

Národná banka Slovenska

Supplement to the Independent Auditor's Report
on the Report on Results of Operations
of Národná banka Slovenska for 2017

and

Report on Results of Operations
of Národná banka Slovenska for 2017

Národná banka Slovenska

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT ON THE REPORT ON RESULTS OF OPERATIONS OF NÁRODNÁ BANKA SLOVENSKA FOR 2017

To the Bank Board of Národná banka Slovenska:

- I. We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2017 presented in the accompanying report on results of operations of the Bank, to which we issued an Independent Auditor's Report on the audit of the financial statements dated 6 March 2018 in the wording as follows:

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 2017, 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 2017, 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 (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.

Other Matter

The financial statements of Národná banka Slovenska for the year ended 31 December 2016 were audited by another auditor, which expressed an unqualified opinion thereon dated 14 March 2017.

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.

This is an English language translation of the original Slovak language document.

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.

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.

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.

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

When we obtain the annual report, we will evaluate 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 2017 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.

II. Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Report on Results of Operations of the NBS for 2017 – Supplement to the Independent Auditor's Report

The Bank Board of the NBS is responsible for information disclosed in the report on results of operations of Národná banka Slovenska for 2017 prepared under the requirements of the 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 report on results of operations.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the report on results of operations 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.

We evaluated whether the Bank's report on results of operations includes information whose disclosure is required by the Act on NBS.

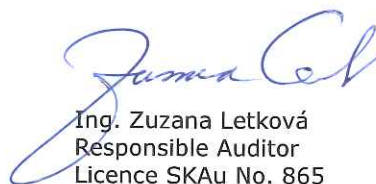
Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the report on results of operations prepared for 2017 is consistent with the financial statements for the relevant year; and
- The report on results of operations includes information pursuant to the Act on NBS.

Bratislava, 6 March 2018



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Ing. Zuzana Letková
Responsible Auditor
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Report on Results of Operations of Národná banka Slovenska for 2017

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1 PROFIT/LOSS OF THE NBS

1.1 Executive Summary

Národná banka Slovenska (the “NBS” or the “Bank”) reported a profit of EUR 127,712 thousand in 2017, total costs amounted to EUR 421,095 thousand and total revenues to EUR 548,807 thousand.

The NBS's profit was influenced by the recognised gain from financial activities of EUR 196,026 thousand, of which net operating costs represented EUR 65,335 thousand and net costs for the issue of currency and collector coins were EUR 2,979 thousand. The Bank paid a withholding tax of EUR 28,460 thousand to the state budget of the Slovak Republic from the revenues generated by domestic securities.

Table 1 Profit/Loss of the NBS

Profit/loss of the NBS	L. No.	Actual figures		Δ 2017 2016	Year-on-year change
		2017	2016		
Financial activities	1				
Profit/(Loss) from financial operations	2	196,026	187,436	105%	8,590
of which withholding tax	3	(28,460)	(18,057)	158%	(10,403)
Release/(Creation) of the general provision for financial risks	4	0	30,000	0%	(30,000)
Profit/(Loss) from financial activities	5	196,026	217,436	90%	(21,410)
Issue of currency and collector coins	6				
Profit/(Loss) from issue of currency and collector coins	7	(2,979)	(8,454)	35%	5,475
Operating activities	8				
Profit/(Loss) from operating activities	9	(65,335)	(61,957)	105%	(3,378)
Total costs for NBS	10	(421,095)	(449,041)	94%	27,946
Total revenues for NBS	11	548,807	596,066	92%	(47,259)
Profit/(Loss) of the NBS	12	127,712	147,025	x	(19,313)

