

Appendix to the auditor's report on the consistency  
of the Report on Results of Operations  
of Národná banka Slovenska  
for the year 2013 with financial statements

and

Report on Results of Operations of the NBS for the  
year 2013

**Appendix to the auditor's report  
on the consistency of the Report on Results of Operations of Národná banka Slovenska  
for the year 2013 with the financial statements**

To the Bank Board of Národná banka Slovenska:

- I. We have audited the financial statements of Národná banka Slovenska ("the Bank") as at 31 December 2013 presented in the report for the National Council of the Slovak Republic. We issued the following audit report dated 11 March 2014 on the financial statements:

**"Independent Auditors' Report"**

*To the Bank Board of Národná banka Slovenska:*

*We have audited the accompanying financial statements of Národná banka Slovenska ("the Bank"), which comprise the balance sheet as at 31 December 2013, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.*

*Responsibility of the Bank Board of Národná banka Slovenska for the Financial Statements*

*Bank Board of Národná banka Slovenska is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2010/20, as amended ("the ECB Guideline") and with Act No. 431/2002 Coll. on Accounting, as amended ("the Act on Accounting") and for such internal control as the Bank Board of Národná banka Slovenska determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

*Auditors' Responsibility*

*Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.*

*An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the*

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*Bank Board of Národná banka Slovenska, as well as evaluating the overall presentation of the financial statements.*

*We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.*

*Opinion*

*In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.*

*11 March 2014  
Bratislava, Slovak Republic*

*Ernst & Young Slovakia, spol. s r.o.  
SKAU Licence No. 257*

*Ing. Dalimil Draganovský  
SKAU Licence No.893"*

- II. We have also audited the consistency of the Report on Results of Operations of Národná banka Slovenska for the year 2013 ("Report on Results of Operations") with the above mentioned financial statements. The Bank Board of Národná banka Slovenska is responsible for the accuracy of preparation of the Report on Results of Operations. Our responsibility is to express an opinion on the consistency of the Report on Results of Operations with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the Report on Results of Operations and derived from the financial statements is consistent, in all material respects, with the financial statements. We have verified that the information presented in the Report on Results of Operations is consistent with the information contained in the audited financial statements as at 31 December 2013. We have not audited information that not has been derived from the audited financial statements or the Bank's accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the Report on Results of Operations is consistent, in all material respects, with the financial statements of the Bank as at 31 December 2013.

11 March 2014  
Bratislava, Slovak Republic



Ernst & Young Slovakia, spol. s r.o.  
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**Appendix to the Auditor's Report  
on the consistency of the Report on Results of  
Operations of Národná banka Slovenska for  
the year 2013 with the Financial Statements**

**and**

**Report on Results of Operations of the NBS  
for the year 2013**

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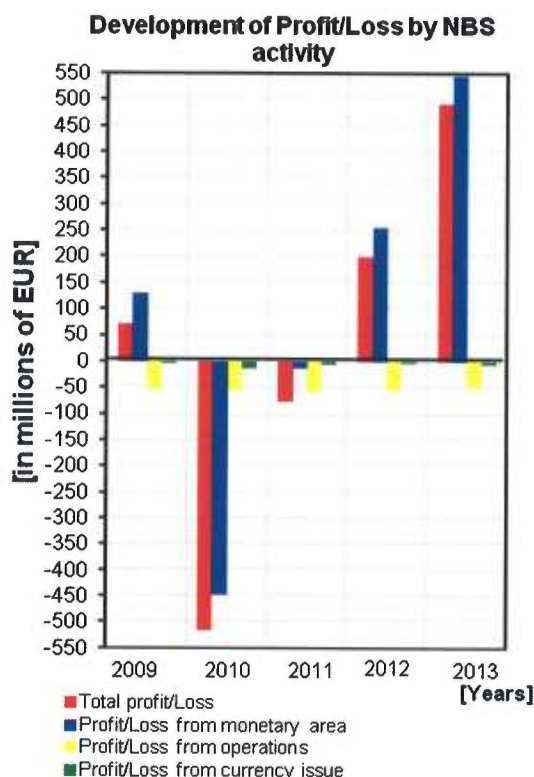
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Chart 2 displays the impact of individual activities on the overall profit/loss of the Bank. The results in the area of financial activities significantly influence the overall results generated in the current year. The impact of the operational area and the area of currency issue is relatively insignificant.

