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EUROSYSTÉM

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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 September 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 third quarter of 2014 is *'interest rates on loans granted to households'*.

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
EUROSYSTÉM

THEMATIC CHAPTER

Interest rates on loans to households

In Slovakia, banks currently focus their attention on the household sector as a potential recipient of loan products. The current interest rates on housing and consumer loans are at historically low levels. This chapter provides an overview of the interest rates at which loans were granted to households in the previous decade, starting from the entry of Slovakia into the European Union in 2004.

In regard to statistics, one of the conditions for Slovakia's admission to the EU was the harmonisation of statistical reporting with the European standards. This harmonisation has created conditions for the comparison of statistical data within the euro area or the European Union as a whole. Data on new businesses, which reflect the official central bank rates passed through to the current commercial bank rates, started to be collected by Národná banka Slovenska for statistical purposes in 2004. In this chapter, we will focus on interest rates on new consumer loans and housing loans granted to households. (In this thematic chapter term "Households" equals to "Households – Individuals".)

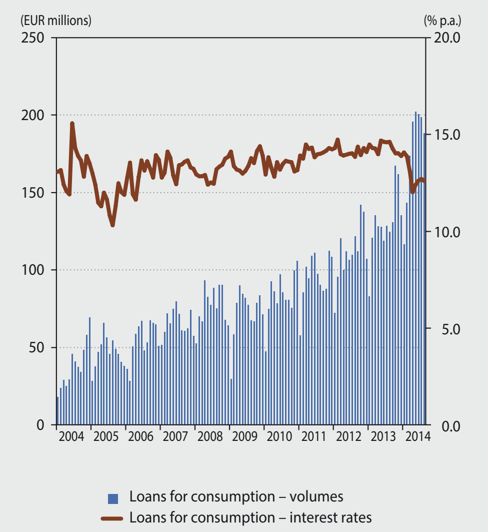
Consumer loans are any loans provided to households for personal consumption, e.g. for the purchase of goods and services for purposes other than professional activity, employment or business.

Developments in the consumer loan market are illustrated in Chart 1. The volume of consumer loans provided in the individual years grew continuously, except in 2009 when the annual volume was 6% lower than in the previous period, when the annual growth rate fluctuated between 16 and 22 percentage points. After 2010, it increased again, though more moderately, i.e. by 14 to 17 percentage points. Thus, the volume of consumer loans provided in 2013 was 3.4 times greater than the volume provided in 2004.

Interest rates on new consumer loans were relatively stable: they showed year-on-year differences ranging from a fall of 0.3 percentage point to a rise of 0.8 percentage point. The lowest average weighted interest rate was recorded in 2008, specifically 13.0% p.a. In 2013, the average weighted interest rate (14.3% p.a.) was 0.8 percentage point higher than in 2004. The official interest rates are currently at historically low levels. Over the first eight month of 2014, the average weighted rate for consumer loans fell to 12.8% p.a., the lowest level recorded since 2009.

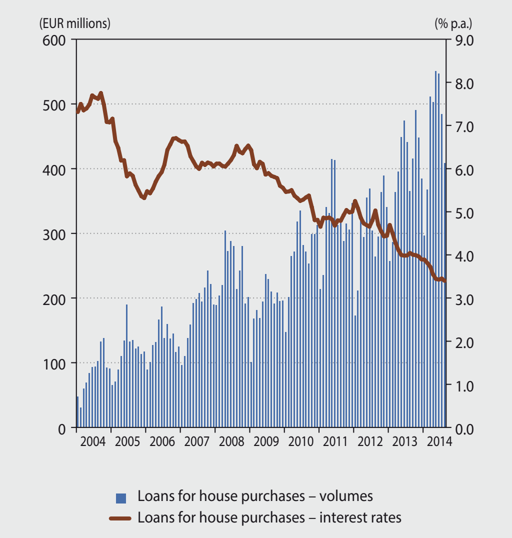
If we compare the volume of consumer loans with that of loans provided for housing purposes, we can see that the volume of consumer loans has increased in absolute terms since 2004, but it accounts for ca 44% of the volume of housing loans recorded in 2004 and for less than 33% of the figure for 2013 (it shows a decreasing tendency). The rate of growth in the volume of housing loans provided has been fluctuating between 16 and 36 percentage points since 2005, except in 2009 when it slowed by 21%. In 2010, a significant rise in this rate was recorded (+43%), which partly offset the sharp fall (-21%) recorded in the previous

Chart 1 Interest rates and volumes on loans for consumption to households-individuals (new business)



Source: NBS.

Chart 2 Interest rates and volumes on loans for house purchases to households-individuals (new business)



Source: NBS.

year. Another slight fall (-4%) was recorded in 2012. The year 2013 saw another rise of 29 percentage points. The volume of housing loans provided in 2013 was 4.6 times greater that the figure for 2004. Volume and interest rate changes in housing loans provided to households are illustrated in Chart 2.

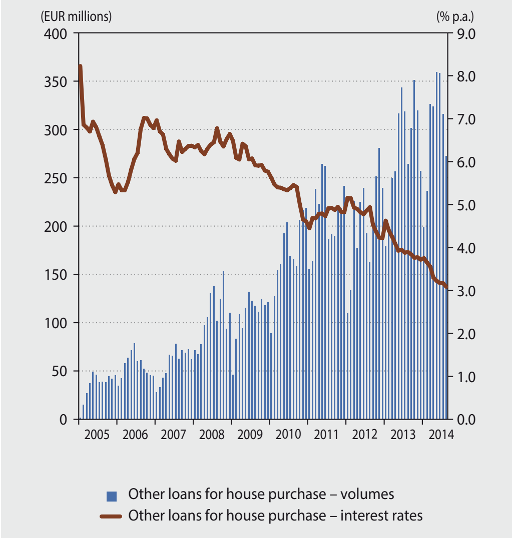
Interest rates on housing loans, unlike those on consumer loans, show predominantly a falling tendency (in particular since 2009). The most significant fall in year-on-year terms (-0.7 percentage point) occurred in 2013, when the annual weighted interest rate dropped to 4.1% p.a. Further decline was observed over the first eight months of 2014, when the average weighted interest rate on housing loans fell to an all-time low in the Slovak banking market (3.6% p.a.).

In statistical reporting, we distinguish between the following types of **housing loans** offered to households:

- **mortgage loans,** which are offered by selected commercial banks authorised to provide mortgage loans under the terms and conditions laid down in the Banking Act;
- **building loans** and **intermediate loans**, which are provided exclusively by home savings banks under the Home Savings Act;
- **other loans for house purchase,** representing real estate loans other than mortgage loans, building loans, or intermediate loans. These include loans provided by banks for the purchase and/or technical development of land or buildings, or for real property reconstruction.

The following part of this Chapter deals with interest rate developments broken down by type of housing loans. The most dynamically growing housing loans are '**other loans for house purchase**', which have been monitored by NBS for statistical purposes since 2005 (Chart 3). As at the end of 2013, loans of this type accounted for 67% of the total volume of housing loans granted to households and the volume of such loans to households in 2013 was 7.9 times greater than the figure for 2005. After stagnating for a certain time, interest rates on '**other loans for house purchase**' have been declining since 2009. The steepest year-on-year fall was recorded in 2010 (-0.8 percentage point) and in 2013 (-0.7 percentage point). Decline was also observed over the first eight months of 2014, when the aver-

Chart 3 Interest rates and volumes on "other loans for house purchase" to households-individuals (new business)



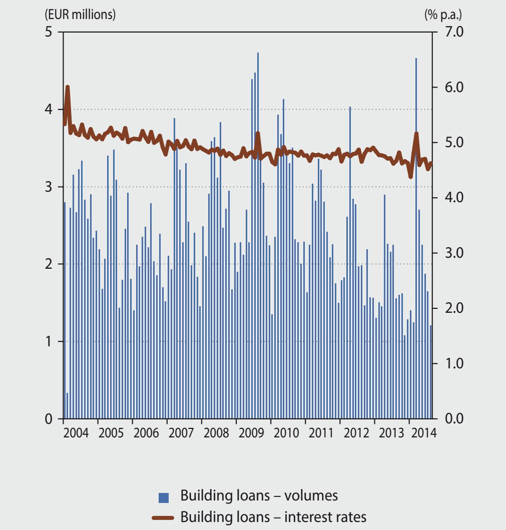
Source: NBS.

age weighted interest rate fell to an all-time low (3.3% p.a.).

In volume terms, the second most significant type of housing loans is that of '**mortgage loans**' (Chart 4). These loans, however, show far weaker growth dynamics; their volume is growing in absolute terms but their share in the total volume of housing loans provided has decreased over the past decade from 41% to 23%. Interest rates on '**mortgage loans**' have also shown a falling tendency since 2009, but the rate of decline has moderated somewhat (by 0.1 to 0.5 percentage point). A more significant fall was recorded in 2013, specifically -0.8 percentage point, when the annual average interest rate dropped to 3.7% p.a. This trend was confirmed over the first eight months of 2014 by the annual average interest rate falling to 3.4% p.a.

The proportion of housing loans provided by home savings banks to the total volume of housing loans has decreased over the past decade from 20% to 10%. '**Building loans**' have decreased in volume in both relative terms, with their share in the total volume housing loans granted to households decreasing from 2% to 0.3%, and in absolute terms. In 2013, the volume of these loans accounted for 70% of the total volume of housing loans provided in 2004. Interest rates on '**building loans**' show year-on-year differences within the range of +/-0.1 percentage point, meaning that these rates are virtually unchanged (Chart 5).

Chart 5 Interest rates and volumes on "building loans" to households-individuals (new business)

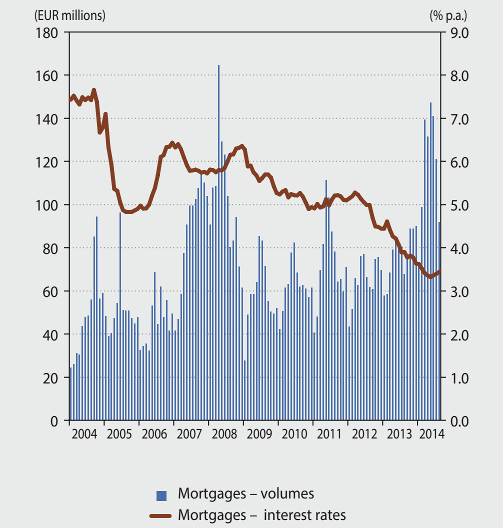


Source: NBS.

The volume of '**intermediate loans**' provided, as a share of the total volume of housing loans provided, decreased from 18% in 2004 to 10% in 2013. In absolute terms, the volume of 'intermediate loans' in 2013 was 1.4 times greater than the volume provided in 2004. Interest rates on 'intermediate loans' behaved more dynamically than those on 'building loans'. Since 2009, they have followed a declining path, resulting in a fall of 0.1 to 0.8 percentage point. The year 2013 saw a change in this trend, when interest rates rose by 0.4 percentage point in year-on-year terms. The new trend was confirmed over first eight months of 2014 by the average weighted interest rate rising by 0.7 percentage point, to 5.7% p.a. (Chart 6).

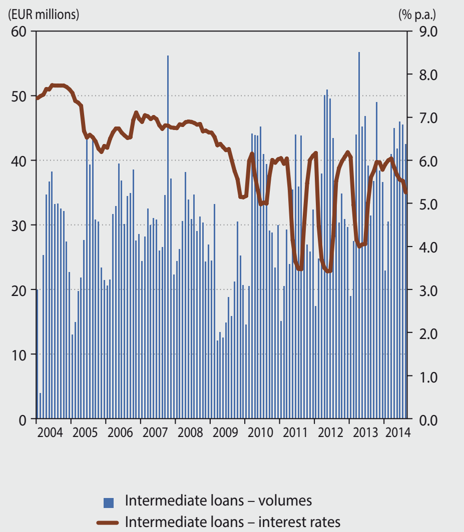
It may be concluded that the trends in interest rates on loans granted to households during the first eight months of this year indicate another potential fall. These trends result from the extremely low official interest rates of the ECB, the interest rates on the individual types of loans in

Chart 4 Interest rates and volumes on "mortgages" to households-individuals (new business)



Source: NBS.

Chart 6 Interest rates and volumes on "intermediate loans" to households-individuals (new business)



Source: NBS.

other euro area countries, which provide room for a further reduction in lending rates for households in Slovakia, and from the fierce competition among commercial banks for refinancing and consolidating loans granted to households in the past.

CHAPTER 1

STRUCTURE OF THE FINANCIAL MARKET IN SLOVAKIA

1

1 STRUCTURE OF THE FINANCIAL MARKET IN SLOVAKIA

1.1 OVERVIEW OF PARTICIPANTS

The third quarter of 2014 saw no major changes in the structure of financial market entities.

Table 1 Structure of the financial market in Slovakia

	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
Monetary financial institutions (S.121 + S.122)	**31**	**30**	**30**	**30**	**31**
Central bank (S.121)	**1**	**1**	**1**	**1**	**1**
Credit institutions (S.122)	**29**	**28**	**28**	**28**	**28**
Banks	*11*	*10*	*10*	*10*	*10*
Branches of foreign banks	*14*	*14*	*14*	*14*	*14*
Credit cooperatives	*1*	*1*	*1*	*1*	*1*
Building societies	*3*	*3*	*3*	*3*	*3*
Money Market Funds (S.122)	**1**	**1**	**1**	**1**	**1**
Other financial intermediaries (S.123)	**178**	**177**	**176**	**180**	**180**
Investment Funds	*83*	*82*	*81*	*85*	*85*
Equity funds	12	11	11	11	11
Bond funds	20	21	21	22	22
Mixed funds	27	26	25	28	31
Real estate funds	6	6	6	6	6
Other funds	18	18	18	18	15
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 Managment 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)	**53**	**53**	**52**	**52**	**52**
Insurance corporations	*17*	*17*	*17*	*17*	*17*
Pension funds	*36*	*36*	*35*	*35*	*35*

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)

	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
Monetary financial institutions (S.121 + S.122)	**81,208**	**77,716**	**83,462**	**79,894**	**83,257**
Central bank (S.121)	21,423	16,684	21,662	17,703	19,662
Credit institutions (S.122)	59,703	60,950	61,725	62,116	63,519
Money Market Funds (S.122)	82	82	75	75	76
Other financial intermediaries (S.123)	**9,008**	**9,342**	**9,685**	**9,854**	**10,361**
Investment funds	4,268	4,524	4,752	5,037	5,323
Leasing companies (financial leasing)	3,276	3,249	3,262	3,103	3,301
Consumer credit companies	1,303	1,409	1,508	1,560	1,582
Factoring companies	153	152	155	146	147
Securities and derivatives dealers	8	8	8	8	8
Financial auxiliaries (S.124)	**257,**	**264**	**272**	**276**	**291**
Insurance corporations and pension funds (S.125)	**13,847**	**14,053**	**14,651**	**14,721**	**14,914**
Insurance corporations	6,816,	6,896	7,293	7,105	7,146
Pension funds	7,031,	7,157	7,358	7,616	7,768

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 third quarter of 2014, unlike in the previous quarter, the number of employees in the banking sector increased somewhat in quarter-on-quarter terms. From 30 June 2014 to 30 September 2014, the total number of employees increased by 0.27%, representing 53 employees in absolute terms. In year-on-year terms, however, the number of employees decreased by 0.05%, i.e. by 10 persons. The number of employees in foreign bank branches recorded a marked increase at the end of 2013, owing to the transformation of *UniCredit Bank Slovakia, a.s,* into *UniCredit Bank Czech Republic and Slovakia, a.s.,* a foreign bank branch.

Table 3 Number of employees in the banking sector

	2012		2013				2014		
	30.9.	31.12.	31.3.	30.6.	30.9.	31.12.	31.3.	30.6.	30.9.
Banking sector	19,656	19,662	19,628	19,576	19,623	19,551	19,584	19,560	19,613
Central bank	1,021	1,007	1,003	1,001	1,013	1,011	1,008	1,007	1,001
Banks and branches of foreign banks	18,635	18,655	18,625	18,575	18,610	18,540	18,576	18,533	18,612
of which: Banks	17,802	17,769	17,779	17,719	17,763	16,674	16,719	16,795	16,861
Branches of foreign banks	833	886	846	856	847	1,866	1,857	1,758	1,751

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 1.31 percentage points year-on-year, from 7.01% as at 30 September 2013 to 5.7% as at 30 September 2014.

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

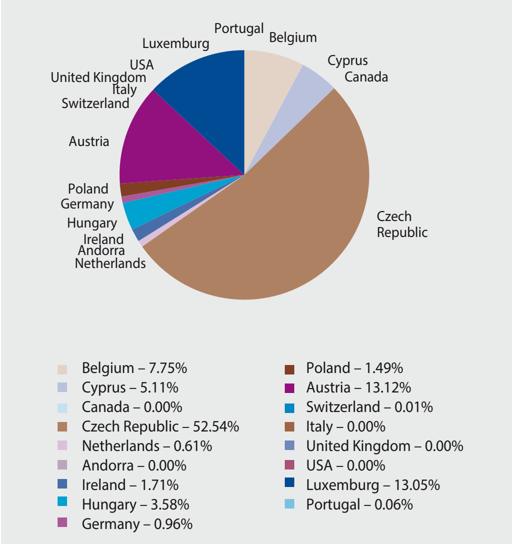
The ratio of foreign share capital to total subscribed capital in domestic banks rose by 1.31 percentage points year-on-year, from 92.99% as at 30 September 2013 to 94.30% as at 30 September 2014.

From 30 September 2013 to 30 September 2014, the volume of foreign share capital increased in absolute terms by €618.26 million (in relative terms by 23.94%).

This growth was stimulated largely by foreign capital from the Czech Republic, which had increased roughly 1.81-fold year-on-year by 30 September 2014, and its proportion to total foreign share capital in the banking sector had risen by approximately 16.58 percentage points.

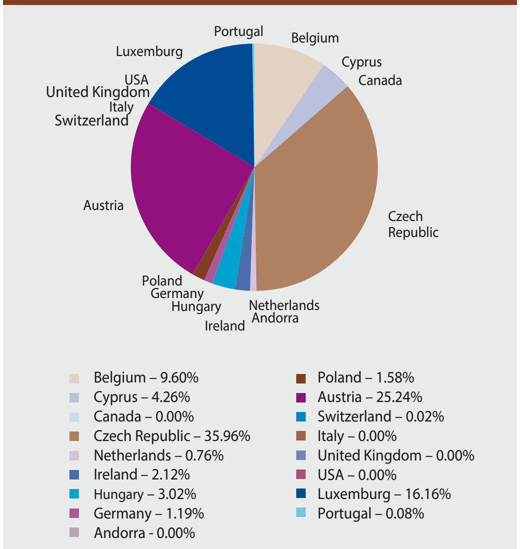
Broken down by credit institution, the structure of foreign share capital in the banking sector (as at the end of the third quarter 2014) showed only one major change in comparison with the same period a year earlier: Austrian capital in *UniCredit Bank* had been replaced by capital from the Czech Republic. As a result of this change, the share of Austria in total foreign capital decreased by 12 percentage points and that of the Czech Republic increased by more than 16 percentage points. The increase in the Czech Republic's share was partly due to additional funding provided to the local branches of *Komerční banka, a.s.*, *J&T banka, a.s.*, and to the Košice branch of *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 1.86 percentage points.

Chart 7 Foreign capital in the banks in the Slovak Republic as at 30 September 2014



Source: NBS.

Chart 8 Foreign capital in the banks in the Slovak Republic as at 30 September 2013



Source: NBS.

CHAPTER 2

STATISTICS OF OTHER MONETARY FINANCIAL INSTITUTIONS

2

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 €63.5 billion at the end of the third quarter of 2014, and were €3.8 billion (6.39%) higher than a year earlier. This increase took place mostly in the outstanding amount of loan claims.

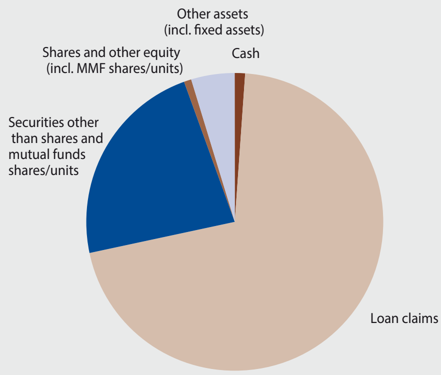
The structure of total assets was dominated by loan claims, with a share of 72.46% as at 30 September 2014. This was 1.98 percentage points more than a year earlier. The outstanding amount of these claims grew in year-on-year terms by €4.0 billion (by 9.39%). This growth was mainly influenced by long-term claims with a maturity of over five years, which increased by €2.6 billion. The outstanding amount of loan claims with a maturity of up to one year increased by €0.9 billion and that of claims with a maturity of over one and up to five years by €0.4 billion.

The proportion of securities other than shares and mutual fund shares/units decreased by 1.54 percentage points year-on-year, to 21.22% as at the end of the third quarter of 2014. The outstanding amount of such securities in the portfolio of credit institutions fell year-on-year by €0.1 billion (0.80%), owing to a decrease in the outstanding amount of securities with a maturity of over one and up to two years (by €0.2 billion).

Shares and other equity participations accounted for 1.04% of total assets (as at 30 September 2014). This was 0.05 percentage point less than in the same period a year earlier. In year-on-year terms, the outstanding amount of shares and other equity participations in the aggregated portfolio of credit institutions increased by only €0.01 billion (by 1.84%).

The proportion of other assets (including fixed assets) to total assets decreased by 0.44 percentage point year-on-year, to 4.16% as at 30 September 2014. The outstanding amount of other assets (including fixed assets) decreased by €0.1 billion (by 3.71%) year-on-year.

