

Comments on Quarterly Financial Accounts for 3Q 2009

The ESA95 system distinguishes the following institutional sectors and sub-sectors:

Non-financial corporations	S.11
Financial corporations	S.12
The Central Bank	S.121
Other monetary financial institutions	S.122 (commercial banks and money market mutual funds)
Other financial intermediaries	S.123 (other mutual funds, leasing, factoring, and hire purchase)
Financial auxiliaries	S.124 (PMC, SPC, SD, SE, CD, MFMC) ¹
Insurance corporations and pension funds	S.125
General government	S.13
Central government	S.1311
Regional government	S.1312
Local government	S.1313
Social security funds	S.1314
Households	S.14
Non-profit institutions serving households (NPISH)	S.15
Foreign countries (non-residents)	S.2
European Union (EU)	S.21
EU Member States	S.211
European Monetary Union Member States (EMU) and EU institutions	S.212
Rest of the World and international organizations	S.22

The ESA95 system distinguishes the following financial instruments:

Monetary gold and special drawing rights	(A)F.1 ²
Monetary gold	(A)F.11
Special drawing rights (SDRs)	(A)F.12
Currency and deposits	(A)F.2
Currency	(A)F.21
Transferable deposits	(A)F.22
Other deposits	(A)F.29
Securities other than shares	(A)F.3
Securities other than shares and financial derivatives	(A)F.33
Short-term	(A)F.331
Long-term	(A)F.332
Financial derivatives	(A)F.34
Loans	(A)F.4
Short-term	(A)F.41
Long-term	(A)F.42
Shares and other equity	(A)F.5
Shares and other equity, excluding mutual funds shares	(A)F.51
Quoted shares	(A)F.511
Unquoted shares	(A)F.512
Other equity	(A)F.513
Mutual funds shares	(A)F.52
Insurance technical reserves	(A)F.6
Net equity of households in life insurance and pension funds reserves	(A)F.61
Net equity of households in life insurance reserves	(A)F.611
Net equity of households in pension funds reserves	(A)F.612
Prepayments of insurance premiums and reserves for outstanding claims	(A)F.62
Other accounts receivable and payable	(A)F.7
Trade credits and advances	(A)F.71
Other	(A)F.79

¹ PMC – pension management companies, SPC – supplementary pension companies, SD – security dealers, SE – stock exchange, CD – central depository, MFMC – mutual fund management companies

² Stocks and transactions have the AF code and the F code, respectively

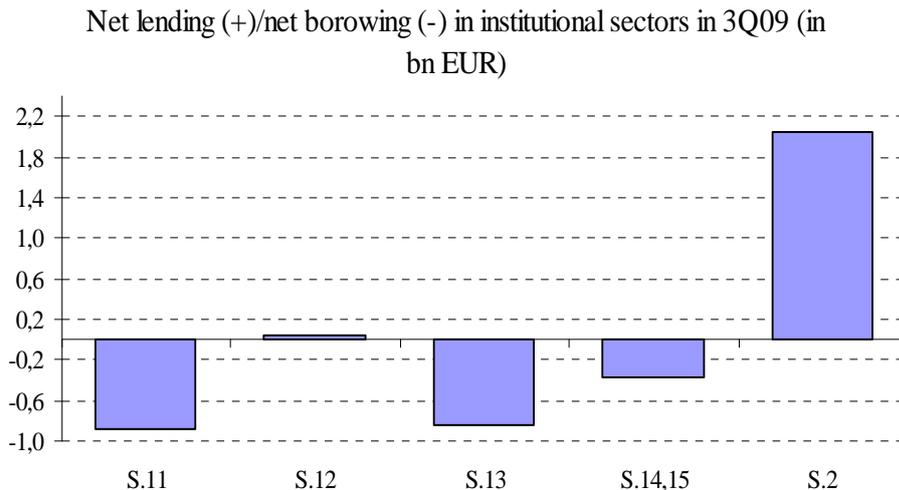
Quarterly Financial Accounts in 3Q 2009

Overall development

Transactions

In the 3Q 2009, the net debtor position of the national economy increased, and thus there was an increase in the net creditor position of the foreign countries sector³, with net lending⁴ amounting to EUR -2.0 bn. This negative development was a result of a more significant increase of financial liabilities when compared to the increase of financial assets. From the point of view of the institutional sectors⁵ transactions in the sector of other monetary financial institutions (S.122) contributed most significantly, when the difference between active and passive transactions reached EUR -1.6 bn. On the contrary, the best result in 3Q 2009 was achieved by the Central Bank (S.121) whose debtor position reduced by EUR 1.3 bn.

