

Annual Report

2021



www.nbs.sk

Published by Národná banka Slovenska

© Národná banka Slovenska 2022

Contact

Národná banka Slovenska

Imricha Karvaša 1

813 25 Bratislava

info@nbs.sk

Electronic version

[https://nbs.sk/en/publications/
annual-report/](https://nbs.sk/en/publications/annual-report/)



All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged. The cut-off date for the data included in this report was 15 March 2022. This report was discussed by the Bank Board of Národná Banka Slovenska on 6 June 2022.

Contents

Foreword	04
Part A – Economic and financial developments	06
1 Macroeconomic developments	07
1.1 External economic environment	08
1.2 Macroeconomic developments in Slovakia	12
2 Financial market developments	17
Part B – NBS activities	22
1 Monetary policy implementation and investment portfolio management	23
1.1 Monetary policy implementation	24
1.2 Minimum reserve requirements	31
1.3 Eligible assets	32
1.4 Investment portfolio management	32
2 Financial stability and financial market supervision	34
2.1 Banking sector	35
2.2 Insurance and pension fund sectors	37
2.3 Capital market and financial intermediation sector	41
2.4 Payment services, fintech, and financial innovation	44
2.5 Cross-cutting themes	45
3 Financial consumer protection	49
3.1 Financial consumer complaints	50
3.2 Supervisory topics	51
3.3 Financial education	53
4 Issuing activity and cash circulation	55
4.1 Cumulative net issuance developments	56
4.2 Production of euro banknotes and coins	58
4.3 Counterfeit banknotes and coins recovered in Slovakia	60
5 Payment services and payment systems	62
5.1 Payment systems	63
5.2 Payment cards	69
6 Statistics	72
6.1 Statistical developments	73
6.2 Information systems	79
7 Economic research	81
8 Communication and social and environmental responsibility	84
9 Institutional developments	90
Part C – Independent auditor’s report and NBS financial statements as at 31 December 2021	96
Legislation	130
Abbreviations, glossary and short titles	135
Abbreviations	136
Glossary	138
Short titles of Slovak legal acts	139
Short titles and abbreviations of EU legal acts	140
List of charts, tables, figures and boxes	141
List of charts	142
List of charts in boxes	143
List of tables	143
List of boxes	143
List of figures	143



Foreword

World events are becoming ever more erratic. And in this modern-day Labyrinth there is no Ariadne's thread to lead us quickly out.

After two years of enduring the pandemic crisis, we have barely caught breath before being confronted with a new shock and uncertainty. War is always first and foremost a major human tragedy, and it also entails immense economic damage.

What is now happening between our eastern neighbours is radically changing the way we look at energy security, at the dependence of European economies on key commodities from Ukraine and Russia, and at how secure we feel today as a society and a country. Together we face pressing decisions about our future way forward.

Until the early part of this year, a robust economic recovery was allowing us to gradually, step by step, eliminate the adverse effects and repercussions of the COVID-19 pandemic.

But besides everything else that has emerged amid the fading of the pandemic, there is another trend, one that people in Slovakia, Europe and the United States have not seen in decades. Inflation started to take off at the end of last year owing to the world economy's gradual resurgence and related upturn in global demand.

It was supposed to be a transitory phenomenon, but the outbreak of war has changed all that.

The above developments have fundamentally accelerated structural changes in the economy and are causing relentless innovation pressure – not just on the economic front. Population ageing, digitalisation, migration, the transition to a greener economy, and the ability to adapt to the intensifying effects of climate change are challenges that concern us all.

This is now putting monetary policy into a difficult position.

Unrelenting volatility and economic adversity will naturally affect the pace at which the European Central Bank proceeds with monetary policy normalisation. The aid given to European citizens and economies to avert disaster is gradually being unwound. Sooner or later, depending also on how the war progresses, it will be necessary to tighten monetary policy, or to put it simply, to raise interest rates.

The world changes – sometimes for the better, sometimes not.

There are many ways out of our labyrinth. Personally, I prefer the path of remaining calm and, in a situation where we cannot predict tomorrow, of strengthening our ability to learn, to rapidly respond and adapt to changes, and to think in scenarios.

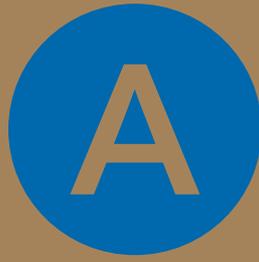
It pleases me greatly that together we have managed, and are managing, to make things better and to bring higher value added. Going forward, we will continue to do so.

This brings me to the future direction of Národná banka Slovenska as an institution. The new NBS medium-term strategy that is to be unveiled this year will help us carry out our mandate more effectively and deliver greater value to society and the economy.



Peter Kažimír

Governor



**Economic
and financial
developments**

A

1

Macroeconomic developments

economic performance still below pre-pandemic level

strong wage growth due to skilled labour shortages

inflation at **5.1%** in December

inflation accelerating

A
1

Macroeconomic developments

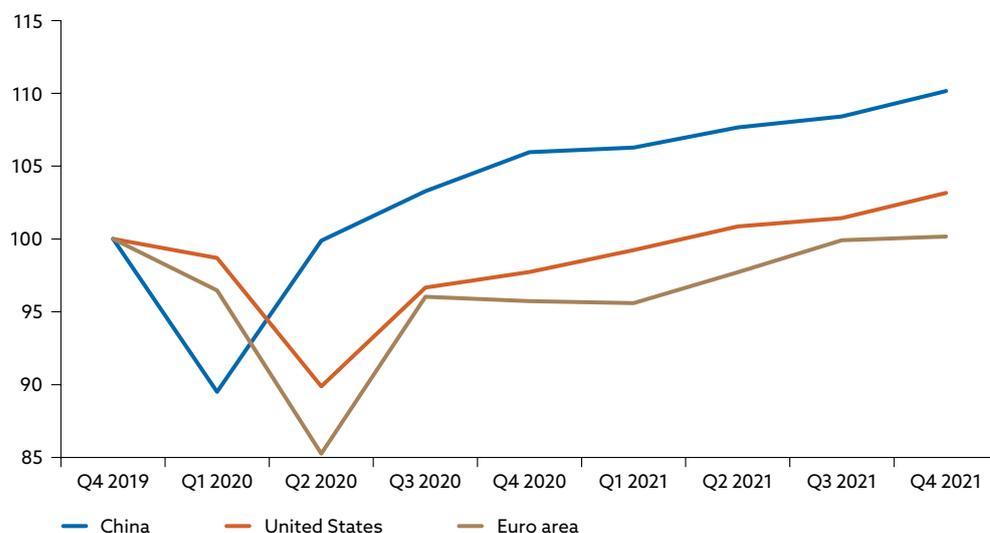
1.1 External economic environment

The global economy and world trade continued to pick up in 2021. Progress was uneven, however, owing to the impact of pandemic waves. Several economies, in particular the United States, benefited from substantial fiscal stimulus. Economic growth was supported by the easing of pandemic containment measures and the recovery of household consumption. Compared with China and the United States, the euro area experienced a slower recovery, with its economy not returning to pre-pandemic levels until the end of the year (Chart 1).

On the one hand, the pandemic caused a shift in demand from services to goods, while on the other hand there were bottlenecks in the supply of several components (Chart 2). The mismatch between supply and demand increased. A number of countries saw emergent signs of labour shortages.



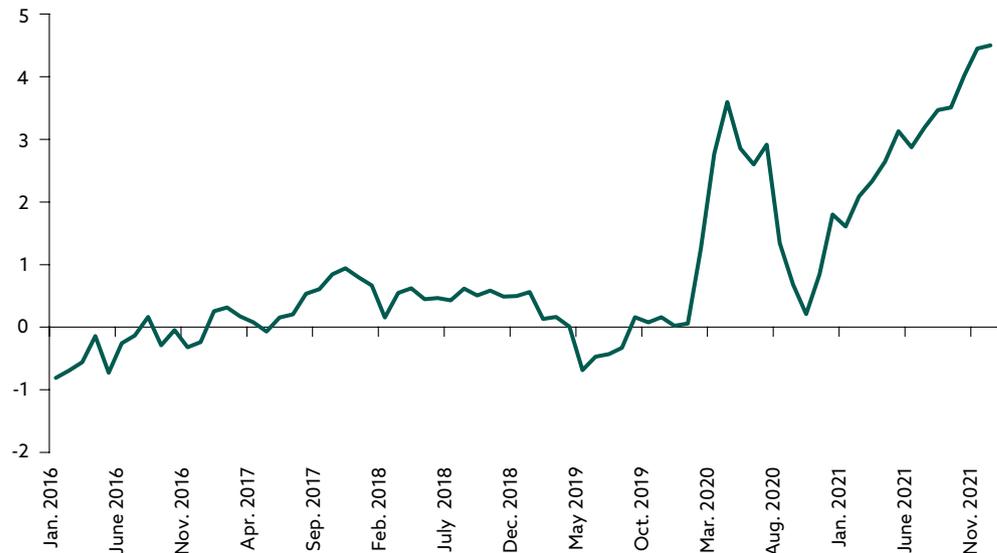
Chart 1:
GDP
(index: Q4 2019 = 100)
Source: Macrobond.





**Chart 2:
Global
Supply Chain
Pressure Index**

Source: Macrobond.



Shortages of certain components and raw materials, as well as a lack of shipping capacity, gradually translated into upward price pressure. At the same time, economic recovery was stoking demand for energy commodities (Chart 3). Here, too, the supply-side responded more slowly. Although OPEC and allied oil producers (OPEC+) increased planned oil output, several producers were unable to fulfil their quotas. Elevated demand from Asia was reflected in rising prices of liquified natural gas and reduced the availability of this commodity to Europe. Moreover, a drop in natural gas supplies from Russia to Europe caused a surge in gas prices that passed through to electricity prices and costs for firms and households (Chart 4).



**Chart 3:
Container
shipping prices (index:
December
2020 = 100)**

Source: Macrobond.

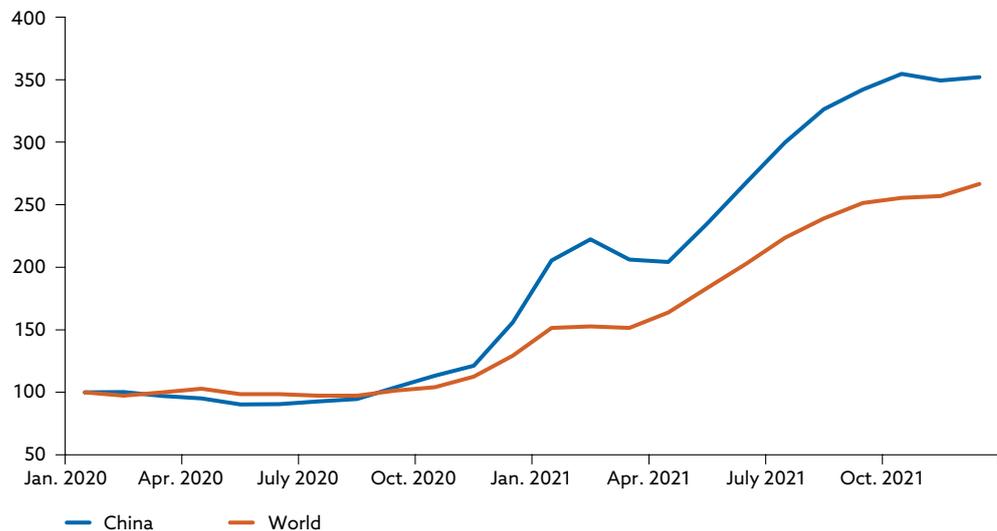
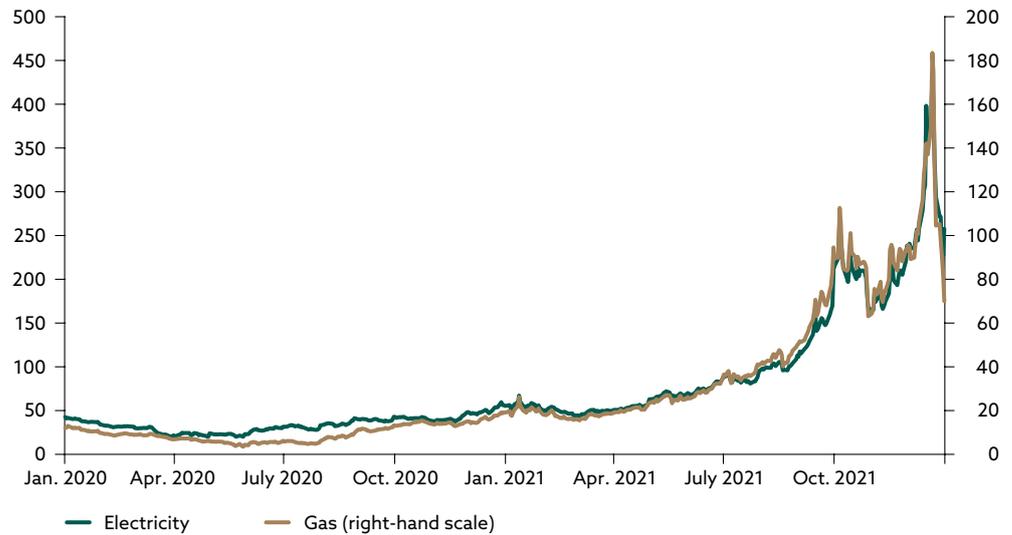




Chart 4:
Futures prices
for natural gas
and electricity
(EUR/MWh)

Source: Macrobond.



Rising input and energy prices had a major impact on price developments during the period under review. Inflation increased across economies (Chart 5). Component shortages contributed to the uptrend, as they translated into increasing prices of tradable goods, in particular durables. In the United States, price pressures were further heightened by fiscal transfers to households and by the upward impact of significant labour market tightness on wage growth. In the euro area, by contrast, wage growth remained moderate. The differing intensity of inflation pressures in the euro area and the United State is evident from the marked difference between the core inflation levels in these two economies (Chart 6).



Chart 5:
Global inflation
(annual
percentage
changes)

Source: Macrobond.

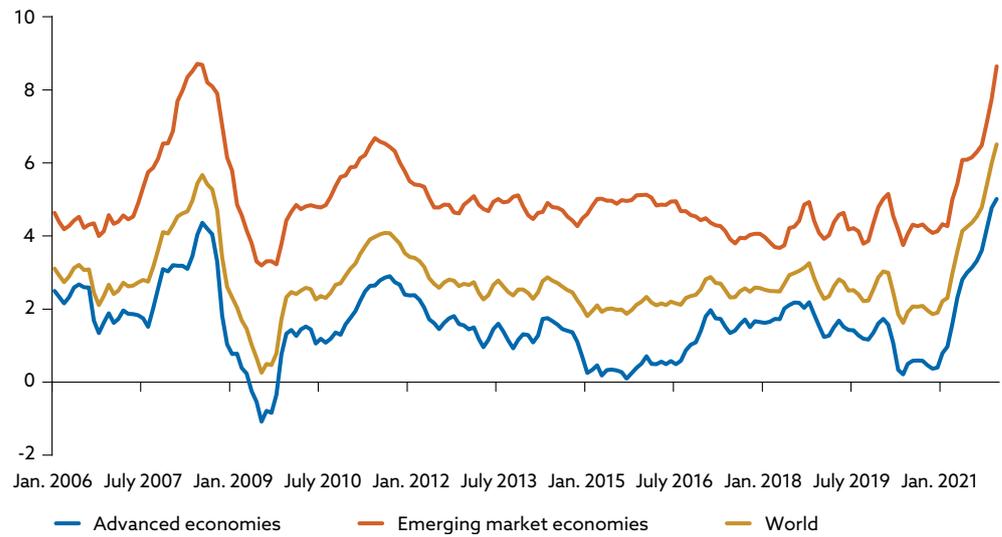
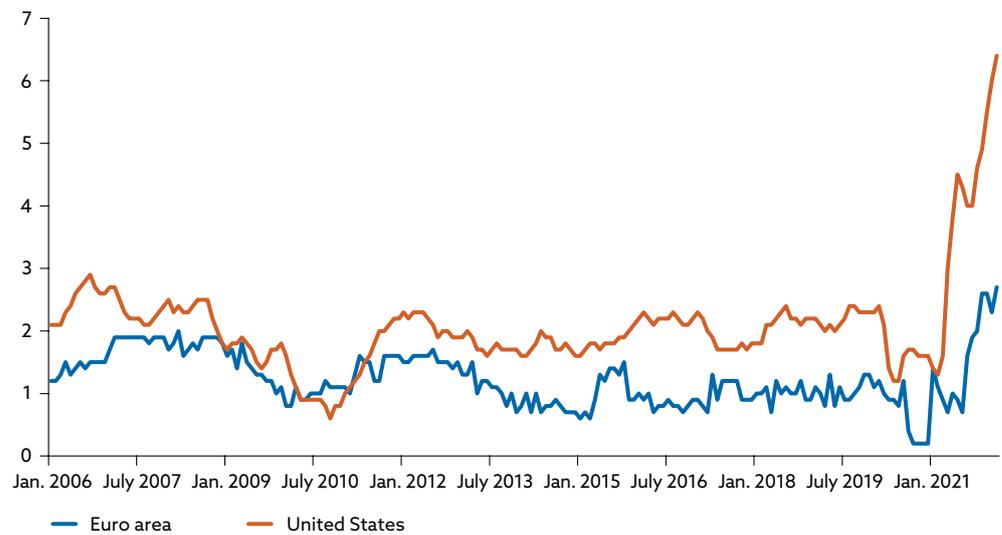


Chart 6:
Core inflation
(annual
percentage
changes)

Source: Macrobond.



1.2 Macroeconomic developments in Slovakia

Compared with the euro area, the Slovak economy was even worse affected by global problems in 2021. Unlike in the euro area, the economy in Slovakia did not return to its pre-pandemic level (Chart 7). The industrial part of the economy began the year favourably, but the recouping of pandemic-related losses was soon stalled by supply chain disruptions. Since the Slovak economy is heavily dependent on the automotive industry, it was hit quite hard by bottlenecks in the supply of semiconductors. Car makers struggled most during the summer months, when their inventories and work in progress were building up. Later in the year, however, the component supply situation improved somewhat and car production was rising, albeit still behind the levels typical in the pre-pandemic period. Because of weak industrial performance and the build-up of firms' inventories, Slovakia recorded its first trade deficit for a long time (Chart 8).


Chart 7:
Real GDP
and its
components
(annual
percentage
changes;
percentage
point
contributions)

Sources: SO SR,
and NBS calculations.

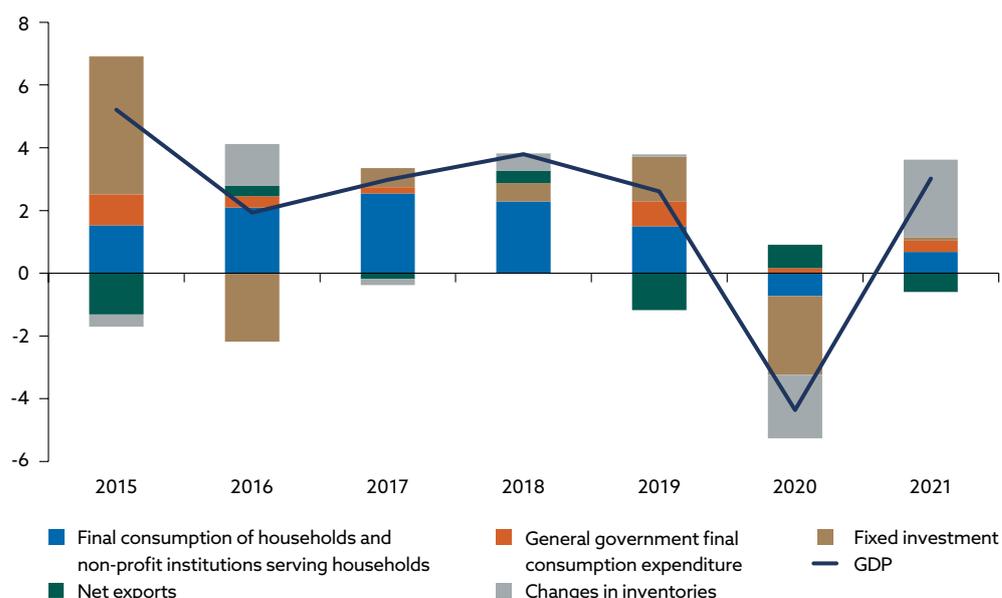
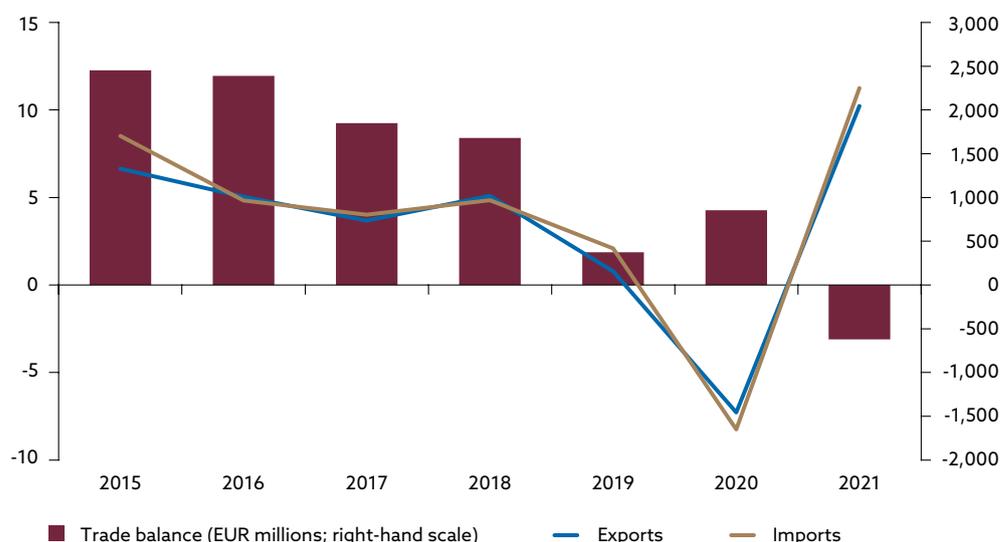




Chart 8:
Trade balance
(annual
percentage
changes;
constant prices)

Sources: SO SR,
and NBS calculations.



Investment activity remained subdued during the pandemic's second year. Although firms adapted their operations during the pandemic, their investment activity did not pick up. Uncertainty was a major obstacle. Supply chain disruptions and input shortages persisted, as did skilled labour shortages. Nor were these effects offset by major investment in the government sector, in which a substantial volume of allocated EU funds still remained undrawn.

The domestic side of the economy was damaged by two strong pandemic waves in 2021. In each case, stringent pandemic containment measures were imposed, resulting in a large proportion of services and trade being temporarily shut down. The main factor behind this situation was the low vaccination rate. Private consumption in particular was adversely affected. Business closures meant households had fewer spending opportunities, so their savings built up. Following the easing of pandemic measures in spring 2021, household consumption returned to normal levels. Households were satisfying their pent-up demand and used part of their accumulated savings to meet this expenditure. In the second quarter of 2021 consumer demand surpassed its pre-pandemic level.

The improving pandemic situation during the summer was aided by the availability of vaccines. However, vaccination coverage did not reach the required level. The autumn brought a deterioration in the health situation, as a more contagious variant of the virus appeared. As a result, containment measures became more stringent again and included a short lockdown. Private consumption declined slightly towards the year-end, though to a far lesser extent than it did during previous pandemic waves.

The labour market weathered the pandemic waves thanks to the government's job retention measures. Nevertheless, the number of people in

employment was still some fifty thousand below its pre-crisis level. Employment dropped early in the year (Chart 9), and the unemployment rate consequently rose to its highest level during the pandemic. Subsequently, however, as containment measures were eased, recruitment increased (particularly in the services and trade sectors), and the number of unemployed fell. Because of a surge in the number of people who are inactive because they are discouraged or are caring for a household member, firms reported a significant shortage of skilled labour in the second half of the year. A similar story was seen across almost all EU countries.



Chart 9:
Employment
(annual
percentage
changes)

Sources: SO SR,
and NBS calculations.

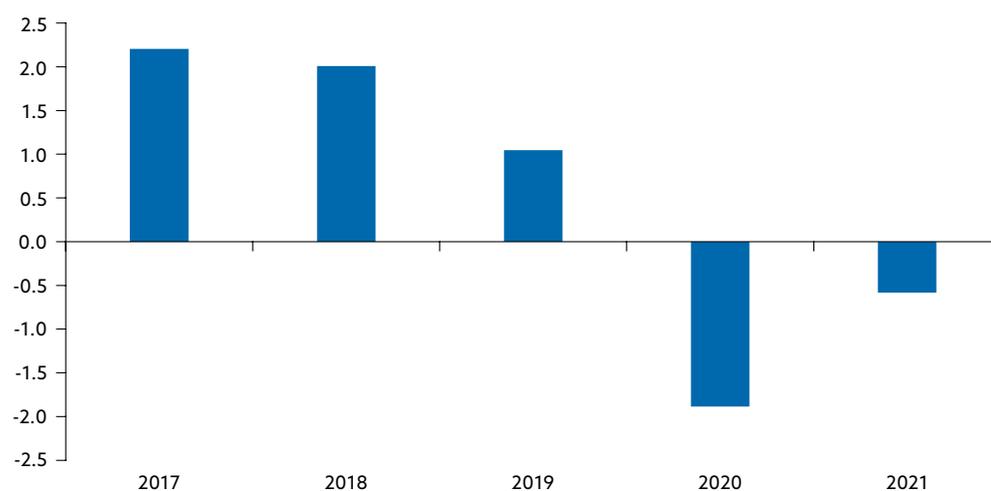
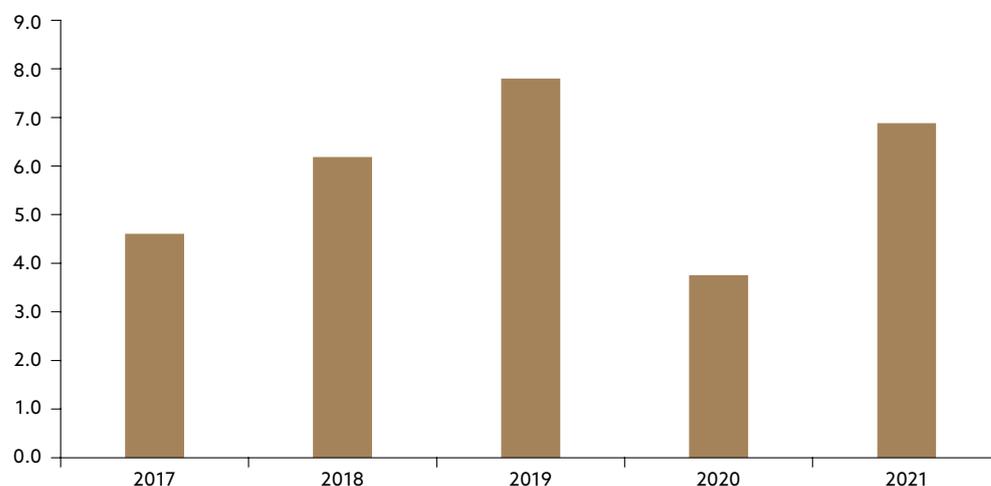


Chart 10:
Wage level
(annual
percentage
changes)

Sources: SO SR,
and NBS calculations.



Fast wage growth in 2021 reflected the economic recovery and labour market tightness. Economic activity picked up early in the year despite the strong pandemic wave, with the economy being driven mainly by industry. As labour productivity increased, it had an upward impact on wage growth (Chart 10). In the subsequent period, following the easing of containment measures and reopening of the domestic side of the economy, an increasing demand for labour also put upward pressure on wages, whose growth

rate remained relatively strong until the end of the year. There was not yet any notable increase in people changing jobs because of wage demands, so wage developments were more or less in line with labour productivity growth. Despite rising inflation, no significant increase in wage demands was seen in the latter part of the year. With real wages rising, households on average experienced an increase in their purchasing power.

Inflation climbed over the course of 2021, from 0.7% to just over 5% in December.

Prices were increasing across the consumption basket (Chart 11). The start of the year saw a relatively sharp drop in administered energy and fuel prices, as they reflected the ongoing repercussions of a pandemic period marked by notable downtrends in energy commodity prices. As the year moved on, however, prices of all commodities turned upwards and started to increase sharply, largely on the back of an uneven global recovery and pandemic waves around the world. Transport and commodity prices increased, and an excess of demand over supply emerged in certain inputs. High input prices gradually passed through to consumer prices, in particular to non-energy industrial goods prices (Chart 13). Food price inflation also picked up sharply (Chart 12), reflecting the impact of weather effects and increasing input prices.

Following the easing of pandemic containment measures, firms operating in the hardest-hit economic sectors also started gradually to increase their prices. These increases partly offset not only rising input prices and wage growth, but also losses incurred during the pandemic. Households accepted the higher prices, as they could partly absorb them through the savings they had been forced to build up while containment measures were in effect.



Chart 11:
Inflation and its components (annual percentage changes; percentage point contributions.)

Sources: SO SR, and NBS calculations.

