



1 MONETARY POLICY IMPLEMENTATION AND INVESTMENT PORTFOLIO MANAGEMENT

As a member of the Eurosystem, Národná banka Slovenska is subject to the monetary policy conducted by the European Central Bank (ECB). Based on the indicative calendar for the Eurosystem's monetary policy operations, NBS conducts these operations in the form of two types of tenders: standard tenders (carried out within 24 hours between their announcement and the certification of the allotment result) and quick tenders (executed within 90 minutes from the announcement of the operation).

Under Eurosystem rules, all credit institutions operating in the euro area are required to hold minimum reserves on account with the respective national central bank.

savings banks) and 14 branches of foreign credit institutions (including credit cooperatives). The average minimum reserve requirement in 2013 was €369.22 million, around 4.42% lower than in 2012. Throughout the year, the reserves that credit institutions held on accounts with NBS were far higher than the minimum requirement.

Whereas last year the average actual reserves exceeded the minimum requirement by only 42%, in 2013 they were higher by almost 100%. The difference was most marked at the end of 2013, when actual reserves were nearly three times higher than the minimum requirement.

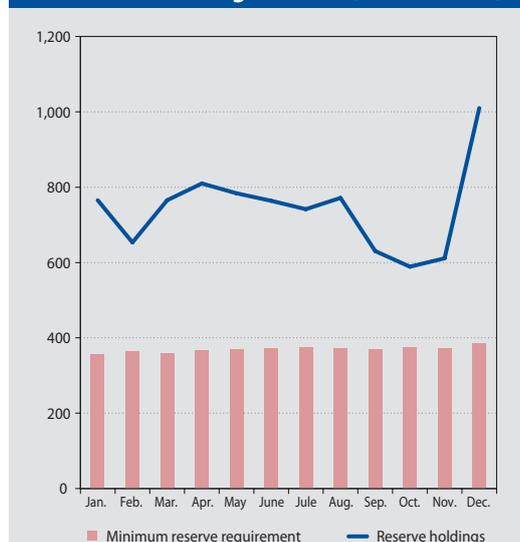
1.1 MINIMUM RESERVE REQUIREMENTS

In 2013 a total of 28 credit institutions operating in Slovakia were subject to minimum reserve requirements; they comprised 14 banks established in Slovakia (including three home

1.2 ELIGIBLE ASSETS

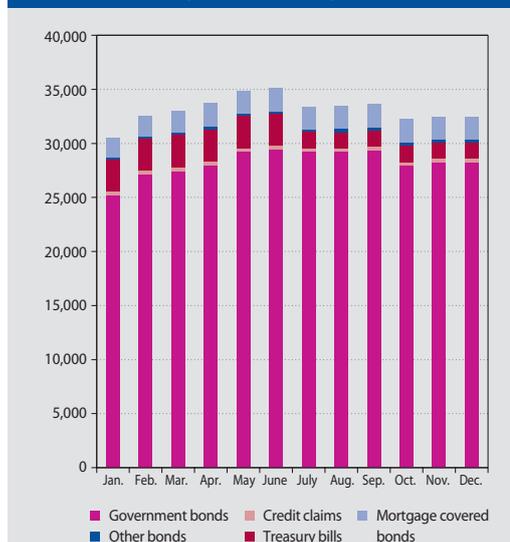
Collateral eligibility criteria for credit operations of the Eurosystem were subject to several adjustments in 2013. Most notably, haircuts for different types of asset were updated; in most cases they were reduced, but haircuts for certain higher-risk

Chart 11 Minimum reserve requirements and reserve holdings in 2013 (EUR millions)



Source: NBS.

Chart 12 Composition of Slovak eligible assets in 2013 (EUR millions)



Source: NBS.



