

Národná banka Slovenska

Appendix to the Independent Auditor's Report
to the Report on Results of Operations of Národná
banka Slovenska for the year 2016

and

Report on Results of Operations of Národná banka
Slovenska for the year 2016



**APPENDIX TO THE INDEPENDENT AUDITOR'S REPORT
to the Report on Results of Operations of Národná banka Slovenska for the year 2016**

To the Bank Board of Národná banka Slovenska:

I. We have audited the financial statements of Národná banka Slovenska ("the Bank" or "NBS") as at 31 December 2016, presented in the Report on Results of Operations of Národná banka Slovenska for the year 2016 ("Report on Results of Operations of the NBS"), to which we issued on 14 March 2017 the following independent auditor's report from the audit of the financial statements:

„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 ("the Bank" or "NBS"), which comprise the balance sheet as at 31 December 2016, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2016, 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 ("the ECB Guideline") and the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. 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 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 the Bank Board of the NBS 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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify 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 the information disclosed in the annual report, prepared based on requirements of the Act on accounting and the Act on the NBS No 566/1992 Coll., as amended by later legislation ("the Act on the NBS"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with the audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

The annual report was not available to us as at the date of issue of the auditor's report on the audit of the financial statements.

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

- Information disclosed in the annual report, prepared for 2016, is consistent with the financial statements for the relevant year.*

- *The annual report contains information based on the Act on Accounting and the Act on the NBS.*

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

14 March 2017
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
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Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

II. Report on Other Legal and Regulatory Requirements

Report on information disclosed in the Report on Results of Operations of the NBS for 2016 – appendix to the independent auditor's report

The Bank Board of the NBS is responsible for the information disclosed in the Report on Results of Operations of the NBS, prepared based on requirements of the Act on the NBS No 566/1992 Coll., as amended by later legislation ("the Act on the NBS"). Our opinion on the financial statements expressed above does not apply to other information contained in the Report on Results of Operations of the NBS.

In connection with the audit of the financial statements it is our responsibility to understand the information disclosed in the Report on Results of Operations of the NBS and to consider whether such information is not materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Report on Results of Operations of the NBS contains information, disclosure of which is required by the Act on the NBS.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the Report on Results of Operations of the NBS prepared for 2016 is consistent with the financial statements for the relevant year,
- The Report on Results of Operations of the NBS contains information based on the Act on the NBS.

Additionally, based on our understanding of the Bank and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the Report on Results of Operations of the NBS, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

14 March 2017
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
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Ing. Tomáš Přeček, statutory auditor
UDVA Licence No. 1067

Report on Results of Operations of Národná banka Slovenska for the year 2016

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1. Profit/Loss of the NBS

1.1. Executive Summary

Narodna banka Slovenska ("NBS" or "Bank") reached a profit of EUR 147,025 thousand in 2016, while total costs amounted to EUR 449,041 thousand and total revenues to EUR 596,066 thousand.

The profit of the NBS was influenced by the recognized gain from financial activities of EUR 217,436 thousand, from which a release of part of the general provision for financial risks was EUR 30,000 thousand. Net operating costs represented EUR 61,957 thousand and net costs for the issue of currency and collector coins were EUR 8,454 thousand.

Table 1: Profit/Loss of the NBS

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Financial activities	1				
Profit/(Loss) from financial operations	2	187,436	205,932	91%	(18,496)
Release/(Creation) of the general provision for financial risks	3	30,000	(140,000)	x	170,000
Profit/(Loss) from financial activities	4	217,436	65,932	330%	151,504
Issue of currency and collector coins	5				
Profit/(Loss) from issue of currency and collector coins	6	(8,454)	(6,668)	127%	(1,786)
Operating activities	7				
Profit/(Loss) from operating activities	8	(61,957)	(54,660)	113%	(7,297)
Total costs for NBS	9	(449,041)	(920,172)	49%	471,131
Total revenues for NBS	10	596,066	924,776	64%	(328,710)
Profit/(Loss) of the NBS	11	147,025	4,604	x	142,421