Graph 1

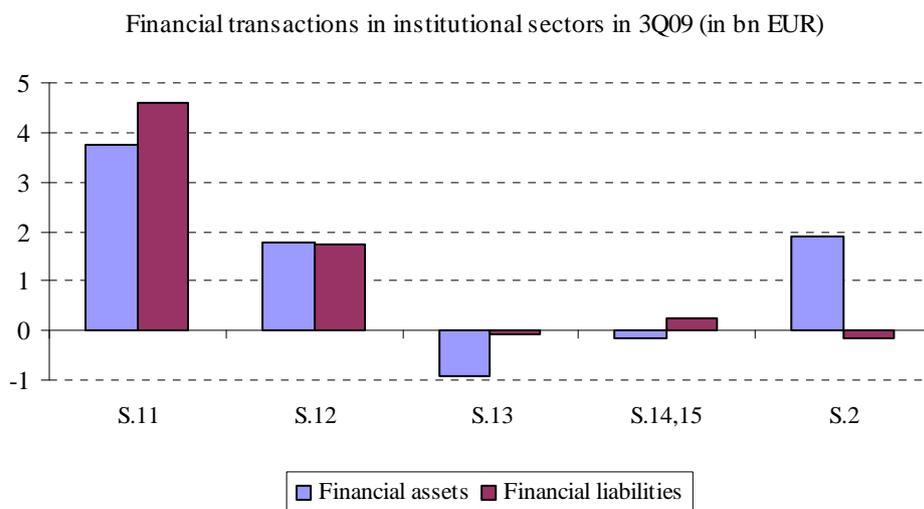


³ The total of the financial assets and liabilities of the national economy (S.1) and foreign countries (S.2) sector must equal 0, that is, the national economy's indebtedness has decreased (or the creditor position has risen), and the creditor position of the foreign countries has automatically decreased (or the indebtedness has increased) vis-à-vis the national economy. The distinction between the movement in the indebtedness and the movement in the creditor position depends on the total volume of net equity, i.e. on the development in the stocks of accounts receivables and payables

⁴ Net borrowing represents the negative difference between the financial assets and the financial liabilities. If the difference is positive, we talk about net lendings. In the case of data concerning stocks, the difference between the financial assets and liabilities is defined as net financial assets (or net financial equity) which can be either positive or negative

⁵ A more detailed classification of institutional sectors with assigned codes in compliance with the system of national accounts ESA95 is given on page 2

Graph 2

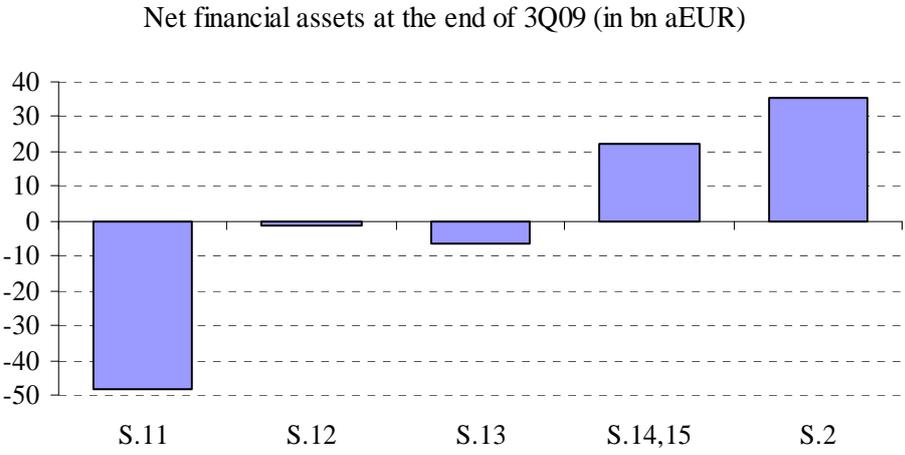


Stocks

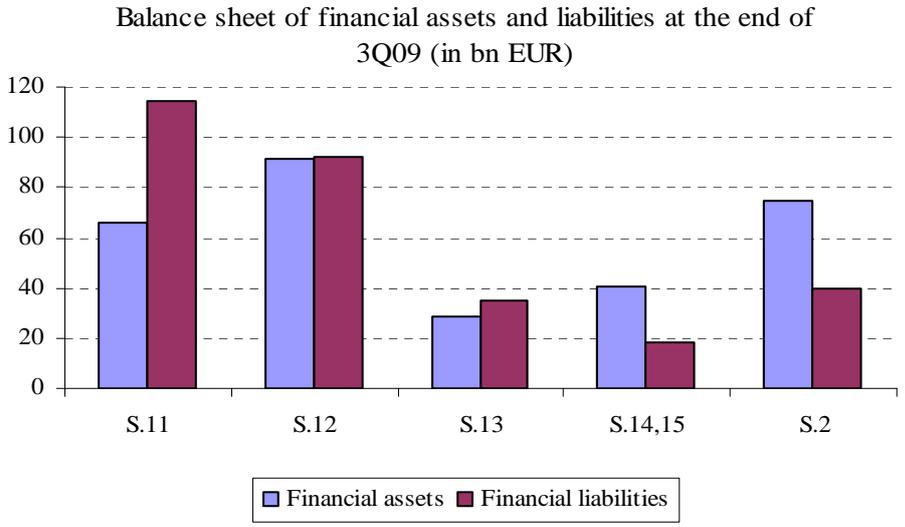
The financial transactions made in the 3Q 2009 contributed to an increase in the overall indebtedness of the national economy, with its volume amounting to EUR -34.1 bn at the end of the quarter. The non-financial institutions sector is the most indebted sector with net debt of EUR -48.5 bn. Besides corporations, the indebted sectors also include the general government sector (in an amount of EUR -6.5 bn) and the financial institutions sector with its indebtedness of EUR -1.3 bn. The largest net financial assets within the national economy are available in the households (EUR 22.2 bn). The foreign countries sector has recorded the net creditor position for a long time; it was EUR 35.2 bn⁶ as at the end of 3Q 2009.