Chart 2



## 1.2. Financial Activities

In the area of financial activities, the NBS conducts activities related to execution of monetary policy within the euro area, administration of investment reserves, transactions with the ECB, transactions with the Slovak Republic and with other clients.

In 2013, a profit of EUR 544,021 thousand was reported in the area of financial activities (2012: profit of EUR 254,352 thousand), which was substantially affected by results from administration of investment reserves, amounting to EUR 395,620 thousand and a profit from execution of monetary policy in the amount of EUR 142,738. The recognized result from the financial activities was reduced by unrealized losses from the valuation of financial assets to market prices of EUR 6,802 thousand (2012: EUR 200,949 thousand) and by further creation of provision for general financial risks of EUR 50,000 thousand (2012: EUR 250,000).

Table 2: Profit/Loss from financial activities

	L. No.	Actual figures		Multiple 2013/2012	Year-on-year change
		2013	2012		
<b>Financial activities</b>	1				
Results from monetary policy operations (profit+/-/loss-)	2	142,738	201,913	0.71	-59,175
Results from administration of investment reserves (profit+/-/loss)	3	395,620	57,720	6.85	337,900
Profit/loss from transactions with ECB (profit+/-/loss-)	4	15,433	4,523	3.41	10,910
Results from transactions with clients (profit+/-/loss-)	5	-9,770	-9,804	1.00	34
Costs of financial activities	6	-588,146	-1,004,550	0.59	416,404
Revenues from financial activities	7	1,132,167	1,258,902	0.90	-126,735
<b>Results from financial activities (profit+/-/loss-)</b>	<b>8</b>	<b>544,021</b>	<b>254,352</b>	<b>2.14</b>	<b>289,669</b>

**1.2.1. Execution of Monetary Policy**

For 2013, the NBS reported a profit from execution of monetary policy of EUR 142,738 thousand (2012: profit of EUR 201,913 thousand). Compared to the prior

year, the favourable result was largely due to higher interest income received from structural operations and share on the monetary income from the Eurosystem.

Table 3: Profit/Loss from execution of monetary policy

	L. No.	Actual figures		Multiple 2013/2012	Year-on-year change
		2013	2012		
<b>Execution of monetary policy</b>	<b>1</b>				
<b>Open market operations total (l. 3, 6, 8, 11):</b>	<b>2</b>	<b>94,490</b>	<b>121,315</b>	<b>0.78</b>	<b>-26,825</b>
<b>Main refinancing operations (l. 4, 5)</b>	<b>3</b>	<b>101</b>	<b>304</b>	<b>0.33</b>	<b>-203</b>
- interest received	4	101	304	0.33	-203
- interest paid	5	0	0	x	0
<b>Longer-term refinancing operations (l. 7):</b>	<b>6</b>	<b>4,657</b>	<b>16,421</b>	<b>0.28</b>	<b>-11,764</b>
- interest received	7	4,657	16,421	0.28	-11,764
<b>Fine-tuning operations (l. 9, 10)</b>	<b>8</b>	<b>-108</b>	<b>-42</b>	<b>2.57</b>	<b>-66</b>
- interest received	9	0	1	0.00	-1
- interest paid	10	-108	-43	2.51	-65
<b>Structural operations (l. 12 to 14):</b>	<b>11</b>	<b>89,840</b>	<b>104,632</b>	<b>0.86</b>	<b>-14,792</b>
- interest received	12	89,527	104,632	0.86	-15,105
- interest paid	13	0	0	x	0
- revenue	14	313	0	x	313
<b>Standing facilities (l. 16, 17):</b>	<b>15</b>	<b>0</b>	<b>-998</b>	<b>0.00</b>	<b>998</b>
- interest received	16	0	14	0.00	-14
- interest paid	17	0	-1,012	0.00	1,012
<b>Compulsory minimum reserves (l. 19, 20):</b>	<b>18</b>	<b>-2,057</b>	<b>-3,348</b>	<b>0.61</b>	<b>1,291</b>
- interest received	19	0	0	x	0
- interest paid	20	-2,057	-3,348	0.61	1,291
<b>Monetary policy operations ('MPO') in USD (l. 22, 23):</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>x</b>	<b>0</b>
- interest received	22	0	30	0.00	-30
- interest paid	23	0	-30	0.00	30
<b>Share on monetary income of Eurosystem (l. 25, 26):</b>	<b>24</b>	<b>50,434</b>	<b>85,088</b>	<b>0.59</b>	<b>-34,654</b>
- revenue	25	50,435	85,088	0.59	-34,653
- expense	26	-1	0	x	-1
<b>Fees, contractual penalties (l. 28, 29):</b>	<b>27</b>	<b>-129</b>	<b>-144</b>	<b>0.90</b>	<b>15</b>
- fees received	28	62	49	1.27	13
- fees paid	29	-191	-193	0.99	2
<b>Costs of execution of monetary policy</b>	<b>30</b>	<b>-2,357</b>	<b>-4,626</b>	<b>0.51</b>	<b>2,269</b>
<b>Revenues from execution of monetary policy</b>	<b>31</b>	<b>145,095</b>	<b>206,539</b>	<b>0.70</b>	<b>-61,444</b>
<b>Profit/loss from execution of monetary policy (profit+/-loss-) (l. 30 and 31)</b>	<b>32</b>	<b>142,738</b>	<b>201,913</b>	<b>0.71</b>	<b>-59,175</b>

