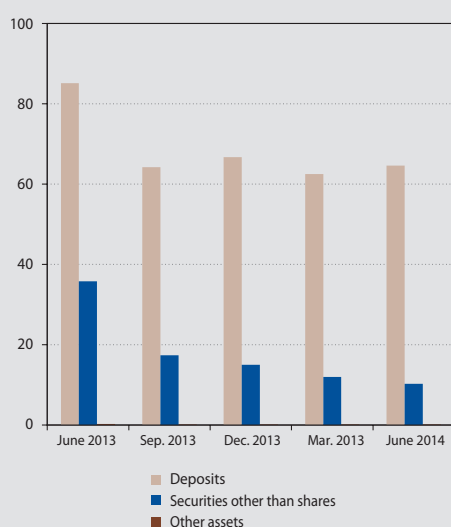
Broken down by sector, money market funds invested mostly in government securities (Sector S.13), which accounted for 83% of the total amount invested. Their share in the portfolio of money market funds increased in the quarter under review as a result of government bonds purchases from other euro area countries and EU Member States. The remaining part of the portfolio was formed by bank bonds (Sector S.122) with a share of 17%.

The liquidity and maturity of securities in the portfolio of mutual funds are important factors in the risk assessment process. Interesting



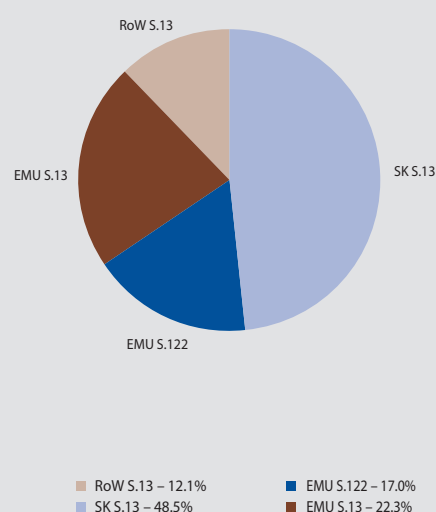
information in this respect can be obtained from a comparison of the original and residual maturities of securities in the aggregated portfolio of money market funds: while securities with an agreed maturity of over two years accounted for 100% (as at 30 June 2014), their share dropped to zero when the residual maturity was taken into account instead. The share of securities with a residual maturity of over one and up to two years stood at 17% as at the end of the second 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 83%.

Chart 71 Money market funds: evolution of assets (EUR millions)



Source: NBS.

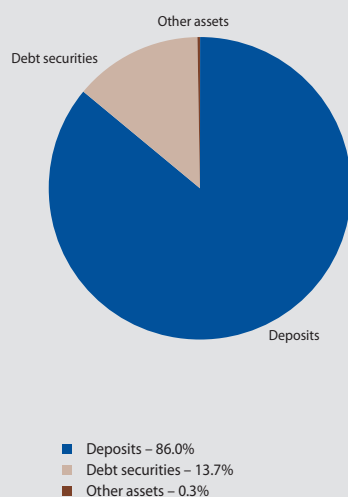
Chart 73 Geographical and sectoral breakdown of debt securities in portfolio of money market funds as at 30 June 2014



Source: NBS.

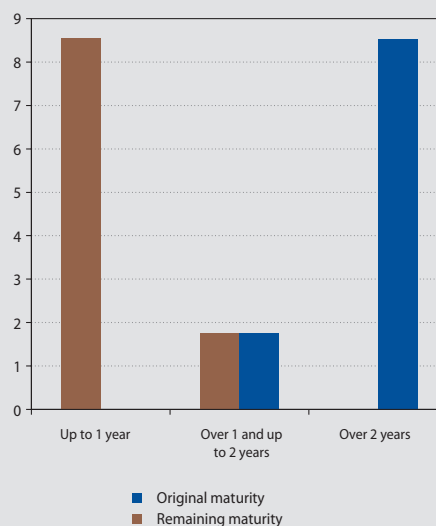
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

Chart 72 Money market funds: structure of assets as at 30 June 2014



Source: NBS.

Chart 74 Maturity breakdown of debt securities in portfolio of money market funds as at 30 June 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.

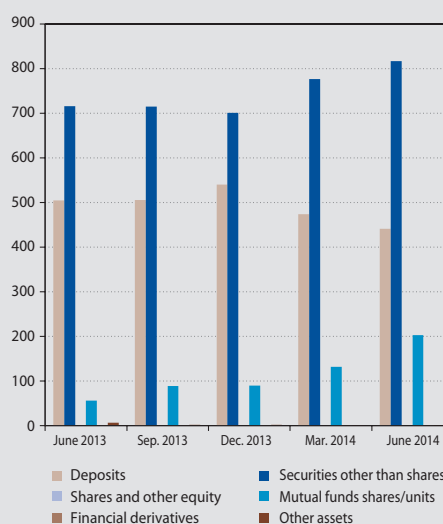
The assets managed by such funds as at 30 June 2014 were dominated by debt securities, the share of which remained virtually unchanged in comparison with the previous quarter, at 55.84%. A large part of these financial assets were invested in fixed-term bank deposits or held on current accounts, the share of which in total assets reached 30.16% at the end of the second quarter. They were followed by mutual fund shares/units, the proportion of which increased by more than four percentage points quarter-on-quarter (to 13.87%), the remaining 0.13% was formed by other assets, including financial derivatives.

In geographical terms, the debt securities portfolio was dominated by securities issued in the rest of the world (41.08%). They were followed by domestic securities and securities issued in other euro area countries, which accounted for 37% and 22.7% respectively as at the end of the second quarter of 2014.

Broken down by sector, the securities portfolio of bond funds as at 30 June 2014 comprised mostly government bonds (46.41%) and debt securities issued by banks (42.92%). The remaining 10.67% was made up by debt securities issued by non-financial corporations and other financial institutions.

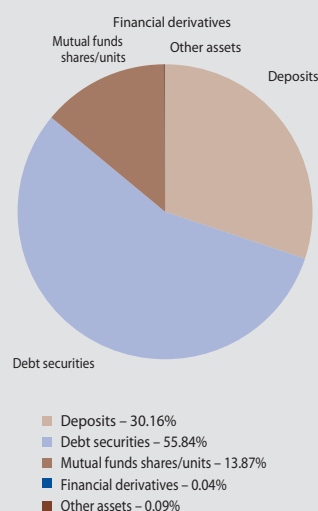
Broken down by residual maturity, bond funds held 22.3% of their portfolio in securities with a maturity of up to one year, 25.5% in securities with a maturity of over one and up to two years, and 52.2% in securities with a maturity of over two years.

Chart 75 Bond funds: evolution of assets (EUR millions)



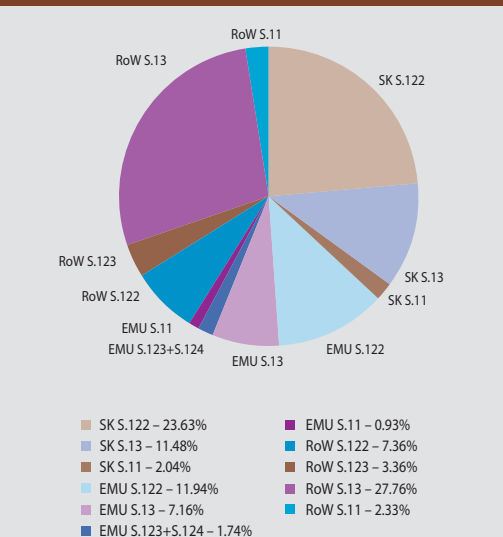
Source: NBS.

Chart 76 Bond funds: structure of assets as at 30 June 2014



Source: NBS.