Chart 9 Structure of assets of credit institutions as at 30 September 2013



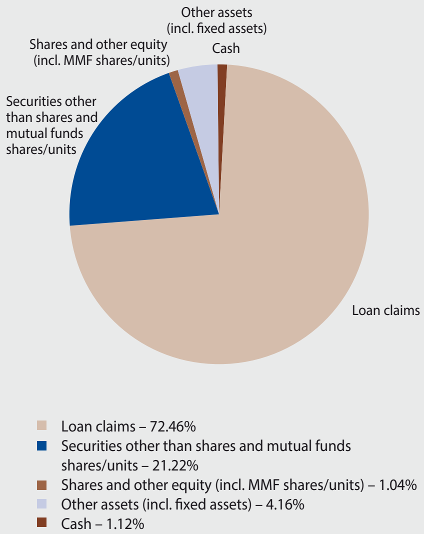
Source: NBS.

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

	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
ASSETS	**59,703,397**	**60,949,720**	**61,725,423**	**62,115,971**	**63,519,462**
Cash	644,121	732,879	649,765	679,079	709,382
Loan claims	42,075,898	43,753,052	44,252,378	44,857,753	46,025,919
Securities other than shares and mutual funds shares/units	13,589,873	13,208,903	13,636,597	13,396,705	13,480,556
Shares and other equity (incl. MMF shares/units	646,709	643,134	605,578	652,173	658,598
Other assets (incl. fixed assets)	2,746,796	2,611,752	2,581,105	2,530,261	2,645,007

Source: NBS.
1) Loan claims – including deposits of banks with other entities and non-tradable securities.
2) Assets excluding depreciation and including provisions.

Chart 10 Structure of assets of credit institutions as at 30 September 2014



Source: NBS.

The cash holdings of credit institutions as a percentage of total assets increased by 0.04 percentage point year-on-year, to 1.12% as at the end of the third quarter. The outstanding amount of cash holdings increased by €0.07 billion (by 10.13%) compared with the same period a year earlier.

2.2 BALANCE-SHEET STATISTICS OF CREDIT INSTITUTIONS: LIABILITIES

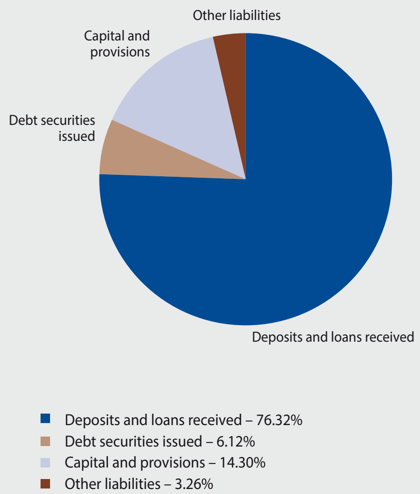
The total liabilities of credit institutions operating in Slovakia amounted to €63.5 billion as at the end of the third quarter of 2014. This represented a year-on-year increase by €3.8 billion (by 6.39%), which took place mostly in deposits received.

Total liabilities continued to be dominated by deposits and loans received, the share of which increased by 0.32 percentage point year-on-year, to 76.65% as at 30 September 2014. Their outstanding amount increased year-on-year by €3.1 billion (by 6.84%), as a consequence of growth in deposits and loans received with a maturity of up to one year (by €3.6 billion), while the amount of deposits with a maturity of over one year decreased by €0.5 billion.

The share of capital and provisions in the total liabilities of credit institutions decreased by 0.12 percentage point year-on-year, to 14.18% as at 30 September 2014. The total amount of capital and provisions increased by €0.5 billion (by 5.47%) year-on-year.

In year-on-year terms, the share of debt securities issued in the total liabilities of credit institutions decreased by only 0.01 percentage point, to 6.11%. At the end of the third quarter of 2014, the outstanding amount of these securities stood at €3.9 billion, representing an increase by €0.2 billion (by 6.28%) compared with the same period

Chart 11 Structure of liabilities of credit institutions as at 30 September 2013



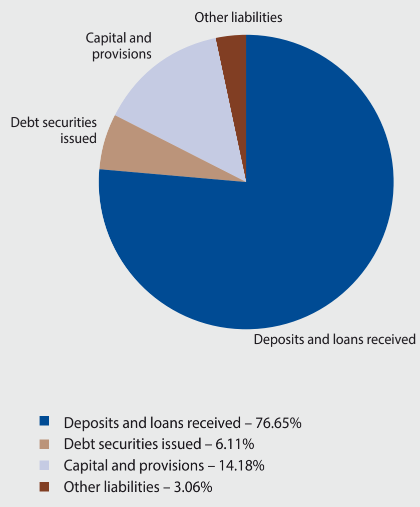
Source: NBS.

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

	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
LIABILITIES	**59,703,397**	**60,949,720**	**61,725,423**	**62,115,971**	**63,519,462**
Deposits and loans received	45,567,627	46,885,816	47,014,541	47,671,865	48,686,361
Debt securities issued	3,651,097	3,711,738	3,812,077	3,835,575	3,880,376
Capital and provisions	8,539,857	8,846,118	8,981,659	8,670,393	9,007,279
Other liabilities	1,944,816	1,506,048	1,917,146	1,938,138	1,945,446

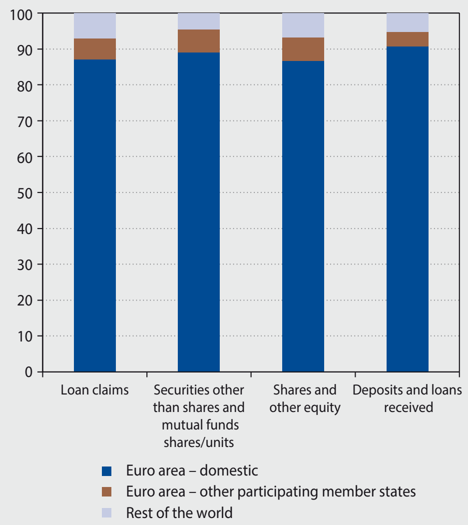
Source: NBS.

Chart 12 Structure of liabilities of credit institutions as at 30 September 2014



Source: NBS.

Chart 13 Selected assets/liabilities: breakdown of counterparties by residency as at 30 September 2014 (%)



Source: NBS.

a year earlier. This increase took place in debt securities with a maturity of over two years.

The share of other liabilities in the total liabilities of credit institutions decreased by 0.19 percentage point year-on-year, to 3.06% as at 30 September 2014. In year-on-year terms, the outstanding amount of other liabilities increased by only 0.03%.

2.3 SELECTED ASSET AND LIABILITY ITEMS BY RESIDENCY OF COUNTERPARTY

The aggregated loan claims of credit institutions in Slovakia (€46.0 billion) continued to be dominated by claims on domestic entities (87.04%). The outstanding amount of these claims as at end-September 2014 stood at €40.1 billion. Loan claims on entities from other euro area countries and from the rest of the world accounted for 5.98% (€2.8 billion) and 6.98% (€3.2 billion) respectively.

The aggregated portfolio of credit institutions contained purchased securities other than hares and mutual fund shares/units worth €13.5 billion. Securities issued by domestic issuers accounted for 89.00% (€12.0 billion). Securities issued by issuers from other euro area countries and from the rest of the world accounted for 6.47% (€0.9 billion) and 4.53% (€0.6 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 (86.65%, worth €0.6 billion). Equity securities issued by issuers from other euro area countries and from the rest of the world accounted for 6.54% and 6.81% respectively.

Deposits and loans received amounted to €48.7 billion as at 30 September 2014. Of this amount, 90.74% was accounted for by deposits and loans received from domestic entities (€44.2 billion). The creditors of credit institutions operating in Slovakia from other euro area countries and from the rest of the world accounted for 4.05% (€2.0 billion) and 5.22% (€2.5 billion) respectively.

2.4 SELECTED ASSET AND LIABILITY ITEMS BY SECTOR OF COUNTERPARTY

Domestic loan claims as at 30 September 2014 (€40.1 billion) were dominated by claims on other sectors, i.e. other than the *general government* and *monetary financial institutions* sectors (94.99%). These claims amounted to €38.1 billion

and comprised mostly claims on households and non-profit institutions serving households (€22.3 billion) and claims on non-financial corporations (€14.9 billion).
Claims on domestic monetary financial institutions (MFIs) accounted for 2.77% of the total outstanding amount of domestic loan claims; claims on the domestic general government sector represented 2.24%.

Domestic securities other than shares and mutual fund shares/units held in portfolio by credit institutions as at 30 September 2014 (worth €12.0 billion) were dominated by government debt securities with a share of 92.22%.
Securities other than shares and mutual fund shares/units issued by domestic MFIs accounted for 4.75%, and those issued by entities from other domestic sectors represented 3.03%.

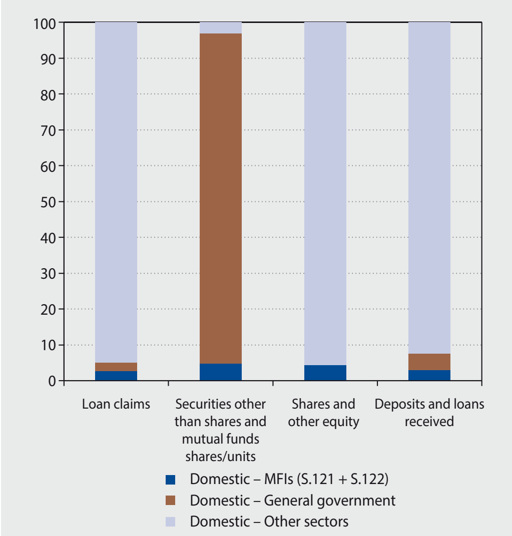
The total value of domestic shares and other equity participations held in portfolio by credit institutions stood at approximately €0.6 billion. Of this figure, securities issued by entities from other sectors accounted for 95.62%. Equity securities issued by domestic MFIs and held by credit institutions based in Slovakia accounted for 4.38%.

At the end of the period under review, deposits and loans received from domestic entities amounted to €44.2 billion. They were dominated by deposits from other sectors (92.46%), mostly from households. Deposits and loans received from the general government sector represented 4.63%. Domestic MFIs accounted for 2.90% 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 countries** totalled €2.8 billion as at the end of the third quarter of 2014 and were dominated by claims on other sectors (52.72%). Claims on monetary financial institutions accounted for 47.28% (€1.3 billion).

The total value of securities other than shares and mutual fund shares/units issued by residents of other euro area countries, and held in portfolio by credit institutions in Slovakia, stood at €0.9 billion as at end-September 2014. Of this figure, government securities accounted for 61.32% (€0.5 billion), securities issued by monetary financial institutions for 24.75%, and securities issued by entities from other sectors for 13.92%.

Chart 14 Selected assets/liabilities: sectoral breakdown of domestic counterparty as at 30 September 2014 (%)



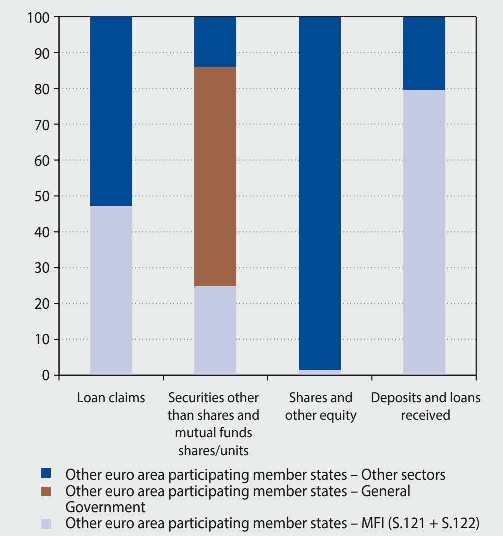
Source: NBS.
1) Monetary financial institutions – MFIs (S.121 + S.122).
2) Other sectors = Other financial intermediaries and Financial auxiliaries (S.123 and S.124) + Insurance corporations and Pension funds (S.125) + Non-financial corporations (S.11) + Households and Non-profit institutions serving households (S.14 and S.15).

Shares and other equity participations (issued by residents of other euro area countries) were held by credit institutions in Slovakia in an amount of €0.04 billion. Of this amount, equity securities issued by entities from other sectors accounted for 98.39% and those issued by monetary financial institutions represented 1.61%.

Deposits and loans received from residents of other euro area countries amounted to €2.0 billion. They were dominated by deposits and loans received from monetary financial institutions (79.74%) in the total amount of €1.6 billion. Deposits from other sectors accounted for 20.22%, while deposits from the general government sector represented only 0.04%.

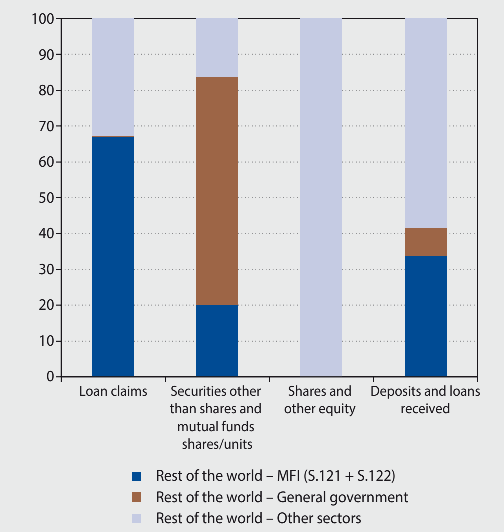
Loan claims on residents of the **rest of the world** amounted to €3.2 billion as at the end of the third quarter of 2014. They were dominated by claims on monetary financial institutions (67.06%, worth €2.2 billion), followed by claims on other sectors (32.86%). Claims on the general government sector accounted for only 0.07%.

Chart 15 Selected assets/liabilities: sectoral breakdown of counterparty from other euro area member states as at 30 September 2014 (%)



Source: NBS.

Chart 16 Selected assets/liabilities: sectoral breakdown of counterparty from the rest of the world as at 30 September 2014 (%)



Source: NBS.

Credit institutions operating in Slovakia held in their portfolio securities other than shares and mutual fund shares/units issued by rest of the world residents in the total amount of €0.6 billion. Of this amount, government securities accounted for 63.67% (€0.4 billion), securities issued by monetary financial institutions for 20.04%, and those issued by entities from other sectors for 16.28%.

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 entities from other sectors (i.e. other than the general government and monetary financial institutions sectors).

Deposits and loans received from rest of the world residents amounted to €2.5 billion as at the end of the quarter under review. Of this amount, other sectors accounted for 58.36% (€1.5 billion), monetary financial institutions for 33.72%, and the general government sector for 7.91%.

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 September 2013 to 30 September 2014. The most significant increase was recorded in the third quarter of 2014, when the outstanding amount of assets increased by €3.8 billion (by 6.39%) year-on-year.

The most significant change in loan claims took place in the third quarter of 2014, when their outstanding amount increased year-on-year by €4.0 billion (by 9.39%), mainly as a result of growth in claims with a maturity of over five years (by €2.6 billion), though loan claims with shorter maturities also increased in year-on-year terms.

Securities other than shares 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%) year-on-year.

Table 6 Year-on-year changes in assets of credit institutions in the SR (EUR thousands)	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
ASSETS	**174,873**	**1,385,202**	**1,896,484**	**2,284,616**	**3,816,065**
Cash	**20,182**	**-4,878**	**12,621**	**45,566**	**65,261**
Loan claims	**779,763**	**2,046,096**	**2,021,457**	**2,864,008**	**3,950,021**
Loan claims – up to 1 year	-272,040	266,736	-206,331	407,538	929,748
Loan claims – over 1 and up to 5 years	-271,034	6,599	86,293	-1,355	444,104
Loan claims – over 5 years	1,322,837	1,772,761	2,141,495	2,457,825	2,576,169
Securities other than shares and mutual funds shares/units	**-631,245**	**-433,972**	**167,561**	**-571,733**	**-109,317**
Securities other than shares and mutual funds shares/units up to 1 year	-1,056,004	-504,953	-481,396	31,871	41,245
Securities other than shares and mutual funds shares/units over 1 and up to 2 years	174,715	147,021	63,079	-301,071	-181,278
Securities other than shares and mutual funds shares/units over 2 years	250,044	-76,040	585,878	-302,533	30,716
Shares and other equity	**58,988**	**79,569**	**3,562**	**49,865**	**11,889**
Other assets	**-52,815**	**-301,613**	**-308,717**	**-103,090**	**-101,789**

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 reached a maximum of €0.66 billion as at 30 September 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%).

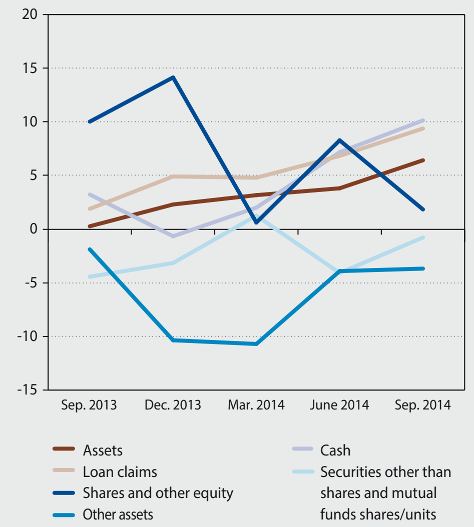
In other assets (including fixed assets), the biggest change was recorded at the end of the first quarter of 2014: a year-on-year decrease by €0.3 billion (by 10.68%).

A major change in the cash holdings of credit institutions was recorded at the end of the third quarter of 2014: a year-on-year increase by €0.07 billion (by 10.13%).

The total **liabilities of credit institutions** showed a year-on-year increase at the end of each quarter in the period from 30 September 2013 to 30 September 2014. The most significant change, i.e. a year-on-year increase by €3.8 billion (by 6.39%), was recorded at the end of the third quarter of 2014.

This year-on-year change was mainly influenced by deposits and loans received, which grew in volume by €3.1 billion (by 6.84%). The outstanding amount of deposits and loans received with a maturity of up to one year increased by €3.6 billion, while that of deposits and loans received with a maturity of over one year decreased by €0.5 billion.

Chart 17 Year-on-year changes in assets of credit institutions (change of stock in %)



Source: NBS.

In the period under review, the outstanding amount of debt securities issued changed most

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

	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
LIABILITIES	**174,873**	**1,385,202**	**1,896,484**	**2,284,616**	**3,816,065**
Deposits and loans received	**74,190**	**898,117**	**1,369,451**	**1,632,437**	**3,118,734**
Deposits and loans received up to 1 year	2,314,599	3,032,753	2,229,644	2,654,262	3,635,506
Deposits and loans received over 1 year	-2,240,409	-2,134,636	-860,193	-1,021,825	-516,772
Debt securities issued	**-239,335**	**207,425**	**142,443**	**247,466**	**229,279**
Debt securities issued up to 1 year	-133,853	-82,635	-104,055	-105,634	-18,537
Debt securities issued over 1 and up to 2 years	4,170	9,500	30,957	968	-25,027
Debt securities issued over 2 years	-109,652	280,560	215,541	352,132	272,843
Capital and provisions	**412,672**	**446,409**	**410,478**	**334,575**	**467,422**
Other liabilities	**-72,654**	**-166,749**	**-25,888**	**70,138**	**630**

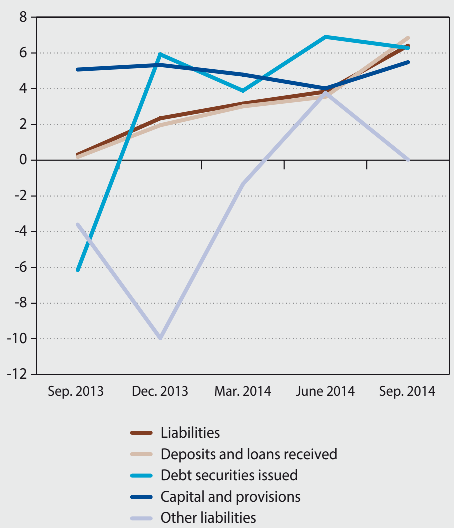
Source: NBS.

significantly in the second quarter of 2014, when 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 third quarter of 2014: a year-on-year increase by €0.47 billion (by 5.47%).

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



Source: NBS.

2.6 PROFIT / LOSS ANALYSIS FOR CREDIT INSTITUTIONS

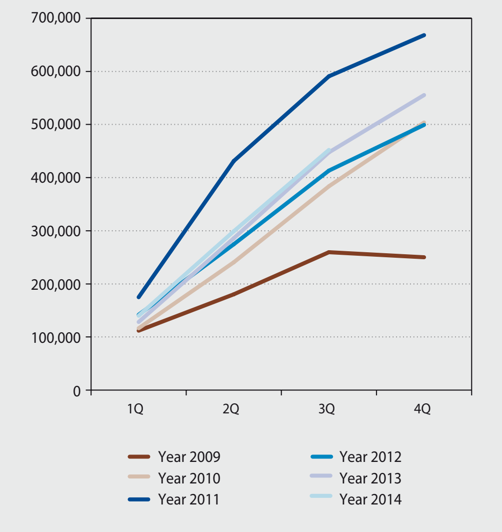
2.6.1 Current period profit / loss in the first quarter of 2014

According to preliminary data, the banking sector's cumulative profit as at 30 September 2014 amounted to slightly more than €452 million. This represents the second highest profit recorded since 2009. The highest profit was generated over the first nine months of 2011 (more than €590 million). In the third quarter of 2014, the banking sector's profit decreased somewhat in comparison with the same period a year earlier (by 5.3%).

As regards the structure of income and expense items as reflected in the cumulative profit for the first three quarters of 2014, the most significant positive contribution again came from net interest income, which increased by 8.6% 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. both expense and income items), except for interest income from securities, which fell by 2.2% year-on-year. Net interest income growth was influenced mainly by a year-on-year decrease in other interest expenses (by 15.4% over the first nine months), coupled with an increase in other interest income (by 4.67%).

Net non-interest income grew in year-on-year terms until September 2014, as a result of an in-

Chart 19 Cummulative current period profit/loss (EUR thousands)



Source: NBS.

crease in fees and commissions in the third quarter of 2014, accompanied by a decrease in expenses on transactions in securities and a rise in profits from fixed-term transactions and options. Net non-interest income growth was dampened mainly by an increase in expenses on fees and commissions, a decrease in dividends received, and a decrease in income from securities transactions.