Chart 1

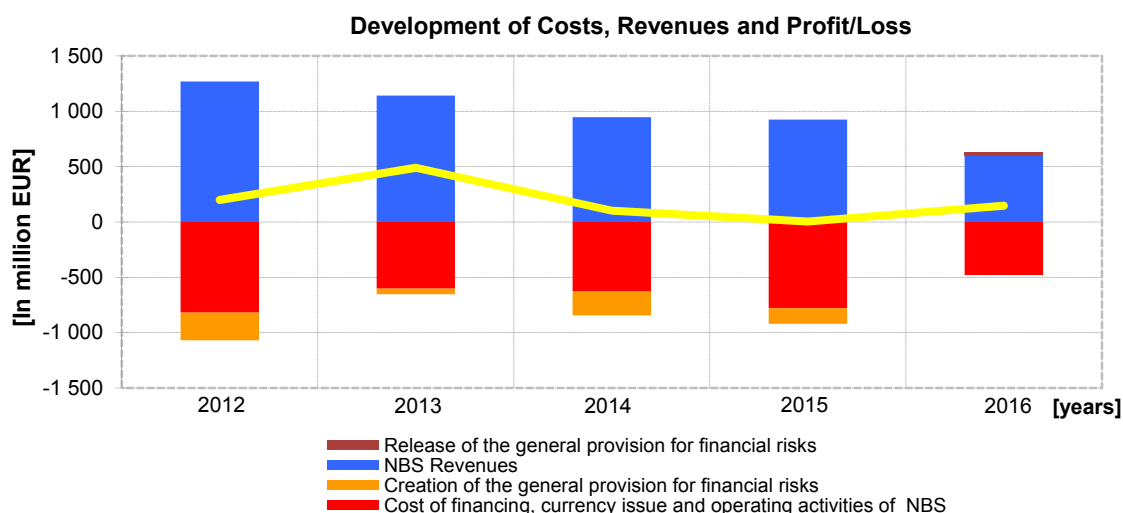
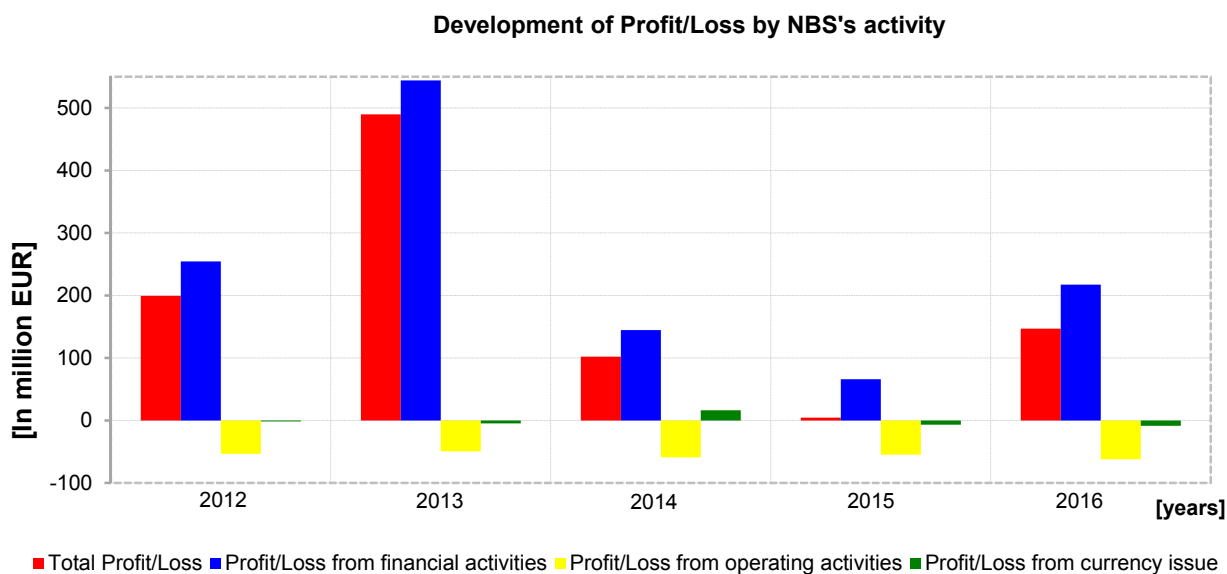


Chart 2 displays the impact of individual activities on the overall profit/loss of the Bank and its development since 2012. The result from financial activities significantly influences the Bank's overall result generated in the current year. The impact of the operational area and the area of currency issue is stable with respect to the year-on-year change.

Chart 2



1.2. Financial Activities

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

The portfolio of securities for monetary policy purposes more than doubled compared to the previous year to an amount of EUR 13,739 million (EUR 6,383 million as at 31 December 2015).

The NBS has participated in the Covered Bond Purchase Programme (“CBPP1” and “CBPP3”), the Securities Markets Programme (“SMP”) and the Public Sector Purchase Programme (“PSPP”), which resulted from the performance of the single monetary policy of the Eurosystem. The purchase of securities in 2016 was realized under the CBPP3 and PSPP programs. The closed programs CBPP1 (in 2010) and SMP (in 2012) are gradually reduced according to the maturity.