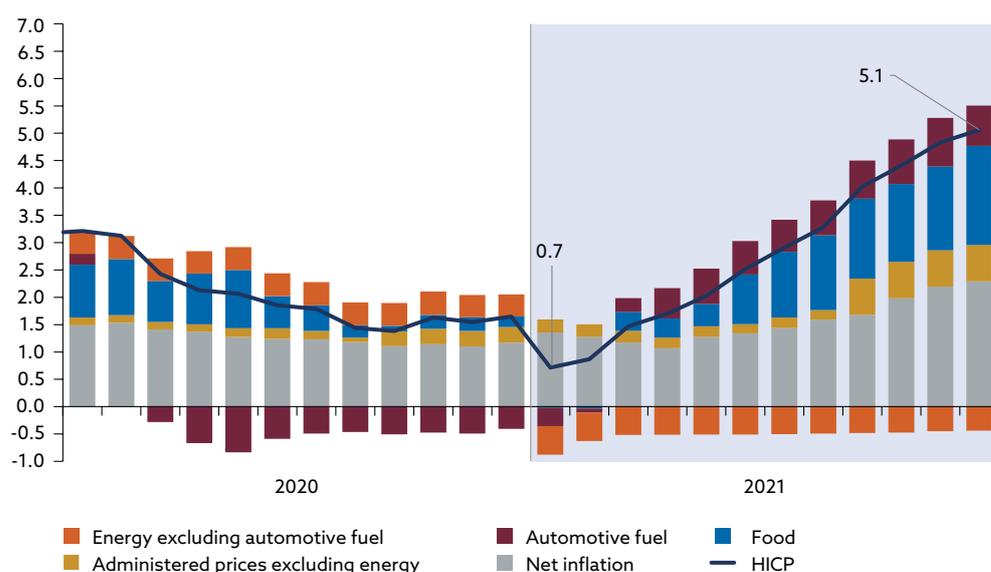
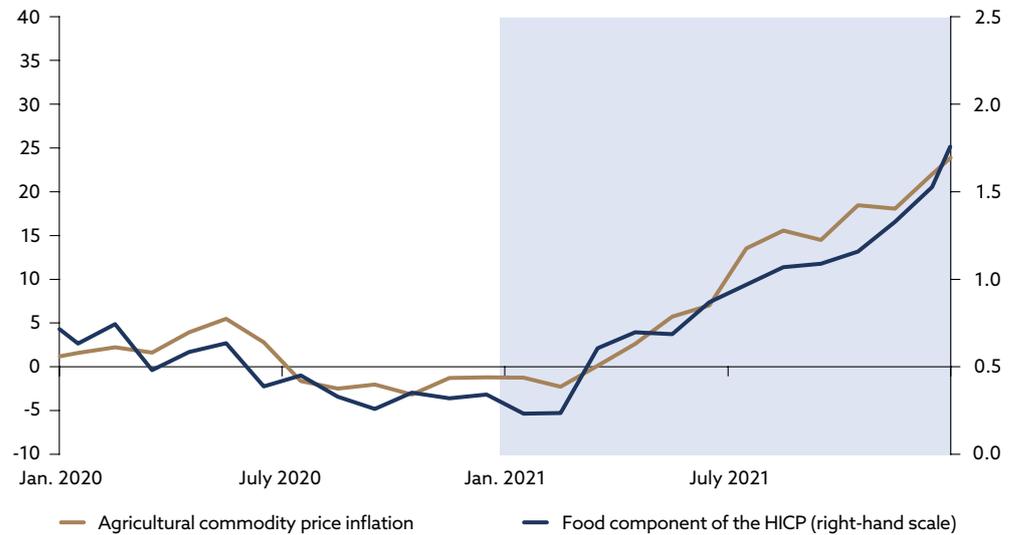




Chart 12:
Agricultural commodity price inflation and the food component of the HICP (annual percentage changes; percentage point contributions)

Sources: SO SR, and NBS calculations.

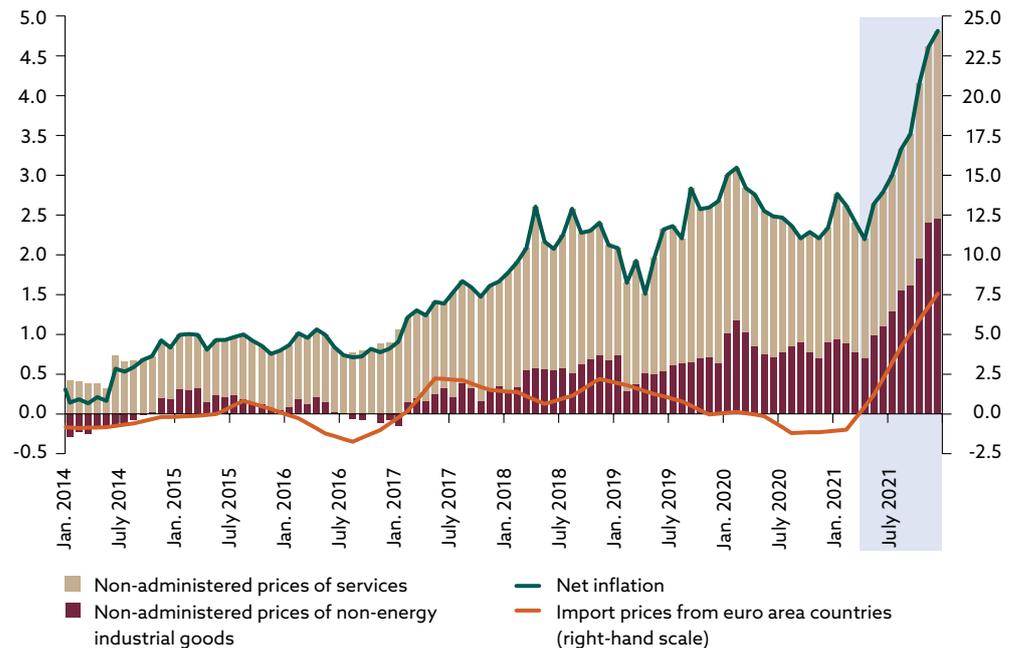


Rapid increases in energy commodity prices passed through with only a slight lag to headline inflation in early 2022. Slovakia's energy price regulator significantly increased the prices of gas, electricity and heat with effect from January 2022. The war in Ukraine is expected to further accentuate consumer price inflation in the period ahead and is therefore likely to weaken households' purchasing power.



Chart 13:
Net inflation and import prices (annual percentage changes; percentage point contributions)

Sources: SO SR, and NBS calculations.



Public policies have succeeded in steering the economy towards recovery. Monetary stimulus has been supportive, as has fiscal policy in regard to maintaining employment and household incomes.

A

2

Financial market developments

Slovakia's household debt growth over five years is the highest in the EU

fastest acceleration of housing loan growth in a decade

40% of households taking on more debt

22% annual growth in property prices at year-end

Financial market developments

Detailed information on financial market developments and risks can be found, for example, in the following NBS publications: the [November 2021 Financial Stability Report](#) and the [December 2021 Macroprudential Commentary](#).

- Although the pandemic continues, the financial sector is probably over the worst of its repercussions.
- With support from pandemic-related statutory loan moratoria, the banking sector has not only avoided sizeable impairment losses, but also managed to strengthen its capital position.
- After receding somewhat during the pandemic-related downturn, imbalances in housing financing and in the residential property market started to rise again in 2021 and attract attention in terms of their potential risks.
- As regards the uptrend in household borrowing in 2021, it included what may in particular be considered an unhealthy element, namely repeated increases in existing borrowing through loan refinancing.
- From summer 2021 the corporate sector was facing new threats in the form of key input shortages and surging energy prices.

In 2021 the pandemic continued to have a major impact on the functioning of society as a whole, not least economically. Against this backdrop, it is particularly positive to note that financial stability in Slovakia has not been disrupted. Today we can already say with some degree of confidence that the original bleak scenarios for the pandemic's impact on the financial sector have not materialised. The same goes for the banking sector, which has remained robust and has continued to finance the real economy without major constraints, thereby contributing to the generally better weathering of the pandemic-induced economic crisis. By taking a responsible approach to dividend policy, banks have even managed to improve their already solid capital position.

Concerns and uncertainty about whether bank loans would default en masse virtually dissipated over the course of 2021. Most of the financial difficulties that firms and households faced turned out to be temporary. Helped greatly by public support schemes and loan moratoria, banks' borrowers were able to cope with periods of income loss resulting from the pandemic containment measures. Today, with few exceptions, these borrowers are back to repaying their loans on schedule.

After falling sharply in 2020, the domestic banking sector's profitability rebounded in 2021 back to its pre-crisis level. The upturn in performance reflected mainly a year-on-year decline in credit costs, after banks in 2020 had ramped up their loan loss provisioning as a precautionary measure. The pick-up in profits was also supported by savings on regulatory costs, in particular following the abolition of the bank levy in mid-2020.

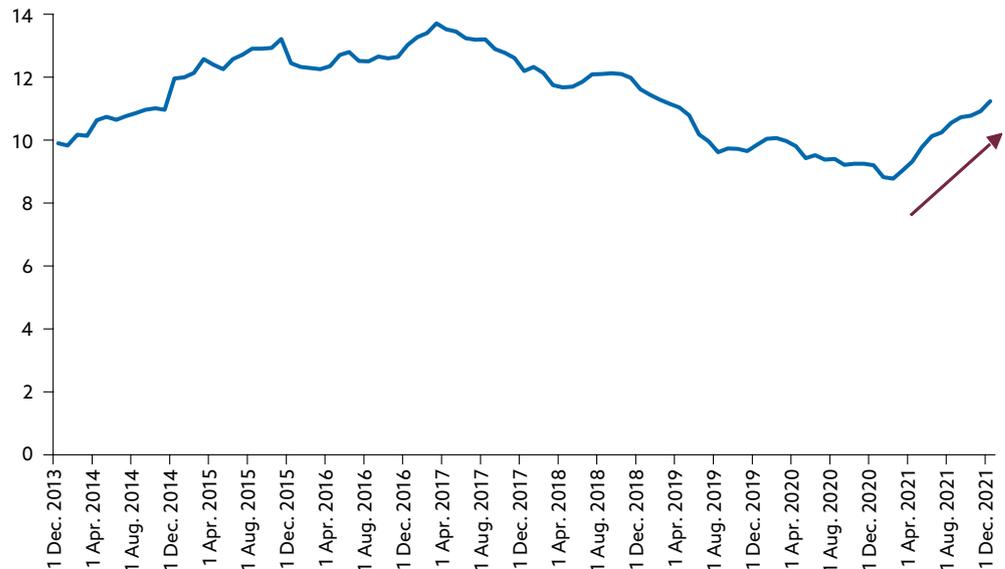


Just as short-term risks associated with the pandemic are receding, imbalances in the housing and home financing markets are coming to the fore. Following the end of the pandemic's second wave in spring 2021, mortgage loan growth recorded its sharpest acceleration in a decade and surged into double digits (Chart 14). Extremely low interest rates, rising inflation, excess household savings built up during previous lockdowns, and interbank competition were the factors stoking demand for housing loans during 2021. Another no less important factor was the feedback loop between the accelerating inflow of money into the housing market and rising property prices. In terms of housing price growth in 2021, Slovakia ranked near the top among EU countries. This trend carries with it the risk of a valuation correction if the property boom does not slow down in time.



Chart 14:
Sharp acceleration in housing loan growth (annual percentage changes)

Source: NBS.



As lending activity increased in 2021, so Slovak households became more indebted. Their increasing debt burden could be a source of future risks to the banking sector. The part of the increasing debt burden associated mainly with new borrowers is fundamentally sound, being based on borrowers' rising incomes. The other part, in the form of the additional debt taken on by existing borrowers through refinancing, is less fundamentally sound and has elements of risk. The share of household borrowers who have taken on additional debt stood at almost half by the end of 2021. Additional borrowing is not infrequently at the edge of regulatory lending limits, including exemptions. In particular, the debt service-to-income (DSTI) ratio is higher on refinancing loans than on other loans. Such loans also typically involve an extension of the maturity, and the fact that maturities are increasingly being extended beyond the borrower's retirement age brings with it additional risks.



Figure 1: Summary of risks associated with increasing household indebtedness and factors mitigating these risks

Source: NBS.
Note: DSTI – debt service-to-income (DSTI) ratio.

Risk-mitigating factors

Mortgage loans are still provided mainly to higher income borrowers.

Growth in pure new loans is commensurate with income growth.

A broad set of limits + the counter-cyclical capital buffer (DSTI limit tightened just prior to the crisis, not eased during the crisis).

Property price growth is reducing potential losses on older loans.

The characteristics of distressed loans confirm the correctness of the current calibration of policy instruments.

Risks associated mainly with increasing debt

More than one-third of the loan inflow is provided to indebted households – a proportion of households are not amortising their debt.

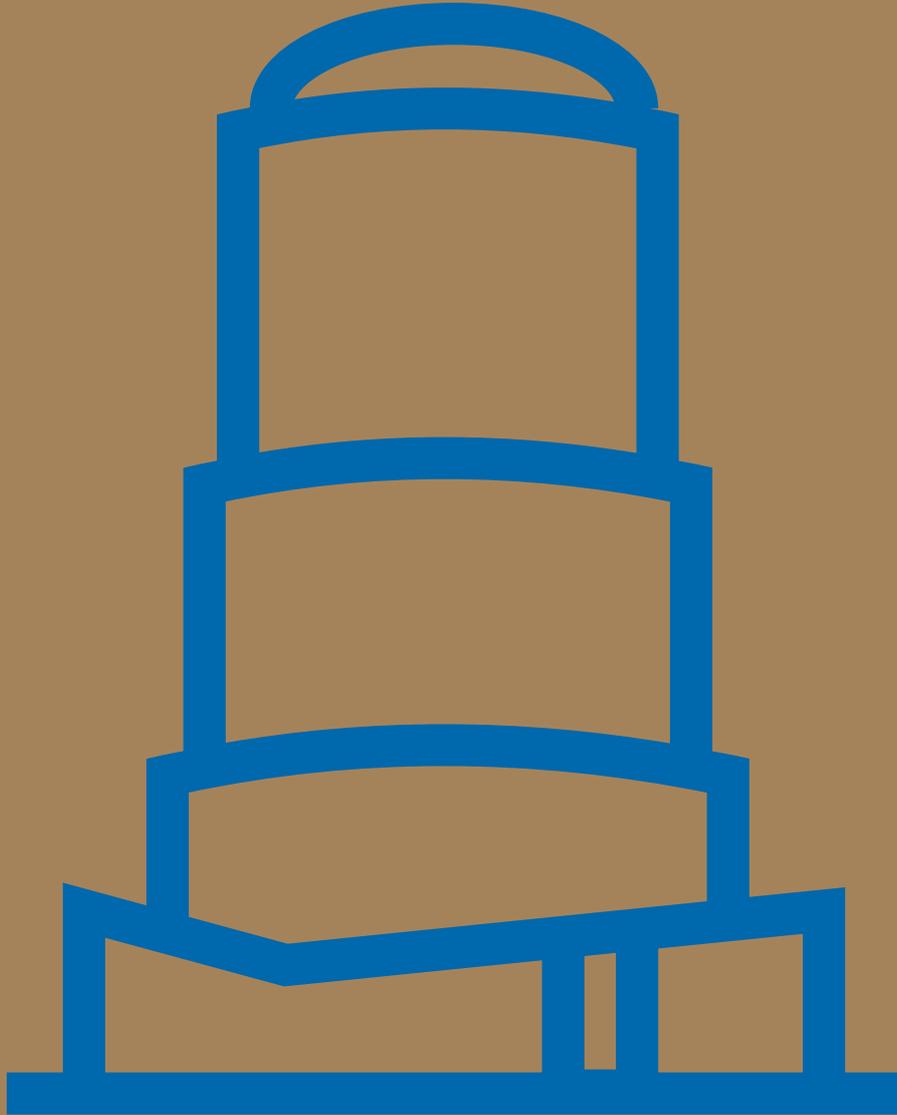
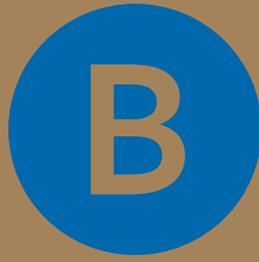
Growth in individual principal-increasing refinancing loans is outpacing growth in the borrower's income and is reliant on maturity extensions.

In the case of loan increases, the DSTI is more often 'at the limit'.

An increasing share of both new loans and refinancing loans are due to mature after the borrower has reached retirement age.

Property price growth is potentially increasing losses on new loans; pressure on property valuations persists.

In 2021 firms were confronted with new challenges in the form of supply chain disruptions and rising prices of energy and inputs. In the second half of the year the corporate sector in Slovakia started to be affected by the indirect consequences of the pandemic crisis, namely supply chain disruptions and increasing energy prices. Global shortages of certain key intermediate inputs began having an adverse impact on the Slovak economy, which is heavily oriented on manufacturing. With energy accounting for a significant part of their costs, firms may see their financial position undermined by rising energy prices. This is particularly true of firms in energy-intensive industries, but it also applies to firms in other industries, especially if their margins are low or they have already been hard hit by the pandemic crisis. Banks' direct exposure to firms that may be significantly affected by a sharp rise in energy prices is relatively low. At the same time, bank-financed firms in energy-intensive industries have not been reporting lower profitability than those in other industries. Moreover, most energy-intensive firms belong to the categories of medium-sized and large enterprises, which are better placed than smaller enterprises to respond to the situation. It should be added, however, that banks may also have a secondary exposure to the risk of rising energy prices, via firms that have closer supply chain relationships with firms in energy-intensive industries.



**NBS
activities**

B

1

Monetary policy implementation and investment portfolio management

net PEPP purchases to be discontinued at the end of March 2022

Eurosystem funding via the PEPP reached **€1.59 trillion**

TLTRO III borrowing via NBS rose to **€10.2 billion**

as in 2020, banks' average actual reserves rose by more than 120%

banks' collateral in Eurosystem operations rose by an average of **60%**

NBS investment portfolios, including gold, amounted to **€10.1 billion** as at 31 December 2021

Monetary policy implementation and investment portfolio management

1.1 Monetary policy implementation



In order to preserve favourable financing conditions for all sectors of the economy, monetary stimulus had to remain ample for almost the whole year

In 2021 the coronavirus (COVID-19) pandemic continued to pose serious risks to the economies of euro area countries and, at the same time, underlying pressures remained subdued. The key task of monetary policy remained the preservation of favourable financing conditions. By ensuring these conditions, monetary policy helped reduce uncertainty and bolster confidence, thereby encouraging consumer spending and business investment, underpinning economic activity, and safeguarding medium-term price stability. Throughout the year, the calibration of the ECB's monetary policy was based on the recalibration of monetary policy instruments that the ECB's Governing Council decided on at its [December 2020 meeting](#). The pandemic emergency programme (PEPP) continued to play an important role, with the Governing Council having decided in December 2020 to increase its envelope by €500 billion, to a total of €1,850 billion, and to extend the horizon for net purchases under the PEPP to at least the end of March 2022. The implementation of the PEPP contributed significantly to preserving favourable financing conditions for all sectors of the economy. Net purchases under the asset purchase programme (APP) also helped keep euro area financing conditions favourable, as they continued at a monthly pace of €20 billion.

The third series of targeted longer-term refinancing operations (TLTRO III) continued to play a crucial role in monetary policy implementation in 2021. Their highly favourable conditions made these operations an attractive source of funding for banks, thereby supporting bank lending to firms and households. Under a December 2020 Governing Council decision, three additional TLTRO III operations were conducted in 2021 (bringing to

The ECB's Governing Council convened in June 2021 for its informal annual retreat. It was the first in-person meeting of the members of the Governing Council since the outbreak of the pandemic. Their discussions focused on the ECB's monetary policy strategy review.



Source: ECB.

ten the total number of such operations conducted since 2019). For banks, a key step was the decision to extend to June 2022 the period over which considerably more favourable terms will apply under TLTRO III.

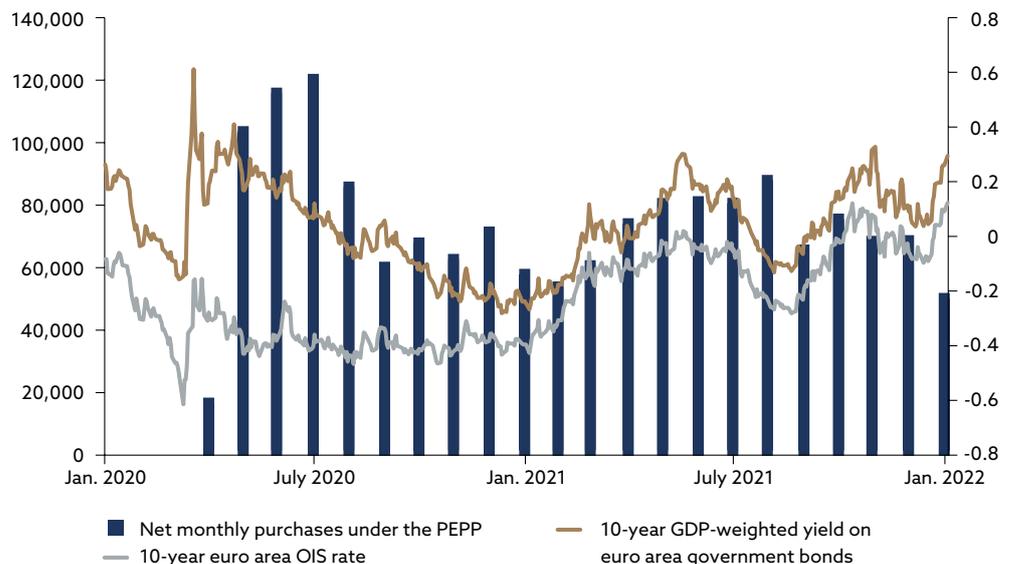
Market interest rates, and in particular risk-free interest rates and sovereign bond yields, are used by banks as key references for the pricing of other, i.e. corporate and bank, bonds as well as for the pricing of loans to households and firms. Sizeable and persistent increases in these reference rates could translate into a premature tightening of financing conditions for all borrowers.

In response to reference rate increases and a tightening of financing conditions, the ECB's Governing Council decided in March 2021 that purchases under the PEPP would be conducted at a significantly higher pace than during the first months of the year (Chart 15), and this higher pace was applied during the second and third quarters.



Chart 15:
Net monthly purchases under the PEPP and the evolution of euro area sovereign yields (EUR millions; percentages)

Sources: ECB, Bloomberg.



The Governing Council kept the key ECB interest rates unchanged, at historically low levels, throughout 2021. The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility remained unchanged at 0.00%, 0.25% and 0.50% respectively. In July 2021 the Governing Council approved the ECB's [new monetary policy strategy](#) and revised its [forward guidance](#) on interest rates. Market interest rates subsequently declined, so financing conditions for firms and households remained at favourable levels.

ECB President
Christine
Lagarde
presents the
outcome of the
ECB's monetary
policy strategy
review



Sources: ECB, and Flickr.

In September 2021, with the recovery of the euro area economy increasingly advanced, the ECB revised its inflation outlook slightly upwards. In the medium term, however, inflation was still foreseen to be below the two per cent target. Based on its assessment of financing conditions, the Governing Council judged that favourable financing conditions could be maintained with a moderately lower pace of net asset purchases under the PEPP. The pandemic impact on the economy lessened in the later part of the year, and inflation remained higher than projected.



The Governing Council decided in December 2021 to proceed with a step-by-step reduction in the pace of asset purchases over coming quarters

For inflation to stabilise at its target level over the medium term, monetary accommodation will still be needed. The Governing Council also decided to recalibrate other monetary policy parameters. In particular, it decided on the following: to further reduce the monthly pace of net asset purchases under the PEPP (with the programme scheduled for expiry in March 2022); to extend the reinvestment horizon for the PEPP until at least end of 2024; to maintain flexibility as an element of monetary policy whenever monetary policy transmission is threatened (particularly in regard to reinvestments under the PEPP); and to ensure a step-by-step reduction in purchases under the APP by setting their monthly pace at €40 billion in the second quarter of 2022 and €30 billion in the third quarter. The Governing Council also said it expected the special conditions applicable under TLTRO III to end in June 2022.



With monetary policy remaining expansionary through quantitative easing, the Eurosystem's balance sheet increased to a new historical high in 2021

As at the end of 2021 the outstanding amount of lending under the Eurosystem monetary policy operations was €6.92 trillion, of which 32% was allocated in tender operations and 68% in asset purchase programmes.

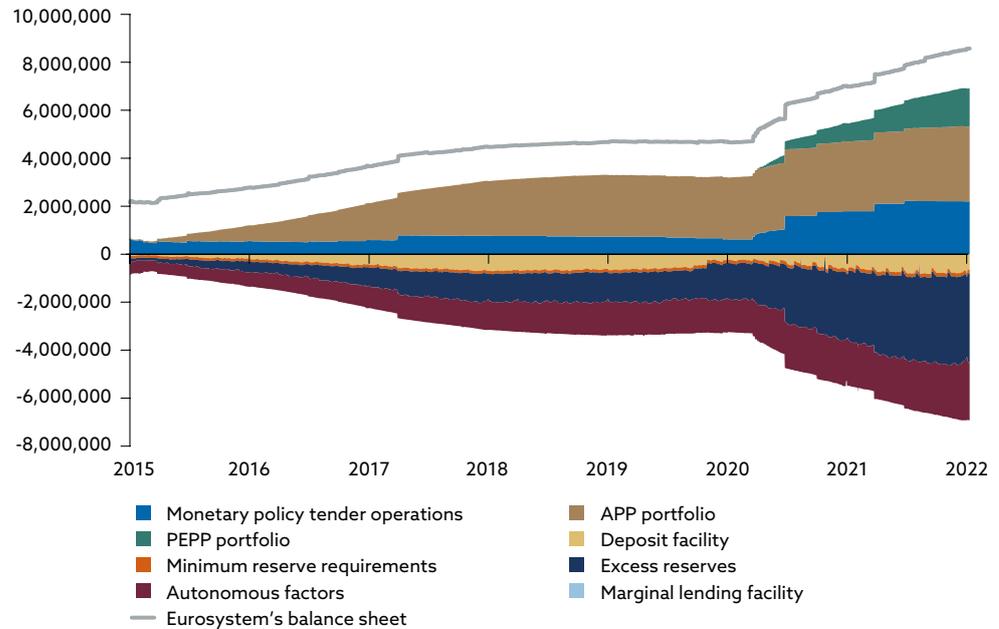
Liquidity provided through tender operations increased in 2021 by €409 billion year on year. This rise was entirely accounted for by TLTRO III operations, whose total uptake reached a new historical high of €2.2 trillion. In addition to four TLTRO III operations with a three-year maturity, the Eurosystem conducted 157 tender operations in 2021, including one-week main refinancing operations (MROs), three-month longer-term refinancing operations (LTROs), one-year pandemic emergency longer-term refinancing operations (PELTROs), one-week US dollar operations, and early repayment operations under TLTRO III.

The Eurosystem's net purchases under the APP and PEPP monetary policy programmes amounted to €1 trillion in 2021, and the total holdings in the two portfolios reached €4.7 trillion; the APP, launched in 2015, accounted for 66%, or €3.11 trillion, of that total, and the PEPP accounted for 34%, or €1.59 trillion (out of a total available envelope of €1.85 trillion). Euro area sovereign bonds make up the bulk of the different types of securities in each portfolio.



Chart 16:
Selected items
of the Eurosystem's consolidated balance sheet which relate to monetary policy implementation (EUR millions)

Source: SDW ECB.



Note: Positive values denote assets; negative values denote liabilities.



The outstanding amount of funding provided through NBS within the decentralised implementation of the ECB's monetary policy totalled €50 billion at the end of 2021

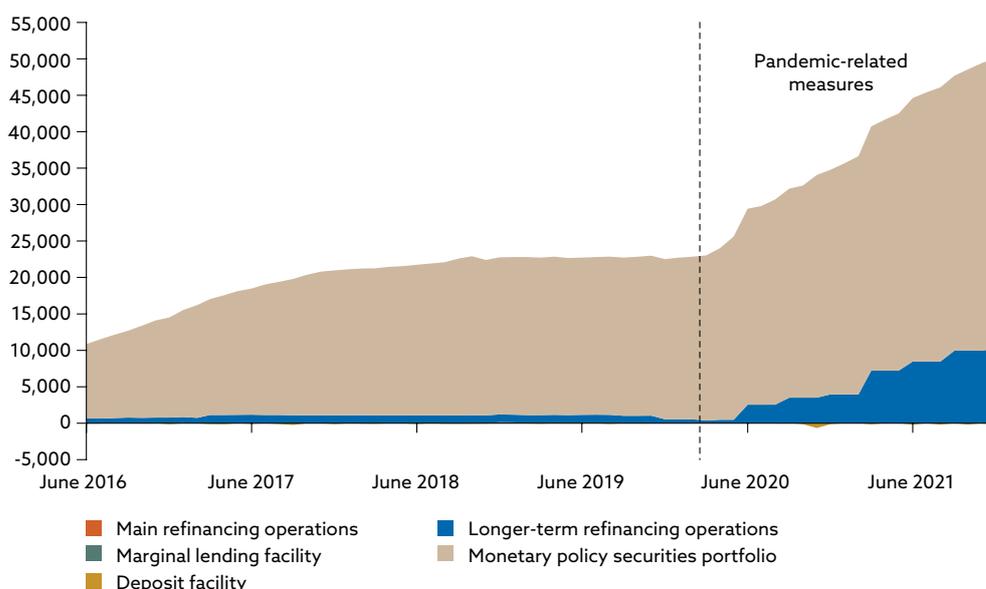
Because of the favourable borrowing conditions applicable under TLTRO III, the domestic banking sector's take-up of these operations was significantly higher in 2021 than in the previous year. The amount taken up increased by as much as €6.3 billion, which resulted in the outstanding amount borrowed by domestic banks via tender operations reaching a historical high of €10.2 billion as at the end of 2021 (Chart 17). The Slovak banking sector's uptake of other monetary policy tender operations was minimal in 2021. The sector's recourse to the marginal lending facility was insignificant and occasional, while its use of the deposit facility was relatively frequent. Including inflows from monetary policy asset purchase programmes, the domestic banking sector's excess liquidity stood at approximately €11 billion at the end of 2021.

As part of its implementation of monetary policy asset purchase programmes, Národná banka Slovenska continued in 2021 to purchase securities for the APP portfolio, specifically domestic covered bonds, Slovak government bonds, and bonds issued by supranational institutions. By the end of the year, the Bank's holdings in the APP portfolio amounted to €27.1 billion. The Bank purchased the same types of securities under the PEPP, and its securities holdings in this portfolio stood at €12.7 billion by the year-end. The Bank's total securities holdings under the APP and PEPP amounted to €39.8 billion at the end of 2021.



Chart 17:
Monetary policy operations conducted by Národná banka Slovenska (EUR millions)

Source: SDW ECB.



BOX 1

Government bond purchases as part of monetary policy implementation

Asset purchases, also known as quantitative easing or QE, are a key tool of monetary policy implementation and part of the array of non-standard monetary policy instruments. This instrument influences economic growth and inflation through three channels, which, simply put, consist of providing liquidity, reducing funding costs, and signalling the intention to maintain such conditions over a certain period of time. As a result, the range of market interest rates decreases and therefore the cost of borrowing falls for firms, households and in particular for governments. These effects are more pronounced in those countries, including Slovakia, where government securities have a more significant role in the financial system.