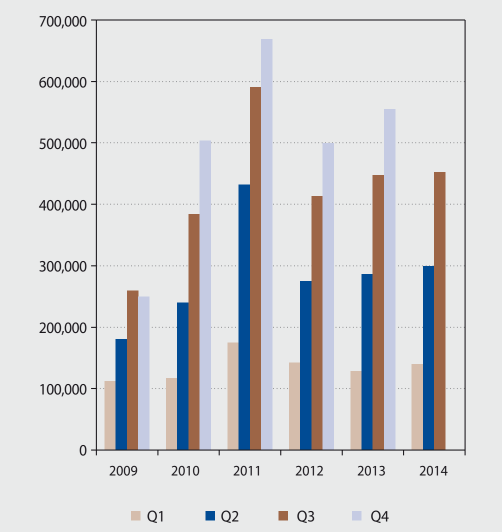
Net profit growth in the banking sector was also dampened by an increase in general operating expenses (by 7.39% over the first nine months). The net creation of reserves and provisions (i.e. income adjusted for expenses) declined still further and entered negative territory, by 15% compared with the same period a year earlier.

Loan-loss provisioning in the third quarter of 2014 increased by 1.1% year-on-year. Claims on customers for which such provisions are created increased by 8.4% year-on-year. These claims were dominated by euro-denominated claims (98.5%), while claims on residents in euro accounted for 93.5%.

The ratio of provisions to claims fell by 0.28 percentage point year-on-year, to 3.85% as at the end of the third quarter.

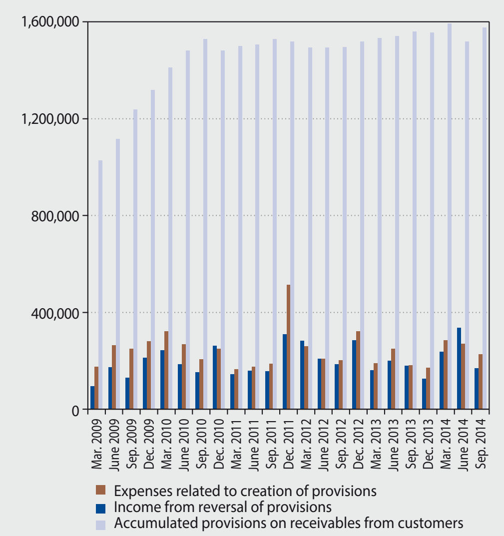
Provisioning expenses in cumulative terms increased over the first nine months of the year by 26% year-on-year (status as at 30 September 2014). The third quarter saw a year-on-year increase of 25%. Income from the cancellation of provisions increased over the first nine months by 37% year-on-year (the third quarter saw a year-on-year decrease of 5%). The second quarter saw a large one-off increase in income from the cancellation of provisions, resulting from written-off provisions and the high costs of such write-offs.

Chart 20 Cummulative current period profit/loss (EUR thousands)



Source: NBS.

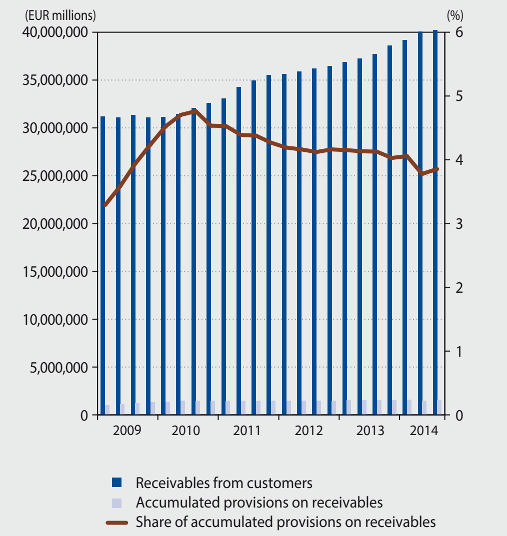
Chart 21 Provisions (EUR thousands)



Source: NBS.

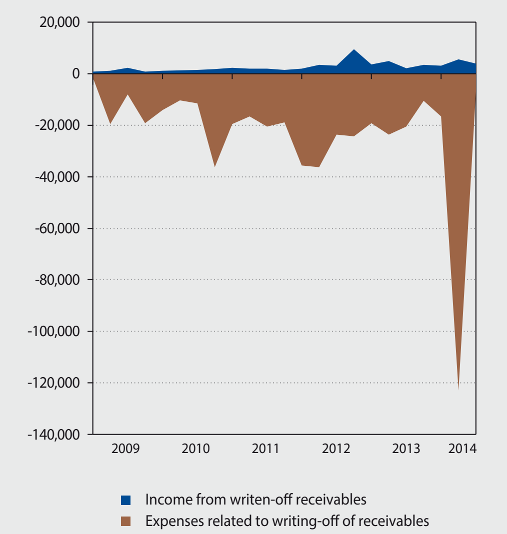
A comparison of written-off and assigned claims on non-bank customers (in terms of costs and incomes) indicates that, in the third quarter of 2014, a net loss was made on assigned claims on customers (€45 million). The net loss made on written-off claims on customers in the third quarter amounted to €2.9 million. This was caused mainly by a decrease in the costs of written-off claims in the quarter under review.

Chart 22 Receivables from non-bank customers



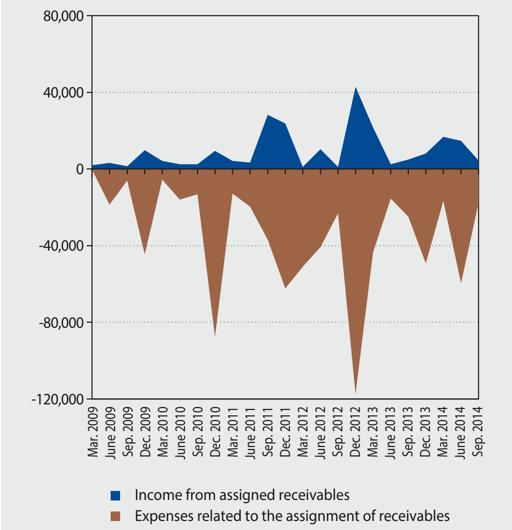
Source: NBS.

Chart 23 Writen-off receivables from customers (EUR thousands)



Source: NBS.

Chart 24 Assigned receivables from customers (EUR thousands)



Source: NBS.

2.6.2 Selected revenue / expenditure items as reflected in profits / losses

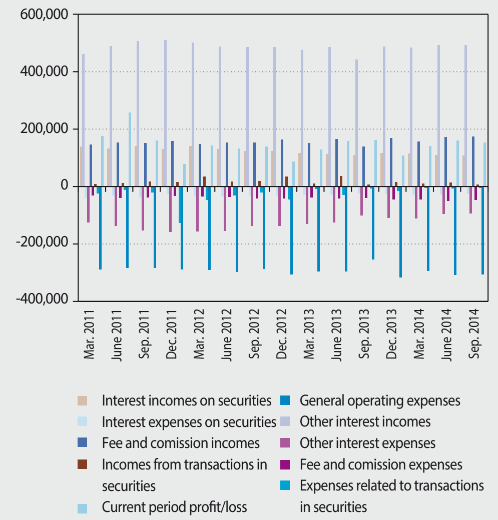
Selected income and expense items related to the main activities of credit institutions are compared in this chapter with the profit or loss made.

According to data for the third quarter of 2014 (aggregated data for three months), interest income from securities fell by 1.76% compared with the same period a year earlier. Thus, the year-on-year decline from the second quarter (-3.9%) moderated in the third quarter. After falling for a long time, interest expenses on securities increased by 6.91% year-on-year. In cumulative terms, however, they still declined over the first nine months in year-on-year terms.

Other interest income increased in the third quarter by 11.2% year-on-year and thus represented the most significant source of growth in net interest income and profits (with a contribution of 30 percentage points). Other interest expenses continued to decrease as in the previous quarters (by 7.1%), while the year-on-year rate of decline slowed in comparison with the first quarter.

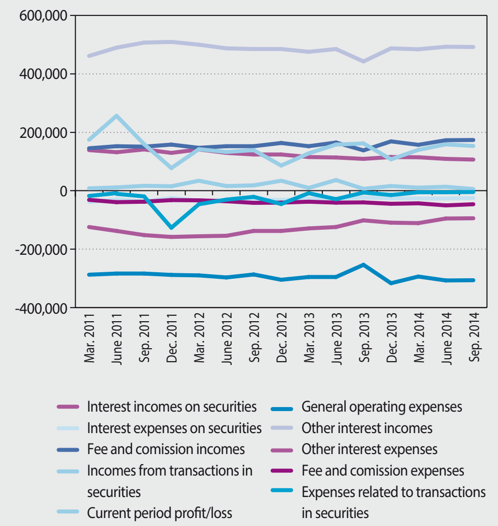
Income from fees and commissions grew in the third quarter of 2014 by 25.6% and represented the second most significant source of profit

Chart 25 Selected incomes and expenses compared with current period profit/loss (EUR thousands)



Source: NBS.

Chart 26 Selected incomes and expenses compared with current period profit/loss (EUR thousands)



Source: NBS.

growth (with a contribution of almost 22 percentage points). Expenses on fees and commissions increased by almost 17%.

Income from transactions in securities decreased in the third quarter of 2014 by 12.4% year-on-year. Expenses on securities transactions decreased even more steeply than income: they dropped by 28.2% year-on-year.

General operating expenses increased in the quarter under review by 20.8% year-on-year and made the most significant negative contribution to profit growth in that quarter (-32.6 percentage points).

The profit for the third quarter of 2014 was somewhat lower (by 5.2%) than the profit for the same quarter a year earlier. The cumulative profit for the first nine months of 2014 increased by 1%.

2.7 LENDING TO NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS

2.7.1 Loans to non-financial corporations by maturity

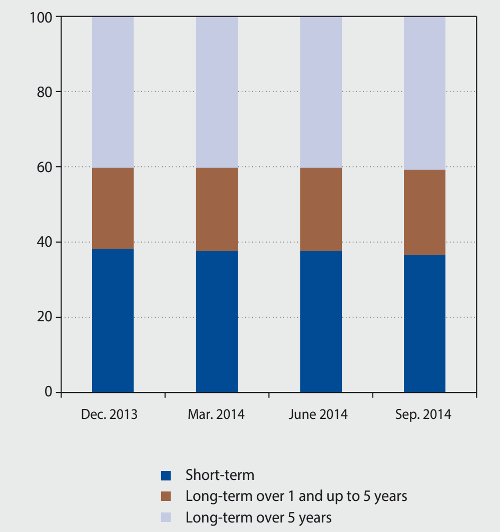
After falling somewhat in June, the value of loans granted to non-financial corporations started to rise in July and August 2014 on a year-on-year basis. After rising in July by 1.5%, the value of these loans increased by 2.5% in August. In September, however, the year-on-year rate of increase slowed to 0.5%.

In July 2014, the value of short-term loans continued to rise in year-on-year terms, by 1.5%. After slowing to 0.9% in August, the rising

Chart 27 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 28 Loans to non-financial corporations by maturity (% share)



Source: NBS.

trend turned into a sharp decline in September (-4.2%). Despite this, the value of long-term loans (with a maturity of over one and up to five years) started to rise in July, after falling in the previous months, by 2.4%. In August and September, this rise continued to 8.3% and 7.6% respectively. Long-term loans for non-financial corporations also increased in July to September 2014, though this increase was not as significant as in the case of long-term loans with the maturity of over one and up to five years. The values fluctuated around the level of 1.0% in July, 0.9% in August, and then increased to 1.4% in September.

Compared with June 2014, the structure of loans by maturity showed only insignificant changes in September. The share of short-term loans decreased by 1.3% to 36.5%, that of long-term loans with a maturity of over one and up to five years increased by 0.7% to 22.7%, and that of long-term loans with a maturity of over five years increased by 0.6% to 40.8%.

2.7.2 Loans to households by maturity

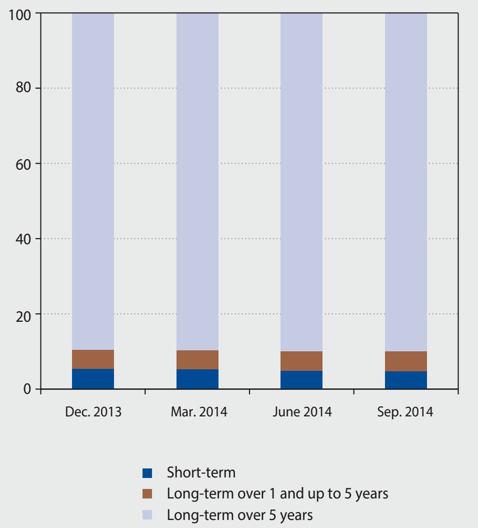
The total value of loans granted to households increased in September 2014 by 11.3% year-on-year. Within the structure of loans by category, the strongest growth was recorded in long-term loans with a maturity of over five years, while short-term loans grew at a decelerating pace. The year-on-year rate of growth in long-term loans with a maturity of over five years reached 12.5% in September 2014, while the growth rate of short-term loans with a maturity of up to one year dropped to -6.2%. Long-term loans with a maturity of over one and up to five years showed a year-on-year increase of 10.8% in September 2014, which confirmed the growing trend that began in February 2014.

The structure of loans provided to households remained virtually unchanged in the third quarter of 2014. The share of loans with a maturity of over five years steadily increased (by 1 percentage point since September 2013, up to 90% in September 2014), to the detriment of short-term loans. The rapid year-on-year growth in loans with a maturity of over one and up to five years was also reflected in the share of these loans in total loans, which increased to 5.2%. The proportion of short-term loans also increased somewhat.

Chart 29 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 30 Loans to households by maturity (% share)



Source: NBS.

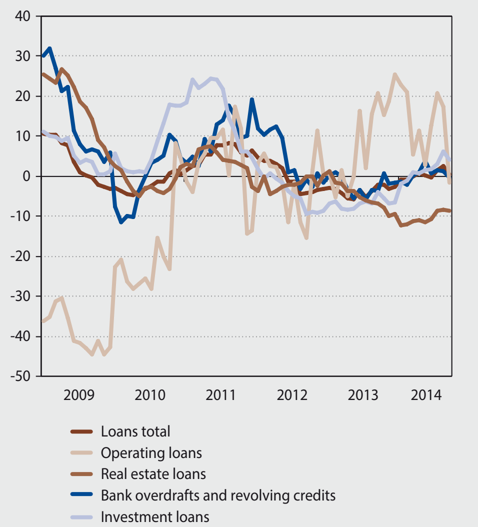
2.7.3 Loans to non-financial corporations by type of loan

After growing in July and August, operating loans declined in September, down to -1.5%. Investment loans continued to grow in the third quarter of 2014, up to 4.1% in September. The year-on-year decline in real estate loans moderated, with a loss of -8.7%. The total value of bank overdrafts and revolving loans showed a year-on-year change close to zero, but was rather unstable owing to the nature of these types of loans.

2.7.4 Loans to households by type of loan

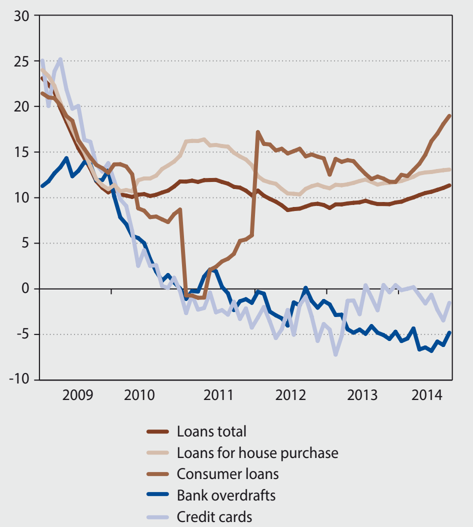
According to purpose, loans provided to households can be divided into two categories. The first category includes consumer loans and housing loans. These loans have shown a rapidly growing trend since the beginning of monitoring (2009). This trend also continued in the third quarter of 2014, when a 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 third quarter by an average of 1.4%, while credit card loans fell by 5.6%.

Chart 31 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 32 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.

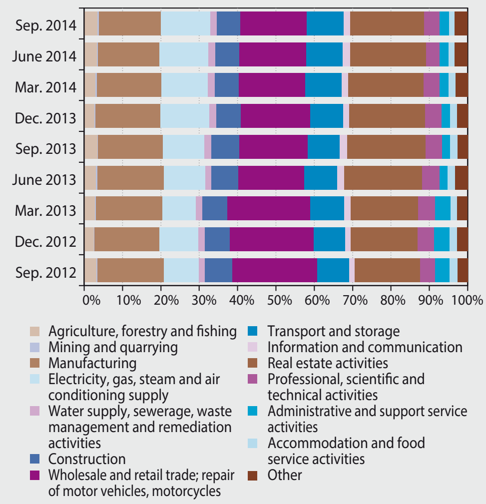
2.7.5 Loans to non-financial corporations by sector of economic activity

In the third quarter of 2014, loans were provided mostly to the following sectors: real estate activities (19.3%); wholesale and retail trade, repair of motor vehicles and motorcycles (17.3%); and manufacturing (16.2% of total loans). The share of loans in manufacturing and in professional, scientific, and technical activities continued to decrease, to 4.0% as at the end of the quarter under review.

2.7.6 Non-performing loans to non-financial corporations

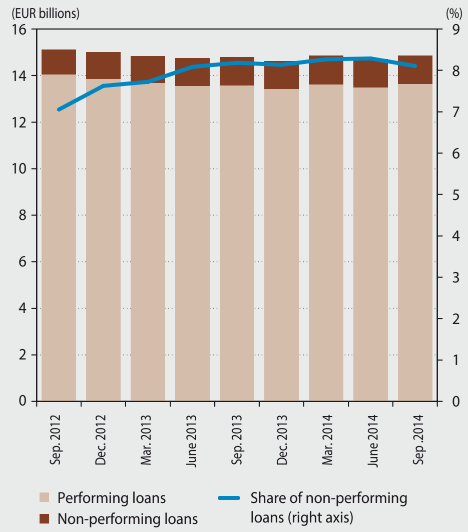
The share of non-performing loans in the total volume of loans granted to non-financial corpo-

Chart 33 Loans to non-financial corporations by economic activity



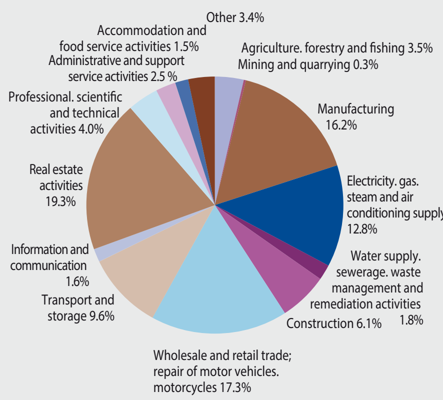
Source: NBS.

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



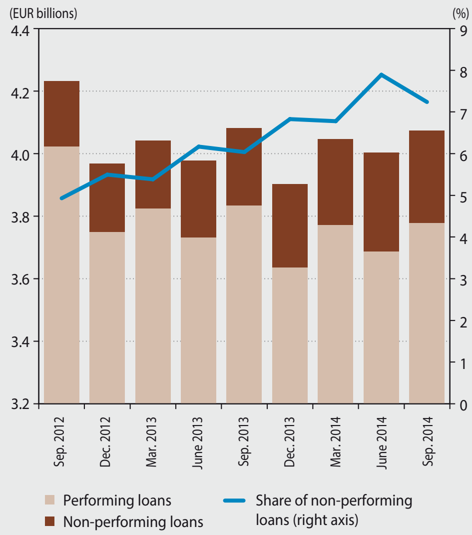
Source: NBS.

Chart 34 Loans to non-financial corporations by economic activity as at 30 September 2014



Source: NBS.

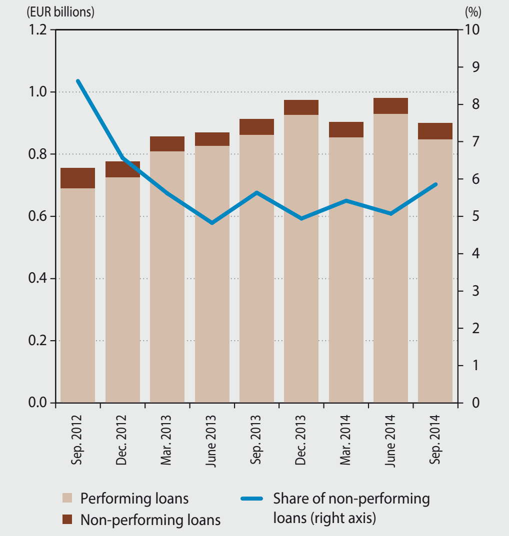
Chart 36 Share of non-performing loans on bank overdrafts and revolving credits to non-financial corporations



Source: NBS.

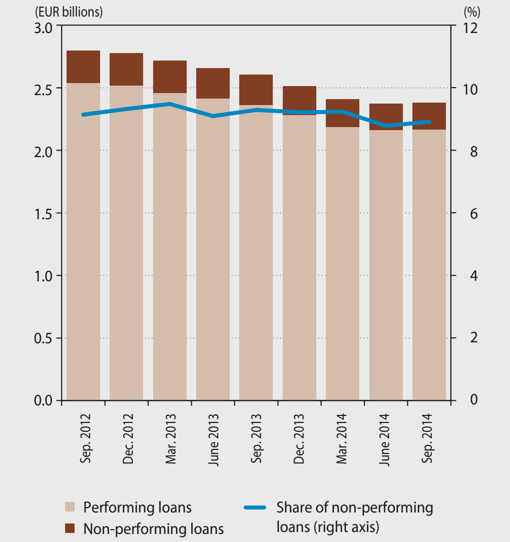
rations decreased somewhat in September 2014 (to 8.1%). Since the middle of 2013, the share of non-performing loans had been fluctuating around the level of 8%. The share of overdrafts and revolving loans continued to decrease, by 0.7 percentage point to 7.2%. The share of non-performing loans remained virtually unchanged, somewhat below the level of June.

