

## **Národná banka Slovenska**

Supplement to the Independent Auditor's Report  
on the Report on Results of Operations  
of Národná banka Slovenska for 2018

and

Report on Results of Operations  
of Národná banka Slovenska for 2018



## Národná banka Slovenska

### SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT ON THE REPORT ON RESULTS OF OPERATIONS OF NÁRODNÁ BANKA SLOVENSKA FOR 2018

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 2018 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 5 March 2019 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 2018, 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 2018, 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.

##### 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.

##### 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.

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

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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.

## II. Report on Other Legal and Regulatory Requirements

### **Report on Information Disclosed in the Report on Results of Operations of the NBS for 2018 – 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 2018 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 2018 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, 5 March 2019

  
Ing. Zuzana Letková, FCCA  
Responsible Auditor  
Licence SKAu No. 865

On behalf of  
Deloitte Audit s.r.o.  
Licence SKAu No. 014

# **Report on the Results of Operations of Národná banka Slovenska for 2018**

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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 172 336 thousand in 2018. Total expenses amounted to EUR 409 345 thousand and total income to EUR 581 681 thousand.

The NBS’s profit was mostly influenced by the result from financial activities of EUR 244 209 thousand. Net operating expenses amounted to EUR 65 644 thousand and net expenses for the issue of money in circulation and collector coins to EUR 6 229 thousand.

In accordance with the Decision of the Bank Board of the NBS of 29 January 2019, the general provision for financial risks was increased by EUR 30 million to EUR 660 million (as at 31 December 2017: EUR 630 million). The Bank paid a withholding tax of EUR 28 884 thousand to the state budget of the Slovak Republic from the income generated by domestic securities.

Table 1 Profit/loss of the NBS

Profit/loss of the NBS	L. No.	Actual figures		Δ 2018 2017	Year-on-year change
		2018	2017		
<b>Financial activities</b>	1				
Profit/(Loss) from financial operations	2	274 209	196 026	140%	78 183
of which withholding tax	3	(28 884)	(28 460)	101%	(424)
Creation/(Release) of the general provision for financial risks	4	(30 000)	0	x	(30 000)
Profit/(Loss) from financial activities, total	5	244 209	196 026	125%	48 183
<b>Issue of currency and collector coins</b>	6				
Profit/(Loss) from issue of currency and collector coins	7	(6 229)	(2 979)	x	(3 250)
<b>Operating activities</b>	8				
Profit/(Loss) from operating activities	9	(65 644)	(65 335)	100%	(309)
Total expenses for NBS	10	(409 345)	(421 095)	97%	11 750
Total income for NBS	11	581 681	548 807	106%	32 874
<b>Profit/(Loss) of the NBS, total</b>	12	<b>172 336</b>	<b>127 712</b>	<b>135%</b>	<b>44 624</b>