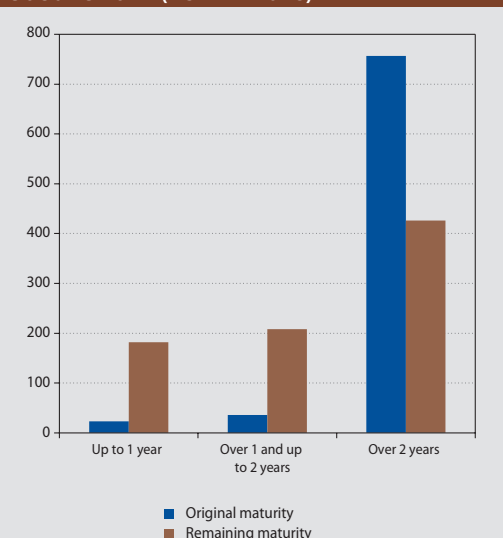
Chart 77 Geographical and sectoral breakdown of debt securities in portfolio of bond funds as at 30 June 2014



Source: NBS.

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

Chart 78 Maturity breakdown of debt securities in portfolio of bond funds as at 30 June 2014 (EUR millions)



Source: NBS.

3.2.3 EQUITY FUNDS

The proportion of shares and other equity participations decreased by 1.4 percentage points quarter-on-quarter, to 26.4% as at 30 June 2014. The most significant asset components as at end-June 2014 were mutual fund shares/units with a share of 34.7% and bank deposits with

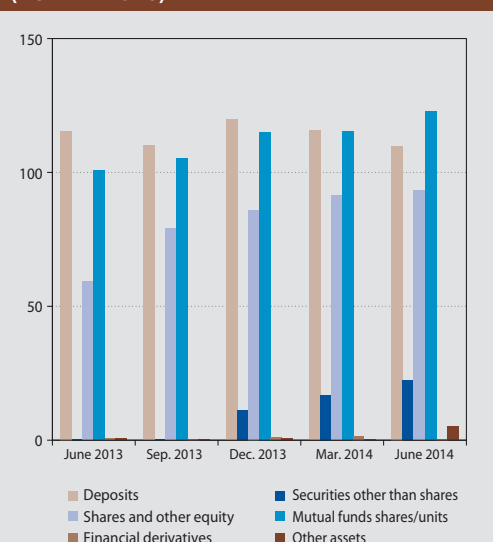
a share of 31%. The share of debt securities increased to 6.3% (as at 30 June 2014), owing to the purchase of such securities for the portfolios of equity funds. Other assets, including financial derivatives, accounted for 1.5% of the total assets of equity funds.

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 43.4% as at end-June 2014, those issued by mutual funds from other euro area countries accounted for 39.4%, and shares/units issued by mutual funds from the rest of the world represented 17.2%.

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 94.54% as at end-June 2014.

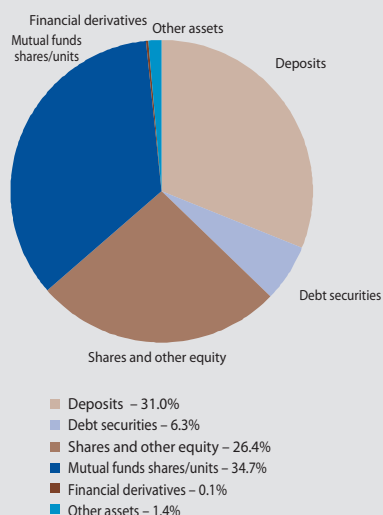
The aggregated portfolio of equity funds was dominated by shares of non-financial corporations from the rest of the world (59.8%), followed by shares of non-financial corporations from other euro area countries (19.1%) and shares of banks from non-euro area countries (8.9%).

Chart 79 Equity funds: evolution of assets (EUR millions)



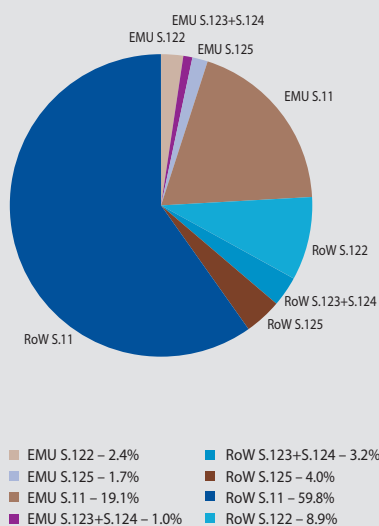
Source: NBS.

Chart 80 Equity funds: structure of assets as at 30 June 2014



Source: NBS.

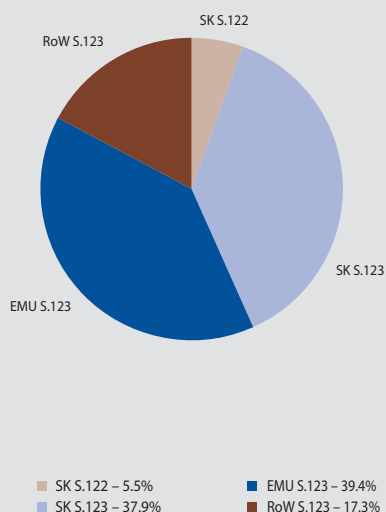
Chart 82 Geographical and sectoral breakdown of shares and other equity in portfolio of equity funds as at 30 June 2014



Source: NBS.

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

Chart 81 Geographical and sectoral breakdown of mutual funds shares/units in portfolio of equity funds as at 30 June 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 53.9% of total assets as at 30 June 2014. Further significant asset items were bank deposits (23.5%), debt securities (14.25%), and equities (7.25%). The proportion of other assets, including financial derivatives, reached 1% as at 30 June 2014.

In geographical terms, the structure of mutual fund shares/units changed in the second quarter of 2014 in favour of shares/units from other euro area Member States. The proportion of these shares/units increased by more than three percentage points (to 46.07%), confirming their dominant position in the portfolio of mutual fund shares/units. They were followed by shares/units issued by domestic mutual funds (38.77%). The proportion of mutual fund shares/units issued in the rest of the world remained virtually unchanged, at 15.16% as at the end of the second quarter.

In geographical terms, the structure of securities in the portfolio of mixed funds as at 30 June 2014 was dominated by bonds from the rest of the world (38.11%), followed by securities issued by domestic companies (38.03%) and securities from other euro area countries (23.86%).

Broken down by sector, the portfolio of mixed funds was dominated by the general government sector (Sector S.13) with a share of 40.35% as at 30 June 2014.

Broken down by residual maturity, mixed funds had 23.7% of their portfolio in securities with a maturity of up to one year, 24.1% in securities with a maturity of over one and up to two years, and 52.2% in securities with a maturity of over two years.