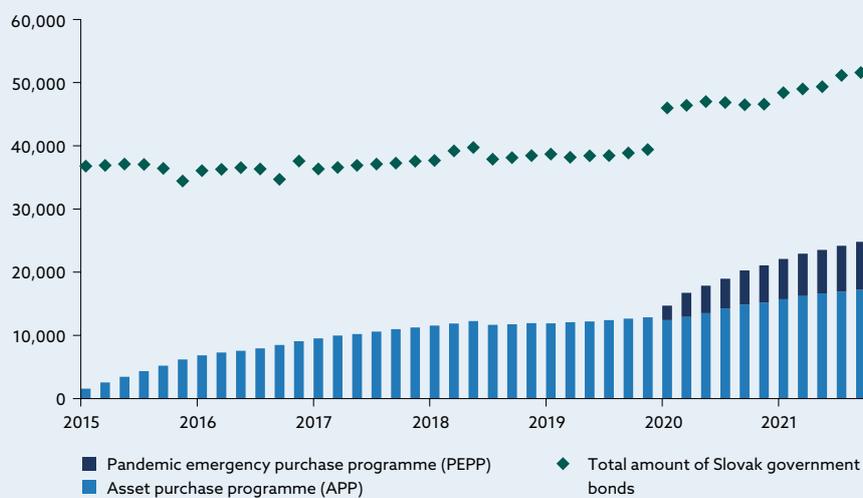
In the euro area financial system, government securities accounted for the major share of securities in both of the Eurosystem's asset purchase portfolios: 80% in the APP and as much as 97% in the PEPP. The allocation of purchases across euro area jurisdictions is determined according to the capital key, which for Slovakia stands at 1.15%. Because of the emergency nature of the PEPP, purchases under this programme are allocated with a high degree of potential flexibility. Nevertheless, the ECB's Governing Council decided in December 2021 that the economic situation allowed it to begin a step-by-step reduction in the monthly pace of asset purchases under the PEPP.

Slovak government securities totalling €24.8 billion were purchased for the Eurosystem's aggregate portfolio in 2021, through the APP (€17.2 billion) and the PEPP (€7.6 billion) (Chart A). From the APP's launch in 2015 until the outbreak of the pandemic, Slovak government bond yields remained at the lower end of the range of euro area sovereign

yields, i.e. closer to the yields on benchmark German government bonds (Chart B). Owing to the elevated market volatility early in the pandemic, Slovak sovereign yields climbed significantly above the lower level of the yield range. Following the launch of the PEPP, a key element of which is flexibility in the implementation of purchases, Slovak government bond yields stabilised back at lower levels. The risk premium on 10-year domestic sovereign paper over 10-year German Bunds actually fell to zero in late 2020/early 2021.



Chart A: Holdings of Slovak government bonds in the Eurosystem’s monetary policy portfolios (EUR millions)



Sources: ECB, and SDW ECB.



Chart B: 10-year Slovak government bond yield within the range of euro area sovereign yields (percentages)



Source: Bloomberg.

1.2 Minimum reserve requirements



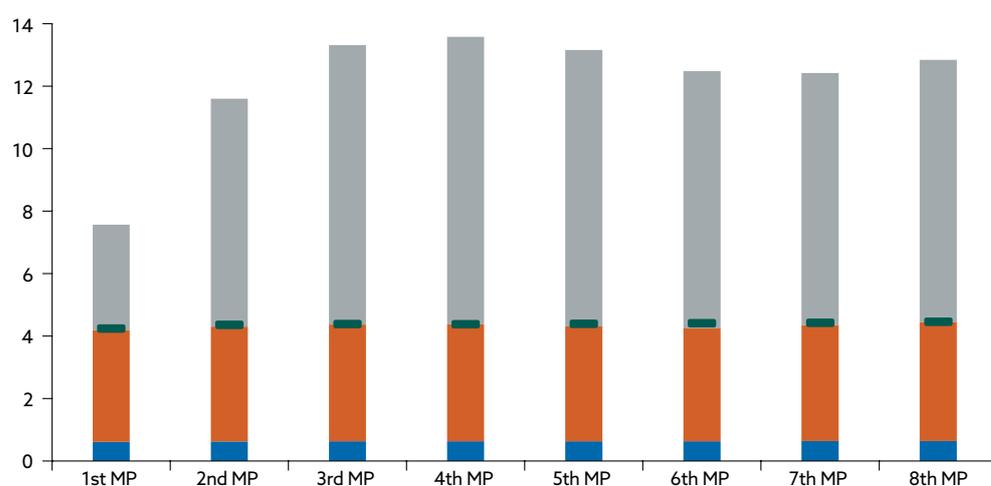
Annual growth in banks' actual reserves remained high in 2021 with no changes being made in the two-tier system for remunerating excess reserves

In 2021 a total of 29 credit institutions in Slovakia were subject to minimum reserve requirements. The calibration of the two-tier system for excess reserve remuneration ('tiering') remained unchanged in 2021, after not undergoing any change since its introduction on 30 October 2019. Under tiering, a part of each credit institution's reserve holdings in excess of minimum reserve requirements is exempt from the deposit facility rate, and in 2021 that exemption allowance remained set at six times the institution's minimum required reserves and was remunerated at 0%. The non-exempted excess reserves were remunerated at the deposit facility rate of -0.5%, while required reserves continued to be remunerated at the main refinancing rate of 0%. Across the domestic banking sector as a whole, usage of the exemption allowance averaged 98% in 2021. The average amount of required reserves held by credit institutions with Národná banka Slovenska in 2021 was €625.90 million, representing a year-on-year increase of 6.8%. The average amount of their actual reserves held with NBS was €12.10 billion in 2021, 126% higher than in 2020. That annual percentage increase was almost the same as the one recorded in 2020. Whereas in 2020 the average volume of actual reserves was nine times higher than the average volume of required reserves, in 2021 it was as much as nineteen times higher.



Chart 18:
Minimum reserve requirements and actual reserve holdings (showing differential remuneration under the ECB's tiering system) (EUR billions).

Source: NBS.



- Non-exempted excess reserves (remunerated at the deposit facility rate of -0.5%)
- Exempted excess reserves (remunerated at the Governing Council-set rate of 0%)
- Minimum reserve requirements (remunerated at the main refinancing rate of 0%)
- Exemption allowance limit (seven times the minimum reserve requirements)

Note: MP - maintenance period.

1.3 Eligible assets



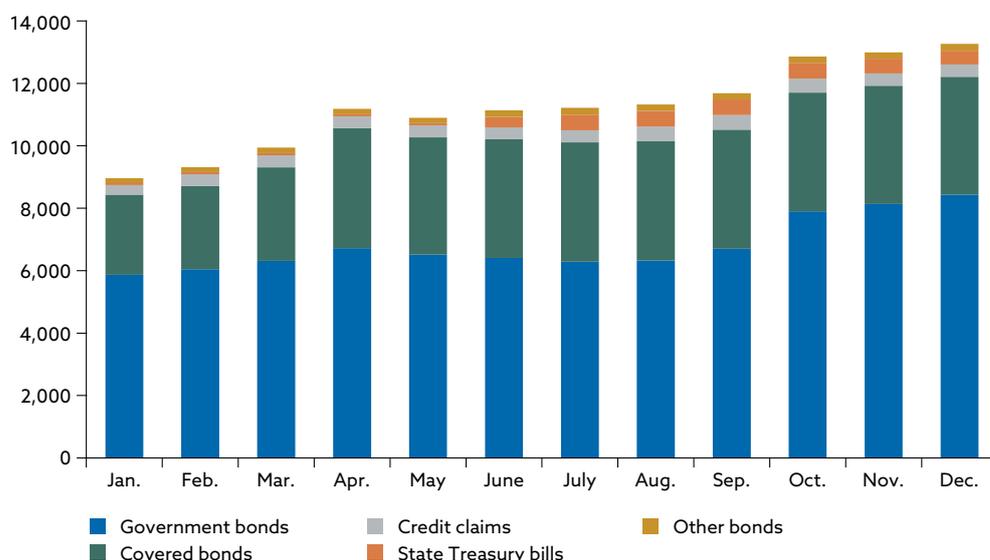
As Slovak banks increased their participation in Eurosystem credit operations, their use of collateral in these operations also increased significantly

The collateral eligibility criteria for Eurosystem credit operations did not undergo any significant changes in 2021. The pandemic-related measures adopted in 2020 remained in force. As a result of Slovak banks' increasing participation in Eurosystem credit operations, the value of the collateral they use in these operations surged by around 60% in 2021. Chart 19 shows the breakdown of this collateral by asset type.



Chart 19:
Composition of eligible assets used by Slovak banks in Eurosystem credit operations in 2021 (EUR millions)

Source: NBS.



1.4 Investment portfolio management



The total value of NBS's investment portfolios, including gold, amounted to €10.1 billion and the overall annual rate of return on them was 2%

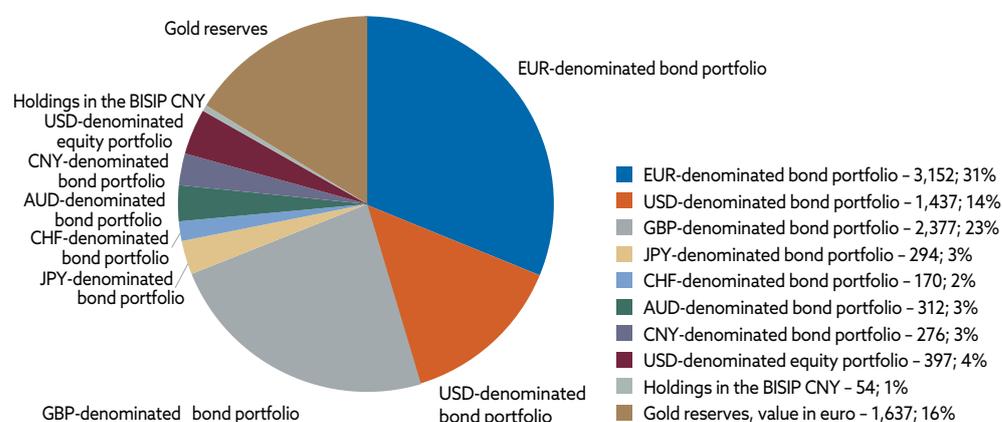
Národná banka Slovenska manages its investment portfolios with the aim of ensuring that they contribute positively to the Bank's overall financial

result. The total value of the Bank's investment portfolios as at 31 December 2021 was €8.5 billion (at corresponding exchange rates and with securities at market value), or €10.1 billion including gold. Bond portfolios accounted for 79% of that total and comprise the following: currency-hedged portfolios denominated in euro, US dollars, British pounds, Swiss francs, Australian dollars, and Japanese yen (in all of which interest rate risk is managed in a standard way, through interest rate swaps and futures contracts); and an unhedged portfolio of Chinese government bonds. Another component of the Bank's investment portfolios – its equity portfolio – comprises shares in exchange-traded funds (ETFs) tracking the global equity market. The market value of that portfolio as at 31 December 2021 was €397 million. The Bank's indirect investment in the Chinese renminbi¹ had a market value of around €54 million at the end of the year. The value of the Bank's different investment portfolios as at the end of 2021 and their share in the aggregate value of its investment portfolios is shown in Chart 20.



Chart 20:
NBS investment
portfolios as at
31 December
2021 (value in
EUR millions;
percentage
share of aggregate
value)

Source: NBS.



The total return on the Bank's investment portfolios, including gold, in 2021 was around €222 million² (according to the mark-to-market principle³), which in relative terms represented a return of around 2% per annum.

As regards the quality of the securities in the Bank's bond portfolios as at the end of 2021, 88% had at least an AA credit rating, and the portfolio had an overall ESG (environmental, social and governance) rating of AAA.

The Bank did not conduct any operations with Ukrainian or Russian counterparties during 2021, nor did it have any open positions with such counterparties as at 31 December 2021, except for a marginal exposure to Russian equities as part of an ETF product purchased for the Bank's equity portfolio.

¹Invested in the currency through the BISIP CNY, an open-ended fund comprising Chinese government bonds and managed by the Bank for International Settlements in Basel.

²The overall return on gold holdings was around €72 million, mostly accounted for by the change in the price of gold vis-à-vis the euro.

³Marking-to-market means pricing assets and liabilities at fair value, i.e. at their current market price.

B

2

Financial stability and financial market supervision

strengthening
of banks' capital
adequacy

no need
to change
regulatory
lending
limits

close
monitoring
of risk related to
household debt
growth

new form
of pension
saving

consolidation
of Slovak central
securities
depositories

regulatory
sandbox
launched

Financial stability and financial market supervision

For further information, see the [Report on the Activities of the Financial Market Supervision Unit of Národná banka Slovenska – 2021](#), which is published on the Bank's website.

2.1 Banking sector



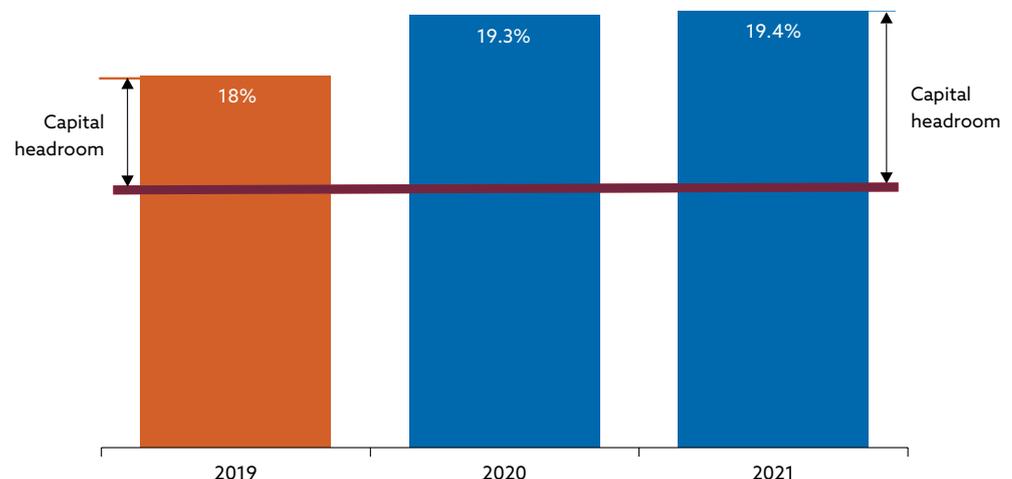
Banks' capital adequacy strengthened and their performance stabilised

In early 2021, amid uncertainty surrounding the future evolution of the pandemic and its impact on the economy, Národná banka Slovenska adopted a Recommendation on capital and profit distributions by banks. As a result of NBS banking supervision's comprehensive assessment of dividend policies and the responsible approach of banks to this issue, the banking sector's total capital increased by almost €300 million in 2021, thereby bringing to more than €800 million the amount of its increase since the pandemic outbreak.



Chart 21:
The banking sector's total capital ratio (percentages)

Source: NBS.



Banks saw their performance stabilise in 2021, with the sector recording a higher after-tax profit than it did in 2020. The aggregate profit increased by 57% year on year and was 16% higher than the profit for 2019, the year before the pandemic. The profit growth was driven mainly by the abolition of the bank levy in mid-2020 as well as by a reduction in loan loss provisioning from the elevated levels seen in the pandemic-hit year of 2020.



Non-performing loan figures remain very favourable in comparison with other EU countries

The pandemic-related statutory loan moratorium scheme remained active throughout 2021. Following their introduction in 2020 in response to the pandemic, there was a huge demand for loan moratoria from among retail customers and among small and medium-sized enterprises. Because of the increased volume of loans under moratoria, NBS banking supervision intensified its monitoring of banks' credit risk.



The annual evaluation of domestic banks confirmed their stability

Banks in Slovakia have had a stable risk profile for a long time. In 2020, following the pandemic outbreak, NBS banking supervision took a pragmatic approach to the annual Supervisory Review and Evaluation Process (SREP), focusing on monitoring the areas most affected by the pandemic. Last year saw a return to a full SREP review with determination of comprehensive prudential requirements. The 2021 SREP confirmed that banks had weathered the crisis and stabilised their business.



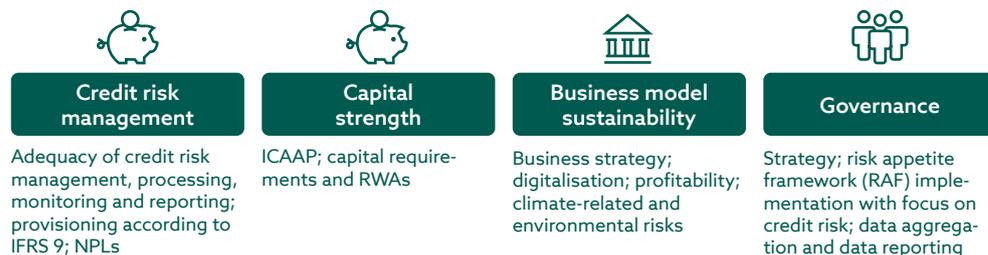
The Bank's supervisory priorities focused on the evolution of key risks

The annual setting of supervisory priorities is an important mechanism for coordinating banking supervision activities within the Single Supervisory Mechanism (SSM). As in previous years, the setting of SSM priorities for 2021 was based on an assessment of key risks and vulnerabilities faced by supervised entities in the current economic, regulatory and supervisory environment.

NBS banking supervision focused its SSM supervisory activities on four priority areas:



Figure 2: SSM priorities for 2021



The SSM priorities were translated into the SSM and NBS supervisory plan also in the form of a campaign. Given the ongoing pandemic situation and restrictions on staff of both banking supervision and supervised banks, on-site inspections in 2021 continued to be conducted through remote working modalities.

BOX 2

Regulatory framework and supervisory methodology reflect new trends

The consideration of environmental, social and governance (ESG) factors in the banking sector is foreseen in requirements concerning banks' resilience to ESG risks (the impact on banks) as well as in where and how banks conduct their business (the impact of banks' activities on the external environment). In practice, this is manifested inter alia by the European Banking Authority (EBA), through its regulatory acts requiring banks to take account of ESG risks in their internal governance as well as in the appointment of members of their management bodies.

2.2 Insurance and pension fund sectors



Ongoing assessments of the pandemic's impact on the insurance sector

The monitoring of year-end estimates of the pandemic's impact on insurers' financial and capital position against the plan also continued in 2021 and again showed no significant deterioration in the financial and solvency position of insurers in Slovakia. Further monitoring focused on the quarterly assessment of selected insurers' liquidity, which was initiated by the

European Insurance and Occupational Pensions Authority (EIOPA). The insurers in question still had sufficient liquid funds in 2021.



Company transformations

In 2021 the Slovak insurance market saw two insurers (UNIQA poisťovňa, a.s. and Generali Poisťovňa, a.s.) each transform into a branch from another Member State. Together, the undertakings accounted for a significant share of the domestic insurance market (15% of life business and 22% of non-life business). Unlike the original entities, the new branches will not be fully subject to NBS supervision. Also in 2021, one domestic insurer (Union poisťovňa, a.s.) took over another (Poštová poisťovňa, a.s.), and a new life insurance undertaking (PARTNERS poisťovňa, a.s.) was established.



Insurance sector supervision in the area of investment

Last year the Bank began conducting off-site supervision of eight selected insurance undertakings in regard to their compliance with the ‘prudent person’ principle in the area of investment. The purpose was to gain an overview of the expertise and classification of the persons responsible for investment at the insurers in question, given that these persons are not included among the key function holders in the system of governance applied by insurers. The Bank also analysed the insurers’ assets covering technical provisions and their own funds in terms of the asset categories in which they invest, their limits, portfolio diversification, credit quality step, asset valuation, and non-standard operations, and of whether the assets covering technical provisions are invested in a manner appropriate to the nature and duration of the undertakings’ insurance liabilities.



The pandemic's favourable impact on the loss ratio in motor third party liability insurance

The Bank continued in 2021 to require enhanced reporting from six insurers and one branch of an insurer from another Member State at which premium adequacy deficiencies had been identified in 2019–20. The enhanced reporting consisted of a semi-annual progress report, current rates for motor third party liability (MTPL) insurance, and the annual submission of loss ratio and combined ratio recalculations in accordance with Methodological Guideline No 3/2020 of Národná banka Slovenska. The loss ratio and combined ratio trends improved during the course of 2021, albeit assisted by pandemic-related restrictions on people's mobility.



Supervision of product oversight and governance

The Bank last year launched a process, as part of a multi-year cycle, to assess the internal processes that insurers have in place in relation to the practical implementation of product oversight and governance rules and the distribution of products to customers. At this stage in the process, the Bank's focus was on insurers' implementation of regulations into their internal rules and on the need to ensure that insurers proceed fairly and consistently throughout the product life cycle.



Other supervisory activity

Also in 2021, the Bank undertook an analysis of actuarial function reports. Based on its assessment of these reports, the Bank drew up several recommendations for their improvement. In the same year, the Bank also surveyed insurers and branches of insurers from other Member States about their readiness for the transition to IFRS 9 and IFRS 17 – new regulatory standards that will enter into force at the start of 2023. The Bank welcomes the fact that most of the respondents are at an advanced stage of designing and testing an IFRS 17 solution.



Supervision of the pension fund sector amid the ongoing pandemic

The functioning of day-to-day operations and the protection of the rights of pension fund customers have not been impaired by the pandemic crisis. Both second and third pillar pension companies adapted without difficulty to the remote provision of services. They did, however, have to respond to new challenges related to infrastructure risks, cyber risks, operational risks and communication risks. In 2021 the Bank continued to monitor developments at pension companies and their management of customer assets.

Last year, as in 2020, supervision planning was heavily influenced by the pandemic. On-site inspections had to be planned and conducted in accordance with the evolution of the epidemiological situation. Supervision was therefore exercised primarily through proactive, rigorous and in-depth off-site inspections of all pension fund managers and the funds they manage.

New information documents for savers in the second pension pillar came under the Bank's scrutiny in 2021. Thematic off-site inspections of all second pillar pension companies centred on the detailed validation of key information documents and on the elements of personal pension account statements, with particular focus on verifying pension benefit projection calculations.

BOX 3

The pan-European personal pension product as a new form of saving

The new pan-European personal pension product ('PEPP') started to apply on 22 March 2022. The PEPP Regulation can therefore now be put into practice, offering a new form of saving that aims to increase retirement income in old age. The main benefit of this product is its EU-wide portability.

PEPPs can be offered by banks, asset management companies, insurers, third pillar pension companies, and investment firms. This follows from one of the objectives of the PEPP Regulation – to enable a broad range of financial institutions from various financial market segments to offer, through their existing products, a retirement provision product that will be registered as a PEPP.

2.3 Capital market and financial intermediation sector



The Bank focused on the credibility of financial agents in personal bankruptcy

A few years ago the Bankruptcy Act was amended to allow individuals to obtain debt relief either through bankruptcy or through debt rescheduling – both together referred to colloquially as personal bankruptcy. In the wake of the impact of the pandemic crisis on entrepreneurs, the Bank recorded an increasing number of enquiries about the possibility and regularity of providing financial intermediation if subject to personal bankruptcy.

Owing to the insufficient regulation of the credibility of natural persons operating in financial intermediation, specifically in regard to their debt relief in the form of bankruptcy, the Bank last year discussed the issue with the Slovak Finance Ministry, the drafter of the Financial Intermediation Act. The two sides agreed that individuals who cannot manage their own finances and have been declared bankrupt cannot be giving financial advice to other people. In an [Opinion](#) of 8 November 2021, the Bank specifies how to assess the good repute of individuals when entering the financial intermediation sector as well as how to proceed in regard to their loss of good repute after going into bankruptcy.

BOX 4

The Bank gave financial market entities guidance on the distribution of corporate bonds (supervisory benchmark)

In the first half of 2021 the Bank issued, as a ‘supervisory benchmark’ an [Opinion](#) aimed at guiding and unifying the way distributors and sellers proceed in regard to the sale of corporate bonds to retail clients. It also aimed to ensure adequate protection of retail clients. NBS considers corporate bonds to be a legitimate instrument of corporate financing, but at the same time it generally sees them as a risky investment for retail clients.

The [Opinion](#) provides a thematic breakdown of the obligations arising under the legislative framework for the distribution of corporate bonds. It also states the Bank’s expectations regarding compliance with these obligations and examples of good and bad practices that can facilitate the praxes of distributors and retailers.



Consolidation of central securities depositories in Slovakia

On 20 December 2021 the Bank completed the consolidation of central securities depositories (CSDs) in Slovakia by withdrawing the authorisation of Národný centrálny depozitár cenných papierov, a.s. (NCDCP). The transfer of assets to Centrálny depozitár cenných papierov, a.s. (CDCP) was realised on 15 November 2021. Since that date the CDCP has been providing CSD services to all clients whose assets were transferred from the NCDCP to the CDCP records.



Revision of rules for investing in real estate funds

Discussions that began in 2020 between the Bank, the Slovak Finance Ministry, and members of the Slovak Association of Asset Management Companies about updating and reviewing the regulation of real estate funds continued in the first half of 2021. The result of these discussions was an amendment to the Collective Investment Act, which included, inter alia, making several changes to the regulation of real estate fund management while preserving the same protection for retail investors. The changes relaxed certain rules for real estate fund investment in real estate companies, including expanding the eligibility criteria for the legal forms of investee companies. They also modified rules for lending and borrowing in real estate fund portfolios and allowed the policy for issuing and redeeming units of real estate funds to be set in accordance with the funds' liquidity management.

Alternative investment fund managers are adjusting their performance fee models in the light of new guidelines issued by the European Securities and Markets Authority (ESMA). To support the application of these guidelines, the Bank last year organised a workshop for supervised entities, which included a presentation of the rules that asset management companies are required to follow when charging performance fees. Responses to questions raised by asset management companies were addressed by the Bank within ESMA. Based on the discussions, ESMA issued additional questions and answers (Q&As) on the application of performance fees. The Bank, for its part, issued a separate opinion to supervised entities on some of the questions. In the second half of 2021 the Bank decided, in response to requests, to align the performance fee models of certain supervised entities with ESMA' guidelines on performance fees.



The Bank stepped up supervision of independent financial agents in the capital market sector

Financial intermediation in the capital market sector was subject to intensive supervision in 2021. As part of its off-site supervision, the Bank addressed all independent financial agents authorised to perform financial intermediation in the capital market sector in order to review their compliance with the regulatory requirements arising from MiFID II.



Review of compliance with AML/CFT rules

In 2021 the Bank examined all independent financial agents and financial advisers for their compliance with rules concerning anti-money laundering and combating the financing of terrorism (AML/CFT). The purpose of this off-site supervisory activity was to establish whether the supervised entities had internal procedures in place to a sufficient extent and were compliant with statutory obligations.

Another important issue in this area was the ‘beneficial owner’ concept. In 2021 the Bank obtained information from investment firms, asset management companies and selected independent financial agents concerning customers and the designation of beneficial owners, internal procedures for identifying beneficial owners, and the checking of beneficial owners against lists of sanctioned or politically exposed persons.

2.4 Payment services, fintech, and financial innovation



The Bank is improving the financial innovation ecosystem

There has been a qualitative improvement in the dedicated interfaces through which third parties access bank payment accounts in order to provide payment services. Thanks to the Bank's concerted efforts, it has been possible to improve the testing environments of dedicated interfaces and to remove several obstacles in these interfaces that put third parties at a disadvantage to banks in the provision of payment services.

The Bank was preparing a [regulatory sandbox](#) in 2021 and launched it on 1 January 2022. The sandbox allows participants, on the basis of consultations with the Bank, to engage in regulatory compliant financial innovation, including live testing in the Slovak financial market. The purpose of the platform is to facilitate the implementation of financial innovation in Slovakia. The Bank became the eleventh supervisory authority in the EU to establish this innovation-supporting instrument.



Further development of registers for supervisory needs and for the public

An upgrade of the Financial Entities Register (version 2.0) went live in 2021. Compared with the previous version, it offers new functionalities, is more user-friendly, and includes an internal section for NBS staff members. The application contains all the lists of registered entities which the Bank is required to maintain under the Financial Market Supervision Act and under statutory law governing specific sectors. A history of changes is recorded for all data.

The Bank's involvement in the cross-border exchange of credit data

The most significant modification of the Register of Bank Loans and Guarantees in 2021 was its integration into the cross-border exchange of credit data between central banks. Slovak credit institutions can already check what credit exposure their existing or potential borrowers have in Slovakia, but as a result of this extension they can also check a borrower's exposure in Belgium, Italy, Austria and Portugal. In this way, banks can gain a comprehensive and more realistic picture of a borrower's indebtedness. As regards credit data quality, Slovakia was last year among five countries where the ECB's data quality requirements are met by all reporting credit institutions.

2.5 Cross-cutting themes



New trends and risks required new analytical approaches in the area of financial stability

As regards the issue of financial stability, the Bank throughout last year was examining from several angles the pandemic's impact on the financial situation of households and firms and its implications for the health of the banking sector. The Bank specifically analysed the life cycle of loans for which a pandemic-related statutory moratorium had been approved and found a decrease in immediate risks. For both household and corporate loans that were or had been under a moratorium, the incidence of default was shown to be quite low.

Another focus of the Bank's attention was how the corporate sector in general had coped with pandemic crisis up to the end of 2020. For this, it relied on a database of granular firm-level data. The findings were overwhelmingly positive. Compared with 2019, the year before the pandemic outbreak, aggregate corporate revenues were virtually the same, with revenue losses occurring mainly in the sectors hardest hit by pandemic containment measures. From a financial stability perspective, the main conclusion is that firms' solvency had not deteriorated significantly by the end of 2020 and their liquidity had actually improved.

With mortgage loan growth accelerating strongly over the course of 2021, attention in the area of financial stability and macroprudential policy turned to an issue that was prominent not so long ago: imbalances and risks related to housing finance. In this regard, the Bank produced several detailed analyses aimed at providing a deeper understanding of credit growth and potential risks. These studies were based mainly on an assessment of the financial situation of individual borrowers in banks' portfolios. A model decomposition of credit growth showed that it was driven to a large extent by income growth, at least in the case of new borrowers. It was not necessary for the Bank to apply a broad tightening of regulatory limits on credit standards. At the same time, a stress simulation confirmed that the DSTI ratio limit's current calibration at 60% is considerably reducing household default risk. On the other hand, the Bank identified certain trends that contain within themselves the seeds of future risks. Most notable is the increasing practice of households taking on more debt when refinancing their loans and often stretching their repayment periods beyond retirement age.

