

Annual Report

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Foreword

The year 2023 was a turning point, in many respects positive.

Inflation in all corners of Europe, including Slovakia, continued its gradual descent from double-digit levels.

This occurred despite the ongoing Russian aggression in Ukraine and the persistent uncertainty plaguing the global economy. But the positive developments notwithstanding, the European Central Bank still had to stay on course and continue the fight against record high inflation in order to protect people and the economy.

In September we raised our interest rates for a tenth consecutive time, with the deposit facility rate reaching an all-time high of 4.00% – a pivotal milestone in the hitherto 14-month battle against inflation.

In this fight, we were not alone.

Europe coped with the adverse effects of Russia's war against Ukraine through energy supply diversification and government support measures, which contributed substantially to bringing inflation down to single-digit levels.

After slowing sharply last year, inflation will continue to ease this year, but more moderately. We expect it to come down to the 2% target in 2025.

Hence, there are grounds for cautiously growing optimism, further supported by incoming information on economic developments in euro area countries. This gives us the space and time to carefully evaluate the effectiveness of what has been the fastest and most dynamic hiking of interest rates in the history of the European Central Bank.

But the inflation battle is far from won and vigilance remains the watchword. It is important to remain patient.

The last thing people and the economy need is the return of uncertainty as a result of hasty and ill-considered actions.

But success is not cost-free, and although the fight against inflation is bearing fruit, central banks are also feeling its flip side.

Preserving price stability is the primary task of the European Central Bank and thus also of Národná banka Slovenska. It is an essential prerequisite for safeguarding the well-being and successful future of people in Europe – including Slovakia, which has benefited from two decades of European Union membership and has been part of the euro area for 15 years.

At times, this protection comes at a price.

The raising of key interest rates has resulted in a huge increase in the costs borne by every Eurosystem central bank, and they will have to bear these costs for some time to come. The good news is that we can overcome this difficult period, having in previous years prudently and responsibly built up buffers against just such an eventuality.

From today's perspective, it is difficult to predict how long central banks will bear these negative consequences. One thing, however, is certain: people and the economy would pay an immeasurably higher price if we failed to emerge victorious from our inflation fight. Passivity could do enormous damage.

I would like to thank all my colleagues for their contributions and ideas throughout 2023. Their expertise and talent create the conditions for us, as an institution, to ensure stability – both price and financial – and to protect society from risks, particularly, but not only, in these difficult times.

I believe that our fight is approaching the finale, and the period ahead will be one in which we together experience a gradual and long-awaited reduction of interest rates.

The past year was not easy, but we came through it together.



Peter Kažimír


Governor

Národná banka Slovenska


The year at a glance

 **6.6%**
average annual
inflation

 **3.9%**
average annual
real wage growth
in Q4 2023

 **5.8%**
unemployment
rate

Eurosystem monetary policy still in a tightening cycle

 **4.00%**
deposit facility
rate

 **200 bp**
annual increase
in the key ECB
interest rates

 **€4 billion**
drop in outstanding
amount of liquidity
provided by NBS

Key changes in NBS investment reserves management


 **April 2023**
NBS issued a new
Investment Policy
Statement


 **July 2023**
a new 'strategic
asset allocation'
was approved

 **8**
world currencies in which
NBS investment portfolios
are denominated

NBS financial market supervision

 **957**
entities
authorised by NBS
as at end-2023

 **352**
final supervisory
decisions issued
in 2023

 **42**
on-site inspections
conducted in 2023

 **€2 billion**
worth of green bonds
issued in Slovakia
were outstanding
as at year-end

 **€4 billion**
worth of green bonds
held by Slovak entities
as at year-end

 **A**
ESG rating for NBS
bond and equity
portfolios

Expansion of financial consumer protection and education

 **1,720**
consumer
complaints about
financial market
entities

 **€543,000**
paid in redress to
financial consumers
on the basis of their
complaints

 **6,983**
schoolchildren
participated in NBS
financial education

Slower growth in Slovakia's cumulative net issuance

 **€25.5 billion**
worth of euro cash
issued in Slovakia
as at end-2023

 **11%**
annual increase in
cumulative value
of euro banknotes
issued in Slovakia

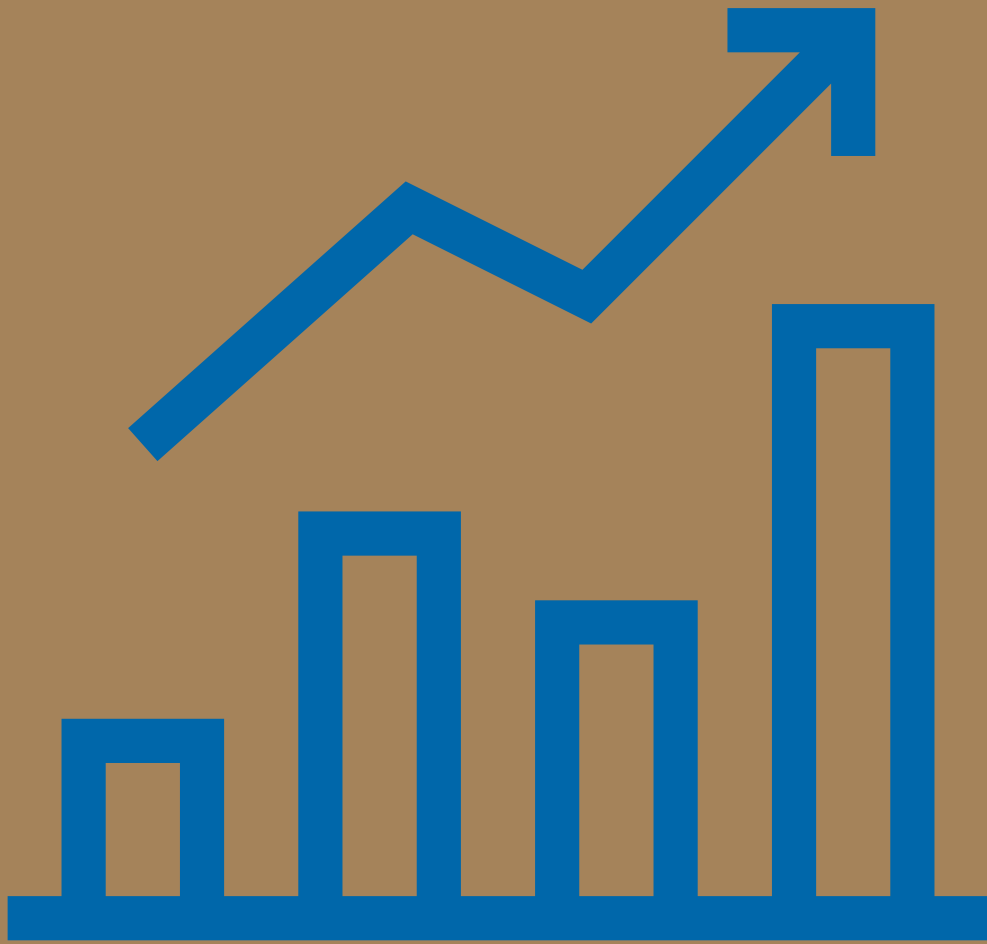
 **1,697**
counterfeit euro
banknotes recovered
in Slovakia in 2023

Launch of new TARGET payment system

 **39 million**
instant payments
via TIPS

 **273 million**
transactions via
SIPS

 **166,000**
transactions via
TARGET-SK



**Economic
and financial
developments**

A

1

Macroeconomic developments

inflation
slowed
sharply

consumer
demand
slumped

firms
increasingly
hired foreign
workers

EU funds
boosted
investment
activity

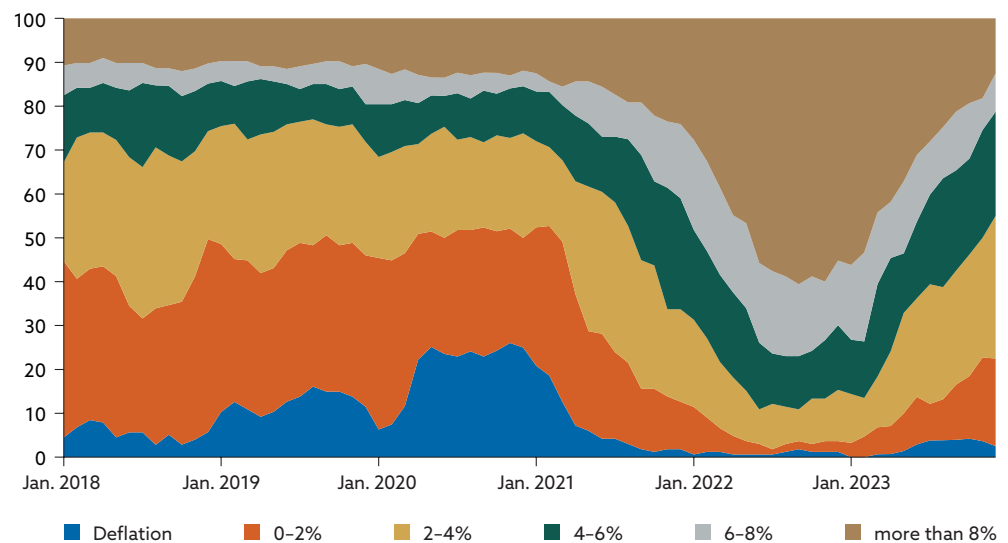
A1 Macroeconomic developments

In 2023 the global economy gradually recovered from the COVID-19 pandemic, the Russian invasion of Ukraine and the adverse impact of rising costs on real household incomes. Inflationary pressures retreated on the back of falling energy prices, as well as due to the improved functioning of global supply chains and central banks' tightening of monetary policy. The percentage of countries with a headline inflation rate of more than 8% fell sharply, and more than half were reporting a sub-4% rate by the end of the year (Chart 1).



Chart 1:
Inflation bands by share of countries within the band (percentages)

Source: Macrobond.

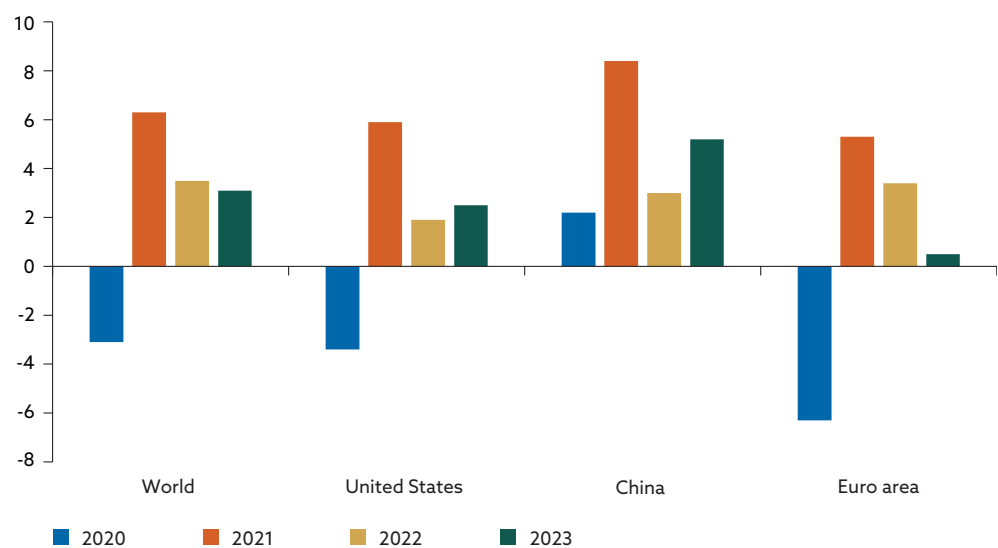


Note: The chart includes the headline inflation rates of almost 190 countries.



Chart 2:
GDP in selected countries (annual percentage changes)

Source: IMF World Economic Outlook.



In an environment of significant monetary tightening, global economic growth remained resilient in 2023 (Chart 2) thanks to a favourable labour market situation. The global economy was, in general, greatly boosted by supply-side improvements during the year under review, as input shortages were largely eliminated, delivery times were shortened, and labour participation increased. The US economy outperformed expectations owing largely to private consumption, which benefited from a relatively strong, albeit cooling, labour market as well as from households' using savings built up during the pandemic to sustain their consumption.

China's economy also performed quite solidly, with its growth marginally exceeding the target. This result was supported to a large extent by economic policy measures aimed at alleviating problems in the real estate market, which, amid a slump in residential property sales, remained the economy's weakest link.

In contrast to other economies, the euro area's economy grew only marginally in 2023. The economy continued to be burdened by high energy prices, but also by low consumer confidence. Industry was the weakest sector, with energy-intensive industries experiencing the greatest difficulties. Euro area industrial activity was dampened by faltering competitiveness. At the same time, interest rate increases were sharply raising the cost of borrowing, thus reducing investment demand.

In Slovakia, economic growth in 2023 was driven mainly by investment and a decline in imports (Chart 3). Investment activity was boosted by the final disbursements of funds allocated to Slovakia under the EU's 2014–2021 budget. A number of EU co-funded investments were implemented, probably to some extent also in the private sector. After recording a deficit in 2022, the trade balance returned to surplus (Chart 4) because of lower energy imports, increasing use of inventories in production, and subdued consumer demand — all of which resulted in imports falling sharply.

Facing a second consecutive year of declining real incomes, households continued to rein in consumption in 2023. With wage growth remaining below inflation, real incomes fell significantly. Although government measures partially cushioned the decline in real wages, households were cutting down their spending throughout the year. By the same token, household investment remained subdued.



Chart 3:
Real GDP and
its components
(annual
percentage
changes;
percentage
point
contributions)

Sources: SO SR,
and NBS.

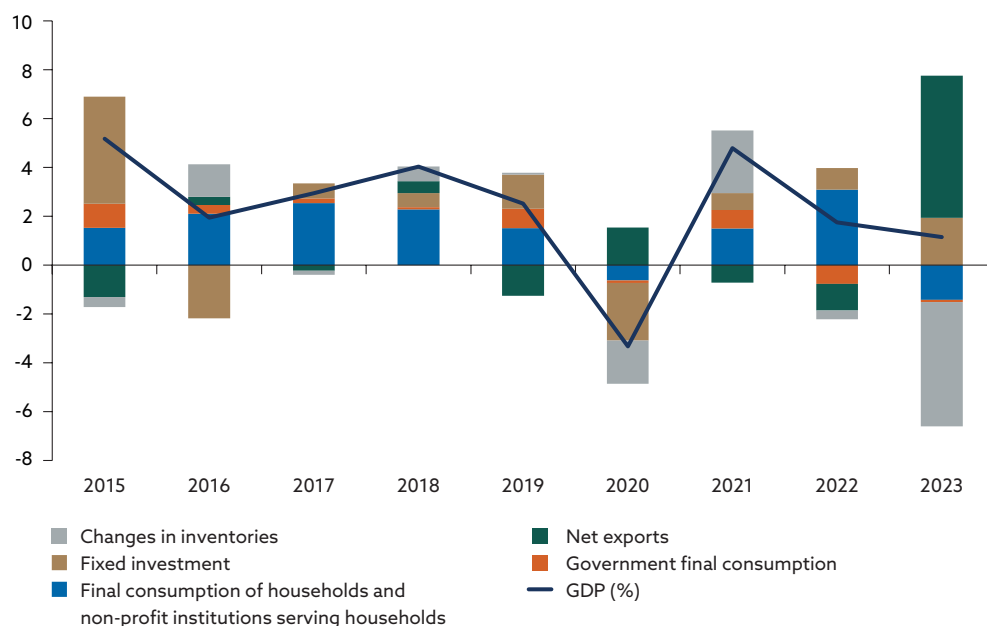
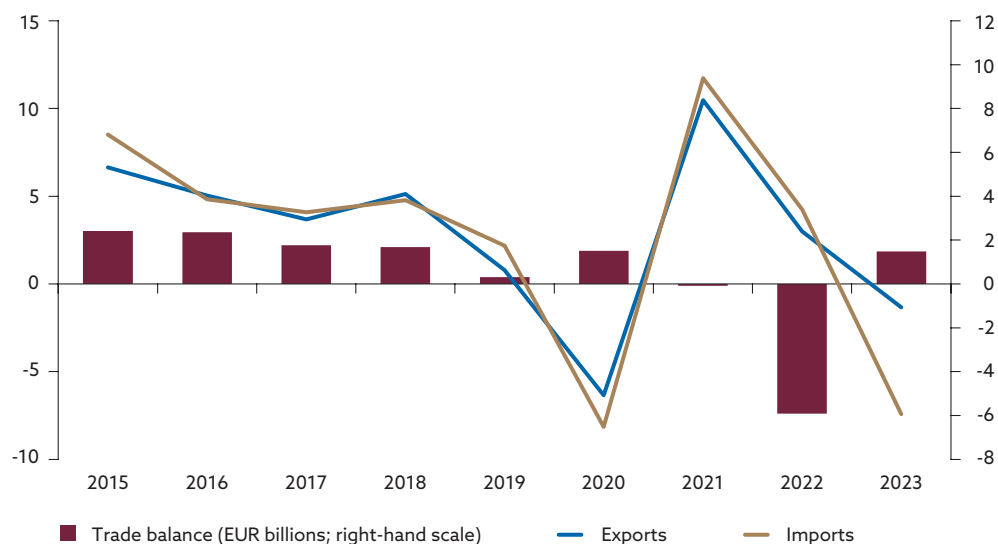


Chart 4:
Trade balance
(annual
percentage
changes;
constant prices;
EUR billions)

Sources: SO SR,
and NBS.



Slovakia's export performance worsened slightly in 2023, owing to weak foreign demand. A gloomy economic picture in proximate trading partner countries weighed on most areas of Slovak industry. The only sub-sector that showed the resilience to keep exports above 2022 levels was the automotive industry, but even car makers were starting to feel the strain towards the end of the year.

The labour market remained strong in the year under review, with employment supported by the recruitment of foreign workers and an increase in the self-employed workforce. Nevertheless, many job vacancies remained unfilled due to labour shortages, and employment growth slowed as a result (Chart 5). As domestic pools of labour became increasingly depleted, the unemployment rate fell to 5.8%, matching its all-time low from 2019. In this context, demand for foreign workers surged, and the annual increase in their number was a record high (more than 17,000).



Chart 5:
Employment
(annual
percentage
changes)

Sources: SO SR,
and NBS.

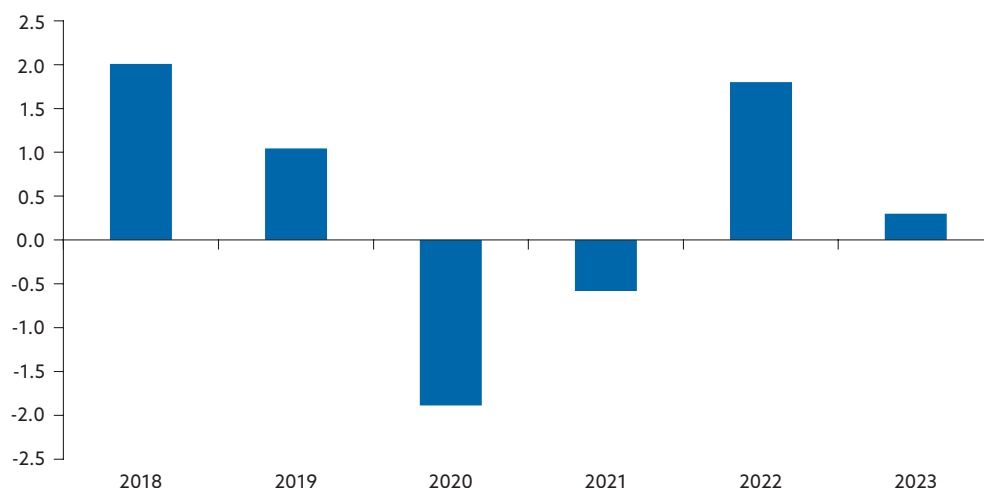
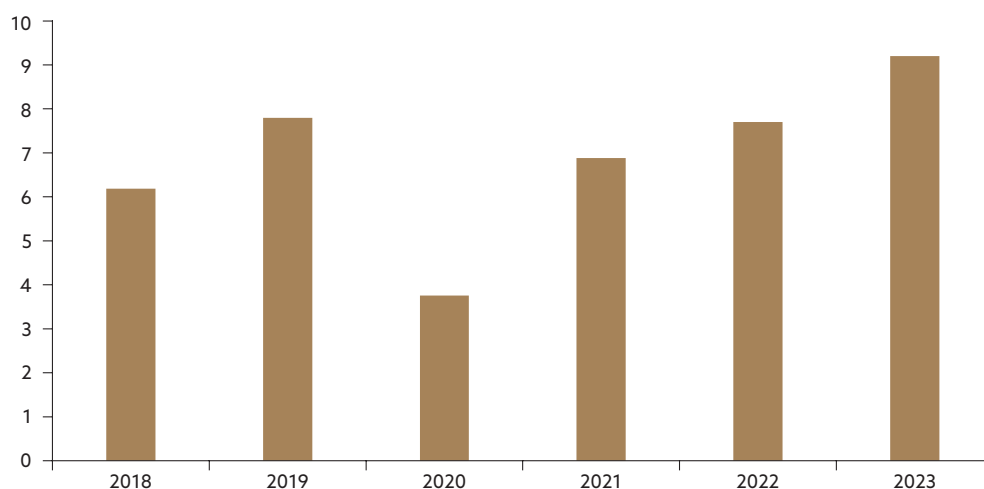


Chart 6:
Wages
(annual
percentage
changes)

Sources: SO SR,
and NBS.



Nominal wage growth accelerated in 2023 (Chart 6), with a number of factors at play in wage developments. High inflation was stoking demands for nominal wage increases, while labour shortages and a tight labour market strengthened employees' bargaining position. For most workers, however, nominal wage growth was insufficient to cover rising living costs, so households' purchasing power fell for a second consecutive year.

The headline inflation rate averaged 11% in 2023. It was the second successive year of double-digit inflation, something not seen since the start of the millennium. The inflation rate was slightly lower in 2023 than in the previous year (Chart 7), reflecting slower growth in administered energy prices and a decline in automotive fuel prices. But notwithstanding its slowdown, the headline inflation rate remained elevated and was among the fastest-rising in the euro area and European Union (Chart 8). The strongest upward pressure on inflation came from rising food prices and net inflation. Food inflation reflected mainly the pass-through of the price shock from an extreme increase in prices of agricultural commodities and energy, as well as from food producer prices. Net inflation was pushed up by past high increases in import prices and wholesale energy prices, and by labour market tightness.



Chart 7:
HICP inflation
and its compo-
nents (annual
percentage
changes; per-
centage point
contributions)

Sources: SO SR,
and NBS.

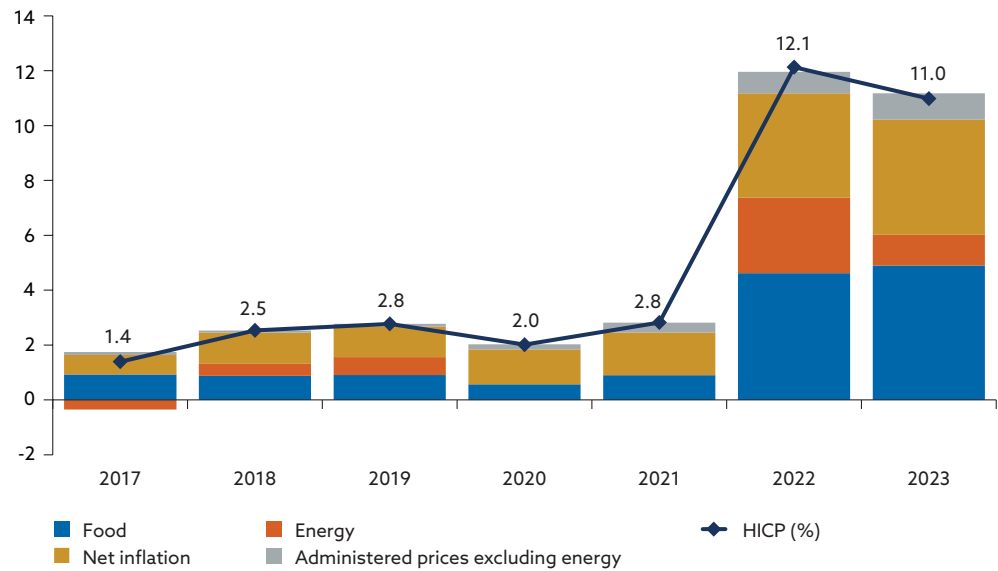
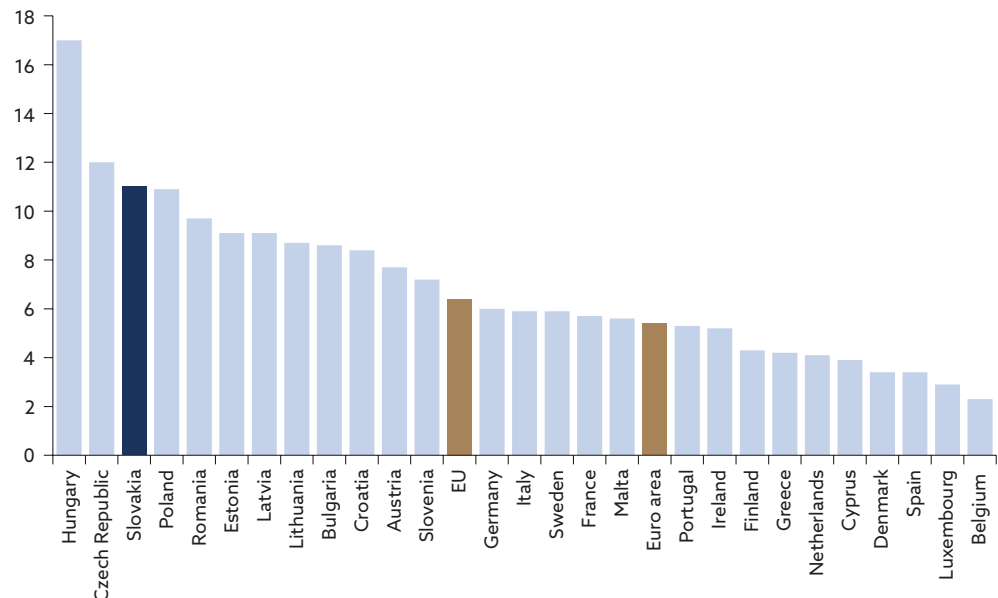


Chart 8:
HICP inflation
in EU countries
in 2023
(annual
percentage
changes)

Sources: SO SR,
and NBS.



In 2023 inflation peaked in February, before slowing down in subsequent months as the impact of cost factors gradually moderated. Significant and rapid slowdowns in price growth were seen across the entire consumption basket, and only their timing varied. The easing of headline inflation towards the end of the year was largely due to the impact of the food component. The slowdown in import prices moderated the rate of increase in producer prices and in consumer prices of industrial goods. By contrast, the uptrend in services prices showed more resilience, with these prices being generally stickier than goods prices. Services inflation also reflected upward pressure from high wage growth and labour shortages. The annual inflation rate was 6.6% at the end of 2023, down by almost 9 pp from the February peak of 15.4%.

Housing prices were falling throughout 2023 in response to monetary policy tightening. By the end of the year they were around one-tenth below their peak from summer 2022. The upward pressure on housing prices stemmed largely from ECB policy rate cuts, which translated into more expensive mortgages. As the cost of borrowing rose, the volume of new mortgages decreased by almost two-thirds. The result was falling demand for housing and a consequent decline in housing prices. Costlier borrowing also weighed on the investment activity of construction and property development firms.

A

2

Financial market developments

**lending
growth slowed
and stabilised**

**lending
rate uptrend
almost came
to a halt towards
the year-end**

**banks
are profitable
and well
capitalised**

**financial cycle
downswing
continued**

A2 Financial market developments



Figure 1:
Financial market
developments
in 2023

Source: NBS.