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



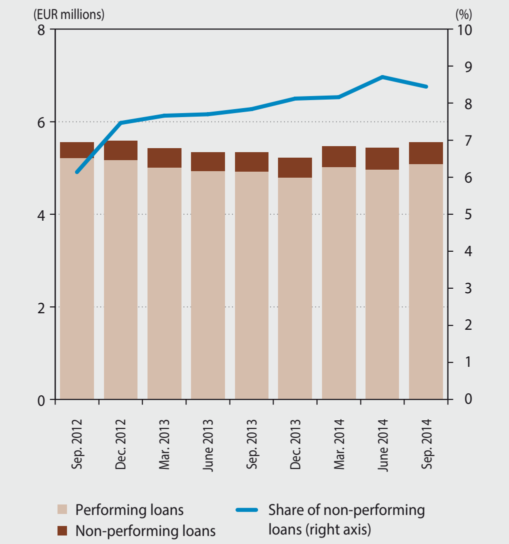
Source: NBS.

Chart 39 Share of non-performing loans on real estate loans to non-financial corporations



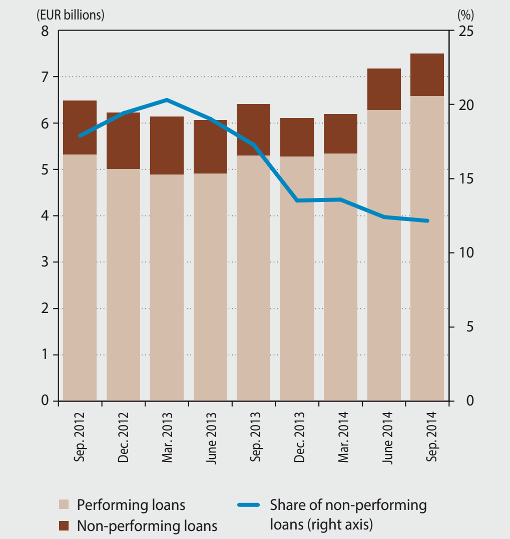
Source: NBS.

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



Source: NBS.

Chart 40 Share of non-performing loans on credit card loans to non-financial corporations

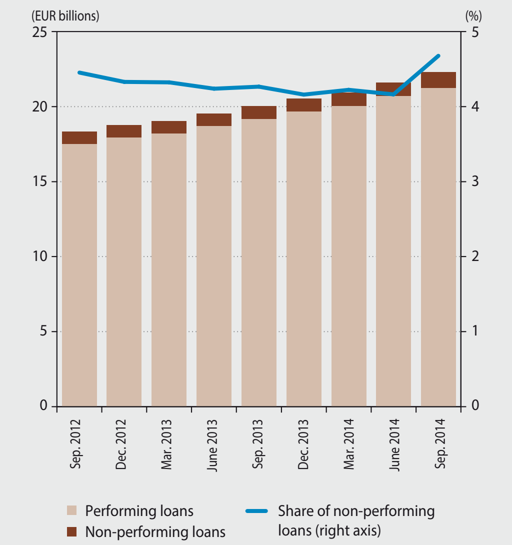


Source: NBS.

2.7.7 NON-PERFORMING LOANS TO HOUSEHOLDS

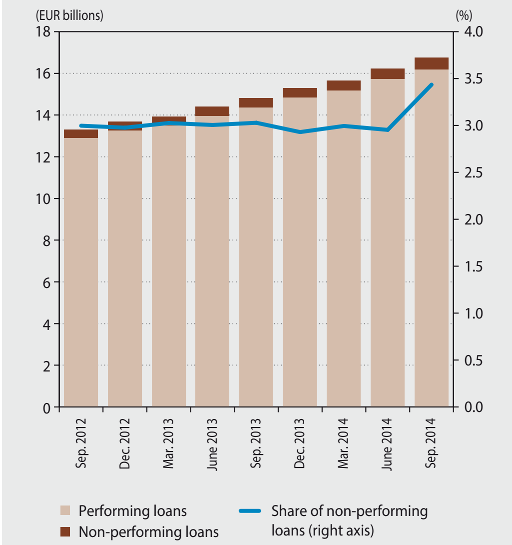
In September 2014, the share of non-performing loans in the total volume of household loans increased slightly, to 4.7% as in the previous quarters. The share of non-performing housing loans had been hovering around the level of 3% since the end of 2011. Broken down by type of non-performing loan, a modest increase was recorded in the share of non-performing credit card loans (0.1%) and consumer loans (0.8%).

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



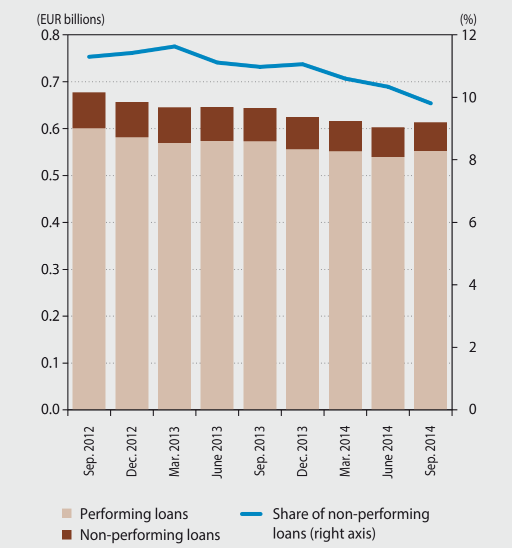
Source: NBS.

Chart 43 Share of non-performing loans on loans for house purchase to households



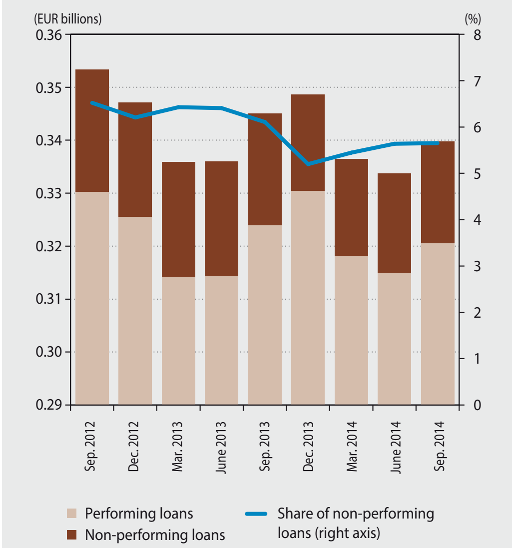
Source: NBS.

Chart 42 Share of non-performing loans on bank overdrafts to households



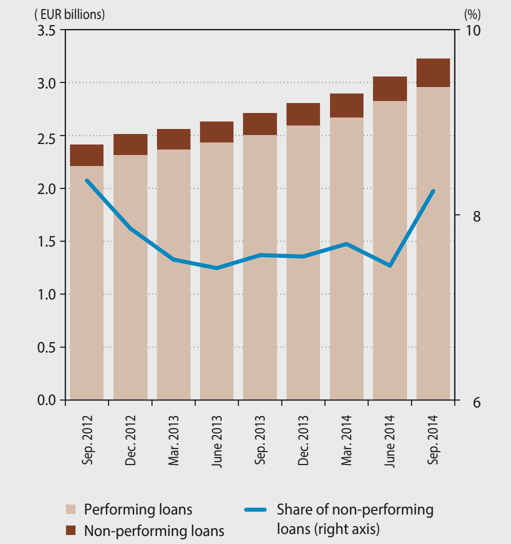
Source: NBS.

Chart 44 Share of non-performing loans on credit card loans to households



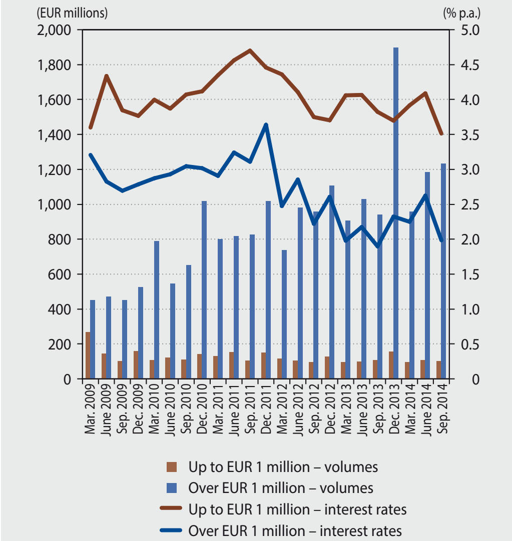
Source: NBS.

Chart 45 Share of non-performing loans on consumer loans to households



Source: NBS.

Chart 46 Interest rates and volumes on loans to non-financial corporations (new business)



Source: NBS.

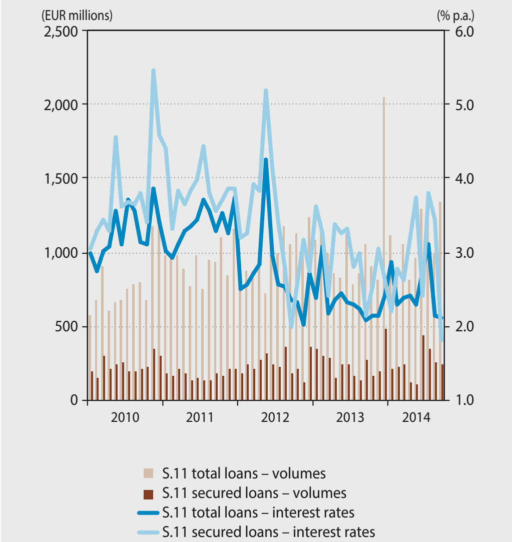
2.8 INTEREST RATES AND VOLUMES: LOANS PROVIDED

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

The total volume of new loans granted to non-financial corporations in the third quarter of 2014 increased by 34.7%, compared with the third quarter of 2013. In the '**loans of up to €1 million**' category, the volume of loans fell by 6.3% 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 8.0%. The average lending rate in the period under review fell by 0.1%, to 3.8% p.a. By contrast, the volume of loans in the '**loans of over €1 million**' category grew by 40.0% in the third quarter of 2014, compared with the third quarter of 2013. The share of new 'loans of over €1 million' in the total volume of loans granted to non-financial corporations reached 92.0% in the quarter under review, while the average interest rate rose by 0.4% to 2.4% p.a.

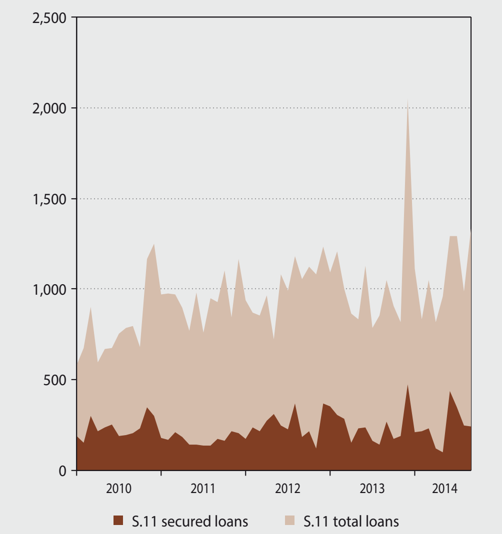
In the third quarter of 2014, the share of new secured loans in the **total** volume of new loans granted to non-financial corporations increased in year-on-year terms, from 21.4% to 23.3%. The average interest rate on secured loans rose to 3.1% p.a. in the third quarter of 2014, from 2.6% p.a. in the same quarter of 2013. The average rate for new loans granted to non-financial corporations also rose in this period, by 0.2% to 2.4% p.a. in the period under review.

Chart 47 Interest rates and volumes on secured and total loans to non-financial corporations (new business)



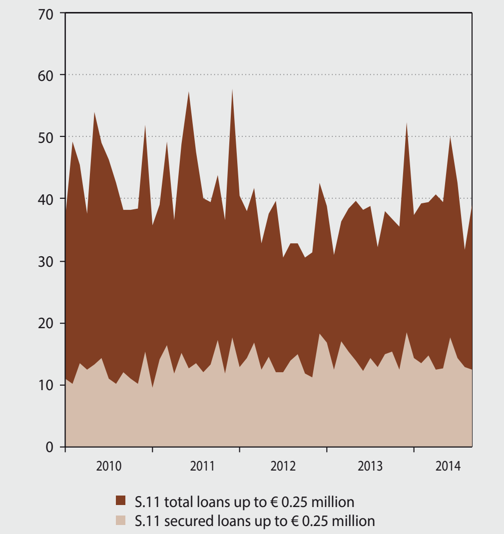
Source: NBS.

Chart 48 Share of secured loans on total loans to non-financial corporations (new business) (EUR millions)



Source: NBS.

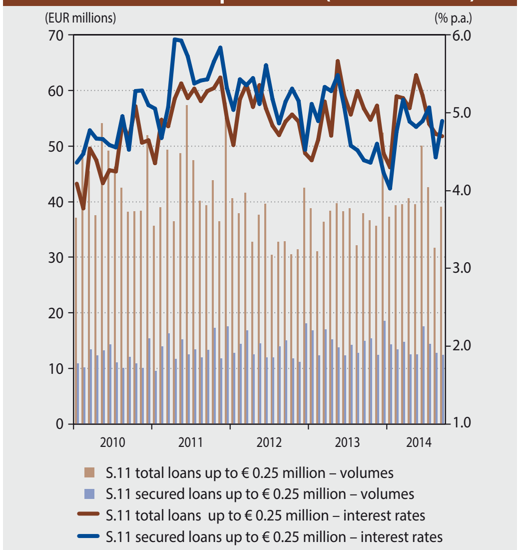
Chart 50 Share of secured loans on total "loans up to € 0.25 million" to non-financial corporations (new business) (EUR millions)



Source: NBS.

In the '**loans of up to €0.25 million**' category, the share of new secured loans in the total volume of new loans granted to non-financial corporations decreased by 3.6% to 35.0% in the third quarter of 2014. The average interest rate on secured loans of this category rose by 0.3% in the quarter under review, to 4.8% p.a. The average interest rate on new 'loans of up to €0.25 million' granted to non-financial corporations fell by 0.3% in the period under review, to 4.8% p.a. (corresponding to the average rate for secured loans).

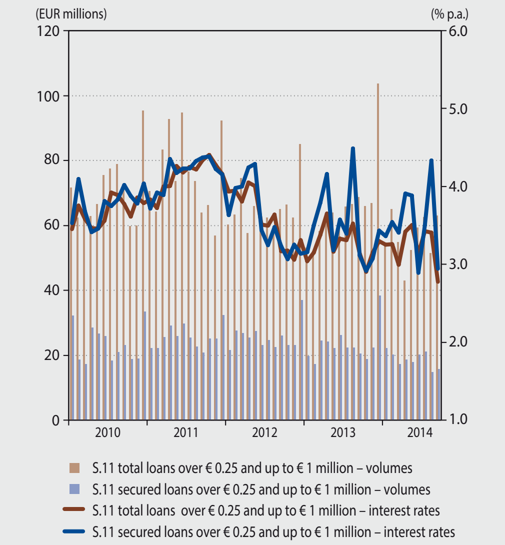
Chart 49 Interest rates and volumes on secured and total "loans up to € 0.25 million" to non-financial corporations (new business)



Source: NBS.

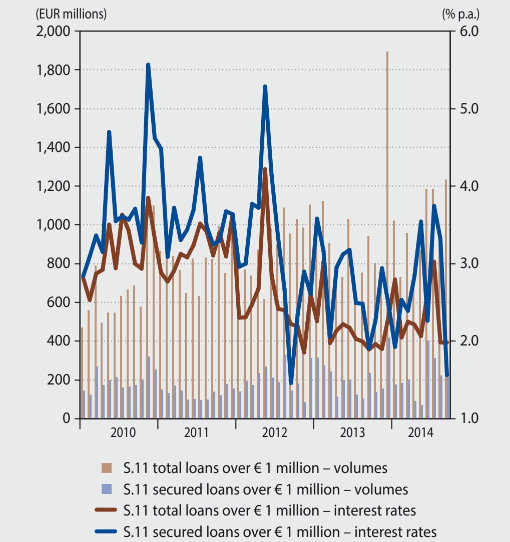
In the '**loans of over €0.25 million and up to €1 million**' category, the share of new secured loans in the total volume of new loans granted to non-financial corporations decreased by 3.2% to 29.2% in the third quarter of 2014. The average interest rate on secured loans of this category fell by 0.1% in the period under review, to 3.6% 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 3.2% p.a.

Chart 51 Interest rates and volumes on secured and total "loans over € 0.25 and up to € 1 million" to non-financial corporations (new business)



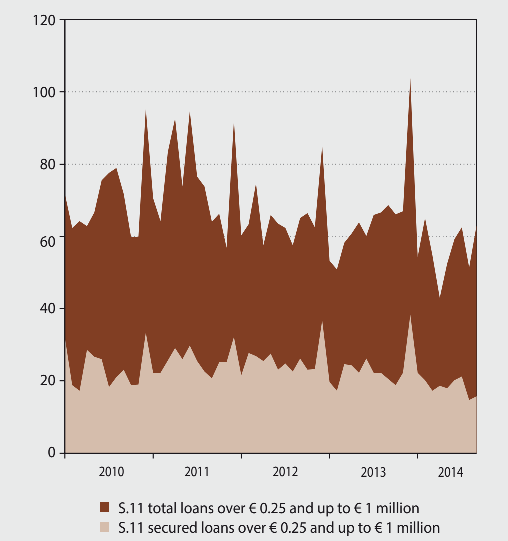
Source: NBS.

Chart 53 Interest rates and volumes on secured and total "loans over € 1 million" to non-financial corporations (new business)



Source: NBS.

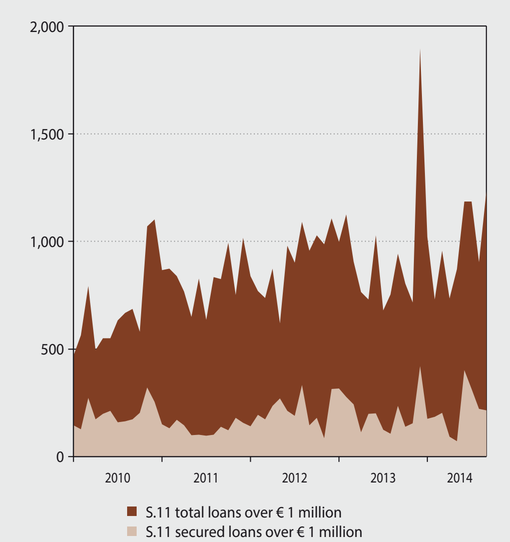
Chart 52 Share of secured loans on total "loans over € 0.25 and up to € 1 million" to non-financial corporations (new business) (EUR millions)



Source: NBS.

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 increased by 2.9% year-on-year, to 22.6% in the third quarter of 2014. The average interest rate on secured loans of this category rose from 2.2% p.a. to 3.0% p.a. in the period under review. Interest rates on new 'loans of over €1 million' granted to non-financial corporations also rose in that period, by 0.5% to an average of 2.4% p.a.

Chart 54 Share of secured loans on total "loans over € 1 million" to non-financial corporations (new business) (EUR millions)

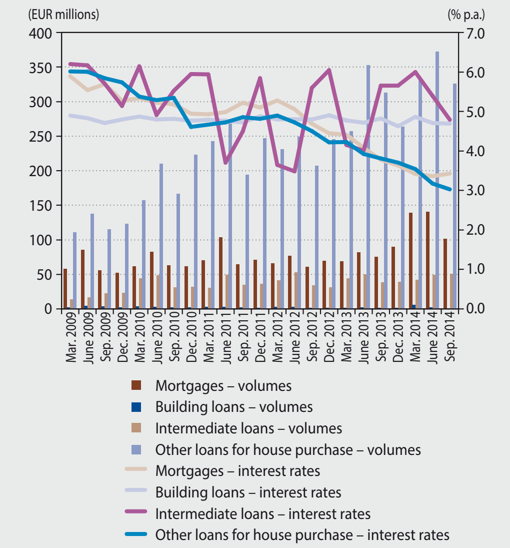


Source: NBS.

2.8.2 Interest rates and volumes: loans to households (new business)

Demand for loans in the household sector continued to be dominated by demand for housing loans. The average interest rate on housing loans fell by 0.6% to 3.4% p.a. in the third quarter of 2014, compared with the third 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 home savings banks, fell by 0.2% to 5.1% p.a.; the average rate for '**building loans**' fell by 0.1% to 4.6% p.a.; and the average rate for '**mortgage loans**' fell by 0.4% to 3.4% p.a. in the period under review. The sharpest fall was recorded in the average rate for '**other loans for house purchase**', which dropped by 0.8% to 3.1% p.a. in the third quarter of 2014.

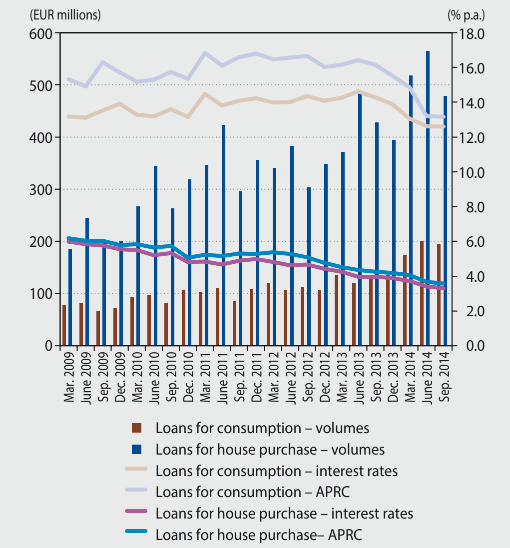
Chart 55 Interest rates and volumes on loans for house purchase to households (new business)



Source: NBS.