⁶ The difference between the net financial debt of the national economy (EUR -34.1 bn) and the net creditor position of the foreign countries (EUR 35.2 bn) is represented by the monetary gold and SDRs amounting to EUR 1.1 bn.) This item is shown on the side of assets of the Central Bank, but not shown on the side of foreign countries' liabilities.

Graph 3



Graph 4



Quarterly financial accounts by individual institutional sectors

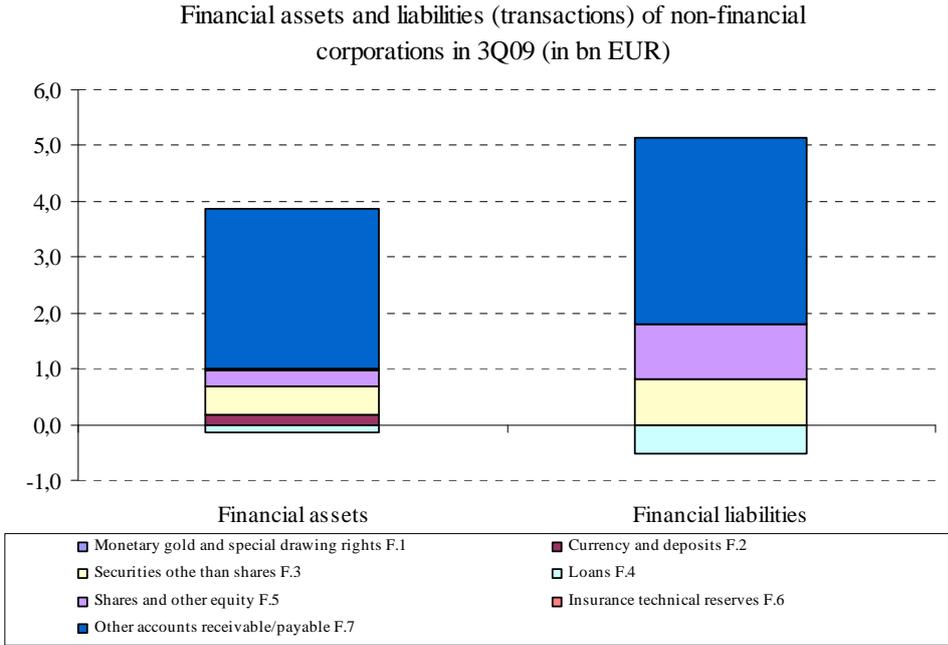
S.11 Non-financial institutions

Transactions

Negative development in terms of increased indebtedness of nonfinancial institutions has been the result of a more significant increase in financial liabilities when compared to the increase

of financial assets. Even though the most significant increase was recorded in assets and liabilities other receivables and obligations, it involved mainly mutual relationships between companies, therefore not impacting the total amount of net lending. The greatest impact on the increase in indebtedness had the issuing of property securities and increasing the volume of commercial credits.

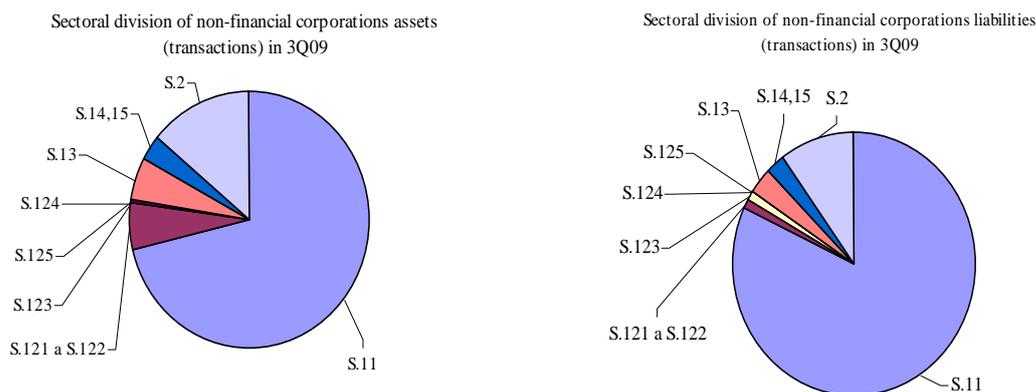
Graph 5



From the point of view of sector distribution, the increase in the volume of issued property securities and commercial credits on the part of liabilities (meaning that domestic companies postponed payments for purchased goods and services) showed especially among non-financial companies and foreign entities and mutually among companies. On the part of assets, deterioration of the balance of companies when compared to foreign countries was demonstrated in a decrease of holding of credit and property securities, in a smaller volume also in provided financial and commercial credits.