Chart 1 Development of Expenses, Income and Profit/loss

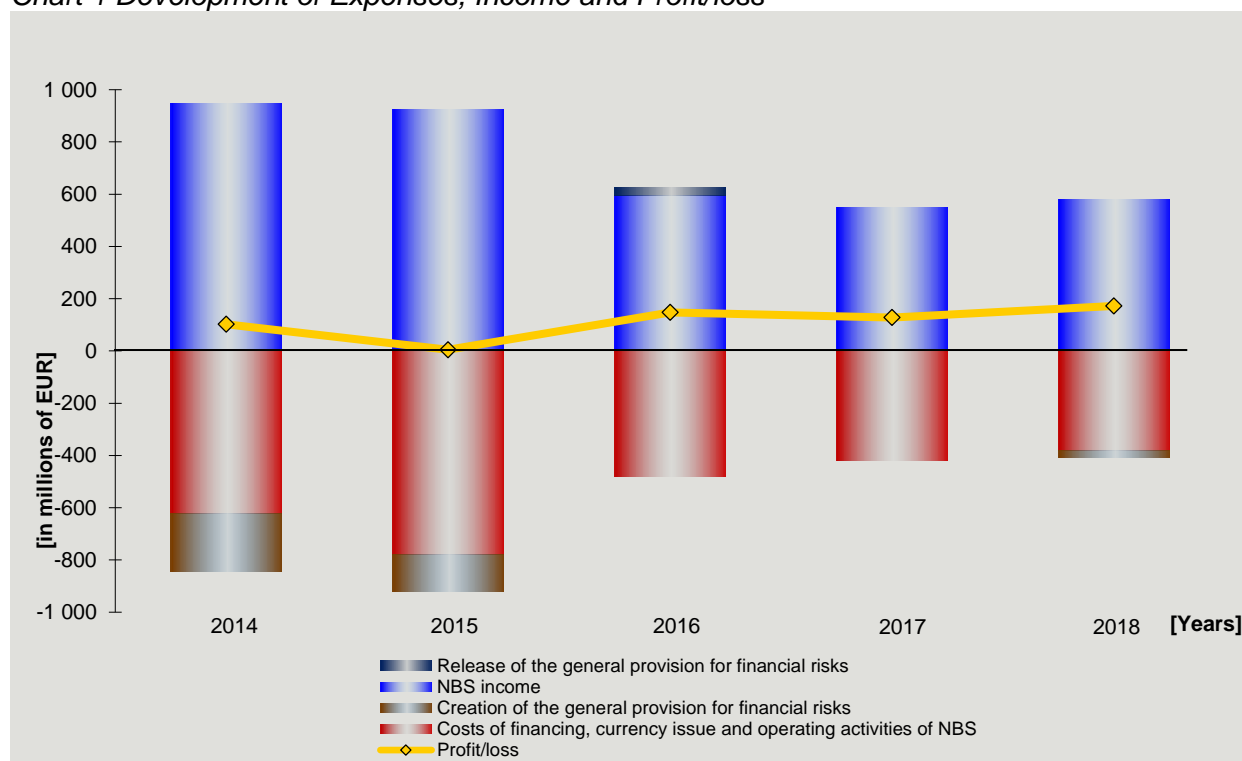
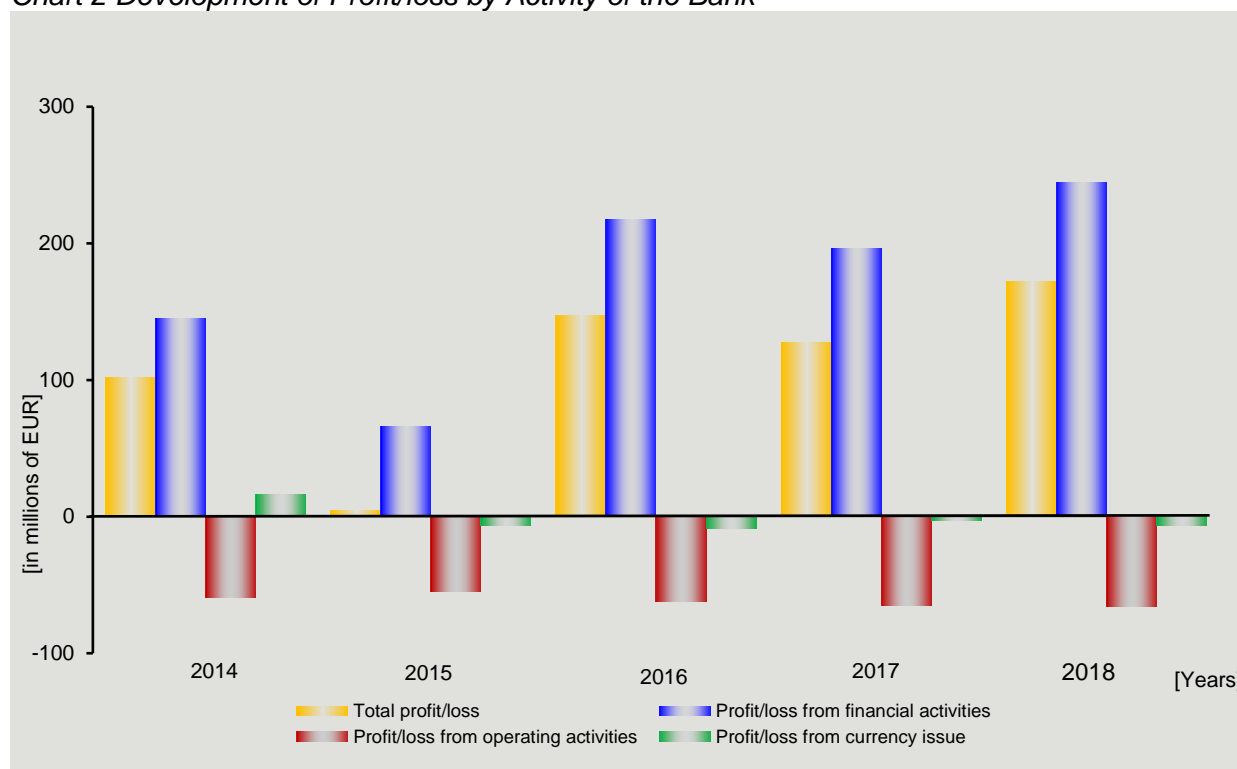


Chart 2 shows the impact of individual activities on the Bank's profit/loss for the year and its development since 2014. The result from financial activities continues to be critical as regards the Bank's profit/loss reported for the current year. The operating and currency issue activities are stable compared to the previous year.

*Chart 2 Development of Profit/loss by Activity of the Bank*



## 1.2 Financial Activities

As part of its activities, the NBS carries out single monetary policy operations in the euro area and the administration of investment reserves. The NBS also performs financial transactions with the European Central Bank, international institutions, the Slovak Republic and other clients.

In 2018, financial activities generated a profit of EUR 244 209 thousand (2017: EUR 196 026 thousand), which was positively affected above all by the profit from monetary policy operations in the amount of EUR 165 939 thousand and the profit from transactions with clients amounting to EUR 85 246 thousand. The profit from financial transactions was slightly decreased by additions to the general provision for financial risks in the amount of EUR 30 000 thousand.