Given their recent boom and their interlinkage with domestic financial stability, property prices attracted due attention during the period under review. An in-depth look at income trends in various income groups or age cohorts vis-à-vis individual advertisements for flats for sale showed, however, that housing affordability remained relatively favourable during the first half of 2021.

As for the Bank's regular quarterly decisions on the calibration of the counter-cyclical capital buffer (CCyB) rate, a nascent economic recovery and favourable credit cost trends meant the rate could be maintained without further reduction. At the same time, however, the financial and business cycles started slowly to turn during 2021, so the Bank did not rule out the possibility of raising the CCyB rate during 2022.

In 2021 the Bank expanded the scope of its financial stability analysis to include other important topics, including, for example, [risks associated with climate change](#), the effects of introducing a digital currency, and the issue of corporate bonds. The Bank's separate analyses in these areas were in some cases published in the form of an analytical commentary.

The Bank has provided a rapid analytical response to the war in Ukraine. The Slovak financial sector's direct exposure to the countries involved is minimal. On the other hand, indirect exposure may be a greater source of risks.



Resolution

In line with its responsibility to provide expertise and organisational support to Slovakia's Resolution Council ('the Council'), Národná banka Slovenska last year actively pursued tasks arising from the preparation of banks' resolution measures in resolution plans made in the 2020/2021 and 2021/2022 planning cycles.

In the case of banks in Slovakia that fall under the competence of the Single Resolution Board (SRB), the Bank participates in the relevant international resolution teams. Last year, in assessing the resolvability of banks with a multiple point of entry (MPE) resolution strategy, particular emphasis was placed on the effective performance of the bail-in tool. A shift was noted in separate procedural documents (the so-called bail-in playbooks) and in the development of management information systems.

In 2021 the Bank participated in the determination of the minimum requirement for own funds and eligible liabilities (MREL) for banks that in a future crisis would be subject to resolution proceedings. In accordance with the Council's implementing decisions and decisions for the 2020/2021 planning cycle, the overall MREL for these banks amounts to €8,642 million as of 1 January 2024. Setting the MREL represents an important milestone in the area of bank resolvability in Slovakia.

In cooperation with the Deposit Protection Fund, the Bank arranged the collection and transfer of the Council's contributions to the SRB for 2021. Contributions collected from 12 banks and totalling €23,554,920.63 (including €1,858,036.23 as an irrevocable payment commitment) were transferred to the SRB on 28 June.



Anti-money laundering and combating the financing of terrorism (AML/CFT)

2021 was a busy year in the AML/CFT area, with the Bank focusing on two main tasks: a national risk assessment and an evaluation of the Fourth AML Directive.

The second round of the National Money Laundering and Terrorist Financing Risk Assessment involved teams of experts from all the NBS financial market supervision departments. Based on analysis of the data, a report was produced which served as the basis for Slovakia's Action Plan (submitted for approval to the Slovak Government). The Bank will discuss with supervised entities the findings and conclusions of the second national risk assessment, so as to improve their AML processes and procedures.

An evaluation of the implementation of the Fourth AML Directive was joined by expert teams from all of the Bank's financial supervision departments. The evaluation project was led by the Financial Intelligence Unit of Slovakia's Police Force Presidium. An evaluation visit by Council of Europe experts took place in November 2021.

B

3

Financial consumer protection

number of justified complaints – an indicator for further supervision

rectification made in **227** cases

€305,000 repaid to customers

universal APRC calculator for the public

1,675 complaints about financial market entities

NBS financial education provided under the '5peňazí' initiative

Financial consumer protection

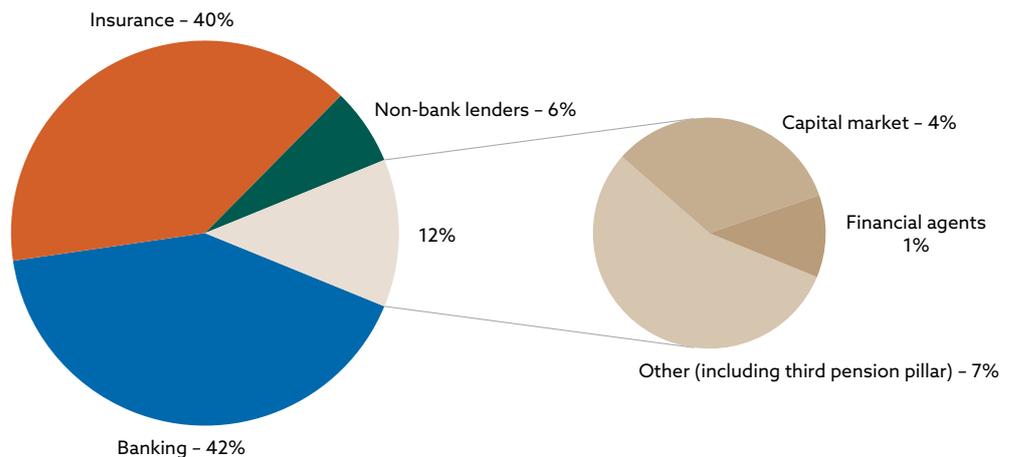
For further information, see the [Report on the Consumer Protection Activities of the Financial Market Supervision Unit of Národná banka Slovenska - 2021](#), which is published on the Bank's website.

3.1 Financial consumer complaints

In 2021 the number of complaints that the Bank received from financial consumers and other customers about financial market entities fell by 340 (17%) year on year. In recent years, the most numerous complaints have concerned the liquidation of claims in non-life insurance. One reason for the lower number of such complaints in 2021 may be that the annual number of road traffic accidents in Slovakia was the lowest ever, resulting in part from pandemic-related restrictions on travelling. Other complaint figures followed the trends of previous years.


Chart 22:
Financial consumer complaints in 2021 broken down by financial market segment (percentages)

Source: NBS.



Note: The number of complaints about financial agents is low, since any complaints from their customers are usually less about the agent and more about the financial institution whose product or service is provided through the agent.



The Bank monitors justified complaints

As part of the exercise of supervision, it is important to monitor the justification of complaints received, i.e. the number of complaints where the Bank finds the supervised entity to be in breach of its obligations.

The share of complaints that are justified has been stable for several years: **1/4 of all complaints.**

The **resolution ratio**, showing the percentage of cases where the financial institution made rectification at the Bank's behest: **50–60%.**



Online fraud

A clear trend during the pandemic period has been an increase in complaints about online fraud in various guises. As shopping patterns changed fundamentally and the financial situation of certain groups of the population worsened, many people became more vulnerable to, for example, fraudulent loans.

Last year the Bank saw an increase in complaints about mobile payment fraud, i.e. fraud concerning digital wallet payments via smartphones, smartwatches and tablets. In such cases, the fraudster seeks to add a payment card to a digital wallet and make purchase payments to brick-and-mortar or online merchants without using a PIN code.

The number of complaints from victims of financial fraud increased more than sixfold year on year.

3.2 Supervisory topics

In the area of financial consumer protection, the Bank's supervision activity in 2021 was mostly conducted remotely and focused on services and activities provided to customers at a distance. Supervision of debt collection companies continued, with special attention paid to monitoring advertising and promotional activity. The supervisory cycle for banks and insurers continued on schedule. Among the most important issues were the calculation of the annual percentage rate of charge, transparency in unit-linked life insurance business, and loan debt recovery practices.



Annual percentage rate of charge (APRC)

When shopping around for loans, the APRC is a key indicator of which loan is more advantageous. For that reason, the Bank was last year working on producing a universal [APRC calculator](#) that the public can, from 2022, use to check the accuracy of APRCs.



Transparency in unit-linked life insurance business

Transparency is a prerequisite for the admissibility of contractual arrangements.

The Bank is looking to lay down rules for the marketing and sale of unit-linked insurance products.

In 2021 the Bank assessed the comprehensibility and transparency of pre-contractual information, contracts, and terms and conditions in the area of unit-linked life insurance. This area of consumer protection is known as **transparency requirements**. In 2021 the Bank's supervision in this area was conducted off-site in the form of an in-depth analysis of the market. The results of that analysis were similar to the findings obtained by EIOPA from an EU-wide survey in 2015.



Debt recovery rules in the area of household loans

The indebtedness of Slovak households has increased sharply during the pandemic. There has been increasing refinancing of housing loans, often including an extension of the loan maturity. Where a borrower falls into arrears, the lender is entitled to recover payment of the past due instalments or the whole loan. In exercising supervision in this area of consumer protection, the Bank proceeds on the assumption that the repayment of debts is a basic requirement in the lender-borrower relationship.

NBS supervision focused on protecting consumers from **dishonest conduct by lenders**.

The Bank issued several **good practice recommendations** for debt recovery.

3.3 Financial education

The Bank considers financial education to be an important part of financial consumer protection in Slovakia. By being able to make informed decisions, understand financial services and assert their consumer rights, consumers help maintain stability in the financial sector. Last year was the first full year of the Bank's financial education activities under '[5peňazí](#)', an initiative that is part of [The Financial Literacy Support Strategy of Národná banka Slovenska](#) approved in 2019.



Not only does the Bank itself provide financial education...

The Bank's financial education activities in 2021 were heavily affected by the pandemic crisis and resulting containment measures. In the early part of the year it was not possible to proceed with the planned opening of regional **5peňazí Centres** (in Košice, Banská Bystrica, Kremnica and Bratislava). Planned experiential educational activities for primary and secondary schools were adapted into an online format. In one three-hour module for secondary schools, students were given the opportunity to make a family budget, find out how much they would earn in their desired occupation, and discuss how they would pay their bills. Based on previous activities in this area, we prepared two thematic educational modules, one on income and work, and another on financial planning.

Where did we provide financial education in 2021? Schools across Slovakia took part in our education activities. A total of 1,350 pupils participated in 111 courses, with 1,085 participating online and 265 in person. Both teachers and pupils much preferred the in-person format. As soon as it was possible, in autumn 2021, we welcomed children to the regional **5peňazí Centres**. Our trainers received around a thousand of pieces of feedback from the participating primary and secondary school pupils, none of which was negative.



...it also engages external education providers

There are many financial education experts in Slovakia. The Bank also works with such external partners to ensure the best possible interconnection and coordination of public and private activities. Last year was also a period in which the Bank was seeking partners for cooperation in this area.

A [grant call](#) for financial education projects was announced in spring 2021 and attracted more than 50 applicants. The evaluation committee selected five projects to receive NBS grants totalling €299,974.



Table 1:
Financial
education
projects awarded
NBS grants
in 2021

Source: NBS.

Applicant	Project name	Amount of grant (EUR)
Cesta von	Rozumné hospodárenie v marginalizovaných rómskych komunitách (Financial management basics for marginalised Roma communities)	99,840
Indícia, n. o.	Investland 2.0	88,000
PRO DYNAMIK	Permoníčkovia v krajine (peňazí) centíčkov a euríčkov (Mine dwarves in the (money) land of cents and euros)	66,550
Zmudri, o. z.	Zmudri vo financiách (Wising up in finance)	14,810
OZ WellGiving	Východiská z generačnej chudoby pre marginalizované skupiny a samoživiteľov (Routes out of poverty for marginalised groups and single parents)	30,774
Total amount		299,974

In addition to the grant scheme, the Bank is also engaging in other forms of cooperation. The promotion of financial literacy in primary and secondary schools is the purpose of a project being undertaken in cooperation with the SLSP Foundation – **the establishment of the FinQ non-profit organisation**. As a programme for providing financial education and developing a financial culture, FinQ in 2021 received accreditation from the Ministry of Education, Science, Research and Sport of the Slovak Republic, and in 2021 it was pilot-tested at 25 schools. The Bank supported the candidacy of the FinQ programme for inclusion in structures of the OECD International Network on Financial Education (OECD/INFE), as an example of good educational practice. FinQ's ambitious goal is to expand the programme so that 30% of primary and secondary school children are participating in it by 2025.

B

4

Issuing activity and cash circulation

7

precious metal
collector euro
coins issued

the most issued
banknote was the

€100
note

cumulative
net issuance
reached
€18.75 billion

lowest number
of recovered
counterfeits
since 2008

almost
261 million
euro banknotes
in the cumulative
net issuance

almost
976 million
euro coins in
the cumulative
net issuance

Issuing activity and cash circulation

4.1 Cumulative net issuance developments

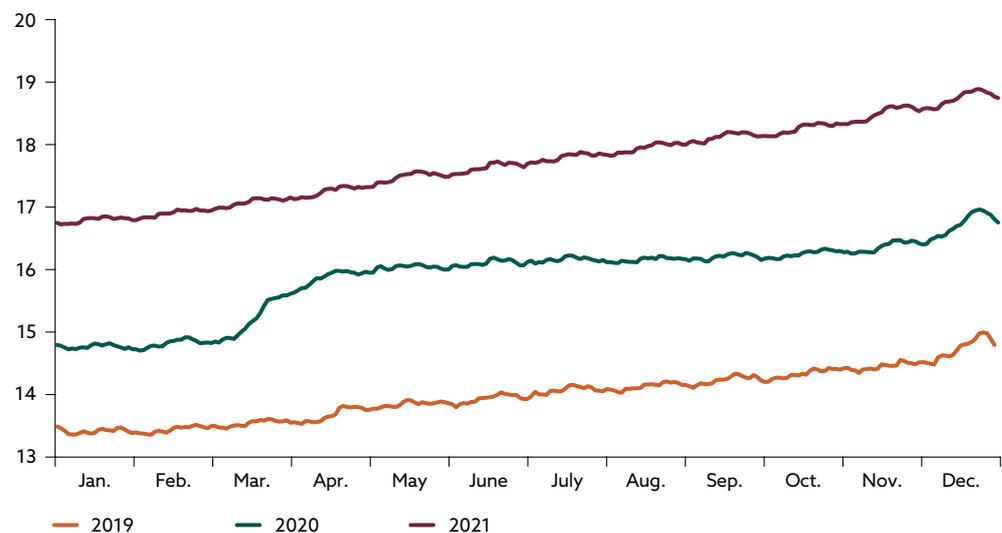


Euro cash issuance growth slowed and the number of counterfeits recovered was the lowest since 2008

The cumulative net issuance (CNI) of euro banknotes and coins in Slovakia increased more slowly in 2021 than in the previous year, but faster than in 2019. The CNI's value reached €18.75 billion by the end of 2021, representing a year-on-year increase of 11.9%. Banknotes accounted for €18.5 billion of that amount, and coins for €224 million. As regards the CNI's daily levels, their year-on-year increases ranged between €1.3 billion and €2.2 billion (Chart 23). The CNI peaked in the pre-Christmas period of 2021, at €18.9 billion.

Chart 23:
Cumulative net issuance of euro cash on a daily basis (EUR billions)

Source: NBS.



Looking at the denomination breakdown of the total number of banknotes included in Slovakia's CNI, the €100 banknote had the highest share (39%) as at the end of 2021.⁴ As for the €50 banknote, which had the highest share from 2009 (when Slovakia adopted the euro) until 2015, its share fell in both 2020 and 2021, down to 17.9% (below the €10 banknote's share – 19.5%).

⁴The fact that it had the largest share in the CNI does not mean the €100 banknote was the most used banknote during the period under review. Owing to unregistered banknote migration, the CNI of a euro area country is not identical with the volume of cash in circulation in that country.

In the coin component of the CNI, the two lowest denomination coins (1 and 2 cent) have the highest share in volume terms. Together, they accounted for almost 63.7% of all coins in the CNI as at the end of 2021, just as they did a year earlier. Their share in the total value of coins in the CNI was only 4.0%.

As for the annual net issuance of individual banknote denominations, the largest increases in 2021 were recorded by the €20 banknote (after its net issuance was negative in 2020) and the €10 banknote. Among euro coins, the €1 and 20 cent coins had the highest annual net issuance in 2021, while the lower denominations had a lower net issuance compared with the previous year.

More detailed data on banknote and coin issuance are provided in Table 2.



**Table 2:
Issuance
of euro banknotes
and coins in
Slovakia as at
31 December 2021**

Source: NBS.

Denomination	Cumulative net issuance as at 31 December 2021		Annual net issuance in 2021		Annual percentage change	
	number	value (EUR)	number	value (EUR)	number	value (EUR)
€500	6 556 133	3 278 066 500.00	-570 428	-285 214 000.00	-8.0	-8.0
€200	6 901 576	1 380 315 200.00	1 950 975	390 195 000.00	39.4	39.4
€100	102 088 311	10 208 831 100.00	17 652 291	1 765 229 100.00	20.9	20.9
€50	46 777 978	2 338 898 900.00	1 038 527	51 926 350.00	2.3	2.3
€20	37 932 950	758 659 000.00	1 081 144	21 622 880.00	2.9	2.9
€10	50 751 926	507 519 260.00	3 753 848	37 538 480.00	8.0	8.0
€5	9 770 297	48 851 485.00	413 577	2 067 885.00	4.4	4.4
Total banknotes	260 779 171	18 521 141 445.00	25 319 934	1 983 365 695.00	10.75	11.99
€2	71 140 251	142 280 502.00	3 453 988	6 907 976.00	5.1	5.1
€1	23 408 466	23 408 466.00	1 222 523	1 222 523.00	5.5	5.5
50 cent	31 740 983	15 870 491.50	1 013 869	506 934.50	3.3	3.3
20 cent	35 199 024	7 039 804.80	1 427 739	285 547.80	4.2	4.2
10 cent	79 971 755	7 997 175.50	4 335 613	433 561.30	5.7	5.7
5 cent	112 714 542	5 635 727.10	7 393 192	369 659.60	7.0	7.0
2 cent	240 306 176	4 806 123.52	12 766 030	255 320.60	5.6	5.6
1 cent	381 367 822	3 813 678.22	27 266 084	272 660.84	7.7	7.7
Total coins	975 849 019	210 851 968.64	58 879 038	10 254 183.64	6.4	5.1
Collector coins	726 252	13 134 150.00	140 494	1 537 985.00	24.0	13.3
Total value		18 745 127 563.64		1 995 157 863.64		11.9



Unredeemed Slovak koruna banknotes number almost 19 million and have a combined face value of SKK 2.1 billion (€69.7 million)

As at 31 December 2021, i.e. thirteen years after Slovakia adopted the euro, unredeemed Slovak koruna banknotes totalled 18.7 million and had a combined face value of SKK 2.1 billion (€69.7 million), representing 1.38% of the total value of koruna banknotes issued (by 31 December 2007). The number of unredeemed Slovak koruna commemorative coins stood at 0.9 million by the end of 2021, and their total face value was SKK 0.7 billion (€23.2 million).

4.2 Production of euro banknotes and coins



In 2021 the Bank commissioned the production of €20 banknotes for the Eurosystem and five euro coin denominations for cash circulation; it also issued seven precious metal collector euro coins, two base metal collector euro coins, one commemorative euro coin and six thematic collector sets of 2021 Slovak euro coins

As required under the ECB's allocation of euro production volumes across Eurosystem national central banks for and during 2021, the Bank commissioned the production of **60.69 million** Europa series €20 banknotes, including 37.6 million that were produced and delivered in 2020. The other **23.09 million** were produced and delivered in 2021 by Oberthur Fiduciaire SAS, an accredited printing works based in France.

As for coins, in 2021 the Bank commissioned the production of 33.69 million [euro coins intended for circulation](#), which included five different denominations.

The Bank last year issued seven precious metal [collector euro coins](#) and two base metal collector euro coins. In addition, it issued one €2 [commemorative coin](#) with a mintage of one million. All the Slovak euro coins issued by the Bank are produced by the state-owned Kremnica Mint (Mincovňa Kremnica).

Out of its 2021 production of circulation euro coins, the Kremnica Mint set aside 19,400 coins of each denomination for use in six thematic collector sets of Slovak euro coins.



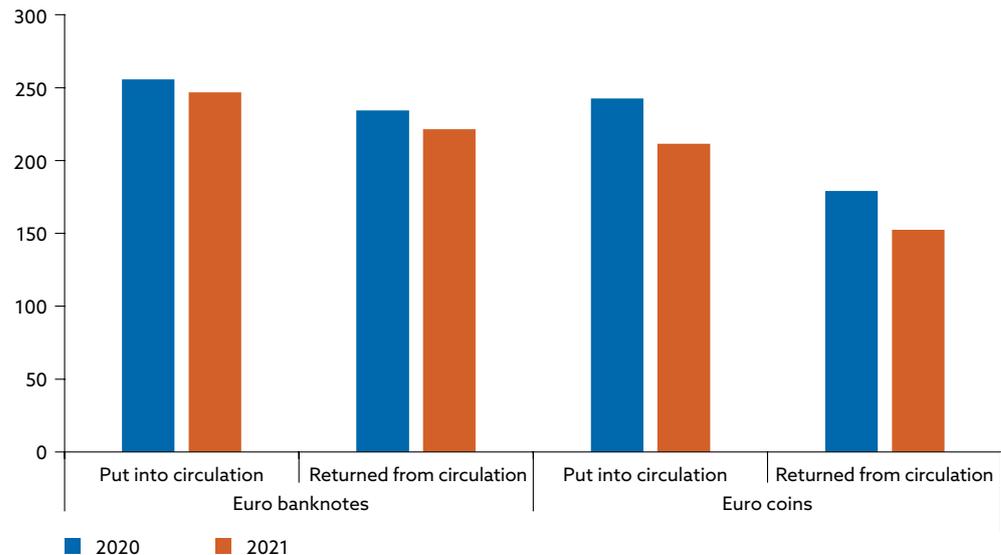
The volume of the cash cycle continued to decline year on year

The volume of banknotes and coins put into circulation and returned from circulation was lower in 2021 than in the previous year, largely because of the ongoing pandemic crisis.⁵



Chart 24:
The volume of euro banknotes and coins put into circulation and returned from circulation at NBS (millions of notes and coins)

Source: NBS.



The cash cycle decrease was reflected in the number of euro banknotes and coins processed by the Bank, which fell by respectively 3.0% and 11.6%. As a result, the number of banknotes and coins sorted as unfit also decreased, by 22.4% and 36.5%. The unfit rate for euro banknotes fell to 12.2%.

⁵ The processing and recirculation of euro banknotes and coins is performed not only by the Bank, but also by commercial banks and other [cash handlers](#) which the Bank has authorised. The activities of these cash handlers are subject to the Bank's regular supervision.

4.3 Counterfeit banknotes and coins recovered in Slovakia



The number of counterfeits recovered in Slovakia in 2021 was the lowest in any year since 2008

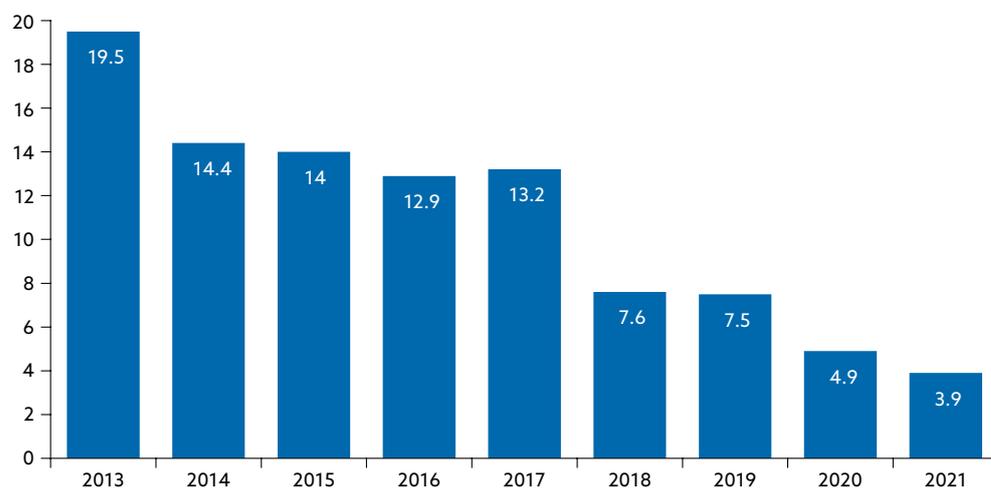
The total number of counterfeit banknotes and coins recovered in Slovakia in 2021 was 2,800, the lowest in any year since 2008. Euro counterfeits made up the vast majority (2,754) of that total and comprised 1,162 banknotes and 1,592 coins. Of the euro banknote counterfeits, 1,016 (87.4%) were recovered from circulation. The number of counterfeit euro banknotes and coins in circulation has been stable in recent years. The recovered banknotes have mainly been lower quality counterfeits that lack any security features or include very poorly counterfeited security features. The quality of euro coin counterfeits has been relatively high for a long time.

Relative to the number of genuine euro banknotes in circulation in Slovakia, the proportion of counterfeits recovered in 2021 was just under four per million, and the corresponding figure for euro coin counterfeits was 1.63. The chances of anyone coming across a counterfeit euro banknote or coin are therefore low.⁶



Chart 25:
Number of counterfeit euro banknotes per million genuine euro banknotes in circulation in Slovakia

Source: NBS.



⁶ Genuine banknotes can be easily recognised using the 'feel, look and tilt' method which, along with the particular security features, is described [here](#) on the ECB's website.

The counterfeit banknotes recovered in 2021 consisted mostly of €50 counterfeits (43.2% of the total), followed by €20 and €10 counterfeits (17.3% and 13.5% respectively). As for coins, €2 counterfeits accounted for 88.3% of the total. Besides euro counterfeits, four Slovak koruna counterfeits, 41 US dollar counterfeits and one British pound counterfeit were recovered in 2021.

B

5

Payment services and payment systems

2
payment
systems

279 million
SIPS
transactions

642 million
payments with
cards issued by
domestic banks

€226
- the average value
of ATM withdrawals
made with domes-
tically issued bank
payment cards

160,000
TARGET2-SK
transactions

Payment services and payment systems⁷

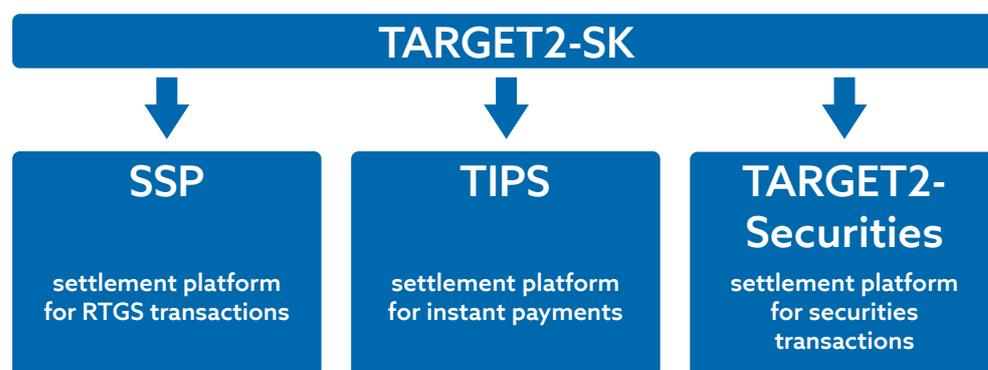
5.1 Payment systems



The Bank operates two payment systems – TARGET2-SK and the Slovak Interbank Payment System (SIPS). TARGET2-SK is a TARGET2 component system that has been operating since 2009.



Figure 3: TARGET2-SK platforms



In addition to its role in the day-to-day operation of TARGET2-SK, the provision of consultative support to the system's participants, and the testing of procedures for the resumption of operations, the Bank is also involved in coordinating the development, modification, testing, and implementation of software releases for the Single Shared Platform (SSP) that forms the technical infrastructure of TARGET2-SK. New software releases, approved by the Eurosystem in response to the requirements of the system's users, bring enhanced functionalities and modifications to the SSP and also rectify any deficiencies identified in the previous version.



Preparation made in 2021 for the introduction of the TIPS service in Slovakia

⁷ The area of payment services and payment systems in Slovakia is governed primarily by the [Payment Services Act](#) (No 492/2009). This law includes provisions on the out-of-court resolution of disputes through [alternative dispute resolution](#) bodies.

During 2021 three Slovak banks (Slovenská sporiteľňa, VÚB, and Tatra banka) were preparing to join the TARGET Instant Payment Settlement (TIPS) service. These banks have signed up to the [National plan for the implementation of instant payments in the Slovak Republic](#), which set the launch date for instant payments at 1 February 2022.



T2/T2S consolidation project - modernising the existing TARGET2 system

Work on the T2/T2S consolidation project continued within the Eurosystem in 2021. The launch of the new consolidated platform is scheduled for 21 November 2022. During 2021 the Bank ran online training courses for TIPS participants.



TARGET2-SK participants

TARGET2-SK had 38 participants at the end of 2021. They comprised 34 direct participants and four ancillary systems, namely the Slovak Interbank Payment System, SIA Slovakia, s.r.o., and two central securities depositories (CSDs) - Bratislava-based Centrálny depozitár cenných papierov SR, a.s. and Prague-based Centrální depozitář cenných papírů, a.s. Two entities joined the system as direct participants in 2021 and three left it. The new arrivals were MONETA Money Bank, a.s. and PKO BP S.A. (a foreign bank branch). The departees were Národný centrálny depozitár cenných papierov, a.s. (a CSD), the Slovak branch of Československé úvěrní družstvo (a credit cooperative), and OTP Banka Slovensko, a.s. (following its takeover by Československá obchodná banka, a.s.).



Payments processing in TARGET2-SK

TARGET2-SK had 258 operating days in 2021, and its average daily traffic by number and value was 628 transactions and more than €2.6 billion.