Developments having most impact on the Slovak financial sector in 2023

- Elevated inflation increased living costs and manufacturing input prices
- Rising interest rates pushed up debt servicing cost
- Weakened domestic and foreign demand weighed on economic growth
- Heightened uncertainty and shifts in consumer sentiment dampened demand



Banks performed well despite financial cycle downswing

Lending growth stabilised at a lower level compared with previous years

- New mortgage lending was a third lower in 2023 than in the previous year, with the slowdown resulting from lower demand rather than from tightening of credit standards
- Growth in loans to firms moderated, though developments within segments were heterogeneous
- The uptrend in lending rates slowed towards the end of the year

Banks were profitable and solvent

- The banking sector's annual profit increased by half year-on-year
- Profit growth was driven by net interest income
- Banks improved their capital position and remained well capitalised
- Banks complied with MREL requirements

Bank funding remained stable

- Total household deposits increased only slightly
- Banks were issuing covered bonds
- Subdued loan origination reduced the need for new sources of funding
- Banks comfortably met regulatory requirements for stable funding and liquidity, remaining well above regulatory thresholds throughout the year

Non-bank sectors experienced growth

- The **insurance sector** had a profitable year, recording an increase in premium payments, especially in non-life business. Insurers started rebalancing their investment portfolios more towards government bonds, at the expense of holding of investment fund shares/units
- In both the second and third pillars of the Slovak **pension system**, the share of equity investments started rising
- In the **investment fund** sector, interest in equity funds and real estate funds remained strong
- **Retail customers' investments** in securities also increased

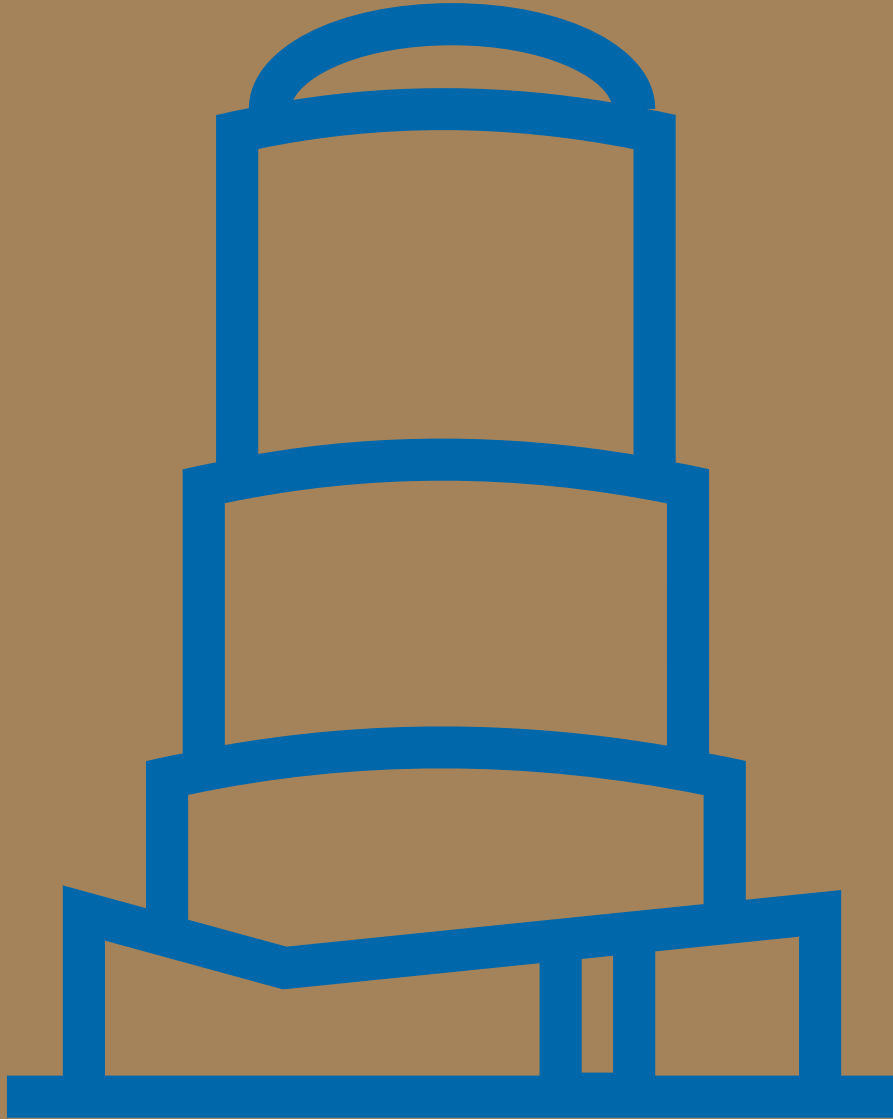
The housing market cooled significantly

- Housing prices fell by more than a tenth year-on-year
- The cooling was due to reduced demand, as elevated interest rates and inflation made people less inclined to buy property
- Housing affordability declined earlier in the year before stabilising at its reduced level



Financial stability risks and repercussions

- The domestic final cycle's downswing has continued, but although appetite for borrowing has fallen sharply, risks previously accumulated in loan portfolios remain present
- Higher interest rates and inflation will test the debt servicing capacity of households and firms; what matters in this regard is how the economy and labour market evolve going forward
- Financial stability may in future be adversely affected by weakened global demand and economic developments, which would exacerbate risks to fiscal sustainability
- Banks could be negatively impacted by potential unfavourable trends in commercial real estate, given the significance of this sector
- Banks are well capitalised and able to cope with these challenges



**NBS
activities**

B

1

Monetary policy implementation and investment reserves management

key ECB interest rates raised by a further **200 bp**

deposit facility rate increased to **4.00%**

new investment strategy for NBS investment reserves

first climate-related disclosures for NBS financial assets

B1 Monetary policy implementation and investment reserves management

1.1 Monetary policy implementation

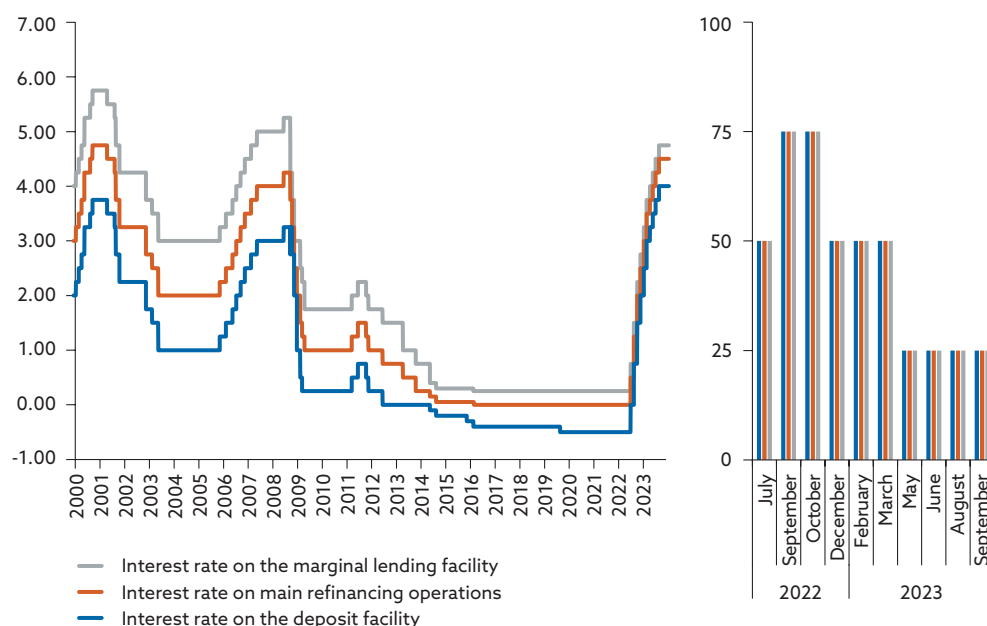
In 2023 the ECB continued to raise key interest rates, after embarking on that path in the previous year in order to ensure a timely return of inflation to the 2% medium-term target. In 2022 it raised each of the key rates by 250 basis points, and in 2023 it increased them by a further 200 basis points, including bringing the interest rate on the deposit facility up to 4.00%.

At each of its first six monetary policy meetings in 2023, the ECB's Governing Council decided to raise the key ECB interest rates, insisting on their being brought to levels that were sufficiently restrictive to ensure a timely return of inflation to the 2% medium-term target. At the first two meetings, in [February](#) and [March](#), the monetary policy rates were again increased by a significant 50 basis points, in the light of ECB projections of inflation remaining too high for too long.



Chart 9:
The ECB's monetary policy interest rates and their movements (left-hand panel: percentages; right-hand panel: percentage points)


Source: ECB.

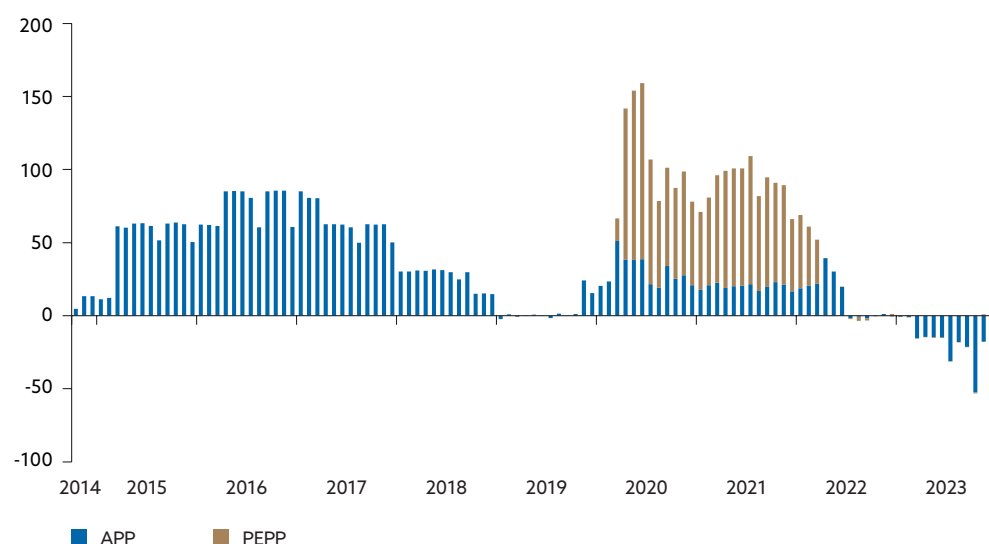


As the year advanced, it was increasingly evident that the restrictive policy, i.e. the previous hiking of interest rate, was having a significant impact on the economy, even though the lags and the strength of transmission to the real economy remained uncertain. At its monetary policy meeting in [May](#), the Governing Council opted to increase the key rates more moderately, by 25 basis points, and it raised them by the same margin in [June](#), [July](#) and [September](#), after which the rates remained unchanged. The raising of key policy rates increasingly dampened demand, helping to reduce inflation. With the deposit facility rate increased to 4.00%, the main refinancing operations rate, to 4.50%, and the marginal lending rate, to 4.75%, the Governing Council judged that rates had reached levels that, maintained for a sufficiently long duration, would make a substantial contribution to the timely return of inflation to its target.

In addition to raising key rates, the ECB in 2023 also started reducing securities holdings under its monetary policy asset purchase programme (APP), established as a non-standard instrument in the previous expansionary phase of the monetary policy cycle.

At its meeting in February 2023, the Governing Council established modalities for reducing Eurosystem securities holdings under the APP, having decided at its December 2022 meeting to no longer reinvest the principal payments from maturing securities in full from March onwards. From March to June 2023 the APP portfolio declined by €15 billion per month on average. In June the Governing Council decided to discontinue reinvestments under the APP as of July 2023.


Chart 10:
Monthly purchases for Eurosystem monetary policy portfolios (EUR billions)
 Source: ECB.



As regards the Eurosystem's securities holdings under the pandemic emergency purchase programme (PEPP), the principal payments from maturing securities continued to be reinvested in full throughout 2023. At its December meeting, the Governing Council announced its intention to continue to reinvest, in full, the principal payments from maturing securities purchased under the PEPP during the first half of 2024 and reduce the PEPP portfolio by €7.5 billion per month on average over the second half of 2024, before discontinuing reinvestments under the PEPP at the end of that year. Until then, however, the remaining reinvestments under the PEPP can still form a flexible first line of defence against market risks threatening the functioning of the monetary policy transmission mechanism.



The ECB's Governing Council at its external meeting in Athens, October 2023
Source: [Flickr ECB](#).

Among other measures it adopted in 2023, the Governing Council decided in July [to reduce the remuneration of minimum reserves](#) from the deposit facility rate to 0% in order to increase the cost-effectiveness of monetary policy (see Section 1.2 for more details).


The Eurosystem balance sheet contracted significantly in 2023, owing to the ending of reinvestments under the APP and the maturing of funds borrowed by banks under the third series of targeted longer-term refinancing operations (TLTRO III)

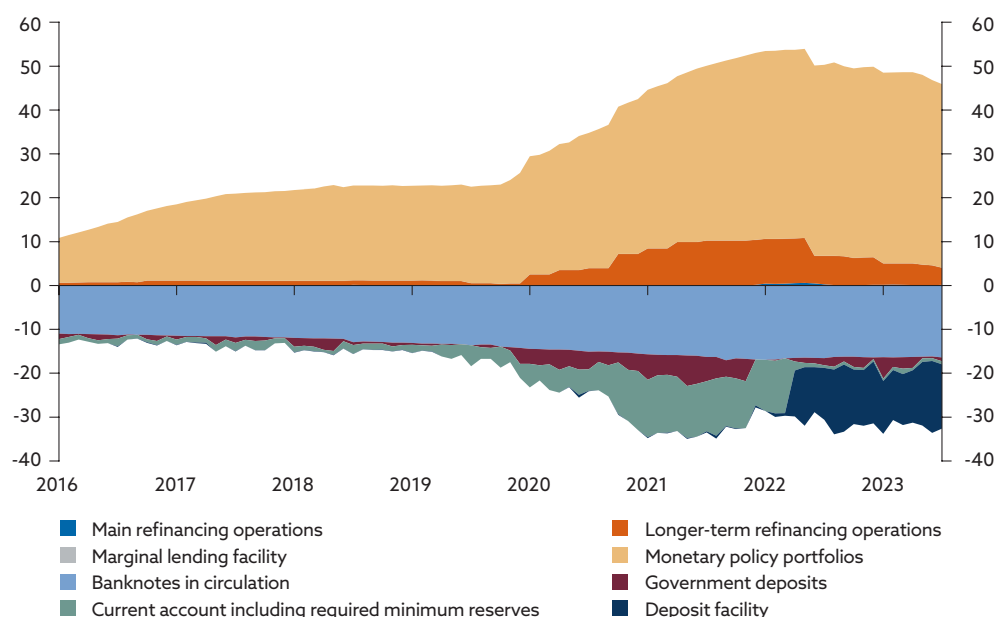
The Eurosystem started reducing its balance sheet from historical highs in June 2022, and this process maintained a strong pace in 2023. At the end of 2023 monetary policy-related assets on the Eurosystem balance sheet amounted to €5.1 trillion, a decline of €1.2 trillion compared with the end of 2022. On the liabilities side, the overall amount of credit institutions' reserve holdings and recourse to the deposit facility decreased to €3.5 trillion at the end of 2023.

The balance sheet decline was largely accounted for by credit operations, specifically voluntary early repayments and the maturing of operations under TLTRO III; the outstanding amount of Eurosystem refinancing operations was €914 billion lower at the end of 2023 than at the end of the previous year, at €410 billion. As for APP holdings, they fell by €228 billion to €3.026 trillion, as a result of first the shift from a full to partial reinvestment policy and then discontinuation of APP reinvestments altogether. The amount of liquidity provided to the banking sector through the PEPP remained largely unchanged in 2023, at €1.7 trillion.

Under the decentralised implementation of the ECB’s monetary policy, the outstanding amount of liquidity provided via Národná banka Slovenska was €45.9 billion at the end of 2023, €4.4 billion lower than at the end of the previous year; of that total, credit operations accounted for €4.1 billion and monetary policy portfolios for €41.8 billion

Gradual repayments under TLTRO III saw the outstanding amount of domestic banks’ borrowing under this non-standard measure decline by €2.3 billion over 2023, to €3.7 billion at the year-end. As for liquidity provided to the domestic banking sector through the Eurosystem’s main refinancing operations (MROs) and standard three-month longer-term refinancing operations (LTROs), the outstanding amounts at the end of 2023 were lower year-on-year, at, respectively, €172 million and €220 million. Given its still significant excess liquidity, the domestic banking sector made only limited use of the marginal lending facility in 2023. By contrast, banks regularly transferred the entirety of their excess liquidity to the deposit facility, taking advantage of its favourable remuneration. Including inflows from monetary policy purchase programmes, the excess liquidity of the domestic banking sector increased to €15.7 billion by the end of 2023.


Chart 11:
Selected
monetary
policy-related
items on the
NBS balance
sheet
(EUR billions)
 Source: ECB.

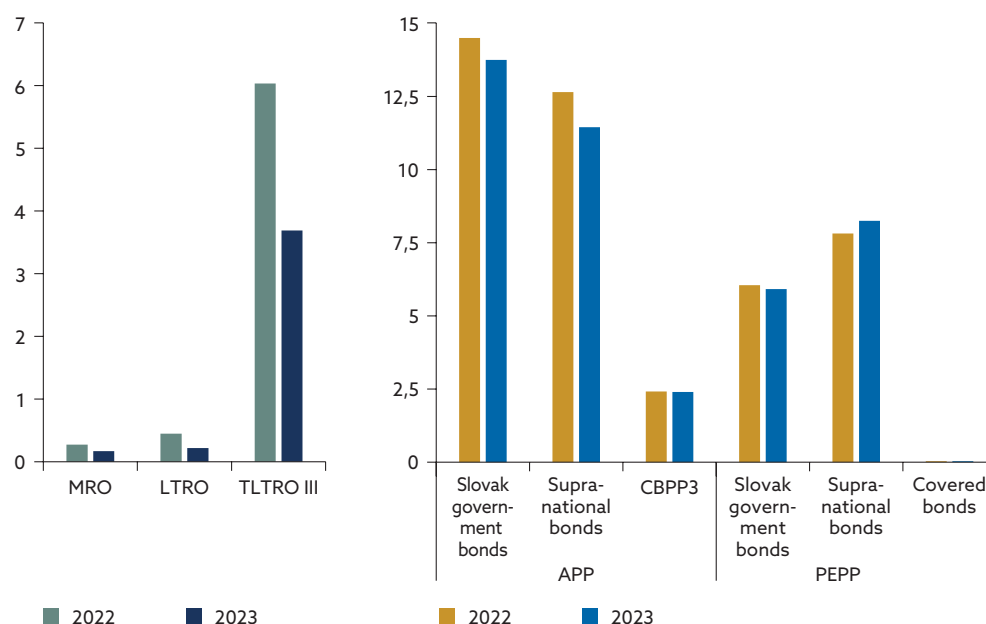


In line with the Governing Council's new policy, NBS operations conducted under the APP were scaled back in the first half of the year, before being discontinued as of 30 June 2023. Conducted as reinvestments of principal payments from maturing securities, the Bank's purchases for the APP portfolio comprised domestic covered bonds, Slovak government bonds and supranational bonds. The Bank's purchases under the PEPP continued throughout the year and comprised the same types of securities as those purchased under the APP, except they did not include covered bonds. At the end of 2023 the Bank's APP holdings and PEPP holdings stood at, respectively, €27.6 billion and €14.2 billion. Hence, its total securities holdings under the APP and PEPP amounted to €41.8 billion, representing a year-on-year decline of €1.7 billion.



Chart 12:
Refinancing operations and securities purchases conducted by NBS for monetary policy purposes – outstanding amount, at amortised cost, as at 31 December 2023 (EUR billions)

Source: NBS.



1.2 Minimum reserve requirements


The remuneration of minimum reserves was set at 0%

According to Eurosystem rules, all euro area banks are required to hold a certain amount of funds in their current accounts at their national central bank (NCB), and these funds are called minimum reserves. Banks' minimum reserve requirements have since 18 January 2012 been calculated as 1% of specific liabilities on their balance sheets – the minimum reserve base. The average level of their reserves must meet their minimum reserve requirements over the 'reserve maintenance period', i.e. a period of six to seven weeks for which the requirements are usually set.

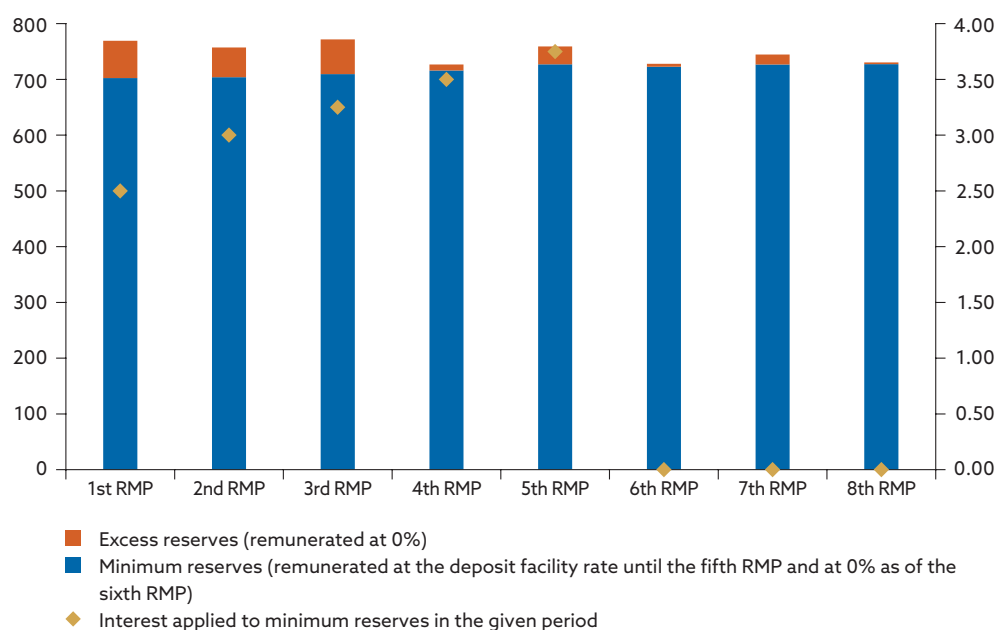
In 2023 a total of 25 banks in Slovakia were subject to minimum reserve requirements. Of these, 11 were banks established in Slovakia (including three home savings banks) and 14 were branches of foreign banks. In 2023 minimum reserves were remunerated at the ECB's deposit facility rate

until the end of the fifth maintenance period. During that time the remuneration rate rose on several occasions in line with the Governing Council's policy rate increases. In July, however, the Governing Council decided that the remuneration of minimum reserves would be set at 0% with effect from the beginning of the reserve maintenance period starting on 20 September 2023. The move thus aligned the remuneration of minimum reserves with that of excess reserves.

In 2023 the average amount of required reserves was €717 million, representing a year-on-year increase of 8%. However, the average amount of actual reserves fell sharply (by 90%), to €749 million. It declined largely because a two-tier system for the remuneration of excess reserves was in place for most of 2022 and incentivised banks to maintain large holdings of reserves, especially reserves in excess of minimum reserve requirements. In 2023, however, excess reserves were remunerated at 0%, so there was no longer an economic incentive to hold them. In 2022 average excess reserves were more than ten times the minimum reserve requirements, while in 2023 they were only 4% higher.


Chart 13:
Required
minimum
reserves and
excess reserves
(EUR millions)
and the
remuneration
of minimum
reserves
(percentages)

Source: NBS.



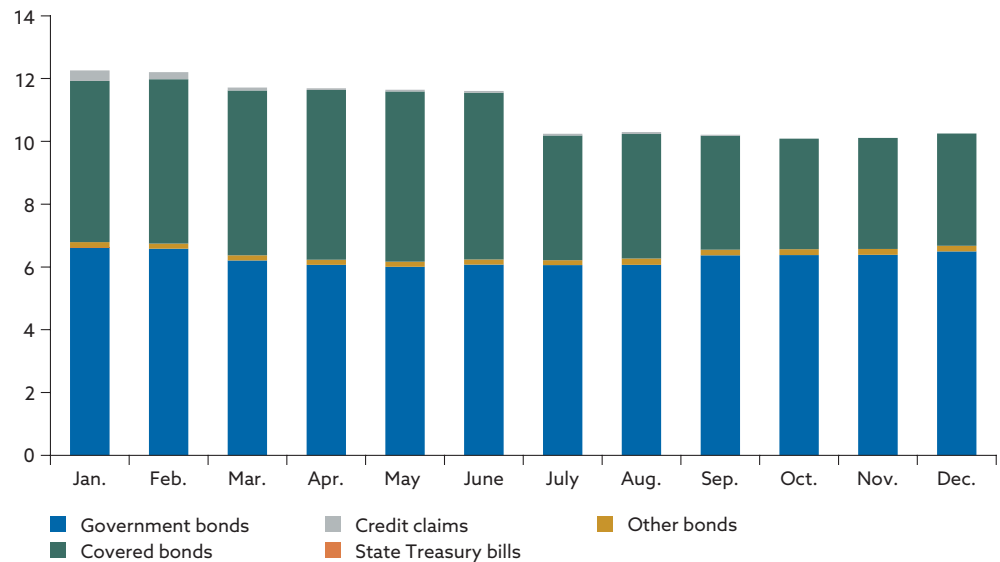
1.3 Eligible assets

A number of adjustments to the Eurosystem's collateral management framework came into effect in 2023, mostly concerning risk control measures for eligible assets. Valuation haircuts for eligible assets were increased to near pre-pandemic levels. At the same time, the haircuts applied to fixed coupon and floating coupon marketable assets were brought into alignment after previously being set at different levels. The total value of the collateral that domestic banks mobilised for Eurosystem credit operations was 1% lower in 2023 than in 2022. Chart 14 shows the breakdown of this collateral by asset type.



Chart 14:
Composition
of eligible assets
used by Slovak
banks in
Eurosystem credit
operations
in 2023
(EUR billions)

Source: NBS.



1.4 Investment reserves management

The Bank approved an 'Investment Policy Statement' and a new strategic asset allocation as part of its investment reserves management

By approving its [Investment Policy Statement](#) in April 2023, the Bank adopted a new investment strategy in the area of investment reserve management. This strategy is based on the allocation of a so-called risk budget¹ to different tranches of investment reserves and to different asset classes in order to optimally reflect the Bank's requirements for the risk profile of investments. Following the subsequent approval of the strategic asset allocation (SAA), the strategy's implementation phase commenced in November 2023.

The Bank's investment reserves (securities, ETF shares, derivatives and gold) amounted to €13.3 billion at the end of 2023, representing an increase of €1.5 billion compared with the end of 2022. That figure represents their market value calculated at the year-end exchange rates.

Of that total, 68% was accounted for by six credit bond portfolios, each denominated in a different currency: EUR, USD, GBP, CHF, AUD and JPY. These portfolios are currency-hedged and their interest rate risk is managed in a standard manner. Together with the investment opportunities portfolio, they constitute the variable-size '**rules-based tranche (RBT)**'² of the Bank's investment reserves.

¹ The risk budget represents risk tolerance gauged by means of the expected shortfall (ES) measure (at a 95% confidence level, on one year).

² The RBT is based on investment rules, and its size may fluctuate depending on market conditions and the availability of investment opportunities.

The second tranche of the Bank's investment reserves is the strategic 'index-based tranche (IBT)',³ which is fixed in size. At the end of 2023 it consisted of the following parts:

1. gold reserves;
2. seven currency-hedged government bond portfolios, each denominated in a different currency: EUR, USD, GBP, AUD, JPY, CAD and CNY;
3. a non-currency hedged USD-denominated intervention bond portfolio
4. an equity portfolio that includes holdings in selected ETFs tracking the global equity market.

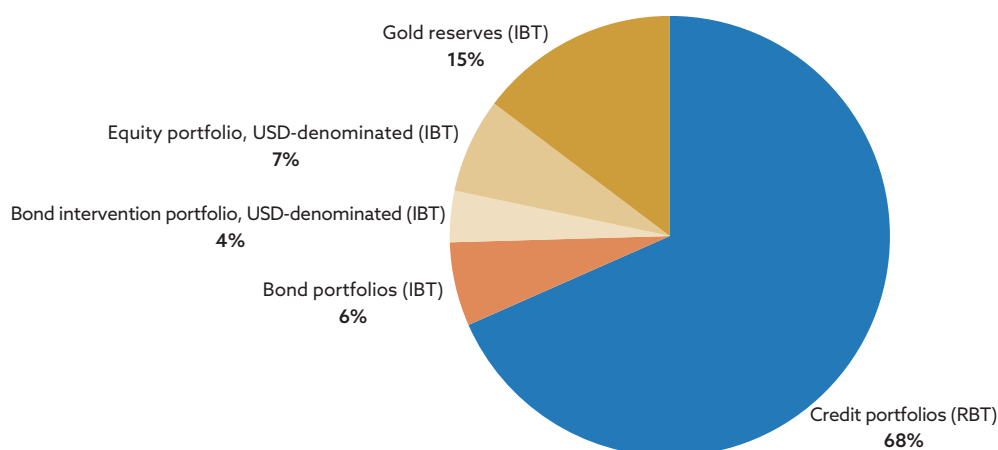
The composition of the Bank's investment reserves underwent two significant changes in 2023:

1. in September, an unsecured portfolio of Chinese government bonds was sold;
2. in November, in line with the SAA, further increases in the equity portfolio commenced, as did purchases for IBT bond portfolios; the resulting composition of investment reserves as at the end of 2023 is shown in Chart 15.