Chart 13 Composition of Slovak eligible assets in December 2012 and December 2013 (EUR millions)

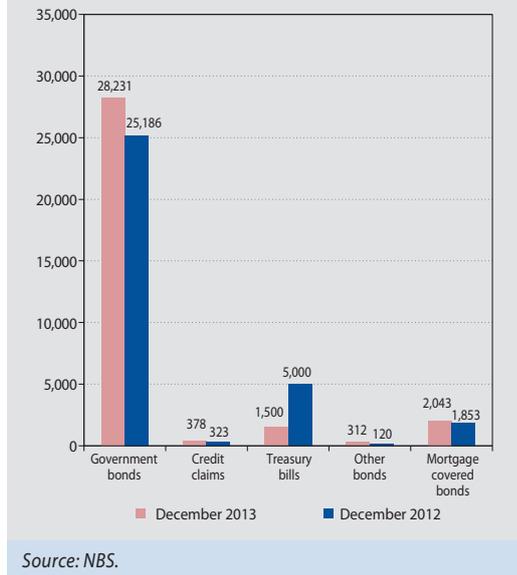
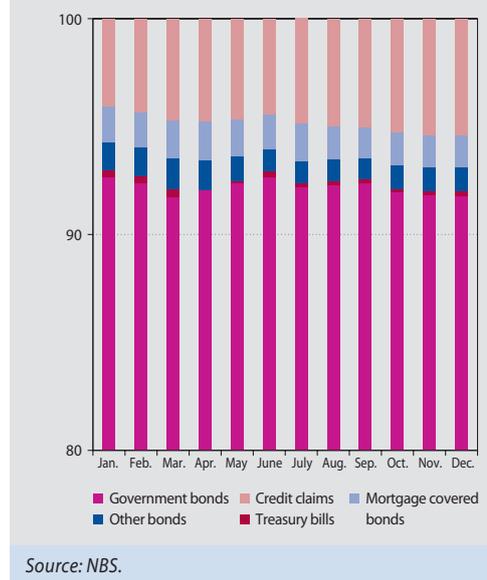


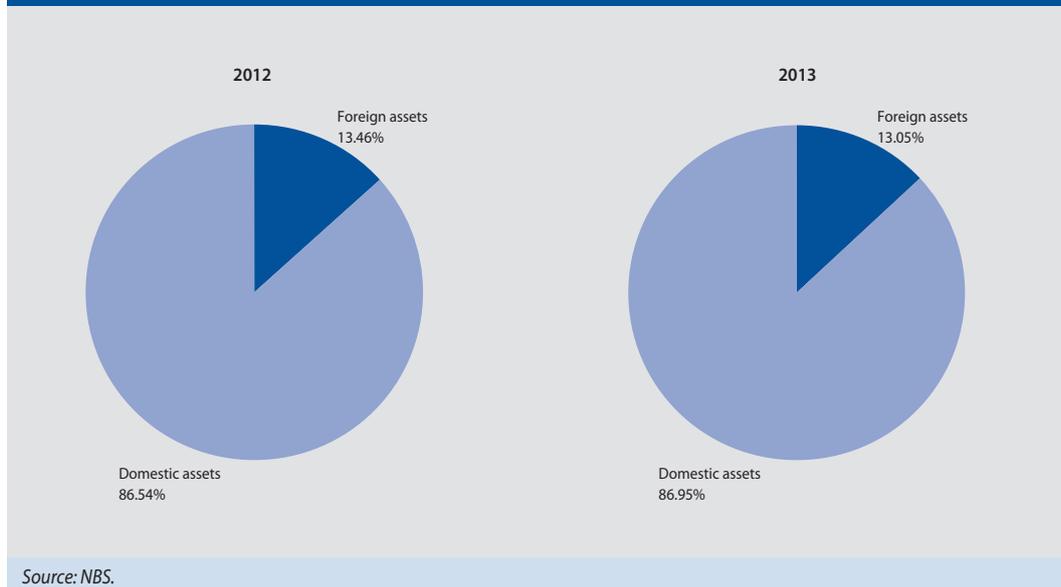
Chart 14 Use of eligible assets by counterparties in 2013 (%)



assets were increased. Additional haircuts were introduced for covered bonds where the counterparties using them as collateral have close links with the issuer of the bonds. In addition to haircut adjustments, specific loan-by-loan information requirements for asset-backed securities

(ABS) were established in order to increase the transparency of these assets and reduce risks to the Eurosystem. Applying these requirements allowed an easing of requirements for the level of credit risk accepted in respect of such debt securities, in addition to the reduction in haircuts.