Graph 6

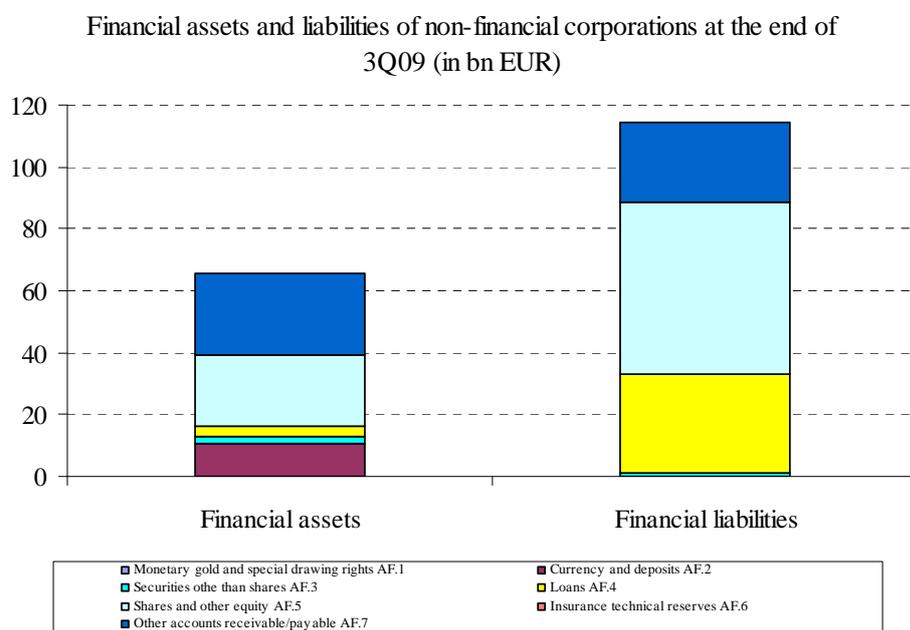
Graph 7



Stocks

The main finance sources of the non-financial corporations have included the shares, financial loans, and trade credits for a long time. The corporations use the given resources for investments, in particular in other accounts receivable, shares, and deposits.

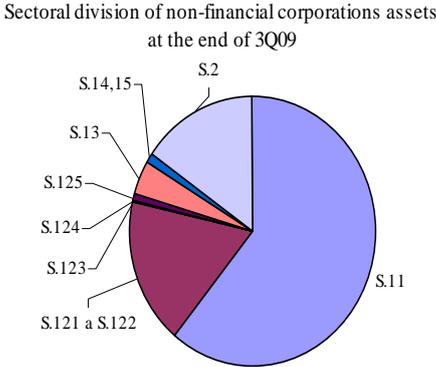
Graph 8



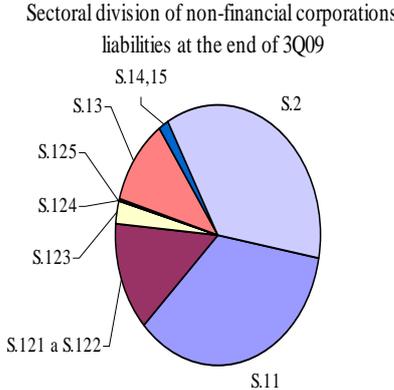
The current stocks of the issued equity securities of the nonfinancial corporations are held, within the national economy, especially in the non-financial corporations' sector (37.5%) and by the central government entities (16.9%). 45.1% of the local corporations' shares are held by foreign entities. Within the loan financing of corporations, loans from the Slovak banks

and leasing and factoring corporations account for 56.6%; loans from foreign countries account for 34.9%. The main debtors of the local corporations in individual financial instruments are entities from non-financial corporations' sectors (60.9%), other monetary financial institutions (17.6%) and foreign countries (15.4%).