Chart 84 Mixed funds: structure of assets as at 30 June 2014

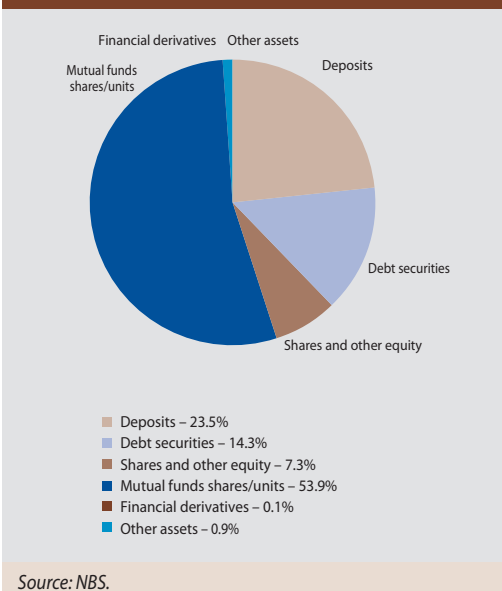


Chart 83 Mixed funds: evolution of assets (EUR millions)

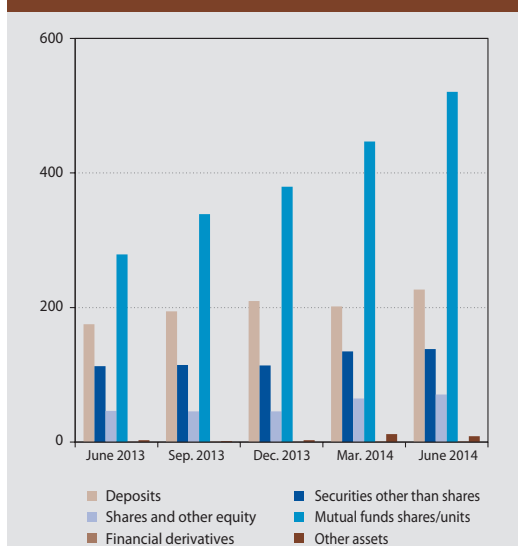


Chart 85 Geographical and sectoral breakdown of debt securities in portfolio of mixed funds as at 30 June 2014

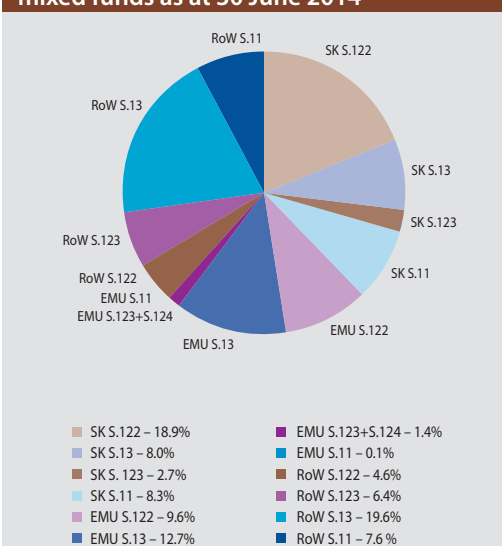
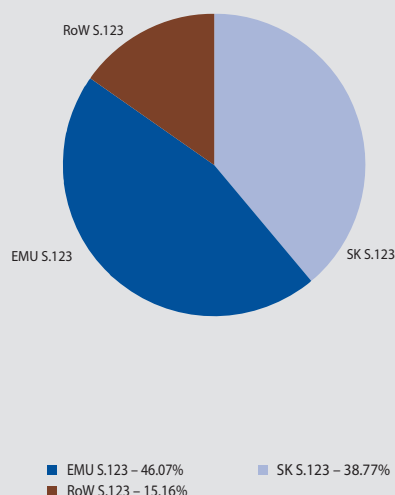


Chart 86 Geographical and sectoral breakdown of mutual funds shares/units in portfolio of mixed funds as at 30 June 2014



Source: NBS.

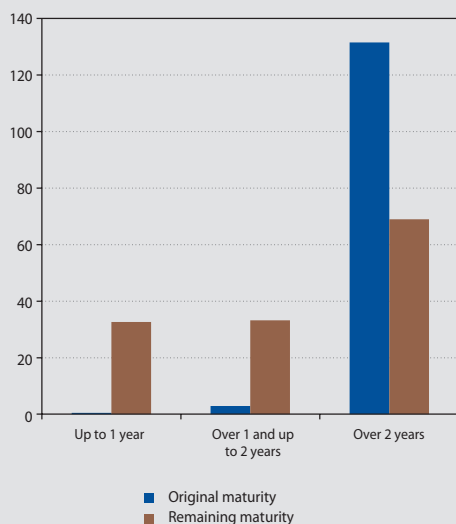
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

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 2.7 percentage points over the second quarter of 2014, to 29.5%. The proportion of *shares and other equity participations* increased by 2.5 percentage points, from 56.8% as at 31 March 2014 to 59.3% as at 30 June 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 (2.2%), and other assets, including financial derivatives (2.9%).

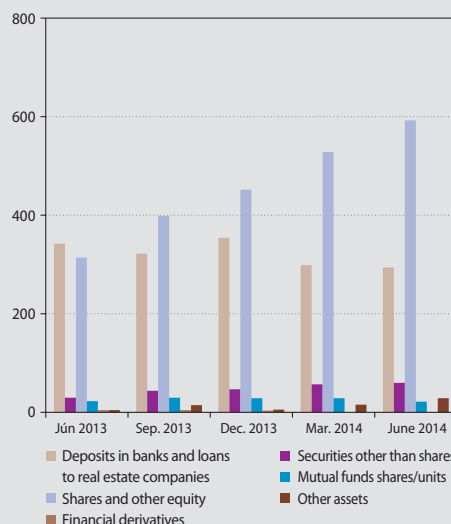
The geographical and sectoral breakdown of shares and equity participations in the aggregated portfolio of real estate funds indicates that the largest share (81.1%) was accounted for

Chart 87 Maturity breakdown of debt securities in portfolio of bond funds as at 30 June 2014 (EUR millions)



Source: NBS.

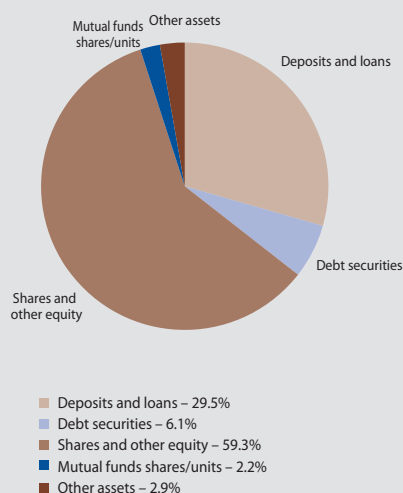
Chart 88 Real estate funds: evolution of assets (EUR millions)



Source: NBS.

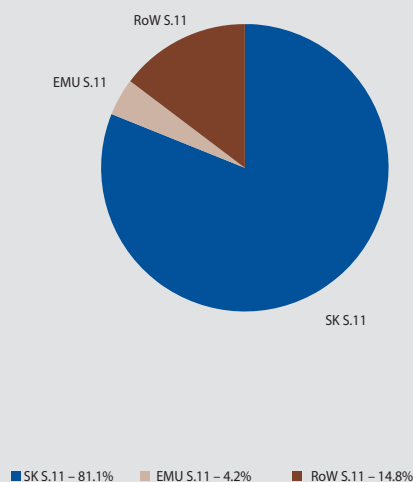
by domestic non-financial corporations (Sector S.11). Compared with 31 March 2014, the share of non-financial corporations from other EU Member States decreased by 1.8 percentage points to 14.8%, while that of non-financial corporations from other euro area countries increased by 4.1 percentage points to 4.2% as at 30 June 2014.

Chart 89 Real estate funds: structure of assets as at 30 June 2014



Source: NBS.

Chart 90 Geographical and sectoral breakdown of shares and other equity in portfolio of real estate funds as at 30 June 2014



Source: NBS.

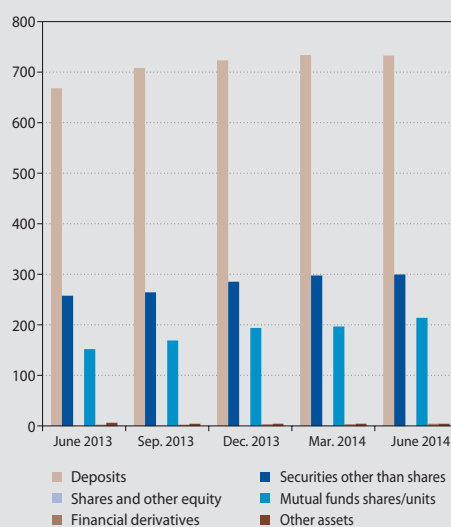
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

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 consisted largely of bank deposits. As at 30 June 2014, bank deposits still represented the most significant asset item in the balance sheets of other funds, with a share of 58.3%. The share of debt securities decreased by 0.2 percentage point quarter-on-quarter, to 23.9% as at the end of the second quarter. The share of mutual fund shares/units stood at 17%.