Table 2 Financial Activities

Financial activities	L. No.	Actual figures		$\Delta$ 2018 2017	Year-on-year change
		2018	2017		
Profit/(Loss) from monetary policy operations	1	165 939	129 997	128%	35 942
of which withholding tax	2	(28 884)	(28 460)	101%	(424)
Profit/(Loss) from administration of investment reserves	3	6 800	43 340	16%	(36 540)
Profit/(Loss) from transactions with the ECB	4	16 224	13 330	122%	2 894
Profit/(Loss) from transactions with clients	5	85 246	9 359	x	75 887
<b>Profit/(Loss) from financial activities before creation/(release) of the general provision for financial risks</b>	<b>6</b>	<b>274 209</b>	<b>196 026</b>	<b>140%</b>	<b>78 183</b>
Creation/(Release) of the general provision for financial risks	7	(30 000)	0	x	(30 000)
Costs of financial activities	8	(322 690)	(339 688)	95%	16 998
Income from financial activities	9	566 899	535 714	106%	31 185
<b>Profit/(Loss) from financial activities</b>	<b>10</b>	<b>244 209</b>	<b>196 026</b>	<b>125%</b>	<b>48 183</b>

The portfolio of securities for monetary policy increased by 8.5% y/y to EUR 21 574 million (EUR 19 881 million as at 31 December 2017).

To implement the Eurosystem single monetary policy, the NBS continued to participate in the Covered Bond Purchase Programmes ("CBPP1" and "CBPP3"), the Securities Markets Programme ("SMP") and the Public Sector Purchase Programme ("PSPP"). The purchase of securities in 2018 was realised under the CBPP3 and PSPP programmes. CBPP1 (2010) and SMP (2012) are gradually reduced by maturities being reached.

On 13 December 2018, the Governing Council of the ECB terminated net purchases in the asset purchase programme ("APP") that covers CBPP3, PSPP, ABSPP and CSPP programmes. The principal amount from repaid securities purchased within the APP will continue to be invested over the next period, despite the termination of net purchases under the APP.

The investment portfolio increased to EUR 6 432 million y/y (EUR 2 995 million as at 31 December 2017). The investment portfolio denominated in EUR more than doubled to EUR 2 729 million (EUR 1 256 million as at 31 December 2017). The portfolio denominated in USD increased by 82% y/y to EUR 1 917 (EUR 1 054 million as at 31 December 2017). The portfolio denominated in GBP more than tripled to EUR 1 453 million and the portfolio denominated in CNY remained at the same level as in 2017. In 2018, securities from new investment portfolios denominated in CHF and JPY were purchased in the amount of EUR 85 million and EUR 1.5 million, respectively.

In accordance with the Decision of the Bank Board of the NBS of 29 January 2019, the general provision for financial risks was increased by EUR 30 million to EUR 660 million.

The general provision for financial risks is created in accordance with the ECB Guideline of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34) in order to hedge against foreign exchange rate, interest rate and credit risks, and risks related to price movements of gold, which is recognised in the Bank's equity.

### 1.2.1 Monetary Policy Operations

In 2018, the Bank generated a profit of EUR 165 939 thousand from monetary policy operations (2017: profit of EUR 129 997 thousand), which was positively affected by the NBS share in the Eurosystem monetary income of EUR 100 670 thousand and net interest income from structural operations of EUR 64 901 thousand (2017: profit of EUR 50 889 thousand). The Bank paid a withholding tax of EUR 28 884 thousand to the state budget of the Slovak Republic from the CBPP3 and PSPP programmes (2017: EUR 28 460 thousand).



*Table 3 Monetary Policy Operations*

Monetary policy operations	L. No.	Actual figures		$\Delta$ 2018 2017	Year-on-year change
		2018	2017		
<b>Open market operations (I. 2, 5):</b>	<b>1</b>	<b>60 582</b>	<b>46 968</b>	<b>129%</b>	<b>13 614</b>
<b>Longer-term refinancing operations (I. 3, 4):</b>	<b>2</b>	<b>(4 319)</b>	<b>(3 921)</b>	<b>110%</b>	<b>(398)</b>
- interest received	3	2	19	11%	(17)
- interest paid	4	(4 321)	(3 940)	110%	(381)
<b>Structural operations (I. 6 to 8):</b>	<b>5</b>	<b>64 901</b>	<b>50 889</b>	<b>128%</b>	<b>14 012</b>
- interest received	6	93 739	79 349	118%	14 390
- income	7	46	0	x	46
- withholding tax	8	(28 884)	(28 460)	101%	(424)
<b>Standing facilities (I. 10):</b>	<b>9</b>	<b>186</b>	<b>193</b>	<b>96%</b>	<b>(7)</b>
- interest received	10	186	193	96%	(7)
<b>Minimum reserves system (I. 12, 13):</b>	<b>11</b>	<b>4 025</b>	<b>3 735</b>	<b>108%</b>	<b>290</b>
- interest received	12	4 025	3 735	108%	290
- interest paid	13	0	0	x	0
<b>Share of monetary income of Eurosystem and a reserve for losses from MPO (I. 15 to 17):</b>	<b>14</b>	<b>99 658</b>	<b>78 139</b>	<b>128%</b>	<b>21 519</b>
- income	15	100 670	78 928	128%	21 742
- expense	16	0	(33)	0%	33
- reserve for losses from Eurosystem MPO	17	(1 012)	(756)	134%	(256)
<b>Fees, contractual penalties and other (I. 19 to 22):</b>	<b>18</b>	<b>1 488</b>	<b>962</b>	<b>155%</b>	<b>526</b>
- interest received	19	3	6	50%	(3)
- interest paid	20	(4)	(7)	57%	3
- fees received	21	2 275	1 729	132%	546
- fees paid	22	(786)	(766)	103%	(20)
Expenses for monetary policy operations	23	(35 007)	(33 962)	103%	(1 045)
Income from monetary policy operations	24	200 946	163 959	123%	36 987
<b>Profit/(Loss) from monetary policy operations (I. 23 and 24)</b>	<b>25</b>	<b>165 939</b>	<b>129 997</b>	<b>128%</b>	<b>35 942</b>