Chart 1 Development of Costs, Revenues and Profit/Loss

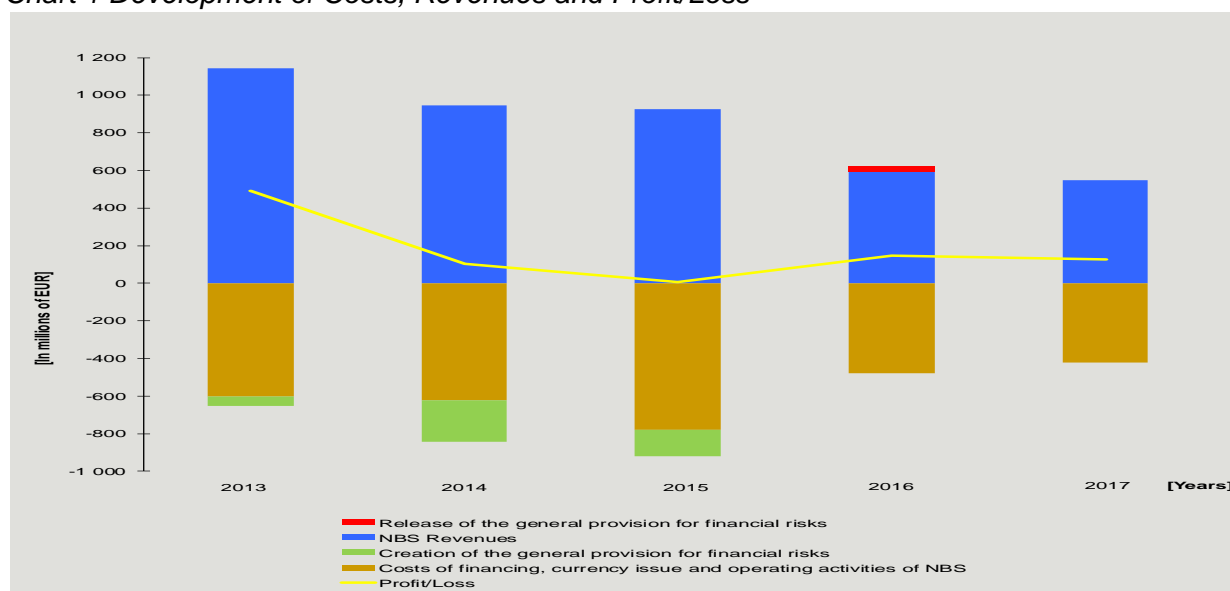
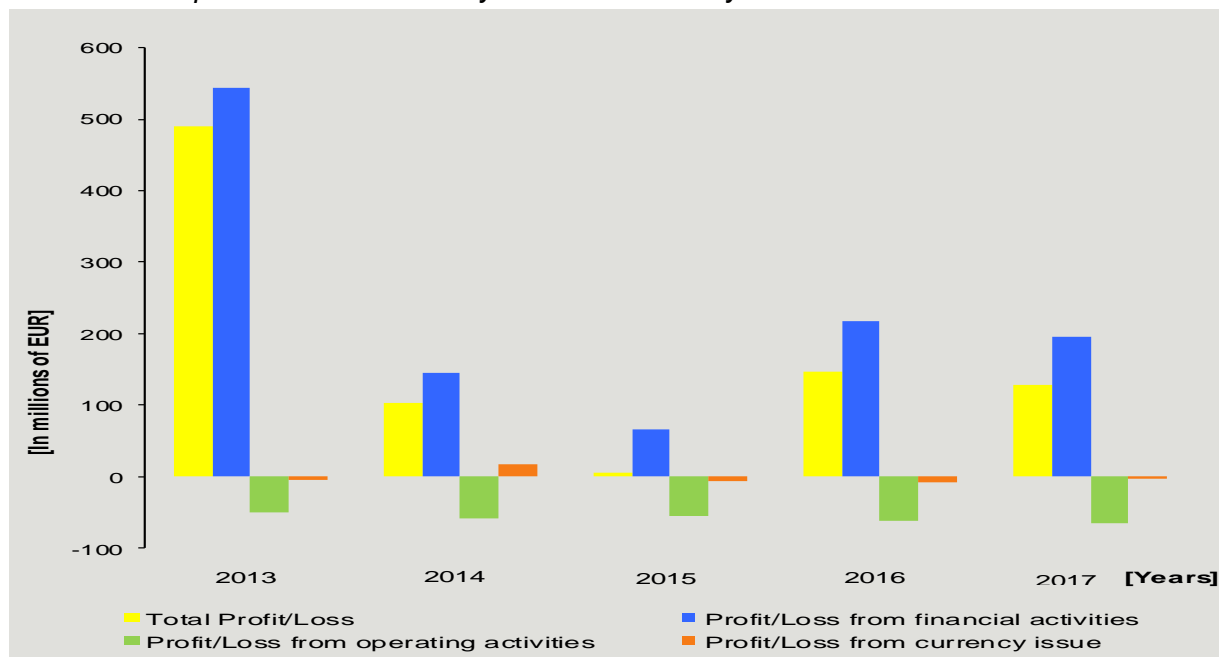


Chart 2 displays the impact of individual activities on the Bank's profit/loss for the year and its development since 2013. The result from financial activities significantly influences the Bank's profit/loss for the current year. The impact of the operating activities and currency issue is stable year-on-year.