Chart 15:
Composition of NBS investment reserves as at the end of 2023 (percentages)

Source: NBS.



In 2023 the absolute net return on the Bank's investment reserves, including gold, was around €211 million⁴ (according to the mark-to-market principle,⁵ after taking into account refinancing costs), which in relative terms represented a return of around 1.8% per annum.

As regards the quality of the securities in the Bank's bond portfolios as at the end of 2022, 99% had at least an AA- credit rating. The ESG rating⁶ of the investment reserves was also high, with both the bond portfolios and equity portfolio recording an A rating.

³ The IBT is a strategic tranche of investment reserves whose size is defined according to market indices and on the basis of the strategic asset allocation.

⁴ The overall return on gold holdings was around €99 million, mostly accounted for by the change in the price of gold vis-à-vis the euro.

⁵ Mark-to-market means pricing assets and liabilities at fair value, i.e. at their current market price.

⁶ 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).

Climate-related disclosures of Národná banka Slovenska's euro-denominated non-monetary policy portfolio

In April 2023 the Bank published its first ever '[Climate-related disclosures of Národná banka Slovenska's non-monetary policy portfolio](#)'. The publication was part of a joint Eurosystem project and marks the start of the regular annual publication of information regarding the climate and carbon footprint of the Bank's investment reserves. The disclosures follow the ECB reporting guidelines based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Partnership for Carbon Accounting Financials (PCAF) and the [Network for Greening the Financial System](#) (NGFS). The disclosures presented in this report represent an important move towards enhanced transparency about the climate-related risks and the environmental footprint related to the Bank's own financial assets.

B

2

Financial stability and financial market supervision

changed
economic
environment
affecting forms
of bank
funding

30
years of the
Slovak capital
market

19
Innovation Hub
enquiries
2
Sandbox
consultations

bank
customers
should cope with
impact of higher
lending rates

B2 Financial stability and financial market supervision

2.1 Financial stability

Financial stability in an elevated interest rate environment

The biggest challenges in terms of financial stability in 2023 were rising interest rates, high inflation and subdued economic growth

The list of risks to the stability of Slovakia's financial sector remained unchanged in 2023, but there were changes in their intensity. While living and production costs were increasing at a more moderate pace, interest rates gradually rose. The risk now is not interest rate increases per se, but rather the uncertainty about how long rates will remain at elevated levels. Higher interest rates are increasing the financial burden on borrowers. At the same time, there is a risk of unfavourable economic developments that could put increasing strain on borrowers.

In 2023 the Bank therefore made an in-depth analysis of the possible effects of these factors on financial stability. The factors in question pose different risks to different market segments. Using granular data, the Bank was able to estimate their impact on the most vulnerable customer groups in the market. Detailed analysis and assessment of systemic risks can be found in the Bank's [Financial Stability Reports](#) and [Macroprudential Commentaries](#).

Important analytical themes in financial stability in 2023:

- How higher interest rates have affected the debt servicing capacity of households and firms⁷
- Elevated interest rates pose a particular risk to the commercial real estate sector⁸
- Why Slovak banks are lagging behind other European banks in terms of profitability and capital adequacy⁹
- The financial sector's preparedness to cope with existing risks (stress testing results for the banking sector and non-bank entities)¹⁰
- Factors behind the recovery of [consumer credit](#)
- The implications of crypto-assets and the digital euro project for financial stability¹¹

⁷ Section 5 in the [November 2023 NBS Financial Stability Report](#).

⁸ Section 4 in the [November 2023 NBS Financial Stability Report](#).

⁹ Box 3 and Section 6.3 in the [November 2023 NBS Financial Stability Report](#).

¹⁰ Sections 6.3 and 7.3 in the [May 2023 NBS Financial Stability Report](#).

¹¹ Boxes 1 and 5 in the [November 2023 NBS Financial Stability Report](#).

Most borrowers are managing to service their loans despite rising living costs

In 2023 the banking sector remained sufficiently strong to withstand existing risks. The resilience of domestic banks is implied by their sound capital and liquidity positions.

A number of the Bank's macroprudential measures were adjusted in 2023

Last year the Bank continued to take a proactive approach to the implementation of macroprudential policy. Although the Bank did not take any decisions to recalibrate its macroprudential policy instruments and limits in 2023, it regularly assessed whether their current calibrations were proportionate and appropriate. At the same time, a number of macroprudential policy changes decided on before 2023 took effect in that year:


Figure 2:
Macroprudential policy in 2023 at a glance
 Source: NBS.



2.2 Banking

Banking sector not weakened by continuing macroeconomic challenges

Despite facing ongoing macroeconomic and geopolitical risks, **banks in Slovakia had a profitable year in 2023 and maintained their capital and liquidity positions at stable levels.** In an environment of rapidly rising interest rates and increasing funding costs, banks' management of interest rate risk and liquidity risk was under pressure. However, the rise in interest rates had a notable upward impact on net interest income, whose growth was so strong as to largely cancel out the increased risks. **Hence, the risk profile of domestic banks remained stable.**

Annual assessment of banks in the light of the impact of external conditions

The assessment of banks centred mainly on their ability to adapt their financial and capital plans to unexpected external changes – especially the repercussions of the ongoing war in Ukraine, energy crisis and interest rate movements. Besides assessing standard risks, NBS banking supervision also focused on assessing the state of banks' information systems, cyber risks, and banks' preparedness for managing climate and environmental risks.

In 2023 two significant banks were assessed in respect of a change in their approach to the calculation of risk-weighted assets for credit risk. At one of these banks, the change stemmed from the implementation of new legislative requirements for the definition of default and from the bank's take-over of a leasing company. At the other bank, the change was part of its parent undertaking's project to transition to the standardised approach to the calculation of credit risk.

Banking supervision priorities

The Bank's strategic objectives in the area of banking supervision are aimed at identifying weaknesses in the sector and mirror the priorities of the ECB's Single Supervisory Mechanism. **In addition to the digital transformation of banks and the need for credible multi-year plans and diversification of funding sources, the supervisory issues at the forefront of attention in 2023 included climate risks.** NBS supervision assessed the readiness of selected domestic banks to manage climate and environmental risks in line with [SSM expectations](#). The anonymised results were presented to the banks and to the Slovak Banking Association (SBA).

Changes to the Home Savings Act

In order to give home savings banks (building societies) greater flexibility, legislative changes adopted in 2023 allow the portfolio of a home savings bank to be taken over by another home savings bank or a commercial bank. As home savings are a specific product that only home savings banks may provide, any commercial bank that acquires a home savings portfolio is barred from concluding new home savings contracts and may only manage existing ones. Under the newly amended legislation, Československá obchodná banka, a.s. took over ČSOB stavebná sporiteľňa, a.s. as of 1 December 2023. The move was also part of a broader ongoing trend of asset consolidation within the banking sector. The legislative changes can be seen as an attempt to overcome challenges in the field of home savings following an earlier amendment of the Home Savings Act.

Strengthened implementation of common EBA procedures and regulations

By its adoption of [Methodological Guideline No 4/2023](#) on the application of guidelines issued by European Supervisory Authorities, the Bank took another step towards the uniform application of EBA-originated EU rules and high prudential standards for banks. This initiative will contribute to increasing the banking sector's resilience and stability.

2.3 Insurance and pension funds

Insurance sector transitions to a new accounting standard

A significant change for the insurance sector in 2023 was the implementation of a new accounting standard, IFRS 17 – Insurance Contracts. The main purpose of the new standard is to ensure a high level of transparency and cross-jurisdictional comparability of insurers' financial statements. In this connection, the Bank devoted considerable effort in 2023 to drafting new financial statements and updating existing ones, as well as to producing methodological guidelines for the insurance market.

The implementation of the new accounting standard had a one-off negative impact on the comparability and quality of reported data for 2023. The quality of data reported by supervised entities is expected to improve significantly after the audit for the closed financial year of 2023, as well as following the incorporation of interim NBS reporting guidelines.

A positive result of the transition to the new accounting standard was an almost doubling of the overall equity of supervised insurers, owing mainly to the transition's upward impact on profits. As a result of the transition to IFRS 17, as well as

the implementation by most insurers of IFRS 9 – Financial Instruments, the sector's total assets were 9% lower, year-on-year, at the end of 2023 and its insurance contract liabilities declined by 22%.

A **negative concomitant** to the increase in insurers' profitability is **their excessive tax burden**, which, however, is mitigated by their having the option to pay taxes on profits from the transition period over a three-year time horizon.

BOX 2

Withdrawal of authorisation to conduct insurance business

By a Decision of 1 June 2023¹² that became final on 5 June 2023, the Bank withdrew the authorisation of the insurance undertaking NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poistovňa, a.s. As of the Decision becoming final, the insurer may not conduct any insurance business with the exception of activities necessary to enforce its claims and settle its liabilities. Most importantly, it may not conclude any new insurance contracts. On 7 June 2023 the Bank petitioned the court to commence proceedings for the liquidation and dissolution of the insurer and to appoint a liquidator for that purpose.

Second pillar savers switching to index pension funds

In 2023 equity pension funds were replaced by index pension funds as one of the types of pension fund that second-pillar pension management companies are required by law to establish and manage. In 2023 the Bank evaluated investment strategy and policy changes in certain second pillar pension funds by reviewing the new fund rules associated with subsequent portfolio changes.

Moreover, from July 2023, the assets of second pillar savers started to be transferred in accordance with the default investment strategy. For a proportion of savers, their pension assets are being switched from bond to index pension funds on a phased basis according to the saver's age, with the index pension funds offering potentially higher returns and carrying a correspondingly higher level of risk. The assets so switched during 2023 amounted to more than €848 million. The Bank closely monitored the switching process in individual pension management companies in terms of professional care, saver protection, and significant risks in pension funds. By the end of 2023 around 35% of all second pillar savers were subject to the default investment strategy.

New NBS Decrees concerning the second pension pillar

In autumn 2023 the Bank issued two new decrees concerning the second pension pillar: [Decree No 428/2023](#) and [Decree No 429/2023](#). One decree specifies how to demonstrate compliance with conditions for the granting of an authorisation to establish and operate a second-pillar pension management company and the other lays down the elements of applications for the Bank's prior approval made under the Old-Age Pension Scheme Act (43/2004). The aim of the new decrees is to reduce the administrative burden on second-pillar pension management companies.

Own risk assessment in the third pension pillar

In the second half of 2023 the supervision of third-pillar pension management companies focused on the structure and minimum information content of their own risk assessment documents. The aim was to streamline risk-based supervision of third-pillar management companies, to ensure high-quality, reliable and comparable data that contribute to better supervision, and to establish consistent, efficient and effective supervisory practices.

2.4 Capital market and financial intermediation

BOX 3

How has Slovakia's capital market changed over the last 30 years?



Source: NBS.

An international conference marking 30 years of the capital market in Slovakia was held in June 2023 with the participation of 150 experts from Slovakia and abroad. The speakers included Natasha Cazenave, Executive Director of ESMA, Eduard Müller, Executive Director of the Austrian Financial Market Authority, and Vojtěch Belling, an Executive Director of Česká národní banka and Vice Chair of ESMA. Discussions were held on capital market supervision, retail products, financing, and capital market digitalisation.

The Bank continued monitoring the market for unauthorised activity

In 2023, as part of its supervisory work, the Bank continued monitoring for the provision of financial services without an NBS authorisation. It scrutinised particular cases both on the basis of tips from the public and at its own initiative. As regards unauthorised collective investment business, the Bank issued [Methodological Guideline No 5/2023](#), clarifying the criteria for assessing the differences between regulated collective investment business and other unregulated business activities.

ESG and marketing communication were priority topics of the EU's Common Supervisory Action (CSA) including NBS participation

Environmental, social and governance (ESG) investing has long been a topic of discussion for both the general and professional public. The priority issues at the EU-wide level therefore include ESG and related areas, in particular the management of risks and sustainability factors, their integration into the organisational processes of asset management companies, and transparency in the disclosure of information and risks related to so-called [greenwashing](#). The CSA results showed that shortcomings stemmed mainly from a misunderstanding of regulation in this area.

Another issue addressed by the CSA was marketing communication, including advertising, in the provision of investment services. In this area, surveillance focused mainly on the form and manner of promotional activity, including information on risks or sustainability. The examination of selected entities did not reveal any significant violations in this area.

Extension of associations' authorisation to provide higher-level professional examinations

Authorised associations¹³ and the Institute of Banking Education provide professional examinations in the field of financial intermediation. Before 2023 only the Institute of Banking Education was authorised to provide higher-level professional examinations in the field of financial intermediation; in 2023, however, owing to organisational changes at the Institute, the Bank allowed other authorised institutions to provide these examinations for a period of one year, thus maintaining continuity in examination provision.

¹³ The Association of Financial Agents and Advisers, the Association of Securities Dealers, the Slovak Insurance Association, and the Slovak Banking Association.

The Bank assessed compliance with legislative requirements in the distribution of insurance-based investment products

The Bank examined selected independent financial agents for their theoretical knowledge, internal procedures, and compliance of their financial intermediation activities with applicable legislation. In 2023 supervisory activity in this area focused on the quality of client assessment, including the identification of sustainability preferences, and on compliance with requirements for product governance and for conflict of interest policies. The supervisory results indicated shortfalls in compliance with rules of conduct towards clients.

BOX 4

Transition from reporting via REGFAP to reporting via the SCP

From 1 July 2023 independent financial agents and financial advisers were required to fulfil their reporting obligations via the Bank's Statistics Collection Portal information system, whereas previously they had used the Bank's Register of Financial Agents and Financial Advisers (REGFAP) information system. The transition to reporting via the SCP was part of an effort to ensure comprehensive data collection for the whole financial market via a single data collection system and to ensure more efficient use of the data collected. On this topic, the Bank organised an online workshop for supervised entities in June 2023, in order to familiarise them with the form and content of new reporting templates, as well as with how and when reporting statements are to be submitted pursuant to [NBS Decree No 3/2023](#).

Supervision of investment firms' risk management revealed shortcomings in their activities

In 2023 the Bank conducted thematic supervision of investment firms in the areas of credit risk management, liquidity risk management and concentration risk management. This exercise revealed heterogeneity of risk management levels across supervised entities, with the scope and quality of internal regulations not always matching the entity's risk profile. The supervisory conclusions and recommendations drawn from this exercise, as well as the good and bad practices identified, were presented at an expert seminar in October 2023.

Based on the conclusions of the EU's 2022 CSA, the Bank identified a number of issues that formed the basis for a broad survey of the domestic investment fund sector in 2023, involving a total of eight investment fund management companies. The aim was to ascertain how fund managers go about the valuation of fund assets and to collect detailed information on the specified issues. The Bank presented its findings and conclusions at a workshop held in January 2024.

2.5 Payment services, fintech and financial innovation

Open banking in the Slovak financial market

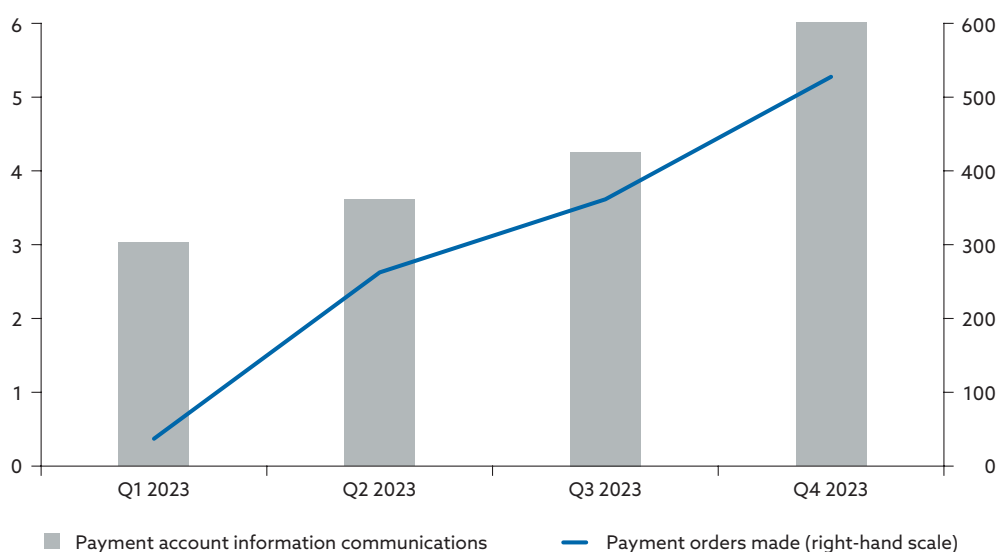
The Bank continues to work on ensuring the smooth functioning of 'open banking' services. The application of open banking in Slovakia has created an environment where **access to payment account data can be efficiently and securely provided to third parties**, with such access being crucial for the further development of innovation in the payment services sector. But despite improvements, the interfaces through which payment service providers are supposed to provide third parties with access to customer data have not always been set up in line with legislative requirements.

The Bank is **actively supervising the removal of obstacles** to open banking using the supervisory tools at its disposal. One step towards this goal was last year's adoption of a new NBS Decree on reporting (No 7/2023), which should contribute to more efficient collection and use of data, including in the area of open banking. In Slovakia, **the role of third parties in this area is still dominated by banks**. In 2023 there was increasing trend in the uptake of individual open banking services.



Chart 16:
Evolution of
the use of open
banking
services
(left-hand scale
in millions;
right-hand scale
in thousands)
Source: NBS.

Source: NBS.



A sound and secure crypto-asset market is important to NBS

In September 2023 the Bank established a new Crypto-assets and Innovation Section within its organisational structure. The move was connected with the EU's adoption of the Markets in Crypto-assets (MiCA) Regulation,¹⁴ which adds a new sector to the remit of financial market supervision. The mission of the new NBS team was clear from the outset:

- to develop comprehensive procedures for the authorisation of crypto-asset service providers;
- to implement robust supervisory frameworks to ensure compliance with MiCA Regulation requirements;
- to facilitate open dialogue with stakeholders in the crypto-asset sector.

The crypto-asset market was the headline topic at the third annual edition of the Bank's conference entitled '[Slovenský finančný trh a inovácie 2023](#)' (Slovak financial market and innovation), which took place in October 2023.



Figure 3:
Regulation
of the new
crypto-asset
sector

Source: NBS.

Rules for the crypto-asset market		
Legal certainty	Consumer protection	Anti-money laundering
Rules for crypto assets issuance	Prohibition on third-country providers from offering crypto-assets to the public	Transparency of crypto-asset recipients and senders
Governance standards of crypto-asset companies	Business permitted only on basis of NBS authorisation	Clear rules for all types of crypto-asset companies
Ongoing NBS supervision		

2.6 Cross-cutting themes

Resolution

The Bank is responsible for organisational tasks related to the functions and powers of Slovakia's Resolution Council ('the Council'), and it was active in performing them in 2023. Resolution measures set out in banks' and investment firms' resolution plans for the 2022/2023 and 2023/2024 planning cycles were refined in 2023.

¹⁴ [Regulation \(EU\) 2023/1114](#) of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.

Through its participation in Internal Resolution Teams (IRTs), the Bank assists the EU's Single Resolution Board (SRB) in preparing resolution plans for banks in Slovakia that are under the SRB's remit. The main priority for the 2023/2024 planning cycle was to test banks' ability to provide timely information in the required quality for valuation purposes, as well as to test liquidity access or bail-in tool implementation in case of resolution.

As regards the minimum requirement for own funds and eligible liabilities (MREL), **bank-specific MREL requirements were recalibrated** in 2023 on the basis of current outputs from the 2022/2023 planning cycle. As a result, the overall MREL requirements set by the Council for domestic banks amounted to €9,688.30 million as at 1 January 2024.

In 2023, **for the first time ever in Slovakia** and pursuant to the Council's prior authorisation, **a bank under the Council's remit was allowed to replace a maturing issue of eligible liabilities** with a new external issue of senior unsecured instruments, amounting to €65 million.

In cooperation with the Deposit Protection Fund, the Bank last year arranged the collection and transfer of the Council's contributions to the SRB for 2023. Contributions collected from 11 banks and totalling €26,991,746.69 (including €651,245.45 as an irrevocable payment commitment) were transferred to the SRB.

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

In the AML/CFT area, the Bank's main tasks in 2023 included:

- drafting the Slovak Republic's Second Follow-up Report for the Council of Europe MONEYVAL Committee;
- fulfilling the recommendations resulting from an EBA review;
- preparing for the third round of the national ML/TF risk assessment.

Thanks to the improvements in AML/CFT procedures and to relevant NBS guidelines, MONEYVAL positively assessed Slovakia's progress in the area of financial market regulation and supervision and upgraded its rating to 'largely compliant'.

During 2023 NBS supervision also worked on implementing recommendations from an EBA review. This process resulted in further improvement in the quality of supervisory procedures and practices.

In the AML/CFT area, the Bank cooperated with other domestic authorities in preparing the third round of the national ML/TF risk assessment, which will be carried out according to the Council of Europe's new methodology.

The results of this assessment will be used in communication with supervised entities and will contribute to enhancing financial institutions' AML/CFT processes.

IT supervision and digital operational resilience of financial market participants

As a result of the European Union's new Digital Operational Resilience Act (DORA),¹⁵ entering into force in January 2025, financial market participants will have to meet significantly higher digital resilience requirements and the Bank will be conducting a qualitatively new level of IT supervision. As regards domestic legislative preparations for the DORA regime, in 2023 the Bank was actively involved in the drafting of an amendment to the Financial Market Supervision Act, as well as amendments to laws regulating different types of supervised entities. Technical preparations included in particular adapting information systems for the collection of new data and reviewing new areas of supervision and international cooperation. The topic of regulation of digital operational resilience was also addressed at the Bank's annual conference entitled '[Slovenský finančný trh a inovácie 2023](#)' (Slovak financial market and innovation).

Development of supervisory registers

In 2023 the Bank made the legal and technical arrangements necessary to ensure that legal persons and natural person-entrepreneurs can obtain **extracts from the [Register of Bank Loans and Guarantee \(RBUZ\)](#) also in electronic form** as from 1 January 2024. This service is also available via the [Central Government Portal](#).

In this area, the Bank last year established close cooperation with the Croatian central bank, Hrvatska narodna banka, which as a new member of the Eurosystem has started reporting to the ECB's AnaCredit dataset. As the RBUZ has been meeting all ECB requirements since 2018, the Bank provided the Croatian side both with advice in this area and with parts of the RBUZ source code that ensure the validation of collected data, the identification of outliers or unusual values and the transmission of data to the ECB.

Also in 2023 other [supervisory registers](#) were upgraded with new functionalities and other improvements.

¹⁵ [Regulation \(EU\) 2022/2554](#) of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011.

B

3

Financial consumer protection

Public Service Activity of the Year award for the 5peňazí team

formulation of rules for insurance claim settlements

substantiated complaints – a basis for further supervision

twofold rise in fraud-related complaints

B3 Financial consumer protection

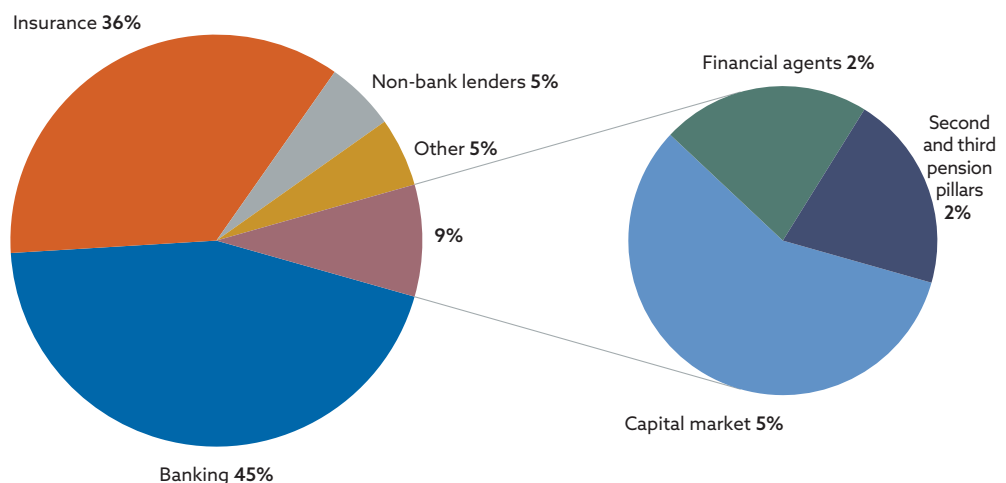
3.1 Financial consumer complaints

In 2023 the number of complaints about financial market entities which the Bank received from financial consumers and other customers increased by 8% year-on-year, to 1,720. The sector that attracted the most complaints, 770, was banking. The number of fraud-related complaints rose significantly, from 83 to 152. It is increasingly common that fraudsters attempt to lure customers into revealing bank account details or use social engineering practices to manipulate victims into sending money directly to them. Hence, the banking sector is making it a priority to strengthen tools to fight phishing attacks and other scams, and banks are making strenuous efforts in this regard. Information and education campaigns aimed at protecting money in accounts and in payment transactions are also a key aspect of financial education.



Chart 17:
Financial consumer complaints in 2023 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 substantiated complaints

For supervision purposes, it is important that the Bank keep track of what proportion of complaints are substantiated, i.e. are cases where the supervised entity is found to be in breach of its internal rules or obligations. One of the grounds for conducting an on-site inspection of a supervised entity is if the share of substantiated complaints against it is higher than the sector average. The share of all complaints that are substantiated has, on average, been stable for a long time (at 20–25%).

The Bank also monitors how much money supervised entities pay in redress to customers on a voluntary basis. In 2023 this amount came to €543,000.

The share of all complaints that were substantiated was 23%

The number of fraud-related complaints almost doubled compared with 2022

3.2 Supervision

As part of its consumer supervision activities in 2023, the Bank focused on the provision of consumer credit and mortgages, including their management and out-of-court recovery. NBS Decrees specifying details about the calculation of the APRC on loans took effect for the first time in 2023. The Bank therefore reviewed supervised entities' compliance with these Decrees, and in 75 court cases it carried out APRC control calculations at the court's request.

A key aspect of consumer protection supervision is the monitoring of whether financial product promotions and advertising campaigns involve any unfair business practices. While the Bank is not empowered to assess the ethical aspects of advertisements, it is authorised to intervene where an advert breaches the Law on advertising or the Law on the protection of consumers. In 2023, as a result of its ongoing monitoring of advertising campaigns, the Bank initiated 21 inspections and conducted one sanction procedure for breach of advertising rules. In all other cases where the Bank found a breach of law in this area, the supervised entity itself rectified the breach on the basis of supervisory tools, without the Bank needing to initiate proceedings.

As for consumer protection supervision in the area of insurance, the Bank last year focused on unit-linked life insurance products in order to improve their transparency for customers.

Supervision of the insurance claim settlement process

In 2023 the Bank imposed its highest ever fine on an insurance company for a violation of financial consumer rights. The decision concerned an insurance claim settlement process. The Bank opposed the imposition of obligations on the insured that went beyond those prescribed by law and ruled that the insurer was entitled to investigate only those facts necessary to establish its claim payment obligation. The selection and evaluation of evidence must comply with the law and with the agreed insurance terms and conditions.

Although the decision was issued against one particular insurer, it has a significant impact on claim settlements at all insurers, as the Bank will apply the same rules in its supervision of all of them. The penalising of misconduct in one case has thus provided scope for a cross-market improvement in the settle-

ment of insurance claims in respect of the rights and legitimate interests of financial consumers.

The formulation of claim settlement rules bolsters the protection of financial consumer rights

3.3 Financial education

The Bank's '5peňazí' financial education programme

The Bank's nationwide financial education programme, '5peňazí', continued in 2023. In what was its fourth year of operation, the programme won the 'Úradnícky čin roka' (Public Service Activity of the Year) award, given to teams that have made a notable contribution to improving public services. The 5peňazí educators who were given the award were recognised mainly for their successful collaboration with the Cesta von civic association on [FILIP](#), a project through which the Bank provides assistance to Roma families living in intergenerational poverty. Our educators train mentors who work with poor families to help them manage and improve their household budgets and liabilities.

Partnering underpins the 5peňazí programme. The 5peňazí educators work in partnership with public institutions, civic associations and seniors organisations, training up 'ambassadors' and fieldworkers in the area of personal finances.

New 5peňazí programme projects

In the summer of 2023 we opened a **financial trail at Bojnice Zoo in cooperation with the zoo authorities.** Entitled 'Staň sa šéfom zoo' (Become the zoo boss), the trail introduces children to how the zoo operates and at the same time teaches them the basics of sound money management. The project thus in an original way links the issues of nature conservation and financial education.