Net profit from structural operations represented EUR 89,840 thousand (2012: net profit of EUR 104,632 thousand). Structural operations include the Covered Bond Purchase Programme (CBPP) and the Securities Markets Programme (SMP).

As at 31 December 2013, under the CBPP, the NBS recognized purchased covered bonds at an amortized cost totalling EUR 387.3 million (of which net interest received and recognized amounted to EUR 14,921 thousand). Under the SMP, securi-

ties at an amortized cost of EUR 1,282.8 million were recognized (of which net interest received and recognized amounted to EUR 74,606 thousand). The participation of the NBS in the CBPP and SMP programmes resulted from the execution of common Eurosystem monetary policies. Purchases of securities under the CBPP and SMP were terminated in 2010 and 2012 respectively.

The share of Eurosystem monetary income represented EUR 50,434 thousand.

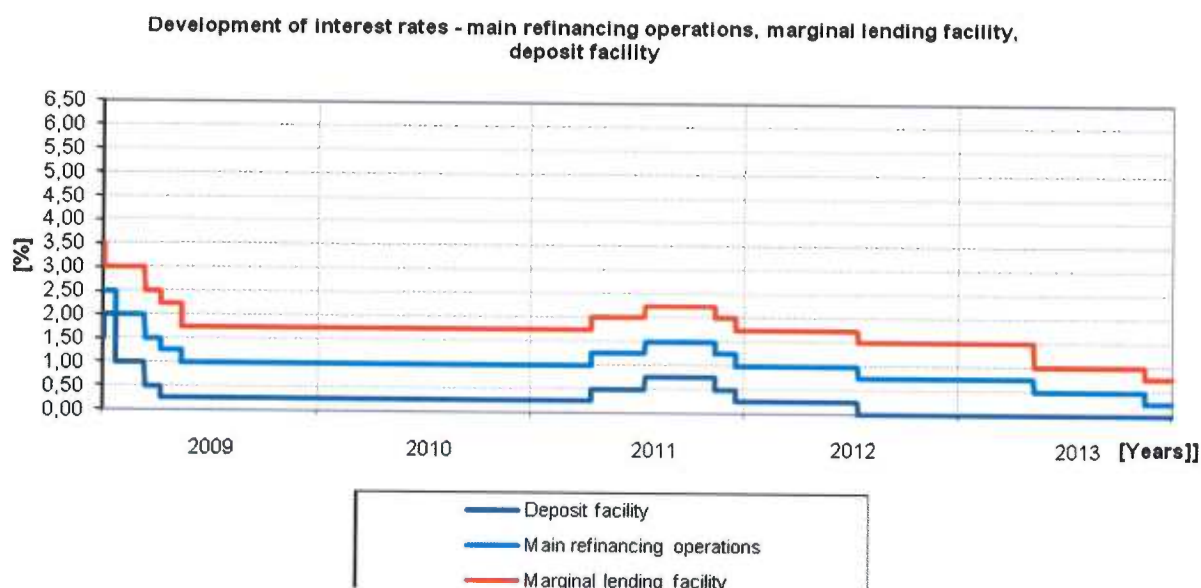
Of that, EUR 50,382 thousand represented monetary income for 2013, EUR 53 thousand was received interest and EUR 1 thousand represented cost from the revision of monetary income for 2012 (2012: EUR 85,088 thousand of which, EUR 84,748 thousand represented monetary income for 2012, EUR 327 thousand represented the revised monetary income for 2011, 2010 and 2009 and EUR 13 thousand represented received interest).