As at 31 December 2018, the NBS recognised purchased covered bonds at an amortised cost totalling EUR 10 million under the CBPP1 programme (of which net interest received was recognised in the amount of EUR 802 thousand). The amortised cost of the CBPP3 programme amounted to EUR 2 085 million, with net received interest of EUR 13 303 thousand (after deduction of withholding tax of EUR 687 thousand) and the amortised cost of the SMP programme amounted to EUR 183 million, with net received interest of EUR 10 706 thousand. Within the PSPP programme, the Bank records securities at amortised cost of EUR 19 295 million, of which net interest received was recognised in the amount of EUR 40 090 thousand (after deduction of withholding tax of EUR 28 197 thousand).

Under a decision of the ECB's Governing Council, the NBS created a provision for losses from the Eurosystem monetary policy operations amounting to its percentage share in the ECB's paid-up capital valid for 2018 in the amount of EUR 1 768 thousand. A provision created for 2017 in the amount of EUR 756 thousand was also reversed.

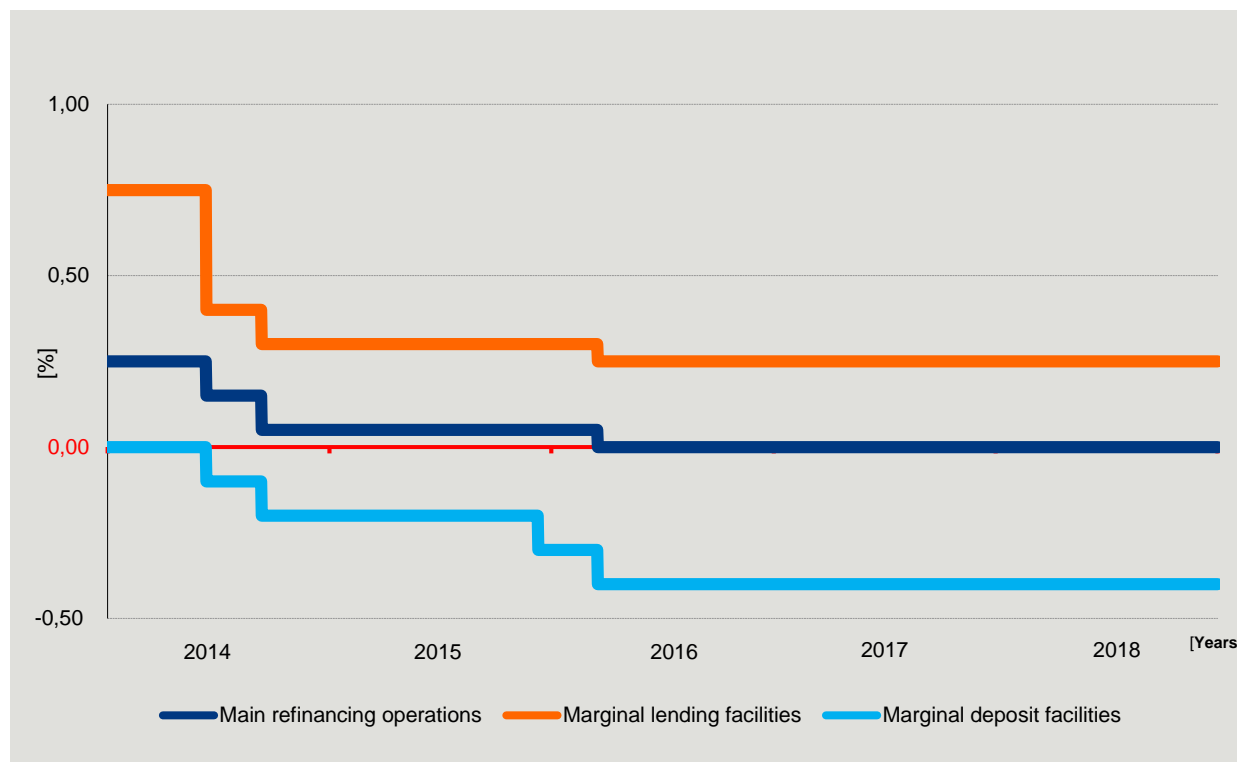
The NBS share in the Eurosystem monetary income totalled EUR 100 670 thousand (2017: EUR 78 895 thousand), of which EUR 96 805 thousand represented monetary income for 2018, and EUR 2 838 thousand and EUR 1 027 thousand represented a correction of the monetary income for 2017 and 2016, respectively.