Opening of a financial trail entitled 'Become the zoo boss'
Source: NBS.

Also in 2023 we launched the [DoFin programme in cooperation with the Duke of Edinburgh's International Award Slovakia](#). The programme gives secondary school pupils an opportunity to take part in voluntary projects focused on peer-to-peer financial education.

Educational campaigns for the general public

The '[Permoníci](#)', two gnomes called Klimko and Barborka, speak regularly each year to the youngest among us, providing the first advice and information on where money comes from and how to manage it. Permoníci worksheets that meet the Level 1 objectives of Slovakia's National Financial Literacy Standard were distributed to primary schools in 2023.

At the end of the year, we launched an e-learning platform entitled '[Reč peňazí](#)' (Money Talk). It offers free-of-charge access to lessons that teach universal and internationally comprehensible language important for increasing financial literacy.

In Bratislava and at NBS regional centres across the country, we continue to provide experiential financial education modules for primary and secondary school pupils. In 2023 a total of **6,983 pupils from 356 schools** took part in these modules.

Other events and activities

Organised by the OECD, Global Money Week (GMW) is a global campaign to support financial education and has reached people in 176 countries around the world. As GMW national coordinator in Slovakia, the Bank has managed to involve various organisations and schools from across the country in the campaign. In the 2023 GMW, from 20 to 26 March, a total of 85 schools and organisations organised their own events and activities, such as workshops or talks, to promote financial education. In conjunction with GMW there were activities under the 5peňazí programme and an accompanying online campaign for the public. GMW also included the final of Slovakia's national competition under the ECB's **Generation Euro Students' Award**. This is a competition for secondary school pupils, and the theme for its 12th edition was 'Money in 2050'.

On 27 June 2023 the NBS Foundation hosted a Slovak-Czech **conference of actors in education**. This important event brought a number of ideas, best practices and inspiration for education. Experts and schools from both countries presented concrete examples of good practice that can serve as a model for other EU Member States.

The annual Financial Consumer Day event at the NBS headquarters was replaced in 2023 by a new event called 'Deň peňazí' (Money Day). Held on 15 November, the event was organised in partnership with Cesta von, Caritas Slovakia, the Duke of Edinburgh's International Award Slovakia, FinQ Centrum, the State Institute of Vocational Education, the Representation of the European Commission in Slovakia, and the NBS Foundation. More than 200 schoolchildren and adults came to see finance-related joint projects and educational activities being demonstrated at various stands. Guests could also see presentations of our partners' projects and activities and listen to panel discussions on education.



Money Day
Source: NBS.

B

4

Issuing activity and cash circulation

6

precious metal
collector euro
coins issued

more than
360 million
euro banknotes in
the cumulative net
issuance

more than
948 million
euro coins in the
cumulative net
issuance

counterfeit
money recovered
from circulation
remains a small
share of cash
in circulation

B4 Issuing activity and cash circulation

4.1 Cumulative net issuance

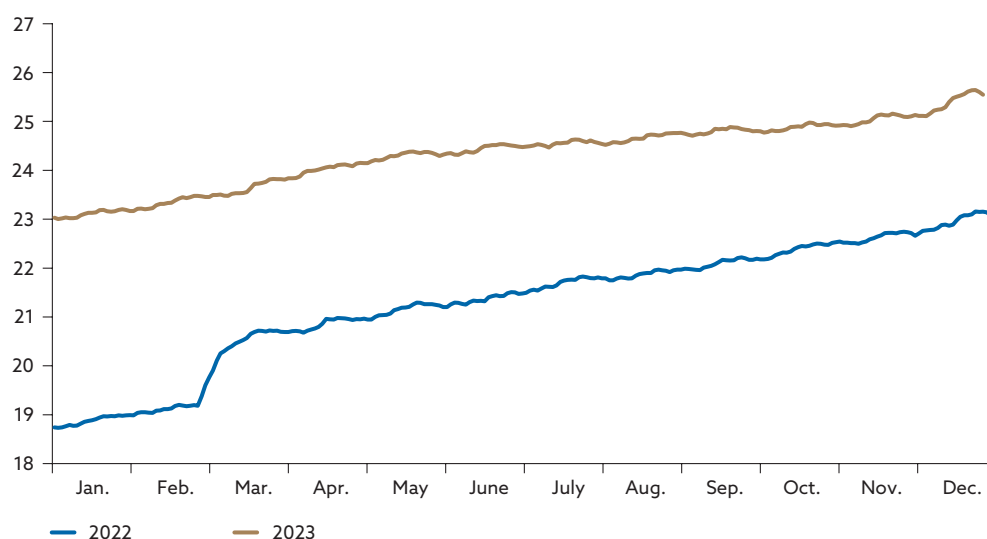
Euro cash circulation recorded a more moderate annual increase

The cumulative net issuance (CNI) of euro banknotes and coins in Slovakia increased more moderately in 2023 than in the previous year. The CNI's value reached €25.5 billion by the end of 2023, representing a year-on-year increase of almost 11%. Banknotes accounted for €25.3 billion of that total (with an annual increase of almost 11%), and coins, including collector coins, for €252 million (6%).



Chart 18:
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 (45%).¹⁶ The notes with the next largest shares were the €10 denomination (20%) and €50 denomination (15%).

As for euro coins, 2023 saw a decline in the return from circulation (to the Bank) of 1 and 2 cent coins. These two denominations continue to have the highest share in the coin component of the CNI, together accounting for 58% of the total number of coins.

Reduced demand for euro banknotes was reflected in lower annual net issuance of all banknote denominations in 2023. The €50 banknote experienced the most significant change in annual net issuance.

¹⁶ The 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.



**Table 1:
Issuance of euro
banknotes and
coins in Slovakia
as at 31 December
2023**

Source: NBS.

Denomination	Cumulative net issuance (CNI)				Net issuance	
	CNI as at 31 December 2023		Annual percentage change		in 2023	
	Number in millions	EUR millions	Number	Value	Number in millions	EUR millions
€500	5.6	2,786.0	-7.6	-7.6	-0.5	-230.2
€200	9.6	1,913.7	6.4	6.4	0.6	114.6
€100	161.7	16,172.4	18.0	18.0	24.7	2,470.8
€50	54.4	2,718.3	-1.0	-1.0	-0.6	-28.6
€20	46.9	938.6	6.6	6.6	2.9	57.8
€10	70.5	704.7	15.4	15.4	9.4	94.1
€5	12.2	61.0	10.1	10.1	1.1	5.6
Total banknotes	360.8	25,294.6	11.7	10.9	37.7	2,484.0
€2	79.6	159.2	6.2	6.2	4.7	9.3
€1	27.4	27.4	7.8	7.8	2	2
50 cent	35.6	17.8	5.5	5.5	1.8	0.9
20 cent	38.5	7.7	5.9	5.9	2.2	0.4
10 cent	90.5	9.0	6.1	6.1	5.2	0.5
5 cent	129.9	6.5	7.9	7.9	9.5	0.5
2 cent	203.4	4.1	-6.9	-6.9	-15.1	-0.3
1 cent	343.8	3.4	-4.6	-4.6	-16.6	-0.2
Total coins	948.8	235.2	-0.7	5.9	-6.4	13.2
Collector coins	1.1	16.5	22.3	12.2	0.2	1.8
Total value		25,546.2		10.8%		2,499.0

Note: Any differences in the value of the CNI are due to rounding the number of units to millions.

Unredeemed Slovak koruna banknotes still number more than 18 million and have a combined face value of SKK 2.07 billion (€68.7 million)

As at 31 December 2023, i.e. fifteen years after Slovakia adopted the euro, unredeemed Slovak koruna banknotes represented 1.36% 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 2023, and their total face value was SKK 0.7 billion (€23.2 million).

4.2 Production of euro banknotes and coins

In 2023 the Bank commissioned the production of €50 banknotes for the Eurosystem and two euro coin denominations for cash circulation; it also issued six precious metal collector euro coins, two base metal collector euro coins, two commemorative euro coins and two thematic collector sets of 2023 Slovak euro coins

As required under the ECB's *Production Guideline for and during 2023*, the Bank commissioned the production of 34.15 million Europa series €50 banknotes for 2023. In that year, it also ensured the delivery of a further

15.1 million €50 banknotes which had been deferred from 2022 in accordance with the Eurosystem's revised needs. The banknotes were produced by Oberthur Fiduciaire SAS, a printing works based in France. The Bank's quota allocations of euro banknotes were produced and delivered according to the Eurosystem's updated needs and contributed to ensuring the smooth circulation of cash in the euro area.

As for coins, in 2023 the Bank commissioned the production of 6.05 million euro coins intended for circulation, specifically coins of the 5 and 10 cent denominations. Moreover, the Bank successfully arranged with two other euro area national central banks the exchange and sale of surplus stocks of 1 and 2 euro cent coins. The Bank had accumulated surpluses of these coins after Slovakia introduced rounding of final amounts payable for cash transactions as from 1 July 2022. The exchange provided the Bank with €1 coins needed for cash circulation in Slovakia, thus saving it the costs of minting them.

The Bank last year issued six precious metal [collector euro coins](#) and two base metal collector euro coins. In addition, it issued two €2 [commemorative coins](#), each 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 2023 production of circulation euro coins, the Kremnica Mint set aside 15,300 coins of each denomination for use in two thematic collector sets of Slovak euro coins.

The cash cycles of euro banknotes and coins stabilised in 2023, when they reflected mainly seasonal demand for cash

The cash cycle of euro banknotes reflected the marked year-on-year drop in the volume of euro banknotes that the Bank issued into circulation. The number of euro coins in circulation decreased year-on-year, owing largely to the decline in the return of 1 and 2 cent coins from circulation (to the Bank).

In line with the number of euro banknotes and coins being returned to the Bank from circulation, the Bank processed a lower volume of cash in 2023. The number of banknotes processed during the year declined by 1% over the previous year, and the number of coins fell by 17%.

The number of euro banknotes sorted as unfit decreased (by 7%), and the average unfit rate, reflecting developments in cash processing, fell by 0.8 pp year-on-year.¹⁷

¹⁷ 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 money recovered in Slovakia

The total number of counterfeit banknotes and coins recovered in Slovakia in 2023 was higher than in the previous year, owing mainly to an increase in the volume of counterfeit coins detected

The total number of counterfeit banknotes and coins recovered in Slovakia in 2023 was 5,195. Of that total, counterfeit euro banknotes accounted for 1,697, and counterfeit euro coins accounted for 3,414, the highest figure since 2013. One Slovak koruna counterfeit and 83 foreign currency counterfeits were also recovered.

There were 940 counterfeit euro banknotes and 3,414 counterfeit euro coins recovered from circulation in 2023, which as shares of the total recovered numbers of these counterfeits represented 55% and 100% respectively. Despite their year-on-year increase, the number of counterfeits recovered from circulation is low and stable compared with most other euro area countries.

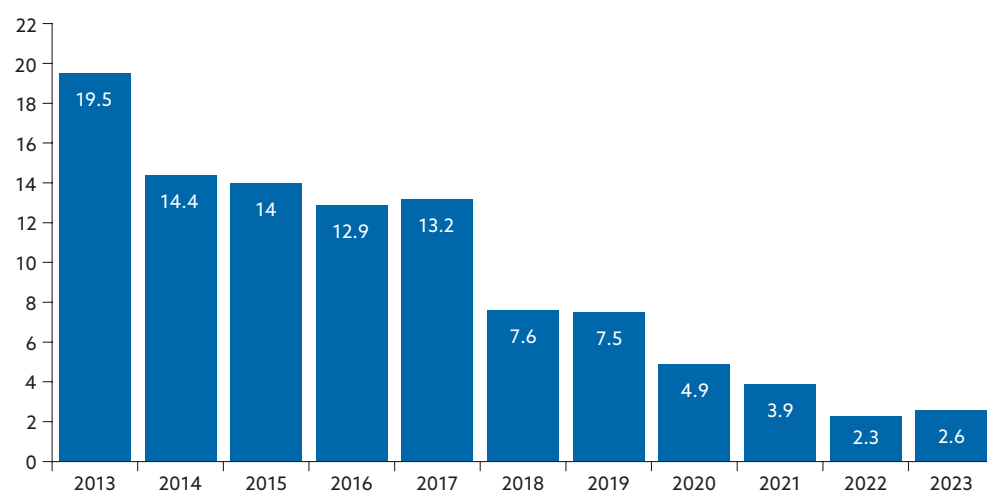
The counterfeit banknotes recovered from circulation in 2023 were mainly lower quality specimens that either lacked security features or included very poorly counterfeited security features. The quality of euro coin counterfeits has been relatively high for a long time.

Relative to the number of genuine euro banknotes in circulation in Slovakia, the proportion of counterfeits recovered in 2023 was just under three per million, and the corresponding figure for euro coin counterfeits was around four. The chances of anyone coming across a counterfeit euro banknote or coin are therefore low.¹⁸



Chart 19:
Number of counterfeit euro banknotes recovered from circulation per million genuine euro banknotes in circulation in Slovakia

Source: NBS.



¹⁸ 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 euro banknotes recovered in 2023 consisted mostly of medium-denomination specimens: €50 (28% of the total), €100 (27%) and €20 (19%). As for euro coin counterfeits, the €2 denomination accounted for almost 94% of the total.

B

5

Payment services and payment systems

2
payment
systems operated
by NBS

transactions
settled via:
SIPS – 273 m
TARGET-SK –
166,000
TIPS – 39 m

1,035.3 m
transactions made
with payment
cards issued by
Slovak banks

789.2 m
card
transactions
accepted
in Slovakia

B5 Payment services and payment systems

5.1 Payment systems

The Bank operates two payment systems – TARGET-SK and the Slovak Interbank Payment System (SIPS)

Operated by Národná banka Slovenska, **TARGET-SK is a new-generation payment system** that comprises a central liquidity management function, a real-time gross settlement system (RTGS), and settlement of ancillary systems, while at the same time enabling settlement of the cash leg of securities transactions. TARGET-SK is the single RTGS system in Slovakia and is the Slovak component of the EU-wide TARGET payment system, which is owned and operated by the Eurosystem central banks.

T2-T2S consolidation project – new version of the TARGET system goes live

The T2-T2S consolidation project went live on 20 March 2023 after several years of preparation. The project consolidated the technical and functional aspects of TARGET2 AND TARGET2-Securities (T2S) and replaced the TARGET2 real-time gross settlement system with a new TARGET system. The project's main objectives are to reduce the Eurosystem's operating costs, to segregate transactions and central bank services from RTGS services, to implement the ISO 20022 standard for communication with RTGS services, to harmonise functionalities common to all TARGET services, and to provide a choice of multiple connectivity providers.

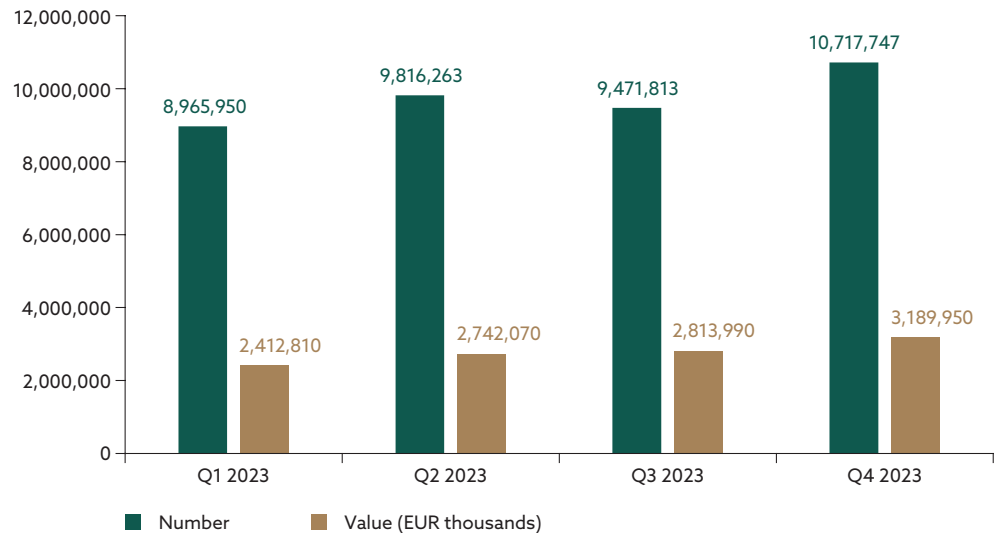
Instant payments in Slovakia

In 2023 [instant payments](#) were provided in Slovakia by four domestic banks: Slovenská sporiteľňa, VÚB, Tatra banka and J&T Banka. These banks' customers could therefore send and receive SEPA instant payments to and from any bank in the SEPA area which offers this type of payment. Slovak banks continued to progress in terms of the number of instant payments they processed via the [TARGET Instant Payment Settlement \(TIPS\)](#) system. In 2023 the number of instant payments increased to 39 million, and their total value stood at €11.2 billion; their share in the total number of SEPA payments in Slovakia rose to 14.3%.



Chart 20:
Number and value of SEPA instant payments processed by banks in Slovakia

Source: NBS.



TARGET-SK participants

TARGET-SK had 37 [participants](#) at the end of 2023. They comprised 33 direct participants and four ancillary systems, namely the Slovak Interbank Payment System, Nexi Central Europe, a.s., and two central securities depositories (CSDs) – Bratislava-based Centrálny depozitár cenných papierov SR, a.s. and Prague-based Centrální depozitář cenných papírů, a.s. The make-up of participants underwent a couple of changes during the year, when ČSOB Stavebná spořitelňa merged with Československá obchodní banka and when Air Bank joined the system.

Payments processing in TARGET-SK

TARGET-SK had 255 operating days in 2023, and its average daily traffic by number and value was 652 [transactions](#) and more than €4.7 billion.



Figure 4:
Number and value of transactions processed in TARGET-SK in 2023

Source: NBS.

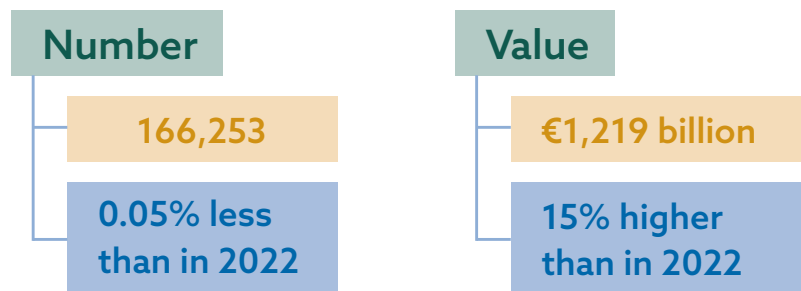
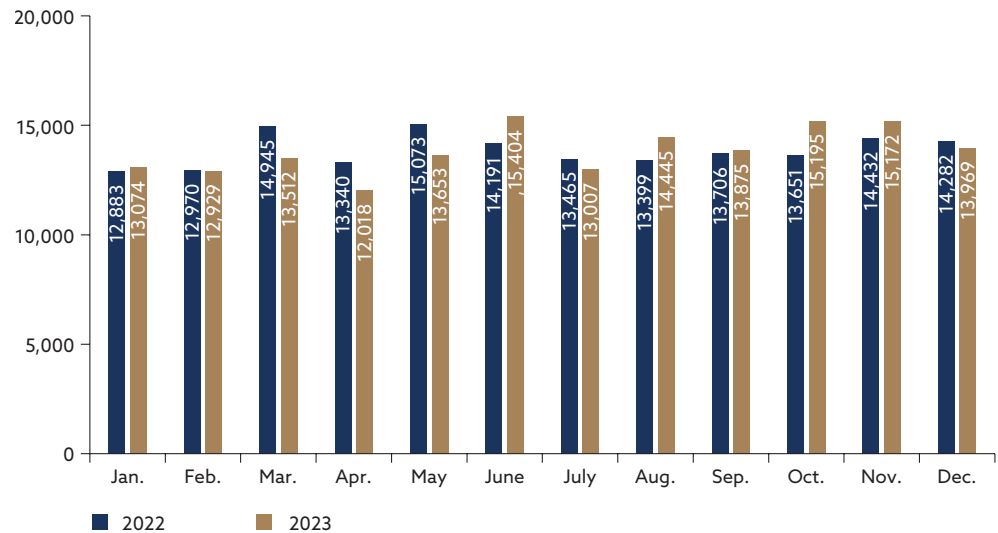




Chart 21:
Number of transactions processed in TARGET-SK in 2022 and 2023

Source: NBS.



In the breakdown of 2023 payment traffic between customer and interbank transactions, customer payments had the higher share by number (64:36) and interbank payments predominated in terms of value (12:88). Of the total value of TARGET-SK transactions, cross-border transactions accounted for 57% and domestic transactions for 43%.

SIPS – interbank retail payment system

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.

Adaptation of SIPS to changes in connected systems

SIPS underwent modifications in 2023 in connection with the annual release of the updated functional version of STEP2. In regard to the go-live of the T2-T2S consolidation project, the Bank adapted SIPS to the approved changes. During 2023 SIPS was also being prepared for the transition to new SEPA standards that will be implemented in March 2024.

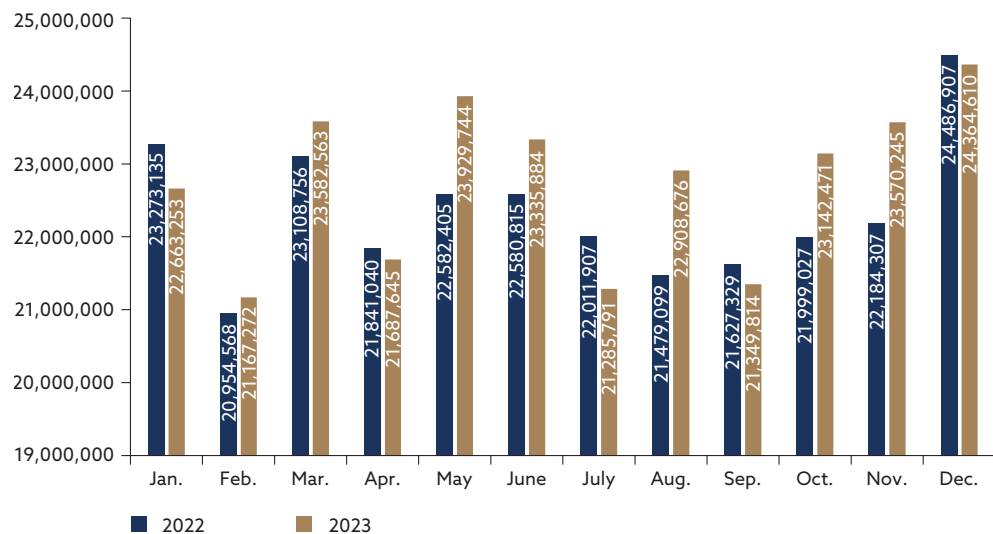
SIPS participants

There were 26 [SIPS participants](#) at the end of 2023, one fewer than at the end of the previous year. They comprised 20 domestic and six cross-border payment service providers.

Transactions processed in SIPS

In 2023 the number of [transactions](#) processed in SIPS increased by nearly 2%, to almost 273 million, while their total value dropped by 0.5%, to €380.98 billion. Domestic transactions accounted for 90.5% of the total number of SIPS transactions and for 69% of their total value. As for cross-border transactions, their share of the total number of transactions edged up by 0.5 pp, to 9.5%, and their share of the total value rose by 1 pp, to 31%. In the breakdown of SEPA transactions by payment instrument, SEPA credit transfers continued to predominate over SEPA direct debits in terms of both number (94%) and value (99%), with these shares being virtually unchanged from the previous year.


Chart 22:
Number of transactions processed in SIPS in 2022 and 2023
 Source: NBS.



Creditor Identifiers

In the SEPA direct debit scheme, creditors (payees) must have a [Creditor Identifier](#). The Bank has maintained a Creditor Identifier Register since 2013, and by the end of 2023 it had issued a total of 614 Creditor Identifiers to SDD creditors (natural or legal persons).

5.2 Payment cards

Payment cards issued by banks and foreign bank branches in Slovakia

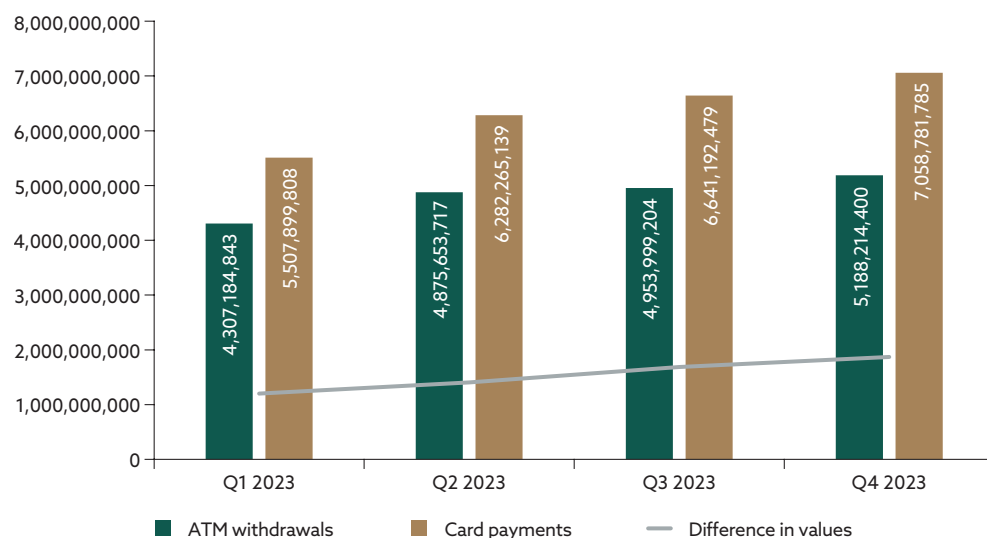
In 2023 the dominant position of payment cards in the Slovak payments market became even more pronounced. At the same time, the market share of VISA cards increased (to 75%) while that of MasterCard cards dropped (to 25%). Cards were used mostly for merchant payments, which as a share of all payment card transactions, increased in both number and value (to 93% and 57% respectively) at the expense of the share of ATM cash withdrawals. As in 2022, the value of payments made by domestically issued

bank payment cards exceeded the value of ATM withdrawals made with these cards, and this gap was rising throughout the year. Owing to the reduced need for cash, both the number and value of ATM withdrawals increased only marginally.



Chart 23:
Value of payment card transactions broken down by payments and ATM withdrawals (EUR)

Sources: Banks and foreign bank branches in Slovakia.

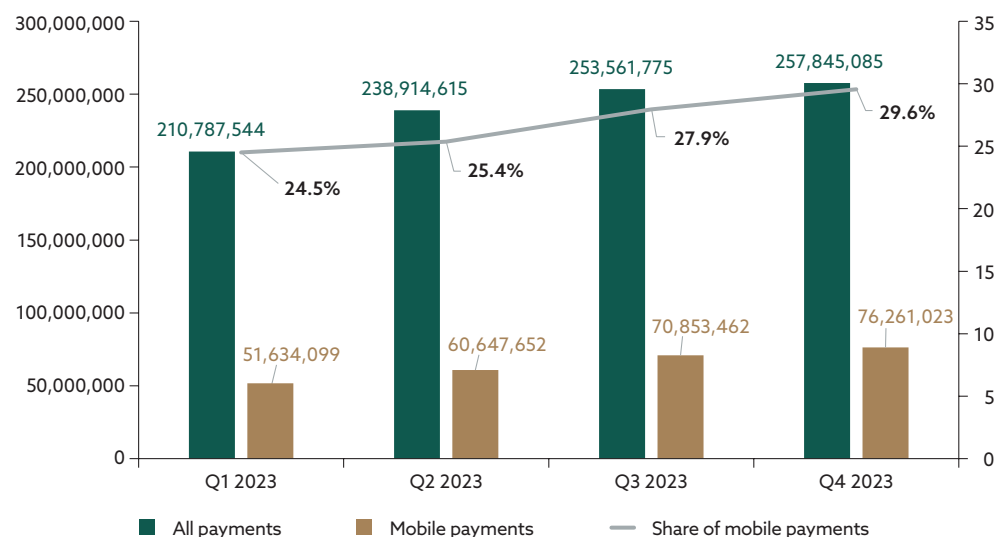


In 2023 cards were also the preferred instrument for making payments to online merchants, with the number and value of these transactions continuing to increase. In terms of number, the share of online card payments in total card payments averaged 13%.



Chart 24:
Total numbers of card payments and mobile payments

Sources: Banks and foreign bank branches in Slovakia.