The investment portfolio decreased due to the maturity of European securities and also due to the lack of investment opportunities. There was a 39 % decrease of the investment portfolio denominated in euro to EUR 3,528 million (EUR 5,757 million as at 31 December 2015). The investment portfolio denominated in USD increased by 9 % in annual comparison to EUR 1,323 million (EUR 1,210 million on 31 December 2015).

In 2016, a profit of EUR 187,436 thousand was reported from financial operations (2015: profit of EUR 205,932 thousand), which was substantially affected by the result from the monetary policy operations in the amount of EUR 116,871 thousand and the result from the administration of investment reserves, amounting to EUR 55,729.

In accordance with the Decision of the Bank Board of the NBS from 31 January 2017 the general provision for financial risk was decreased to EUR 630 million (EUR 30 million as a positive impact on the 2016 profit), which increased the overall profit from financial operations by EUR 30,000 thousand (in 2015 the overall profit was decreased by EUR 140,000 thousand).

The general provision for financial risks is created in accordance with the ECB guideline ECB/2016/34 from 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks. The general provision for financial risks is created in order to eliminate the uncertainty in respect of the development in financial markets

and to protect against foreign exchange rate, interest rate, credit risks and the risk of movements in the prices of gold.

Table 2: Profit/Loss from financial activities

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Financial activities	1				
Profit/(Loss) from monetary policy operations	2	116,871	104,702	112%	12,169
Profit/(Loss) from administration of investment reserves	3	55,729	90,622	61%	(34,893)
Profit/(Loss) from transactions with ECB	4	13,680	11,221	122%	2,459
Profit/(Loss) from transactions with clients	5	1,156	(613)	x	1,769
Release/(Creation) of the general provision for financial risks	6	30,000	(140,000)	x	170,000
Costs of financial activities	7	(366,852)	(849,314)	43%	482,462
Revenues from financial activities	8	584,288	915,246	64%	(330,958)
Profit/(Loss) from financial activities	9	217,436	65,932	330%	151,504

1.2.1. Monetary Policy Operations

For 2016, the NBS reported a profit from monetary policy operations of EUR 116,871 thousand (2015: profit of EUR 104,702 thousand). The favourable result was mainly due to the NBS's share on the monetary income of the Eurosystem and net income from structural operations.

Table 3: Profit/Loss from monetary policy operations

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Monetary policy operations	1				
Open market operations total (l. 3, 5, 8):	2	47,089	52,966	89%	(5,877)
Main refinancing operations (l. 4)	3	0	22	0%	(22)
- interest received	4	0	22	0%	(22)
Longer-term refinancing operations (l. 6,7):	5	(1,005)	400	x	(1,405)
- interest received	6	282	400	71%	(118)
- interest paid	7	(1,287)	0	x	(1,287)
Structural operations (l. 9, 10):	8	(48,094)	52,544	92%	(4,450)
- interest received	9	66,151	54,746	121%	11,405
- withholding tax	10	(18,057)	(2,202)	820%	(15,855)
Standing facilities (l. 12):	11	31	17	182%	14
- interest received	12	31	17	182%	14
Minimum reserves system (l. 14, 15):	13	2,819	479	589%	2,340
- interest received	14	2,866	690	415%	2,176
- interest paid	15	(47)	(211)	22%	164
Share on monetary income of Eurosystem (l. 17, 18):	16	67,096	51,465	130%	15,631
- revenue	17	67,100	51,585	130%	15,515
- expense	18	(4)	(120)	3%	116
Fees, contractual penalties and other (l. 20 to 22):	19	(164)	(225)	73%	61
- interest paid	20	(2)	(1)	200%	(1)
- fees received	21	432	119	363%	313
- fees paid	22	(594)	(343)	173%	(251)
Costs of execution of monetary policy	23	(19,991)	(2,877)	695%	(17,114)
Revenues from execution of monetary policy	24	136,862	107,579	127%	29,283
Profit/loss from monetary policy operations (l. 23 and 24)	25	116,871	104,702	112%	12,169