Interest expense of EUR 4 321 thousand (2017: EUR 3 940 thousand) was recognised by the NBS from the second series of targeted longer-term refinancing operations, bearing a negative interest rate for deposit facilities and with a maturity of 4 years.

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 4 025 thousand (EUR 3 735 thousand in 2017) and EUR 186 thousand from deposit facilities (EUR 193 thousand in 2017). As regards the 0%

interest rate for the main refinancing operations applicable in the given year, the NBS recognised no paid interest from the MRS (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. Such portfolios mainly consist of securities, foreign exchange swaps, interest rate swaps, repo transactions, gold repo transactions and transactions on nostro accounts.

In 2018, the NBS reported a profit of EUR 6 800 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 43 879 thousand. The Bank's investment portfolio included 42% (2017: 42%) bonds denominated in EUR primarily issued by monetary financial institutions, 30% bonds denominated in USD, 23% bonds denominated in GBP, 4% bonds denominated in CNY, 1% bonds denominated in CHF and insignificant volume of bonds denominated in JPY. The total profit from securities was positively driven by interest income in the amount of EUR 58 694 thousand (EUR 36 571 thousand in 2017). Unrealised losses in the amount of EUR 18 940 thousand (EUR 2 921 thousand in 2017) had an adverse effect.

Dividends from the Bank for International Settlements paid for the 2017/2018 financial year amounted to EUR 812 thousand (2017: EUR 1 051 thousand) and dividends paid from equity shares in the Exchange Traded Fund amounted to EUR 567 thousand, see Table 4, part of I. 3).

*Table 4 Administration of Investment Reserves*

Administration of investment reserves	L. No.	Actual figures		$\Delta$ 2018 2017	Year-on- year change
<b>Securities (I. 2 to 4):</b>	<b>1</b>	<b>43 879</b>	<b>51 882</b>	<b>85%</b>	<b>(8 003)</b>
- interest income	2	58 694	36 571	160%	22 123
- income from operations with securities	3	5 068	19 771	26%	(14 703)
- costs of operations with securities and unrealised losses from revaluation	4	(19 883)	(4 460)	x	(15 423)
<b>Transactions with gold (I. 6, 7):</b>	<b>5</b>	<b>5 054</b>	<b>5 068</b>	<b>100%</b>	<b>(14)</b>
- interest received	6	5 054	6 023	84%	(969)
- interest paid	7	0	(955)	0%	955
<b>Transactions with derivatives (I. 9 to 12):</b>	<b>8</b>	<b>(13 804)</b>	<b>3 240</b>	<b>x</b>	<b>(17 044)</b>
- interest received	9	43 214	22 574	191%	20 640
- interest paid	10	(46 448)	(31 204)	149%	(15 244)
- income from transactions with derivatives	11	38 374	15 036	x	23 338
- costs of transactions with derivatives and unrealised losses from revaluation	12	(48 944)	(3 166)	x	(45 778)
<b>Credit operations (I. 14, 15):</b>	<b>13</b>	<b>(32 603)</b>	<b>(12 043)</b>	<b>x</b>	<b>(20 560)</b>
- interest received	14	4 246	5 028	84%	(782)
- interest paid	15	(36 849)	(17 071)	x	(19 778)
<b>Current accounts and deposits (I. 17, 18):</b>	<b>16</b>	<b>5 047</b>	<b>1 504</b>	<b>x</b>	<b>3 543</b>
- interest received	17	9 954	4 810	x	5 144
- interest paid	18	(4 907)	(3 306)	148%	(1 601)
<b>Foreign exchange rate differences (I. 20 to 22):</b>	<b>19</b>	<b>(489)</b>	<b>(6 051)</b>	<b>8%</b>	<b>5 562</b>
- realised foreign exchange rate gains	20	98 554	238 063	41%	(139 509)
- realised foreign exchange rate losses	21	(96 595)	(237 121)	41%	140 526
- unrealised exchange rate losses from revaluation	22	(2 448)	(6 993)	35%	4 545
<b>Receivables from/payables to Target2</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>x</b>	<b>0</b>
<b>Fees (I. 25, 26):</b>	<b>24</b>	<b>(284)</b>	<b>(260)</b>	<b>109%</b>	<b>(24)</b>
- fees received	25	35	10	x	25
- fees paid	26	(319)	(270)	118%	(49)
Costs of administration of investment reserves	27	(256 393)	(304 546)	84%	48 153
Income from administration of investment reserves	28	263 193	347 886	76%	(84 693)
<b>Profit/loss from administration of investment reserves (I. 27 and 28)</b>	<b>29</b>	<b>6 800</b>	<b>43 340</b>	<b>16%</b>	<b>(36 540)</b>

The Bank recognised net expenses of EUR 13 804 thousand in respect of derivative transactions. In 2018, the NBS used interest rate swaps and to a greater degree futures contracts to manage credit risk. The y/y decrease in profit from derivative transactions was mainly due to the loss from the valuation of interest rate swaps at fair value of EUR 16 927 thousand.