Figure 4: Number and value of transactions processed by TARGET2-SK

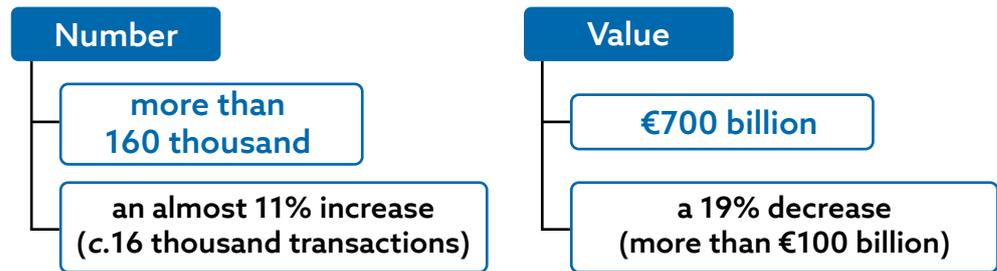
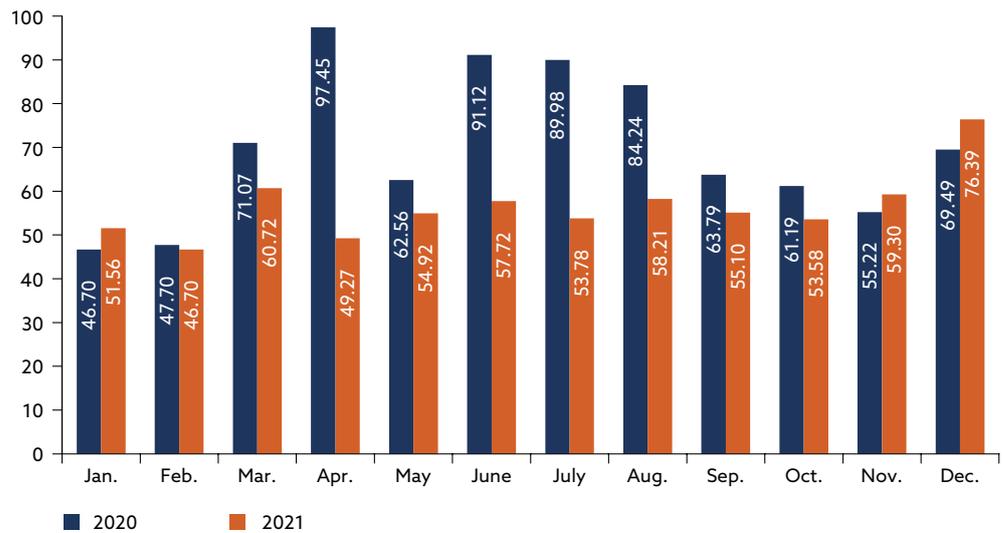


Chart 26: Value of transactions processed by TARGET2-SK in 2021 and 2022 (EUR billions)

Source: NBS.

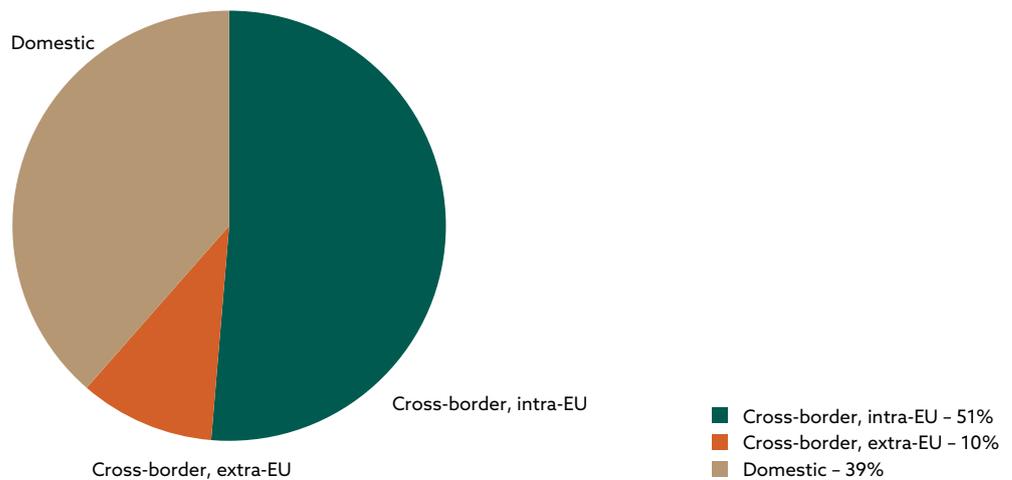


In the breakdown of payment traffic between customer and interbank transactions, customer payments had the higher share by number (62:38) and interbank payments predominated in terms of value (5:95). Twenty-four EU countries were using TARGET2 in 2021.



Chart 27: Value of payments sent by TARGET2-SK participants in 2021 broken down by destination (percentages)

Source: NBS.



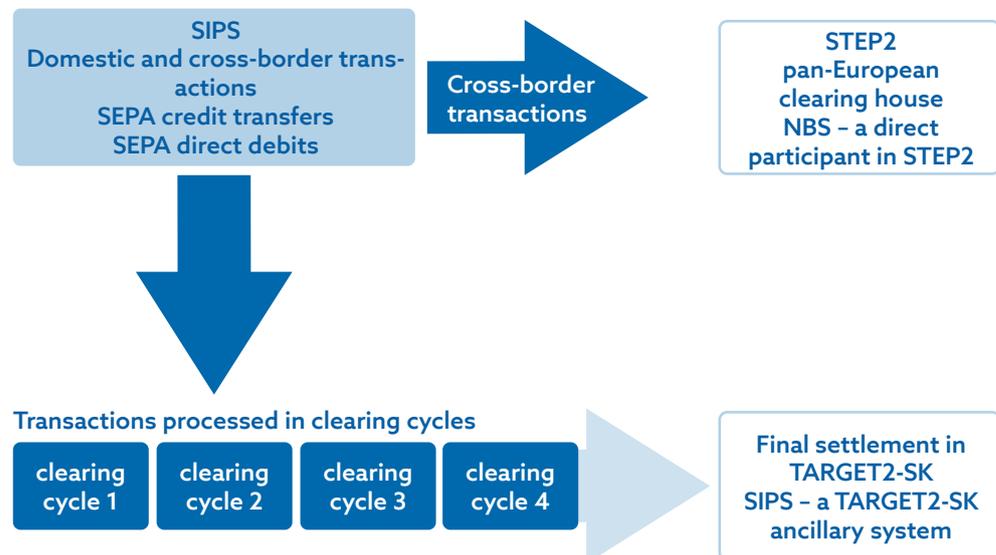


The Slovak Interbank Payment System (SIPS)

Operated by Národná banka Slovenska, the SIPS retail payment system processes domestic and cross-border SEPA credit transfers (SCTs) and SEPA direct debits (SDDs). As regards SCTs and SDDs sent to payment service providers that are not SIPS participants, the Bank ensures their processing through STEP2, a pan-European automated clearing house in which it is a direct participant.



Figure 5: SIPS – interbank retail payment system



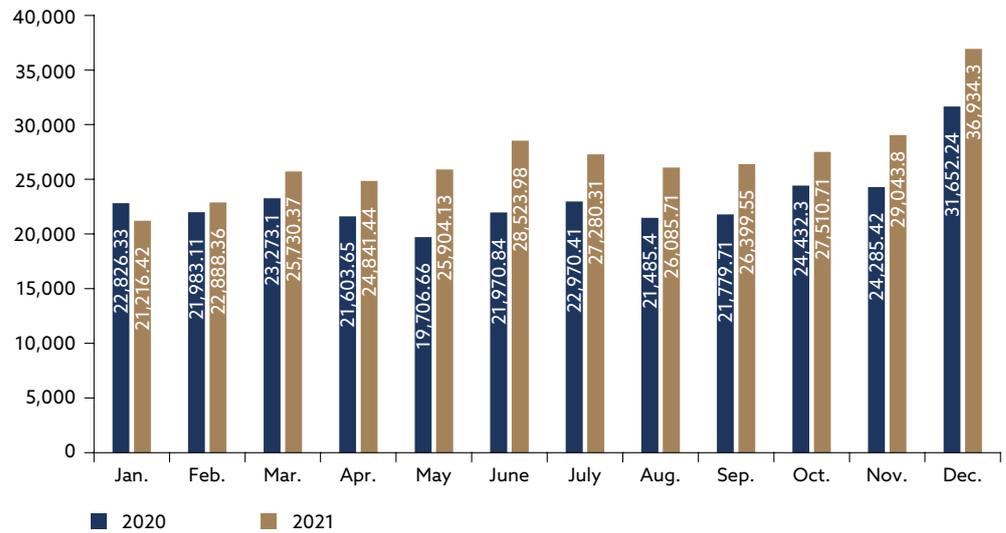
SIPS processes and clears the payments of its participants over four clearing cycles on each business day. Since SIPS is a TARGET2-SK ancillary system, the final cash positions after each cycle undergo final settlement in TARGET2-SK.

In 2021 SIPS processed more than 279.19 million transactions with a total value of €322,359.08 million.



Chart 28:
Value of transactions processed by SIPS in 2020 and 2021 (EUR millions)

Source: NBS.



SIPS continues to be modified

In 2021 SIPS underwent modifications following the annual release of the functional version of STEP2. The Bank also continued making adjustments to SIPS in relation to the T2/T2S consolidation project (with the consolidated platform due to be launched in 2022).



SIPS transactions in 2021 broken down by the number and value of domestic and cross-border transactions

In 2021 the share of cross-border transactions in overall SIPS transactions increased, year on year, in terms of both number and value, by 0.5% and 2.4% respectively.

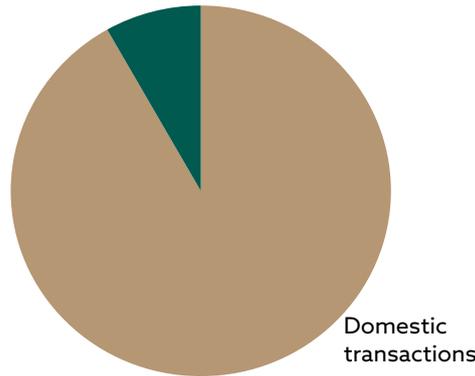


Chart 29:
Number
and value of
domestic and
cross-border
transactions
(percentages)

Source: NBS.

Number

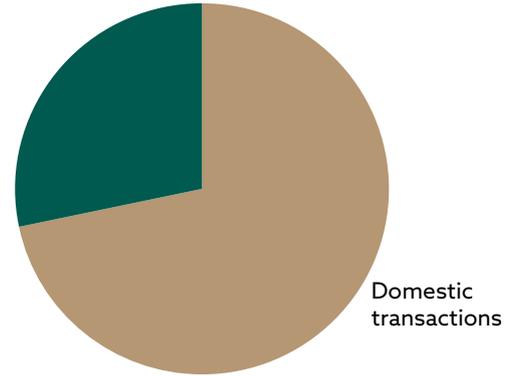
Cross-border transactions



■ Domestic transactions - 91.80%
■ Cross-border transactions - 8.20%

Value

Cross-border transactions



■ Domestic transactions - 71.72%
■ Cross-border transactions - 28.28%



SEPA transactions in 2021 broken down by the number and value of credit transfers and direct debits

In the breakdown of SEPA transaction by payment instrument, SEPA credit transfers continued to predominate in terms of both number (93.55%) and value (99.23%).

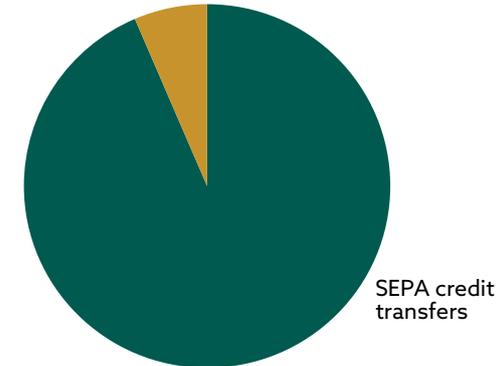


Chart 30:
Number and
value of SEPA
credit transfers
and SEPA
direct debits
(percentages)

Source: NBS.

Number

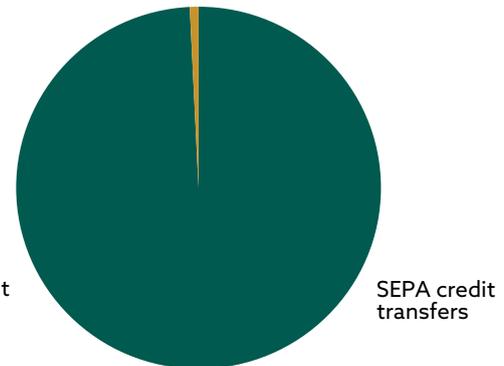
SEPA direct debits



■ SEPA credit transfers - 93.55%
■ SEPA direct debits - 6.45%

Value

SEPA direct debits



■ SEPA credit transfers - 99.23%
■ SEPA direct debits - 0.77%



The Bank has maintained a Creditor Identifier Register since 2013

In the SEPA direct debit (SDD) scheme, creditors (payees) must have a Creditor Identifier. By the end of 2021 the Bank had issued a total of 551 Creditor Identifiers to SDD creditors (natural or legal persons).

5.2 Payment cards



Change in payment card usage

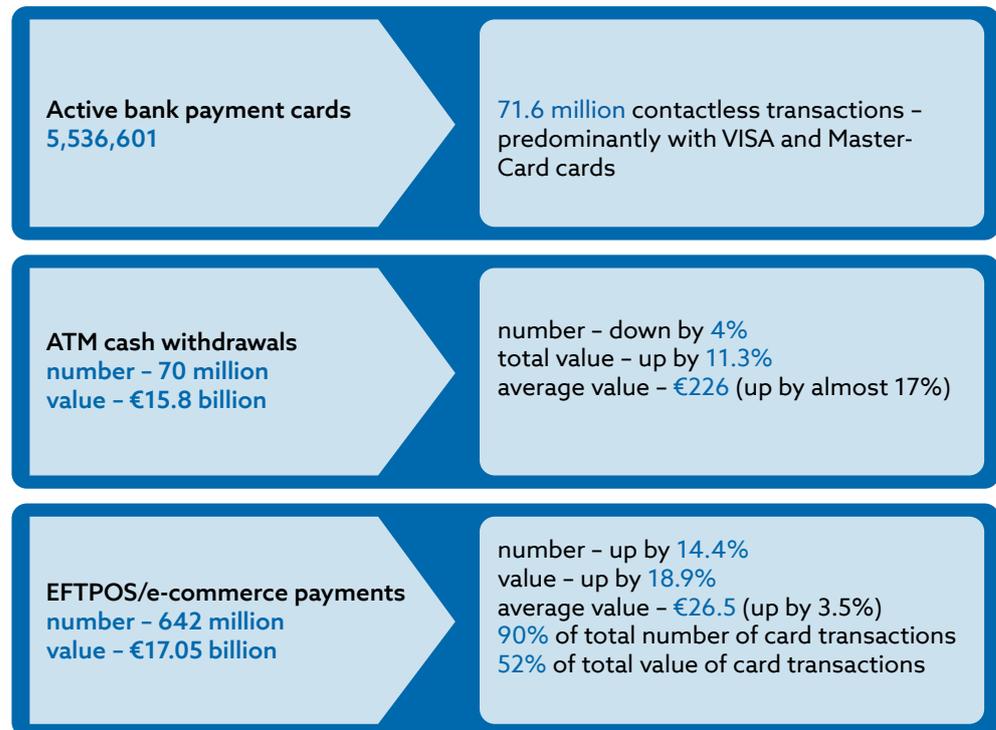
In 2021 the value of payments made by payment cards issued by Slovak banks exceeded the value of ATM withdrawals made with these cards. This was in line with the marked shift in cardholder behaviour observed in the previous year, when cardholders were to a greater extent using cards for payments at brick-and-mortar merchants.

As a result of the decreasing need for cash, the number of ATM withdrawals fell in 2021. On the other hand, the total value of withdrawals increased. In other words, cardholders were withdrawing cash from ATMs less frequently but in higher amounts.

A shift in cardholder behaviour has also been observed in the area of e-commerce payments, which recorded a year-on-year increase in terms of both their number and value.



Figure 6: Number of payment cards issued by Slovak banks and transactions made with these cards broken down by number and value



Sources: Banks and foreign bank branches.

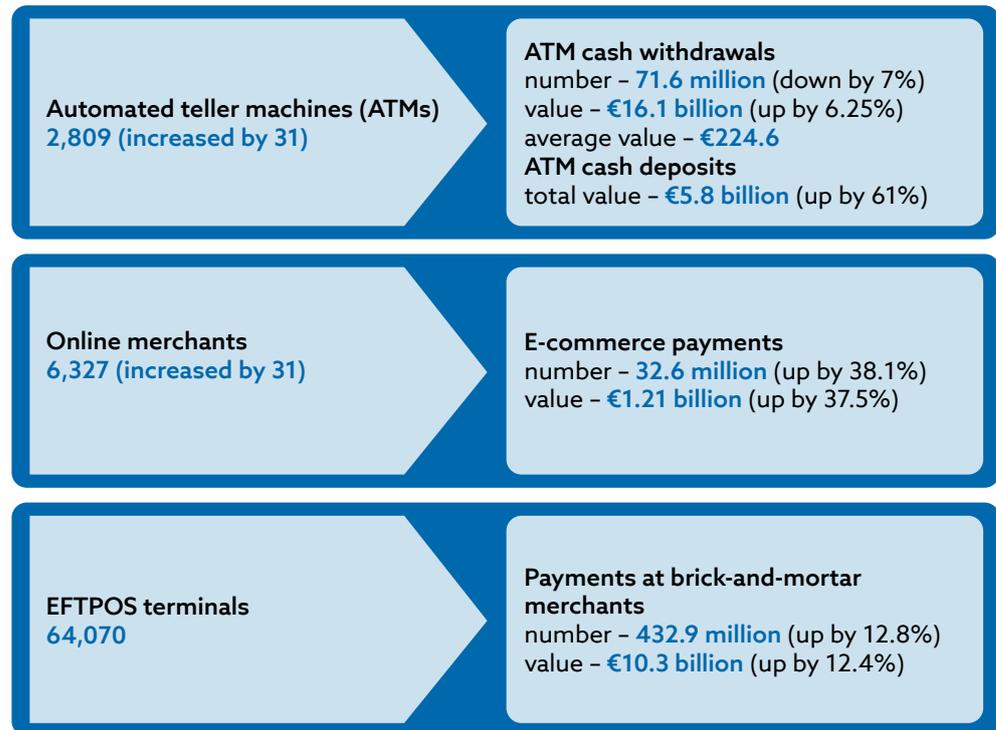


Mobile payments became increasingly common

In 2019 the majority of banks in Slovakia made the digital wallet platforms Google Pay and Apple Pay available to holders of their MasterCard and Visa cards, and some banks also started supporting the smartwatch apps Garmin Pay and Fitbit Pay. Since then, the domestic issuers of these cards have recorded a significant increase in the number of value of transactions made through these applications. In 2021 their number increased to more than 72.7 million, and their value rose to almost €1,602 million. Compared with 2020, both the number and value doubled. Cardholders tend to use mobile payments for lower-value transactions.



Figure 7: Transactions made at or with ATMs, online merchants and EFTPOS terminals located in Slovakia



Sources: Banks and foreign bank branches.

B

6

Statistics

3,846

reporting agents
registered in the
Statistics Collection
Portal

126,189

statements
received from
reporting agents

204

new reporting
templates

110,437

unique statements
received from
reporting agents

Statistics

6.1 Statistical developments

Národná banka Slovenska collects, compiles and disseminates a wide range of [statistics](#) and data needed to support the ECB's monetary policy, financial stability, and other tasks of the European System of Central Banks (ESCB). These statistics are also used by public institutions, international organisations, financial market participants, the media and the general public, and help the Bank to increase the transparency of its work.



The Integrated Reporting Framework

In cooperation with the banking sector, the Bank last year completed the national contribution to a cost-benefit analysis of the ESCB's Integrated Reporting Framework (IReF). The IReF project is being developed in relation to the long-term objective to achieve further standardisation and integration in the area of statistical, prudential and resolution reporting. This project is a key element of the ESCB's strategy to reduce the reporting burden on banks and to increase both the efficiency of the ESCB's statistical processes and the quality of data available to policymakers.



Preparation of new reporting

In 2021 the Bank issued a Decree (No 8/2021) which implements new requirements of the ECB for balance sheet statistics, payment statistics and balance of payment statistics. It also brought a fundamental change in dynamic reporting through semi-aggregated data collection. The reporting changes entailed an updating of the methodology and an improvement in data quality.



Securities

Work on improving data quality and on further developing data quality management in ESCB databases for individual securities issues and holdings continued in 2021. In cooperation with the ECB, the parallel compilation of securities statistics was carried out on the basis of microdata stored in a database and in aggregate form.



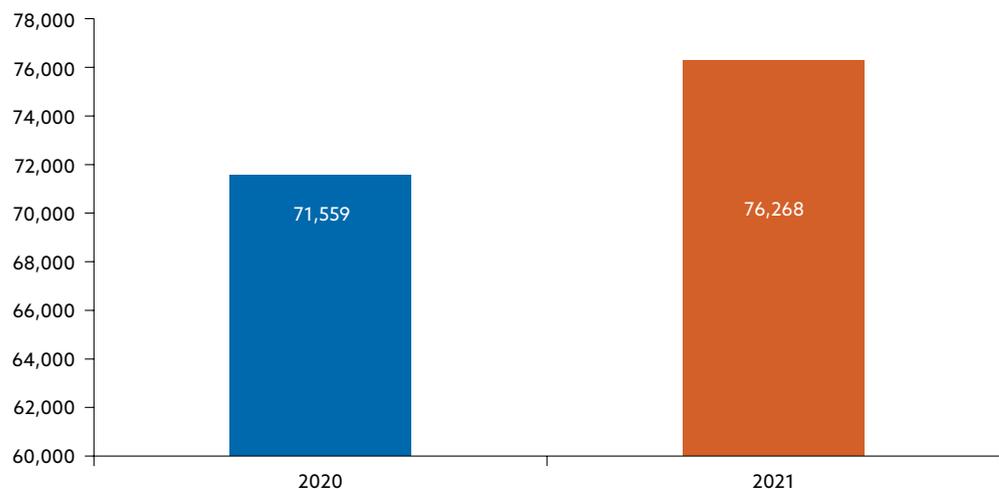
Register of Institutions and Affiliates Database

The number of entities recorded in the Register of Institutions and Affiliates Database (RIAD) continued its rising trend in 2021, ending the year at almost 11.3 million. The number of those that were Slovak residents increased by almost five thousand, year on year, to 76,268.



Chart 31:
Number
of Slovak
residents
recorded
in RIAD

Source: RIAD.

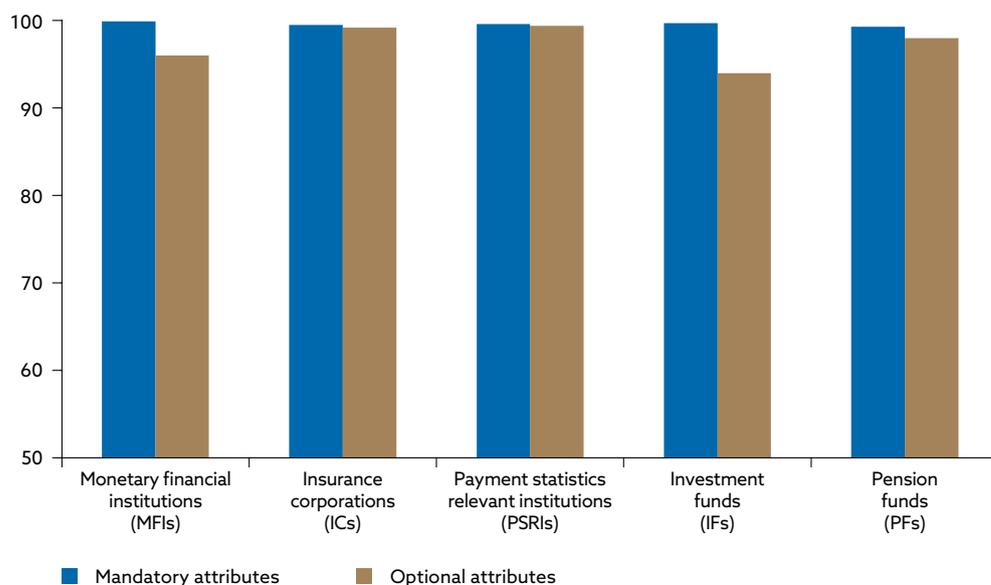


For Slovak entities in RIAD, the completion rate of mandatory attributes specified in Annex 1 of [Guideline ECB/2019/17](#) was very high in the last two years. Since the ECB publishes lists of entities on the basis of these attributes, their quality is extremely important for the functioning of the whole system as well as for its users.



Chart 32:
Completion rate
of mandatory
and optional
attributes in RIAD
(percentages)

Source: RIAD.



Government finance statistics

With the COVID-19 pandemic still ongoing in 2021, it became necessary to understand and assess the statistical impact of new measures adopted by European countries to contain the pandemic's economic and social consequences. The ECB and Eurostat jointly prepared a new collection of pandemic-related datasets: 'Supplementary table for reporting measures taken in the context of the COVID-19 pandemic'; and 'Reporting of expenditure and other costs of the general government financed by the Recovery and Resilience Facility'. In 2021 the respective datasets for 2020 were submitted by individual Member States in the form of questionnaires pursuant to Article 8.2 of [Council Regulation \(EC\) No 479/2009](#) on the application of the Protocol on the excessive deficit procedure (EDP). Hence they became an integral part of the EDP procedure.



Non-financial corporations sector

As regards economic statistics for the non-financial corporations sector – proxied by contributions to the Bank for the Accounts of Companies Harmonized (BACH) database and the iBACH database of microdata from BACH – the regular collection of data continued in 2021 alongside methodological activities and participation in ad hoc analyses.

For entities reporting through the Bank's Statistics Collection Portal which are subject to a reporting obligation under the Foreign Exchange Act, the scope of their reporting was expanded in 2021 to include new requirements of international institutions, mainly the ECB, concerning the compilation of balance of payments (b.o.p.) and international investment position (i.i.p.) statistics. The statistical reporting obligation for non-bank entities is governed by Slovakia's [Foreign Exchange Act](#).



Household sector

In cooperation with the Statistical Office of the Slovak Republic, the Slovak part of the fourth wave of the Eurosystem's Household Finance and Consumption Survey (HFCS) was conducted from July to October 2021. After statistical processing and validation of the data, the ECB will publish the HFCS results for Slovakia at the end of 2022.



Quarterly financial accounts

In October 2021 the NBS Bank Board approved Decree No 12/2021 on reporting by insurance undertakings, reinsurance undertakings, branches of foreign insurance undertakings, branches of foreign reinsurance undertakings, insurance undertakings and reinsurance undertakings from other EU Member States, pension fund management companies and supplementary pension management companies. When it takes effect on 1 January 2023, the Decree will implement new requirements laid down by EU legal acts, including an ECB Guideline ([ECB/2021/20](#)) on the ECB's statistical reporting requirements in the field of quarterly financial accounts.



Balance of payments

The most notable development concerning balance of payments statistics in 2021 was the transmission of balance of payments (b.o.p.) and international investment position (i.i.p.) data (including retrospective time series) in accordance with new expanded requirements laid down by the ECB and

Eurostat. The new requirements concerned extending the composition of financial instruments in the balance of payments and international investment position, extending the sectoral and geographical breakdown of these instruments, and the currency composition of selected items of the international investment position.

In the area of services, the Bank took part in the ECB's 'Trade by invoicing currency' pilot project during the course of last year. The project focused on the currency composition of services and included providing the ECB with data on the currency composition of cross-border services.

As for b.o.p. statistics, work on streamlining the collection of data for banking, insurance and pension sector entities continued in 2021. The amending of NBS decrees concerning these entities resulted in the production of new reporting statements that enabled the integration of requirements for b.o.p. statistics, financial accounts statistics, and monetary and financial statistics.



Insurance, capital, and pension fund sectors

As regards the insurance, capital, and pension fund sectors, there were some significant changes in the number of reporting agents in 2021. The impact of these changes on statistics was seen mainly in the volume of data reported and collected. The changes resulted from new agents starting operation in Slovakia, mergers and acquisitions of insurers and funds, and the transformation of two insurers each into a branch from another Member State.



Table 3:
Selected changes
in the number of
reporting agents

Source: Statistics
Collection Portal.

Type of reporting agent	Number as at 1 January 2021	Number launched in 2021	Number dissolved in 2021	Number as at 31 December 2021
Insurer	12	1	-3	10
Branch of an insurer from another Member State	18	3	-4	17
Standard investment fund	83	16	-9	90
Special real estate investment fund	8	1		9
Alternative investment fund	42	9		51

In the area of the insurance and pension fund sectors, 2021 saw the intensive preparation of documents concerning insurance reporting for EIOPA (as part of the 2020 review of Solvency II – changes in the scope and structure of data along with new ECB requirements, so-called ECB add-ons) and

also for the ECB's European statistics (in line with [ECB guidelines on statistical information to be reported](#) on insurance corporations and pension funds).

Regarding the collection of data for investment firms, the Bank's focus in 2021 was on preparing for a new EU legal act: [Regulation \(EU\) 2019/2033](#) on the prudential requirements of investment firms. In accordance with this legislation in regard to reporting statements concerning capital requirements, reporting under the Investment Firm Regulation (IFR) and Investment Firm Directive (IFD) framework replaced common reporting (COREP), with the first submissions under IFR/IFD reporting being made on request as at 30 September 2021. The scope and periodicity of IFR/IFD reporting depends on the class of the reporting firm.

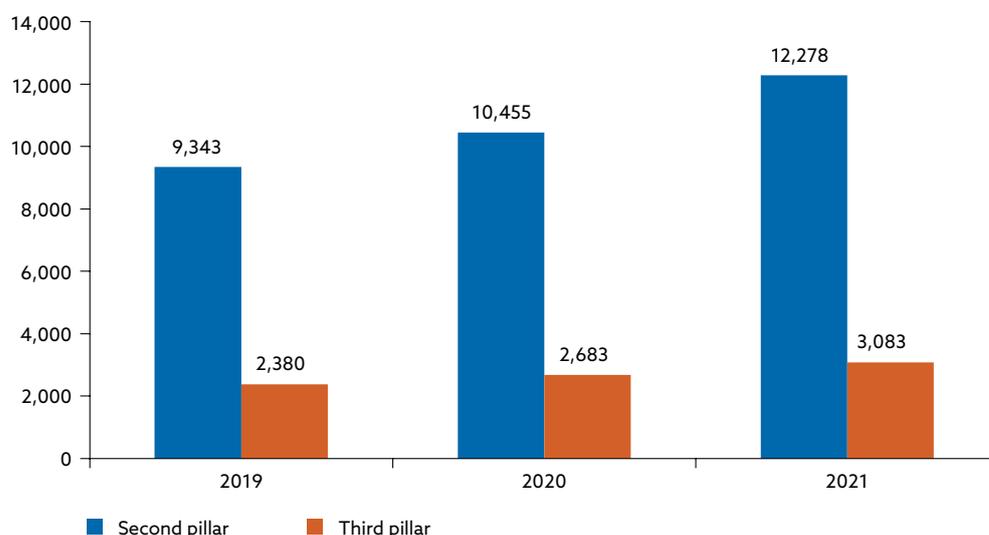
Another important change in investment fund reporting in 2021 was brought by [Commission Delegated Regulation \(EU\) 2020/2176](#). According to the Regulation, software assets do not affect the amount of own funds, but the amount of the prudential accumulated amortisation of software assets as defined in the Regulation is to be deducted from own funds.