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 30 June 2014 was main-

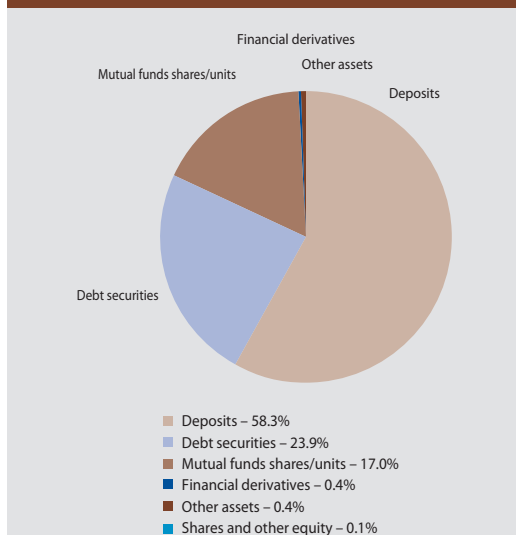
Chart 91 Other funds: evolution of assets (EUR millions)



Source: NBS.

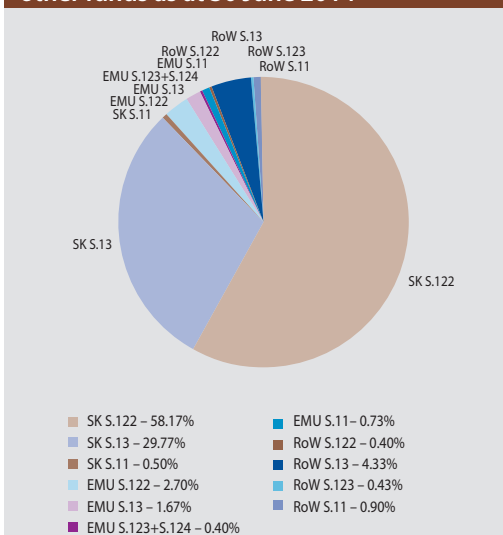


Chart 92 Other funds: structure of assets as at 30 June 2014



Source: NBS.

Chart 93 Geographical and sectoral breakdown of debt securities in portfolio of other funds as at 30 June 2014



Source: NBS.

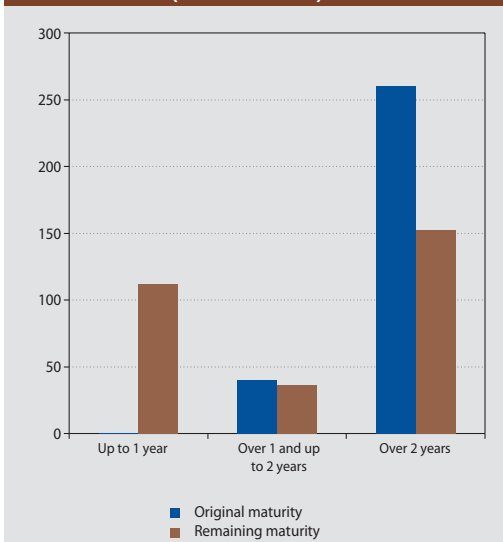
Poznámka: SK = tuzemský emitent, EMU = emitent z ostatných členských krajín eurozóny, RoW = emitent zo zvyšku sveta.

tained by securities issued by domestic institutions (88.43%). They were followed by securities from the rest of the world (6.7%) and securities issued in other euro area countries (5.5%).

Broken down by sector, the aggregated securities portfolio was dominated by securities issued by banks (Sector S.122) with a share of 61.27%, followed by government bonds (Sector S.13) with a share of 35.77% as at end-June 2014.

Broken down by residual maturity, the portfolio of other funds had the following composition: securities with a maturity of up to one year (37.3%), securities with a maturity of over one and up to two years (12%), and securities with a maturity of over two years (50.7%).

Chart 94 Maturity breakdown of debt securities in portfolio of other funds as at 30 June 2014 (EUR millions)



Source: NBS.



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CHAPTER 4

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*¹, as a subcategory referred to as *financial corporations engaged in lending*.

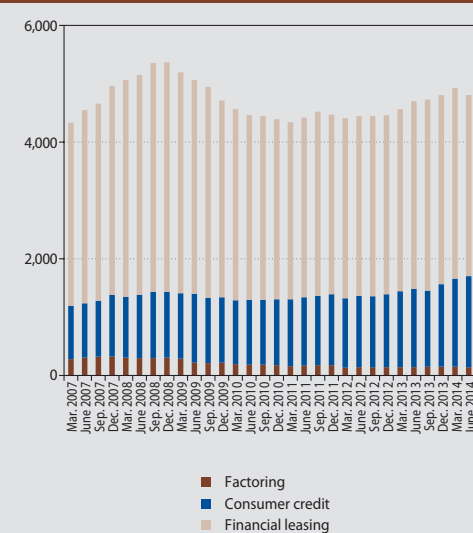
The second quarter of 2014 proved to be successful for factoring and consumer credit companies, but leasing companies recorded a decrease in assets.

The favourable trend in the consumer credit market from the previous period continued throughout the second quarter of 2014. By 30 June 2014, the total assets of consumer credit companies had grown by 15.65%, compared with the end of the same period a year earlier. The rate of growth accelerated in comparison with the previous quarter by only 0.45 percentage point.

The total assets of factoring companies had increased in value by 5.32% by end-June 2014, compared with the figure for end-June 2013.

The long-term growing trend in the total assets of leasing companies came to a halt in the quarter under review. By 30 June 2014, the value of these assets had increased by 3.47% compared with the figure for 30 June 2013.

Chart 95 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 65% as at the end of the quarter under review.

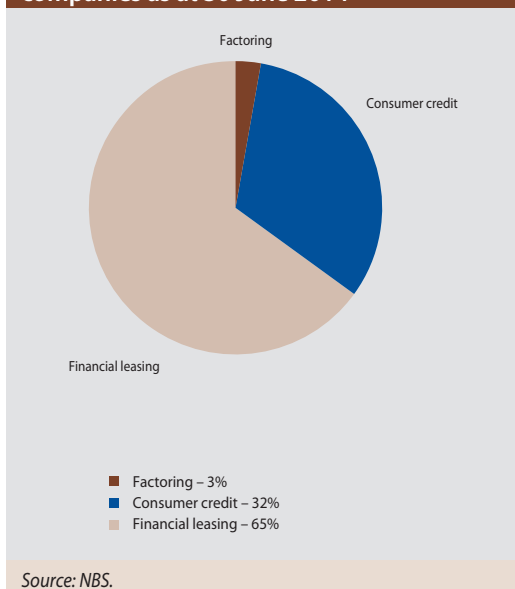
Table 9 Year-on-year changes in total assets of financial corporations engaged in lending

Total assets	Year-on-year change in %				
	IV. 13	IX. 13	XII. 13	III. 14	VI. 14
Financial leasing	4.39	6.20	5.87	4.67	-3.47
Factoring	-0.63	6.38	8.78	12.00	5.32
Consumer credit	10.07	7.17	12.43	15.20	15.65

Source: NBS.