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 third quarter of 2013, the average interest rate on housing loans, as well as the average APRC for loans of this type, dropped by 0.7% to 3.6% p.a. in the third quarter of 2014. The APRC value for consumer loans followed a similar trend. The average interest rate on consumer loans fell in the third quarter of 2014 by 1.9%, to stand at 12.6% p.a. The average APRC for consumer loans dropped more significantly in the period under review, by 3.0% to 13.2% p.a.

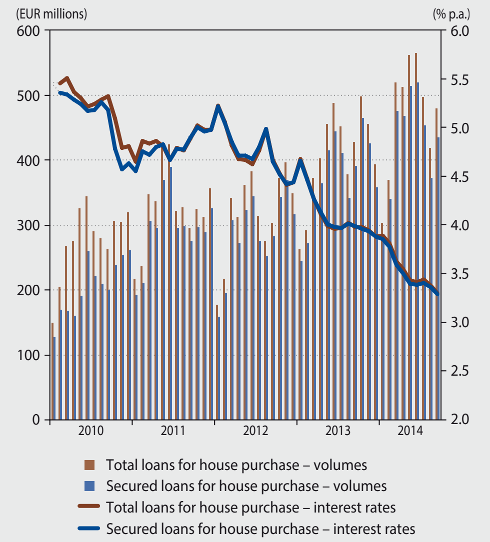
Chart 56 Share of secured loans for house purchase on total loans for house purchase to households (new business)



Source: NBS.

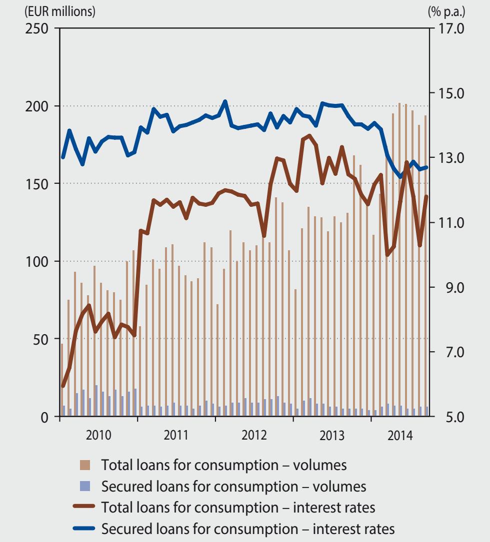
The share of **new secured housing loans** in the total volume of loans provided to households for housing purposes decreased by 0.6% to 90.3% in the third quarter of 2014, compared with the third quarter of 2013. The average interest rate on secured housing loans fell by 0.7% to 3.3% p.a. in the period under review.

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



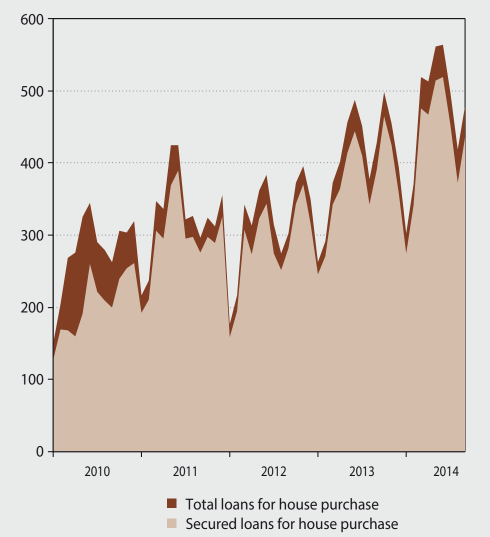
Source: NBS.

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



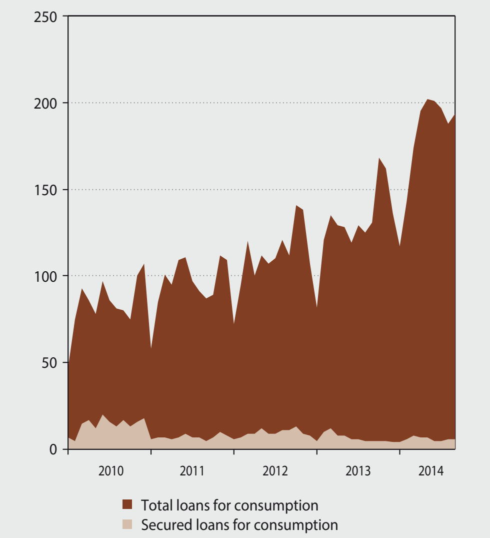
Source: NBS.

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



Source: NBS.

Chart 60 Share of secured loans for consumption on total loans for consumption to households (new business) (EUR millions)



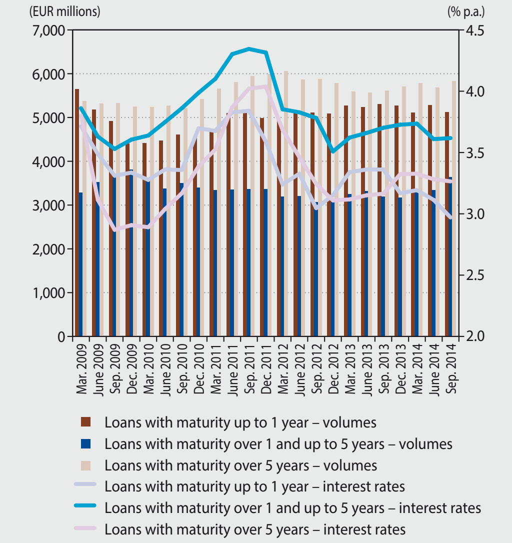
Source: NBS.

In the case of **consumer loans**, the share of **secured loans** was substantially smaller than in the case of housing loans. In year-on-year terms, this share decreased from 4.2% to 2.9% in the third quarter of 2014. The average interest rate on secured consumer loans dropped by 1.4% to 11.3% p.a. in the period under review.

2.8.3 Interest rates and volumes: loans to non-financial corporations (outstanding amounts)

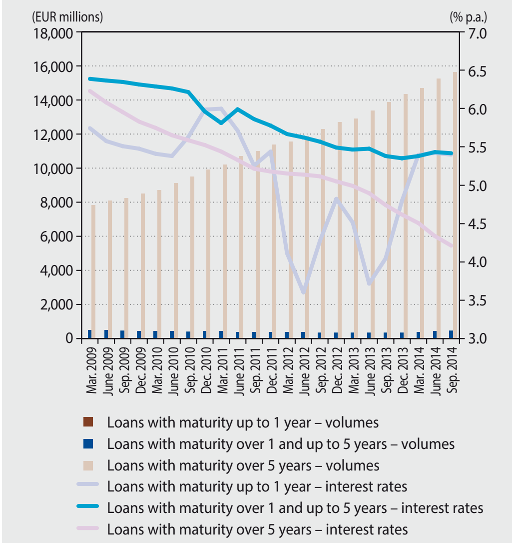
Interest rates on loans granted to non-financial corporations with a maturity of over one and up to five years have historically been higher than the rates for other loan categories, but these loans are the smallest of all in volume terms.

Chart 61 Interest rates and volumes of loans by maturity to non-financial corporations (outstanding amounts)



Source: NBS.

Chart 62 Interest rates and volumes on loans for house purchase by maturity to households (outstanding amounts)



Source: NBS.

Since the second half 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 third quarter of 2014.

The level of interest rates on **loans granted to non-financial corporations** (not including long-term loans with a maturity of over five years) fell in the third quarter of 2014, compared with the same quarter of 2013. The average interest rate on loans with a maturity of up to one year fell by 0.3%, to stand at 3.0% p.a. The same trend, though less significant, was recorded in the average rate for loans with a maturity of over one and up to five years, specifically a fall of 0.02% to 3.67% p.a. The average interest rate on loans with a maturity of over five years rose slightly, by 0.1% to 3.3% p.a.

2.8.4 Interest rates and volumes: loans to households (outstanding amounts)

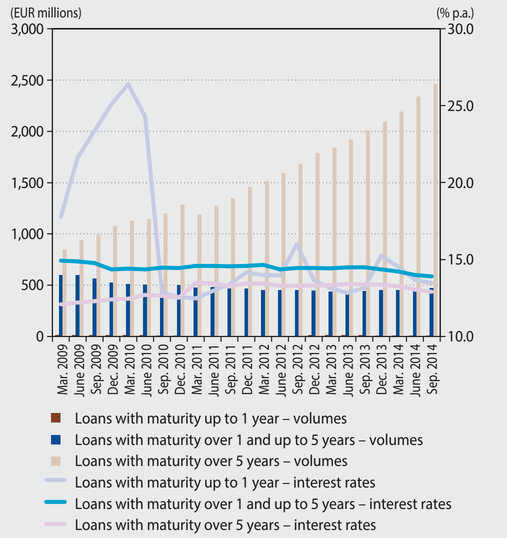
In volume terms, loans granted to households for consumption or for housing purposes are clearly dominated by loans with a maturity of over five years.

Interest rates on **housing loans** provided to households underwent changes over the period under review as described below. A significant year-on-year rise was recorded in interest rates on housing loans with a maturity of up to one year, specifically +1.5%, to an average of 5.4% p.a. The average rate for housing loans with a maturity of over one and up to five years remained unchanged in the third quarter of 2014, at 5.4% p.a. In the same period, the average rate for loans with a maturity of over five years fell by 0.6% to 4.3% 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 followed 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.

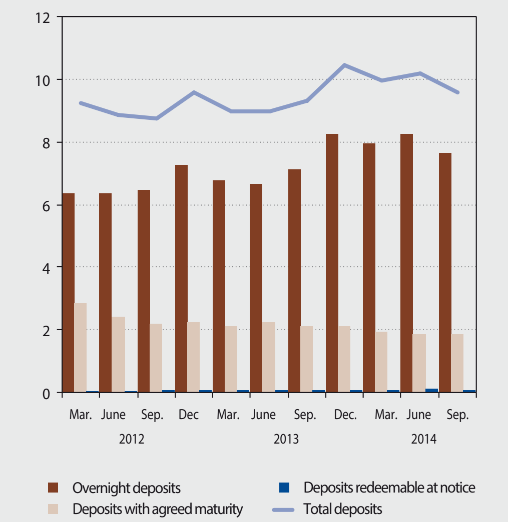
Broken down by maturity, interest rates on **consumer loans** provided to households changed in the period under review as follows: the average rate for consumer loans with a maturity of over one and up to five years fell by 0.6% to 13.9% p.a.; the average rate for consumer loans with a maturity of over five years fell by 0.4% to 13.0% p.a.; and the average rate for consumer loans with a maturity of up to one year rose by 0.5% to 13.5% p.a.

Chart 63 Interest rates and volumes on loans for consumption by maturity to households (outstanding amounts)



Source: NBS.

Chart 65 Deposits to non-financial corporations (EUR billions)



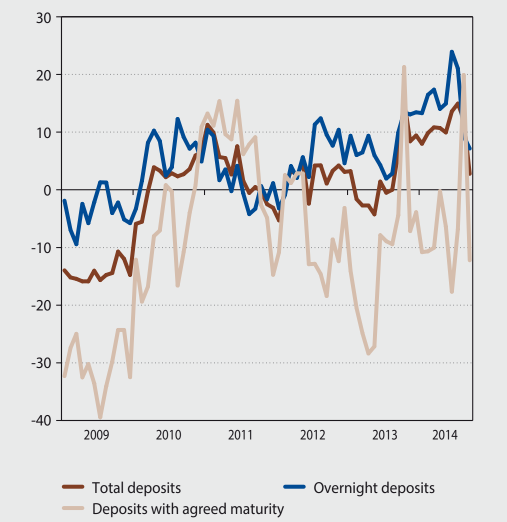
Source: NBS.

2.9 DEPOSITS RECEIVED FROM NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS

2.9.1 Deposits received from non-financial corporations

The value of deposits received from non-financial corporations stood at 14.9% in July 2014, but then dropped to 2.8% in September. The sharpest fall was recorded in deposits with agreed maturity, from 19.9% in August to -12.2% in September. The proportion of overnight deposits received from non-financial corporations to total deposits reached 79.8%.

Chart 64 Deposits of non-financial corporations by type (year-on-year change in %)



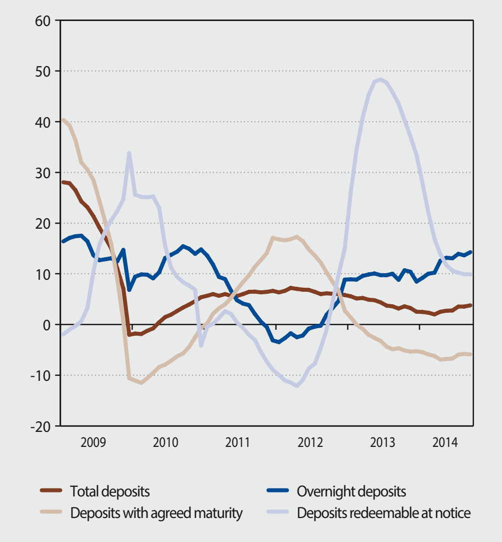
Source: NBS.
Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.

2.9.2 Deposits received from households

Compared with the same period a year earlier, the value of deposits received from households rose slightly in September 2014, by 3.8%. Overnight deposits showed a year-on-year increase of 14.3% in September 2014. Household deposits redeemable at notice continued to grow as in the previous months, and produced a year-on-year increase of 9.9% in September.

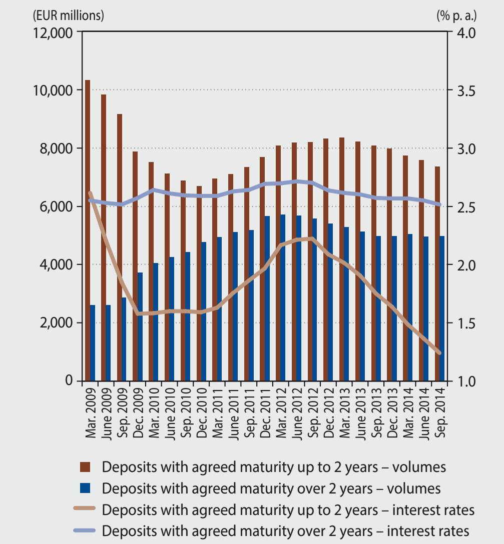
The outstanding amount of household deposits has maintained its share in total deposits.

Chart 66 Deposits of households by type (year-on-year change in %)



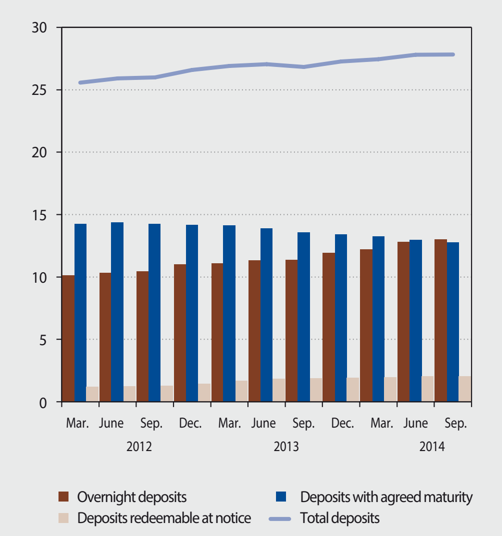
Source: NBS.
Note: The source data represents the outstanding amounts at the end of month. They are valued at nominal value not adjusted by non-transactions.

Chart 68 Interest rates and volumes of deposits with agreed maturity from households (outstanding amounts)



Source: NBS.

Chart 67 Deposits to households (EUR billions)



Source: NBS.

2.10 INTEREST RATES AND VOLUMES: DEPOSITS RECEIVED

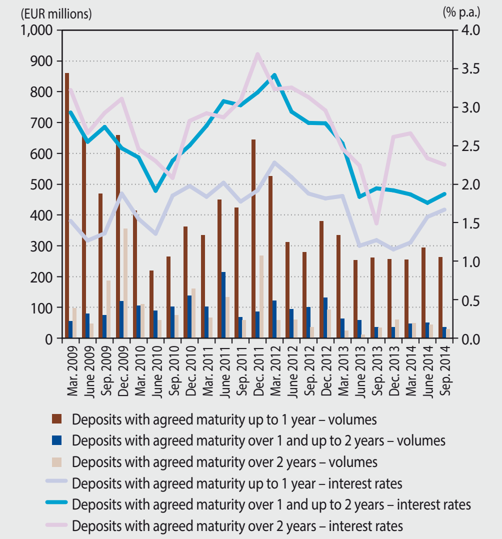
2.10.1 Interest rates and volumes: deposits received from households (outstanding amounts)

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 third quarter of 2014 by 2.1% (to 59.8%), compared with the third quarter of 2013. The average interest rate on household deposits with an agreed maturity of up to two years dropped by 0.5% year-on-year, to stand at 1.3% p.a. The average interest rate on deposits **with an agreed maturity of over two years** also fell in the period under review, by 0.1% to 2.5% p.a. The total volume of household deposits with agreed maturity decreased by 5.6% in the period under review.

2.10.2 Interest rates and volumes: deposits received from households (new business)

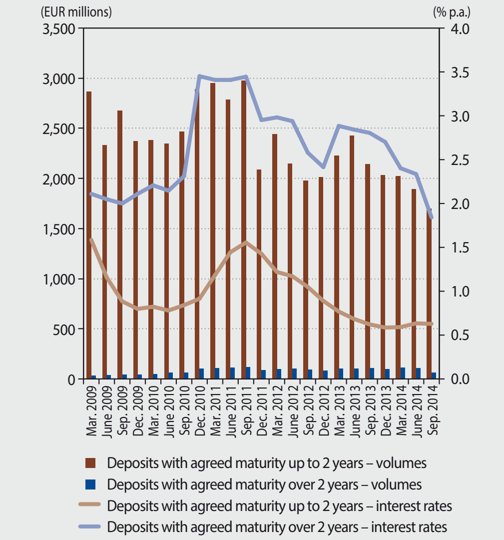
Interest rates on **new deposits** with agreed maturity received from households changed in the period under review as described below. A rise was recorded in rates for **deposits with an agreed maturity of over two years** (+0.7%, to an average of 2.1% p.a.), while the share of these deposits in the total volume of new deposits with agreed maturity increased by 4.2% to 12.3%. Interest rates on the other two categories of new deposits remained unchanged. The average rate for new **deposits with an agreed maturity of over one and up to two years** stood at 1.8% p.a., while the share of these deposits increased in the period under review by 2.1% to

Chart 69 Interest rates and volumes on deposits with agreed maturity from households (new business)



Source: NBS.

Chart 70 Interest rates and volumes on deposits with agreed maturity from non-financial corporations (outstanding amounts)



Source: NBS.

12.2% 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 6.3% to 75.5% of the total volume of new household deposits with agreed maturity.

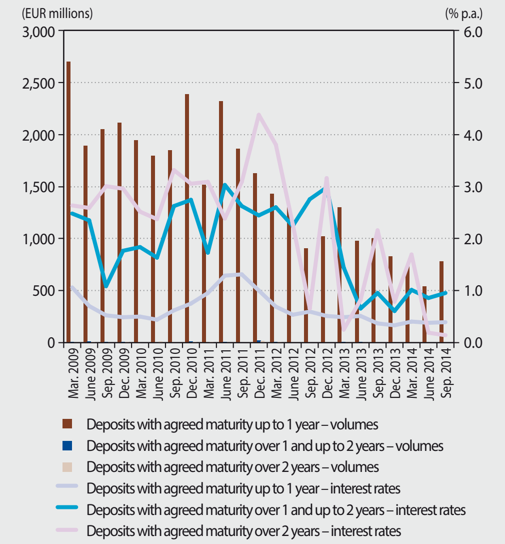
2.10.3 Interest rates and volumes: deposits received from non-financial corporations (outstanding amounts)

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 0.6% to 4.0% in the third quarter of 2014, compared with the third quarter of 2013. The average interest rate on these deposits fell by 0.4%, 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, increased by 0.6% to 96.0%. The total volume of deposits with agreed maturity, received from non-financial corporations, decreased by 15.2% in the period under review.

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, changed in the third quarter of 2014 on a year-on-year basis as described below. The average rate for deposits **with an agreed maturity of over two years** fell by 1.8%, to stand at 0.3% 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** (0.1%), the average price of which rose by 0.1% to 1.1% p.a. The average interest rate on new deposits **with an agreed maturity of up to one year** remained unchanged, at 0.4% p.a. In volume terms, these deposits represented the most significant deposit category: they accounted for 99.8% of the volume of new deposits with agreed maturity, received from non-financial corporations.

Chart 71 Interest rates and volumes on deposits with agreed maturity from non-financial corporations (new business)



Source: NBS.

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CHAPTER 3

COLLECTIVE INVESTMENT: MUTUAL FUNDS

3

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 September 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, a.s., investiční společnost.

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.

The trends from 2013 and the first half of 2014 continued in the mutual funds market over the third 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 September 2014, the share of money market funds stabilised at the level of 1.4%. The share of other funds, including secured funds, specialised alternative investment funds, specialised securities funds, and specialised professional investor funds, remained virtually unchanged over the quarter under review, at 23.0% (as at 30 September 2014). Bond funds maintained their dominant position in the mutual funds market, with a share of 29.2% of total assets. They were followed by mixed funds with a share of 20.2% as at end-September 2014. The third largest group as at 30 September 2014 was constituted by real estate funds with a share of 19.1%. As in the previous quarter, the smallest category among investment funds (mutual funds other than money market funds) was that of equity funds with a share of 7.0%.

By the end of the third quarter of 2014, the share of equity funds had increased by 28.6% year-on-year. The value of assets managed by real estate funds has risen by 26.63% by end-September 2014, representing a difference of 12.03 percentage points compared with the previous quarter.