The financial assets of participants in the second and third pillars of the Slovak pension system are increasing year by year.



Chart 33:
Financial assets under management in the second and third pillars of the pension system, 2019–2021 (EUR millions)

Source: NBS.



Cooperation with the Statistical Office

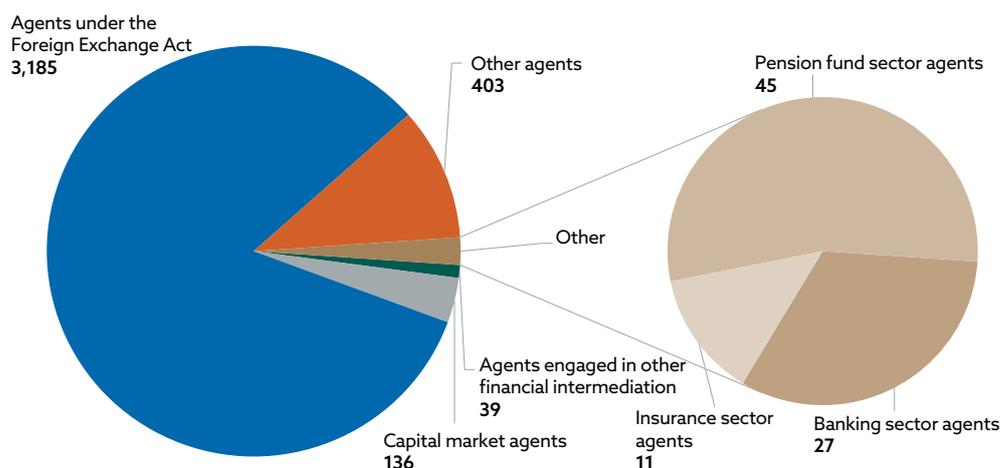
In March 2021 the Bank and the Statistical Office of the Slovak Republic signed Addendum No 3 to their Framework agreement on cooperation in the provision of statistical data and statistical information of 21 May 2013.

6.2 Information systems

The Bank uses its [Statistics Collection Portal](#) (SCP) to collect, process and store data received from reporting agents for statistical and supervisory purposes. In 2021 new taxonomies were being implemented in the SCP in accordance with requirements of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the ECB. At the same time, a new, more flexible module named ESAs (European Supervisory Authorities) started to be developed within the SCP.

By the end of 2021 a total of 3,846 reporting agents were registered in the SCP, including 27 from the banking sector, 39 engaged in other financial intermediation, 11 from the insurance sector, 136 from the capital market (investment firms, investment funds, asset management companies, the stock exchange, and central securities depositories), 45 from the pension fund sector, 3,185 entities reporting to NBS under the NBS Decree on reporting in accordance with the Foreign Exchange Act, and 403 other agents.


Chart 34:
Number of reporting agents registered in the SCP
Source: Statistics Collection Portal.

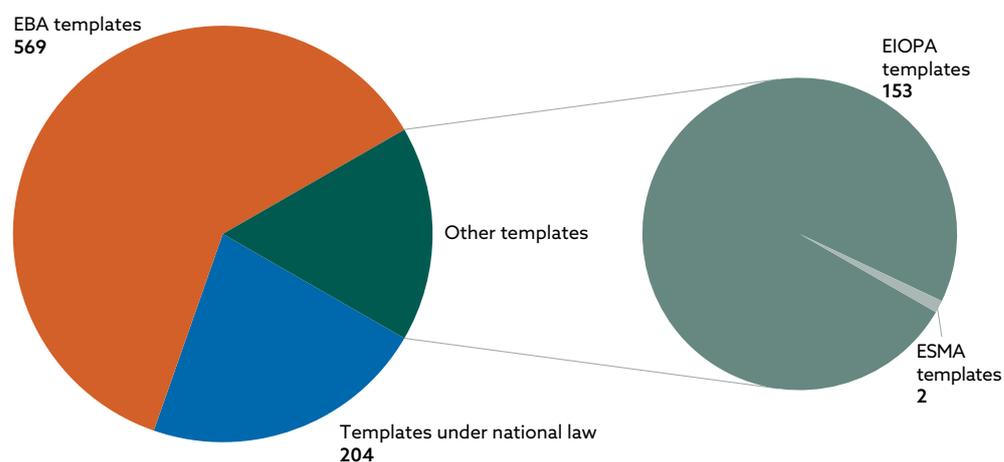


In 2021 a total of 204 reporting templates were designed for data collection requirements under national law, 569 as required by the EBA, 153 as required by EIOPA (110 for the insurance sector and 43 for the pension fund sector), and two in accordance with the EU's Alternative Investment Fund Managers Directive (AIFMD).



Chart 35:
Number
of reporting
templates
used in the SCP

Source: Statistics
Collection Portal.



In 2021 the APOŠTOL platform was developed as a natural component of the Qlik Sense business intelligence (BI) tool. In the context of supporting consultative, training and internal work, the deployment of Qlik Sense applications continued to be extended, to around 500 in the areas of securities statistics, balance sheet statistics, interest rate statistics, other financial intermediaries statistics, balance of payments statistics, government statistics, financial accounts statistics, foreign direct investment statistics, and services statistics. Qlik Sense was also used for the data aggregation output for the BACH data. Through its database interface, APOŠTOL started providing several of the Bank's departments with data for Power BI solutions. It also provides access to migrated data from the STATUS and STATUS DFT systems.

During last year the Statistics Department was involved in a new project to build an NBS-wide data warehouse (DWH). DWH project activities included realising the second phase of a pilot project to extend the data model to include two additional areas of statistical data: balance sheet statistics and securities statistics. Alongside the implementation of these changes, extensive training was provided to ensure operational support for new users.

B

7

Economic research

16

research
papers

13

analytical
commentaries
and blog posts

number

1

in RePEc
ranking

8

articles in scientific
journals

12

expert
seminars

Economic research

Národná banka Slovenska has consolidated its leading position among institutions at the fore of economic research in Slovakia, according to the [RePEc ranking](#).

The main research topic became the real economy and labour market



Flexible shift in focus of research

Research paper topics:

monetary policy and inflation
 financial stability
 real economy and labour market
 COVID-19
 the ECB's transition to a new monetary policy strategy
 and others

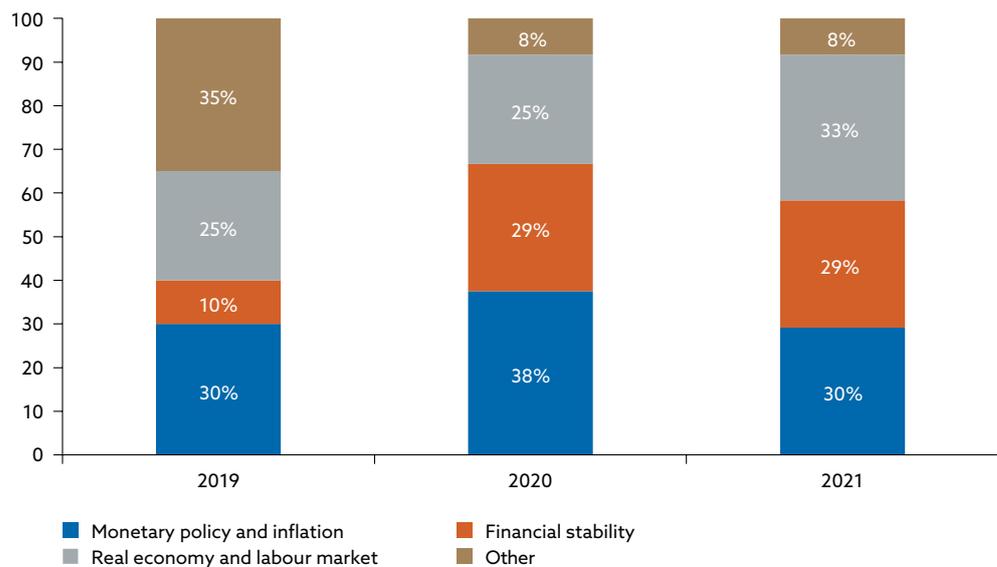


Increase in share of papers published abroad

Papers by publisher:

[NBS](#) (8)
[European Central Bank](#) (4)
[European Investment Bank](#)
[Ashoka University](#)
[Cross-National Data Center in Luxembourg](#)
[CompNet](#)

Chart 36:
Research publications by topic (percentages)
 Source: NBS.



Note: The chart shows the topics' shares in all papers and articles published by the Bank's Research Department in the given year.



Increase in number of research articles published in renowned scientific journals

New articles in journals:

Journal of Monetary Economics

Journal of Money, Credit and Banking

International Journal of Central Banking

Journal of Business and Economic Statistics

Social Indicators Research

Finance Research Letters

Scottish Journal of Political Economy

Review of International Political Economy



External cooperation continued mainly online

Within research networks:

HFCN
([Household Finance and Consumption Network](#))

PRISMA
([Price-setting Microdata Analysis Network](#))

CompNet
([Competitiveness Research Network](#))

Through seminars and bilateral activities:

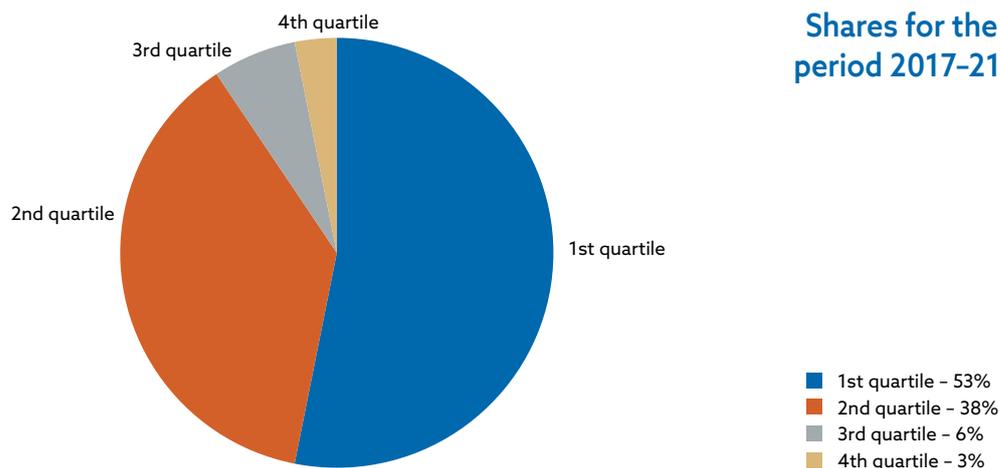
with one visiting researcher, with interns and students, and with external researchers and analysts

Research articles published abroad were mainly in highly ranked journals



Chart 37:
Articles published in foreign scientific journals broken down by journal ranking (percentages)

Source: SCImago Journal & Country Rank.



Note: NBS staff have had more than 30 articles published in foreign scientific journals over the past five years.

B

8

Communication and social and environmental responsibility

101

press releases

34,000

visitors to the Museum of Coins and Medals

19 million

website views

12 million

unique visitors

34.66%

reduction in energy consumption per employee over ten years

€50,726

worth of IT equipment and furniture donated

Communication and social and environmental responsibility

As an open and modern institution, Národná banka Slovenska actively engages in areas that have a social and environmental impact. In this context, the Bank uses various communication channels, participates in public benefit activities, and strives to ensure the sustainability and greening of its operations.

Communication and social responsibility

The Bank supports marginalised communities and talented young artists



Corporate social responsibility

Events and campaigns:

- Participation in the Bike to Work campaign during European Mobility Week, to support clean transport
- Provision of food aid worth €13,000 to homeless people, through the Depaul charity
- Collection of school supplies and educational toys for children from socially marginalised communities
- Participation in the Naše mesto (Our Town) initiative – improving the environment around schools, around a crisis centre and at Horský park in Bratislava
- Organisation of a Christmas market for the sale of products made by disabled people at sheltered workshops
- Donation of computer equipment and furniture with an acquisition value of €50,726 to ten non-profit organisations



Activities for the public

- Supporting the Biela noc (White Night) contemporary art festival with a light and sound display on the NBS building
- Holding an exhibition of artworks by talented young artists at the NBS Gallery in cooperation with the Academy of Fine Arts and Design in Bratislava
- Hosting a talk about Imrich Karvaš, governor of the Slovak National Bank from 1939 to 1944, including an exhibition of archival documents
- Providing consultation for an [animated film](#) about Imrich Karvaš
- Producing segments for Slovak Radio on:
 - The monetary reform of 1953
 - Money in Slovakia in the 20th century
 - Slovak currency and its artwork
- Cultural events and exhibitions at the Museum of Coins and Medals in Kremnica



NBS online

19 million website page views
12 million unique visitors
101 press releases
4,400 views of press release
livestreams
34,000 views of the NBS
YouTube channel
15% increase in fans on
Facebook
77% increase in
followers on Instagram



Public opinion survey about NBS

Conducted by the agency
FOCUS

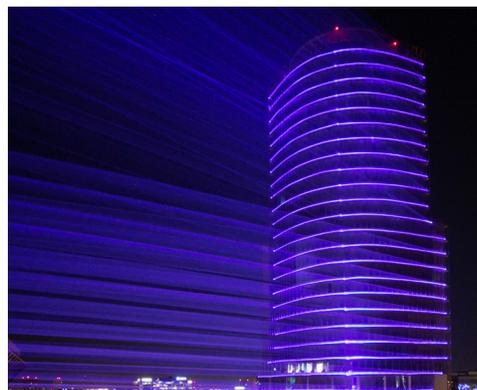
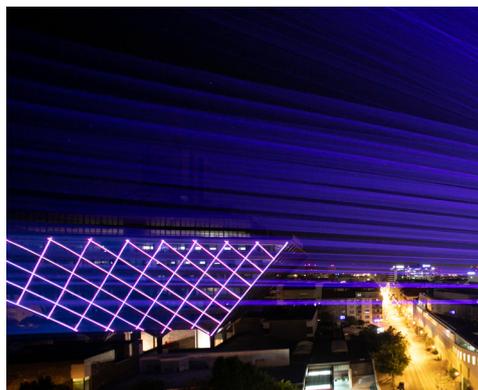
94% of respondents knew or
had heard about NBS
(up from 93% in 2020)

77% of respondents trust NBS
(up from 73% in 2020)

Respondents' main sources of
information about NBS:

63% – television
25% – internet

Visual communication includes projecting light displays on the NBS building



The Museum of Coins and Medals in 2021

34,000 visitors

106,000 items in the Museum's collections

Permanent and long-term exhibitions:

- Two Faces of Money: Money and Medal-Making in the History of Slovakia (a permanent numismatic history exhibition)
- The Town Castle (permanent exhibitions at a complex of buildings in Kremnica)
- Dead on Target! The Kremnica Burgher Shooting Society and Its Shooting Targets (a long-term exhibition including a virtual tour)

XV International Symposium of Medals – Kremnica 2021:

Four foreign medallists (from the Czech Republic, Bulgaria, Finland and Poland) created designs for four struck and 20 cast medals.

The themes set for the struck medals were 'Ecology and Earth protection' and 'Art versus COVID-19'. For the cast medals, the medallists could choose their own themes.

Environmental responsibility



New internal environmental policy strategy

Vision:

sustainable and green operation

Vision pillars:

active
participation
of staff

cooperation
with external
partners and
contractors

transparent
performance
evaluation

Three environmental sub-objectives



To be a carbon neutral institution -
to progressively reduce operational greenhouse gas emissions to the maximum possible extent and to offset residual emissions by supporting carbon sequestration projects;
to ensure rational use of energy



To adapt operations to climate change and make them bio-diversity friendly -
to gradually install and interconnect blue-green infrastructure/ measures with a positive impact on urban biodiversity;
to support non-profit projects focused on biodiversity and on reducing the effects of climate change on Slovakia



To operate on circular economy principles -
to use resources in an optimal way, including giving preference to renewable materials and minimising waste production;
to pursue green public procurement

The Bank took part in Earth Hour by switching off the lights for 60 minutes at its headquarters in Bratislava and at the NBS-operated Town Castle in Kremnica

Greening at the Bank in 2021



Annual consumption of electricity and natural gas at the NBS headquarters building:
18.59 MWh per employee

decreased by 1.15% year on year
decreased by 34.66% over ten years

Waste sent for environmentally sound disposal:
715 tonnes

Energy recovery from unfit banknotes:
26 tonnes



More greenery in the renovated atrium and in front of the headquarters building

10 new trees and 25 other plant species

Waste separation and testing of biowaste collection

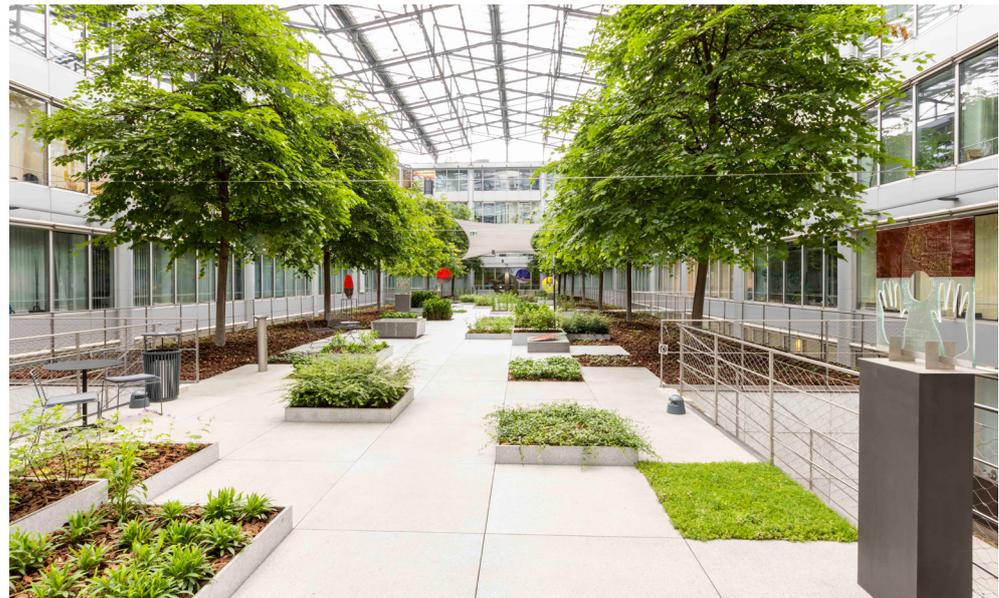


Green public procurement

banknote packing system
printer toners
vehicle servicing and maintenance

Electronic filing and archiving system

Electronic lunch ordering system



The renovated atrium at the NBS headquarters building.
Source: NBS.

B

9

Institutional developments

49.9%
of NBS
employees
are women

569
training
activities

2,198
visits to the NBS
Library

5,539
linear metres of
archival fonds and
collections

Institutional developments

Organisation and governance

The Bank Board of Národná banka Slovenska

The Bank Board is the Bank's highest governing body. Its members throughout 2021 were:

Peter Kažimír, Governor

Ľudovít Ódor, Deputy Governor

Karol Mrva, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division

Vladimír Dvořáček, Executive Director of the Supervision and Financial Stability Division

Ľuboš Pástor, external member



Front row, from the left: Ľudovít Ódor (Deputy Governor), Peter Kažimír (Governor).
Back row, from the left: Vladimír Dvořáček, Karol Mrva, Ľuboš Pástor.

Net income of NBS Bank Board members for 2021 (EUR)

Peter Kažimír	216,085
Ľudovít Ódor	187,506
Karol Mrva	158,778
Vladimír Dvořáček	153,575
Ľuboš Pástor	52,605

Net income includes allowances, benefits, bonuses, contributions, and other emoluments.

The Executive Board of Národná banka Slovenska

The Executive Board is the Bank's managing, executive and coordination authority. It was established by the Bank Board with effect from 1 August 2012. Its members as at 31 December 2021 were:

Peter Kažimír, Governor

Ludovít Ódor, Deputy Governor

Karol Mrva, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division

Vladimír Dvořáček, Executive Director of the Supervision and Financial Stability Division

Júlia Čillíková, Executive Director of the Supervision and Financial Consumer Protection Division

Albín Kotian, Executive Director of the Financial Management and Information Technology Division

Jaroslav Mikla, Executive Director of the Facility Services and Security Management Division

Martin Lipovský, Director of the Legal Services Department

Michal Horváth, Director of the Economic and Monetary Analysis Department (Chief Economist)



Národná banka Slovenska's headquarters in Bratislava.
Source: NBS.



Figure 8:
The Bank's
organisation
chart as at
31 December 2021



Human resources



Number of employees as at 31 December 2021

1,108

Number of newcomers
in 2021

70

Number of people whose
employment ended
in 2021

92

of which due to retirement
31

Average monthly salary
in 2021

€3,124.38



Gender equality in 2021

Number of women
employed by the Bank
553 (49.9%)

Number of women in
management positions
42 (36.5%)

of which:

in senior management positions
7 (31.8%)

in other management positions
35 (37.6%)



Staff mobility in 2021

17 staff
were on secondment at:

the European Central Bank

the Single Resolution Board

the Vienna University
of Economics and Business



Staff training and development in 2021

7 monitored areas

569 training activities

917 staff participants

2,571 participants across
activities

The Bank's Registry, Archives and Library

Electronic circulation and processing projects for the Bank's documentation are moving forward



The Registry and Archives in 2021

Digitalisation of processes continued

improvements in eOffice and eArchive, electronic signing of documents, electronic sealing of attachments in the registry book

The Archives' fonds and collections occupy 5,539 linear metres

The Registry Centre took over 13,509 closed files

The Research Archive Portal made available 898 archival documents



The Library in 2021

Number of visits: 2,198

busiest month – November
255 visits

Loans made 1,808

busiest month – September
183 loans

Documents downloaded from online catalogue 700

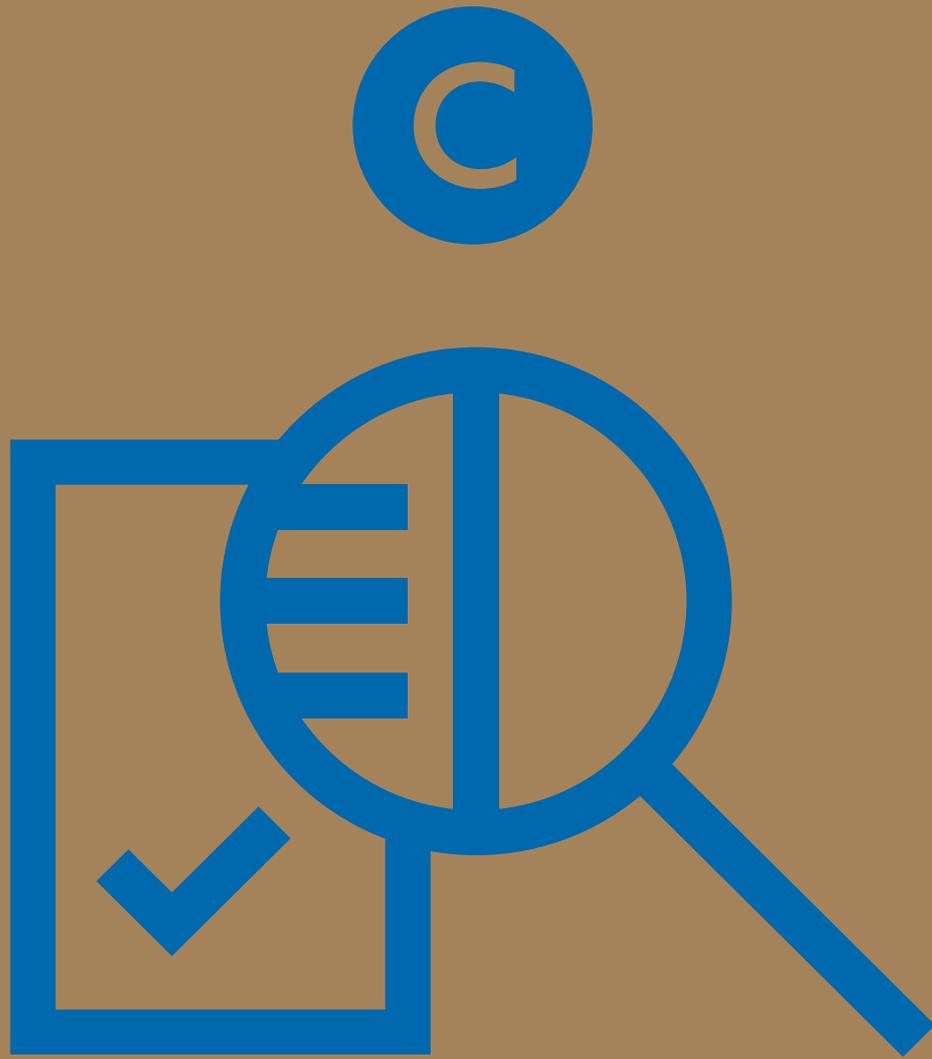
Number of requests for advice 130

Number of catalogued items

(books, periodicals, articles, etc.)

171,000

Number of items catalogued 6,460



**Independent
auditor's report
and NBS financial
statements as at
31 December 2021**

Národná banka Slovenska

INDEPENDENT AUDITOR'S REPORT

To the Bank Board of Národná banka Slovenska:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS"), which comprise the balance sheet as at 31 December 2021, the income statement for the year then ended, and notes, which include a summary of significant accounting policies and accounting methods.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance for the year then ended in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2016/34 as amended (hereinafter the "ECB Guideline") and the Act on Accounting No. 431/2002 Coll. as amended (hereinafter the "Act on Accounting").

Basis for Opinion

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/sk/en/about to learn more.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

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

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

As at the issuance date of the auditor's report on the audit of the separate financial statements, the annual report was not available to us.

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

- Information disclosed in the annual report prepared for 2021 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting and Act on NBS.

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

Bratislava, 15 March 2022


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

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

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

BALANCE SHEET
of Národná banka Slovenska

ASSETS	Note	31.12.2021 EUR' 000	31.12.2020 EUR' 000
A1 Gold and gold receivables	1	1,639,839	1,572,997
A2 Claims on non-euro area residents denominated in a foreign currency	2	7,222,508	8,826,725
A3 Claims on euro area residents denominated in a foreign currency	3	375,177	1,330,152
A4 Claims on non-euro area residents denominated in euro	4	1,908,066	2,114,530
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	10,234,260	3,952,470
A6 Other claims on euro area credit institutions denominated in euro	6	12,701	11,637
A7 Securities of euro area residents denominated in euro	7	40,024,462	31,014,799
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	24,700,013	8,449,873
A10 Items in course of settlement		0	0
A11 Other assets	9	5,074,074	4,983,428
A12 Loss		0	0
TOTAL ASSETS		91,191,099	62,256,610
LIABILITIES			
L1 Banknotes in circulation	10	16,270,107	15,112,584
L2 Liabilities to euro area credit institutions related to monetary policy operations	11	11,678,462	5,022,054
L3 Other liabilities to euro area credit institutions denominated in euro	12	1,046,911	1,517,166
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	5,635,539	4,083,362
L6 Liabilities to non-euro area residents denominated in euro	14	47,126,612	27,957,619
L7 Liabilities to euro area residents denominated in a foreign currency	15	1,944,836	2,750,690
L8 Liabilities to non-euro area residents denominated in a foreign currency	16	440,308	1,177,847
L9 Counterpart of special drawing rights allocated by the IMF	17	1,606,529	401,288
L10 Intra-Eurosystem liabilities	18	2,251,035	1,425,192
L11 Items in course of settlement		0	0
L12 Other liabilities	19	588,314	479,401
L13 Provisions	20	922,058	817,206
L14 Revaluation accounts	21	1,259,587	1,128,360
L15 Capital and reserves	22	357,797	357,797
L16 Profit	35	63,004	26,043
TOTAL LIABILITIES		91,191,099	62,256,610

Note: Subtotals and totals may not correspond due to the effect of rounding. This applies to the entire document.

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

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

	Note	30.12.2021 EUR' 000	31.12.2020 EUR' 000
1.1 Interest income		368,971	386,792
1.2 Interest expense		(144,915)	(121,716)
1 Net interest income	24	224,056	265,076
2.1 Realised gains/(losses) arising from financial operations		67,150	48,129
2.2 Write-downs on financial assets and positions		(30,213)	(83,012)
2.3 Transfer to/from provisions for financial risks		(100,000)	(140,000)
2 Net result of financial operations, write-downs and risk provisions	25	(63,063)	(174,883)
3.1 Fee and commission income		2,926	2,828
3.2 Fee and commission expense		(1,921)	(1,688)
3 Net income/(expense) from fees and commissions	26	1,004	1,141
4 Income from equity shares and participating interests	27	14,714	28,885
5 Net result of pooling of monetary income	28	29,363	25,606
6 Other income	29	14,315	12,729
Total net income		220,390	158,554
7 Staff costs	30	(69,539)	(58,865)
8 Administrative expenses	31	(24,339)	(23,052)
9 Depreciation/amortisation of tangible and intangible fixed assets	32	(9,408)	(9,563)
10 Banknote production services	33	(1,796)	(7,018)
11 Other expenses	29	(5,037)	(6,838)
12 Income tax and other government charges on income	34	(47,267)	(27,174)
PROFIT	35	63,004	26,043

Note: Subtotals and totals may not correspond due to the effect of rounding. This applies to the entire document.