Chart 2 Development of Profit/Loss by the Bank's Activity



1.2 Financial Activities

The NBS conducts financial transactions related to monetary policy operations in the euro area, the administration of investment reserves, transactions with the ECB and international institutions, transactions with the Slovak Republic and with other clients.

In 2017, financial activities generated a profit of EUR 196,026 thousand (EUR 187,436 thousand in 2016), which was primarily driven by the profit from monetary policy operations in the amount of EUR 129,997 thousand and a profit from the administration of investment reserves of EUR 43,340 thousand.

Table 2 Financial Activities

Financial activities	L. No.	Actual figures		Δ 2017 2016	Year-on-year change
		2017	2016		
Profit/(Loss) from monetary policy operations	1	129,997	116,871	111%	13,126
of which withholding tax	2	(28,460)	(18,057)	158%	(10,403)
Profit/(Loss) from administration of investment reserves	3	43,340	55,729	78%	(12,389)
Profit/(Loss) from transactions with ECB	4	13,330	13,680	97%	(350)
Profit/(Loss) from transactions with clients	5	9,359	1,156	x	8,203
Release/(Creation) of the general provision for financial risks	6	0	30,000	0%	(30,000)
Costs of financial activities	7	(339,688)	(366,852)	93%	27,164
Revenues from financial activities	8	535,714	584,288	92%	(48,574)
Profit/(Loss) from financial activities	9	196,026	217,436	90%	(21,410)

The portfolio of securities for monetary policy increased by almost a half compared to the previous year to EUR 19,881 million (EUR 13,739 mil. EUR as at 31 December 2016).

As part of structural operations, the NBS participated in the Covered Bond Purchase Programme ("CBPP1" and "CBPP3"), the Securities Markets Programme ("SMP") and the Public Sector Purchase Programme ("PSPP") resulting from the performance of the single monetary policy of the Eurosystem. The purchase of securities in 2017 was realised under the

CBPP3 and PSPP programmes. Closed programmes CBPP1 (2010) and SMP (2012) are gradually reduced according to the maturity.

The investment portfolio decreased due to the lack of investment opportunities to EUR 2,995 million. There was a 64% decrease in the investment portfolio denominated in euro to EUR 1,256 million (EUR 3,528 million as at 31 December 2016). The investment portfolio denominated in USD decreased by 20% in annual comparison to EUR 1,054 million (EUR 1,323 million as at 31 December 2016). In 2017, the Bank purchased securities from new investment portfolios denominated in GBP in the amount of EUR 437 million and portfolios denominated in CNY in the amount of EUR 248 million.

In accordance with the Decision of the Bank Board of the NBS of 30 January 2018, the general provision for financial risks was maintained at the level of EUR 630 million as at 31 December 2017.

The general provision for financial risks is created in accordance with ECB guideline ECB/2016/34 of 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 to eliminate uncertainty in respect of developments in financial markets and to protect against foreign exchange rate, interest rate, credit and gold price risk.

1.2.1 Monetary Policy Operations

For 2017, the NBS reported a profit from monetary policy operations of EUR 129,997 thousand (2016: profit of EUR 116,871 thousand). The result was primarily driven by the Bank's share of the monetary income of the Eurosystem and net income from structural operations of EUR 50,889 thousand (EUR 48,094 thousand in 2016). The Bank paid a withholding tax of EUR 28,460 thousand to the state budget of the SR from the CBPP3 and PSPP programmes.

Table 3 Monetary Policy Operations

Monetary policy operations	L. No.	Actual figures		Δ 2017 2016	Year-on-year change
		2017	2016		
Open market operations (I. 2, 5):	1	46,968	47,089	100%	(121)
Longer-term refinancing operations (I. 3, 4):	2	(3,921)	(1,005)	x	(2,916)
- interest received	3	19	282	7%	(263)
- interest paid	4	(3,940)	(1,287)	x	(2,653)
Structural operations (I. 6, 7):	5	50,889	48,094	106%	2,795
- interest received	6	79,349	66,151	120%	13,198
- withholding tax	7	(28,460)	(18,057)	158%	(10,403)
Standing facilities (I. 9):	8	193	31	x	162
- interest received	9	193	31	x	162
Minimum reserves system (I. 11, 12):	10	3,735	2,819	132%	916
- interest received	11	3,735	2,866	130%	869
- interest paid	12	0	(47)	0%	47
Share of monetary income of Eurosystem and a reserve for losses from MPO (I. 14 to 16):	13	78,139	67,096	116%	11,043
- revenue	14	78,928	67,100	118%	11,828
- expense	15	(33)	(4)	x	(29)
- reserve for losses from Eurosystem MPO	16	(756)	0	x	(756)
Fees, contractual penalties and other (I. 18 to 21):	17	962	(164)	x	1,126
- interest received	18	6	0	x	6
- interest paid	19	(7)	(2)	x	(5)
- fees received	20	1,729	432	x	1,297
- fees paid	21	(766)	(594)	129%	(172)
Costs of monetary policy operations	22	(33,962)	(19,991)	170%	(13,971)
Revenues from monetary policy operations	23	163,959	136,862	120%	27,097
Profit/(Loss) from monetary policy operations (I. 22 and 23)	24	129,997	116,871	111%	13,126