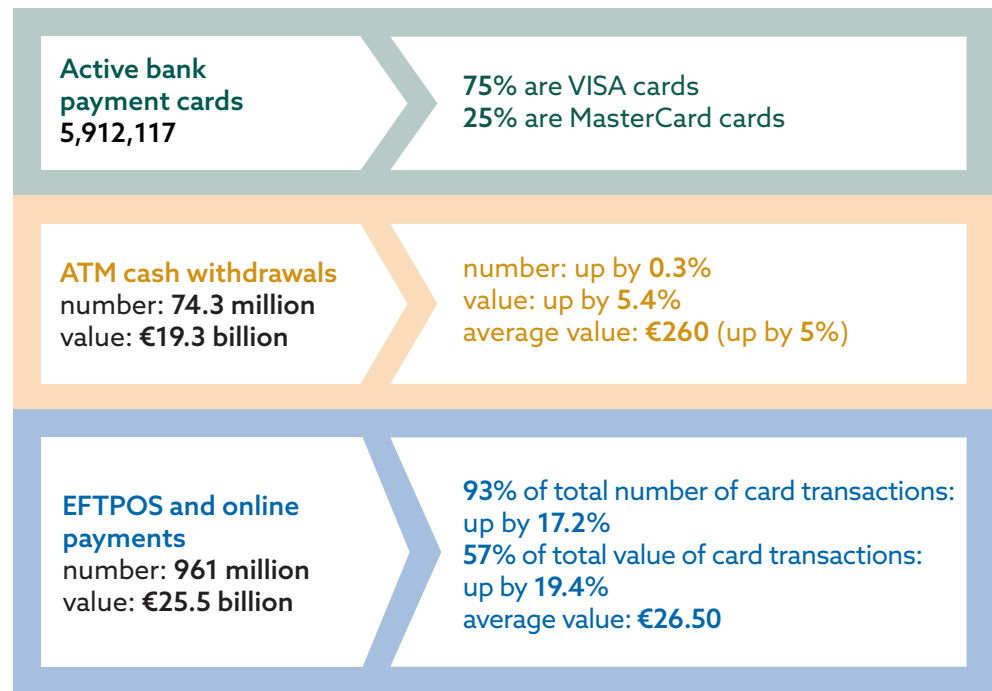
Note: The chart shows the evolution of the total number of card and mobile payments, as well as the percentage share of mobile payments in total card payments.

Looking at card payments in 2023, the largest increases in both volume and value were recorded by mobile payments (through the applications Apple Pay, Google Pay, Garmin Pay, FitBit Pay and others.), whose share of all card payments continued to increase. By the end of the year, 29.6% of card payments, i.e. almost one in every three, were made using mobile or smart-watch apps.



Figure 5:
Transactions with payment cards issued in Slovakia in 2023

Sources: Banks and foreign bank branches in Slovakia.



Note: The data on ATM cash withdrawals and on EFTPOS and online payments show the number and value of transactions made in Slovakia or abroad using payment cards issued by banks and foreign bank branches in Slovakia.

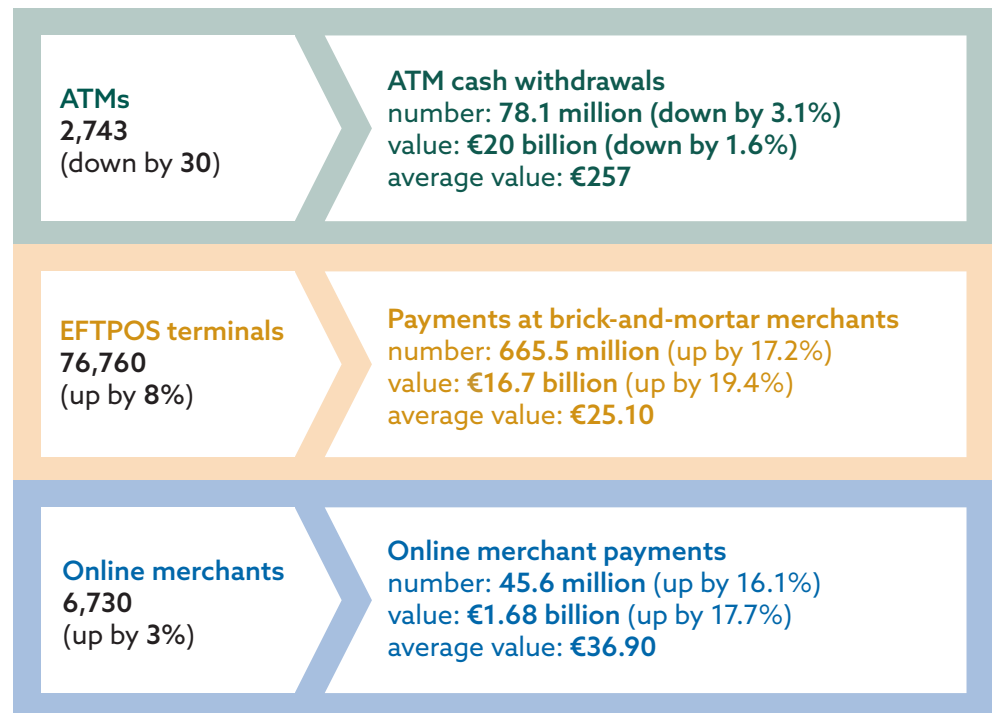
Payment card acceptance

Changes in the use of payment cards by cardholders in Slovakia has a direct impact on the density of the ATM acceptance network and the number of card-accepting merchants, as well as on the evolution of card transactions. Given the stagnation in the use of cards for ATM cash withdrawals, some banks have decided to trim their ATM networks, and in 2023 the total number of ATMs fell by 30. On the other hand, the number of EFTPOS and mobile terminals continued to increase in 2023, as did the number of card-accepting e-merchants. As a result, the number and value of payments to all types of merchants increased in 2023 by, respectively, 17.2% and 19.4%.



Figure 6: Payment card acceptance in Slovakia in 2023

Sources: Banks and
foreign bank branches
in Slovakia.



Notes: The data on ATM cash withdrawals and on EFTPOS and online payments show the number and value of transactions made at ATMs and POS terminals operated by banks and foreign bank branches established in Slovakia. The figure shows transactions made by payment cards issued both in Slovakia and abroad.

Payment innovation and a digital euro

Slovakia is seeing a trend of payment innovation. Card payments to merchants are becoming increasingly more common than ATM withdrawals, and by the end of 2023 almost one-third of them were in the form of mobile payments.

Among the more high-profile issues in the payments field in 2023 was that of a [digital euro](#). At a meeting in October 2023, the ECB's Governing Council approved the move to the next phase of the digital euro project: the preparation phase. The main objectives of this phase are to finalise the digital euro rulebook, to select potential providers, and to step up communication about the digital euro project. The digital euro is intended to co-exist alongside physical euro cash.

B

6

Statistics

6.7%

y-o-y growth in total loans for house purchase as at 31 December 2023

2.5%

y-o-y growth in households' total deposits as at 31 December 2023

100 bp

y-o-y rise in interest rates on new loans for house purchase as at 31 December 2023

170 bp

y-o-y rise in interest rates on new deposits from households with an agreed maturity of up to 1 year as at 31 December 2023

B6 Statistics

6.1 Statistical developments

Modern Statistics – organisational change in the NBS Statistics Department¹⁹

For the Bank's Statistics Department, 2023 was its first year of full operation under organisational changes implemented in the first phase of Modern Statistics – a project to centralise the Bank's statistical process within the Statistics Department. The year also saw preparations for the second phase of that project, scheduled to start in April 2024. The main priority was to meet all data requirements not only in existing and relocated data domains, but also in new ones that emerged during 2023.

We intensified our activity in the area of covered bonds, systematically increased the quality and coverage of data in the database of non-financial corporations (by, for example, enriching them with the addition of companies that apply IFRS Accounting Standards), and gained new knowledge in the area of climate change-related statistics.

Work continued throughout the year on an important project to upgrade the Statistics Collection Portal (SCP) information system. The SCP's ESAs module (SCP-ESAs), which is used to report data to the EBA and EIOPA, was made more operationally efficient. A new expert team was established at the Statistics Department to address data processing and visualisation issues using business intelligence tools. Later in the year, the Bank approved a new national legal framework for ECB payments statistics.

Data Governance

Data governance²⁰ is used to ensure better transparency, quality, trustworthiness and security of data. In the first half of 2023, the Data Governance Office, in cooperation with other participating NBS departments, laid the basis for the inclusion of a data governance process in the NBS Organisational Rules. This includes supporting tools – a conceptual data model, a process model and data governance catalogues, which together constitute the data governance framework applied in the Bank.

There are four data governance levels: executive, strategic, tactical and operational. Each level covers a unique set of virtual roles responsible for the performance of the respective activities.

¹⁹ For further details, see Section 6.1 – Statistical developments, in Chapter B6 of the [2022 NBS Annual Report](#).

²⁰ For further details, see Box 5 – Data governance, in Chapter B6 of the [2022 NBS Annual Report](#).



**Figure 7:
NBS data
governance
model**

Sources: NBS (Data Governance Office).

Data governance				
	Executive	Information Technology Department	Statistics Department	Other
Executive level	NBS Bank Board			
	Data Governance Sponsor			
Strategic level		Data Management Board		
		Architecture Board Chair	Data domain owners	
			Data Governance Office Data Governance Manager Data governance stewards	
Tactical level		Data Security Manager	Data domain stewards	
		System administrators		
		IT support and DWH	Data owners Data processors Data users	
Operational level		IT support and DWH	Data owners Data processors Data users	

The transformation of data processes was officially launched in September 2023, when an internal NBS Work Regulation on data governance and the Statute of the Data Management Board were approved by the NBS Bank Board.

Banking statistics for monetary purposes

Previous preparations for ensuring technical and methodological aspects of new dynamic reporting were reflected in the new granularity of dynamic data in 2023 and consequent improvement in reporting quality. This revamped data collection and processing provides the banking sector with new outputs for analytical purposes. In 2023 we conducted detailed checks of input data, drafted methodological guidelines, and configured data input controls. In this connection, [NBS Decree No 8/2021 was amended](#) with effect from 1 July 2024.

Banking statistics for supervisory purposes

As part of the Modern Statistics project, in 2023 the Statistics Department took over responsibility for the technical transmission, processing and quality of data reporting according to both national bank supervision requirements and EBA and ECB/SSM requirements (FINREP/COREP, implementing technical standards). The transfer of this role from the Bank's supervisory sections made 2023 a milestone year. Other changes in reporting included the discontinuation of COVID-19-related reporting.

A number of statistical changes in 2023 were made to reflect a new EBA taxonomy, mainly concerning securitisation and additional indicators for tracking liquidity and asset encumbrance. There was a significant change in the area of remuneration, with the implementation of amendments to European Banking Authority Guidelines [EBA/GL/2022/06](#)²¹ and [EBA/GL/2022/08](#).²² At the same time, there was a technical change in the definition of the breakdown of modules into individual and consolidated.

Payments statistics for banks and payment institutions

The process of evaluating data quality and ECB technical requirements regarding payments statistics outputs was ongoing in 2023. Two NBS Decrees, [No 7/2023](#) and [No 8/2023](#), were adopted in order to bring requirements for payment transaction data for balance of payments statistics and payments statistics into line with ECB requirements, with effect from 1 July 2024. Last year saw the elimination of data collection duplication and the adoption of a single data source for economic and monetary analysis. Another important change was the introduction of a new reporting method and a new breakdown of data for payment card statistics.

Investment funds for monetary purposes

As regards investment fund statistics, 2023 saw continuing cooperation on the preparation of a new ECB regulation. Through its participation in ECB/ESCB working groups, the Statistics Department collaborated in the drafting of the new reporting requirements for the internal source statement. During the year there were also discussions on the breakdown and scope of individual data that should start being transmitted to the ECB in 2026.

Statistics on people's access to cash and on cash processing

Within the Modern Statistics project, as from 1 January 2023 the Bank's Statistics Collection Portal started to be used for the collecting and processing of data on people's access to cash and on cash processing. The Statistics Department thus assumed responsibility for the quality of the data in the new reporting statements. The data breakdown is based on [Decision ECB/2010/14](#),²³ [Regulation \(EU\) No 1210/2010](#),²⁴ and the [NBS Act](#). In 2023 these data were reported by a total of 20 agents, whose breakdown is shown in Chart 25.

²¹ Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU (30 June 2022).

²² Guidelines on the data collection exercises regarding high earners under Directive 2013/36/EU and under Directive (EU) 2019/2034 (30 June 2022).

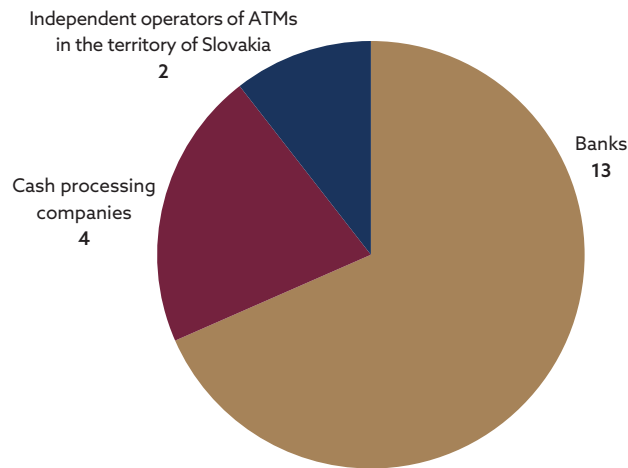
²³ Decision of the European Central Bank of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes (ECB/2010/14) (2010/597/EU) (OJ L 276, 9.10.2010).

²⁴ Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation (OJ L 339, 22.12.2010).



Chart 25:
Cash processing in 2023 – reporting agents

Source: NBS (SCP).



Integrated Reporting Framework (IReF)

The IReF is a strategic ECB/ESCB project to reduce the reporting burden on banks, to streamline the ESCB's statistical processes and to improve the quality of data available to policymakers. Between 2020 and 2021 the ESCB carried out a cost-benefit assessment of the IReF in which the Bank participated. In 2023 the ECB launched a 'complementary cost-benefit assessment' for the banking sector, focused on country-specific requirements, which was carried out between May and July. In December the ECB launched a survey of the evaluation of variant approaches to the IReF and Common Data Management (CDM) with a separate analysis for central banks (Eurosystem Cost-Benefit Analysis). The Bank played an active part in these analyses by organising surveys for the banking sector, itself included, and for the Bank's internal users.

Securities and financial derivatives

During 2023 the Bank worked on improving the quality of microdata on securities and financial derivatives, especially in terms of methodology. Discrepancies between data collected for statistical and supervisory purposes were identified and eliminated. In connection with [EMIR Refit](#),²⁵ testing of the transaction system for the flow of financial derivatives data from trade repositories also began. Also in 2023 the Statistics Department played a greater role in coordinating activities related to membership of ESMA's Data Standing Committee.

Climate change statistics

Through its membership in the ECB's Expert Group on deriving climate-related statistical indicators, the NBS participated in the compilation and

²⁵ Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories (OJ L 141, 28.5.2019).

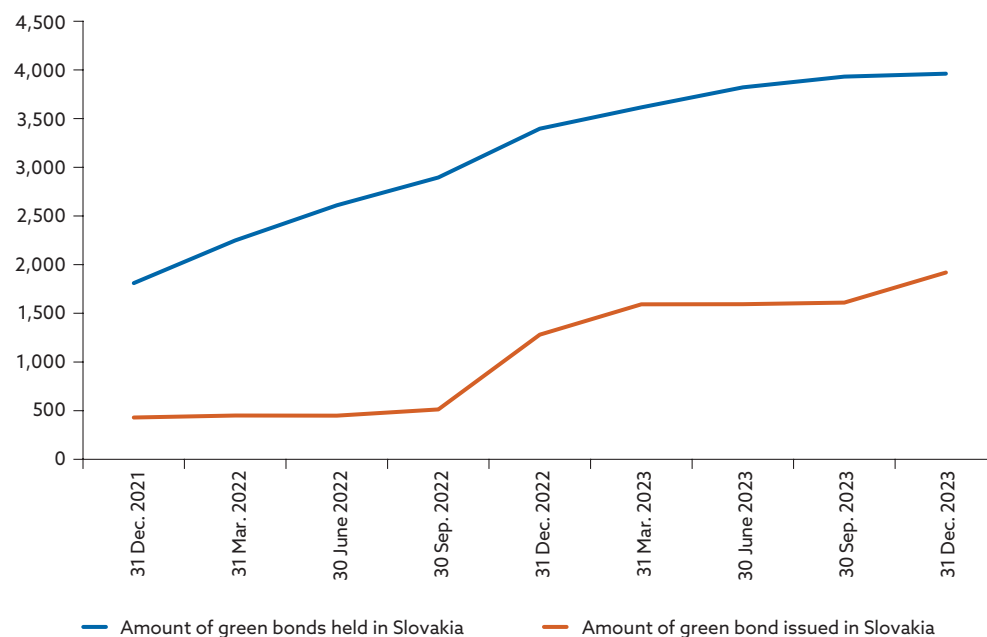
updating of experimental climate change-related indicators, which were published on the [ECB's website](#) in 2023. The published indicators analyse the issuance and holdings of sustainable debt securities, the amount of carbon emissions financed by financial sector loan and securities portfolios, as well as the physical risks associated with these portfolios.

The volume of green bonds issued in Slovakia is steadily growing, and by the end of December 2023 it stood at almost €2 billion. Domestic demand for green bonds issued worldwide is also on an upward trend, and these holdings totalled close to €4 billion at the end of 2023.



Chart 26:
Issuance and
holdings of
green bonds in
Slovakia
(EUR millions)

Sources: ECB, and NBS.



External statistics, quarterly financial accounts, and government finance statistics

In the area of balance of payments (b.o.p.) statistics, data needed to compile backward time series of b.o.p. and international investment position (i.i.p.) statistics in the more granular breakdown now required by the ECB started to be prepared in 2023. The Bank also initiated a bilateral meeting with the Czech central bank, Česká národní banka, aimed at exchanging practical experience in several areas of external statistics.

A key step taken in 2023 was the establishment of cooperation with the Statistical Office of the Slovak Republic in the area of quarterly financial accounts statistics with the aim of maximising the quality of the sectoral classification in the Register of Organisations. The Bank's activity in respect of quarterly financial accounts statistics underwent an ECB procedural audit in the latter part of the year. Also in 2023 data for distributional wealth accounts were updated and preparations for publishing quarterly data for the public were made.

As regards government finance statistics, the Bank received a regular Eurostat dialogue visit on this issue in September 2023.

Non-financial corporations and households sector

The non-financial corporations (NFC) sector in the BACH and iBACH data-bases was expanded in 2023 to include a breakdown of firms using IFRS. The legislation for reporting by non-financial corporations that are subject to a reporting obligation under the Foreign Exchange Act was updated in the year under review, with the new requirements taking effect on 1 January 2024. In September 2023 the Bank, in cooperation with the Statistical Office of the Slovak Republic, commenced field data collection for the fifth wave of the ECB's Household Finance and Consumption Survey. The collected data on households' assets, debts, income and consumption will be statistically processed in 2024.

Insurance, capital and pension markets

In 2023 reporting by insurance and reinsurance undertakings underwent a significant change, as data collection had to conform to a new accounting standard, IFRS 17, that entered into force on 1 January of that year. This resulted in changes to the structure of reporting statements, the need for new statements, and, above all, revision of the methodology for item calculation, which required the Bank to provide extensive methodological support to reporting agents through meetings and the issuance of methodological guidelines.

In 2023 a new reporting statement on premiums, claims and expenses by line of business was introduced for branches of insurance undertakings from another Member State, and the reporting frequency for selected financial statement data was changed from annual to quarterly. These changes significantly increased the coverage of data for branches of insurance undertakings and aligned it with that for insurance undertakings.

For all reporting agents in the insurance and pension markets, 2023 saw the start of the itemised collection of statistical data on financial assets and liabilities in the granular breakdown required by European institutions (ECB, Eurostat). These data collection changes improved the quality of statistical outputs.

As regards capital market statistics, new data collection from crowdfunding service providers was implemented in late 2023 in accordance with [Regulation \(EU\) 2020/1503](#)²⁶ and [Commission Implementing Regulation \(EU\) 2022/2120](#).²⁷ The aim of this new data collection is to obtain information on crowdfunding projects in the EU.

In 2023 investment firms meeting the conditions of [Directive \(EU\) 2019/2034](#)²⁸ for disclosing information on remuneration policies began reporting data necessary for the assessment of remuneration rules to the Bank.

In regard to [second-pillar and third-pillar pension management companies](#), the publication and provision of net asset value and current pension-point value data for these companies on the Bank's website underwent a notable change in 2023, with the simplification and streamlining of how these data are downloaded, selected and viewed.

Bureaux de change, independent financial agents, financial advisers and consumer credit providers

With the adoption of [NBS Decree No 3/2023](#), the process of transferring the reporting of independent financial agents and financial advisers from the Capital Market Supervision Department to the Statistics Department began in 2023. This entailed switching the information systems used for this reporting – from the Register of Financial Agents and Financial Advisers (REGFAP) to the Statistics Collection Portal – setting up quality controls and creating outputs in BI tools. The first data reported under the new regime were for the second quarter of 2023, with 99.75% of the registered reporting agents submitting the required reporting statements.

The first phase of the Modern Statistics project was completed in 2023 when the collection of data on purchases and sales of foreign currency cash from bureaux de change was transferred from the Financial Consumer Protection Department to the Statistics Department in accordance with [NBS Decree No 300/2023](#). The first data reported under the new regime, via the SCP, were for the last quarter of 2023, with 98.16% of the registered reporting agents submitting the required reporting statements.

²⁶ Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 (OJ L 347, 20.10.2020).

²⁷ Commission Implementing Regulation (EU) 2022/2120 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to data standards and formats, templates and procedures for reporting information on projects funded through crowdfunding platforms (OJ L 287, 8.11.2022).


²⁸ 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 (OJ L 314, 5.12.2019).

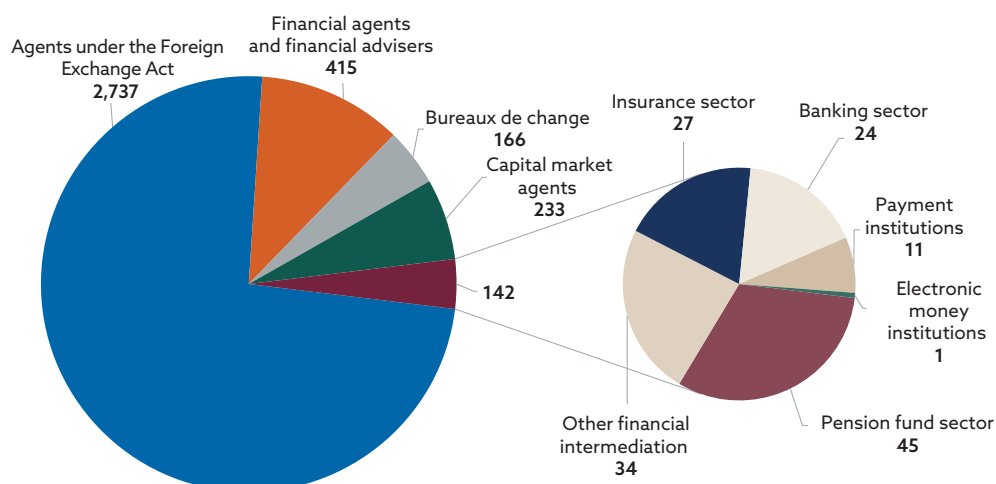
6.2 Information systems

Collection, processing and provision of data

A substantial part of the data reported to the Bank is collected, processed and stored through the Bank's Statistics Collection Portal (SCP), including, since 2022, the SCP's ESAs module (SCP-ESAs). Of the 4,987 active entities in the financial and non-financial sectors, 3,693 reported to the Bank in 2023, using altogether 272 types of reporting statements. The breakdown of these reporting agents is shown in Chart 27.

As part of the SCP Upgrade, a single login system for accessing the Bank's information systems was introduced in 2023. Last year's SCP innovations were not, however, confined to improving security and accessibility, but also included a raft of significant upgrades that have changed the way data is collected, processed and analysed, thereby greatly enhancing the user experience.


Chart 27:
Number of agents reporting through the SCP and SCP-ESAs in 2023
Source: NBS (SCP and SCP-ESAs).



Data management

As part of its data management activity, the Statistics Department continued in 2023 to review external data sources. Related modifications stemmed, for example, from legislative changes and from the transfer of competences for reporting obligations between government authorities (the State Treasury and the Ministry of Finance of the Slovak Republic). The increasing requirements of NBS specialist departments for new data from private providers led to new contracts being signed in 2023. At the same time, existing contractual relations were updated (for example, Protocol No 4 to the Framework agreement on mutual cooperation in the provision of statistical data and statistical information of 21 May 2013, between the Bank and the Statistical Office of the Slovak Republic, was signed in April 2023). The inclusion of the Statistics Department as an intermediary in the

data procurement process (involving, for example, the acquisition of databases of economic and financial indicators, databases on AML, and data from the new-build and existing real estate market) helps the department fulfil its role as a guarantor of, and supervisory authority for, data sources. This inclusion also prevents duplication in data acquisition and optimises data collection through the use of current technological capabilities for data transmission and security.

Data pseudonymisation

In order to be able to carry out statistical and research tasks involving detailed household and private sector data, we adopted a definition of the personal data pseudonymisation concept, both in regard to the GDPR²⁹ requirements and for ethical reasons. In 2023 we processed data from the Land Register of the Slovak Republic, followed by data from the Social Insurance Agency, the Financial Directorate of the Slovak Republic, and other entities.

²⁹ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016).

B

7

Economic research

number
1
in RePEc
ranking

8
articles in
academic
journals

14
working and
occasional papers
15
other research and
analytical outputs

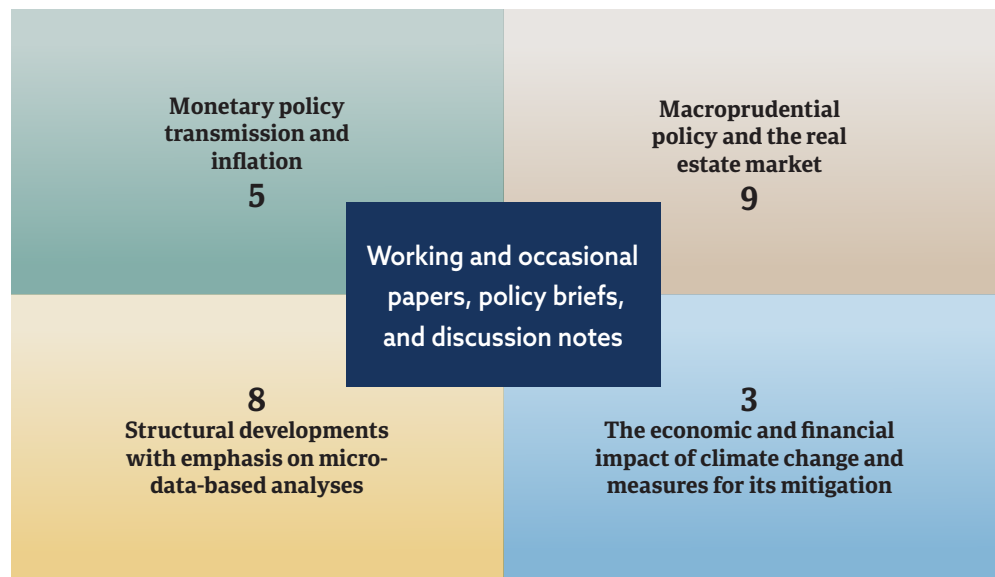
3
international
conferences
23
expert
seminars

B7 Economic research

NBS research in 2023

- The Bank contributed significantly to high-quality economic research with outputs published by [members of its staff](#) and their co-authors at home and abroad
- [Expert cooperation](#) was strengthened both within and outside the Bank
- The visibility of NBS research was increased through more frequent organisation of, and active participation in, [conferences, seminars](#) and workshops
- The Bank strengthened its position as the most influential institution in Slovakia in the field of economic research, according to the [RePEc ranking](#)
- An increasing number of NBS staff members were included among the [most influential economic authors](#) in Slovakia

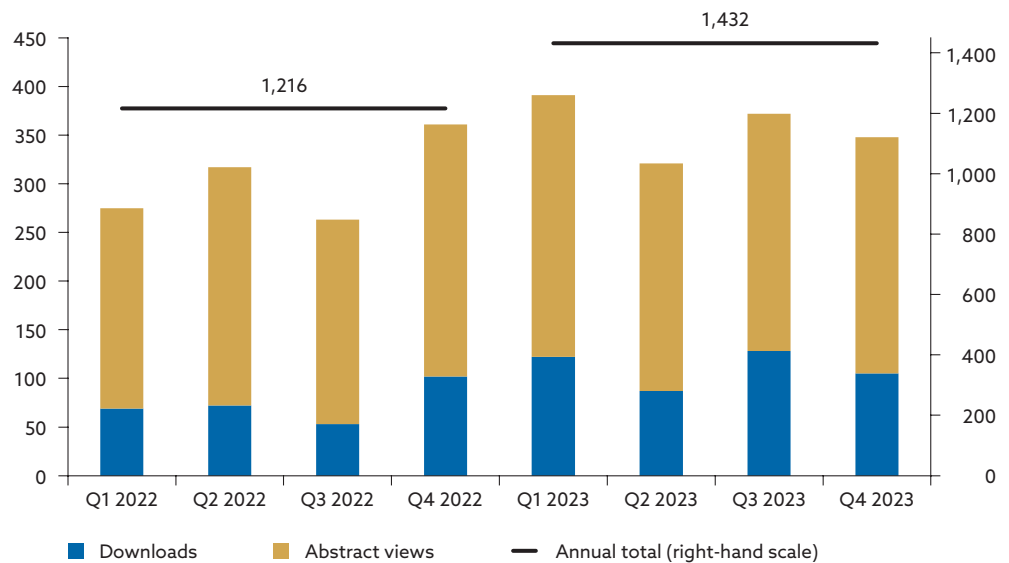
Figure 8: Domestic research publications by topic
Source: NBS.