¹ 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 96 Financial corporations engaged in lending: Assets share of included companies as at 30 June 2014



the end of June 2014, they accounted for 98.77% of all customers.

Financial leasing services were also used primarily by non-financial corporations (88.17%), followed by households (10.84%) and other sectors (0.99%).

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 as at 30 June 2014 was dominated by households (Sector S.14) with a share of 75.68%, followed by non-financial corporations (S.11) with a share of 24.04% and by other financial intermediaries (S.123) with a share of 0.28%.

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 review, for the provision of credits and loans through non-bank lending channels.

The main source of financing was foreign (borrowed) capital representing 74.3% of the total

The geographical breakdown of credits and loans provided by domestic companies engaged in non-bank lending indicates that such credits and loans are used mainly by domestic customers (99.97%).

As at the end of the second quarter of 2014, loans offered by domestic leasing companies were used exclusively by domestic customers.

As at 30 June 2014, domestic consumer credit companies had mostly domestic customers (80.11%). Customers from other euro area Member States accounted for 19.89%.

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 30 June 2014, domestic customers accounted for 77.14%. They were followed by customers from the rest of the world, particularly from EU Member States, with a share of 16% as at end-June 2014. The remaining 7% was made up by customers from other euro area countries.

The clientele of factoring companies has historically been dominated by non-financial corporations, owing to the nature of their activities. At

Chart 97 Geographical and sectoral breakdown of financial leasing companies lending as at 30 June 2014

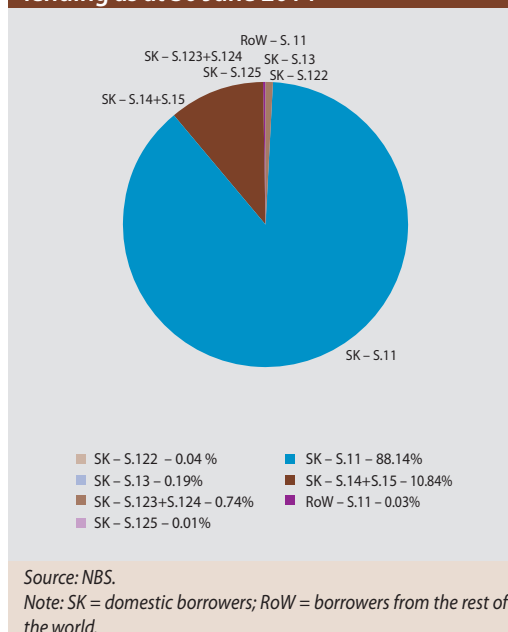
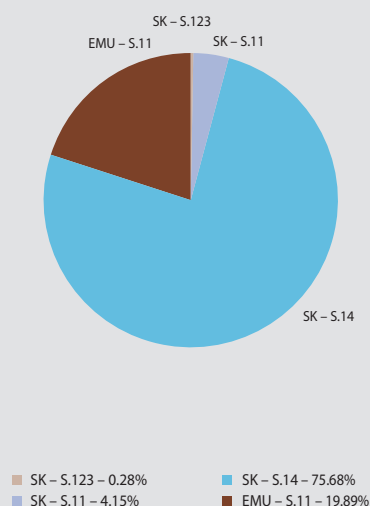




Chart 98 Geographical and sectoral breakdown of consumer credit companies lending as at 30 June 2014



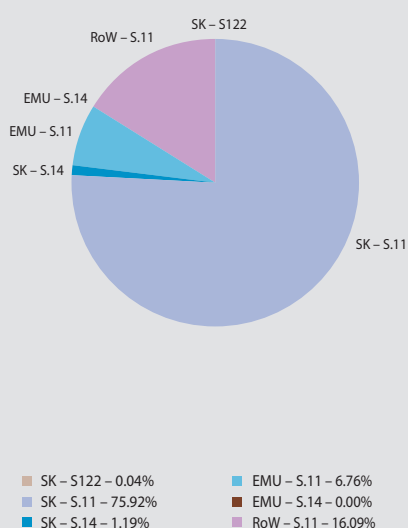
Source: NBS.

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

financial resources. Foreign capital was obtained mostly in the form of bank loans, which accounted for 72.92% as at 30 June 2014. The rest was obtained in the form of proceeds from issues of debt securities (14.88%) and credits or loans from companies belonging to the same group (12.21%).

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

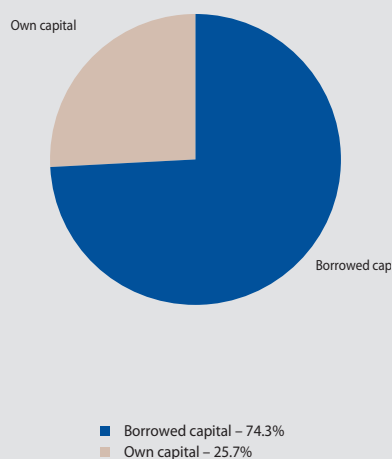
Chart 99 Geographical and sectoral breakdown of factoring companies lending as at 30 June 2014



Source: NBS.

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

Chart 100 Breakdown of source capital as at 30 June 2014



Source: NBS.



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

CHAPTER 5

SECURITIES

5 SECURITIES

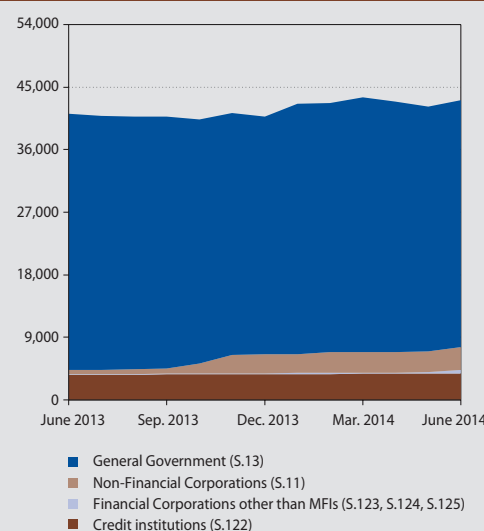
5.1 DEBT SECURITIES

The total amount of debt securities issued has historically been dominated by government bonds. Their outstanding amount as at end-June 2014 stood at €35,455.9 million. Bank bonds, including mortgage bonds, represented the second most significant component with a total amount of €3,838.0 million. The share of bonds issued by non-monetary financial institutions reached a level comparable to those issued by monetary financial institutions (€3,732.3 million).

The total issue amount in net terms decreased in comparison with the previous quarter, i.e. the amount of new issues remained below the amount of repaid issues, by €822.3 million. In the case of monetary financial institutions, the net issue amount increased by €27.3 million. Non-monetary financial institutions recorded an increase of €301.6 million in the net issue amount. The net issue amount in the general government sector decreased by as much as €1,151.2 million in the quarter under review.

The outstanding issue amount fell by 1.90% in the second quarter of 2014, after growing by 6.56% in the first quarter of 2014. This fall was caused by a decrease of 3.11% in the outstanding issue amount in the general government sector. By con-

Chart 101 Debt securities by sector (outstanding amounts, EUR millions)



Source: NBS.

trast, the monetary financial institutions sector recorded an increase of 0.72% in the outstanding issue amount. Non-monetary financial institutions recorded an increase of 8.11% (€0.28 million).

During the second quarter of 2014, the outstanding amount decreased in month-on-month terms by 1.3% in April and 1.7% in May, and then increased by 1.0% in June.