As at 31 December 2017, the NBS recognised purchased covered bonds at an amortised cost totalling EUR 35 million under the CBPP1 programme (of which net interest received was

recognised in the amount of EUR 1,835 thousand). Under the CBPP3 programme, it recognised bonds at an amortised cost of EUR 2,163 million (of which net interest received was recognised in the amount of EUR 13,226 thousand - after the payment of withholding tax in the amount of EUR 375 thousand). Under the SMP programme, it recognised bonds at an amortised cost of EUR 327 million (of which net interest received was recognised in the amount of EUR 19,096 thousand) and under the PSPP programme, it recognised securities at an amortised cost of EUR 17,356 million (of which net interest received was recognised in the amount of EUR 16,732 thousand - after the payment of withholding tax in the amount of EUR 28,085 thousand).

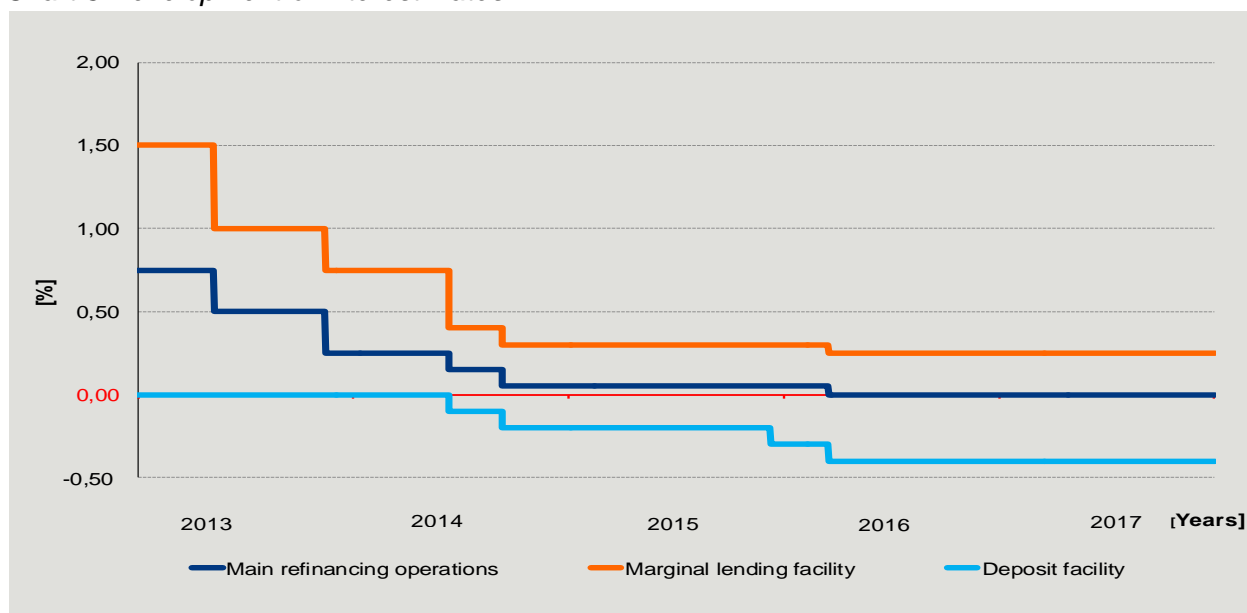
Under Decision of the ECB's Governing Council, the NBS created a reserve for losses from monetary policy operations amounting to its proportional share in the ECB's paid-up capital valid for 2017 of EUR 756 thousand.

The share of the monetary income of the Eurosystem amounted to EUR 78,895 thousand, of which EUR 78,928 thousand represented monetary income for 2017, and EUR 33 thousand represented costs from the correction of the monetary income for 2016 (2016: EUR 67,096 thousand, of which EUR 67,098 thousand represented monetary income for 2016, EUR 2 thousand represented interest received and EUR 4 thousand represented costs of the correction of monetary income for 2015).