Graph 9



Graph10

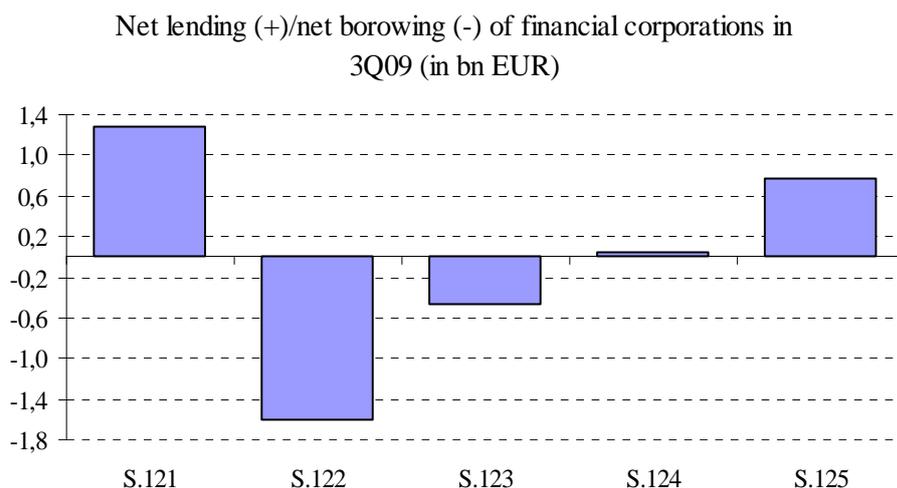


S.12 Financial institutions

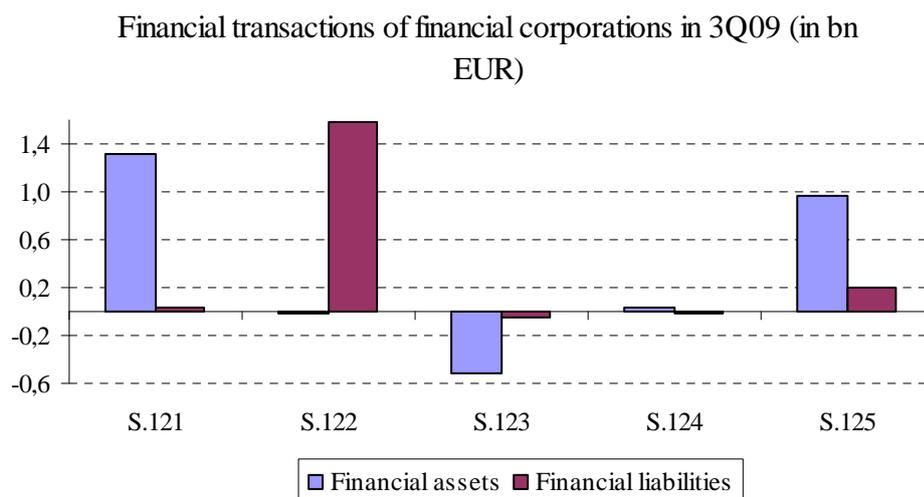
Transactions

Unlike nonfinancial companies, the sector of S.12 Financial Corporations achieved in 3Q 2009 net borrowings. The given development especially resulted from a decrease in debtor position of the S.121 subsector Central Bank and an increase in creditor position of the S.125 subsector Insurance Corporations and Pension Funds. Slight increase of their creditor position was recorded also by entities in the subsector S.124 Financial Auxiliaries.

Graph 11



Graph 12



Overall net positive transactions of the Central Bank were the result of a significant increase in assets and a relatively slight increase in liabilities. In higher assets, especially the volume of new long-term credits provided to commercial banks was demonstrated. Given that, credits are probably related to accounting in the TARGET2 payment system within which banks demonstrate obligation towards the Central Bank and it demonstrated an obligation towards the Eurosystem. Apart of this, an increase in the volume of held special rights of withdrawal and foreign bond securities occurred in the balance of the Central Bank. A slight increase of liabilities was caused on one side by an increase of obligations towards the Eurosystem within

the above-mentioned accounting in the TARGET2 system and on the other side by a decrease of deposits from commercial banks as part of repo trades.

A positive development in the financial balance sheet was recorded by Insurance Corporations and Pension Funds (S.125) where just as in the case of the Central Banks an increase of assets superseded the increase of liabilities. On the side of the assets, insurance corporations increase the volume of held governmental bonds and foreign short-term and long-term securities. On the side of liabilities, obligations of insurance corporations grew in a comparable rate in the area of life insurance and retirement and supplemental retirement saving toward households.

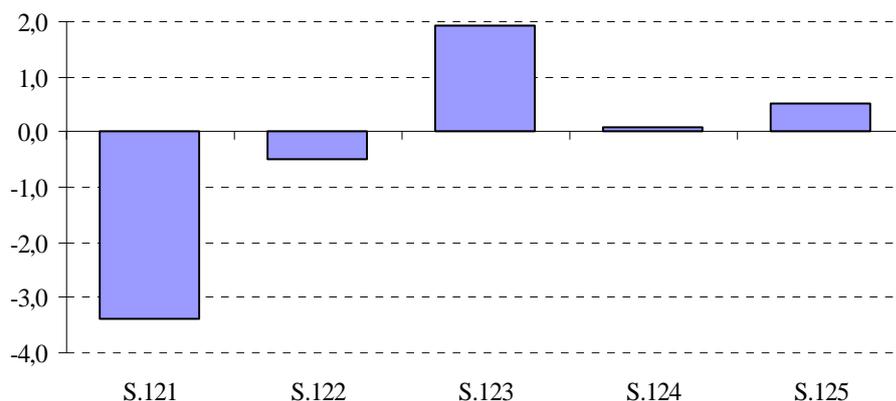
Negative financial transactions were recorded in the 3Q 2009 mainly by other monetary financial institutions (S.122) when dynamic increase of obligations played a dominant role in the deterioration of their balance. The volume of accepted foreign deposits, domestic non-financial company deposits and long-term credits from the Central Bank increased most. Apart from this, households withdrew deposits in banks and moved these funds to fund shares of the monetary market. On the side of assets, banks compensated for the withdrawal of foreign and Central Bank deposits by purchasing governmental bonds and foreign long-term securities.

Stocks

Overall level of indebtedness of the financial sector was caused mainly by the position of the Central Bank and in to smaller extent also by the position of the S.122 subsector – Other monetary financial institutions. Net creditor position is recorded in subsectors S.123 Other financial intermediaries, S.124 Financial auxiliaries and S.125 Insurance corporations and pension funds.