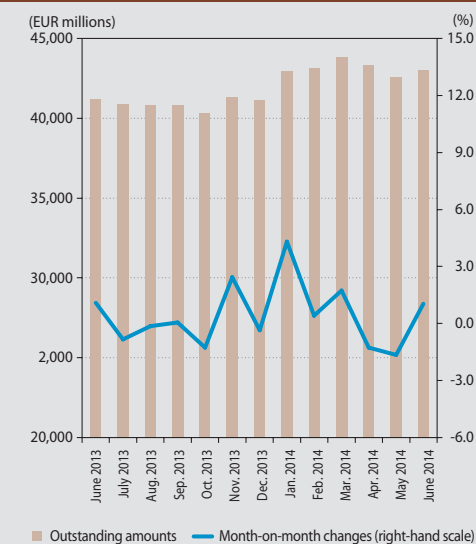
Table 10 Debt securities (thousand EUR)

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 / 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
2014 / 06	43,026,338	3,838,034	3,732,335	35,455,969	-822,291	27,295	301,631	-1,151,217

Source: NBS.

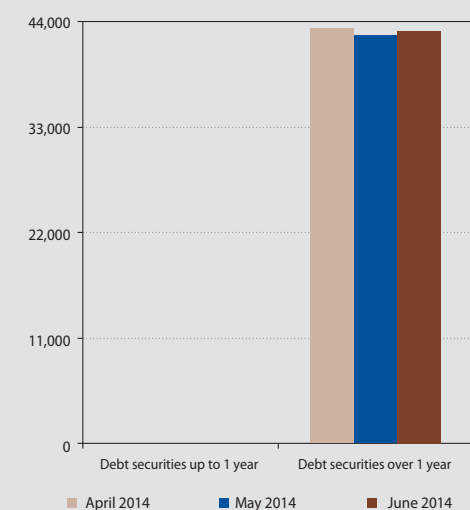


Chart 102 Debt securities (outstanding amounts, month-on-month changes)



Source: NBS.

Chart 103 Debt securities (outstanding amounts, EUR millions, Q2 2014)



Source: NBS.

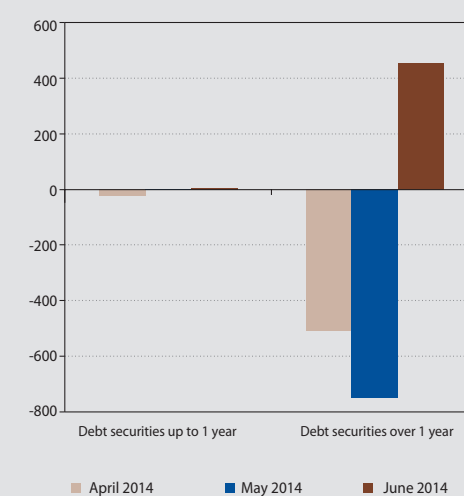
In that period, a total of 17 new issues were placed on the securities market, of which seven were issued by banks and ten by non-financial corporations.

The amount of short-term debt securities decreased in net terms by €15.9 million over the second quarter. The net issue amount in the other financial intermediaries and general government sectors fell by €15.0 million and €11.5 million respectively, while the non-financial corporations sector recorded an increase of €10.5 million in the net issue amount.

The total issue amount of long-term debt securities in net terms decreased by €806.3 million in the period under review. The net issue amount of government bonds² decreased by €1,139.7 million, while that of bank bonds increased by €27.3 million. The non-financial corporations sector recorded a net issue amount of €307.8 million. The other sectors recorded a decrease of €1.7 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 82%), followed by monetary financial institutions and non-monetary financial institutions (less than 9%). According to the coupon type, the majority of issues had a fixed coupon (more than 88%) or a variable coupon (more

Chart 104 Debt securities (net issues, EUR millions, Q2 2014)



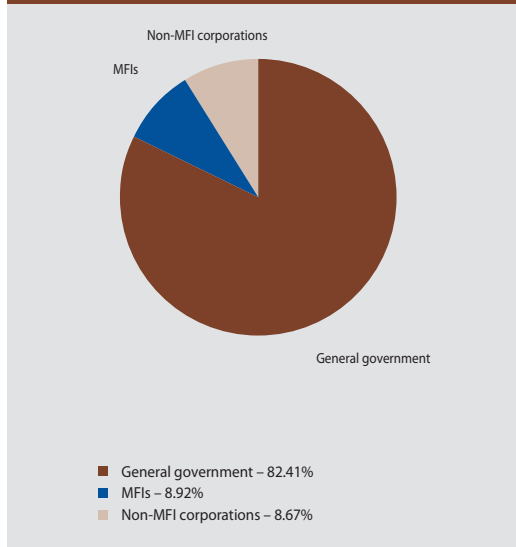
Source: NBS.

² The government bond issues in question are new tranches of existing issues.

than 11%). Zero-coupon issues accounted for less than 1.0%. The issues 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.

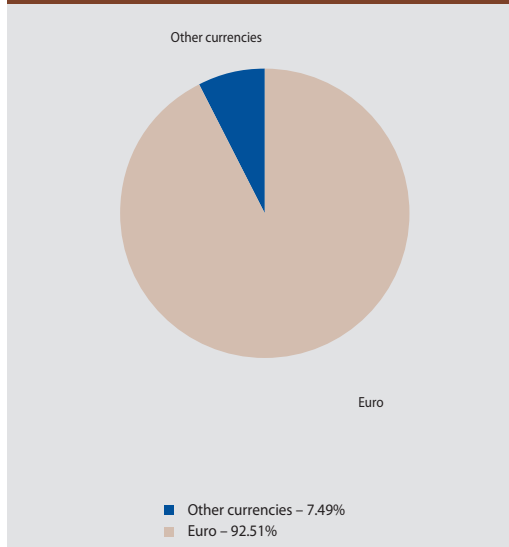
Chart 105 Debt securities by sector
(outstanding amounts as at 30 June 2014)



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 30 June 2014.

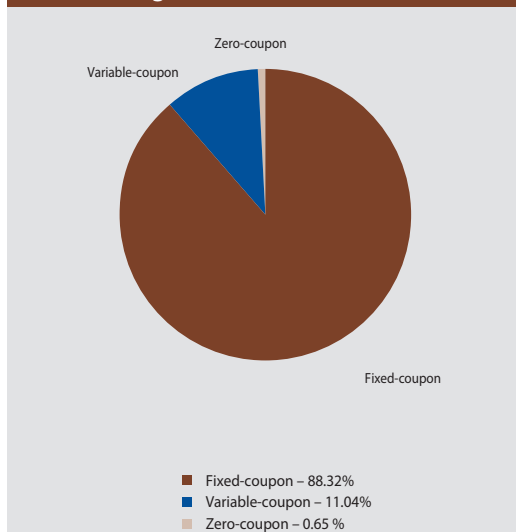
Chart 107 Debt securities by currency
(outstanding amounts as at 30 June 2014)



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 30 June 2014.

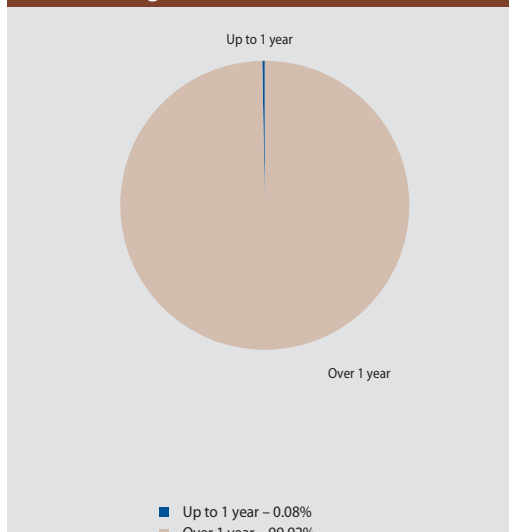
Chart 106 Debt securities by coupon type
(outstanding amounts as at 30 June 2014)



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 30 June 2014.