As part of the second part of targeted longer-term refinancing operations, the NBS provided a loan with a maturity of 4 years, with a negative interest rate for deposit facilities, from which the NBS recorded an interest expense of EUR 3,940 thousand (EUR 1,287 thousand in 2016).

In accordance with Decision of European Central Bank ECB/2014/23 on the remuneration of deposits, balances and holdings of excess reserves, reserves exceeding the minimum reserve system (MRS) bear interest of 0% p.a. or of the deposit facility rate, whichever is lower. Due to the application of a negative interest rate, the Bank received interest from the exceeded compulsory minimum reserves of EUR 3,735 thousand (EUR 2,866 thousand in 2016) and EUR 193 thousand from deposit facilities (EUR 29 thousand in 2016). In 2017, the NBS reported no interest paid from the MRS (EUR 47 thousand in 2016) in connection with the 0% p.a. interest for the main refinancing operations applicable in the given year (see Chart 3).

Chart 3 Development of Interest Rates



1.2.2 Administration of Investment Reserves

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

In 2017, the NBS reported a profit of EUR 43,340 thousand from the administration of investment reserves (see Table 4). This result was primarily driven by a net profit from operations with securities amounting to EUR 51,882 thousand. 42% (2016: 73%) of the Bank's investment portfolio consisted of bonds denominated in euro primarily issued by monetary financial institutions and the public sector of the euro area, 35% were bonds denominated in USD, 15% were denominated in GBP, and 8% were denominated in CNY.

Dividends from the Bank for International Settlements paid for the financial year 2016/2017 represented EUR 1,051 thousand (2016: EUR 774 thousand, see Table 4, part of I.3).

Table 4 Administration of Investment Reserves

Administration of investment reserves	L. No.	Actual figures		Δ 2017 2016	Year-on- year change
		2017	2016		
Securities (I. 2 to 4):	1	51,882	47,412	109%	4,470
- interest income	2	36,571	45,122	81%	(8,551)
- income from operations with securities	3	19,771	5,851	x	13,920
- costs of operations with securities and unrealised losses from revaluation	4	(4,460)	(3,561)	125%	(899)
Transactions with gold (I. 6, 7):	5	5,068	3,224	157%	1,844
- interest received	6	6,023	6,008	100%	15
- interest paid	7	(955)	(2,784)	34%	1,829
Transactions with derivatives (I. 9 to 12):	8	3,240	(12,445)	x	15,685
- interest received	9	22,574	16,534	137%	6,040
- interest paid	10	(31,204)	(39,762)	78%	8,558
- income from transactions with derivatives	11	15,036	23,240	65%	(8,204)
- costs of transactions with derivatives and unrealised losses from revaluation	12	(3,166)	(12,457)	25%	9,291
Credit operations (I. 14, 15):	13	(12,043)	2,125	x	(14,168)
- interest received	14	5,028	11,517	44%	(6,489)
- interest paid	15	(17,071)	(9,392)	182%	(7,679)
Current accounts and deposits (I. 17, 18):	16	1,504	(484)	x	1,988
- interest received	17	4,810	1,956	246%	2,854
- interest paid	18	(3,306)	(2,440)	135%	(866)
Foreign exchange rate differences (I. 20 to 22):	19	(6,051)	16,332	x	(22,383)
- realised foreign exchange rate gains	20	238,063	321,150	74%	(83,087)
- realised foreign exchange rate losses	21	(237,121)	(303,265)	78%	66,144
- unrealised exchange rate losses from revaluation	22	(6,993)	(1,553)	x	(5,440)
Receivables/payables against Target2 (I. 24, 25):	23	0	(5)	0%	5
- interest received	24	0	10	0%	(10)
- interest paid	25	0	(15)	0%	15
Fees (I. 27, 28):	26	(260)	(430)	60%	170
- fees received	27	10	153	7%	(143)
- fees paid	28	(270)	(583)	46%	313
Costs of administration of investment reserves	29	(304,546)	(375,812)	81%	71,266
Revenues from administration of investment reserves	30	347,886	431,541	81%	(83,655)
Profit/loss from administration of investment reserves (I. 29 and 30)	31	43,340	55,729	78%	(12,389)

The reported loss of EUR 12,043 thousand from credit operations consisted mainly of net interest paid of EUR 12,142 thousand from repo transactions used for refinancing (see Table 4, I. 14, 15) and of interest received from a redistribution loan of EUR 97 thousand. The loan was provided to Slovenská záručná a rozvojová banka, a.s. to finance housing construction in 1990 (EUR 113 thousand in 2016). The year-on-year decrease in the profit from credit operations was due to the decrease in the volume of repo transactions in euro, while the volume of repo transactions in USD and the FED base rate increased.