Chart 15 Use of domestic and foreign eligible assets (%)





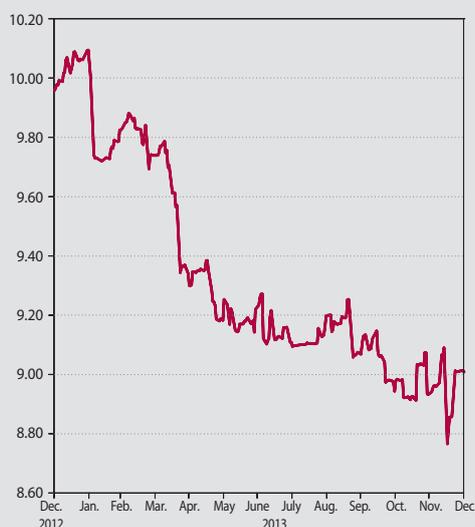
The value of all Slovak eligible assets, including credit claims, in 2013 was €32,465 million, only €16.6 million less than in the previous year. Slovak government bonds and Treasury bills constituted almost 93% of these eligible assets, and mortgage covered bonds almost 7%. The eligible assets recording the largest year-on-year drop in value were Treasury bills, which fell by as much as 70% from their level in December 2012.

The gradual reduction in the recourse to liquidity-providing operations was reflected in the total value of collateral used by NBS counterparties in 2013, which was at the year-end 13% lower than a year earlier. In 2013, as in the previous year, eligible assets issued in the Slovak market accounted for the large majority (almost 87%) of the overall collateral put forward by domestic counterparties in Eurosystem credit operations. Of that total, debt securities issued by central governments made up almost 92%, their share falling by around three percentage points compared to the previous year. NBS counterparties used a collateral pool to manage their collateral.

1.3 INVESTMENT PORTFOLIO MANAGEMENT

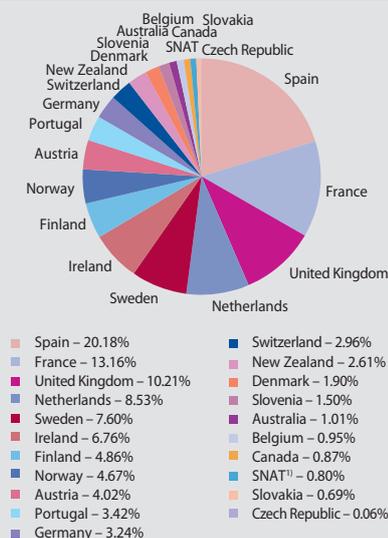
Národná banka Slovenska manages its investment portfolio with the aim of ensuring that its investments contribute positively to bank's overall financial result. The total value of NBS's investment portfolio as at 31 December 2013 was €9 billion (at corresponding exchange rates and market prices). NBS manages its asset portfolio in accordance with the principles laid down in the NBS Investment Strategy approved in 2008. Thus in the case of euro-denominated assets, which make up 98.3 % of the portfolio, interest rate risk is managed in a standard way through interest rate swaps and futures contracts. The return on the euro-denominated portfolio in 2013, after taking into account interest expenses and hedging, stood at 2.05%. The portfolio of US dollar-denominated assets, worth €212.5 million, reported a relative return of 0.37% against the benchmark.

Chart 16 Value of NBS investment portfolio in 2013 (EUR billions)



Source: NBS.

Chart 17 Portfolio of euro-denominated assets at 31 December 2013 – broken down by country of issuer



Source: NBS.
1) Supranational institutions.