From the Long-term refinancing operations, the Bank received interest income of EUR 4,657 thousand. The interest rate

for these operations is based on the main refinancing interest rate.

In 2013, the NBS paid interest from compulsory minimum reserves to banks of EUR 2,057 thousand (2012: EUR 3,348 thousand). Paid interest from compulsory minimum reserves decreased by a multiple of 0.61 which resulted from the decrease of the interest rate for main refinancing operations in 2013.

Chart 3



Interest received from Main refinancing operations of EUR 101 thousand at interest rates ranging from 0.25% to 0.75% p.a. (Chart 3) decreased by a multiple of 0.33 because of the decrease in turnover of realized operations and a decrease in interest rates (Interest rates ranged from 0.75% to 1.00% in 2012).

From fine-tuning operations, the NBS paid out interest of EUR 108 thousand because of an increase in the volume of transactions in comparison to the previous year (2012: EUR 43 thousand).

### 1.2.2. Administration of Investment Reserves

The administration of reserves means the management of investment portfolios held for trading. These consist of securities, currency swaps, interest rate swaps, repo transactions, gold repo trans-

actions and transactions on nostro accounts.

In 2013, the NBS reported a profit of EUR 395,620 thousand from the administration of investment reserves (refer to Table 4). This result was favourably influ-



enced by a net profit from operations with securities amounting to EUR 420,989 thousand. The Bank investment portfolio consisted of 99.6% bonds denominated in EUR and issued by monetary financial institutions, the public sector and other institutions.

The NBS received interest from TARGET 2 of EUR 30,205 thousand. Paid interest from the remaining balance in

TARGET 2 depends on the main refinancing rate which decreased during the year from 0.75% to 0.25%.

Dividends from BIS paid out for financial year 2012/2013, accounted for EUR 1,040 thousand on revenues from operations with securities (2012: EUR 1,057 thousand, refer to Table 4, part of I.5).