The influence of newly established specialised funds on the year-on-year growth rate of total assets in the category of other funds was waning over the course of 2013, and the growth of these funds gradually slowed down. This trend has continued into 2014. Towards the end of the third quarter of 2014, the rate of growth slowed by approximately 7.55 percentage points. By 30 September 2014, total assets had increased by 7.89% 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 September 2014, the value of total assets had increased by 20.17% year-on-year, representing an accelerated growth rate of 6.3 percentage points.

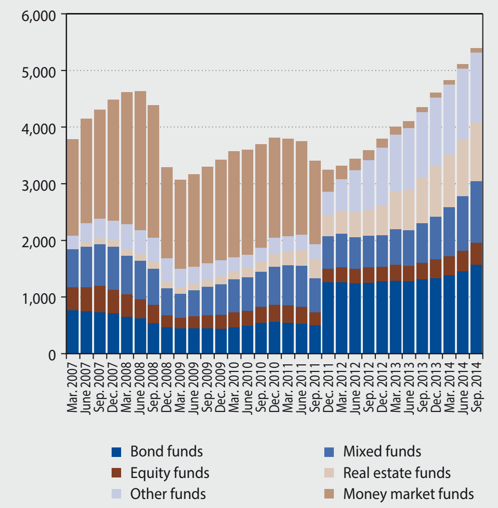
The persistent lack of interest in money market funds among investors has led to a year-on-year decline of 6.65% in their assets (status as at end-September 2014).

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

Total assets	Year-on-year change in %					
	VI. 2013	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
Bond funds	2.99	4.78	4.42	7.32	13.87	20.17
Equity funds	9.73	8.72	27.66	17.53	27.70	28.60
Mixed funds	9.61	23.81	34.29	39.41	56.76	57.23
Real estate funds	63.11	77.10	68.73	38.81	38.66	26.63
Other funds	46.04	32.51	19.88	22.69	15.44	7.89
Money market funds	-37.04	-52.67	-45.95	-43.67	-38.08	-6.65

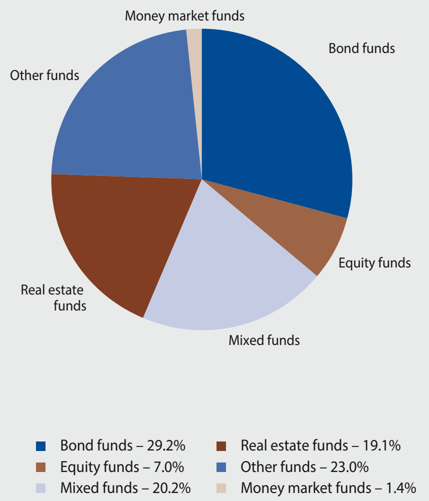
Source: NBS.

Chart 72 Mutual funds broken down by investment strategy (EUR millions)



Source: NBS.

Chart 73 Share of funds types on total assets of domestic mutual funds as at 30 September 2014



Source: NBS.

3.2 ASSET STRUCTURE OF DOMESTIC MUTUAL FUNDS

3.2.1 Money market funds

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

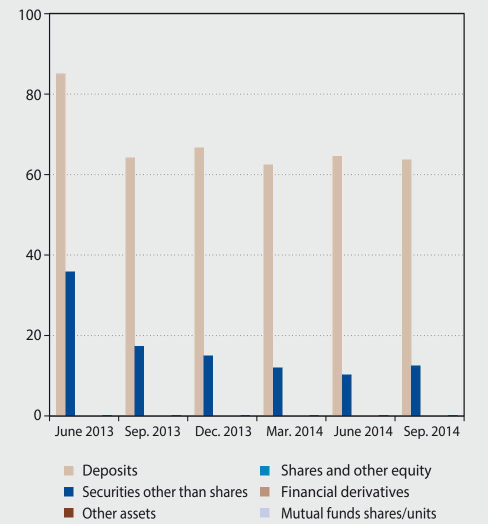
As at the end of the third quarter of 2014, money market funds had 83.5% of their assets invested in bank deposits and 16.3% in debt securities. The remaining 0.2% was in other assets. Compared with the previous quarter, the asset structure of money market funds changed slightly in favour of debt securities, the share of which increased by 2.6 percentage points, while the share of bank deposits decreased by 2.5 percentage points.

In the portfolio of money market funds, the share of securities issued in the rest of the world increased in quarter-on-quarter terms (status as at 30 September 2014). The share of domestic securities decreased in comparison with the previous quarter, by 8.2 percentage point to 40.3%. They were followed by securities issued in other euro area Member States (32.7%) and securities issued in non-euro area Member States (27%).

Broken down by sector, money market funds invested mostly in government securities (Sector S.13), which accounted for 86% of the total amount invested. The remaining part of the portfolio was formed by bank bonds (Sector S.122) with a share of 14.1%, which was 2.9 percentage points less than in the previous quarter.

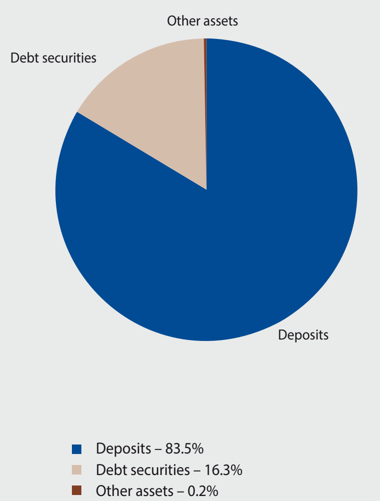
The liquidity and maturity of securities in the portfolio of mutual funds are important indicators used in the risk assessment process. Interesting information in this respect can be obtained from a comparison of the original and residual maturities of securities in the aggregated portfolio of money market funds: while securities with an agreed maturity of over two years accounted for 86% (as at 30 September 2014), their share dropped to zero when the residual maturity was taken into account. The share of securities with a residual maturity of over one and up to two years stood at 14% as at the end of the third 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 86%.

Chart 74 Money market funds: evolution of assets (EUR millions)



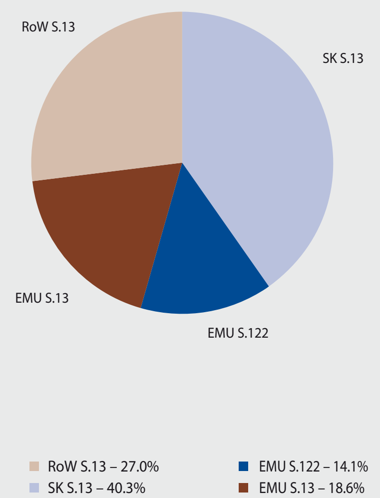
Source: NBS.

Chart 75 Money market funds: structure of assets as at 30 September 2014



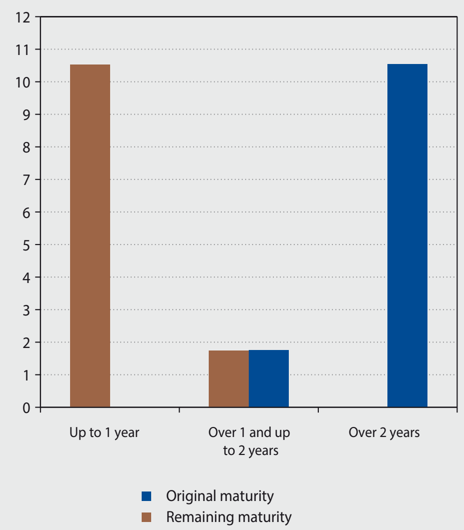
Source: NBS.

Chart 76 Geographical and sectoral breakdown of debt securities in portfolio of money market funds as at 30 September 2014



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

Chart 77 Maturity breakdown of debt securities in portfolio of money market funds as at 30 September 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.

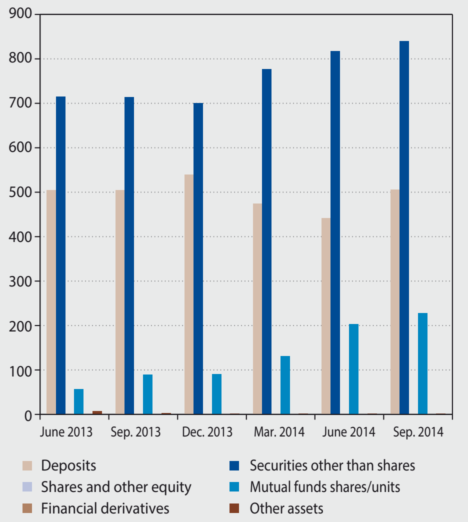
The assets managed by such funds as at 30 September 2014 were dominated by debt securities, the share of which decreased somewhat in comparison with the previous quarter, to 53.30%. Financial assets were in large part invested in fixed-term bank deposits or held on current accounts, the share of which in total assets reached 32.08% at the end of the third quarter. They were followed by mutual fund shares/units, the proportion of which increased by 0.57 percentage point quarter-on-quarter, to 14.44%. The remaining 0.19% 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 (42.52%), the share of which increased by 1.44 percentage points. They were followed by domestic securities with a share of 35.09% (a decrease of 2.06 percentage points) and by securities issued in other euro area countries with a share of 23.34% (an increase of 0.63 percentage point) as at the end of the third quarter of 2014.

Broken down by sector, the securities portfolio of bond funds as at 30 September 2014 comprised mostly government bonds (47.20%) and debt securities issued by banks (41.95%). The remaining 10.85% was made up by debt securities issued by non-financial corporations and other financial institutions.

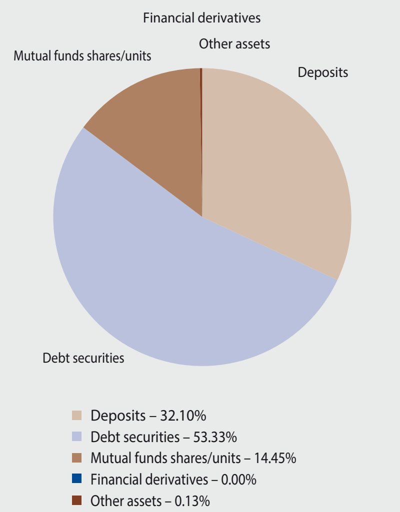
Broken down by residual maturity, bond funds held 20.3% of their portfolio in securities with a maturity of up to one year, 25.9% in securities with a maturity of over one and up to two years, and 53.7% in securities with a maturity of over two years.

Chart 78 Bond funds: evolution of assets (EUR millions)



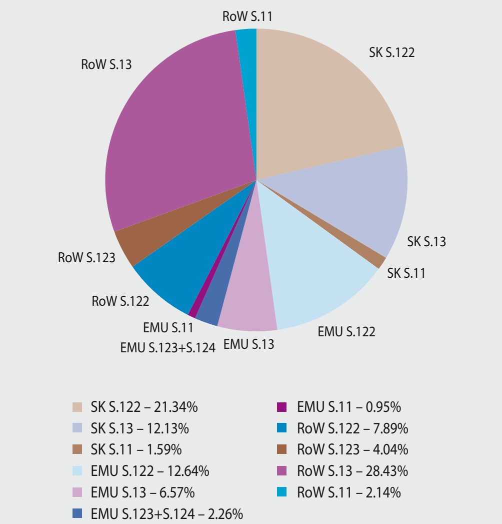
Source: NBS.

Chart 79 Bond funds: structure of assets as at 30 September 2014



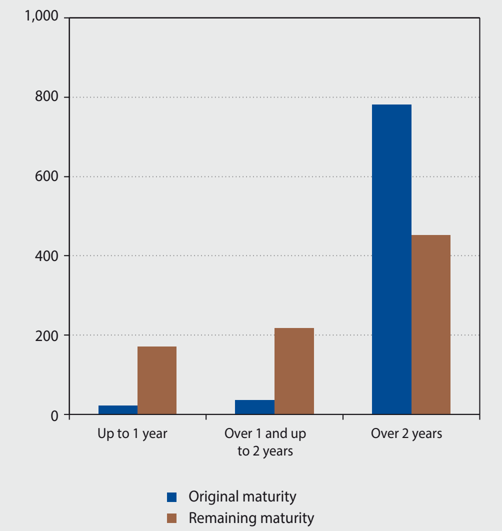
Source: NBS.

Chart 80 Geographical and sectoral breakdown of debt securities in portfolio of bond funds as at 30 September 2014



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

Chart 81 Maturity breakdown of debt securities in portfolio of bond funds as at 30 September 2014 (EUR millions)



Source: NBS.

3.2.3 Equity funds

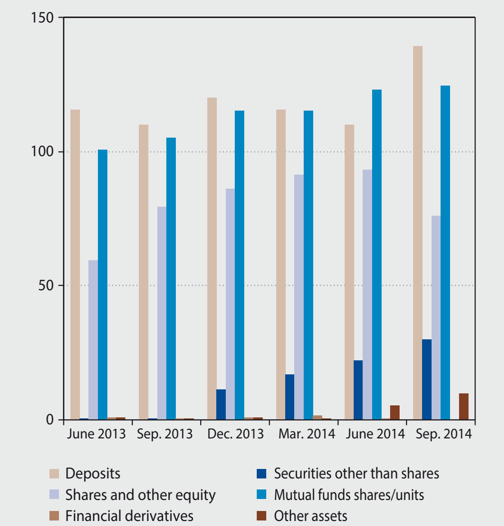
The proportion of shares and other equity participations decreased by 6.4 percentage points quarter-on-quarter, to 20% as at 30 September 2014. The most significant asset components as at end-September 2014 were bank deposits with a share of 36.7% and mutual fund shares/units with a share of 32.8%. The share of debt securities increased to 7.9% as at 30 September 2014. Other assets, including financial derivatives, accounted for 2.6% 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 2.04% as at end-September 2014, those issued by mutual funds from other euro area countries accounted for 42.78%, and shares/units issued by mutual funds from the rest of the world represented 15.18%.

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 the portfolio stood at 93.65% as at end-September 2014.

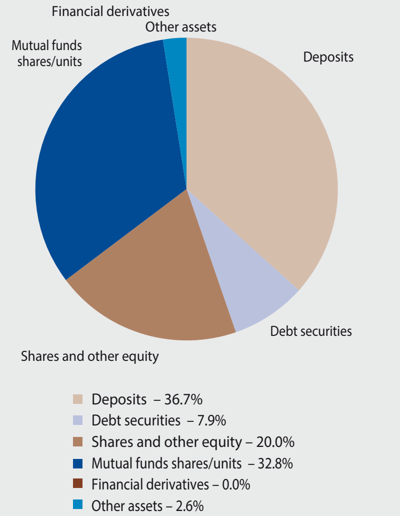
The aggregated portfolio of equity funds was dominated by shares of non-financial corporations from the rest of the world (61.7%), followed by shares of non-financial corporations from other euro area Member States (16.4%) and shares of banks from non-euro area Member States (11.9%).

Chart 82 Equity funds: evolution of assets (EUR millions)



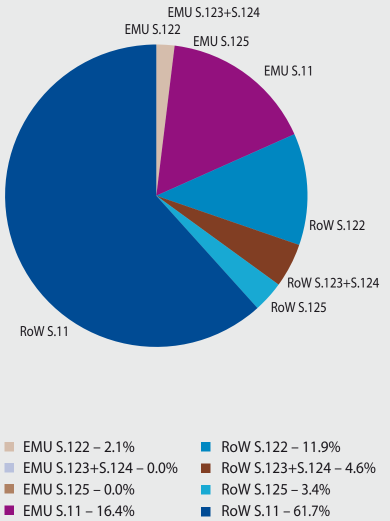
Source: NBS.

Chart 83 Equity funds: structure of assets as at 30 September 2014



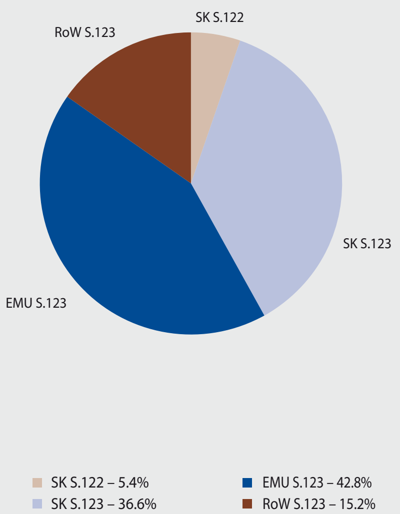
Source: NBS.

Chart 85 Geographical and sectoral breakdown of shares and other equity in portfolio of equity funds as at 30 September 2014



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

Chart 84 Geographical and sectoral breakdown of mutual funds shares/ units in portfolio of equity funds as at 30 September 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 52.3% of total assets as at end-September 2014, which was 1.6 percentage points less than in the previous quarter. Further significant asset items in the portfolios of mixed funds were bank deposits (27.2%), debt securities (14.2%), and equities (3.5%), the share of which decreased by 3.8 percentage points. The proportion of other assets, including financial derivatives, reached 2.8% as at 30 September 2014, representing an increase of 1.8 percentage points.

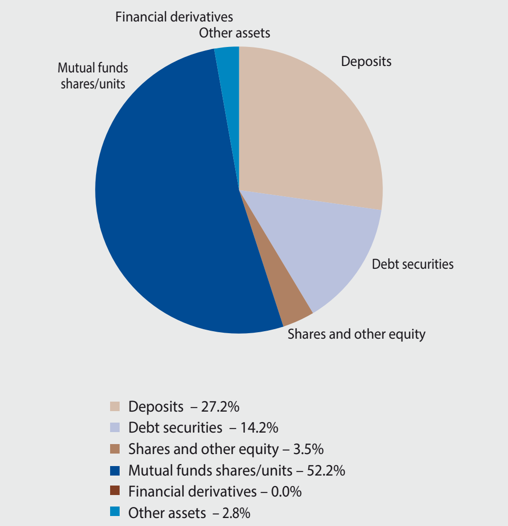
In geographical terms, the structure of mutual fund shares/units remained virtually unchanged in the third quarter of 2014. The mutual fund shares/units portfolio was dominated by mutual fund shares/units issued in the euro area (51.25%). They were followed by shares/units issued by domestic mutual funds (39.91%). Mutual fund shares/units issued in the rest of the world accounted for 8.84% as at the end of the third quarter.

In geographical terms, the structure of securities in the portfolio of mixed funds as at 30 September 2014 was dominated by bonds from the rest of the world (36.47%), followed by securities issued by domestic companies (35.45%) and securities from other euro area countries (28.08%).

Broken down by sector, the portfolio of mixed funds was dominated by the general government sector (Sector S.13) with a share of 45.05% as at 30 September 2014.

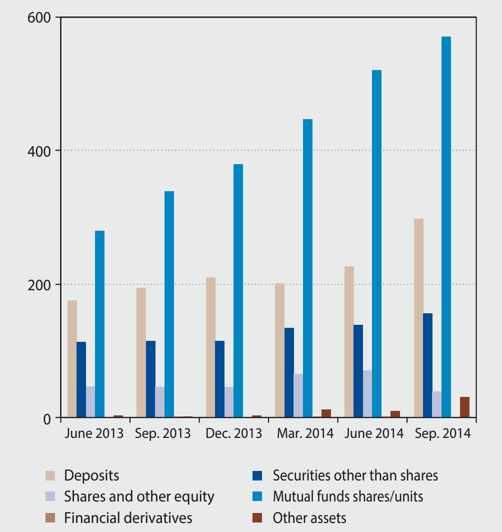
Broken down by residual maturity, mixed funds held 21.6% of their portfolio in securities with a maturity of up to one year, 28.3% in securities with a maturity of over one and up to two years, and 50.06% in securities with a maturity of over two years.

Chart 87 Mixed funds: structure of assets as at 30 September 2014



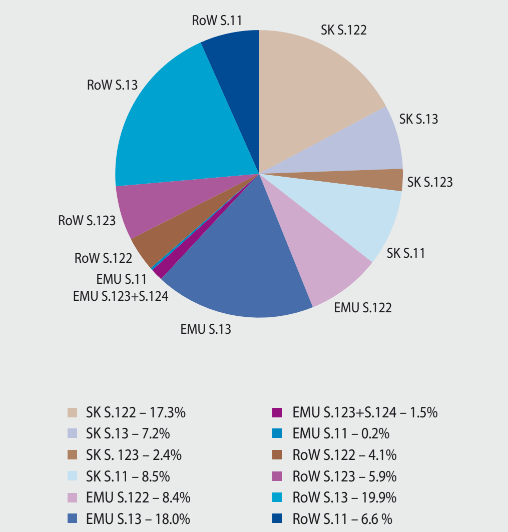
Source: NBS.

Chart 86 Mixed funds: evolution of assets (EUR millions)



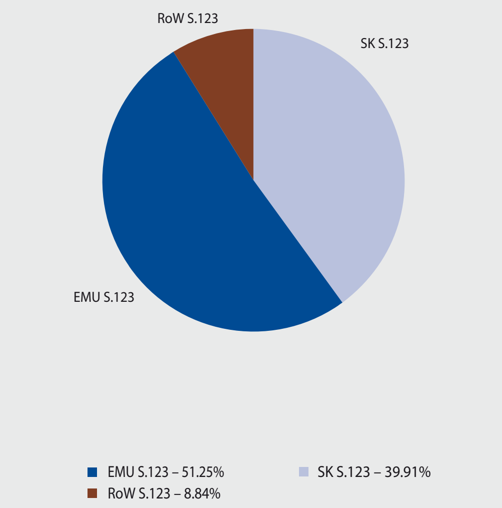
Source: NBS.