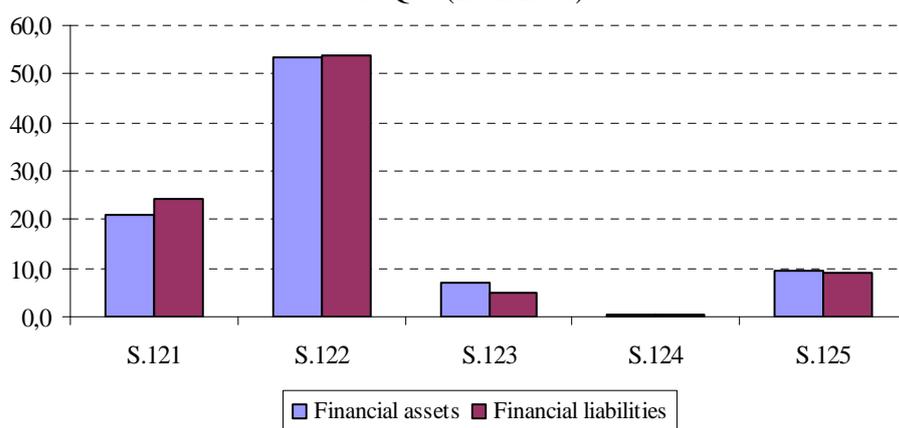
Graph 13

Net financial assets of financial corporations at the end of 3Q09
(in bn EUR)



Graph 14

Financial assets and liabilities of financial corporations at the end of 3Q09 (in bn EUR)



Following their primary mission – to receive deposits and extend loans - other monetary financial institutions invest most of their money in long-term and short-term loans. In addition, a significant portion of the available sources are deposited in the government bonds and

residential and non-residential deposits. Deposits play a predominant role on the liabilities side (nearly 80% of all liabilities). In terms of the sector breakdown, the most important clients of the banks, on the assets side, are the non-financial corporations, households and central government entities. On the liabilities side, the most important clients are predominantly households, non-financial corporations and foreign entities. The foreign countries sector represents significant ownership of shares and other property shares with banks, with its share in this financial instrument accounting for approximately 54%.

The structure of the invested financial instruments and sectors is based on the main function of the sector S.123 Other financial intermediaries, it implies that it is focused on the extension of loans to non-financial corporations and households, and a part of the resources is also invested in deposits with banks and government bonds. The main source of income is, in particular, loans from local and foreign banks and mutual fund units held mainly by the households.

The sector S.124 Financial auxiliaries has the lowest impact within the financial institutions in terms of managed assets and liabilities. The majority of its available financial resources received from foreign holders of shares and from local banks in the form of loans is invested in deposits and equity securities.

On the contrary, the impact of the sector S.125 Insurance corporations and pension and supplementary pension funds has grown stronger and stronger in the financial market. The main creditor of the given sector is the households that invest in life insurance and in the second and third pension pillars. The money thus obtained is invested in national (government bonds) and foreign debt securities and also in deposits with local banks.

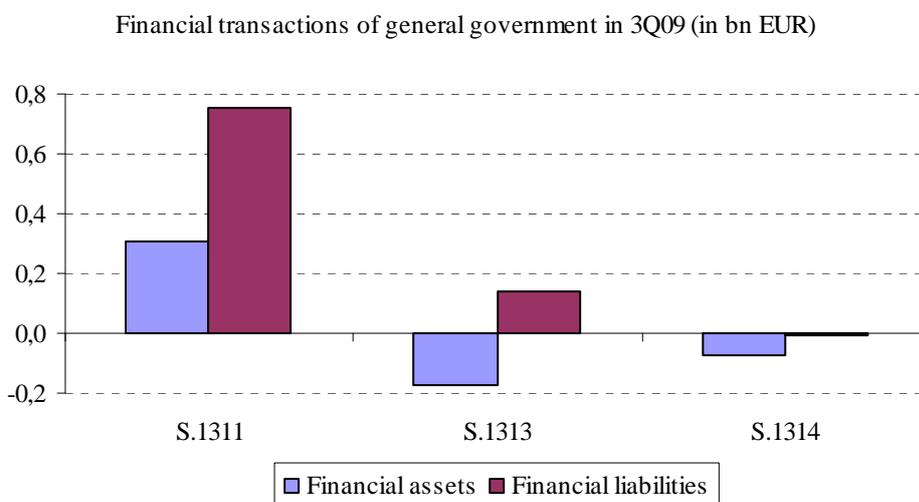
S.13 General government

Transactions

Negative financial transactions in the Sector S.13 General government significantly contributed to an increase in overall indebtedness of domestic economy. Within particular subsectors, increasing indebtedness of the subsector S.1311 Central government contributed most markedly to the above development. Similar negative development and thus a decrease

of its creditor position was achieved also by subjects in the subsector S.1313 Local government and S.1314 Social security funds.