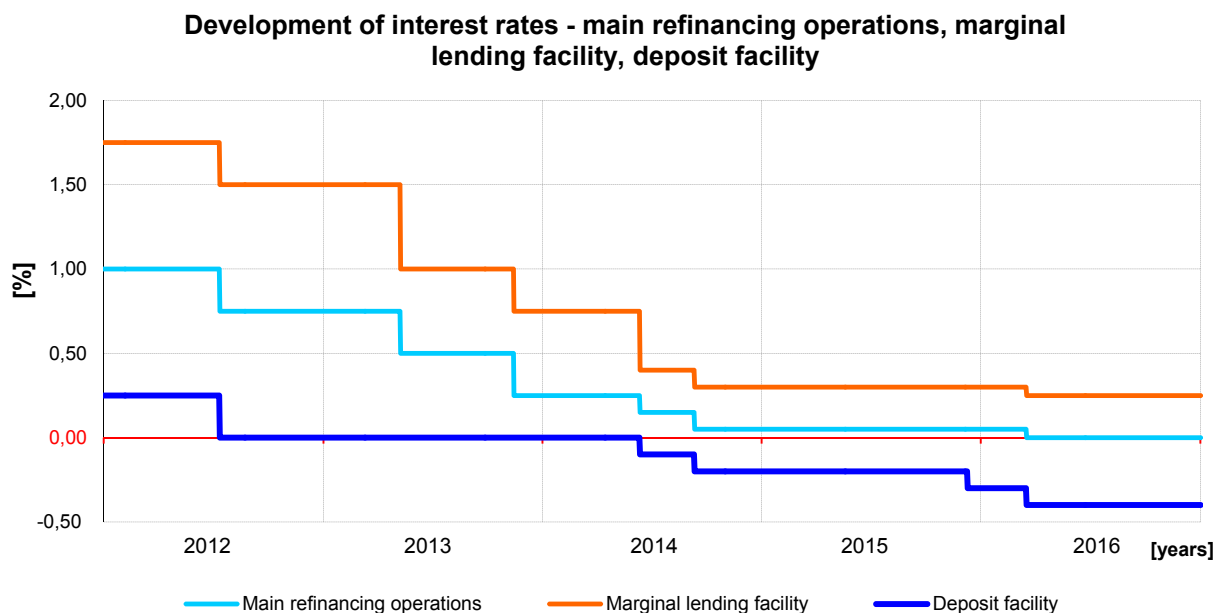
The share on the monetary income of the Eurosystem amounted to EUR 67,096 thousand, of which EUR 67,098 thousand represented monetary income for 2016, EUR 2 thousand represented interest income and EUR 4 thousand represented cost from the correction of the monetary income for 2015 (2015: EUR 51,465 thousand of which, EUR 51,583 thousand represented monetary income for 2015, EUR 2 thousand represented interest and EUR 120 thousand cost from the correction of the monetary income for 2014).

Net profit from structural operations amounted to EUR 48,094 thousand (2015: net profit of EUR 52,544 thousand). Structural operations include the CBPP1, CBPP3, SMP and PSPP programs. As at 31 December 2016, under the CBPP1 program, the NBS recognized purchased covered bonds at an amortized cost totalling EUR 86 million (of which net interest received was recognized in the amount of EUR 4,957 thousand); under the CBPP3 program, it recognized securities at an amortized cost of EUR 2,133 million (of which net interest received was recognized in the amount of EUR 10,826 thousand - after the payment of withholding tax on interest income to the state budget of the Slovak Republic in the amount of EUR 649 thousand); under the SMP program, it recognized securities at an amortized cost of EUR 411 million (of which net interest received was recognized in the amount of EUR 26,614 thousand) and under the PSPP program, it recognized securities at an amortized cost of EUR 11,109 million (of which net interest received was recognized in the amount of EUR 5,697 thousand - after the payment of withholding tax on interest income to the state budget of the Slovak Republic in the amount of EUR 17,408 thousand).

Within the second part of targeted longer-term refinancing operations, the NBS provided a loan with maturity of 4 years, bearing the negative interest rate for deposit facilities, from which the NBS recorded an interest expense of EUR 1,287 thousand.

In 2016, the NBS paid interest in respect of the minimum reserves system ("MRS") to banks of EUR 47 thousand (2015: EUR 211 thousand). Paid interest on MRS decreased by 78% resulting from a decrease of the interest rate for main refinancing operations in 2016 (refer to Chart 3). In accordance with the Decision of the European Central Bank (ECB/2014/23) of 5 June 2014 on the remuneration of deposits, balances and holdings of excess reserves, reserve holdings exceeding the MRS are remunerated at 0% p.a. or the deposit facility rate, whichever is lower (refer to Chart 3). Due to the application of a negative interest rate the Bank received interest from the exceeded compulsory minimum reserves of EUR 2,866 thousand (EUR 690 thousand in 2015) and EUR 29 thousand from a deposit facility (EUR 16 thousand in 2015).