The year-on-year decrease in exchange rate differences (EUR 22,383 thousand) was impacted by the decrease of the XDR foreign exchange position in the IMF in 2016.

1.2.3 Transactions with the ECB

Transactions with the ECB are executed 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. In 2017, the NBS reported a net profit of EUR 13,330 thousand from transactions with the ECB (see Table 5). This result was mainly driven by the share of the NBS in the ECB's net profit for 2017 in amount of EUR 10,840 thousand and the received share of the NBS of the ECB's net profit for 2016 of EUR 2,490 thousand (EUR 13,563 thousand in 2016).

In 2017, the NBS did not receive any interest on receivables from the transfer of foreign reserves to the ECB (2016: EUR 40 thousand) as a result of a 0% interest rate for the main refinancing operations (the receivable bears interest at 85% of this rate).

In 2017, the NBS reported no costs or revenues from receivables or liabilities related to the allocation of euro banknotes in the Eurosystem bearing the main refinancing rate (received interest from the net receivables in 2016: EUR 77 thousand).

Table 5 Transactions with the ECB

Transactions with ECB	L. No.	Actual figures		Δ 2017 2016	Year-on- year change
		2017	2016		
Receivables equivalent to the transfer of foreign reserves to ECB (I. 2):	1	0	40	0%	(40)
- interest received	2	0	40	0%	(40)
Receivables/payables from issue of banknotes (I. 4):	3	0	77	0%	(77)
- interest received	4	0	77	0%	(77)
Share in the ECB's profit	5	13,330	13,563	98%	(233)
Costs of transactions with ECB	6	0	0	x	0
Revenues from transactions with ECB	7	13,330	13,680	97%	(350)
Profit/loss from transactions with ECB (I. 6 and 7)	8	13,330	13,680	97%	(350)

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 monetary policy operations. The NBS reported a profit from transactions with clients and other bank operations of EUR 9,359 thousand (2016: profit of EUR 1,156 thousand). This positive result was mainly driven by interest of EUR 9,367 thousand received from Target2 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 Transactions with Clients

Transactions with clients	L. No.	Actual figures		Δ 2017 2016	Year-on- year change
		2017	2016		
Current accounts and clients' deposits (I. 2 to 4):	1	8,913	711	x	8,202
- interest received	2	9,448	1,242	x	8,206
- interest received from the Slovak Republic	3	640	514	125%	126
- other interest paid	4	(1,175)	(1,045)	112%	(130)
Other banking operations (I. 6):	5	(1)	(1)	100%	0
- increase / (decrease) of receivables from clients	6	(1)	(1)	100%	0
Fees (I. 8, 9):	7	447	446	100%	1
- fees received	8	451	449	100%	2
- fees paid	9	(4)	(3)	133%	(1)
Cost of transactions with clients	10	(1,180)	(1,049)	112%	(131)
Revenues from transactions with clients	11	10,539	2,205	x	8,334
Profit/(Loss) from transactions with clients (I.10 and 11)	12	9,359	1,156	x	8,203

1.3 Issue of Banknotes and Coins

In 2017, currency issue costs in the amount of EUR 4,452 thousand mainly comprised the cost of minting 43.6 million euro coins in circulation amounting to EUR 4,260 thousand (of which 20.5 million were one cent euro coins, 13.7 million were two cent euro coins, 6.1 million were five cent euro coins, 2.1 million were two euro coins, 1 million was commemorative circulation euro coins with a nominal value of EUR 2 and 0.2 million were euro coins for annual collections) and of minting 49 thousand collector coins (6 different types) (see Table 8).

In 2017, revenues from the issue of banknotes and coins mainly comprised revenues from the sale of collector coins.