Table 4: Profit/Loss from administration of investment reserves

	L. No.	Actual figures		Multiple 2013/2012	Year-on-year change
		2013	2012		
<b>Administration of investment reserves</b>	<b>1</b>				
<b>Securities (I. 3 to 6):</b>	<b>2</b>	<b>420,989</b>	<b>604,502</b>	<b>0.70</b>	<b>-183,513</b>
- revenues from interest	3	402,966	558,834	0.72	-155,868
- cost of interest	4	0	0	x	0
- revenues from operations with securities	5	22,173	51,611	0.43	-29,438
- costs of operations with securities and unrealized losses from revaluation	6	-4,150	-5,943	0.70	1,793
<b>Transactions with gold (I. 8, 9)</b>	<b>7</b>	<b>-361</b>	<b>-2,418</b>	<b>0.15</b>	<b>2,057</b>
- interest received	8	2,499	2,134	1.17	365
- interest paid	9	-2,860	-4,552	0.63	1,692
<b>Transactions with derivatives (I. 11 to 14):</b>	<b>10</b>	<b>6,115</b>	<b>-230,462</b>	<b>x</b>	<b>236,577</b>
- interest received	11	46,387	162,100	0.29	-115,713
- interest paid	12	-236,252	-319,696	0.74	83,444
- revenues from transactions with derivatives	13	216,600	156,636	1.38	59,964
- costs of transactions with derivatives and unrealized losses from revaluation	14	-20,620	-229,502	0.09	208,882
<b>Credit operations (I. 16, 17):</b>	<b>15</b>	<b>-5,390</b>	<b>-14,607</b>	<b>0.37</b>	<b>9,217</b>
- interest received	16	171	230	0.74	-59
- interest paid	17	-5,561	-14,837	0.37	9,276
<b>Current accounts and deposits (I. 19, 20):</b>	<b>18</b>	<b>-3,455</b>	<b>742</b>	<b>x</b>	<b>-4,197</b>
- interest received	19	969	1,435	0.68	-466
- interest paid	20	-4,424	-693	6.38	-3,731
<b>Foreign exchange rate differences (I. 22 to 24):</b>	<b>21</b>	<b>-1,740</b>	<b>-148</b>	<b>11.76</b>	<b>-1,592</b>
- realized exchange rate gains	22	244,389	107,337	x	137,052
- realized exchange rate losses	23	-243,025	-106,969	x	-136,056
- unrealized exchange rate losses from revaluation	24	-3,104	-516	6.02	-2,588
<b>Receivables/payables against TARGET2 (I. 26, 27):</b>	<b>25</b>	<b>30,205</b>	<b>-49,481</b>	<b>x</b>	<b>79,686</b>
- interest received	26	30,205	1,320	22.88	28,885
- interest paid	27	0	-50,801	0.00	50,801
<b>Fees (I. 29, 30):</b>	<b>28</b>	<b>-743</b>	<b>-408</b>	<b>1.82</b>	<b>-335</b>
- fees received	29	106	628	0.17	-522
- fees paid	30	-849	-1,036	0.82	187
<b>General provision for financial risks</b>	<b>31</b>	<b>-50,000</b>	<b>-250,000</b>	<b>0.20</b>	<b>200,000</b>
Costs of administration of investment reserves	32	-570,845	-984,545	0.58	413,700
Revenues from administration of investment reserves	33	966,465	1,042,265	0.93	-75,800
<b>Profit/loss from administration of investment reserves (profit+/loss-) (I. 32 and 33)</b>	<b>34</b>	<b>395,620</b>	<b>57,720</b>	<b>6.85</b>	<b>337,900</b>

The reported loss of EUR 5,390 thousand from credit transactions consisted mainly of interest paid from repo transactions of EUR 5,559 thousand and interest received in the amount of EUR 168 thousand from a redistribution loan for housing construction, from Slovenská záručná

a rozvojová banka, a.s. in 1990 (Table 4, part of I. 16, 17).

The net loss from fees for administration of investment reserves amounting to EUR 743 thousand was influenced mainly by fees paid for administration and execution of operations on NBS accounts in banks.

### 1.2.3. Transactions with ECB

Transactions with the ECB are realized in accordance with the Protocol on the Statute of the European System of Central Banks and of the European Central Bank and the ECB's decisions. From these transactions, the Bank reported a net profit of EUR 15,433 thousand (refer to Table 5).

The share in ECB's profit amounted to EUR 18,184 thousand (2012: EUR 6,449 thousand), out of which EUR 13,550 thousand represents the NBS's share in ECB's profit for 2013 and EUR 4,196 thousand its share for 2012. The share in ECB's equity amounted to EUR 438 thousand.

Received interest on claims from the transfer of investment reserves into the ECB decreased by a multiple of 0.63 and

amounted to EUR 1,904 thousand (2012: EUR 3,042 thousand) as a result of a decreased interest rate for main refinancing operations (the interest payable on that receivable is 85 % of that rate).

Paid interest relating to the issue of banknotes in current year amounted to EUR 4,655 thousand (2012: EUR 4,968 thousand). Interest expenses relating to the issue of banknotes are from an accrued compensation amount stated by the ECB (the compensation amount reduces the volume of banknotes in circulation according to the Banknote Allocation Key for a new EMU Member State for a period of 5 years).