Chart 3



1.2.2. Administration of Investment Reserves

The administration of reserves refers to the management of investment portfolios held for trading. These consist mainly of securities, currency swaps, interest rate swaps, repo transactions, gold repo transactions and transactions on nostro accounts.

In 2016, the NBS reported a profit of EUR 55,729 thousand from the administration of investment reserves (refer to Table 4). This result was favourably influenced mainly by a net profit from operations with securities amounting to EUR 47,412 thousand and foreign exchange gains of EUR 16,332 thousand (mainly as a result of a decrease of the XDR position in the IMF due to the repayment of loans granted within the Financial transactions plan in February 2016 and an increase of the membership quota in the IMF). 73 % (2015: 83 %) of the Bank's investment portfolio consisted of bonds denominated in euro issued by monetary financial institutions and public sector of the euro area.

As a result of a decrease in the net Target 2 position, the NBS reported net interest paid from Target 2 in the amount of EUR 5 thousand (2015: net interest received of EUR 503 thousand at an average daily interest rate of 0.05%). The interest rate for Target 2 balances is based on the main refinancing rate, which decreased to 0% from 16 March 2016.

Dividends from Bank for International Settlements paid out for the financial year 2015/2016, represented EUR 774 thousand on income from operations with securities (2015: EUR 808 thousand, refer to Table 4, part of I.4).

Table 4: Profit/Loss from administration of investment reserves

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Administration of investment reserves	1				
Securities (I. 3 to 5):	2	47,412	113,466	42%	(66,054)
- interest income	3	45,122	105,211	43%	(60,089)
- income from operations with securities	4	5,851	12,042	49%	(6,191)
- costs of operations with securities and unrealized losses from revaluation	5	(3,561)	(3,787)	94%	226
Transactions with gold (I. 7, 8)	6	3,224	2,412	134%	812
- interest received	7	6,008	5,086	118%	922
- interest paid	8	(2,784)	(2,674)	104%	(110)
Transactions with derivatives (I. 10 to 13):	9	(12,445)	(19,206)	65%	6,761
- interest received	10	16,534	11,114	149%	5,420
- interest paid	11	(39,762)	(76,631)	52%	36,869
- income from transactions with derivatives	12	23,240	71,320	33%	(48,080)
- costs of transactions with derivatives and unrealized losses from revaluation	13	(12,457)	(25,009)	50%	12,552
Credit operations (I. 15, 16):	14	2,125	1,919	111%	206
- interest received	15	11,517	4,888	236%	6,629
- interest paid	16	(9,392)	(2,969)	316%	(6,423)
Current accounts and deposits (I. 18, 19):	17	(484)	(2,246)	22%	1,762
- interest received	18	1,956	494	396%	1,462
- interest paid	19	(2,440)	(2,740)	89%	300
Foreign exchange rate differences (I. 21 to 23):	20	16,332	(5,750)	x	22,082
- realized foreign exchange rate gains	21	321,150	584,845	55%	(263,695)
- realized foreign exchange rate losses	22	(303,265)	(578,364)	52%	275,099
- unrealized exchange rate losses from revaluation	23	(1,553)	(12,231)	13%	10,678
Receivables/payables against TARGET 2 (I. 25, 26):	24	(5)	503	x	(508)
- interest received	25	10	511	2%	(501)
- interest paid	26	(15)	(8)	188%	(7)
Fees (I. 28, 29):	27	(430)	(476)	90%	46
- fees received	28	153	227	67%	(74)
- fees paid	29	(583)	(703)	83%	120
Costs of administration of investment reserves	30	(375,812)	(705,116)	53%	329,304
Revenues from administration of investment reserves	31	431,541	795,738	54%	(364,197)
Profit/loss from administration of investment reserves (I. 30 and 31)	32	55,729	90,622	61%	(34,893)

The reported profit of EUR 2,125 thousand from credit operations consisted mainly of interest received from repo transactions of EUR 2,005 thousand and of interest received from a redistribution loan of EUR 113 thousand. The loan was provided to Slovenská záručná a rozvojová banka, a.s. to finance housing construction in 1990 (refer to Table 4, part of I. 15, 16).

The net loss from fees for administration of investment reserves amounting to EUR 430 thousand was influenced mainly by fees paid for administration and execution of operations on NBS accounts in banks.