Note: Number of publications published in 2023.

Interest in research outputs rose by 18% year-on-year

Chart 28: Interest in NBS papers published on the RePEc website
Source: RePEc.



Note: Number of abstract views and downloads of papers.

Articles published mainly in prestigious academic journals



New articles in foreign journals

- Journal of Banking and Finance
- Economics Letters
- Macroeconomic Dynamics
- Journal of the Japanese and International Economies
- Applied Economics
- Computational Economics
- Social Science Research
- Czech Journal of Economics and Finance



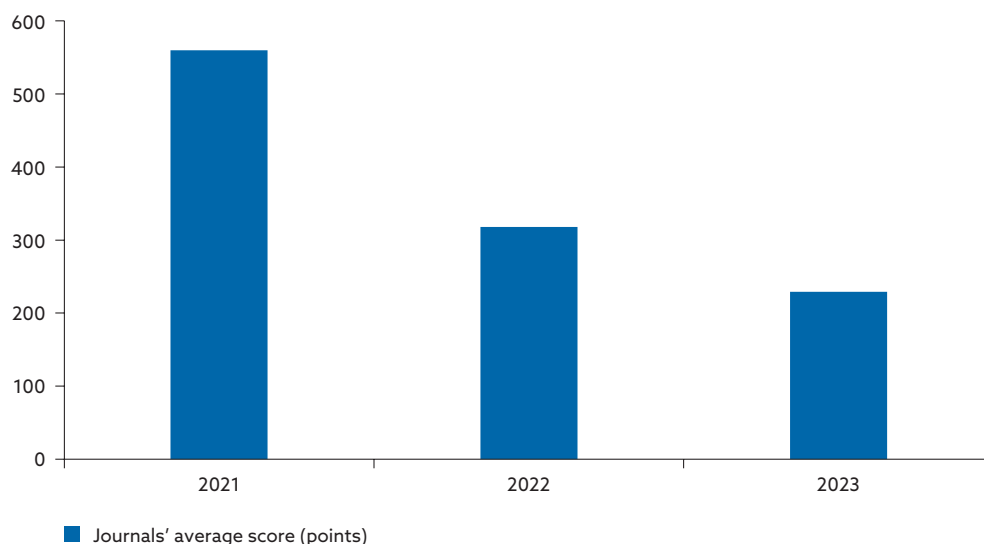
Intensive international cooperation

- in research networks
 - HFCN ([Household Finance and Consumption Network](#))
 - CompNet ([Competitiveness Research Network](#))
- in ECB/ESCB working groups
 - WGF Expert Group on Productivity
 - Expert Group on Macro at Risk
 - WGF Working Group on Economic Modelling
 - Analysis Working Group (AWG)
 - Macroeconomic Analysis Group (MPAG)
 - Central Bank Digital Currency Working Group (CBDC WG)
 - Network for Greening the Financial System (NGFS)



Chart 29:
Qualitative scores of articles in academic journals

Source: RePEc.



Note: The lower the score, the higher the quality.

Quality rankings of academic publications confirm the rising quality of NBS research

BOX 7

New findings on the financial situation of Slovak households

Both the professional and general public in Slovakia took a keen interest in the results of the 2021 national survey for the fourth wave of the ECB's Household Finance and Consumption Survey (HFCS), which the Bank conducted in cooperation with the Statistical Office of the Slovak Republic.³⁰ The number of downloads of the working paper and discussion notes describing the results from these new microeconomic data was higher than the total number of downloads of all other research and analytical outputs published on the Bank's website in 2023.

³⁰ More information can be found on the [HFCS webpage](#).

One of the survey's most interesting findings was a significant increase in the net wealth of households in Slovakia over the period 2017–2021. This was driven mainly by a sharp increase in real estate prices, with real estate accounting for nearly 80% of all household assets. The rising value of owner-occupied housing, coupled with growth in household income, has contributed to greater economic equality in society.

Other results showed that Slovak households continued to take a conservative approach to their financial assets, holding mainly risk-free deposits or low-yield savings accounts. Just under 6% of households had part of their wealth in financial investments such as equities, bonds or investment fund shares. This relatively low engagement in financial markets may be related to a low level of financial literacy in the Slovak population.

The research results also confirmed an increase in household indebtedness. Thanks, however, to a tightening of regulatory lending limits, debt burden indicators have not deteriorated.

B

8

Communication, and social and environmental responsibility

9 million
clicks and interactions
on the NBS website

64
press
releases

8.21%
reduction in energy
consumption

€340,000
worth of NBS
Foundation grants
for a total of
22 projects

B8 Communication, and social and environmental responsibility



NBS – an open and modern institution

- actively engages in areas that have a social and environmental impact
- participates in public benefit activities
- strives to ensure the sustainability and greening of its operations
- uses different means of communication

8.1 Communication and corporate social responsibility

The NBS website puts users, and issues that matter to them, to the fore



NBS online in 2023

- stable traffic and user interaction figures
- **364** new subpages
- **297** news items, press releases, and other new pieces of public information
- **8,300** live-stream views
- **59,000** views of the Bank's YouTube channel – up by almost **100%** on 2022
- **43%** increase in Facebook fans
- **17%** increase in Instagram followers



Website taking the daily pulse in 2023

- accessible and engaging treatment of key economic topics of everyday life, including inflation, real estate prices, the digital euro, and the exchange of the Croatian kuna.
- more than **500,000** users
- **11 million** page views
- **58%** of visits from mobile devices
- **27%** increase in dwell time



The NBS Foundation

In 2023 the [NBS Foundation](#):

- began collaborating with major partner organisations: the civic association Cesta von; Caritas Slovakia; and The Duke of Edinburgh's International Award Slovakia;
- continued supporting [FinQ Centrum](#), a civic association it previously established in cooperation with the Slovenská sporiteľňa Foundation;
- supported **22** projects through **5** grant programmes that altogether allocated **€340,000** for the development of financial literacy, financial education and economic and financial research;
- issued a first-ever call for employee grants to support projects in which the participation of an NBS employee is a condition; under this call, it selected **5** projects for improving financial literacy.



Corporate and social responsibility in 2023

Events and campaigns

- **Bike2Work** - participation in a campaign promoting environmentally friendly transport
- **European Mobility Week** - participation in an EU campaign to reduce transport-related energy costs and consumption
- **Giving Tuesday** - in the 2023 edition of this NBS initiative, staff collected board games for youth clubs in eastern Slovakia that serve children and young people living in intergenerational poverty
- **Naše mesto** (Our Town) - participation in this volunteering event, with NBS staff helping to enhance the environment in four localities in Bratislava
- **Month of Respect for Seniors: Autumn at the Museum** - an event promoting financial education for senior citizens, held at the NBS Museum of Coins and Medals in Kremnica

Charitable events and collections

- **Charity Christmas Market** - an event held at the NBS headquarters that supports sheltered workshops through the sale of goods made by people with disabilities
- **NBS staff collection** - raised **€2,750** for the purchase of an electricity generator for Ukraine
- **Used children's book drive** - more than **700** books were collected for non-profit organisations cooperating with the NBS Foundation
- **Book drive** - to help the Municipal Library in Bratislava purchase audiobooks for the blind



Activities for the public in 2023

- At the NBS Gallery - **5** exhibitions, including 3 exhibitions of artworks by young talents in collaboration with the Academy of Fine Arts in Bratislava
- In the NBS building's central atrium - **3** exhibitions of artworks, sculptures and artistic photographs by Slovak authors
- Art exhibitions abroad to mark the Bank's 30th anniversary - **2** exhibitions in Frankfurt am Main
- The 10th annual NBS Governor's Award for young economists - awarded to the **3** best theses in the field of economics done at universities in Slovakia or by Slovak citizens abroad
- Cooperation with public broadcaster RTVS in the production of a number of programmes, and contributions to articles published in the periodicals *Téma* and *Čarovné Slovensko*
- Expert conference entitled '[Rozdelenie československej meny a následný ekonomický vývoj](#)' (The Czechoslovak currency separation and subsequent economic developments) - prepared by the NBS Archives for the 30th anniversary of the currency separation and introduction of the Slovak koruna (8 February 2023)
- International conference entitled '[Odkaz prof. Imricha Karvaša pre súčasnú hospodársku vedu a prax](#)' (The legacy of Prof. Imrich Karvaš for contemporary economic science and practice) - held on 1 March 2023 to mark the 120th anniversary of the birth of Imrich Karvaš, the conference was prepared, and its proceedings were published, by the NBS Archives in cooperation with the Faculty of Law at Comenius University in Bratislava, the University of Economics in Bratislava, the Faculty of Economics of Matej Bel University in Banská Bystrica, and the Institute of Economic Research of the Slovak Academy of Sciences
- Cultural events and exhibitions at the [Museum of Coins and Medals in Kremnica](#)



Museum of Coins and Medals in Kremnica

- **56,500** visitors in 2023, up by almost 10,000 on the previous year
- Around a thousand items were added to the Museum's collections in 2023, bringing the total number up to **108,000**
- Work began on restoring the tower of St Catherine's Church to how it looked in the late 19th century
- 40th anniversary of the establishment of the International Symposium of Medals
- XVI International Symposium of Medals
- 29th annual International Symposium of Jewellery Art and Other Media
- Publication of a book entitled *Kremnickí lekárnici od konca stredoveku do polovice 20. storočia* (Kremnica pharmacists from the end of the Middle Ages to the mid-20th century) by Lucia Krchnáková

Permanent exhibitions:

- The Town Castle in Kremnica (exhibitions at a complex of historic buildings)
- *Two-Faces of Money* – a numismatic history exhibition
- *Dead on Target!* – a historical art exhibition
- Art exhibitions at the Museum's gallery

Events and occasional exhibitions:

- European Cultural Heritage Days: *Poručiteľ Laskomerský* (The testator Laskomerský)
- Veronika Bílková: *Ilustrácia a maľba* (Illustration and painting)
- Ormandíkovci: *Ormandík, dík* (The Ormandíks: Ormandík, thanks)
- *Od mince k medaile, od medaily k minci* (From coin to medal, from medal to coin)
- *ŠUMENIE / Konškoláci 1992 – 1996*
- A lecture entitled *Rozprávanie o kremnickej lekárni* (Talking about the Kremnica pharmacy)
- Night of Museums: *Stretnutie múz* (Meeting of the muses)
- *Príbehy v múzeu* (Stories at the Museum): *Keby som bol kráľom* (If I were king)
- *Letné pikniky na hrade* (Summer picnics at the castle): *Pánske kluby a dámske spolky v 19. storočí* (Men's clubs and ladies' societies in the 19th century)



Stories at the Museum: Story of the Dionýz Stanetti plague column
Source: NBS Museum of Coins and Medals in Kremnica.

8.2 Environmental responsibility

The Bank took part in Earth Hour on 25 March 2023 by switching off the lights for 60 minutes at its building in Bratislava and at the Town Castle in Kremnica

Environmental objectives



Carbon neutral institution

- Annual consumption of electricity and gas at the NBS building in 2023: **13.11 MWh**³¹ per employee
- Energy consumption in 2023 reduced by **8.21%** year-on-year and by **22.7%** since 2019
- The NBS building's net greenhouse gas emissions in 2022 (the latest year for which data are available) amounted to **3,950.5 tCO₂e**,³² with the carbon footprint per employee standing at **4.3 tCO₂e**
- Switching to energy-saving LED lighting – at the NBS building, around **12%** of the lighting had been switched by the end of 2023; at NBS regional offices, around **92%**



Operations adapted to be climate and biodiversity friendly

In 2023:

- **19** old trees around the NBS building were replaced with new ones
- **16** trees were planted around the NBS-owned Angyalov dom (Angyal House) in Kremnica
- a **182 m²** green zone with flowering plants was established on Mýtna Street in Bratislava, next to the NBS building
- *Let's Plant for a Greener Future* – a pilot initiative to plant **50** fruit trees in Cífer village – was implemented in cooperation with WWF Slovensko and the civic association OZ Prakoreň
- the Bank held a webinar for its employees on biodiversity conservation and support



Operating on circular economy principles in 2023

- Green public procurement worth **€600,024.82** excluding VAT (cleaning and hygiene products, office supplies, toners, IT equipment)
- **NBS Green Office initiative** – a series of educational seminars on waste prevention, green procurement, and organising events in a green way
- Electronic signature implementation – **31** new certificates issued, bringing the number of staff members that have an electronic signature certificate up to **110**
- Retired IT equipment, furniture and motor vehicles with a total acquisition cost of **€104,154** were donated to nine donees, including schools and non-profit or state organisations
- **94.18** tonnes of waste from the NBS building were sent for environmentally sound disposal
- **27.06** tonnes of shredded unfit banknotes were sent for energy recovery

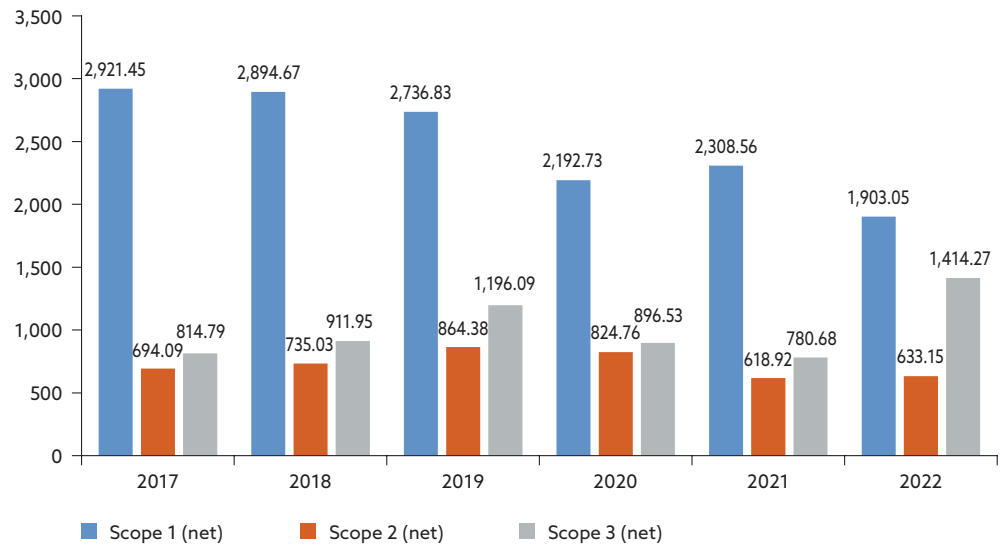
³¹ Compared with previous periods, the stated energy consumption was adjusted by deducting own production of electricity from cogeneration. Own production of electricity is already reflected in natural gas consumption.

³² Compared with the 2022 Annual Report, the calculation of the NBS building's carbon footprint was extended to include business activities performed within the building. The carbon footprint calculation covered the three 'scopes' as defined in the Greenhouse Gas Protocol: Scope 1 (stationary and mobile sources; fugitive emissions); Scope 2 (purchased electricity); and Scope 3 (purchased goods and services; capital goods; fuel- and energy-related activities not included in Scope 1 or Scope 2; upstream transportation and distribution; waste generated in operations; employee business flights; employee commuting, including remote working).



Chart 30:
The NBS building's greenhouse gas emissions by scope as defined in the Greenhouse Gas Protocol (in tCO₂e)

Source: Internal report by ARPenviron, s.r.o.

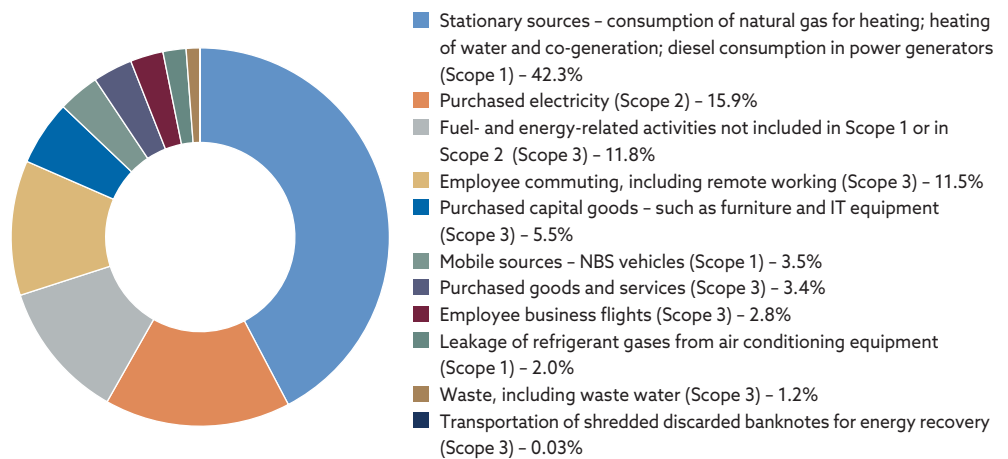


Note: What is covered by the Scope 3 calculation has been gradually expanded to include new categories and emission sources according to the availability of retrospective data on the following: employee business flights and remote working since 2019; transportation of shredded banknotes since 2020; and employee commuting since 2022.



Chart 31:
2022 carbon footprint by category of emission sources

Source: Internal report by ARPenviron, s.r.o.



Note: The percentages may not add up to 100 due to rounding.

B

9

Institutional developments

49.58%
of NBS
employees
are women

2,998
participants
in training
activities

2,154
visits to the
NBS Library

247
archival fonds
and collections

B9 Institutional developments

Organisation and governance



The Bank Board of Národná banka Slovenska

The Bank's highest governing body – the Bank Board – had the following members in 2023:

- Peter Kažimír, Governor
- Ľudovít Ódor, Deputy Governor (until 14 May 2023)
- Karol Mrva, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division (until 2 June 2023)
- Dušan Jurčák, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division (from 15 June 2023)
- Vladimír Dvořáček, Executive Director of the Supervision and Financial Stability Division
- Ľuboš Pástor, external member (until 19 December 2023)

Net income of NBS Bank Board members for 2023 (EUR)

Peter Kažimír	252,858
Dušan Jurčák	106,473
Vladimír Dvořáček	177,475

Net income includes allowances, benefits, bonuses, contributions, and other emoluments of the Bank Board members who were in post as at 31 December 2023.



The Executive Board of Národná banka Slovenska

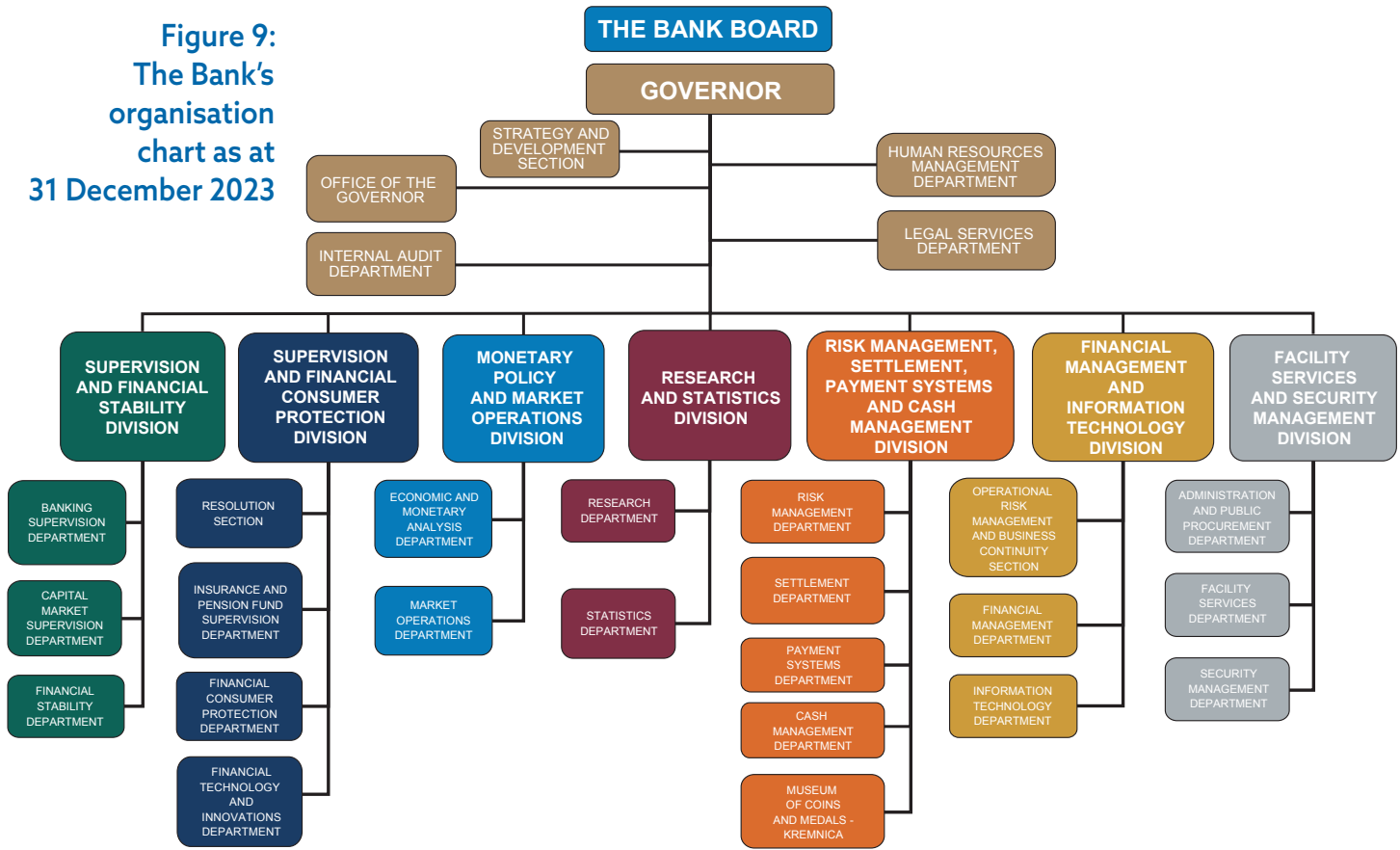
The Bank's managing, executive and coordination authority – the Executive Board – had the following members in 2023:

- Peter Kažimír, Governor
- Ľudovít Ódor, Deputy Governor (until 14 May 2023)
- Júlia Čillíková, Executive Director of the Supervision and Financial Consumer Protection Division
- Vladimír Dvořáček, Executive Director of the Supervision and Financial Stability Division
- Michal Horváth, Executive Director of the Monetary Policy and Market Operations Division³³
- Dušan Jurčák, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division (from 15 June 2023)
- Albín Kotian, Executive Director of the Financial Management and Information Technology Division
- Karol Mrva, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division (until 30 June 2023)
- Martin Lipovský, Director of the Legal Services Department
- Jozef Prokeš, Director of the Market Operations Department (from 15 May 2023)





³³ Except during the period from 15 May to 25 October 2023, when Mr Horváth served as Finance Minister in Slovakia's interim technocratic government.





Figure 9:
The Bank's
organisation
chart as at
31 December 2023




Human resources in 2023

 <h3>Employment</h3> <ul style="list-style-type: none"> The Bank had 1,073 employees as at 31 December 75 people joined the Bank 83 people ended their employment, including 47 owing to retirement The average monthly salary was €3,724.34 	 <h3>Gender equality</h3> <ul style="list-style-type: none"> The number of women employees increased to 532 (49.58% of the total staff) The number of women in management positions was 46, including 6 in positions of senior management (executive director, department director) and 40 heads of section
 <h3>Staff mobility</h3> <p>21 staff members were on secondment:</p> <ul style="list-style-type: none"> at the European Central Bank at the Central Bank of Malta at the International Monetary Fund 	 <ul style="list-style-type: none"> 7 monitored areas 737 training activities 963 staff participants 2,998 participants across activities

The Bank's Registry, Archives and Library in 2023

 The Registry and Archives	 The Library
<ul style="list-style-type: none"> • A project to develop information system functionalities for registry management continued with: <ul style="list-style-type: none"> - the addition of new options for storing protected records and permissions for them - simplifying the processing of bulk correspondence - editing the contents of electronic documents directly in the information system • The number of archival fonds and collections increased to 247 • The Research Archival Portal was updated and was expanded to include an additional <ul style="list-style-type: none"> - 919 digitised archival documents - 32 English versions of articles from the history of Slovak banks 	<ul style="list-style-type: none"> • 2,154 in-person visits January had the highest number: 297 • 2,254 items loaned, read in the library or downloaded from the online catalogue January had the highest number: 289 • 114 requests for advice • 1,304 periodical circulations March had the highest number: 146 • 179,733 catalogued items (books, periodicals, articles) • 5,374 new items catalogued • 1,952 documents downloaded from the online catalogue • 598 new book acquisitions, including 138 eBooks

Ethical principles at NBS

 Increasing integrity and ethical awareness
<ul style="list-style-type: none"> • New NBS Code of Conduct • 50 Code of Conduct-related opinions • Individual advice on ethics and conflicts of interest • New IT tool for managing conflicts of interest • Quarterly publication of the in-house Ethics Newsletter • NBS Ethics Day event on the topic 'Conflict of Interest', held as part of Global Ethics Day (18 October 2023), an initiative organised by the Carnegie Council for Ethics in International Affairs

BOX 8

Strengthening ethical values – the new NBS Code of Conduct

The Bank actively promotes a culture of ethical behaviour and compliance by its staff and Bank Board members in accordance with the highest ethical standards. To this end, the Bank adopted a new Code of Conduct in 2023.

The new NBS Code of Conduct includes, among other things, the implementation of ECB Guidelines laying down the principles of the ethics frameworks for the [Eurosystem](#) and the [Single Supervisory Mechanism](#). It focuses primarily on ensuring more effective resolution of conflicts of interest and introduces new provisions on:

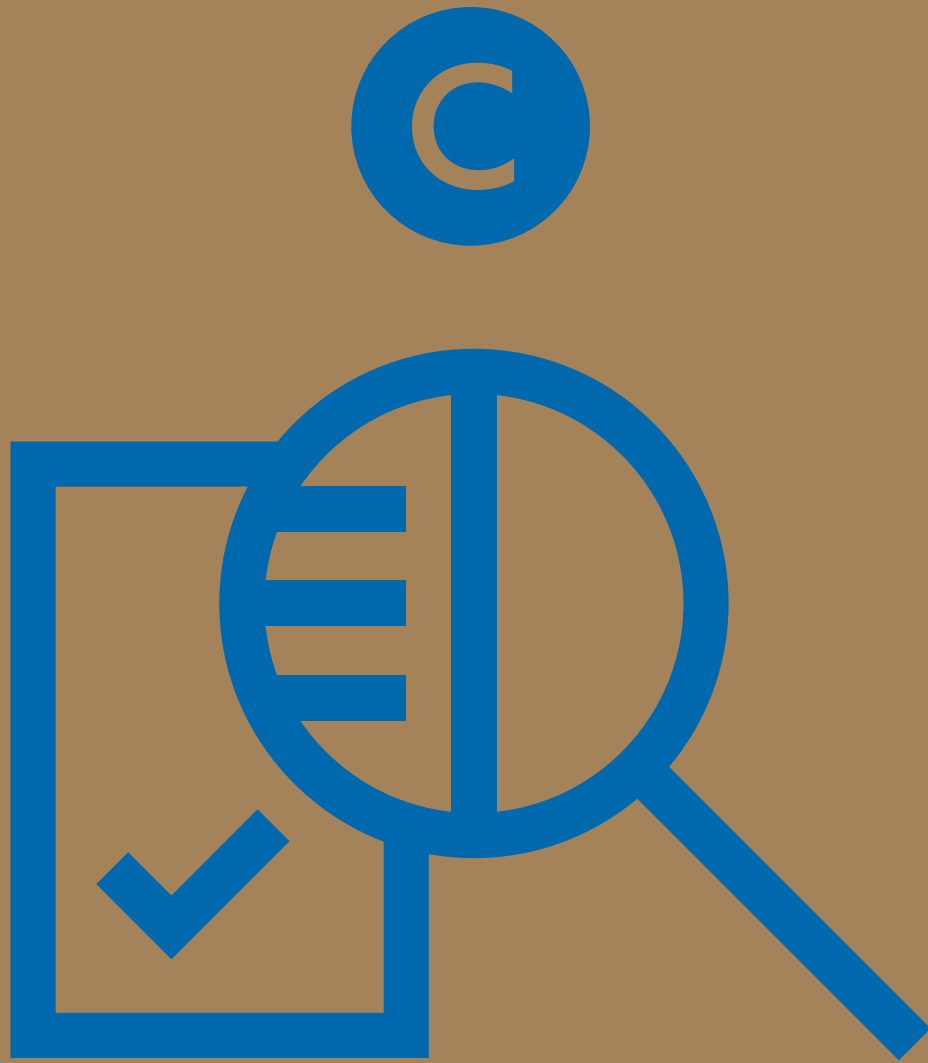
- basic principles of conduct;
- the acceptance of gifts and benefits;
- conducting private financial transactions.