Chart 108 Debt securities by original maturity
(outstanding amounts as at 30 June 2014)

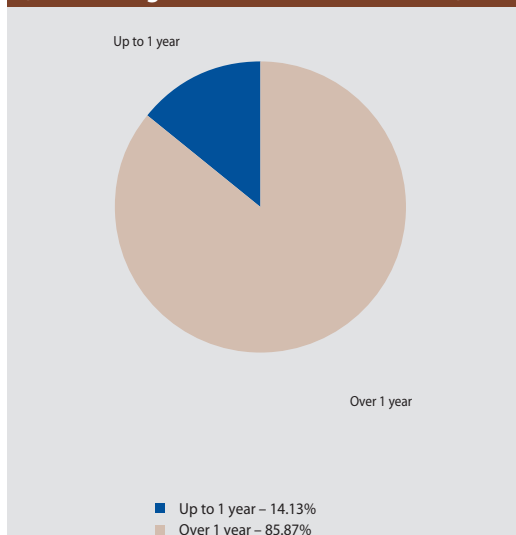


Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 30 June 2014.



**Chart 109 Debt securities by residual maturity
(outstanding amounts as at 30 June 2014)**



Source: NBS.

Note: The individual items are classified according to the outstanding amounts of issues as at 30 June 2014.

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

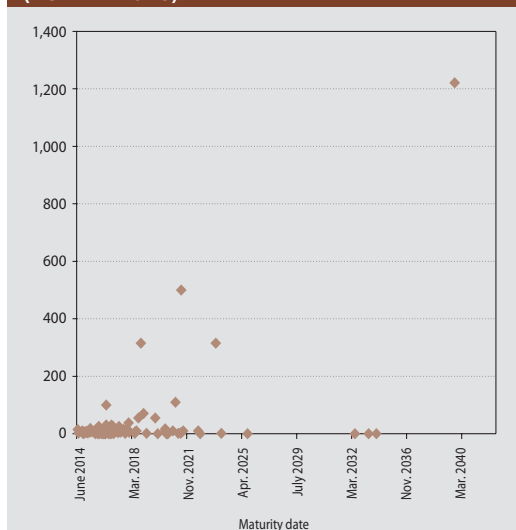
non-financial corporations sector) as a function of the issue amount and maturity.

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.

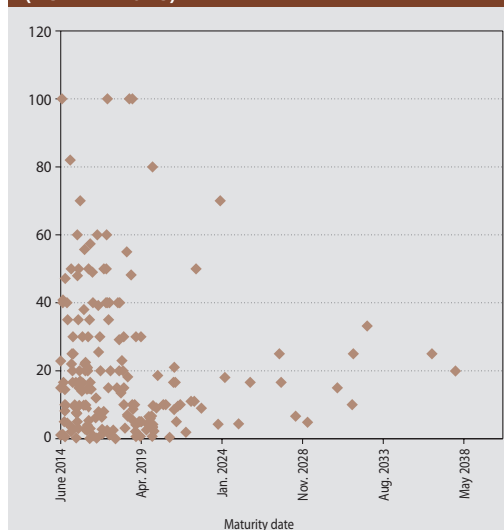
The number of debt securities issues made in the government sector is lower than the number of issues made in the aforementioned two sectors, and the outstanding amount is also much higher in the former case. The issue with the highest outstanding amount is worth €3.0 billion. The most recent issue will mature in 2034.

**Chart 110 Debt securities: outstanding
amounts of domestic issues in S.11 sector
(EUR millions)**



Source: NBS.

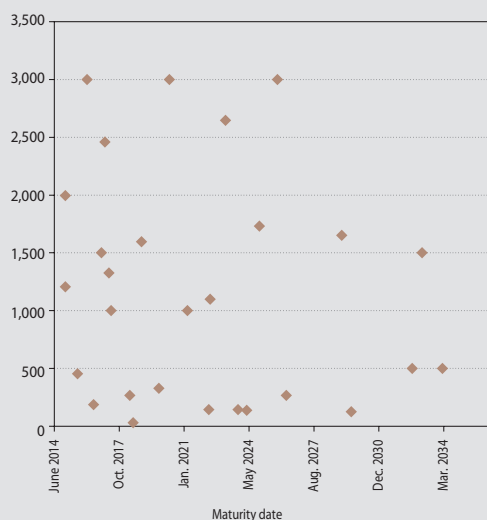
**Chart 111 Debt securities: outstanding
amounts of issues in S.122 Sector
(EUR millions)**



Source: NBS.

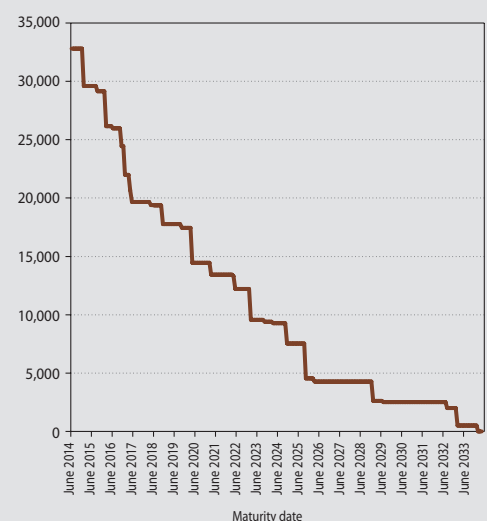


Chart 112 Debt securities: outstanding amounts of issues in S.13 Sector (EUR millions)



Source: NBS.

Chart 113 Government bonds: maturity profile (EUR millions)

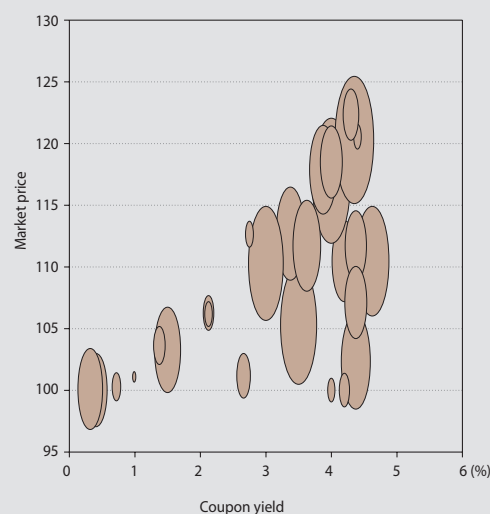


Source: NBS.

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 of their market price and coupon yield as at the end of the second quarter of 2014. The average market price³ of these government bonds stood at 110.61% and the coupon yield was 3.48% at that time.

Chart 114 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).

³ Arithmetical average weighted by the outstanding amount of issues.



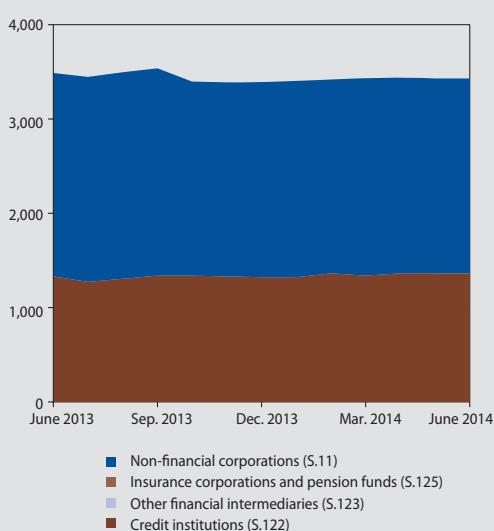
5.2 QUOTED SHARES

By the end of June 2014, the outstanding amount of quoted share issues had fallen by €0.9 million, compared with the end of the previous quarter. This fall took place in non-financial corporations (-€26.5 million) and was substantially offset by an increase recorded in credit institutions (€25.5 million). In the insurance institutions and pension funds sector, the outstanding amount of quoted shares remained unchanged in comparison with the previous quarter. Total market capitalisation stood at €3,429.4 million as at the end of the second quarter of 2014.