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

NOTES
to the Financial Statements as at 31 December 2021

Bratislava, 15 March 2022

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

A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

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

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

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

The supreme governing body of the NBS is the Bank Board of the NBS (the “Bank Board”). As at 31 December 2021, the Bank Board had the following structure:

Name	Term of Office in the Bank Board		Current Position
	From	Until	
Ing. Peter Kažimír	1.6.2019	1.6.2025	Governor
Mgr. Ľudovít Ódor	20.2.2018	20.2.2024	Deputy Governor
RNDr. Karol Mrva	1.6.2012	2.6.2023	Member
Ing. Vladimír Dvořáček	2.4.2014	3.4.2025	Member
prof. Mgr. Ľuboš Pástor, M.A. PhD.	15.3.2015	11.3.2027	Member

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Legal framework and accounting principles

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

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

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

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

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

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

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

(b) Valuation of assets and liabilities

Financial assets and liabilities, excluding held-to-maturity securities, securities held for monetary policy purposes and non-marketable participating interests, are valued on a monthly basis at mid-market rates and prices. Options embedded in securities are not reported separately from the host instrument and the financial instrument is valued as a whole. Foreign currency revaluation, including balance sheet and off-balance sheet transactions, is performed for each currency separately; securities are valued for each ISIN separately and interest rate and cross-currency swaps and futures agreements are valued individually. For gold, no distinction is made between price and currency revaluation differences.

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

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

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

Participating interests, except the BIS Investment Pool Sovereign China equity fund denominated in CNY (“BISIP”) and Exchange Traded Funds denominated in USD (“ETF”), are valued at historical cost and are subject to an impairment test. A provision is recognised for the impairment in participating interests through profit/loss. The BISIP equity fund is valued at the net asset value of the fund provided by the Bank for International Settlements (“BIS”) in Basel, Switzerland on a monthly basis. The ETF funds are valued at mid-market prices on a monthly basis for each security (ISIN) separately.

The exchange rates of key foreign currencies against EUR 1, used to value the assets and liabilities as at 31 December 2021, were as follows:

Currency	31.12.2021	31.12.2020	Change
GBP	0.84028	0.89903	(0.05875)
USD	1.13260	1.22710	(0.09450)
JPY	130.38000	126.49000	3.89000
XDR	0.80913	0.84846	(0.03933)
CNY	7.19470	8.02250	(0.82780)
EUR/ozs*	1,609.483	1,543.884	65.59900

* 1 ozs (troy ounce) = 31.1034807 g

(c) Accounting and recognition of income

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

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

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

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

(d) Gold and gold receivables

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

(e) Debt securities

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

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

(f) Derivatives

Foreign exchange forward and swap transactions are recognised on off-balance sheet accounts at the spot rate of the transaction on the trade date and are included in the net currency positions for calculating the average acquisition cost of currencies and foreign exchange gains and losses. The difference between the spot and forward rates is treated as interest payable or receivable on an accruals basis. The forward position of foreign exchange swaps is valued in conjunction with the related spot position, so the currency position is only affected by the accrued interest in foreign currency.

For interest rate swaps, the nominal value of an underlying asset is recorded in the off-balance sheet accounts from the trade date until the settlement date. Each transaction is valued individually based on generally accepted valuation models using appropriate yield curves derived from quoted interest rates.

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

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

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

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

(g) Reverse transactions

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

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

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

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

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

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

(h) Banknotes in circulation

Pursuant to Decision ECB/2010/29 as amended, euro banknotes are issued jointly by the national central banks within the Eurosystem and the ECB. The total amount of banknotes in circulation is allocated to individual central banks in the Eurosystem on the last working day of each month, according to the Banknote Allocation Key. The ECB's share of the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share of the total issue of euro banknotes within the Eurosystem is 1.0535% as of 1 February 2020. The share of banknotes in circulation is recognised under liabilities "Banknotes in circulation" (see Note 10).

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

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

(i) ECB profit redistribution

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

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

(j) Fixed assets

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

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

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

(k) Taxes

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

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

(l) Provisions

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

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

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

For the risk assessment calculations, the financial positions are considered at market prices except for monetary policy portfolios, which are taken at amortised cost from accounting books.

In accordance with the approved approach, the Bank Board may reflect on additional factors that are expected to have an impact on the risk value when making a decision on the final level of the provision.

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

(m) NBS profit redistribution

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

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

1. Gold and gold receivables

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Gold in repo transactions	1,633,188	1,566,616	66,572
Gold stored in banks	4,123	3,955	168
Gold in stock	2,528	2,425	103
Total	1,639,839	1,572,997	66,843

As at 31 December 2021, gold totalled 1,019 thousand t oz. (31 December 2020: 1,019 thousand t oz.), of which 1,015 thousand t oz. were used in repo transactions, 3 thousand t oz. deposited with correspondent banks and 2 thousand t oz. deposited with the Bank.

As at 31 December 2021, the market price of gold was EUR 1,609.483 per t oz. (31 December 2020: EUR 1,543.884 per t oz.). The changes in the account balances were associated with revaluation differences (see Note 21).

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

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Receivables from/Payables to the IMF	1,955,003	662,823	1,292,180
Balances with banks and security investments, external loans and other external assets	5,267,505	8,163,902	(2,896,397)
Total	7,222,508	8,826,725	(1,604,218)

Receivables from / Payables to the International Monetary Fund

	31.12.2021		31.12.2020		Change EUR' 000
	Equivalent in mil. XDR	EUR' 000	Equivalent in mil. XDR	EUR' 000	
Receivables from the IMF:	2,315	2,862,675	1,316	1,554,834	1,307,841
1) Member's quota	1,001	1,238,302	1,001	1,183,739	54,563
a) Member's contribution	733	907,675	753	892,011	15,664
b) Reserve position	268	330,627	248	291,728	38,899
- Foreign exchange part of Member's quota	138	170,523	138	162,618	7,905
- Reserve position of FTP	130	160,104	110	129,110	30,994
2) Nostro account in the IMF	1,314	1,624,373	315	371,095	1,253,278
Payables to the IMF:	734	907,672	753	892,011	15,661
1) Loro accounts in the IMF	704	870,755	802	949,888	(79,133)
2) Currency valuation adjustment account	30	36,917	(49)	(57,877)	94,794
Total (net)	1,581	1,955,003	563	662,823	1,292,180

Under the Financial Transaction Plan (hereinafter the “FTP”), the NBS provided a loan in the amount of XDR 20 million, which increased the FTP reserve position. As a result of the above transaction, the structure of the Member’s quota changed, although its level remained unchanged. A nostro account was increased primarily due to a general allocation of XDR 959 million and the purchase/sale of XDR under the Voluntary Trading Arrangements with the IMF.

Payables to the IMF represent the IMF loro accounts and the associated currency valuation adjustment account. Liabilities in local currency change depending on the IMF representative exchange rate. A significant part of payables on the IMF loro accounts consists of a note of EUR 821,957 thousand (31 December 2020: EUR 868,807 thousand).

The Bank records a payable to the IMF from the allocation under item L9 “Counterpart of special drawing rights allocated by the IMF” (see Note 17).

Balances with banks and security investments, external loans and other external assets

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Debt securities	4,439,408	5,152,373	(712,965)
Other	828,097	3,011,529	(2,183,432)
Total	5,267,505	8,163,902	(2,896,397)

The caption “Debt securities” consists of securities denominated in GBP, USD, CNY, AUD, JPY and CHF. As at 31 December 2021, the Bank primarily records securities issued by monetary financial institutions. The sales of securities during the year are the main reason for a decrease in the volume of the caption.

The caption “Other” mainly includes cash on nostro accounts in foreign currency. A decrease is mainly related to foreign exchange swaps.

3. Claims on euro area residents denominated in foreign currency

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Debt securities	374,540	1,328,872	(954,332)
Current accounts	636	1,280	(644)
Total	375,177	1,330,152	(954,976)

The caption “Debt securities” consists of securities denominated in GBP, USD, CHF, AUD and JPY. As at 31 December 2021, the Bank mainly recorded securities issued by monetary financial institutions. A year-on-year decrease in the volume was primarily caused by matured securities.

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

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Debt securities	1,907,260	2,114,515	(207,255)
Current accounts	806	15	791
Total	1,908,066	2,114,530	(206,464)

As at 31 December 2021, the Bank mainly recorded securities issued by monetary financial institutions. The decrease is primarily related to the maturity of securities.

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

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

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Pandemic emergency longer-term refinancing operations (PELTRO)	0	19,000	(19,000)
Targeted longer-term refinancing operations (TLTRO II)	0	26,410	(26,410)
Targeted longer-term refinancing operations (TLTRO III)	10,234,260	3,907,060	6,327,200
Total	10,234,260	3,952,470	6,281,790

The Eurosystem provided loans as at 31 December 2021 totalling EUR 2,201,881,761 thousand (31 December 2020: EUR 1,793,193,788 thousand), of which the NBS's share amounts to EUR 10,234,260 thousand (31 December 2020: EUR 3,952,470 thousand).

Longer-term refinancing operations (LTRO) are regular liquidity-providing reverse transactions for a longer period, with maturities between 3 to 48 months. As part of these operations, in 2016 the Governing Council introduced a series of four targeted longer-term refinancing operations (TLTRO II) with a maturity of 4 years with the option of repayment after two years. These operations were aimed at supporting bank lending to the non-financial private sector, excluding loans to households for house purchases. The agreed final interest rate for these operations was a negative interest rate of -0.40% p.a. The Bank recorded one operation with a Slovak lending institution with a maturity in March 2021.

Additionally in 2019, the Governing Council introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTRO III), with a maturity of three years and an earlier repayment option. The programme is aimed at supporting the provision of bank lending to the small and medium-sized enterprises most affected by the COVID-19 pandemic. In 2020, the Governing Council decided that the period from 24 June 2020 to 23 June 2021 and the period from 24 June 2021 to 23 June 2022 will be periods of special interest rates during which the interest rate applicable can be 50 basis points below the average interest rate on the main refinancing operations. When the lending performance threshold (lending benchmark) is reached, the interest rate can be as low as 50 basis points below the average deposit facility rate. It was deemed a prudent approach to use the deposit facility rate minus 50 basis points, but in any case not higher than -1%, for calculating the interest accruals over the two special interest rate periods. In 2021, there was a partial repayment of a loan in March 2021 in addition to an increased number of provided loans. Under this programme, the Bank records thirteen operations with five Slovak lending institutions with a maturity in 2023 and 2024 in the amount of EUR 10,234,260 thousand (31 December 2020: EUR 3,907,060 thousand).

In April 2020, the Governing Council conducted a new series of seven non-targeted longer-term refinancing operations called "pandemic emergency longer-term refinancing operations" (PELTROs) with a maturity in third quarter 2021. The series was aimed at supporting liquidity and the smooth functioning of money markets in the euro area. An interest rate of -0.25% p.a. was applied to the operations. As regards this series, the Bank recorded one operation with a Slovak lending institution with a maturity in September 2021.

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

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

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Redistribution loan	8,516	10,629	(2,112)
Current accounts	696	698	(2)
Deposits provided for repo transactions	3,488	310	3,178
Total	12,701	11,637	1,064

A redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. For 2021, the interest rate for the redistribution loan remained at 0.50% p.a. (31 December 2020: 0.50% p.a.).

As at 31 December 2021, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 8,734 thousand on the off-balance sheet (31 December 2020: EUR 10,939 thousand). The amount of the state guarantee represents the principal and interest up to the loan maturity.

7. Securities of euro area residents denominated in euro

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Debt securities held for monetary policy purposes	39,840,772	30,827,872	9,012,900
Other securities	183,690	186,927	(3,237)
Total	40,024,462	31,014,799	9,009,663

Debt securities held for monetary policy purposes

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

Programme	Commencement Date	Termination Date	No. of the ECB's Decision	Securities as at 31.12.2021
SMP	May 2010	September 2012	ECB/2010/5	debt securities issued by euro area governments
CBPP3	October 2014	ongoing	ECB/2020/8 (revised version) as amended	covered bonds issued by euro area residents
PSPP	March 2015	ongoing	ECB/2020/9 (revised version)	debt securities issued by euro area governments, international organisations and multilateral development banks based in euro area
PEPP	March 2020	ongoing	ECB/2020/17 as amended	all securities permitted under APP

Net purchases of securities as part of asset purchase programmes ("APP"), which include CBPP3, PSPP, ABSPP and CSPP programmes, continued at an average monthly pace of EUR 20 billion. In December 2021, the Governing Council set a monthly limit of net asset purchases of EUR 40 billion and EUR 30 billion for second and third quarter of 2022, respectively. From October 2022 onwards, net purchases will be performed at a monthly pace of EUR 20 billion for as long as necessary to reinforce the accommodative impact of its policy rates and to end shortly before it starts raising the key ECB interest rates. The Governing Council intends to continue to fully reinvest the principal payments of maturing securities purchased under the APP programme for an extended period past the date the Governing Council starts raising the key ECB interest rates, and in any case for as long

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

as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Under the temporary PEPP programme, net purchases continued in 2021 in accordance with the approved financing envelope in a total amount of EUR 1,850 billion. The purchases were performed in a flexible manner based on the assessment of financing conditions and the inflation outlook. In the first quarter of 2022, a slower pace of net purchases is expected with their discontinuation by the end of March 2022. If necessary, the purchases can be resumed to counter negative shocks related to the pandemic. In December 2021, the Governing Council extended the reinvestment horizon for the principal payments of maturing securities until at least the end of 2024. The repayment of the PEPP portfolios will be managed to avoid interference with the appropriate monetary policy stance.

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

	31.12.2021 EUR' 000		31.12.2020 EUR' 000		Change EUR' 000	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP3	2,086,140	2,112,629	1,959,307	2,021,150	126,833	91,479
SMP	58,196	68,072	58,260	71,892	(64)	(3,820)
PSPP gov.	13,164,457	13,768,530	11,105,736	12,203,048	2,058,721	1,565,481
PSPP supr.	11,856,936	12,060,279	11,026,867	11,602,836	830,069	457,443
PEPP gov.	5,717,564	5,699,205	4,357,655	3,999,282	1,359,909	1,699,923
PEPP supr.	6,915,513	6,641,824	2,292,042	2,322,492	4,623,471	4,319,332
PEPP covered by debt sec.	41,966	41,837	28,005	28,711	13,961	13,126
Total	39,840,772	40,392,376	30,827,872	32,249,411	9,012,900	8,142,964

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under the monetary policy programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council of the ECB. Based on the results of the impairment test on securities held for monetary policy purposes performed as at 31 December 2021 and pursuant to the decision of the Governing Council of the ECB, the NBS did not create a provision for losses from monetary policy operations.

Income on securities with a source in the Slovak Republic is net of withholding tax (see Note 34).

Other securities

Under this caption, as at 31 December 2021, the Bank primarily recognised securities for trading issued by euro area monetary financial institutions. A decrease in this caption is related to the sale of securities.

8. Intra-Eurosystem claims

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Participating interest in the ECB	288,180	281,193	6,987
Claims equivalent to the transfer of foreign reserves	462,031	462,031	0
Other Intra-Eurosystem claims (net)	23,949,802	7,706,649	16,243,153
Total	24,700,013	8,449,873	16,250,140

Participating interest in the ECB

As at 31 December 2021, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 93,837 thousand (31 December 2020: EUR 86,850 thousand) and a claim of EUR 40,129 thousand from the changes to the NBS's participating interest in the ECB's net equity (31 December 2020: EUR 40,129 thousand).

An increase of EUR 6,987 thousand in the NBS's participating interest in the ECB's subscribed capital was due to the withdrawal of the Bank of England from the European System of Central Banks ("ESCB") as a result of the UK's departure from the European Union in January 2020. ECB kept its subscribed capital unchanged, ie in the amount of EUR 10.8 billion. The share of the Bank of England in the ECB's subscribed capital was reallocated among both the euro area and non-euro area national central banks. The Governing Council decided, that the euro area national central banks will pay up in full their increased subscriptions in two annual instalments. The second instalment will be paid up in December 2022.

In accordance with Article 48 (2) of the Statute and the decision of the Governing Council of the ECB, the NBS contributed EUR 154,214 thousand (31 December 2020: EUR 154,214 thousand) to the ECB's provisions to cover credit, foreign exchange, interest rate and gold price risks and to the ECB revaluation accounts.

Claims equivalent to the transfer of foreign reserves

As at 31 December 2021, the Bank records a claim from the transfer of foreign reserves to the ECB of EUR 462,031 thousand (31 December 2020: EUR 462,031 thousand) in accordance with Article 30 (1) of the Statute. The claim bears interest at 85% of the rate for the main refinancing operations. As at 31 December 2021, the Bank recorded no interest income from the claim from the transfer of foreign reserves due to the interest rate of 0% p.a.

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

As of 29 December 2021, the shares of the central banks of the European Union in the ECB's capital are as follows:

	Capital Key for Subscription of ECB's Capital (%)	Subscribed Share in Capital (EUR)	Paid-up Capital (EUR)	Eurosystem Key (%) - Share on the ECB's Paid-up Capital
Banque National de Belgique	2.9630	320,744,959.47	298,517,938.09	3.6432
Eesti Pank	0.2291	24,800,091.20	23,081,491.61	0.2817
Deutsche Bundesbank	21.4394	2,320,816,565.68	2,159,988,350.30	26.3615
Central Bank and Financial Services Authority of Ireland	1.3772	149,081,997.36	138,750,895.83	1.6934
Bank of Greece	2.0117	217,766,667.22	202,675,847.48	2.4735
Banco de España	9.6981	1,049,820,010.62	977,069,461.84	11.9246
Banque de France	16.6108	1,798,120,274.32	1,673,513,927.13	20.4243
Banca d'Italia	13.8165	1,495,637,101.77	1,391,992,268.53	16.9885
Central Bank of Cyprus	0.1750	18,943,762.37	17,630,995.33	0.2152
Latvijas Banka	0.3169	34,304,447.40	31,927,213.83	0.3897
Lietuvos bankas	0.4707	50,953,308.28	47,422,340.02	0.5788
Banque centrale du Luxembourg	0.2679	29,000,193.94	26,990,535.14	0.3294
Central Bank of Malta	0.0853	9,233,731.03	8,593,850.87	0.1049
De Nederlandsche Bank	4.7662	515,941,486.95	480,187,713.99	5.8604
Oesterreichische Nationalbank	2.3804	257,678,468.28	239,821,835.92	2.9269
Banco de Portugal	1.9035	206,054,009.57	191,774,854.93	2.3405
Banka Slovenije	0.3916	42,390,727.68	39,453,130.12	0.4815
Národná banka Slovenska	0.9314	100,824,115.85	93,837,194.59	1.1452
Suomen Pankki – Finlands Bank	1.4939	161,714,780.61	150,508,251.00	1.8369
<i>Subtotal euro area NCBs*</i>	<i>81.3286</i>	<i>8,803,826,699.60</i>	<i>8,193,738,096.55</i>	<i>100.0000</i>
Българска народна банка (Bulharská národná banka)	0.9832	106,431,469.51	3,991,180.11	
Česká národní banka	1.8794	203,445,182.87	7,629,194.36	
Danmarks Nationalbank	1.7591	190,422,699.36	7,140,851.23	
Magyar Nemzeti Bank	1.5488	167,657,709.49	6,287,164.11	
Narodowy Bank Polski	6.0335	653,126,801.54	24,492,255.06	
Banca Națională a României	2.8289	306,228,624.99	11,483,573.44	
Sveriges Riksbank	2.9790	322,476,960.60	12,092,886.02	
Hrvatska narodna banka	0.6595	71,390,921.62	2,677,159.56	
<i>Subtotal non-euro area NCBs*</i>	<i>18.6714</i>	<i>2,021,180,369.98</i>	<i>75,794,263.89</i>	
Total	100.00	10,825,007,069.61	8,269,532,360.44	

Other claims within the Eurosystem (net)

Claims within the Eurosystem represent the NBS's position towards other members of the ESCB arising from cross-border transactions. This caption comprises the claim of the Bank towards other central banks and the ECB arising from operations within TARGET 2 amounting to EUR 23,918,721 thousand (31 December 2020: a claim of EUR 7,667,592 thousand). The position bears an interest rate for the main refinancing operations. The Bank recorded no interest as at 31 December 2021 due to the interest rate of 0% p.a.

The caption also comprises a receivable from monetary income of EUR 29,363 thousand (31 December 2020: EUR 24,625 thousand, see Note 28) and a receivable from the NBS's share in the ECB's profit for 2021 of EUR 1,718 thousand (31 December 2020: EUR 14,432 thousand, see Note 27).

9. Other assets

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Tangible and intangible fixed assets	102,059	105,002	(2,943)
Other financial assets	459,417	289,901	169,516
Off-balance sheet instruments revaluation differences	12,486	31,950	(19,464)
Accruals and prepaid expenses	296,714	301,531	(4,817)
Accumulated losses from previous years	4,123,823	4,149,867	(26,043)
Other	79,575	105,178	(25,603)
Total	5,074,074	4,983,428	90,646

Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2021:

	Tangible Assets, Advances and Assets under Construction	Intangible Assets, Advances and Assets under Construction	T O T A L
	EUR' 000	EUR' 000	EUR' 000
Acquisition cost as at 1 Jan 2021	248,201	43,292	291,493
Additions	4,305	5,155	9,460
Disposal	4,541	3,756	8,298
Acquisition cost as at 31 Dec 2021	247,964	44,691	292,655
Accumulated depreciation as at 1 Jan 2021	149,651	36,840	186,491
Additions	7,318	2,090	9,408
Disposal	3,567	1,736	5,303
Accumulated depreciation and provisions as at 31 Dec 2021	153,402	37,194	190,596
Carrying amount of tangible and intangible assets as at 1 Jan 2021	98,550	6,451	105,002
Carrying amount of tangible and intangible assets as at 31 Dec 2021	94,562	7,497	102,059

As at 31 December 2021, no fixed assets held for sale are recognised (31 December 2020: EUR 1 thousand).

Other financial assets

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Participating interests in ETF funds	397,885	236,156	161,729
Participating interests in BISIP fund	54,113	46,664	7,449
Shares of BIS	7,294	6,956	338
Shares of SWIFT	92	92	0
Inštitút bankového vzdelávania, n.o.	33	33	0
Total	459,417	289,901	169,516

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

The Bank has shares in Exchange Traded Funds (“ETFs”) denominated in USD, which are in the form of marketable securities and are traded as common shares on a stock exchange. Dividends from the ETFs are paid in USD (see Note 27).

A year-on-year increase in ETFs primarily resulted from an increased volume of the purchase of shares.

As at 31 December 2021, the Bank recognised shares within the BISIP programme which represents an indirect form of investing in the on-shore Chinese government bonds’ market. The Bank’s share represents 0.49% of the fund’s total value (31 December 2020: 0.57% share of the fund’s total value, see Section B, Note b).

The Bank’s share in the BIS capital represents 0.51% (31 December 2020: 0.51%). The participating interest in BIS is recognised in the amount of the paid-up share (25%). The unpaid proportion of the share (75%) is payable on demand. Dividends are distributed in euro from the total share of the NBS in BIS held in XDR (see Note 27).

The Bank holds shares of SWIFT, representing a 0.0248% capital share (31 December 2020: 0.0247% capital share).

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

Off-balance sheet instruments revaluation differences

As at 31 December 2021, off-balance sheet instrument revaluation differences are in the amount of EUR 12,486 thousand (31 December 2020: EUR 31,950 thousand). A foreign exchange gain from open cross currency swaps in JPY had the most significant effect on the year-end balance.

Accruals and prepaid expenses

This caption mainly includes accrued bond coupons in the amount of EUR 271,466 thousand (31 December 2020: EUR 260,121 thousand).

Sundry

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Deposits - collateral to derivatives	20,895	89,680	(68,785)
Fair value of interest rate swaps - gains	46,306	7,470	38,836
Investment loans granted to employees	3,833	3,256	577
Fair value Cross currency swap - gains	1,301	477	824
Interest rate futures	1,565	387	1,178
Other	5,675	3,908	1,766
Total	79,575	105,178	(25,603)

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

10. Banknotes in circulation

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Euro banknotes in circulation issued by the NBS	18,521,141	16,537,776	1,983,366
Adjustment to euro banknotes in circulation	(2,251,035)	(1,425,192)	(825,843)
Total volume of euro banknotes in line with the NBS Banknote Allocation Key	16,270,107	15,112,584	1,157,523

As at 31 December 2021, the Bank issued banknotes amounting to EUR 18,521,141 thousand (31 December 2020: EUR 16,537,776 thousand), which is an increase of EUR 2,251,035 thousand compared to the volume allocated to the NBS by the Banknote Allocation Key (see Section B, Note h). This difference represents a liability of the NBS to the Eurosystem (see Note 18).

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

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Current accounts covering the minimum reserve system	11,428,462	4,894,054	6,534,409
Deposit facilities	250,000	128,000	122,000
Total	11,678,462	5,022,054	6,656,409

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

The MRS bear interest at the average rate of the Eurosystem's main refinancing operations valid over the given maintenance period. Since June 2014, reserves exceeding the minimum reserve system (hereinafter "Excess Reserves") bear interest at zero percent or at the deposit facility rate, whichever is lower. Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration. The exempt tier (i.e. reserve holdings in excess of minimum reserve requirements) is remunerated at the annual rate of 0% and its volume is determined by a multiplier approved by the Governing Council (multiplier valid for 2021 is 6). The non-exempt tier of excess liquidity holdings continues to be remunerated at deposit facility rate. With effect from 18 September 2019, the ECB applies a negative interest rate of -0.50% p.a. to deposit facilities.

As at 31 December 2021, net interest income from MRS amounted to EUR 36,565 thousand (31 December 2020: EUR 6,080 thousand, see Note 24).

Deposit facilities comprise overnight deposits at a prespecified interest rate announced by the ECB. The purpose of such deposits is to provide counterparties with the option to deposit short-term surpluses of liquidity.

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

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

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Tri-party repo transactions	983,000	1,250,000	(267,000)
Liabilities from repo transactions	63,870	266,059	(202,188)
Deposits received to repo transactions	0	1,084	(1,084)
Interbank clearing in Slovakia (SIPS)	41	24	17
Total	1,046,911	1,517,166	(470,255)

The interest rate applicable to tri-party repo transactions is -0.49% p.a. (31 December 2020: -0.47% p.a.). The interest rate applicable to repo transactions is -0.70% p.a. (31 December 2020: between -0.46% and -0.48% p.a.).

13. Liabilities to other euro area residents denominated in euro

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
General government	5,548,969	3,993,150	1,555,819
Other liabilities	86,571	90,212	(3,642)
Total	5,635,539	4,083,362	1,552,177

General government

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

Other liabilities

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Client current accounts	39,983	45,659	(5,676)
Client term deposits	46,588	44,553	2,035
Total	86,571	90,212	(3,642)

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

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Client current accounts	40,498,540	20,178,337	20,320,204
Liabilities from received term deposits	5,043,240	6,039,783	(996,543)
Liabilities from repo transactions with gold	1,584,832	1,588,711	(3,879)
Liabilities from repo transactions	0	149,861	(149,861)
Deposits received to repo transactions	0	927	(927)
Total	47,126,612	27,957,619	19,168,993

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

“Liabilities from received term deposits” comprise national central banks’ deposits with a maturity of 1 – 3 months at an interest rate of between -0.50% and -0.56% p.a. (31 December 2020: -0.50% p.a.).

15. Liabilities to euro area residents denominated in foreign currency

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Liabilities from repo transactions	861,267	1,744,046	(882,779)
Tri-party repo transactions	1,083,567	1,006,640	76,927
State Treasury current accounts in foreign currency	2	3	(1)
Total	1,944,836	2,750,690	(805,854)

The interest rate applicable to repo transactions in USD ranges from 0.21% to 0.29% p.a. (31 December 2020: from 0.28% to 0.66% p.a.). The interest rate applicable to tri-party repo transactions in GBP is 0.24% p.a. (31 December 2020: 0.10% p.a.).

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

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Liabilities from repo transactions	396,162	1,177,847	(781,685)
Liabilities from received deposits	44,146	0	44,146
Total	440,308	1,177,847	(737,539)

The interest rate applicable to repo transactions in GBP is from 0.20% to 0.26% p.a. (31 December 2020: from 0.10% to 0.18% p.a.). The interest rate applicable to repo transactions in USD is 0.25% (31 December 2020: from 0.3% to 0.33% p.a.).

The interest rate applicable to received USD deposits is 0.26% p.a.

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2021, the Bank recorded a liability to the IMF from the allocation of EUR 1,606,529 thousand (31 December 2020: EUR 401,288 thousand), which was increased in the amount of XDR 959 million due to a general allocation. The liability from the allocation is denominated in XDR. As part of the general allocation and special allocation, the IMF allocated XDR 1,224 million and XDR 75 million, respectively, to the Slovak Republic.

18. Intra-Eurosystem liabilities

This position is a net liability of the NBS from the allocation of euro banknotes within the Eurosystem, which amounted to EUR 2,251,035 thousand (31 December 2020: EUR 1,425,192 thousand). The position bears interest rate at the rate for the main refinancing operations. As at 31 December 2021, the Bank has no interest expense resulting from the liability from the euro banknote allocation within the Eurosystem due to the interest rate of 0% p.a.

19. Other liabilities

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Off-balance sheet instruments revaluation differences	37,407	22,333	15,074
Accruals and income collected in advance	102,853	31,583	71,270
Other	448,054	425,485	22,568
Total	588,314	479,401	108,912

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

Off-balance sheet instruments revaluation differences

As at 31 December 2021, the caption comprises a foreign exchange loss mainly from the valuation of foreign exchange swaps in the amount of EUR 37,407 thousand (31 December 2020: EUR 22,333 thousand).

Accruals and income collected in advance

As at 31 December 2021, the bulk of accruals was represented by interest from refinancing monetary policy operations of EUR 91,224 thousand (31 December 2020: EUR 16,139 thousand), which result from the increased volume of targeted longer-term refinancing operations (TLTRO) (see Note 5).

Sundry

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Euro coins in circulation	223,986	212,194	11,792
SKK banknotes in circulation	69,695	70,221	(526)
Deposits - collateral to derivatives	39,160	4,460	34,700
Fair value of interest rate swaps - losses	34,894	77,732	(42,838)
SKK coins in circulation	23,182	23,183	(1)
Fair value of cross currency swaps - losses	1,370	3,556	(2,186)
Other	55,766	34,140	21,626
Total	448,054	425,485	22,568

The value of interest rate swaps as at 31 December 2021 represented the cumulative year-end revaluation loss, which is gradually amortised to the profit and loss account under net realised gains from interest rate swaps in accordance with the ECB Guideline (see Note 25).