Chart 88 Geographical and sectoral breakdown of debt securities in portfolio of mixed funds as at 30 September 2014



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

Chart 89 Geographical and sectoral breakdown of mutual funds shares/ units in portfolio of mixed funds as at 30 September 2014



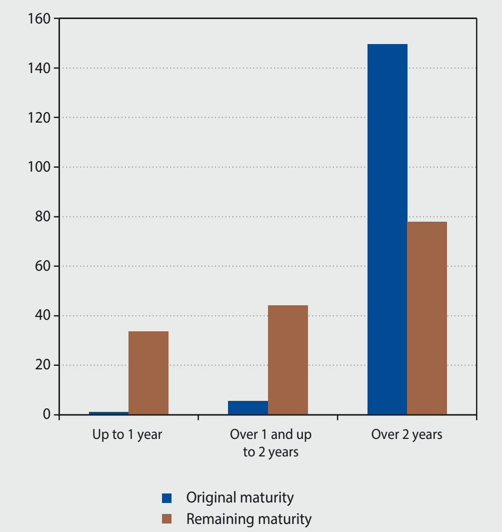
Source: NBS.
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

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 2.2 percentage points over the third quarter of 2014, to 27.3%. The proportion of *shares and other equity participations* increased by 0.80 percentage point, from 59.3% as at 30 June 2014 to 60.1% as at 30 September 2014. In the quarter under review, real estate funds also invested, though to a lesser extent, in debt securities (5.8% of the portfolio), mutual fund shares/unit (2.1%), and other assets, including financial derivatives (4.7%, representing an increase of 1.8 percentage points).

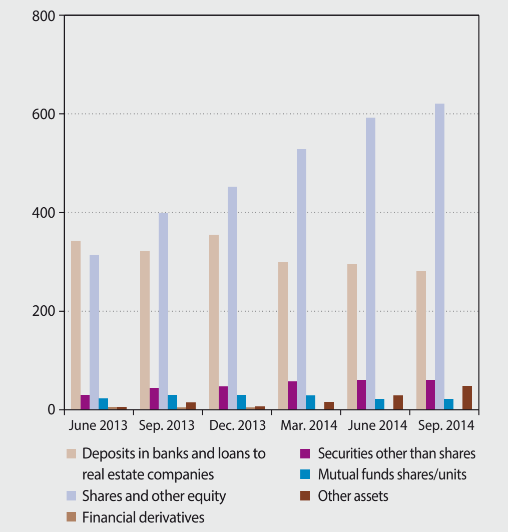
The geographical and sectoral breakdown of shares and equity participations in the aggregated portfolio of real estate funds indicates that the

Chart 90 Maturity breakdown of debt securities in portfolio of bond funds as at 30 September 2014 (EUR millions)



Source: NBS.

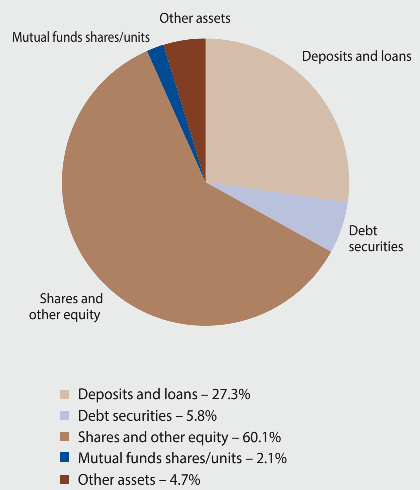
Chart 91 Real estate funds: evolution of assets (EUR millions)



Source: NBS.

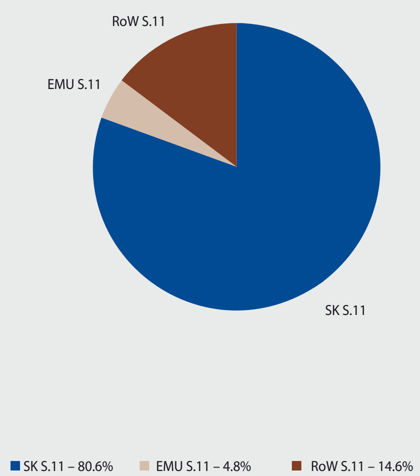
largest share (80.6%) was accounted for by domestic non-financial corporations (Sector S.11). Compared with 30 June 2014, the share of non-financial corporations from other EU Member States increased to 4.8% from 4.2%, while that of non-financial corporations from the rest of the world decreased from 14.8% as at 30 June 2014 to 14.6% as at 30 September 2014.

Chart 92 Real estate funds: structure of assets as at 30 September 2014



Source: NBS.

Chart 93 Geographical and sectoral breakdown of shares and other equity in portfolio of real estate funds as at 30 September 2014



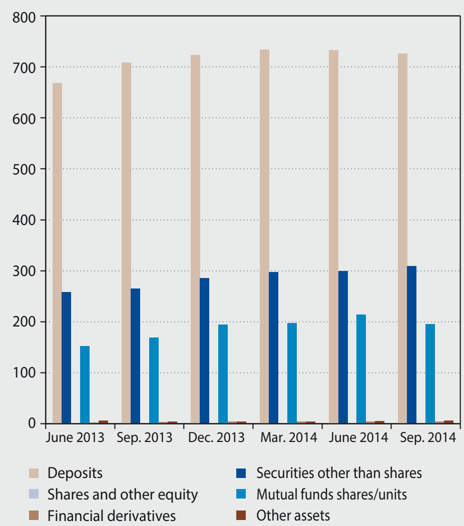
Source: NBS.
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

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. As at 30 September 2014, bank deposits still represented the most significant asset item in the balance sheets of other funds, with a share of 58.5%. The share of debt securities increased by 1 percentage point to 24.9% as at the end of the third quarter, from 23.9% as at the end of the previous quarter. The share of mutual fund shares/units decreased by 1.2 percentage points, from 17% as at 30 June 2014 to 15.8% as at 30 September 2014.

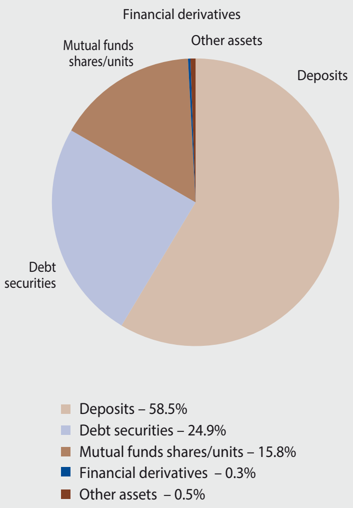
In geographical terms, debt securities in the aggregated portfolio of other funds have historically had a uniform structure. A dominant position in this structure as at 30 September 2014 was maintained by securities issued by domestic institutions (83.92%). They were followed by securities from the rest of the world (10.65%), the

Chart 94 Other funds: evolution of assets (EUR millions)



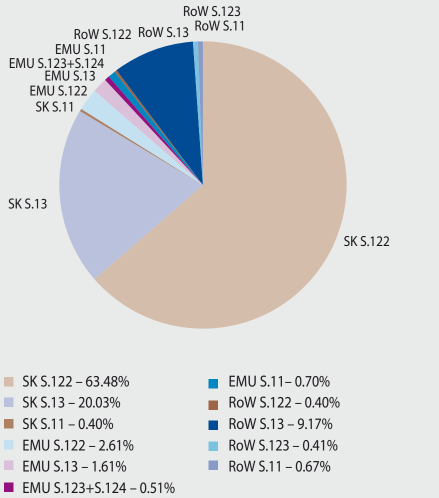
Source: NBS.

Chart 95 Other funds: structure of assets as at 30 September 2014



Source: NBS.

Chart 96 Geographical and sectoral breakdown of debt securities in portfolio of other funds as at 30 September 2014



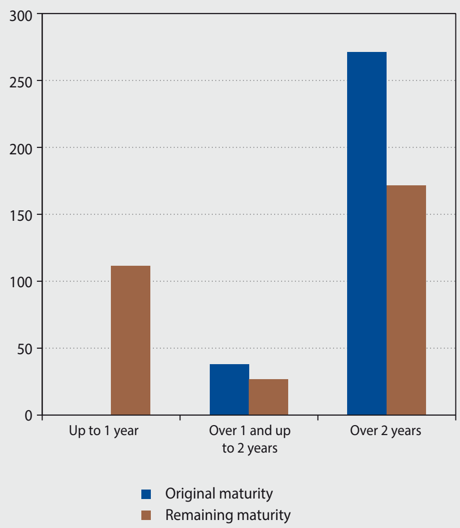
Source: NBS.
Note: SK = domestic issuers; EMU = issuers from other euro area member states; RoW = issuers from the rest of the world.

share of which increased quarter-on-quarter by 4.58 percentage points, and by securities issued in other euro area countries (5.44%).

Broken down by sector, the aggregated securities portfolio was dominated by securities issued by banks (Sector S.122) with a share of 66.49%, followed by government bonds (Sector S.13) with a share of 30.81% as at 30 September 2014.

Broken down by residual maturity, the portfolio of other funds had the following composition: securities with a maturity of up to one year (35.98%), securities with a maturity of over one and up to two years (8.58%), and securities with a maturity of over two years (55.45%).

Chart 97 Maturity breakdown of debt securities in portfolio of other funds as at 30 September 2014 (EUR millions)



Source: NBS.

CHAPTER 4

LEASING COMPANIES, FACTORING COMPANIES, AND CONSUMER CREDIT COMPANIES

4

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*.

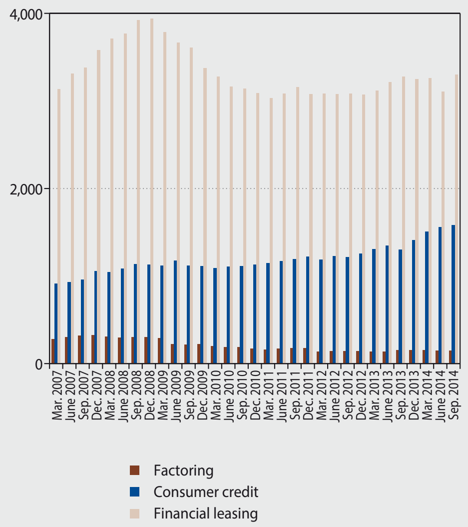
The third quarter of 2014 was a relatively successful period for consumer credit companies, but factoring companies recorded a decrease in their assets.

The favourable trend in the consumer credit market from the previous period continued in the third quarter of 2014. By 30 September 2014, the total assets of consumer credit companies had grown by 21.49%, compared with the end of the third quarter of 2013. The rate of growth accelerated in quarter-on-quarter terms by 5.84 percentage points.

The total assets of leasing companies increased in value by 0.77% in the third quarter of 2014, compared with the figure for end-September 2013.

The long-term growing trend in the total assets of factoring companies came to a halt in the quarter under review. By 30 September 2014, the value of these assets had decreased by 4.19% compared with the figure for 30 September 2013.

Chart 98 Evolution of total assets by type of business (EUR millions)



Source: NBS.

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

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

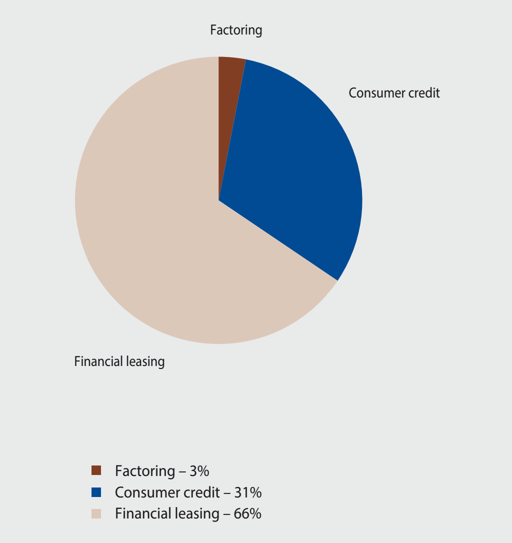
Table 9 Year-on-year changes in total assets of financial corporations engaged in lending

Total assets	Year-on-year change in %					
	VI. 2013	IX. 2013	XII. 2013	III. 2014	VI. 2014	IX. 2014
Financial leasing	4.39	6.20	5.87	4.67	-3.47	0.77
Factoring	-0.63	6.38	8.78	12.00	5.32	-4.19
Consumer credit	10.07	7.17	12.43	15.20	15.65	21.49

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 99 Financial corporations engaged in lending: Assets share of included companies as at 30 September 2014



Source: NBS.

and loans are used predominantly by domestic customers.

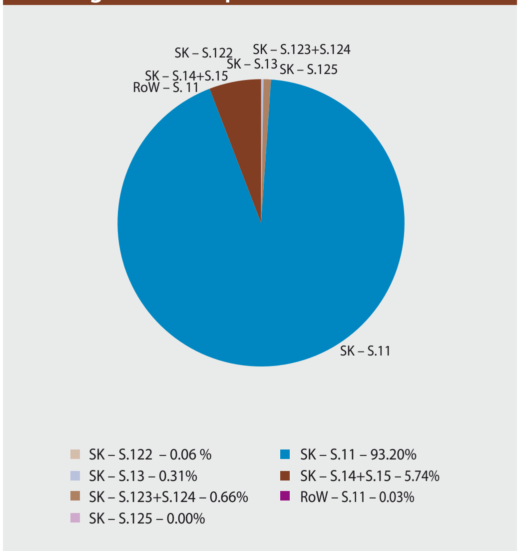
As at 30 September 2014, consumer credit companies had mostly domestic customers (80.37%). Customers from other euro area countries accounted for 19.63%.

Domestic customers accounted for 77.17% as at 30 September 2014. They were followed by customers from the rest of the world, particularly from EU Member States, with a share of 16.08% as at end-September 2014. The remaining less than 7% was made up by customers from other euro area Member States.

The clientele of factoring companies has historically been dominated by non-financial corporations, owing to the nature of their activities. As at end-September 2014, they accounted for 99.14% of all customers. Financial leasing services were also used primarily by non-financial corporations (93.20%), followed by households (5.74%) and other sectors (1.06%).

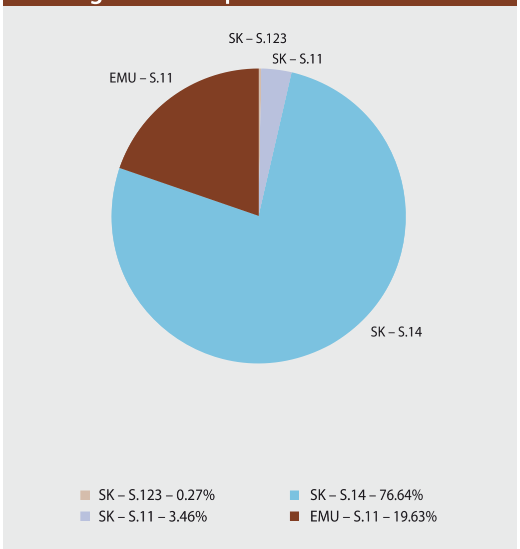
The sale of consumer goods against payment by instalment has historically been an important form of household financing in Slovakia. Hence, the structure of domestic customers as at 30 September 2014 was dominated by households (Sector S.14) with a share of 76.64%, followed by non-financial corporations (Sector S.11) with a share of 23.09% and other financial intermediaries (Sector S.123) with a share of 0.27%.

Chart 100 Geographical and sectoral breakdown of financial leasing companies lending as at 30 September 2014



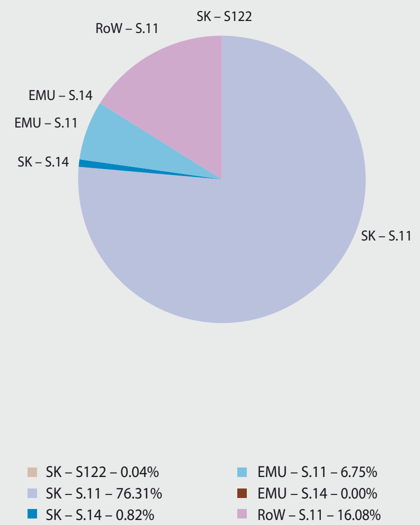
Source: NBS.
Note: SK = domestic borrowers; EMU = borrowers from other euro area member states; RoW = borrowers from the rest of the world.

Chart 101 Geographical and sectoral breakdown of consumer credit companies lending as at 30 September 2014



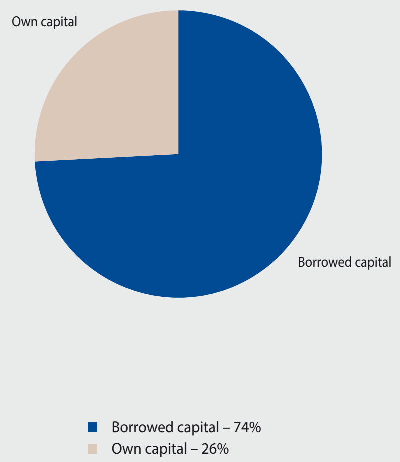
Source: NBS.
Note: SK = domestic borrowers; EMU = borrowers from other euro area member states

Chart 102 Geographical and sectoral breakdown of factoring companies lending as at 30 September 2014



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

Chart 103 Breakdown of source capital as at 30 September 2014



Source: NBS.

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 sources of financing were foreign (borrowed) funds representing 74.05% of the total financial resources. Foreign funds were obtained mostly in the form of bank loans, which accounted for 73.79% as at 30 September 2014. The rest was obtained in the form of proceeds from issues of debt securities (14.31%) and credits or loans borrowed from companies belonging to the same group (11.90%).

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

CHAPTER 5

SECURITIES

5

5 Securities

5.1 DEBT SECURITIES

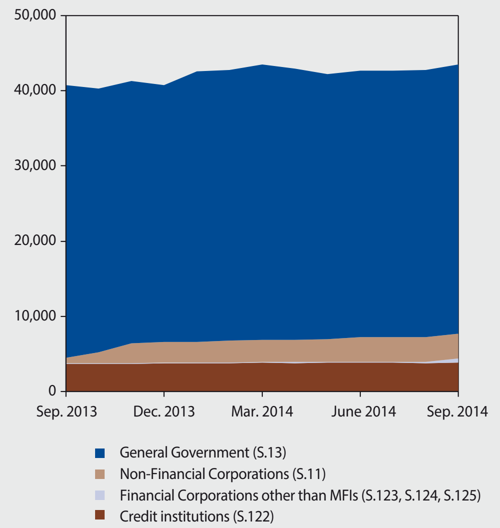
The total amount of debt securities issued has historically been dominated by government bonds. Their outstanding amount as at end-September 2014 stood at €35,737.3 million. Bank bonds, including mortgage bonds, represented the second most significant component with a total amount of €3,881.9 million. The amount of bonds issued by non-monetary financial institutions was comparable to that of bonds issued by monetary financial institutions (€3,776.9 million).

The total issue amount in net terms increased in comparison with the previous quarter, i.e. the amount of new issues exceeded that of repaid issues by €255.6 million. Monetary and non-monetary financial institutions recorded comparable increases in their net issue amounts (€44.1 million and €44.7 million respectively). The net issue amount in the general government sector increased by €166.8 million in the third quarter of 2014.

The outstanding issue amount grew by 0.86% in the third quarter of 2014, after falling by 1.90% in the previous quarter. This modest growth was influenced positively by all sectors: the outstanding issue amounts in the *general government*, *monetary financial institutions*, and *non-monetary financial institutions* sectors increased by 0.79%, 1.14%, and 1.20% respectively.

During the third quarter of 2014, the outstanding issue amount decreased in month-on-month terms in July (by 0.03%), while August and September saw a month-on-month increase in the outstanding issue amount (by 0.16% and 0.73% respectively).

Chart 104 Debt securities by sector (outstanding amounts, EUR millions)



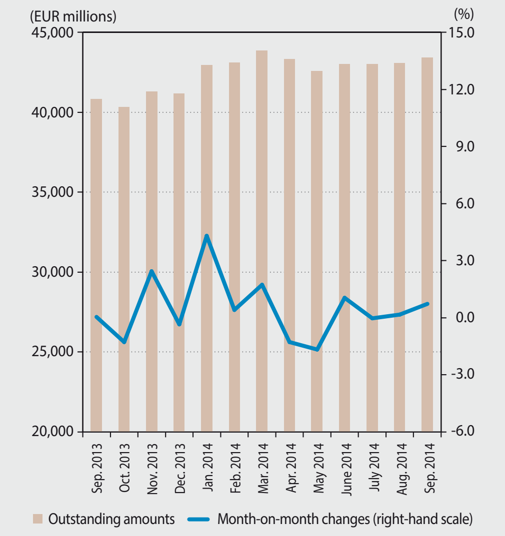
Source: NBS.

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 / 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
2014 / 09	43,396,162	3,881,938	3,776,943	35,737,281	255,580	44,123	44,707	166,750

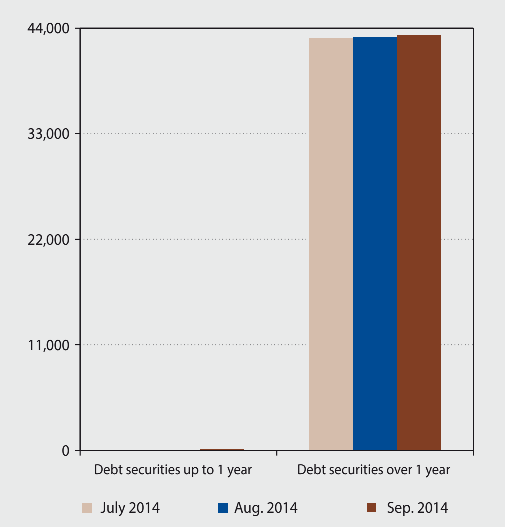
Source: NBS.

Chart 105 Debt securities (outstanding amounts, month-on-month changes)



Source: NBS.

Chart 106 Debt securities (outstanding amounts, EUR millions, Q3 2014)



Source: NBS.

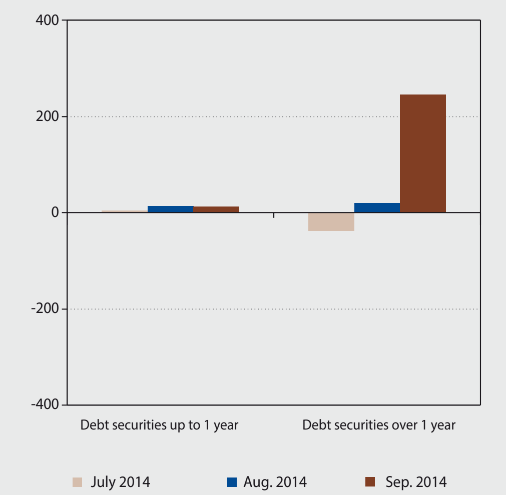
Over the third quarter of 2014, a total of 22 new issues were placed on the securities market, of which eleven were issued by banks, nine by non-financial corporations, and two by other financial intermediaries.