Graph 15



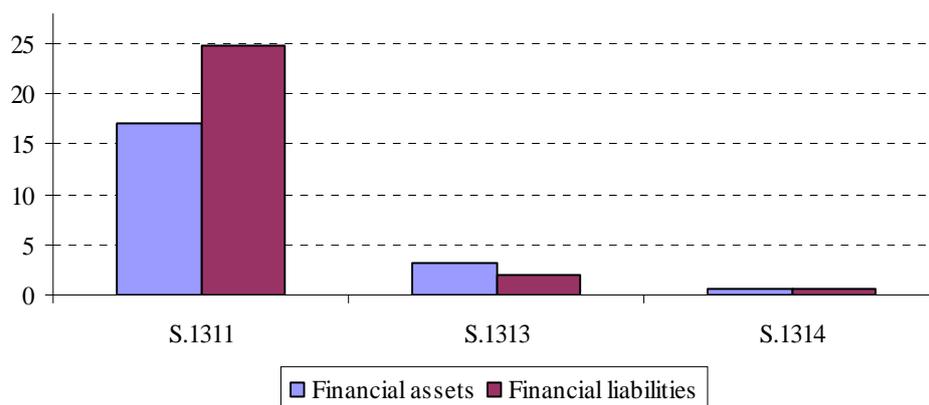
The main reason for the negative transactions in the central government subsector was a considerable growth of the lending. In this area, mainly issuing of bonds owned by banks, insurance corporations, pension funds and foreign entities occurred. Apart from this, in 3Q issuing of governmental treasuries to the hands of non-financial companies, banks and insurance corporations took place. Negative financial transactions in the balance of the subsector of local government occurred by a decrease of assets and increase of liabilities especially in the line other assets/liabilities (receivables and obligations resulting from time delay when paying social allowances, deductions, dividends, interest rates etc.) to companies and households. On the side of assets, local government reduced also the volume of its deposits in banks.

Stocks

The overall debtor position of the general government sector is affected mainly by developments in the central government subsector. The other two subsectors of the General government, S.1313 Local government and S.1314 Social security funds recorded the net creditor position as at the end of 3Q 2009.

Graph 16

Financial assets and liabilities of general government at the end of 3Q09 (in bn EUR)



The major financial asset of the central government entities is the shares issued by the local non-financial corporations. The central government entities report approximately 12% of their assets in other receivables (taxes, social allowances, etc.) to households, and the government invests 13.1% in bank deposits. The overwhelming majority of liabilities are allocated by the central government in the long-term debt securities, of which almost one-third is owned by foreign owners.

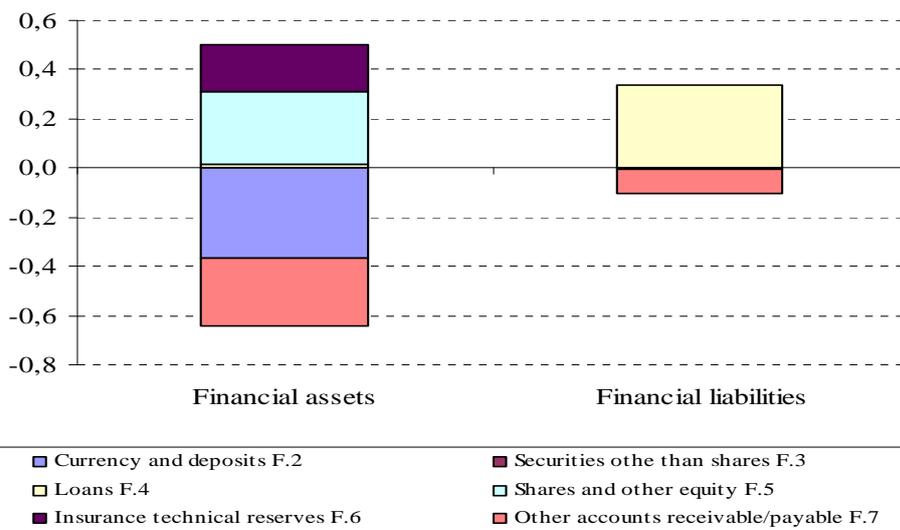
S.14,15 Households and NPISH

Transactions

Sector of households and NPISH reduced in 3Q 2009 its overall creditor position due to a decrease in financial assets and an increase of financial liabilities. On the side of assets, other receivables towards general government and bank deposits were lower, on the side of liabilities, households indebted through long-term credits.

Graph 17

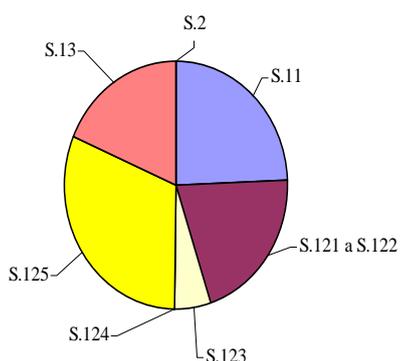
Financial assets and liabilities (transactions) of households and NPISH in 3Q09 (in bn EUR)



From the view of sector division, as a result of an increase in the volume of life insurance and savings in the second and third pension pillar, transactions with insurance corporations and pension and supplemental pension funds had the greatest share on the side of assets. On the part of liabilities, especially transactions with financial institutions and central government contributed to the negative development.