The reported loss of EUR 32 603 thousand from credit operations consisted mainly of net interest paid of EUR 32 681 thousand from repo transactions used for refinancing (see Table 4, I. 14, 15). This item also includes interest of EUR 83 thousand received from a redistribution loan provided by Slovenská záručná a rozvojová banka, a.s. to finance housing construction in 1990 (EUR 97 thousand in 2017). The y/y increase in the loss from credit operations was due to the higher volume of repo transactions and due to the increased base rate of FED and the Bank of England.

### 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. The Bank reported a net profit of EUR 16 224 thousand from transactions with the ECB (2017: EUR 13 330 thousand), see Table 5, which mainly consisted of the share of the NBS in the ECB's net profit for 2018 in amount of EUR 13 074 thousand and the received share of the NBS of the ECB's net profit for 2017 in amount of EUR 3 150 thousand.

In 2017 and 2018, the NBS did not receive any interest on receivables from the transfer of foreign reserves to the ECB and recognised no expenses or income from receivables or liabilities related to the allocation of euro banknotes in the Eurosystem due to a 0% interest rate for the main refinancing operations.

Table 5 Transactions with the ECB

Transactions with the ECB	L. No.	Actual figures		$\Delta$ 2018 2017	Year-on- year change
		2018	2017		
Receivables from the transfer of foreign reserves to the ECB	1	0	0	x	0
Receivables/payables from issue of banknotes	2	0	0	x	0
Share in the ECB's profit	3	16 224	13 330	122%	2 894
Costs of transactions with the ECB	4	0	0	x	0
Income from transactions with the ECB	5	16 224	13 330	122%	2 894
<b>Profit/loss from transactions with the ECB (l. 4 and 5)</b>	<b>6</b>	<b>16 224</b>	<b>13 330</b>	<b>122%</b>	<b>2 894</b>

## 1.2.4 Transactions with Clients

This area covers expenses and income incurred 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 85 246 thousand (2017: profit of EUR 9 359 thousand). This positive result was mainly driven by interest of EUR 85 399 thousand received from Target2 positions that are not used for the minimum reserve system.

The interest rate for the deposit facility was used in line with Decision of the ECB (ECB/2014/23).

Table 6 Transactions with Clients

Transactions with clients	L. No.	Actual figures		$\Delta$ 2018 2017	Year-on- year change
		2018	2017		
<b>Current accounts and clients' deposits (l. 2 to 4):</b>	<b>1</b>	<b>84 811</b>	<b>8 913</b>	<b>x</b>	<b>75 898</b>
- interest received	2	85 461	9 448	x	76 013
- interest received from the Slovak Republic	3	633	640	99%	(7)
- other interest paid	4	(1 283)	(1 175)	109%	(108)
<b>Other banking operations (l. 6):</b>	<b>5</b>	<b>(1)</b>	<b>(1)</b>	<b>100%</b>	<b>0</b>
- increase/(decrease) of receivables from clients	6	(1)	(1)	100%	0
<b>Fees (l. 8, 9):</b>	<b>7</b>	<b>436</b>	<b>447</b>	<b>98%</b>	<b>(11)</b>
- fees received	8	442	451	98%	(9)
- fees paid	9	(6)	(4)	150%	(2)
Cost of transactions with clients	10	(1 290)	(1 180)	109%	(110)
Income from transactions with clients	11	86 536	10 539	x	75 997
<b>Profit/(Loss) from transactions with clients (l.10 and 11)</b>	<b>12</b>	<b>85 246</b>	<b>9 359</b>	<b>x</b>	<b>75 887</b>

## 1.3 Issue of Banknotes and Coins

Currency issue activities led to costs of printing banknotes and minting coins in circulation and collector coins totalling EUR 7 944 thousand in 2018. The Bank produced 84.5 million banknotes with a nominal value of EUR 50 and EUR 5, minted 40.8 million circulation coins and 6 types of collector coins, in a total of 51 thousand coins (see Table 8).

The y/y increase in costs, mainly caused by the relocation of the printing of EUR 50 banknotes in 2017 in the amount of EUR 3 688 thousand, was partially eliminated by lower costs of minting circulation and commemorative coins.

In 2018, income 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		$\Delta$ <u>2018</u> 2017	Year-on- year change
		2018	2017		
Costs of printing banknotes and minting coins	1	(7 944)	(4 452)	178%	(3 492)
Income from issue of banknotes and coins	2	1 715	1 473	116%	242
<b>Profit/(Loss) from issue of currency and collector coins</b>	<b>3</b>	<b>(6 229)</b>	<b>(2 979)</b>	<b>x</b>	<b>(3 250)</b>