Table 7 Issue of Banknotes and Coins

Issue of currency and collector coins	L. No.	Actual figures		Δ 2017 2016	Year-on- year change
		2017	2016		
Costs of printing banknotes and minting coins	1	(4,452)	(10,109)	44%	5,657
Revenues from issue of banknotes and coins	2	1,473	1,655	89%	(182)
Profit/(Loss) from issue of currency and collector coins	3	(2,979)	(8,454)	35%	5,475

Table 8 Collector and Commemorative Coins Minted or Issued in 2017

Name of commemorative circulation coin, collector coin	L. No.	Coin type	Nominal value	Issue date	Number of coins in pcs
Universitas Istropolitana – 550 th anniversary of the establishment	1	commem. circulation coin	EUR 2	04/01/2017	1,000,000
World Natural Heritage – Slovak Karst Caves	2	silver collector coin	EUR 10	13/02/2017	8,800
Preservation Area Levoča and 500 th anniversary of the completion of the main altar in St. Jacob's Church	3	silver collector coin	EUR 20	15/05/2017	9,600
Božena Slančíková-Timrava – 150 th birth anniversary	4	silver collector coin	EUR 10	20/09/2017	8,500
World Natural Heritage – Slovak Karst Caves	5	gold collector coin	EUR 100	15/11/2017	4,250
Establishment of the Slovak Republic – 25 th anniversary	6	commem. circulation coin	EUR 2	03/01/2018	1,000,000
Establishment of the Slovak Republic – 25 th anniversary	7	silver collector coin	EUR 25	03/01/2018	10,100
Recognition of the Slavonic liturgical language – 1150 th anniversary	8	silver collector coin	EUR 10	28/02/2018	8,800
Adam František Kollár – 300 th birth anniversary	9	silver collector coin	EUR 10	13/03/2018	7,500
Total:	10				2,057,550
of which melted in 2017	11				1,048,750

¹⁾ Note: The commemorative two-euro coin Universitas Istropolitana – 550th anniversary of the establishment and the silver collector coin World Natural Heritage – Slovak Karst Caves were melted in 2016

1.4 Operating Activities

Net costs (ie costs less revenues) for securing operations and administration in 2017 amounted to EUR 65,335 thousand. This represented an increase of 5% compared to the previous year

Table 9 Profit/Loss from Operating Activities

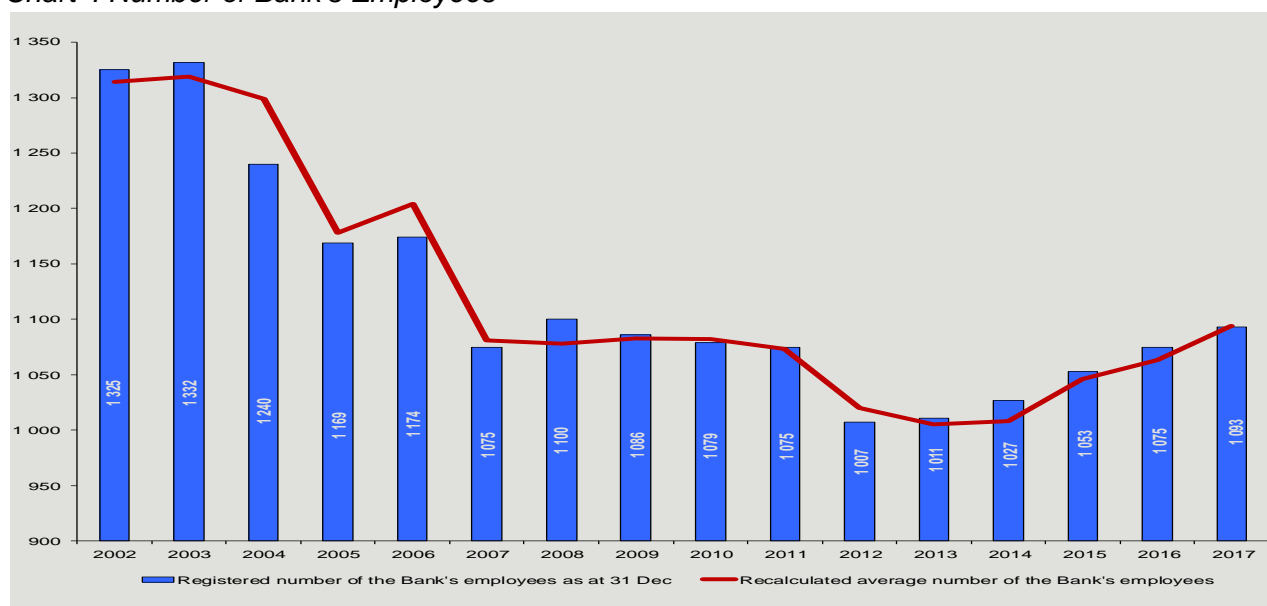
Operating activities	L. No.	Actual figures		Δ 2017 2016	Year-on-year change
		2017	2016		
Staff costs and social security costs	1	45,573	43,762	104%	1,811
Operating and administration expenses	2	22,624	19,970	113%	2,654
Depreciation of tangible assets	3	6,713	6,707	100%	6
Amortisation of intangible assets	4	2,045	1,641	125%	404
Fees and contributions received from financial market entities	5	(8,186)	(6,787)	121%	(1,399)
Other operating revenues	6	(3,434)	(3,336)	103%	(98)
Operating costs	7	76,955	72,080	107%	4,875
Operating revenues	8	(11,620)	(10,123)	115%	(1,497)
Net costs from operating activities	9	65,335	61,957	105%	3,378