1.2.3. Transactions with the 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 13,680 thousand (refer to Table 5).

The share of the NBS in the ECB's profit amounted to EUR 13,563 thousand, out of which EUR 10,604 thousand represents the NBS's share in the ECB's profit for 2016 and EUR 2,959 thousand represents the NBS's received share in the ECB's net profit for 2015 (2015: the share in ECB's profit amounted to EUR 10,548 thousand, out of which EUR 8,913 thousand represented the NBS's share in the ECB's profit for 2015 and EUR 1,635 thousand its share in the ECB's profit for 2014).

Received interest on claims from the transfer of foreign reserves into the ECB decreased by 79% and amounted to EUR 40 thousand (2015: EUR 193 thousand) as a result of a decreased interest rate for the main refinancing operations to 0% from 16 March 2016 (the receivable bears 85% of this rate).

The NBS received interest from the net receivable related to the allocation of euro banknotes within the Eurosystem in the amount of EUR 77 thousand (2015: interest received amounted to EUR 480 thousand).

Table 5: Profit/Loss from transactions with the ECB

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Transactions with ECB	1				
Claims equivalent to the transfer of foreign reserves to ECB (I. 3):	2	40	193	21%	(153)
- interest received	3	40	193	21%	(153)
Receivables/payables from issue of banknotes (I. 5):	4	77	480	16%	(403)
- interest received	5	77	480	16%	(403)
Share in the ECB's profit	6	13,563	10,548	129%	3,015
Costs of transactions with ECB	7	0	0	x	0
Revenues from transactions with ECB	8	13,680	11,221	122%	2,459
Profit/loss from transactions with ECB (I. 7 and 8)	9	13,680	11,221	122%	2,459

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 the monetary policy. The NBS reported a profit from transactions with clients and other bank operations of EUR 1,156 thousand (2015: loss of EUR 613 thousand). The favourable result was mainly due to interest received from current accounts and deposits in the amount of EUR 1,242 thousand, of which the most significant part represented interest received of EUR 1,152 thousand from Target 2 positions not used for the minimum reserve system. The interest rate for the deposit facility was used in line with the Decision of the ECB (ECB/2014/23).

Table 6: Profit/Loss from transactions with clients

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Transactions with clients	1				
Current accounts and clients' deposits (I. 3 to 6):	2	711	(1,050)	x	1,761
- interest received	3	1,242	175	710%	1,067
- interest received from the Slovak Republic	4	514	84	612%	430
- interest paid to the Slovak Republic	5	0	(147)	0%	147
- other interest paid	6	(1,045)	(1,162)	90%	117
Other banking operations (I. 8):	7	(1)	0	x	(1)
- increase / (decrease) of receivables from clients	8	(1)	0	x	(1)
Fees (I.10,11)	9	446	437	102%	9
- fees received	10	449	449	100%	0
- fees paid	11	(3)	(12)	25%	9
Cost of transactions with clients	12	(1,049)	(1,321)	79%	272
Revenues from transactions with clients	13	2,205	708	311%	1,497
Profit/(Loss) from transactions with clients (I.12 and 13)	14	1,156	(613)	x	1,769

1.3. Issue of Banknotes and Coins

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

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Issue of currency and collector coins	1				
Costs of printing banknotes and minting coins	2	(10,109)	(7,893)	128%	(2,216)
Revenues from issue of banknotes and coins	3	1,655	1,225	135%	430
Profit/(Loss) from issue of currency and collector coins	4	(8,454)	(6,668)	127%	(1,786)

In 2016, the currency issue costs in the amount EUR 10,109 thousand represented mainly the cost of printing 81.98 million pieces of banknotes with a nominal value of EUR 50 in the amount of EUR 6,107 thousand, of minting collector and circulation euro coins in the amount of EUR 3,917 thousand, which were used for the minting of 50.1 million pieces of circulation euro coins (out of which 28.9 million pieces were one-cent euro coins, 17 million pieces were two-cent euro coins, 2 million pieces were two-euro euro coins, 2 million pieces were commemorative circulation euro coins in the nominal value of EUR 2 and 0.2 million pieces were euro coins for annual collections) and of minting 38 thousand pieces of 5 kinds of collector coins (refer to Table 8).

In 2016, revenues from the issue of banknotes and coins comprised mainly revenues from the sale of collector coins. In annual comparison the increase occurred due to higher sales of coins issued in 2016 and in previous years and due to the impact of fluctuations in prices of precious metals on the London Stock Exchange.