*Table 8 Collector and Commemorative Coins Minted or Issued in 2018*

Name of commemorative circulation coin, collector coin	L. No.	Coin type	Nominal value	Issue date	Number of coins in pcs
25th anniversary of the establishment of the Slovak Republic	1	commemorative circulation coin	2 eur	3.1.2018	1 000 000
25th anniversary of the establishment of the Slovak Republic	2	silver collector coin	25 eur	3.1.2018	10 100
1150th anniversary of the recognition of the Slavonic liturgical language	3	silver collector coin	10 eur	28.2.2018	8 800
Commemorating the 300th anniversary of the birth of Adam František Kollár	4	silver collector coin	10 eur	13.3.2018	7 500
200th anniversary of the first time a steamer sailed on the Danube River in Bratislava	5	silver collector coin	10 eur	22.5.2018	8 400
150th anniversary of the birth of Dušan Samuel Jurkovič	6	silver collector coin	10 eur	10.7.2018	7 600
The spontaneous, non-violent civic resistance against the Warsaw Pact invasion of August 1968	7	silver collector coin	10 eur	9.8.2018	9 500
100th anniversary of the establishment of the Czechoslovak Republic	8	silver collector coin	10 eur	23.10.2018	10 800
Bratislava Coronations - 400th anniversary of the Coronation of Ferdinand II.	9	gold collector coin	100 eur	19.11.2018	4 250
The 10th anniversary of the introduction of the euro in Slovakia	10	silver collector coin	10 eur	8.1.2019	10 600
<b>Total:</b>	<b>11</b>				<b>1 077 550</b>
of which minted in 2018	12				51 150

Note: The commemorative two-euro coin 25th anniversary of the establishment of the Slovak Republic and silver collector coins: 25th anniversary of the establishment of the Slovak Republic, 1150th anniversary of the recognition of the Slavonic liturgical language and Commemorating the 300th anniversary of the birth of Adam František Kollár were minted in 2017

## 1.4 Operating Activities

Net expenses (ie expenses less income) for securing operations and administration in 2018 amounted to EUR 65 644 thousand, ie at the same level as in 2017.

*Table 9 Profit/loss from Operating Activities*

Operating activities	L. No.	Actual figures		$\Delta$ <u>2018</u> 2017	Year-on-year change
		2018	2017		
Staff costs and social security expenses	1	(47 456)	(45 573)	104%	(1 883)
Operating and administrative expenses	2	(22 233)	(22 624)	98%	391
Depreciation of tangible assets	3	(6 822)	(6 713)	102%	(109)
Amortisation of intangible assets	4	(2 200)	(2 045)	108%	(155)
Fees and contributions received from financial market entities	5	9 555	8 186	117%	1 369
Other operating income	6	3 512	3 434	102%	78
Operating expenses	7	(78 711)	(76 955)	102%	(1 756)
Operating income	8	13 067	11 620	112%	1 447
<b>Profit/(Loss) from operating activities</b>	<b>9</b>	<b>(65 644)</b>	<b>(65 335)</b>	<b>100%</b>	<b>(309)</b>



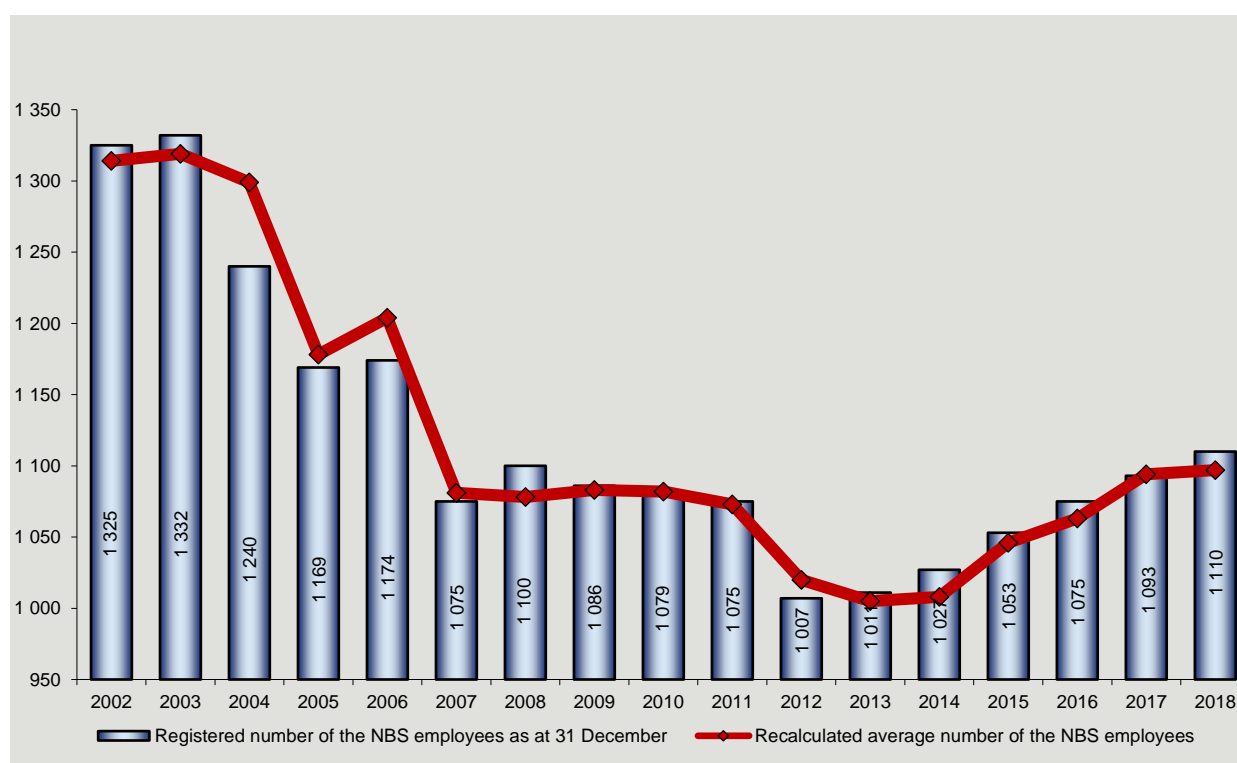
Operating income primarily comprised contributions (EUR 9 276 thousand) and fees from the supervised financial market entities (EUR 279 thousand), and received fees for the usage of the domestic interbank payment system SIPS (EUR 2 678 thousand).