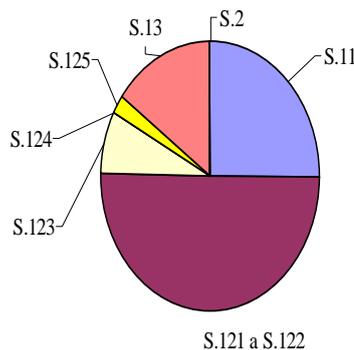
Graph 18

Sectoral division of financial assets (transactions) of households and NPISH in 3Q09



Graph 19

Sectoral division of financial liabilities (transactions) of households and NPISH in 3Q09

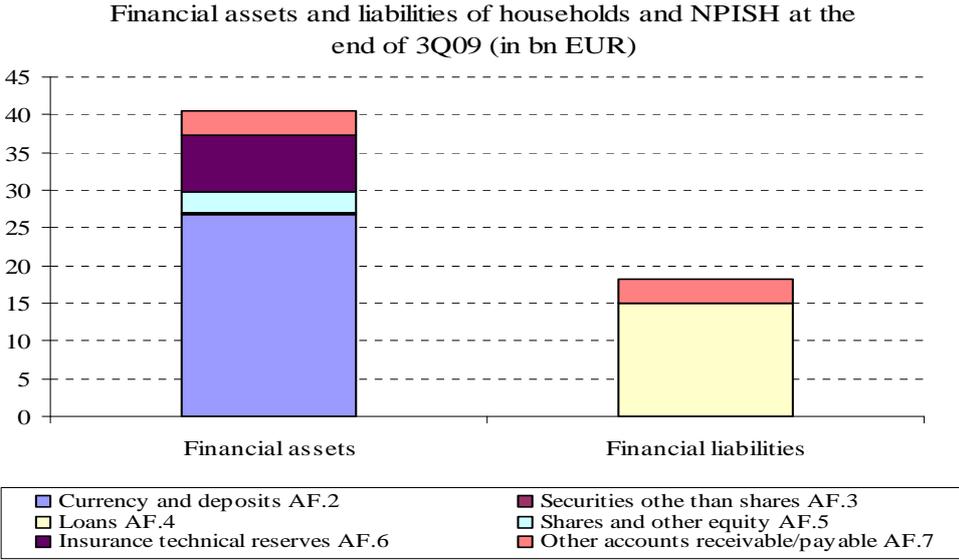


Stocks

The households and NPISH sector is characterized as the only one in the Slovak economy by the net creditor position. Approximately 66% of available sources are kept in the form of

deposits, and another part (approx. 18%) is invested in the pension system and life insurance. The households invest 6.5% of their assets in mutual funds. Nearly 83% of all liabilities consist of the borrowings, especially of the long-term ones. The remaining portion of the accounts payables comprises other accounts payables, of which the payables due to the central government (taxes, levies and social allowances) account for the major share.

Graph 20

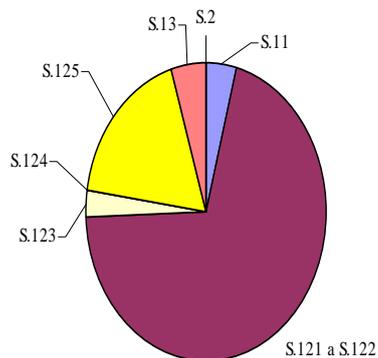


The sector breakdown of the investments and financial resources of the households results from the nature of financial instruments in their balance. The most important partner of the households and NPISH is the sector S.121 and S.122 Monetary financial institutions; a significant share has recently started to be acquired by the sector S.125 Insurance corporations and pension and supplementary pension funds. On the liabilities side, a relatively significant share is represented by the Government sector.

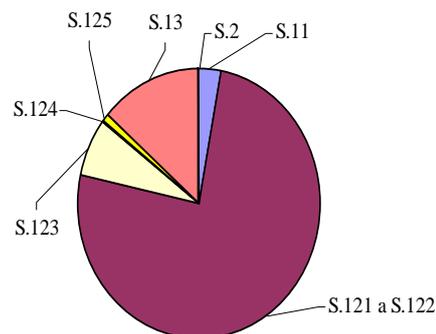
Graph 21

Graph 22

Sectoral division of financial assets of households and NPISH at the end of 3Q09



Sectoral division of financial liabilities of households and NPISH at the end of 3Q09



S.2 Foreign countries

Transactions

Overall increase of creditor position of the Sector - Foreign countries towards domestic sectors resulted from a dynamic increase in assets and a slight decrease in liabilities. Receivables of non-residents towards the Central Bank as part of the TARGET2 system, deposits deposited in domestic monetary financial institutions and receivables towards central government through held governmental bonds participated primarily in active operations. On the side of liabilities, especially other obligations towards the Central Bank, commercial credits towards companies and accepted deposits from domestic banks reduced.

Stocks

The sector of Foreign countries is a net creditor towards the Slovak economy, with approximately 33% of all assets representing shares of domestic non-financial companies and another 21% made up of other receivables towards the Central Bank with regards to the TARGET2 payment system. Credits to non-financial institutions and bonds issued by the central government are a significant asset of Foreign countries. The most important payables of the foreign countries due to the national economy (about 49%) are the debt securities, mainly in the hands of the financial institutions, and the trade credits (about 15%) received from the non-financial corporations.