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

20. Provisions

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
General provision for financial risks	900,000	800,000	100,000
Other	22,058	17,206	4,852
Total	922,058	817,206	104,852

In accordance with the Bank Board's decision, the general provision for financial risks was increased by EUR 100,000 thousand to EUR 900,000 thousand as at 31 December 2021 (see Note 25 and section B, letter l). The main reason for the increase of the provision is, as in the previous year, the elevated credit risk exposure of the Bank as a consequence of a raising volume of monetary policy operations in response to financial markets' instability caused by the continued COVID-19 pandemic.

As at 31 December 2021, the Bank's "Other provisions" represented mainly provisions for payables to employees of EUR 17,094 thousand (31 December 2020: EUR 11,648 thousand).

21. Revaluation accounts

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Revaluation accounts of gold	1,006,607	939,764	66,843
Revaluation accounts of securities	31,293	107,957	(76,664)
Revaluation accounts of derivatives	47,607	7,946	39,661
Revaluation accounts of foreign currency	60,551	14,027	46,523
Revaluation accounts of share securities (BISIP, ETF)	113,529	58,666	54,863
Total	1,259,587	1,128,360	131,226

22. Capital and reserves

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

Reserves consist of general reserves and capital reserves.

As at 31 December 2021, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (31 December 2020: EUR 340,874 thousand). The general reserves consist of contributions from profits of EUR 337,411 thousand generated in previous years. As at 1 January 2006, following the merger of ÚFT with the NBS, ÚFT's general reserves of EUR 3,462 thousand were transferred to the NBS's general reserves.

As at 31 December 2021, the closing balance of the NBS's capital reserves was EUR 882 thousand (31 December 2020: EUR 882 thousand).

Summary of changes in equity and accumulated losses

	Statutory Fund	Capital Reserves	General Reserves	General Provision for Financial Risks	Revaluation Accounts Gain/(Loss)	Accumulated (Loss) from Previous Years	Profit/(Loss) for the Current Year	Equity
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
1. Balance as at 31 Dec 2020	16,041	882	340,874	800,000	1,128,360	(4,149,866)	26,043	(1,837,665)
2. Transfer of profit for 2020 to accumulated loss from previous years						26,043	(26,043)	0
3. Transfer to statutory fund								0
4. Transfer to general reserves								0
5. Change in the general provision for financial risks				100,000				100,000
6. Change in revaluation accounts of securities					(76,664)			(76,664)
7. Change in revaluation accounts of derivatives					39,661			39,661
8. Change in revaluation accounts of gold					66,843			66,843
9. Change in revaluation accounts of foreign currencies					46,523			46,523
10. Change in revaluation accounts of equity shares in BISIP and ETF funds					54,863			54,863
11. Profit for the current reporting period							63,004	63,004
12. Change for the reporting period				100,000	131,226	26,043	36,961	294,230
Balance as at 31 Dec 2021	16,041	882	340,874	900,000	1,259,587	(4,123,823)	63,004	(1,543,435)

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

23. Off-balance sheet instruments

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Interest rate swaps in EUR	2 211 500	3 374 900	(1 163 400)
Interest rate swaps in USD	1 010 507	1 712 542	(702 035)
Interest rate swaps in GBP	1 588 290	1 822 862	(234 573)
Interest rate swaps in AUD	218 220	94 678	123 542
	5 028 516	7 004 982	(1 976 466)

	31.12.2021 EUR' 000		31.12.2020 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange swaps in EUR	3 141 044	0	5 068 839	16 500	(1 927 795)	(16 500)
Foreign exchange swaps in USD		287 699	16 347	176 677	(16 347)	111 023
Foreign exchange swaps in CNY		38 918	0	25 678	0	13 240
Foreign exchange swaps in GBP		1 464 274	0	1 600 725	0	(136 451)
Foreign exchange swaps in JPY		29 751	0	391 920	0	(362 169)
Foreign exchange swaps in CHF		87 504	0	143 492	0	(55 988)
Foreign exchange swaps in CZK		804 570	0	2 610 319	0	(1 805 749)
Foreign exchange swaps in AUD		458 854	0	134 625	0	324 229
	3 141 044	3 171 569	5 085 186	5 099 936	(1 944 142)	(1 928 367)

	31.12.2021 EUR' 000		31.12.2020 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange forwards in EUR	13 524	0	14 183	2 377	(660)	(2 377)
Foreign exchange forwards in CNY		2 899	0	4 222	0	(1 324)
Foreign exchange forwards in JPY		0	2 379	9 637	(2 379)	(9 637)
Foreign exchange forwards in USD		10 573	0	0	0	10 573
	13 524	13 472	16 562	16 236	(3 038)	(2 765)

	31.12.2021 EUR' 000		31.12.2020 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Cross currency swaps in EUR	527 008	40 885	592 282	0	(65 274)	40 885
Cross currency swaps in JPY		154 932	0	174 717	0	(19 786)
Cross currency swaps in USD		118 312	0	149 947	0	(31 635)
Cross currency swaps in CHF	43 558	250 063	0	244 251	43 558	5 812
	570 566	564 191	592 282	568 915	(21 716)	(4 724)

	31.12.2021 EUR' 000		31.12.2020 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in GBP	779 502	0	0	96 215	779 502	(96 215)
	779 502	0	0	96 215	779 502	(96 215)

24. Net interest income

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Investments in EUR, of which:	147,277	131,382	15,895
net income from current accounts and term deposits	160,059	133,374	26,685
net income from repo transactions	9,964	13,032	(3,067)
net income from securities	1,268	2,716	(1,447)
net expense from derivatives	(24,062)	(17,800)	(6,263)
other	48	61	(13)
Investments in foreign currency, of which:	30,807	39,933	(9,126)
net income from securities	56,325	89,252	(32,927)
net expense from repo transactions	(5,213)	(21,243)	16,030
net expense/income from derivatives	(21,163)	(28,726)	7,563
net expense from current accounts and term deposits	(170)	(762)	592
compensation from the MF SR	1,029	1,412	(383)
Monetary policy operations, of which:	45,972	93,761	(47,789)
net income from securities	84,634	103,956	(19,322)
net expense from deposits and loans	(75,227)	(16,276)	(58,951)
net income from MRS	36,565	6,080	30,484
net income from derivatives on repo transactions	0	0	0
Total	224,056	265,076	(41,019)

A lower net interest income is primarily related to an increase in the costs of monetary policy operations due to a higher volume of refinancing operations (see Note 5). Continued growth in purchases of pandemic assets with negative income was another negative impact resulting in a decrease of net income from securities held in the monetary policy portfolio.

Interest income was positively affected by the growth of net interest income from current accounts and term deposits (see Note 14) and by lower costs on repo transactions with regard to the investment portfolio. Higher income from MRS, which is part of the result from monetary policy operations, also contributed positively.

As at 31 December 2021, the Bank records no interest on remuneration of the claim from the transfer of foreign reserves, remuneration of euro-banknotes and TARGET2 remuneration due to an interest rate of 0% p.a. (see Notes 8 and 18).

Due to the introduction of negative interest rates to the financial markets since 2014, and the method of reporting (see Section B, Note c), the NBS recorded the following gross interest income and gross interest expense as at 31 December 2021:

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

	Balance Sheet Item	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Investments in EUR				
Gross interest income, of which:				
	L6	164,039	142,332	21,707
Current accounts and term deposits		162,131	134,897	27,234
Repo transactions	L3, L6	1,908	7,435	(5,527)
Gross interest expense, of which:				
Current accounts	A6	(21)	(39)	18
Investments in foreign currency				
Gross interest income, of which:				
Repo transactions	L7, L8	0	2	(2)
Gross interest expense, of which:				
Current accounts	A2, A3	(11)	(14)	3
Monetary policy operations				
Gross interest income, of which:				
MRS	L2	37,111	6,565	30,546
Deposit facilities	L2	36,565	6,080	30,484
		546	484	62
Gross interest expense, of which:				
Longer-term refinancing operations	A5	(75,772)	(16,768)	(59,004)
		(75,772)	(16,768)	(59,004)

Development of interest rates as announced by the ECB:

With Effect From	Marginal Lending Facility	Main Refinancing Operations	Deposit Facility
16.3.2016	0.25% p.a	0.00% p.a	-0.40% p.a
18.9.2019	0.25% p.a	0.00% p.a	-0.50% p.a

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

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Realised gains from financial operations	67,150	48,129	19,021
Net gains from derivatives	35,761	15,315	20,446
Net gains from sale of securities	26,106	29,877	(3,771)
Net foreign exchange gains	5,283	2,937	2,346
Write-downs on financial assets and positions	(30,213)	(83,012)	52,799
Losses from securities revaluation	(17,913)	(1,134)	(16,779)
Losses from foreign currency revaluation	(6,755)	(27,705)	20,949
Losses from derivatives revaluation	(5,544)	(54,173)	48,629
Transfer to/from provisions for financial risks	(100,000)	(140,000)	40,000
General provision for financial risks	(100,000)	(140,000)	40,000
Total	(63,063)	(174,883)	111,820

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

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Fees and commissions from investment portfolio, of which:	(397)	(282)	(116)
Net profit from operations with clients	214	226	(12)
Net loss from operations with banks	(620)	(557)	(63)
Net profit from operations with securities	42	87	(45)
Net loss from derivatives	(5)	(10)	6
Other	(28)	(28)	(1)
Fees and commissions	1,336	1,361	(25)
Net profit from operations with securities	2,131	2,012	118
Net loss from operations with banks	(795)	(652)	(143)
Net profit from exchange of euro coins	66	61	4
Total	1,004	1,141	(136)

27. Income from equity shares and participating interests

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Interim distribution of the ECB's profit of the current year	1,718	14,432	(12,714)
Share in the ECB's profit of the previous year	4,387	10,747	(6,360)
Dividends from ETF funds	6,821	3,706	3,115
Dividends from BIS shares	1,788	0	1,788
Total	14,714	28,885	(14,171)

28. Net result of pooling of monetary income

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

Monetary income is distributed in proportion to NBS's share on the paid-up capital of the ECB after the end of each financial year (1.1452% since 1 February 2020).

For 2021, the NBS pooled negative monetary income of EUR 14,344 thousand, primarily due to interest rate payments on TLTRO III operations at a negative interest rate (see Note 5). Monetary income corresponding to the participating interest of the NBS in the ECB's paid-up capital amounted to EUR 13,401 thousand. The difference of EUR 27,745 thousand (31 December 2020: EUR 25,300 thousand) represents the net result of the pooling of monetary income. The NBS's income increased by EUR 1,618 thousand as a result of a revision of Eurosystem monetary income for the period from 2015 to 2020 (31 December 2020: income decreased by EUR 675 thousand as a result of a revision for 2018 and 2019).

Lower income of the NBS from the redistribution of the Eurosystem monetary income in 2020 and 2021 primarily resulted from the increase in the volume of longer-term refinancing operations carried out to mitigate COVID-19 impacts on the euro area economy.

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

29. Other income and other expenses

As at 31 December 2021, the most significant portion of the Bank's "Other income" comprised income from fees and contributions from financial market entities of EUR 7,716 thousand (31 December 2020: EUR 6,944 thousand) and received fees from participation in settlement systems of EUR 3,568 thousand (31 December 2020: EUR 3,334 thousand). In 2021, as in the previous year, the Bank waived a portion of annual contributions for the first half of 2021 to mitigate impacts of the COVID-19 pandemic on the financial sector. The NBS started the full collection of contributions from financial market entities in the second half of 2021.

As at 31 December 2021, the Bank's "Other expenses" mainly represented costs for minting circulation and collector coins, including costs for related services, of EUR 5,032 thousand (31 December 2020: EUR 6,833 thousand).

30. Staff costs

	31.12.2021	31.12.2020	Change
	EUR' 000	EUR' 000	EUR' 000
Wages and salaries	(43,076)	(38,367)	4,709
Social security costs	(15,438)	(13,864)	1,574
Other employee costs	(11,025)	(6,634)	4,391
Total	(69,539)	(58,865)	10,673

As at 31 December 2021, the average FTE number of employees was 1,121, of which 115 were managers.

A year-on-year increase in personnel expenses primarily resulted from increased costs for the creation of a provision for retirement payments to employees.

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

31. Administrative expenses

As at 31 December 2021, this caption mainly includes costs of technical support and IS maintenance, repairs and maintenance costs, energy consumption and telecommunications costs, corporate contributions (primarily to international oversight authorities), costs of financial education and costs of protecting cash transports.

The cost of the statutory auditor for the audit of the financial statements amounted to EUR 61 thousand as at 31 December 2021 (31 December 2020: EUR 61 thousand). As at 31 December 2021, the Bank did not record any costs of assurance and audit services and tax consulting as per Article 18 (6) of the Act on Accounting.

32. Depreciation of tangible and intangible fixed assets

	31.12.2021 EUR' 000	31.12.2020 EUR' 000	Change EUR' 000
Depreciation of tangible fixed assets	(7,318)	(7,181)	137
Amortisation of intangible fixed assets	(2,090)	(2,382)	(292)
Total	(9,408)	(9,563)	(156)

33. Banknote production services

As at 31 December 2021, the costs for printing euro banknotes were EUR 1,796 thousand (31 December 2020: EUR 7,018 thousand).

34. Income tax and other charges on income

According to Article 43 of Act No. 595/2003 Coll. on Income Tax, as amended, the NBS is a payer of tax on income (proceeds) from bonds issued in the jurisdiction of the Slovak Republic. In 2021, the NBS paid a withholding tax of EUR 47,254 thousand (31 December 2020: EUR 27,174 thousand). The increase by EUR 20,080 thousand compared to the preceding period was due to increased coupon income with respect to an increase in the volume of securities (see Note 7) and a lower volume of securities falling due compared to 2020, which resulted in the decrease of the caption decreasing the tax base.

35. Profit for the year

As at 31 December 2021, the Bank made a profit of EUR 63,004 thousand (31 December 2020: profit of EUR 26,043 thousand). The profit continued to be significantly impacted by NBS measures taken in order to mitigate the impacts of the pandemic through an increased volume of monetary policy operations. This resulted in lower net income from the monetary policy portfolio, lower profit from the redistribution of monetary income and an increase in the general provision for potential financial risks.

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

D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 17 February 2021, the Governing Council of the ECB decided to distribute the ECB's net profit for 2020 to national central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 478 thousand from the profit distribution is recognised in the 2021 reporting period.

The military conflict in Ukraine and sanctions imposed on the Russian Federation and their economic impacts on Slovakia and worldwide may require revisions of assumptions and estimates used in the preparation of the financial statements. These may lead to significant adjustments to the carrying amounts of assets and liabilities in the following financial year. At this stage, it is not possible to make a reliable estimate of their possible impact, as events are developing dynamically every day.

In 2021, Národná banka Slovenska did not perform any operations and, as at 31 December 2021, it does not record any open positions towards the Russian Federation and Ukraine, or any balances denominated in the currencies of these countries as at this date.

Bratislava, 15 March 2022



Peter Kažimír
Governor



Albín Kotian
Executive Director
Financial Management
and Information
Technology Division



Jāna Langerová
Director
Financial Management
Department

Národná banka Slovenska

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT to section Report on Information Disclosed in the Annual Report

To the Bank Board of Národná banka Slovenska:

We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2021 disclosed on pages 96 – 128 of the accompanying annual report of the Bank, on which we issued an independent auditor's report on 15 March 2022 that is disclosed on pages 97 – 98 of the Bank's annual report. We have prepared this supplement in accordance with Article 27 (6) of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Statutory Audit Act").

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

- Information disclosed in the Bank's annual report prepared for 2021 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to Act No. 431/2002 Coll. on Accounting, as amended and Act on NBS, as amended.

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

Bratislava, 6 June 2022



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

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/sk/en/about to learn more.



Legislation

Legislation in 2021

Národná banka Slovenska exercises legislative competences in accordance with Section 30 of Act No 566/1992 on Národná banka Slovenska, as amended ('the NBS Act'). All draft primary legislation concerning currency circulation must be submitted to the Slovak Government by NBS, and all draft primary legislation concerning foreign exchange relations, payment systems, payment services, or the financial market (including the banking sector and the role and remit of NBS) must be submitted to the Government jointly by NBS and the Slovak Finance Ministry. The Bank's authority to issue secondary legislation of general application is based on Article 56(1) of the Constitution of the Slovak Republic, according to which the Bank may issue such legislation where authorised by statutory law to do so.

Amendments made in 2021 to laws on matters falling within the competence of Národná banka Slovenska

Act No 67/2020 on certain extraordinary financial measures in relation to the spread of the dangerous contagious human disease COVID-19, as amended, was amended in 2021 by Act No 9/2021, Act No 47/2021, Act No 57/2021, Act No 115/2021, Act No 279/2021, Act No 412/2021 and Act No 469/2021.

Act No 747/2004 on financial market supervision (and amending certain laws), as amended, was amended in 2021 by Act No 209/2021.

Act No 483/2001 on banks (and amending certain laws), as amended, was amended in 2021 by Act No 209/2021, Act No 310/2021, Act No 431/2021, Act No 454/2021 and Act No 512/2021.

Act No 371/2014 on resolution in the financial market (and amending certain laws), as amended, was amended in 2021 by Act No 209/2021, Act No 310/2021 and Act No 454/2021.

Act No 186/2009 on financial intermediation and financial advisory services (and amending certain laws), as amended, was amended in 2021 by Act No 310/2021.

Act No 118/1996 on the protection of deposits (and amending certain laws), as amended, was amended in 2021 by Act No 454/2021.

Act No 492/2009 on payment services (and amending certain laws), as amended, was amended in 2021 by Act No 310/2021 and Act No 454/2021.

Act No 566/2001 on securities and investment services (and amending certain laws) (the Securities Act), as amended, was amended in 2021 by Act No 209/2021, Act No 310/2021 and Act No 454/2021.

Act No 530/1990 on bonds, as amended, was amended in 2021 by Act No 454/2021.

Act No 429/2002 on stock exchanges, as amended, was amended in 2021 by Act No 209/2021 and Act No 310/2021.

Act No 203/2011 on collective investment, as amended, was amended in 2021 by Act No 210/2021, Act No 310/2021, Act No 368/2021 and Act No 454/2021.

Act No 39/2015 on insurance (and amending certain laws), as amended, was amended in 2021 by Act No 209/2021 and Act No 310/2021.

Act No 43/2004 on the old-age pension scheme (and amending certain laws), as amended, was amended in 2021 by Act No 310/2021.

Act No 650/2004 on the supplementary pension scheme (and amending certain laws), as amended, was amended in 2021 by Act No 310/2021.

Act No 129/2010 on consumer credits and on other credits and loans for consumers (and amending certain laws), as amended, was amended in 2021 by Act No 310/2021.

Implementing legislation of general application issued by Národná banka Slovenska in 2021

Decrees promulgated in the Collection of Laws of the Slovak Republic by virtue of their publication

Decree No 1/2021 of Národná banka Slovenska of 12 January 2021 amending Decree No 16/2007 of Národná banka Slovenska on reporting by stock exchanges and central securities depositories for the purposes of financial market supervision, as amended.

Decree No 2/2021 of Národná banka Slovenska of 9 February 2021 amending Decree No 5/2015 of Národná banka Slovenska on how to demonstrate compliance with conditions for the granting of prior approval of Národná banka Slovenska under Section 77(1) of Act No 39/2015 on insurance (and amending certain laws), as amended by Decree No 6/2017.

Decree No 3/2021 of Národná banka Slovenska of 9 February 2021 amending Decree No 35/2015 of Národná banka Slovenska on how insurance undertakings subject to a special regime are to demonstrate compliance with conditions for the granting of an authorisation to conduct insurance business, as amended by Decree No 8/2017.

Decree No 4/2021 of Národná banka Slovenska of 11 May 2021 amending Decree No 6/2014 of Národná banka Slovenska on how to demonstrate compliance with conditions for an authorisation to establish and operate a supplementary pension management company.

Decree No 5/2021 of Národná banka Slovenska of 25 May 2021 on fees for acts performed by Národná banka Slovenska.

Decree No 6/2021 of Národná banka Slovenska of 21 June 2021 amending Decree No 7/2014 of Národná banka Slovenska on the elements of applications for prior approval of Národná banka Slovenska made under Act No 650/2004 on the supplementary pension scheme (and amending certain laws).

Decree No 7/2021 of Národná banka Slovenska of 21 June 2021 on reporting for statistical purposes by payment institutions, branches of foreign payment institutions, electronic money institutions and branches of foreign electronic money institutions.

Decree No 8/2021 of Národná banka Slovenska of 21 June 2021 on reporting for statistical purposes by banks, branches of foreign banks, investment firms and branches of foreign investment firms.

Decree No 9/2021 of Národná banka Slovenska of 27 July 2021 amending Decree No 10/2018 of Národná banka Slovenska on the Register of Bank Loans and Guarantees.

Decree No 10/2021 of Národná banka Slovenska of 27 July 2021 amending Decree No 12/2005 of Národná banka Slovenska on the analysis of risks related to business premises security at banks and branches of foreign banks.

Decree No 11/2021 of Národná banka Slovenska of 12 October 2021 amending Decree No 16/2014 of Národná banka Slovenska of 2 September 2014 on the disclosure of information by banks and branches of foreign banks, as amended.

Decree No 12/2021 of Národná banka Slovenska of 25 October 2021 on reporting by insurance undertakings, reinsurance undertakings, branches of foreign insurance undertakings, branches of foreign reinsurance undertakings, insurance undertakings and reinsurance undertakings from other EU Member States, pension fund management companies and supplementary pension management companies.

Decree No 13/2021 of Národná banka Slovenska of 9 November 2021 amending Decree No 13/2017 of Národná banka Slovenska of 12 December 2017 on reporting for supervisory purposes by banks and branches of foreign banks, as amended.

ABC

**Abbreviations,
glossary and
short titles**

Abbreviations

A

AML/CFT

anti-money laundering and combating the financing of terrorism

APP

asset purchase programme

APRC

annual percentage rate of charge

B

BACH

Bank for the Accounts of Companies Harmonized (BACH)

C

CSD

central securities depository

D

DSTI

debt service-to-income (ratio)

E

EBA

European Banking Authority

ECB

European Central Bank

EFTPOS

electronic funds transfer at point of sale

EIOPA

European Insurance and Occupational Pensions Authority

ESAs

European Supervisory Authorities

ESCB

European System of Central Banks

ESMA

European Securities and Markets Authority

EU

European Union

G

GDP

gross domestic product

H

HICP

Harmonised Index of Consumer Prices

I

ICAAP

Internal Capital Adequacy Assessment Process

IFRS

International Financial Reporting Standard

N

NBS

Národná banka Slovenska (NBS is herein also referred to as 'the Bank'.)

NPL

non-performing loan

O

OECD

Organisation for Economic Co-operation and Development

OIS

overnight index swap

P

PEPP

1. pandemic emergency purchase programme
2. pan-European personal pension product

R

RePEc

Research Papers in Economics

RIAD

Register of Institutions and Affiliates Database

ROE

return on equity

RWA

risk-weighted asset

S

SCP

Statistics Collection Portal

SEPA

Single European Payments Area

SIPS

Slovak Interbank Payment System

SLSP

Slovenská sporiteľňa, a.s. (a commercial bank)

SO SR

Statistics Office of the Slovak Republic

SRB

Single Resolution Board

SSM

Single Supervisory Mechanism

SSP

Single Shared Platform

T

T2S

TARGET2-Securities

TARGET

Trans-European Automated Real-time Gross settlement Express Transfer system

TARGET2

The second-generation TARGET system.

TIPS

TARGET instant payment settlement

TLTRO

targeted longer-term refinancing operation

TLTRO III

The third series of TLTROs.

Glossary

B

bail-in tool

A key resolution tool provided for in the Bank Recovery and Resolution Directive (BRRD). Where a financial institution is failing or likely to fail, the bail-in tool allows its debts to be written down or converted into equity, thereby protecting taxpayers from having to provide funds to cover its liabilities.

E

e-commerce payments

Online payments made with a payment card.

ESG rating

An ESG rating expresses a qualitative assessment of an issuer in terms of the extent to which it applies environmental, social and governance (ESG) principles in its activities. ESG ratings range from AAA (the best) to CCC (the worst).

ESG principles are applied in firms in order to address the following areas:

- environmental problems: global warming; the use of energy and water; climate change; pollution; etc.
- social problems: workforce diversity; labour laws; safety at work; etc.
- the way in which corporate governance is exercised: business ethics; the composition and independence of the management board; accounting; etc.

Another way to look at these principles is that firms are currently exposed to environmental and social risks and that this exposure reflects the nature of their corporate governance and ability to mitigate these risks.

O

OPEC/OPEC+

The Organization of the Petroleum Exporting Countries (OPEC) is an intergovernmental organisation that was founded in 1960 and is headquartered in Vienna. It currently has thirteen member countries: Algeria, Angola, the Republic of the Congo, Equatorial

Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC+ is a loosely affiliated entity consisting of the 13 OPEC members and a group of non-OPEC oil exporting countries, including Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan, and Sudan.

Q

Qlik Sense

An analytical business intelligence tool.

R

regulatory sandbox

A platform where regulators allow fintech solutions to be tested in the market without having to fit into an existing regulatory framework. In Slovakia, the sandbox is operated by Národná banka Slovenska.

S

second/third pillar of the pension system

The second pillar of the Slovak pension system – the old-age pension scheme – is a defined contribution scheme operated by pension fund management companies (PFMCs); enrolment is voluntary but savers may not leave the scheme after enrolment. The third pillar – the supplementary pension scheme – is a voluntary defined contribution scheme operated by supplementary pension management companies (SPMCs).

Short titles of Slovak legal acts

Foreign Exchange Act

Act No 202/1995 - the Foreign Exchange Act (including amendments to Act No 372/1990 on non-indictable offences, as amended), as amended

Financial Market Supervision Act

Act No 747/2004 on financial market supervision (and amending certain laws), as amended

Bankruptcy Act

Act No 7/2005 on bankruptcy and restructuring (and amending certain laws), as amended

Financial Intermediation Act

Act No 186/2009 on financial intermediation and financial advisory services (and amending certain laws), as amended

Payment Services Act

Act No 492/2009 on payment services (and amending certain laws), as amended

Collective Investment Act

Act No 203/2011 on collective investment, as amended

Methodological Guideline No 3/2020

on assessing the level of premiums in motor third party liability insurance

Short titles and abbreviations of EU legal acts

The Fourth AML Directive

Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC

MiFID II

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

Solvency II

Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

IFR/IFD

The Investment Firm Directive and Investment Firm Regulation:

Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014;

Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU



List of charts, tables, figures and boxes

List of charts

Chart 1	GDP
Chart 2	Global Supply Chain Pressure Index
Chart 3	Container shipping prices
Chart 4	Futures prices for natural gas and electricity
Chart 5	Global inflation
Chart 6	Core inflation
Chart 7	Real GDP and its components
Chart 8	Trade balance
Chart 9	Employment
Chart 10	Wage level
Chart 11	Inflation and its components
Chart 12	Agricultural commodity price inflation and the food component of the HICP
Chart 13	Net inflation and import prices
Chart 14	Sharp acceleration in housing loan growth
Chart 15	Net monthly purchases under the PEPP and the evolution of euro area sovereign yields
Chart 16	Selected items of the Eurosystem's consolidated balance sheet which relate to monetary policy implementation
Chart 17	Monetary policy operations conducted by Národná banka Slovenska
Chart 18	Minimum reserve requirements and actual reserve holdings
Chart 19	Composition of eligible assets used by Slovak banks in Eurosystem credit operations in 2021
Chart 20	NBS investment portfolios as at 31 December 2021
Chart 21	The banking sector's total capital ratio
Chart 22	Financial consumer complaints in 2021 broken down by financial market segment
Chart 23	Cumulative net issuance of euro cash on a daily basis
Chart 24	The volume of euro banknotes and coins put into circulation and returned from circulation at NBS
Chart 25	Number of counterfeit euro banknotes per million genuine euro banknotes in circulation in Slovakia
Chart 26	Value of transactions processed by TARGET2-SK in 2021 and 2022
Chart 27	Value of payments sent by TARGET2-SK participants in 2021 broken down by destination
Chart 28	Value of transactions processed by SIPS in 2020 and 2021
Chart 29	Number and value of domestic and cross-border transactions
Chart 30	Number and value of SEPA credit transfers and SEPA direct debits
Chart 31	Number of Slovak residents recorded in RIAD
Chart 32	Completion rate of mandatory and optional attributes in RIAD
Chart 33	Financial assets under management in the second and third pillars of the pension system, 2019-2021
Chart 34	Number of reporting agents registered in the SCP
Chart 35	Number of reporting templates used in the SCP
Chart 36	Research publications by topic
Chart 37	Articles published in foreign scientific journals broken down by journal ranking

List of charts in boxes

- Chart A** Holdings of Slovak government bonds in the Eurosystem's monetary policy portfolios
- Chart B** 10-year Slovak government bond yield within the range of euro area sovereign yields

List of tables

- Table 1** Financial education projects awarded NBS grants in 2021
- Table 2** Issuance of euro banknotes and coins in Slovakia as at 31 December 2021
- Table 3** Selected changes in the number of reporting agents

List of boxes

- Box 1** Government bond purchases as part of monetary policy implementation
- Box 2** Regulatory framework and supervisory methodology reflect new trends
- Box 3** The pan-European personal pension product as a new form of saving
- Box 4** The Bank gave financial market entities guidance on the distribution of corporate bonds (supervisory benchmark)
- Box 5** The Bank's involvement in the cross-border exchange of credit data

List of figures

- Figure 1** Summary of risks associated with increasing household indebtedness and factors mitigating these risks
- Figure 2** SSM priorities for 2021
- Figure 3** TARGET2-SK platforms
- Figure 4** Number and value of transactions processed by TARGET2-SK
- Figure 5** SIPS – interbank retail payment system
- Figure 6** Number of payment cards issued by Slovak banks and transactions made with these cards broken down by number and value
- Figure 7** Transactions made at or with ATMs, online merchants and EFTPOS terminals located in Slovakia
- Figure 8** The Bank's organisation chart as at 31 December 2021