### 1.4.1 Staff Costs and Social Security Costs

Staff costs include wages and salaries and other personnel expenses. In 2018, they amounted to EUR 31 293 thousand. The y/y increase of 5% is due to the creation of new positions following the amendment to the Act on Financial Intermediation and Financial Advisory, new tasks in payment services and the register of legal entities and wages growth.

Full-time equivalent for 2018 was 1 097, an average increase of 3 employees compared with the previous year. As at 31 December 2018, the NBS had 1 110 employees in total (see Chart 4).

Chart 4 Number of NBS Employees



Social security expenses amounted to EUR 16 163 thousand in 2018, of which 70% were statutory social contributions to social insurance funds paid to Sociálna poisťovňa, a.s. (Social Insurance Agency) and health insurance companies (EUR 11 346 thousand).

## 1.4.2 Administrative and Operating Expenses and Income

Table 10 Operating and Administrative Expenses

Administrative and operating expenses	L. No.	Actual figures		$\Delta$ 2018 2017	Year-on- year change
		2018	2017		
Costs of IS technical support and maintenance	1	5 864	4 692	125%	1 172
Repairs and maintenance	2	3 193	3 622	88%	(429)
Consumption of material	3	2 317	1 326	175%	991
Energy consumption	4	1 418	1 401	101%	17
Contributions to legal entities and membership fees	5	1 292	1 235	105%	57
Access, data transfer and telecommunication fees	6	1 230	1 295	95%	(65)
Travel expenses	7	1 181	1 203	98%	(22)
Education	8	983	942	104%	41
Entertainment expenses	9	590	355	166%	235
Financial donations	10	575	530	108%	45
Advertising expenses, periodicals, non-periodicals, information brochures	11	560	496	113%	64
Cleaning services	12	489	491	100%	(2)
Costs of rating and audit	13	318	380	84%	(62)
Taxes and fees	14	256	260	98%	(4)
Expenses for protection of facilities and protection of transport of currency in circulation	15	160	144	111%	16
Costs of translation, interpreting and advisory services	16	136	101	135%	35
Rent	17	128	132	97%	(4)
Insurance paid	18	124	121	102%	3
Other administrative and operating expenses	19	1 419	3 898	x	(2 479)
<b>Services purchased and other operating and administration expenses (l. 1 to 19)</b>	<b>20</b>	<b>22 233</b>	<b>22 624</b>	<b>98%</b>	<b>(391)</b>

Administrative and operating expenses and income relate to activities of individual organisational NBS units when performing the NBS's objectives and tasks arising from the Act on the NBS. In 2018, operating and administrative expenses totalled EUR 31 255 thousand, of which expenses for the operation and maintenance of buildings and equipment amounted to EUR 22 233 thousand and depreciation/amortisation of tangible and intangible assets to EUR 9 022 thousand.

Funds were mainly used for the technical support of the NBS information systems (including primarily an increased fee for the Target2 Securities system) and for servicing, maintenance and operation of buildings. Consumption of material included upgrade and supply of computing equipment to existing and new workplaces. Entertainment and promotion expenses resulted from the celebration of the 25<sup>th</sup> anniversary of the NBS establishment.

## 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 the 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, such a loss is transferred to the following reporting period.

In 2018, the NBS reported a profit of EUR 172 336 thousand. Based on a decision of the Bank Board of the NBS, dated 5 March 2019, the 2018 profit was settled in full against the Accumulated losses from previous years (see Table 11).

Table 11 Distribution of Profit/Settlement of Loss

Distribution of Profit/Settlement of Loss	L. No.	2018	2017
Profit/(Loss) for the current year	1	172 336	127 712
<b>(Allocations to)/transfers from funds:</b>			
Statutory fund	2	0	0
Reserve fund	3	0	0
Capital funds	4	0	0
<b>Profit /(Loss) for the current year after transfers in funds (l. 1 to l. 4)</b>	<b>5</b>	<b>172 336</b>	<b>127 712</b>
Settlement of a loss from previous years	6	(172 336)	(127 712)
<b>Profit/(Loss) for the current year after distribution (l. 5 + l. 6)</b>	<b>7</b>	<b>0</b>	<b>0</b>

Bratislava, 5 March 2019

  
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