The amount of short-term debt securities increased in net terms by €29.3 million over the third quarter. The net issue amount in the *other financial intermediaries* and *non-financial financial corporations* sectors increased by €20.0 million and €11.6 million respectively, while the *monetary financial corporations* sector recorded a decrease of €2.3 million in the net issue amount.

The total issue amount of long-term debt securities in net terms increased by €226.3 million in the period under review. The net issue amount of government bonds[2] and bank bonds increased by €166.8 million and €46.5 million respectively. The *non-financial corporations* sector recorded a net issue amount of €48.3 million. The *other financial intermediaries* sector recorded a decrease of €35.2 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 (82.35%). Monetary financial institutions and non-monetary financial institutions accounted for less than 9%. According to the coupon type, the majority of issues had a fixed coupon (88.5%) or a variable coupon (10.9%). Zero-coupon issues accounted for 0.6%. The issues were denominated mostly in euro (92.3%); only 7.7% of them were in other currencies.

Chart 107 Debt securities (net issues, EUR millions, Q3 2014)

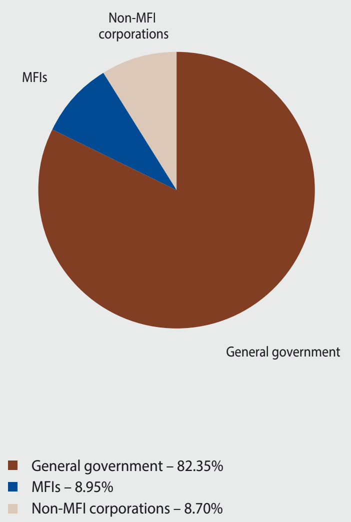


Source: NBS.

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

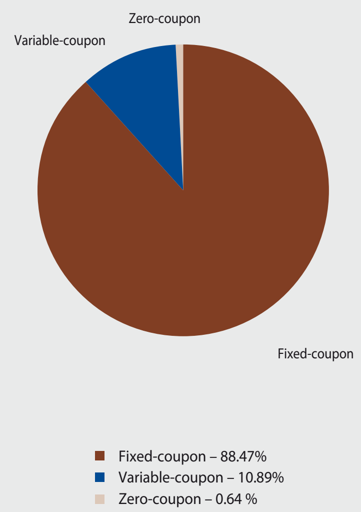
As for maturity, only a minor part (0.1%) of the issues had an original maturity of up to one year, while approximately 14% of them had a residual maturity of up to one year.

Chart 108 Debt securities by sector (outstanding amounts as at 30 September 2014)



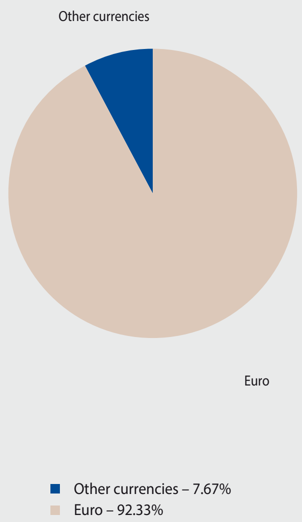
Source: NBS.
Note: The individual items are classified according to the outstanding amounts of issues as at 30 September 2014.

Chart 109 Debt securities by coupon type (outstanding amounts as at 30 September 2014)



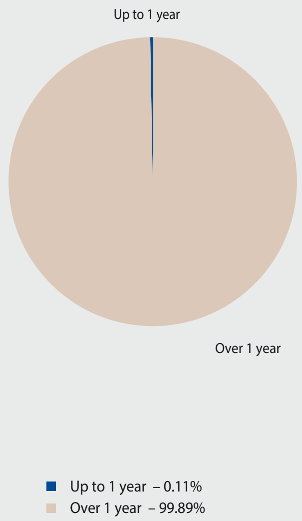
Source: NBS.
Note: The individual items are classified according to the outstanding amounts of issues as at 30 September 2014.

Chart 110 Debt securities by currency (outstanding amounts as at 30 September 2014)



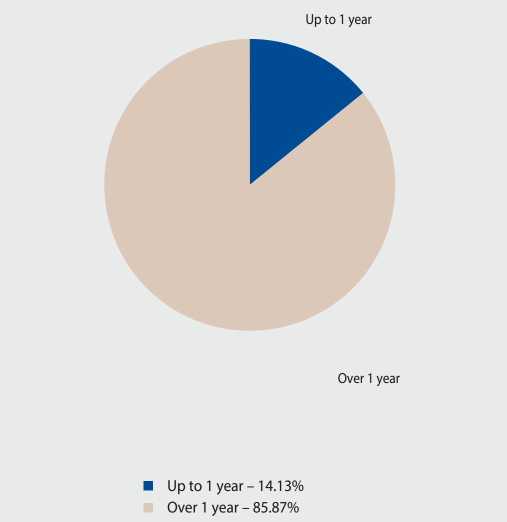
Source: NBS.
Note: The individual items are classified according to the outstanding amounts of issues as at 30 September 2014.

Chart 111 Debt securities by original maturity (outstanding amounts as at 30 September 2014)



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

Chart 112 Debt securities by residual maturity (outstanding amounts as at 30 September 2014)



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

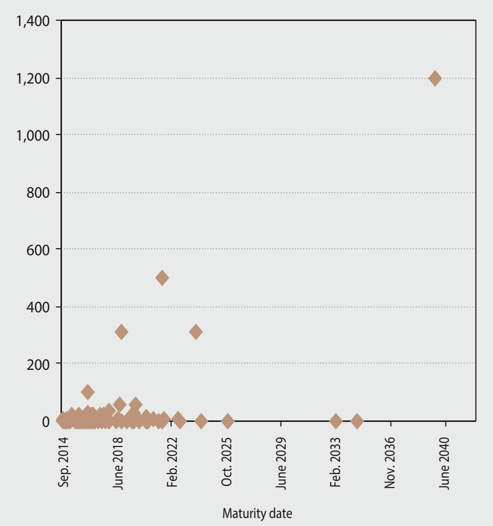
The following charts illustrate the outstanding amounts of issues in the three key sectors (the government sector, the banking sector, and the non-financial corporations sector) as a function of the issue amount and maturity.

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 2019. The largest outstanding issue amount fluctuates around €100 million and the longest maturity period is until 2037.

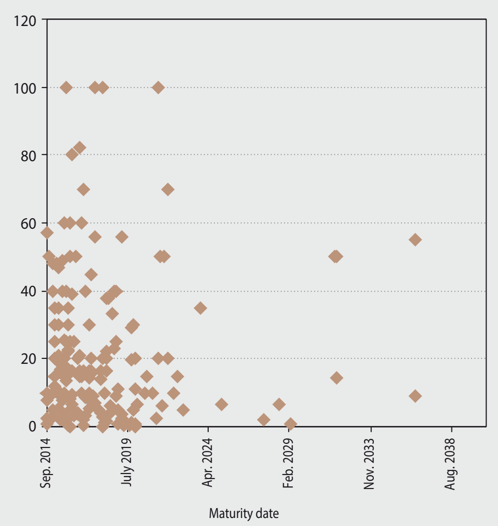
The number of debt securities issues made in the government sector is lower than the number of issues made in the aforementioned two sectors, but the outstanding amount is much higher in the former case. The issue with the highest outstanding amount is worth €3.0 billion. The most recent issue will mature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

Chart 113 Debt securities: outstanding amounts of domestic issues in S.11 sector (EUR millions)



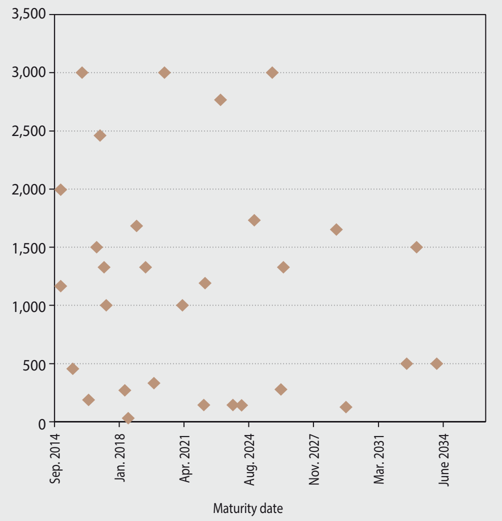
Source: NBS.

Chart 114 Debt securities: outstanding amounts of issues in S.122 Sector (EUR millions)



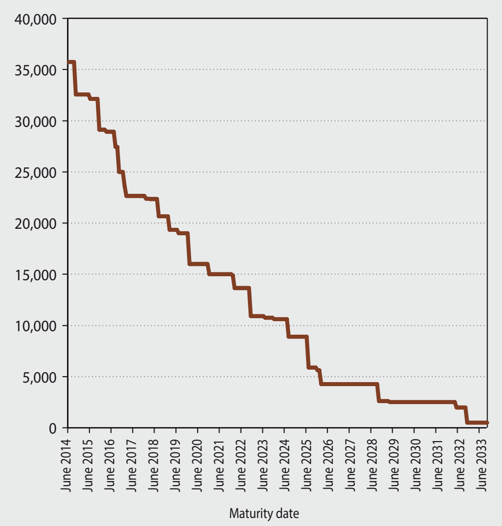
Source: NBS.

Chart 115 Debt securities: outstanding amounts of issues in S.13 Sector (EUR millions)



Source: NBS.

Chart 116 Government bonds: maturity profile (EUR millions)

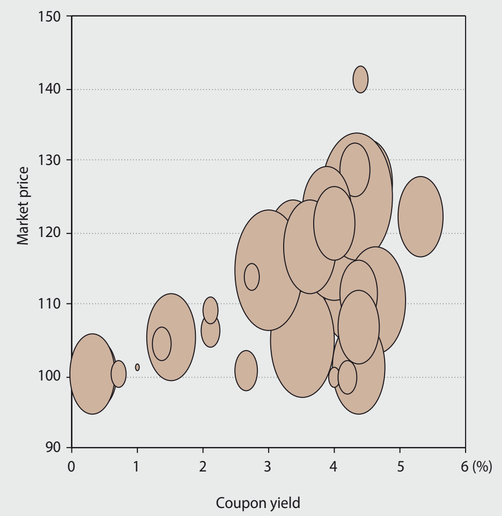


Source: NBS.

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 issues of coupon-paying government bonds as a function of their market price and coupon yield as at the end of the third quarter of 2014. The average market price[3] of such government bonds stood at 113.91% and the coupon yield was 3.59% as at that date.

Chart 117 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 *Average weighted by the outstanding amount of issues.*

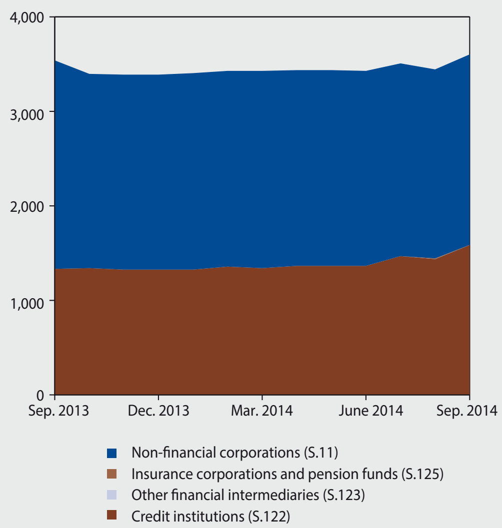
5.2 QUOTED SHARES

By the end of September 2014, the outstanding amount of quoted share issues had increased by €172.2 million in comparison with the end of the previous quarter. This increase was a result of growth in the outstanding amount of shares issued by credit institutions (by €222.7 million). By contrast, the aforementioned increase was negatively influenced by non-financial institutions, which recorded a fall in the outstanding issue amount (by €50.5 million). In the *insurance institutions and pension funds* sector, the outstanding amount of quoted share issues remained unchanged in comparison with the previous quarter. Total market capitalisation amounted to €3,601.7 million as at the end of the third quarter of 2014.

The outstanding amount of quoted share issues increased by 5.02% compared with the previous quarter. An increase was recorded in the quoted shares of credit institutions (+16.3%), while non-financial corporations reported a decrease in quoted shares (-2.4%).

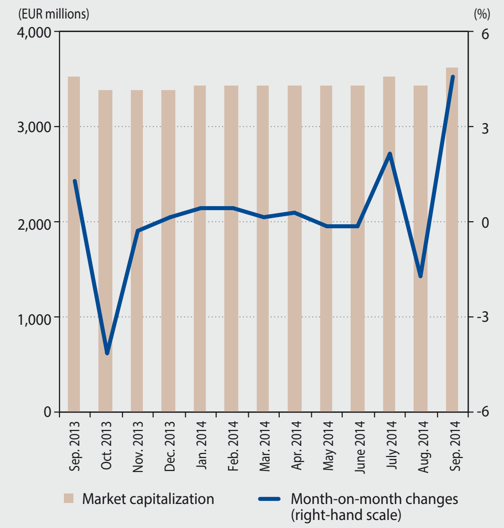
During the third quarter of 2013, the outstanding amount of quoted share issues increased in month-on-month terms in July and September (by 2.2% and 4.6% respectively). In August, however, the outstanding amount decreased by 1.7%.

Chart 118 Quoted shares: market capitalization by sector (EUR millions)



Source: NBS.

Chart 119 Quoted shares (market capitalization, month-on-month changes)



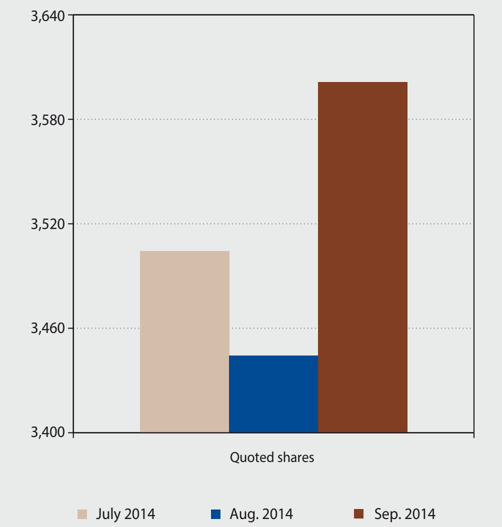
Source: NBS.

Table 11 Quoted shares (thousand EUR)

Outstanding amounts				
Month	**Total**	**Credit Institutions**	**Insurance Corp. and Pension Funds**	**Non-Financial Corporations**
2013 / 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
2014 / 09	3,601,651	1,587,862	225	2,013,564

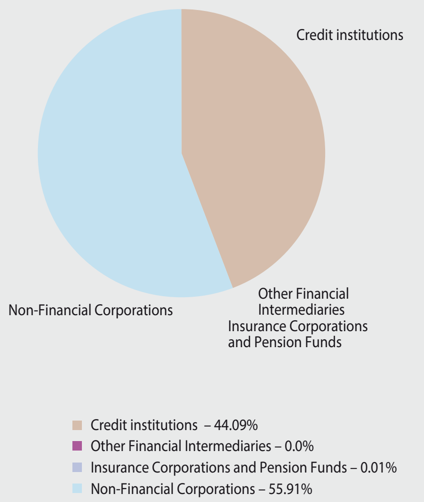
Source: NBS.

Chart 120 Quoted shares (market capitalization, EUR millions, Q3 2014)



Source: NBS.

Chart 121 Quoted shares by sector (market capitalization as at 30 September 2014)



Source: NBS.

Broken down by sector, the largest share in market capitalisation was accounted for by non-financial corporations (56%); they were followed by credit institutions with a share of 44%. The other sectors were insignificant in this respect.

CHAPTER 6

SELECTED MACROECONOMIC INDICATORS

6 Selected macroeconomic indicators

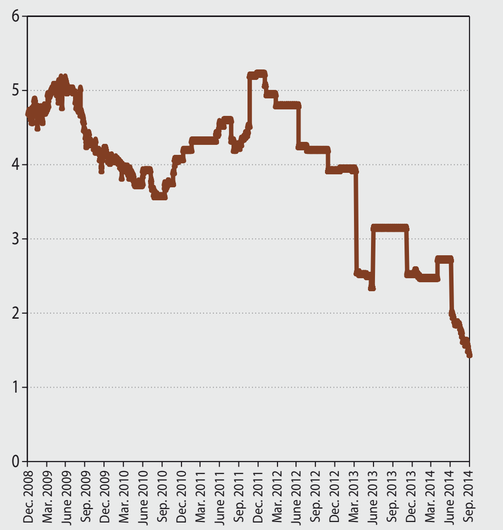
6.1 LONG-TERM INTEREST RATES

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, however, was replaced with government bond SK4120008871 (with effect from 1 May 2014). During the quarter under review, the interest level dropped from 2.72% as at 30 June 2014 to 1.45% as at 30 September 2014.

6.2 KEY ECB INTEREST RATES

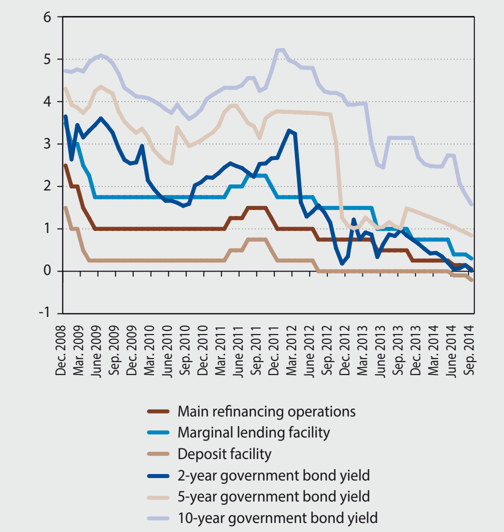
Compared with the second quarter of 2014, the key ECB interest rate on the main refinancing operations was lowered to 0.05%.[5] The key rates for overnight refinancing operations (the marginal refinancing facility) and overnight sterilisation operations (the deposit facility) were reduced to 0.30% and -0.20% respectively. Two-year government bond yields decreased by 0.04% quarter-on-quarter (from 0.05% to 0.01%), five-year government bond yields decreased from 1.05% to 0.85%, and ten-year government bond yields decreased from 2.73% to 1.57%.

Chart 122 Benchmark – yield to maturity (p.a.)



Source: BCPB.

Chart 123 Interest rates (p.a.)



Source: ECB, BCPB.

4 See the Methodological Notes in Chapter 7.6 Long-term Interest Rates.

5 The current value of this key ECB interest rate has been valid since 10 September 2014.

CHAPTER 7

METHODOLOGICAL NOTES

7

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 economic 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;

rag 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 reporting (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 Bank[6].

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 (EU) no 1073/2013 of the ECB of 18 October 2013 concerning statistics on the assets and liabilities of investment funds (recast) (ECB/2013/38). (http://www.ecb.europa.eu/ecb/legal/pdf/en_02013r1073-20131127-en.pdf), Regulation (EU) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2013/33) (http://www.ecb.europa.eu/ecb/legal/pdf/02013r1071-20131127-en.pdf), Guideline of the ECB of 4 April 2014 on monetary and financial statistics (recast) (ECB/2014/15) (http://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2014_340_r_0001_en_txt.pdf).*

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 collective 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 decree[7]. The range of data reported complies in full with the current requirements[8] 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 Bank[9]. 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 ECB of 4 April 2014 on monetary and financial statistics (recast) (ECB/2014/15). (http://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2014_340_r_0001_en_txt.pdf) (Annex III, Part 11).

9 Guideline of the ECB of 4 April 2014 on monetary and financial statistics (recast) (ECB/2014/15) (Annex III, Part 12), (http://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2014_340_r_0001_en_txt.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;
- nogetiable 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.

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.

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.

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Sector classification

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

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

List of additional links

Sector breakdown:
http://www.ecb.int/pub/pdf/other/mbssmen.pdf

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

Structure of the financial market

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

List of investment funds:
http://www.nbs.sk/en/statistics/money-and-banking-statistics/investment-funds-statistics

List of other financial intermediaries:
http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistics-on-financial-corporations-engaged-in-lending

Overview of developments in the monetary sector:
http://www.nbs.sk/en/statistics/a-survey-of-financial-sector-development

Statistics of credit institutions and monetary statistics

Statistics of monetary financial institutions:
http://www.nbs.sk/sk/statisticke-udaje/menova-a-bankova-statistika/menova-statistika-penaznych-financnych-institucii

Monetary aggregates in the euro area:
http://www.ecb.int/stats/money/aggregates/aggr/html/index.en.html

Balance sheets of monetary financial institutions based in the euro area:
http://www.ecb.int/stats/money/aggregates/bsheets/html/index.en.html

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

Interest rate statistics – bank loans:
http://www.nbs.sk/en/statistics/money-and-banking-statistics/interest-rate-statistics/banking-interest-rates-statistics-loans

Interest rate statistics – bank deposits:
http://www.nbs.sk/en/statistics/money-and-banking-statistics/interest-rate-statistics/banking-interest-rates-statistics-deposits

Interest rates statistics for the euro area:
http://www.ecb.europa.eu/stats/money/interest/interest/html/index.en.html

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

Non-performing loans:
http://www.nbs.sk/_img/Documents/STATIST/MET/Bad_Loans.pdf

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

Statistics of investment funds:
http://www.nbs.sk/en/statistics/money-and-banking-statistics/investment-funds-statistics

Statistics of financial corporations engaged in lending (FCLs)
http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistics-on-financial-corporations-engaged-in-lending

Source data of other financial intermediaries (OFIs):
http://www.nbs.sk/en/statistics/money-and-banking-statistics/statistical-data-of-other-financial-intermediaries

Statistics on securities issues:
http://www.nbs.sk/en/statistics/money-and-banking-statistics/securities-issues-statistics

Data categories within SDDS:
http://www.nbs.sk/en/statistics/data-categories-of-sdds

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