Table 8: Collector and Commemorative Coins minted or issued in 2016

Name of commemorative circulation coin, collector coin	Number of coins in pcs
Silver collector coin with nominal value of EUR 10 Ladislav Nádaši-Jége – 150 th birth anniversary – issued on 19 January 2016 ¹⁾	8,800
Silver collector coin with nominal value of EUR 20 Historical Preservation Area of Banská Bystrica – issued on 30 March 2016 ¹⁾	8,300
Commemorative coin with nominal value of EUR 2 First Presidency of the Slovak Republic of the Council of the European Union – issued on 7 March 2016	1,000,000
Gold collector coin with nominal value of EUR 100 Bratislava Coronations –275 th anniversary of the coronation of Maria Theresia – issued on 17 May 2016	4,300
Silver collector coin with nominal value of EUR 10 First Presidency of the Slovak Republic of the Council of the European Union – issued on 14 June 2016	8,200
Silver collector coin with nominal value of EUR 10 Juraj Turzo – 400 th death anniversary – issued on 21 October 2016	8,500
Silver collector coin with nominal value of EUR 10 Ján Jessenius – 450 th birth anniversary – issued on 15 November 2016	8,500
Commemorative coin with nominal value of EUR 2 University Istropolitana – 550 th anniversary of the establishment – issued on 4 January 2017	1,000,000
Silver collector coin with nominal value of EUR 10 World Natural Heritage – Caves of Slovak Karst – issued on 13 February 2017	8,800
Total	2,055,400
thereof minted in 2016	2,038,300

1) Note: Silver collector coins Ladislav Nádaši-Jége – 150th birth anniversary and Historical Preservation Area of Banská Bystrica were minted in 2015.

1.4. Operating activities

Net costs (i.e. costs less revenues) for securing operations and administration in 2016 amounted to EUR 61,957 thousand. This represented an increase of 13% compared to the previous year.

Table 9: Profit/Loss from operating activities

	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Operating activities	1				
Staff costs	2	27,633	25,575	108%	2,058
Social costs	3	16,129	12,456	129%	3,673
Operating and administration expenses	4	19,970	17,584	114%	2,386
Depreciation of tangible assets	5	6,707	6,489	103%	218
Amortization of intangible assets	6	1,641	861	191%	780
Fees and contributions received from financial market entities	7	(6,787)	(5,176)	131%	(1,611)
Other operating revenues	8	(3,336)	(3,129)	107%	(207)
Operating costs	9	72,080	62,965	114%	9,115
Operating revenues	10	(10,123)	(8,305)	122%	(1,818)
Net costs from operating activities	11	61,957	54,660	113%	7,297

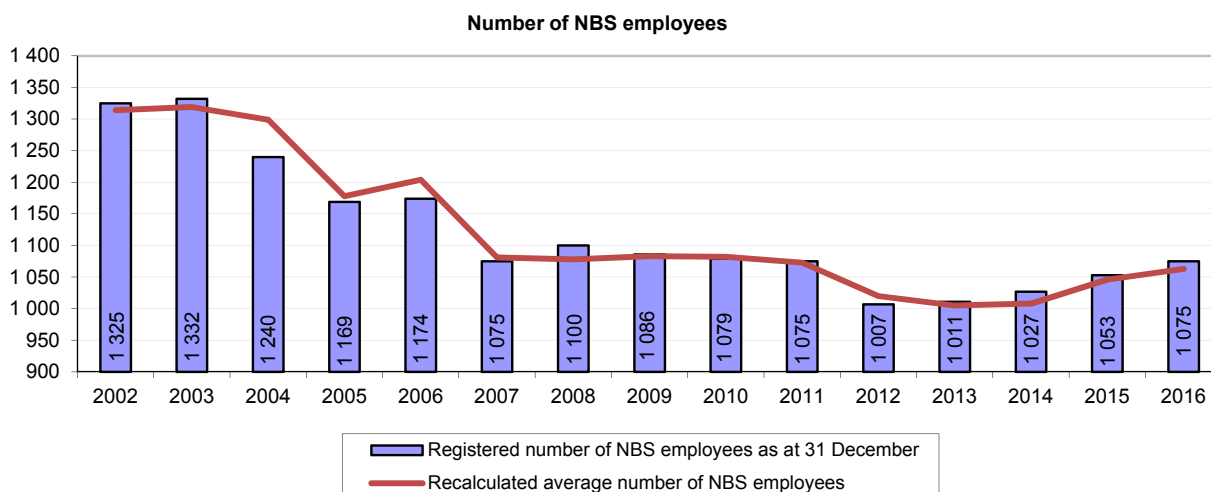
1.4.1 Staff Costs and Social Costs

In 2016, the average headcount was 1,063 employees, which represents an average annual increase of 17 employees. As at 31 December 2016, the NBS had a total of 1,075 employees (refer to Chart 4).