The outstanding amount of quoted share issues decreased by 0.03% compared with the previous quarter. An increase was recorded in the quoted shares of credit institutions (+1.9%), while non-financial corporations reported a decrease in quoted shares (-1.3%).

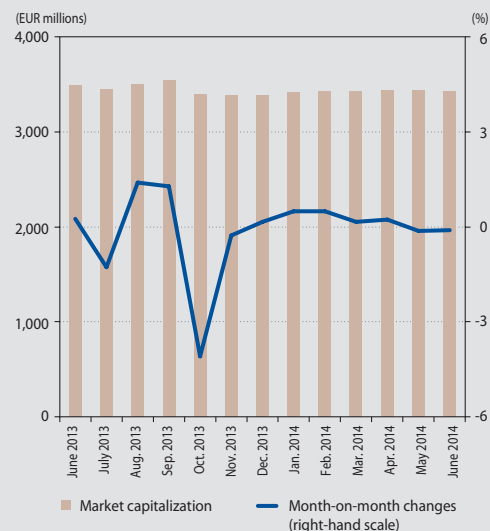
During the second quarter of 2014, the outstanding amount of quoted share issues showed a month-on-month increase in April (+0.2%), followed by a decrease in May (-0.1%) and June (-0.1%).

Chart 115 Quoted shares: market capitalization by sector (EUR millions)



Source: NBS.

Chart 116 Quoted shares (market capitalization, month-on-month changes)



Source: NBS.

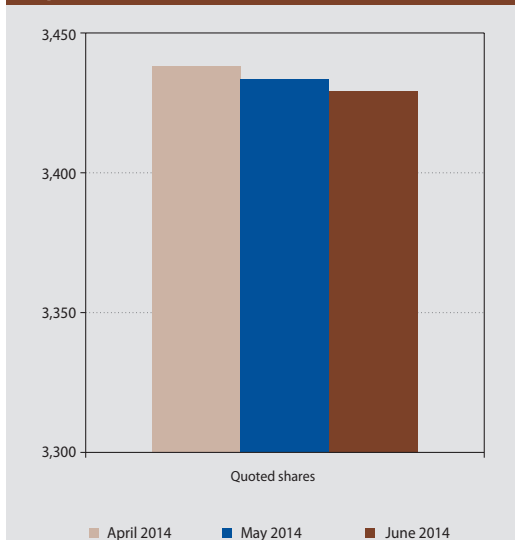
Table 11 Quoted shares (thousand EUR)

Outstanding amounts				
Month	Total	Credit Institutions	Insurance Corp. and Pension Funds	Non-Financial Corporations
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
2014 / 06	3,429,434	1,365,177	225	2,064,032

Source: NBS.

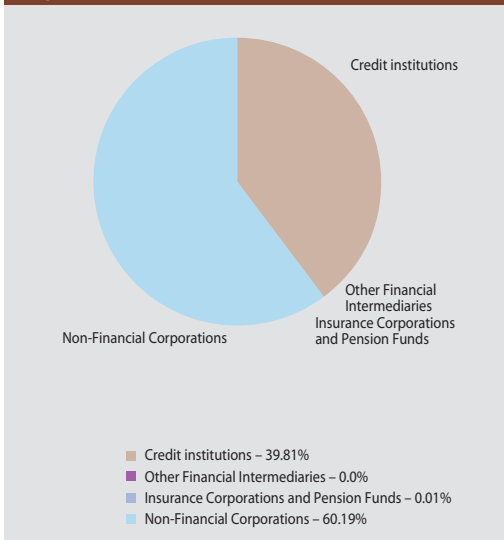


Chart 117 Quoted shares (market capitalization, EUR millions, Q2 2014)



Source: NBS.

Chart 118 Quoted shares by sector (market capitalization as at 30 June 2014)



Source: NBS.

Broken down by sector, the largest share in market capitalisation was accounted for by non-financial corporations (more than 60%). They were followed by credit institutions with a share of almost 40%. The other sectors were insignificant in this respect.



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EUROSYSTEM

CHAPTER 6

SELECTED MACROECONOMIC INDICATORS



6 SELECTED MACROECONOMIC INDICATORS

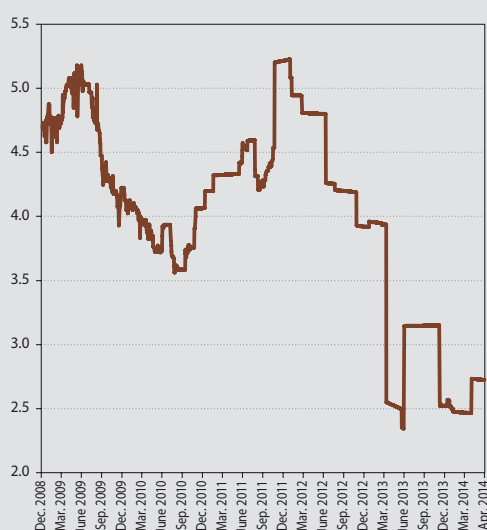
6.1 LONG-TERM INTEREST RATES

With effect from 1 July 2013, the approach based on a 'basket of bonds' has been replaced with a 'benchmark-oriented' approach,⁴ using the government bond SK4120009044 as a benchmark. This approach was also applied during the second quarter of 2014. The benchmark has, however, been replaced. With effect from 1 May 2014, the government bond SK4120008871 has been used. During this period, the interest level rose from 2.46% as at end-March 2014 to 2.72% as at end-June 2014.

6.2 KEY ECB INTEREST RATES

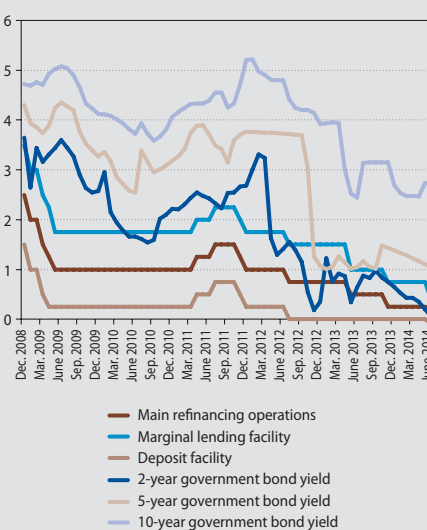
Compared with the first quarter of 2014, the key ECB interest rate on the main refinancing operations was lowered to 0.15%.⁵ The key rates for overnight refinancing operations (the marginal refinancing facility) and overnight sterilisation operations (the deposit facility) were reduced to 0.40% and -0.10% respectively. Two-year government bond yields decreased by 0.38% quarter-on-quarter (from 0.43% to 0.05%), five-year government bond yields decreased from 1.22% to 1.05%, and ten-year government bond yields increased from 2.47% to 2.73%.

Chart 119 Benchmark – yield to maturity (p.a.)



Source: BCPB.

Chart 120 Interest rates (p.a.)



Source: ECB, BCPB.

⁴ See 'Methodological Notes' in Part 7.6 Long-term interest rates.

⁵ The current setting of the key ECB interest rates being in place since 11 May 2014.



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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 Bank⁶.

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-

⁶ 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_21120070811en0080029.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 decree⁷. The range of data reported complies in full with the current requirements⁸ 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 Bank⁹. 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.

7 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.

8 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>).

9 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.

7.5.3 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 – 04/2014

SK4120008871 Benchmark for the period
05/2014 – 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>



GLOSSARY AND ABBREVIATIONS

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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