Information technologies at NBS: strategy for 2023–2027

Technologies underpin the Bank's operations and enable it to be an agile, resilient, diverse and data-driven organisation. In 2022 the NBS Bank Board adopted a data strategy, and in 2023 this strategy was successfully supported and developed through the Bank's IT projects.

As part of its multi-year IT programme strategy for 2023–27, the Bank last year achieved a number of important technology successes, including:

- formulating a cloud adoption strategy that sets out plans for cloud technology usage and the best ways to apply this technology within the organisation. Cloud adoption is crucial for strategically enabling and accelerating the Bank's transformation priorities. The initial activation phase of this strategy and cloud adoption will start in 2024, focusing on the people, processes, and technological changes necessary to fulfil the Bank's cloud-related plans;
- ongoing investment in information technologies to support the demands of increased digitalisation – a process fundamental to the Bank's strategic ambitions;
- investing in systems that streamline interactions with regulated entities and support internal supervisory processes;
- expanding investment in information security in an environment of increased cyber threats and deepening cooperation with external partners;
- responding to the emergence of generative AI by adopting a strategy for using AI. As part of this strategy, the Bank started implementing an action plan for using AI tools (especially generative AI), which will continue in 2024.



**Independent auditor's
report and NBS
financial statements
as at 31 December 2023**

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 2023, 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 2023, 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 2023 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 2024



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

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

Financial Statements of Národná banka Slovenska as at 31 December 2023

BALANCE SHEET
of Národná banka Slovenska

ASSETS	Note	31.12.2023	31.12.2022
		EUR '000	EUR '000
A1 Gold and gold receivables	1	1,903,060	1,738,257
A2 Claims on non-euro area residents denominated in a foreign currency	2	7,562,377	7,539,986
A3 Claims on euro area residents denominated in a foreign currency	3	617,554	549,944
A4 Claims on non-euro area residents denominated in euro	4	1,123,604	1,324,579
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	4,084,210	6,760,260
A6 Other claims on euro area credit institutions denominated in euro	6	5,785	10,187
A7 Securities of euro area residents denominated in euro	7	42,092,623	43,615,607
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	757,198	757,198
A10 Items in course of settlement		0	0
A11 Other assets	9	6,057,891	5,300,590
A12 Loss	35	0	156,448
		64,204,303	67,753,058
TOTAL ASSETS			
LIABILITIES			
L1 Banknotes in circulation	10	16,377,522	16,561,368
L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	15,379,532	12,435,920
L3 Other liabilities to euro area credit institutions denominated in euro	12	1,385,095	705,537
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	958,449	1,698,775
L6 Liabilities to non-euro area residents denominated in euro	14	1,941,254	5,362,762
L7 Liabilities to euro area residents denominated in a foreign currency	15	4,929,271	4,059,995
L8 Liabilities to non-euro area residents denominated in a foreign currency	16	3,109,031	618,540
L9 Counterpart of special drawing rights allocated by the IMF	17	1,580,280	1,627,080
L10 Intra-Eurosystem liabilities	18	15,008,969	21,043,250
L11 Items in course of settlement		0	0
L12 Other liabilities	19	976,600	901,835
L13 Provisions	20	552,025	918,685
L14 Revaluation accounts	21	1,647,850	1,460,128
L15 Capital and reserves	22	358,425	359,183
L16 Profit		0	0
		64,204,303	67,753,058
TOTAL LIABILITIES			

Note: 1. Subtotals and totals may not correspond due to the effect of rounding. This applies to the entire document.
2. A change in presentation was made to the 2022 data.

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	12/31/2023	12/31/2022
		EUR '000	EUR '000
1.1 Interest income		1,227,931	603,305
1.2 Interest expense		(2,016,393)	(470,535)
1 Net interest income/(expense)	24	(788,462)	132,770
2.1 Realised gains/(losses) arising from financial operations		30,252	13,008
2.2 Write-downs on financial assets and positions		(55,798)	(290,663)
2.3 Transfer to/from provisions for financial risks		367,122	0
2 Net result of financial operations, write-downs and risk provisions	25	341,576	(277,654)
3.1 Fee and commission income		7,546	3,261
3.2 Fee and commission expense		(2,124)	(2,112)
3 Net income/(expense) from fees and commissions	26	5,421	1,149
4 Income from equity shares and participating interests	27	15,635	9,703
5 Net result of pooling of monetary income	28	555,793	120,886
6 Other income	29	26,142	23,220
Total net income		156,106	10,073
7 Staff costs	30	(72,694)	(63,183)
8 Administrative expenses	31	(32,065)	(25,670)
9 Depreciation/amortisation of tangible and intangible fixed assets	32	(9,634)	(9,265)
10 Banknote production services	33	(3,162)	(3,545)
11 Other expenses	29	(5,142)	(6,302)
12 Income tax and other government charges on income	34	(33,409)	(58,556)
Profit / (Loss)	35	0	(156,448)

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

NOTES

to the Financial Statements as at 31 December 2023

Bratislava, 15 March 2024

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 2023, the Bank Board had the following structure:

Name	Term of Office on the Bank Board		Current Position
	From	Until	
Ing. Peter Kažimír	01.06.2019	01.06.2025	Governor
Ing. Vladimír Dvořáček	02.04.2014	03.04.2025	Member
RNDr. Dušan Jurčák	15.06.2023	15.06.2029	Member

Prof. Ľuboš Pástor left his position on the Bank Board as at 19 December 2023.

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"), securities issued by international organisations and multilateral development banks acquired under the public sector purchase programme on the secondary market ("PSPP"), corporate sector's securities, covered bonds and securities issued by international organisations and multilateral development banks acquired under the pandemic emergency purchase programme of assets ("PEPP") 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 and PEPP programmes (see Note 7).

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

Participating interests, except the 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 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 2023, were as follows:

Currency	31.12.2023	31.12.2022	Change
EUR/ozs*	1,867.82800	1,706.07500	161.75300
CNY	7.85090	7.35820	0.49270
GBP	0.86905	0.88693	(0.01788)
JPY	156.33000	140.66000	15.67000
USD	1.10500	1.06660	0.03840
XDR	0.82257	0.79891	0.02366

* 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 values of the transaction is considered as paid or received interest that is accrued. The forward position of foreign exchange swaps is valued together with the related spot position, so the currency position is only affected by the accrued interest in foreign currency.

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.

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 is 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 1.0450% as of 1 January 2023. 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

Under Article 33 of the Statute, the ECB's net profit is reallocated among the central banks within the Eurosystem in proportion to their paid-up participating interests in the ECB's subscribed capital. Under a decision of the ECB's Governing Council, income from the ECB's 8% share in euro banknote issues and income from securities purchased by the ECB under the SMP, CBPP3, PSPP, PEPP and ABSPP (asset-backed securities purchase programme) is reallocated among the central banks in January of the following calendar year under an interim profit distribution, unless the Governing Council decides otherwise. The remaining portion of the ECB's profit is reallocated upon approval of the ECB's financial statements for the respective calendar year.

Based on the Governing Council's decision, the ECB may settle a loss incurred in a reporting period from the general reserve fund, or from monetary income reallocated to the Eurosystem's central banks. In January 2024, the Governing Council agreed that the ECB's loss for 2023 would be partially settled by a total reversal of the ECB's general provision for financial risks. The remaining loss will be carried forward to following periods and settled from the ECB's future profits.

The ECB is likely to report losses for the next few years as a result of the materialisation of the interest rate risk. The extent of these losses is uncertain and depends, to a large extent, on the development of the ECB's key interest rates and the structure of the ECB's balance sheet. However, the ECB has a strong financial position due to its capital and revaluation differences (totalling EUR 45.8 billion as at 31 December 2023). As a result, the ECB is able to operate efficiently and fulfil its primary mandate of maintaining price stability.

(j) Fixed assets

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.

Assets classified as 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 designated 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 contract
7. Fixtures and fittings	4 – 12
8. Intangible fixed assets – purchased software	2 – 10
9. Other intangible fixed assets	4 or as per 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.

(I) 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 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. In the event of the materialisation of financial risks for which a provision was created, the Bank Board may decide to use such a provision. The use of the general provision decreases the Bank's costs and is recognised in the profit and loss account under 2.3 Transfer to/from provisions for financial risks.

(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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Gold in repo transactions	1,895,860	1,731,674	164,186
Gold stored in banks	4,267	3,903	365
Gold in stock	2,933	2,680	253
Total	1,903,060	1,738,257	164,804

As at 31 December 2023, gold totalled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2022), of which 1,015 thousand t oz. were used in repo transactions, 2 thousand t oz. deposited with correspondent banks and 2 thousand t oz. deposited with the Bank.

As at 31 December 2023, the market price of gold was EUR 1,867.828 per t oz. (EUR 1,706.075 per t oz. as at 31 December 2022). 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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Receivables from/Payables to the IMF	1,943,554	1,981,354	(37,800)
Balances with banks and security investments, external loans and other external assets	5,618,823	5,558,632	60,191
Total	7,562,377	7,539,986	22,391

Receivables from/Payables to the International Monetary Fund

	31.12.2023 Equivalent in XDR mil.	31.12.2023 EUR '000	31.12.2022 Equivalent in XDR mil.	31.12.2022 EUR '000	Change EUR '000
Receivables from the IMF:	2,323	2,825,577	2,306	2,889,065	(63,488)
1) Member's quota	1,001	1,218,244	1,001	1,253,838	(35,594)
a) Member's contribution	724	882,029	724	907,717	(25,688)
b) Reserve position	277	336,215	276	346,121	(9,906)
- Foreign exchange part of Member's quota	138	167,786	138	172,704	(4,918)
- Reserve position of FTP	139	168,429	138	173,418	(4,989)
2) Nostro account in the IMF	1,322	1,607,332	1,305	1,635,227	(27,895)
Liabilities to the IMF:	724	882,024	724	907,711	(25,687)
1) Loro accounts with the IMF	730	888,649	737	923,931	(35,282)
2) Currency valuation adjustment account	(5)	(6,626)	(13)	(16,220)	9,594
Total (net)	1,599	1,943,554	1,581	1,981,354	(37,801)

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 in the IMF loro accounts consists of a note of EUR 848,332 thousand (EUR 882,051 thousand as at 31 December 2022).

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Debt securities	5,561,068	5,515,279	45,789
Other	57,755	43,353	14,402
Total	5,618,823	5,558,632	60,191

The caption "Debt securities" consists of securities denominated in GBP, USD, CNY, AUD, CAD, JPY and CHF. As at 31 December 2023, the Bank primarily records securities issued by monetary financial institutions. Purchases of securities primarily in USD and AUD contributed to the increase in the caption.

The caption "Other" mainly includes cash on nostro accounts in foreign currency.

3. Claims on euro area residents denominated in foreign currency

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Debt securities	615,836	544,856	70,980
Current accounts	1,719	5,088	(3,369)
Total	617,554	549,944	67,611

The caption “Debt securities” consists of securities denominated in GBP, USD, CHF and AUD. As at 31 December 2023, the Bank mainly recorded securities issued by monetary financial institutions.

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Debt securities	1,122,371	1,324,579	(202,209)
Current accounts	1,234	0	1,234
Total	1,123,604	1,324,579	(200,975)

As at 31 December 2023, the Bank primarily recorded securities issued by monetary financial institutions. The year-on-year decrease was mainly due to the maturity of securities.

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Main refinancing operations (MRO)	172,000	276,000	(104,000)
Long-term refinancing operations (LTRO)	220,000	450,000	(230,000)
Targeted longer-term refinancing operations (TLTRO III)	3,692,210	6,034,260	(2,342,050)
Total	4,084,210	6,760,260	(2,676,050)

The Eurosystem provided loans as at 31 December 2023 totalling EUR 410,289,869 thousand (EUR 1,324,347,071 thousand as at 31 December 2022), of which the NBS's share amounts to EUR 4,084,210 thousand (EUR 6,760,260 thousand as at 31 December 2022).

The main refinancing operations (“MRO”) are regular liquidity-providing reverse transactions with a frequency and common maturity of one week. The Bank records two operations with maturity in January 2024.

Longer-term refinancing operations (LTRO) are regular liquidity-providing reverse transactions for a longer period, with a maturity of 2 to 48 months. The Bank records three operations with maturity in January up to March 2024.

In 2019, as part of long-term refinancing operations, the Governing Council introduced a series of ten quarterly targeted longer-term refinancing operations (TLTRO III), with a maturity of three years and an earlier repayment option. As regards remuneration, the operations are divided into 3 periods, i.e. a special interest rate period (24 June 2020 – 23 June 2022), a period until 22 November 2022, and a period from 23 November 2022 until maturity. During the special interest rate period, an average interest rate 50 basis points lower than the average rate of main refinancing operations is applied to all outstanding loans. When the lending performance threshold (lending benchmark) is reached, this rate may be reduced by up to 50 basis points below the average deposit facility rate. During this period, the NBS applied the lowest possible rate for interest accrual

recognition in line with the prudence principle, i.e. a rate of 1.00% p.a., which also became the final rate after the evaluation. For other interest rate periods, the average deposit facility rate is applied and is calculated separately for the period until 22 November 2022 and for the period from 23 November 2022.

For interest accrual recognition for the period from 23 November 2022 until the end of 2023, the interest rate was indexed to the average deposit facility rate effective during this period. Final interest rates for TLTRO III will be known upon maturity or early repayment.

As at 31 December 2023, the Bank records seven TLTRO III operations with maturity in 2024 in the amount of EUR 3,692,210 thousand (EUR 6,034,260 thousand as at 31 December 2022). The year-on-year decrease is attributable to early repayment and maturities in March, June and December 2023 totalling EUR 2,342,050 thousand.

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

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Redistribution loan	5,006	6,532	(1,526)
Current accounts	779	702	77
Deposits provided for repo transactions	0	2,954	(2,954)
Total	5,785	10,187	(4,403)

A redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. The interest rate applicable to the redistribution loan effective as at 31 December 2023 is 3.00% p.a. (1.00% p.a. as at 31 December 2022).

As at 31 December 2023, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 5,630 thousand on the off-balance sheet (EUR 6,820 thousand as at 31 December 2022). 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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Debt securities held for monetary policy purposes	41,829,833	43,535,880	(1,706,047)
Other securities	262,791	79,728	183,063
Total	42,092,623	43,615,607	(1,522,984)

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 31.12.2023
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

The full principal amounts of redeemed securities purchased under the asset purchase programme (“APP”), which includes the CBPP3, PSPP, ABSPP and CSPP programmes, continued to be reinvested up to the end of February 2023. Subsequently, the amount of the APP portfolio was decreased at a gradual and foreseeable pace. The portfolio reduction amounted to EUR 15 billion per month on average by the end of June 2023. Based on the June decision of the Governing Council, reinvestments under the APP programme were discontinued as of 1 July 2023 and the amount of the APP portfolio has been gradually decreasing due to the maturity of securities.

The full principal amounts of redeemed securities purchased under the PEPP programme continued to be reinvested during 2023. The Governing Council intends to continue reinvesting the principal amounts from redeemed securities purchased under the PEPP programme during the first half of 2024. During the second half of 2024, the PEPP portfolio is expected to be reduced by EUR 7.5 billion per month on average, with the goal of discontinuing reinvestments by the end of 2024. Funds from the redeemed securities under the PEPP programme will continue to be flexibly reinvested to mitigate risks related to the pandemic, which threaten the functioning of the monetary policy transmission mechanism.

Securities purchased under all monetary policy programmes are valued on an amortised cost basis and are subject to an impairment test. The market values of securities held for monetary policy purposes shown in the table below are not recognised in the balance sheet or the profit and loss account and are only provided for comparison purposes:

	31.12.2023 EUR '000		31.12.2022 EUR '000		Change EUR '000	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP3	2,394,131	2,289,781	2,422,149	2,246,109	(28,018)	43,672
SMP	48,069	49,345	58,132	60,864	(10,063)	(11,519)
PSPP gov.	13,741,476	12,021,760	14,494,320	12,223,956	(752,844)	(202,196)
PSPP supr.	11,448,810	10,241,571	12,647,107	10,907,899	(1,198,297)	(666,328)
PEPP gov.	5,906,110	4,911,411	6,053,799	4,780,942	(147,689)	130,469
PEPP supr.	8,249,323	6,898,462	7,818,433	6,062,588	430,890	835,874
PEPP covered by debt sec.	41,914	37,966	41,940	36,235	(26)	1,731
Total	41,829,833	36,450,296	43,535,880	36,318,593	(1,706,047)	131,703

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

The ECB's Governing Council regularly assesses financial risks related to securities purchased under the monetary policy programmes. Annual impairment tests are performed based on an estimate of the recoverable amounts determined at the end of the year and are approved by the ECB's Governing Council. Based on the results of the impairment test of securities purchased under the monetary policy performed as at 31 December 2023 and under the decision of the ECB's Governing Council, the NBS participated in the creation of a provision for losses from monetary policy operations of the Eurosystem (see Note 20).

Other securities

Under this caption, as at 31 December 2023, the Bank primarily recognised securities for trading issued by euro area monetary financial institutions.

8. Intra-Eurosystem claims

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
Participating interest in the ECB	295,167	295,167	0
Claims equivalent to the transfer of foreign reserves	462,031	462,031	0
Total	757,198	757,198	0

Participating interest in the ECB

As at 31 December 2023, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 100,824 thousand (EUR 100,824 thousand as at 31 December 2022) and a claim of EUR 40,129 thousand from the changes to the NBS's participating interest in the ECB's net equity (EUR 40,129 thousand as at 31 December 2022).

In accordance with Article 48 (2) of the Statute and the decision of the Governing Council of the ECB, the NBS previously contributed EUR 154,214 thousand (EUR 154,214 thousand as at 31 December 2022) 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 2023, the Bank records a claim from the transfer of foreign reserves to the ECB of EUR 462,031 thousand (EUR 462,031 thousand as at 31 December 2022) 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 2023, the Bank records interest income arising from a claim from the transfer of foreign reserves of EUR 15,161 thousand (EUR 2,305 thousand as at 31 December 2022).

As of 1 January 2023, 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 in the ECB's Paid-up Capital
Banque National de Belgique	2.9630	320,744,959.47	320,744,959.47	3.6139
Eesti Pank	0.2291	24,800,091.20	24,800,091.20	0.2794
Deutsche Bundesbank	21.4394	2,320,816,565.68	2,320,816,565.68	26.1494
Central Bank and Financial Services Authority of Ireland	1.3772	149,081,997.36	149,081,997.36	1.6798
Bank of Greece	2.0117	217,766,667.22	217,766,667.22	2.4536
Banco de España	9.6981	1,049,820,010.62	1,049,820,010.62	11.8287
Banque de France	16.6108	1,798,120,274.32	1,798,120,274.32	20.2600
Hrvatska narodna banka	0.6595	71,390,921.62	71,390,921.62	0.8044
Banca d'Italia	13.8165	1,495,637,101.77	1,495,637,101.77	16.8518
Central Bank of Cyprus	0.1750	18,943,762.37	18,943,762.37	0.2134
Latvijas Banka	0.3169	34,304,447.40	34,304,447.40	0.3865
Lietuvos bankas	0.4707	50,953,308.28	50,953,308.28	0.5741
Banque centrale du Luxembourg	0.2679	29,000,193.94	29,000,193.94	0.3268
Central Bank of Malta	0.0853	9,233,731.03	9,233,731.03	0.1040
De Nederlandsche Bank	4.7662	515,941,486.95	515,941,486.95	5.8133
Oesterreichische Nationalbank	2.3804	257,678,468.28	257,678,468.28	2.9033
Banco de Portugal	1.9035	206,054,009.57	206,054,009.57	2.3217
Banka Slovenije	0.3916	42,390,727.68	42,390,727.68	0.4776
Národná banka Slovenska	0.9314	100,824,115.85	100,824,115.85	1.1360
Suomen Pankki – Finlands Bank	1.4939	161,714,780.61	161,714,780.61	1.8221
<i>Subtotal euro area national central banks</i>	<i>81.9881</i>	<i>8,875,217,621.22</i>	<i>8,875,217,621.22</i>	<i>100.0000</i>
Българска народна банка (Bulgarian National Bank)	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	
<i>Subtotal non-euro area national central banks</i>	<i>18.0119</i>	<i>1,949,789,448.36</i>	<i>73,117,104.33</i>	
Total	100.00	10,825,007,069.61	8,948,334,725.55	

9. Other assets

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Tangible and intangible fixed assets	96,986	98,717	(1,731)
Other financial assets	917,585	442,116	475,470
Off-balance sheet instruments revaluation differences	15,399	35,848	(20,449)
Accruals and prepaid expenses	591,317	367,647	223,670
Accumulated loss from previous years	4,219,267	4,062,818	156,448
Other	217,337	293,444	(76,107)
Total	6,057,891	5,300,590	757,301

Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2023:

	Tangible Assets, Advances and Assets under Construction EUR '000	Intangible Assets, Advances and Assets under Construction EUR '000	T O T A L EUR '000
Acquisition cost as at 1.1.2023	246,913	47,446	294,360
Additions	5,876	6,735	12,610
Disposal	1,177	4,223	5,400
Acquisition cost as at 31.12.2023	251,612	49,958	301,570
Accumulated depreciation as at 1.1.2023	156,439	39,203	195,643
Additions	7,462	2,172	9,634
Disposal	607	85	692
Accumulated depreciation and provisions as at 31.12.2023	163,294	41,290	204,584
Carrying amount of tangible and intangible assets as at 1.1.2023	90,474	8,243	98,717
Carrying amount of tangible and intangible assets as at 31.12.2023	88,320	8,666	96,986

As at 31 December 2023, no fixed assets held for sale are recognised.

Other financial assets

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Participating interests in ETF funds	910,279	434,597	475,682
Shares of BIS	7,175	7,387	(212)
Shares of SWIFT	92	92	0
Inštitút bankového vzdelávania, n.o.	33	33	0
NBS Foundation	7	7	0
Total	917,585	442,116	475,470

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). The year-on-year increase in this caption primarily resulted from new purchases.

The Bank’s share in the BIS capital represents 0.51% (0.51% as at 31 December 2022). 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 0.025% capital share (0.0249% capital share as at 31 December 2022).

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.

In 2022, the Bank established Nadácia NBS (the NBS Foundation) to promote public benefit activities. The NBS Foundation is funded from its own fund created from NBS profit. The Bank holds a 100% share in the foundation’s registered capital.

Off-balance sheet instruments revaluation differences

As at 31 December 2023, off-balance sheet instrument revaluation differences are in the amount of EUR 15,399 thousand (EUR 35,848 thousand as at 31 December 2022). The most significant effect on the total balance had the foreign exchange gain from cross currency swaps in JPY (EUR 13,138 thousand).

Accruals and prepaid expenses

This caption primarily includes accrued bond coupons in the amount of EUR 338,463 thousand (EUR 317,636 thousand as at 31 December 2022).

Sundry

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Deposits – collateral to derivatives	28,980	900	28,080
Fair value of interest rate swaps – gains	162,126	255,728	(93,603)
Fair value of cross currency swaps – gains	1,152	4,848	(3,696)
Interest rate futures	5,245	16,494	(11,250)
Investment loans granted to employees	11,796	9,553	2,243
Other	8,038	5,921	2,118
Total	217,337	293,444	(76,107)

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 connected with the decrease of the fair value of swap transactions on the part of the NBS.

10. Banknotes in circulation

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Euro banknotes in circulation issued by the NBS	25,294,558	22,810,533	2,484,024
Adjustment to euro banknotes in circulation	(8,917,035)	(6,249,166)	(2,667,870)
Total volume of euro banknotes in line with the NBS Banknote Allocation Key	16,377,522	16,561,368	(183,846)

As at 31 December 2023, the Bank issued banknotes amounting to EUR 25,294,558 thousand (EUR 22,810,533 thousand as at 31 December 2022), which is an increase of EUR 8,917,035 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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Current accounts covering the minimum reserve system	701,936	599,516	102,420
Deposit facilities	14,677,596	11,836,404	2,841,192
Total	15,379,532	12,435,920	2,943,612

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.

With effect from 21 December 2022 to 19 September 2023, the MRS were remunerated at the deposit facility rate of the Eurosystem’s operations. On 27 July 2023, the Governing Council decided MRS balances will be remunerated at zero interest rate as of 20 September 2023.

As at 31 December 2023, net interest income from MRS amounted to EUR 15,740 thousand (EUR 20,072 thousand as at 31 December 2022, 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.

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

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
Tri-party repo transactions	1,060,000	700,000	360,000
Liabilities from repo transactions	290,534	0	290,534
Deposits received to repo transactions	28,825	5,500	23,324
Client current accounts	5,654	0	5,654
Interbank clearing in Slovakia (SIPS)	82	37	45
Total	1,385,095	705,537	679,558

The interest rate applicable to tri-party repo transactions is 4.02% p.a. (1.90% p.a. as at 31 December 2022). The interest rate applicable to repo transactions ranges from 3.85% to 4.18% p.a.

13. Liabilities to other euro area residents denominated in euro

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
General government	872,256	1,626,631	(754,375)
Other liabilities	86,192	72,144	14,048
Total	958,449	1,698,775	(740,326)

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

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
Client current accounts	25,000	24,384	616
Client term deposits	61,192	47,760	13,432
Total	86,192	72,144	14,048

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Client current accounts	111,070	252,569	(141,499)
Liabilities from received term deposits	0	3,397,268	(3,397,268)
Deposits received to repo transactions	1,950	1,300	650
Liabilities from repo transactions with gold	1,828,234	1,711,625	116,609
Total	1,941,254	5,362,762	(3,421,508)

“Client current accounts” are primarily funds in the TARGET system accounts of clients who are not subject to MRS. These accounts are remunerated at zero percent, or the deposit facility rate, whichever is lower. A decrease in “Liabilities from received term deposits” results from the maturity of non-resident term deposits.

15. Liabilities to euro area residents denominated in foreign currency

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Tri-party repo transactions	1,816,419	1,689,067	127,352
Liabilities from repo transactions	3,112,850	2,370,926	741,924
State Treasury current accounts in a foreign currency	2	2	0
Total	4,929,271	4,059,995	869,276

The interest rate applicable to tri-party repo transactions in GBP is 5.30% p.a. (3.49% p.a. as at 31 December 2022) and 4.35% p.a. (3.10% p.a. as at 31 December 2022) to tri-party repo transactions in AUD.

The interest rate applicable to repo transactions is as follows: from 5.40% to 5.70% p.a. (from 4.38% to 4.62% p.a. as at 31 December 2022) for USD, from 5.24% to 5.57% p.a. (from 3.45% to 3.55% p.a. as at 31 December 2022) for GBP, from 4.40% to 4.75% p.a. (from 3.25% to 3.40% p.a. as at 31 December 2022) for AUD, from 5.05% to 5.06% p.a. for CAD, and from -0.15% to -0.37% p.a. for JPY.

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Liabilities from received deposits	2,784,751	0	2,784,751
Liabilities from repo transactions	324,280	618,540	(294,260)
Total	3,109,031	618,540	2,490,491

The Bank records an increase in deposits received from non-residents denominated in a foreign currency. The interest rate applicable to term deposits in USD ranges from 5.41% to 6.03% p.a., and is 5.40% p.a. for term deposits in GBP. The interest rate applicable to repo transactions is as follows: from 5.55% to 5.56% p.a. (from 4.62% to 4.63% p.a. as at 31 December 2022) for USD, from 5.64% to 5.66% p.a. (3.60% p.a. as at 31 December 2022) for GBP, and at 5.03% p.a. for CAD.