Table 5: Profit/Loss from transactions with the ECB

	L. No.	Actual figures		Multiple 2013/2012	Year-on-year change
		2013	2012		
<b>Transactions with ECB</b>	<b>1</b>				
<b>Receivables from transfer of investment reserves to ECB (I. 3):</b>	<b>2</b>	<b>1,904</b>	<b>3,042</b>	<b>0.63</b>	<b>-1,138</b>
- interest received	3	1,904	3,042	0.63	-1,138
<b>Receivables/payables from issue of banknotes (I. 5):</b>	<b>4</b>	<b>-4,655</b>	<b>-4,968</b>	<b>0.94</b>	<b>313</b>
- interest paid	5	-4,655	-4,968	0.94	313
<b>Share in ECB's profit</b>	<b>6</b>	<b>18,184</b>	<b>6,449</b>	<b>2.82</b>	<b>11,735</b>
Costs of transactions with ECB	7	-4,655	-4,968	0.94	313
Revenues from transactions with ECB	8	20,088	9,491	2.12	10,597
<b>Profit/loss from transactions with ECB (profit+/loss-) (I. 7 and 8)</b>	<b>9</b>	<b>15,433</b>	<b>4,523</b>	<b>3.41</b>	<b>10,910</b>

### 1.2.4. Transactions with Clients

This area covers costs and revenues generated by the Bank from transactions with clients and other transactions with domestic banks not associated with the execution of monetary policy. Net loss reported from transactions with clients and other bank operations remained stable in comparison to the previous year. Net loss comprised mostly interest paid to the Slovak

Republic for savings accounts of EUR 6,907 thousand and current accounts of EUR 1,467 thousand (2012: for savings accounts of EUR 7,806 thousand and for current accounts of EUR 24 thousand). Interest paid for current accounts and deposits from other clients amounted to EUR 1,909 thousand.

Table 6: Profit/Loss from transactions with clients

	L. No.	Actual figures		Multiple 2013/2012	Year-on-year change
		2013	2012		
<b>Transactions with clients</b>	<b>1</b>				
<b>Current accounts and clients' deposits (I. 3 to 5):</b>	<b>2</b>	<b>-10,173</b>	<b>-10,286</b>	<b>0.99</b>	<b>113</b>
- interest received	3	110	118	0.93	-8
- interest paid to the Slovak Republic	4	-8,374	-7,830	1.07	-544
- interest paid other	5	-1,909	-2,574	0.74	665
<b>Other banking operations (I. 7):</b>	<b>6</b>	<b>-2</b>	<b>-1</b>	<b>2.00</b>	<b>-1</b>
- decrease (-)/ increase (+) of value of claims against clients	7	-2	-1	2.00	-1
<b>Fees (I.9,10)</b>	<b>8</b>	<b>405</b>	<b>483</b>	<b>0.84</b>	<b>-78</b>
- received fees	9	409	489	0.84	-80
- paid fees	10	-4	-6	0.67	2
Cost of transactions with clients	11	-10,289	-10,411	0.99	122
Revenues from transactions with clients	12	519	607	0.86	-88
<b>Result from transactions with clients (profit+/loss-) (I.11 and 12)</b>	<b>13</b>	<b>-9,770</b>	<b>-9,804</b>	<b>1.00</b>	<b>34</b>

### 1.3. Issue of Banknotes and Coins

Table 7: Profit/Loss from issue of banknotes and coins

	L. No.	Actual figures		Multiple 2013/2012	Year-on-year change
		2013	2012		
<b>Issue of currency and collector coins</b>	<b>1</b>				
Costs of printing banknotes and minting coins	2	-6,351	-3,891	1.63	-2,460
Revenues from issue of banknotes and coins	3	1,749	2,408	0.73	-659
<b>Result from issue of currency and collector coins (profit+/loss-)</b>	<b>4</b>	<b>-4,602</b>	<b>-1,483</b>	<b>3.10</b>	<b>-3,119</b>

In 2013, the total costs of currency issue represented EUR 6,351 thousand.

These included mainly costs of production 116.13 million banknotes in nominal value of EUR 20, amounting to EUR 3,585 thousand.

Costs of minting collector and circulation euro coins of EUR 2,708 thousand were used for issue of 27.2 million circulation coins (out of which 26 million items

were one-cent eurocoins, 1 million items were commemorative circulating eurocoins and 200 thousand items were for annual collections). These costs cover also minting of 32 thousand pieces of 4 types of collector coins (refer to Table 8).

Revenues from the issue comprised mainly sales of collector coins.