1.4.1 Staff Costs and Social Security Costs

Staff costs include wages and salaries and other personnel expenses. In 2017, they amounted to EUR 29,678 thousand. The year-on-year increase is due to the increase in the number of employees dealing with financial market consumer protection, the growth of wages and salaries and more positions with a higher qualification level within the Bank's employee structure.

The full-time equivalent for 2017 was 1,094, an average increase of 31 employees compared with the previous year. As at 31 December 2017, the NBS recorded 1,093 employees (see Chart 4).

Chart 4 Number of Bank's Employees



Social security costs amounted to EUR 15,895 thousand in 2017. 68% of social security costs was statutory social insurance paid to the Slovak Insurance Agency and to health insurance companies (EUR 10,875 thousand).

1.4.2 Administrative and Operating Expenses and Revenues

Table 10 Administrative and Operating Expenses

Administrative and operating expenses	L No.	Actual figures		Δ 2017 2016	Year-on- year change
		2017	2016		
Costs of IS technical support and maintenance	1	4,692	4,835	97%	(143)
Repairs and maintenance	2	3,622	3,157	115%	465
Energy consumption	3	1,401	1,364	103%	37
Consumption of material	4	1,326	1,733	77%	(407)
Access, data transfer and telecommunication fees	5	1,295	1,133	114%	162
Contributions to legal entities and membership fees	6	1,235	1,219	101%	16
Travel costs	7	1,203	1,131	106%	72
Education	8	942	883	107%	59
Financial donations	9	530	488	109%	42
Advertising costs, periodicals, non-periodicals, information brochures	10	496	497	100%	(1)
Cleaning services	11	491	478	103%	13
Costs of rating and audit	12	380	375	101%	5
Representation costs	13	355	415	86%	(60)
Taxes and fees	14	260	257	101%	3
Costs of protection of facilities and protection of transport of currency in circulation	15	144	152	95%	(8)
Rent	16	132	165	80%	(33)
Insurance paid	17	121	115	105%	6
Costs of translation, interpreting and advisory services	18	101	79	128%	22
Other administrative and operating costs	19	3,898	1,494	x	2,404
Services purchased and other operating and administration expenses (l. 1 to 19)	20	22,624	19,970	113%	2,654

Administrative and operating expenses and revenues relate to activities of individual organisational units of the NBS in performing the NBS's primary objectives and tasks arising from the Act on NBS.

In 2017, administrative and operating expenses amounted to EUR 31,382 thousand. They comprise operating and administration expenses of EUR 22,624 thousand and depreciation of tangible assets and amortisation of intangible assets of EUR 8,758 thousand. Expenses primarily resulted from technical support, information system maintenance, maintenance and operating costs of premisses and equipment. Other administrative and operating costs comprise a provision for litigation of EUR 2,992 thousand.

Operating revenues primarily comprised contributions (EUR 7,979 thousand) and fees from the supervised financial market entities (EUR 207 thousand) and received fees for the usage of the domestic interbank payment system SIPS (EUR 2,582 thousand).

2 DISTRIBUTION OF PROFIT

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

In 2017, the NBS reported a profit of EUR 127,712 thousand. By a decision of the Bank Board of the NBS, dated 6 March 2018, the profit for 2017 was settled against the Accumulated losses from previous years (see Table 11).

Table 11 Proposal for the Distribution of Profit/Settlement of Loss

Distribution of Profit/Settlement of Loss	L. No.	2017	2016
Profit/(Loss) for the current year	1	127,712	147,025
Transfer in funds (allocations 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 (I. 1 to I. 4)	5	127,712	147,025
Transfer against losses from previous years	6	(127,712)	(147,025)
Profit/(Loss) for the current year after distribution (I. 5 + I. 6)	7	0	0

Bratislava, 6 March 2018

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