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2023, the Bank recorded a liability to the IMF from the allocation of EUR 1,580,280 thousand (EUR 1,627,080 thousand as at 31 December 2022). 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

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
Net liabilities related to the allocation of banknotes	8,917,035	6,249,166	2,667,870
Other intra-Eurosystem liabilities	6,091,934	14,794,084	(8,702,150)
Total	15,008,969	21,043,250	(6,034,280)

“Net liabilities related to the allocation of euro banknotes” within the Eurosystem amounted to EUR 8,917,035 thousand as at 31 December 2023 (EUR 6,249,166 thousand as at 31 December 2022). The increase in this caption was due to excess demand for euro banknotes in Slovakia. The liability bears interest at the rate of the main refinancing operations. As at 31 December 2023, the Bank records interest expense in the amount of EUR 298,431 thousand (EUR 33,122 thousand as at 31 December 2022).

“Other intra-Eurosystem liabilities” represent the NBS’s position towards other members of the European System of Central Banks (“ESCB”). This caption comprises the Bank’s liability to other central banks and the ECB arising from cross-border operations within the TARGET system in the amount of EUR 6,647,727 thousand (EUR 14,914,969 thousand as at 31 December 2022). The NBS’s reduced position in the TARGET system was due to cross-border operations of commercial banks. The interest rate on this position is the same as for the main refinancing operations. As at 31 December 2023, interest expense from the debt position in the TARGET system amounted to EUR 427,117 thousand (EUR 84,033 thousand as at 31 December 2022).

The caption also comprises a claim from monetary income for 2023 in the amount of EUR 555,888 thousand (EUR 120,886 thousand as at 31 December 2022, see Note 28) and a liability from the revision of monetary income for 2022 and 2021 in the amount of EUR 95 thousand.

19. Other liabilities

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
Off-balance sheet instruments revaluation differences	62,707	7,077	55,630
Accruals and income collected in advance	266,766	185,641	81,125
Other	647,127	709,117	(61,990)
Total	976,600	901,835	74,765

Off-balance sheet instruments revaluation differences

As at 31 December 2023, the caption in the amount of EUR 62,707 thousand (EUR 7,077 thousand as at 31 December 2022) primarily comprises a foreign exchange loss from the valuation of foreign exchange swaps in USD (EUR 53,082 thousand) and cross currency swaps in CHF (EUR 9,594 thousand).

Accruals and income collected in advance

As at 31 December 2023, the bulk of accruals comprises interest from remuneration of euro banknotes in the amount of EUR 96,636 thousand (EUR 26,797 thousand as at 31 December 2022), interest from interest rate swaps in the amount of EUR 87,629 thousand (EUR 22,861 thousand as

at 31 December 2022) and interest on remuneration of the NBS's position in the TARGET system in the amount of EUR 25,672 thousand (EUR 28,145 thousand as at 31 December 2022).

Sundry

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
Euro coins in circulation	251,681	236,722	14,959
SKK banknotes in circulation	68,706	69,117	(411)
SKK coins in circulation	23,182	23,182	0
Deposits – collateral to derivatives	184,190	247,770	(63,580)
Fair value of interest rate swaps – losses	74,264	63,667	10,597
Fair value of cross currency swaps – losses	1,072	1,447	(375)
Other	44,032	67,212	(23,181)
Total	647,127	709,117	(61,990)

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 connected with the increase of the market value of swap transactions on the part of the counterparty.

The value of interest rate swaps as at 31 December 2023 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).

20. Provisions

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
General provision for financial risks	532,391	900,000	(367,609)
Provision for losses from monetary policy operations	488	0	488
Provisions for liabilities to employees	14,141	14,351	(210)
Provisions for litigation	2,805	2,805	0
Provision for unbilled supplies	2,201	1,529	672
Total	552,025	918,685	(366,660)

In accordance with the Bank Board's decision, the general provision for financial risks of EUR 367,609 thousand was used due to the materialisation of risks from financial operations. The use of this provision partially offset losses from financial operations for the coverage of which it was created (see Notes 24, 25 and Section B, Note 1)). The Bank's financial losses were primarily due to interest expense from remuneration of the NBS's debt position in the TARGET payment system and interest from deposit facility monetary policy operations. Both were related to an increase in interest rates during 2023 (see Note 24).

Based on the results of the impairment test of securities purchased under the PEPP programme, the ECB's Governing Council decided to create a provision for credit risks to hedge against losses from monetary policy operations in the amount of EUR 42,918 thousand. Under Article 32 (4) of the Statute, losses related to the holding of securities purchased under the PEPP programme, which could be realised, are shared by all the Eurosystem national central banks proportionally under the key in the ECB's paid-up capital valid at the time of the initial impairment. The NBS's share in the Eurosystem's provision totals EUR 488 thousand (see Section B, Note b) and Note 28).

21. Revaluation accounts

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Revaluation accounts of gold	1,269,822	1,105,018	164,804
Revaluation accounts of securities	66,252	4,280	61,972
Revaluation accounts of derivatives	163,277	260,576	(97,299)
Revaluation accounts of foreign currency	23,788	66,632	(42,844)
Revaluation accounts of equity shares (ETF)	124,711	23,621	101,090
Total	1,647,850	1,460,128	187,723

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 2023, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2022). 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 2023, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2022).

Since 2022, the NBS Foundation actively supports the enhancement of financial education and financial literacy and the development of research and science of economics and finance. The fund to finance the NBS Foundation was created under the Bank Board's decision by a transfer of EUR 2 million from the NBS's profit for 2021. As at 31 December 2023, the balance of the fund amounts to EUR 628 thousand (EUR 1,386 thousand as at 31 December 2022).

Summary of changes in equity and accumulated losses

	EUR '000									
	Statutory Fund	Capital Reserves	General Reserves	Fund to Finance the NBS Foundation	General Provision for Financial Risks	Revaluation Accounts Gain/(Loss)	Accumulated (Loss) from Previous Years	Profit/(Loss) for the Current Year	Equity	
1. Balance as at 31.12.2022	16,041	882	340,874	1,386	900,000	1,460,128	(4,062,818)	(156,448)	(1,499,955)	
2. Transfer of the 2022 loss to accumulated losses from prev. years							(156,448)	156,448	0	
3. Transfer to statutory fund										
4. Transfer to general reserves										
5. Transfer to the fund to finance the NBS Foundation										
6. Transfer of funds from the fund to finance the NBS Foundation				(758)					(758)	
7. Change in the general provision for financial risks					(367,609)				(367,609)	
8. Change in revaluation accounts of securities						61,972			61,972	
9. Change in revaluation accounts of derivatives						(97,299)			(97,299)	
10. Change in revaluation accounts of gold						164,804			164,804	
11. Change in revaluation accounts of foreign currencies						(42,844)			(42,844)	
12. Change in revaluation accounts of equity shares in the fund						101,090			101,090	
13. Profit/Loss for the current reporting period										
14. Change for the reporting period	0	0	0	(758)	(367,609)	187,723	(156,448)	156,448	(180,645)	
15. Balance as at 31.12.2023	16,041	882	340,874	628	532,391	1,647,850	(4,219,267)	0	(1,680,601)	

23. Off-balance sheet instruments

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Interest rate swaps in EUR	4,447,520	2,831,000	1,616,520
Interest rate swaps in USD	2,795,687	1,629,271	1,166,416
Interest rate swaps in GBP	1,539,810	1,306,746	233,064
Interest rate swaps in AUD	1,392,599	983,472	409,127
Total	10,175,616	6,750,489	3,425,128

	31.12.2023 EUR '000		31.12.2022 EUR '000		Change EUR '000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange swaps in EUR	694,642	2,855,116	677,454	0	17,188	2,855,116
Foreign exchange swaps in USD	2,657,868	218,371	0	381,586	2,657,868	(163,215)
Foreign exchange swaps in CNY	0	123,680	0	40,907	0	82,773
Foreign exchange swaps in GBP	115,068	45,855	0	92,454	115,068	(46,599)
Foreign exchange swaps in JPY	512	24,813	0	27,577	512	(2,764)
Foreign exchange swaps in CHF	23,758	0	0	22,342	23,758	(22,342)
Foreign exchange swaps in CAD	341	0	0	0	341	0
Foreign exchange swaps in AUD	615	279,961	0	99,407	615	180,553
Total	3,492,805	3,547,795	677,454	664,273	2,815,350	2,883,522

	31.12.2023 EUR '000		31.12.2022 EUR '000		Change EUR '000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange forwards in EUR	0	0	37,014	0	(37,014)	0
Foreign exchange forwards in GBP	0	0	0	26,453	0	(26,453)
Foreign exchange forwards in USD	0	0	0	10,274	0	(10,274)
Total	0	0	37,014	36,727	(37,014)	(36,727)

	31.12.2023 EUR '000		31.12.2022 EUR '000		Change EUR '000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Cross currency swaps in EUR	337,817	80,399	483,718	170,092	(145,901)	(89,693)
Cross currency swaps in JPY	0	127,934	85,312	206,171	(85,312)	(78,236)
Cross currency swaps in USD	0	40,724	0	42,190	0	(1,466)
Cross currency swaps in CHF	89,633	170,189	92,414	227,678	(2,781)	(57,489)
Total	427,450	419,246	661,444	646,131	(233,994)	(226,885)

	31.12.2023 EUR '000		31.12.2022 EUR '000		Change EUR '000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in AUD	0	0	0	17,396	0	(17,396)
Interest rate futures in EUR	0	177,300	0	119,500	0	57,800
Interest rate futures in GBP	0	0	420,552	0	(420,552)	0
Interest rate futures in CHF	43,197	0	0	174,672	43,197	(174,672)
Interest rate futures in USD	0	145,520	167,260	0	(167,260)	145,520
Total	43,197	322,820	587,812	311,568	(544,616)	11,252

24. Net interest income

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Investments in EUR, of which:	(74,409)	138,129	(212,538)
Net expense/income from current accounts and term deposits	(72,685)	133,398	(206,083)
Net expense from repo transactions	(103,347)	(254)	(103,093)
Net income from securities	47,243	6,951	40,292
Net income/expense from derivatives	53,998	(2,006)	56,004
Other	383	40	343
Investments in a foreign currency, of which:	72,011	58,797	13,214
Net income from securities	271,442	118,393	153,049
Net expense from repo transactions	(209,089)	(70,685)	(138,404)
Net income/expense from derivatives	64,861	6,689	58,172
Net expense/income from current accounts and term deposits	(69,319)	(49)	(69,270)
Compensation from the MF SR	14,116	4,449	9,667
Monetary policy operations, of which:	(75,542)	50,694	(126,236)
Net income from securities	224,894	122,254	102,639
Net expense from deposits and loans	(284,695)	(91,632)	(193,063)
Net expense/income from MRS	(15,740)	20,072	(35,812)
Remuneration of claims equivalent to the transfer of foreign reserves	15,161	2,305	12,856
Remuneration of euro banknotes	(298,431)	(33,122)	(265,310)
Remuneration of the TARGET position	(427,117)	(84,033)	(343,084)
Other:	(134)	0	(134)
Compensation for TARGET malfunctioning	(134)	0	(134)
Total	(788,462)	132,770	(921,232)

The majority share of securities under the monetary policy programme portfolio was purchased during a period of low interest rates and these securities have a long-term maturity period and fixed coupons. As a result, the securities portfolio is slower to respond to changes to the ECB's key interest rates. On the other hand, interest expense reflects such changes immediately. The year-on-year decrease in net interest income by EUR 921,232 thousand is due to the incurred interest rate imbalance, which occurred at the NBS as well as other euro area national central banks and the ECB. The main cause of the decrease in interest was interest expense from remuneration of the NBS's position in the TARGET payment system (EUR -343,084 thousand), remuneration of euro banknotes (EUR -265,310 thousand) and interest from deposit facilities (EUR -431 005 thousand; see Note 11).

Interest rates announced by the ECB:

With Effect From	Marginal Lending Facility	Main Refinancing Operations	Deposit Facility
20.09.2023	4.75% p.a.	4.50% p.a.	4.00% p.a.
02.08.2023	4.50% p.a.	4.25% p.a.	3.75% p.a.
21.06.2023	4.25% p.a.	4.00% p.a.	3.50% p.a.
10.05.2023	4.00% p.a.	3.75% p.a.	3.25% p.a.
22.03.2023	3.75% p.a.	3.50% p.a.	3.00% p.a.
08.02.2023	3.25% p.a.	3.00% p.a.	2.50% p.a.
21.12.2022	2.75% p.a.	2.50% p.a.	2.00% p.a.

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Realised gains/losses from financial operations	30,252	13,008	17,244
Net gains from derivatives	41,491	20,516	20,975
Net losses from sale of securities	(4,479)	(22,683)	18,205
Net gains from sale of equity shares and participating interests	0	11,214	(11,214)
Net foreign exchange gains/losses	(6,760)	3,962	(10,722)
Write-downs on financial assets and positions	(55,798)	(290,663)	234,865
Losses from securities revaluation	(4,518)	(232,525)	228,008
Losses from foreign currency revaluation	(7,472)	(4,019)	(3,453)
Losses from derivatives revaluation	(43,808)	(48,013)	4,205
Losses from ETF funds revaluation	0	(6,105)	6,105
Transfer to/from provisions for financial risks	367,122	0	367,122
General provision for financial risks	367,609	0	367,609
Provision for losses from monetary policy operations	(488)	0	(488)
Total	341,576	(277,654)	619,231

Based on the Bank Board's decision, a portion of the general provision for financial risks in the amount of EUR 367,609 thousand was used to cover the loss from financial operations (see Note 20). In addition, based on the result of the impairment test of securities purchased under the PEPP monetary policy programme, the Bank was obliged to create a provision in the amount of its percentage share in the preliminary loss of EUR 488 thousand (see Note 20).

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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Fees and commissions from investment portfolio, of which:	(293)	(470)	177
Net profit from operations with clients	492	229	263
Net loss from operations with banks	(815)	(744)	(70)
Net profit from operations with securities	131	132	(1)
Net loss from derivatives	(67)	(45)	(22)
Other	(35)	(43)	8
Fees and commissions	5,632	1,544	4,088
Net profit from operations with securities	6,423	2,456	3,967
Net loss from operations with banks	(790)	(912)	121
Net profit from exchange of euro coins	82	75	7
Total	5,421	1,149	4,272

27. Income from equity shares and participating interests

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Share in the ECB's profit of the previous year	0	478	(478)
Dividends from ETF funds	14,641	8,231	6,410
Dividends from BIS shares	994	994	(1)
Total	15,635	9,703	5,932

28. Net result of pooling of monetary income

	12/31/2023	12/31/2022	Change
	EUR '000	EUR '000	EUR '000
Net monetary income pooled by NBS	(92,852)	(38,665)	(54,187)
Net monetary income allocated to NBS	463,036	81,724	381,312
Monetary income reallocation for the year 2023	555,888	120,389	435,499
Loss/Profit from previous year's revisions	(95)	496	(591)
Total	555,793	120,886	434,908

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 of the ECB's paid-up capital after the end of each financial year (NBS's share as of 1 January 2023: 1.1360%).

For 2023, the NBS pooled negative monetary income of EUR 92,852 thousand. Monetary income corresponding to the participating interest of the NBS in the ECB's paid-up capital amounted to EUR 463,036 thousand. The difference of EUR 555,888 thousand (EUR 120,389 thousand as at 31 December 2022) represents the net result of the pooling of monetary income. The NBS's income decreased by EUR 95 thousand as a result of a revision of Eurosystem monetary income for the period from 2021 to 2022 (income increased by EUR 496 thousand as at 31 December 2022 as a result of a revision for the period from 2020 to 2021).

This caption also comprises the Bank's share in the provision for impairment losses from monetary policy operations in the amount of EUR 488 thousand in relation to securities held under the PEPP portfolio (see Note 20).

29. Other income and other expenses

As at 31 December 2023, the most significant portion of the Bank's "Other income" comprised income from fees and contributions from financial market entities of EUR 19,125 thousand (EUR 16,053 thousand as at 31 December 2022), received fees from participation in settlement systems of EUR 3,097 thousand (EUR 3,478 thousand as at 31 December 2022) and income from the sale of commemorative coins in the amount of EUR 3,139 thousand (EUR 3,153 thousand as at 31 December 2022).

As at 31 December 2023, the Bank's "Other expenses" mainly represented costs for minting circulation and collector coins, including costs for related services.

30. Staff costs

	31.12.2023	31.12.2022	Change
	EUR '000	EUR '000	EUR '000
Wages and salaries	(49,192)	(44,455)	(4,737)
Social security costs	(17,496)	(15,821)	(1,675)
Other employee costs	(6,006)	(2,906)	(3,100)
Total	(72,694)	(63,183)	(9,511)

As at 31 December 2023, the average FTE number of employees was 1,072, of which 119 were managers. 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 2023, this caption totalling EUR 32,065 thousand (EUR 25,670 thousand as at 31 December 2022) mainly included costs of technical support and IS maintenance, repairs and maintenance costs, energy consumption, corporate contributions (primarily to international oversight authorities) and costs of financial education.

The cost of the statutory auditor for the audit of the financial statements amounted to EUR 112 thousand as at 31 December 2023 (EUR 70 thousand as at 31 December 2022). As at 31 December 2023, 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

	31.12.2023 EUR '000	31.12.2022 EUR '000	Change EUR '000
Depreciation of tangible fixed assets	(7,462)	(7,248)	(214)
Amortisation of intangible fixed assets	(2,172)	(2,017)	(154)
Total	(9,634)	(9,265)	(369)

33. Banknote production services

As at 31 December 2023, the costs for printing euro banknotes were EUR 3,162 thousand (EUR 3,545 thousand as at 31 December 2022).

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 2023, the NBS paid a withholding tax of EUR 33,409 thousand (EUR 58,553 thousand as at 31 December 2022). The decrease by EUR 25,144 thousand compared to the preceding period was due to an increase in the item decreasing the tax base.

35. Profit/loss for the year

As at 31 December 2023, the Bank reported a zero profit (loss of EUR 156,448 thousand as at 31 December 2022).

D. POST-BALANCE SHEET EVENTS

Under Article 29 (3) of the Statute, participating interests of the national central banks in percentage proportion to the subscription of the ECB's capital were adjusted under the regular quinquennial change. As at 1 January 2024, the the NBS's capital key was adjusted to 0.9403% (0.9314% until 31 December 2023); the NBS's Eurosystem key was adjusted to 1.1499% (1.1360% until 31 December 2023); and the banknote allocation key was changed to 1.0580% (1.0450% until 31 December 2023).

After 31 December 2023, there were no significant events that would require adjustments to the 2023 financial statements.

Bratislava, 15 March 2024



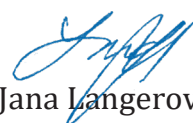
Peter Kažimír

Governor



Albín Kotian

Executive Director
Financial Management,
Information Technology
and Operating Activities
Division



Jana Langerová

Director
Financial Management
Department

Národná banka Slovenska

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

To the Bank Board of Národná banka Slovenska:

We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2023 disclosed on pages 87 – 119 of the accompanying annual report of the Bank, on which we issued an independent auditor's report on 15 March 2024 that is disclosed on pages 88 – 89 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 2023 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, 12 June 2024



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.

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Legislation

Legislation in 2023

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

Amendments made in 2023 to laws on matters falling within the competence of Národná banka Slovenska

Act No 747/2004 on financial market supervision (and amending certain laws), as amended, was amended by Act No 192/2023

Act No 483/2001 on banks (and amending certain laws), as amended, was amended by Act No 302/2023, Act No 309/2023, Act No 508/2023 and Act No 526/2023

Act No 371/2014 on resolution in the financial market (and amending certain laws), as amended, was amended by Act No 309/2023

Act No 310/1992 on home savings, as amended, was amended by Act No 185/2023, Act No 205/2023, Act No 316/2023 and Act No 530/2023

Act No 118/1996 on the protection of deposits (and amending certain laws), as amended, was amended by Act No 309/2023

Act No 566/2001 on securities and investment services (and amending certain laws) (the Securities Act), as amended, was amended by Act No 309/2023 and Act No 315/2023

Act No 429/2002 on stock exchanges, as amended, was amended by Act No 309/2023

Act No 203/2011 on collective investment, as amended, was amended by Act No 309/2023 and Act No 315/2023

Act No 39/2015 on insurance (and amending certain laws), as amended, was amended by Act No 309/2023

Act No 43/2004 on the old-age pension scheme (and amending certain laws), as amended, was amended by Act No 210/2023, Act No 274/2023, Act No 309/2023 and Act No 530/2023

Act No 650/2004 on the supplementary pension scheme (and amending certain laws), as amended, was amended by Act No 210/2023 and Act No 309/2023

Act No 129/2010 on consumer credit and on other credit and loans for consumers (and amending certain laws), as amended, was amended by Act No 309/2023

Act No 90/2016 on housing loans (and amending certain laws), as amended, was amended by Act No 260/2023, Act No 508/2023 and Act No 526/2023

Implementing legislation of general application issued by Národná banka Slovenska in 2023

NBS Decrees promulgated in the Collection of Laws of the Slovak Republic by the publication of their full text

Decree No 300/2023 of Národná banka Slovenska of 11 July 2023 amending Decree No 139/2013 of Národná banka Slovenska laying down detailed provisions on the elements of an application for a foreign exchange licence and on requirements for carrying out foreign exchange transactions

Decree No 428/2023 of Národná banka Slovenska of 23 October 2023 on the elements of applications for prior approval of Národná banka Slovenska made under the Old-Age Pension Scheme Act

Decree No 429/2023 of Národná banka Slovenska of 23 October 2023 on how to demonstrate compliance with conditions for the granting of an authorisation to establish and operate a pension fund management company

Decree No 479/2023 of Národná banka Slovenska of 5 December 2023 amending Decree No 280/2018 of Národná banka Slovenska on reporting in accordance with the Foreign Exchange Act

NBS Decrees promulgated in the Collection of Laws of the Slovak Republic by the publication of the notification of their issuance

Decree No 1/2023 of Národná banka Slovenska of 10 January 2023 establishing national discretions for institutions pursuant to other legislation

Decree No 2/2023 of Národná banka Slovenska of 28 February 2023 amending Decree No 5/2018 of Národná banka Slovenska of 13 February 2018 on professional examinations and professional certification examinations for financial intermediation and financial advisory services, as amended

Decree No 3/2023 of Národná banka Slovenska of 22 May 2023 amending Decree No 16/2018 of Národná banka Slovenska of 11 December 2018 on reporting on the performance of financial intermediation and reporting on the performance of financial advisory services

Decree No 4/2023 of Národná banka Slovenska of 20 June 2023 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

Decree No 5/2023 of Národná banka Slovenska of 23 October 2023 amending Decree No 13/2018 of Národná banka Slovenska of 6 November 2018 on the covered bond register

Decree No 6/2023 of Národná banka Slovenska of 7 November 2023 amending Decree No 13/2014 of Národná banka Slovenska of 29 July 2014 on reporting for supervisory purposes by investment firms and branches of foreign investment firms, as amended

Decree No 7/2023 of Národná banka Slovenska of 20 November 2023 on reporting by payment institutions, branches of foreign payment institutions, electronic money institutions, branches of foreign electronic money institutions, limited payment service providers, and banks

Decree No 8/2023 of Národná banka Slovenska of 20 November 2023 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 9/2023 of Národná banka Slovenska of 5 December 2023 on the Register of Bank Loans and Guarantees

Decree No 10/2023 of Národná banka Slovenska of 5 December 2023 on the submission of covered bond register and mortgage register reports for supervisory purposes

Decree No 11/2023 of Národná banka Slovenska of 5 December 2023 amending 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 12/2023 of Národná banka Slovenska of 5 December 2023 amending 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

ABC

**Abbreviations
and glossary**

Abbreviations

A

AI
artificial intelligence

AML/CFT
anti-money laundering and combating the financing of terrorism

APP
asset purchase programme

APP
annual percentage rate of charge

ATM
automated teller machine

B

BACH
Bank for the Accounts of Companies
Harmonized

BI
business intelligence

bp
basis point(s)

C

CBPP3
third covered bond purchase programme

CCyB
countercyclical capital buffer

CDM
Common Data Management

COREP
common reporting

CSA
Common Supervisory Action

CSD
central securities depository

D

DWH
data warehouse

E

EBA
European Banking Authority

EC
European Commission

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

ETF
exchange-traded fund

EU
European Union

F

FINREP
financial reporting

G

GDP
gross domestic product

GHG
greenhouse gas

GMW
Global Money Week

H

HFCN
Household Finance and Consumption
Network

HFCS
Household Finance and Consumption
Survey

HICP
Harmonised Index of Consumer Prices

I

iBACH
individual Bank for the Accounts
of Companies Harmonized

IFRS
International Financial Reporting Standard

IMF
International Monetary Fund

IReF
Integrated Reporting Framework

IT
information technology

L

LTRO
longer-term refinancing operation

M

ML/TF
money laundering/terrorist financing

MREL
minimum requirement for own funds and
eligible liabilities

MRO
main refinancing operation

N

NBS
Národná banka Slovenska (in this report also
referred to as 'the Bank')

NCB
national central bank

O

OECD
Organisation for Economic Co-operation
and Development

P

PEPP
pandemic emergency purchase programme

PP
percentage point(s)

R

RBUZ
Register of Bank Loans and Guarantees /
Register bankových úverov a záruk

RePEc
Research Papers in Economics

REGFAP
Register of Financial Agents and Financial
Advisers / Register finančných agentov
a finančných poradcov

RMP
reserve maintenance period

RTGS
real-time gross settlement

RTVS
Radio and Television of Slovakia

S

SAA
strategic asset allocation

SBA
Slovak Banking Association

SCP

Statistics Collection Portal

SCP-ESAs

ESAs module of the Statistics Collection Portal

SEPA

Single European Payments Area

SIPS

Slovak Interbank Payment System

SO SR

Statistical Office of the Slovak Republic

SR

Slovak Republic

SRB

Single Resolution Board

SSM

Single Supervisory Mechanism

T

T2S

TARGET2-Securities

TARGET

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

tCO₂e

tonnes of carbon dioxide equivalent

TIPS

TARGET instant payment settlement

TLTRO

targeted longer-term refinancing operation

TLTRO III

third series of TLTROs

U

US

United States

V

VAT

value-added tax

W

WGF

Working Group on Forecasting

WWF

World Wide Fund for Nature

Glossary

D

data governance

The function that defines and implements the standards, controls, roles, responsibilities and best practices of the data management programme in alignment with data strategy.

(Source: Data Management Glossary of the Enterprise Data Management Council.)

data governance organisation

Also known as a data governance centre. A hybrid model is applied at the Bank, where a Data Governance Office is established within the Statistics Department and data domain stewards are assigned in other specialist departments. An important component of the Bank's set-up is the data warehouse competence centre in the Information Technology Department.

data management

This refers to the procedures and the architectural techniques and tools for ensuring consistency in data access and data delivery across the full spectrum of data domains needed to meet all data requirements.

E

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

Expected Shortfall (ES)

A risk measure applied to a given period (e.g. one year) at a given confidence level (e.g. 95%).

G

greenwashing

The process of conveying a false impression or misleading information that a company's products and services are more sustainable and environmentally friendly than they actually are.

I

ISO 20022 standard

An International Organization for Standardization standard for electronic data exchange between financial institutions. This messaging standard is fully implemented in the Eurosystem's T2 real-time gross settlement system, which is used by central banks and commercial banks for monetary policy transactions, interbank payments and commercial payments.

M

microdata

Individual data on, for example, securities, market participants and credit products

P

pension system pillars

The pension system in Slovakia comprises three pillars: a state-run **first pillar** (pay-as-you-go); a private **second pillar** (the quasi-mandatory old-age pension scheme); and a private **third pillar** (the voluntary supplementary pension scheme).

S

Scope 1, Scope 2 and Scope 3 of the Greenhouse Gas Protocol

Under the Greenhouse Gas Protocol, three 'scopes' are defined for the classification and measurement of organisations' greenhouse gas emissions: Scope 1 covers direct emissions from owned or controlled sources; Scope 2 covers direct emissions from the purchase and use of electricity, steam, heating and cooling; and Scope 3 includes all other indirect emissions that occur in the organisation's upstream and downstream activities.

strategic asset allocation

An investor's core decision regarding the assets purchased for their portfolio, including the selection of asset classes and their weights, the accepted risk factors, and the size of the portfolio.



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