Staff costs include wages and salaries as well as other personnel costs. In 2016, they amounted to EUR 27,633 thousand. The annual increase is due to an increase in the number of employees, an increase of salaries and changes of the employee's structure.

The social costs for 2016 were in the total amount of EUR 16,129 thousand. 60% (EUR 9,726 thousand) of the social costs was represented by statutory social insurance paid to the Slovak Insurance Agency and to health insurance companies. The annual increase in social costs was mainly due to an increase of the base for statutory social insurance and the methodological changes of the long-term provisions creation in accordance with IAS 19.

Chart 4



1.4.2. Administrative and Operating Expenses and Revenues

Administrative and operating expenses and revenues relate to activities of individual organizational units of the NBS in performing the primary objective and tasks of the NBS resulting from the NBS Act.

In 2016, administrative and operating expenses amounted to EUR 28,318 thousand. They include operating and administration expenses of EUR 19,970 thousand and depreciation of tangible assets and amortization of intangible assets of EUR 8,348 thousand.

Expenses increased by 14% mainly due to higher depreciation and amortization resulting from the continuous increase in investment in information systems and common Eurosystem projects (especially Target). An increase was recorded in repair and maintenance expenses for buildings needed for removal of defects and emergency conditions on technological equipment and buildings. Other administrative and operating costs include the revaluation of buildings of closed local branches held for sale.

Operating revenues mainly consisted of contributions (EUR 6,560 thousand) and fees from the supervised financial market entities (EUR 227 thousand) and of received fees for the usage of the domestic interbank payment system SIPS (EUR 2,424 thousand).

Table 10: Operating and administration expenses

Item	L. No.	Actual figures		Δ 2016 2015	Year-on-year change
		2016	2015		
Costs of IS technical support and maintenance	1	4,835	4,637	104%	198
Repairs and maintenance	2	3,157	2,701	117%	456
Consumption of material	3	1,733	1,614	107%	119
Energy consumption	4	1,364	1,513	90%	(149)
Contributions to legal entities and membership	5	1,219	1,063	115%	156
Telecommunications costs (data transfer included)	6	1,133	1,080	105%	53
Travel costs	7	1,131	976	116%	155
Education	8	883	917	96%	(34)
Advertising costs, periodicals, non-periodicals, information brochures	9	497	468	106%	29
Financial donations	10	488	467	104%	21
Cleaning services	11	478	452	106%	26
Representation costs	12	415	369	112%	46
Costs of rating and audit	13	375	303	124%	72
Taxes and fees	14	257	290	89%	(33)
Rent	15	165	215	77%	(50)
Costs of protection of facilities and protection of transport of currency in circulation	16	152	147	103%	5
Insurance paid	17	115	134	86%	(19)
Costs of translation, interpreting and advisory services	18	79	46	172%	33
Other administrative and operating costs	19	1,494	192	778%	1,302
Services purchased and other operating and administration expenses (l. 1 to 19)	20	19,970	17,584	114%	2,386

2. Distribution of Profit/Loss

In accordance with Article 39 (4) of the Act on NBS, the result of the NBS's operations is either a profit or loss. The NBS uses the profit for the allocation into a reserve fund and other funds created from profit, or to cover losses from previous years. The loss generated in the reporting period can be settled from the reserve fund or from other funds. If the Bank Board decides that an incurred loss remains unsettled, it is transferred into the following accounting period.

In 2016, the NBS generated a profit of EUR 147,025 thousand. By the decision of the Bank Board of the NBS, dated 14 March 2017, the profit for the year 2016 was settled against the accumulated losses from previous years (refer to Table 11).

Table 11: Distribution of Profit / Settlement of Loss

Item	L. No.	Distribution of profit/loss	
		2016	2015
Profit/(Loss) for the current year	1	147,025	4,604
Transfer in funds (appropriations to) / transfers from :			
Statutory fund	2	0	0
Reserve fund	3	0	0
Capital funds	4	0	0
Profit /(Loss) for current year after transfers in funds (l. 1 to l. 4)			
	5	147,025	4,604
Transfer against losses from previous years	6	(147,025)	(4,604)
Profit/(Loss) for the current year after distribution (l. 5 + l. 6)	7	0	0

Bratislava, 14 March 2017


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