

## **Národná banka Slovenska**

Supplement to the Independent Auditor's Report  
on the Report on Results of Operations  
of Národná banka Slovenska for 2019

and

Report on Results of Operations  
of Národná banka Slovenska for 2019



## Národná banka Slovenska

### SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT ON THE REPORT ON RESULTS OF OPERATIONS OF NÁRODNÁ BANKA SLOVENSKA FOR 2019

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 2019 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 3 March 2020 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 2019, 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 2019, 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 as amended (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.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

## II. Report on Other Legal and Regulatory Requirements

### **Report on Information Disclosed in the Report on Results of Operations of the NBS for 2019 – 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 2019 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 2019 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, 3 March 2020



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 2019

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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 212,065 thousand in 2019. Total expenses amounted to EUR 823,267 thousand and total income to EUR 1,035,332 thousand.

The profit was mostly influenced by the gain from financial activities of EUR 284,298 thousand. Net operating expenses amounted to EUR 66,818 thousand and net expenses for the issue of money in circulation and collector coins to EUR 5,415 thousand.

The Bank paid a withholding tax of EUR 35,075 thousand to the state budget of the Slovak Republic from the income generated by domestic securities.

In accordance with the Decision of the Bank Board of the NBS of 28 January 2020, the general provision for risks remained at the 2018 level (EUR 660 million as at 31 December 2018).

**Table 1 Profit/Loss of the NBS**

Profit/loss of the NBS	L. No.	Actual figures		$\Delta$ 2019/2018	Year-on-year change
		2019	2018		
<b>Financial activities</b>	<b>1</b>				
Profit/(loss) from financial operations	2	284,298	274,209	104%	10,089
of which withholding tax	3	(35,075)	(28,884)	121%	(6,191)
Creation (reversal) of a general provision for financial risks	4	0	(30,000)	0%	30,000
Total profit/(loss) from financial activities	5	284,298	244,209	116%	40,089
<b>Issue of money in circulation and collector coins</b>	<b>6</b>				
Profit/(loss) from the issue of money in circulation and	7	(5,415)	(6,229)	87%	814
<b>Operating activities</b>	<b>8</b>				
Profit/(loss) from operating activities	9	(66,818)	(65,644)	102%	(1,174)
Total expenses for NBS	10	(823,267)	(409,345)	x	(413,922)
Total income for NBS	11	1,035,332	581,681	178%	453,651
<b>Total profit/(loss) of the NBS</b>	<b>12</b>	<b>212,065</b>	<b>172,336</b>	<b>123%</b>	<b>39,729</b>

**Chart 1 Development of Expenses, Income and Profit/Loss**

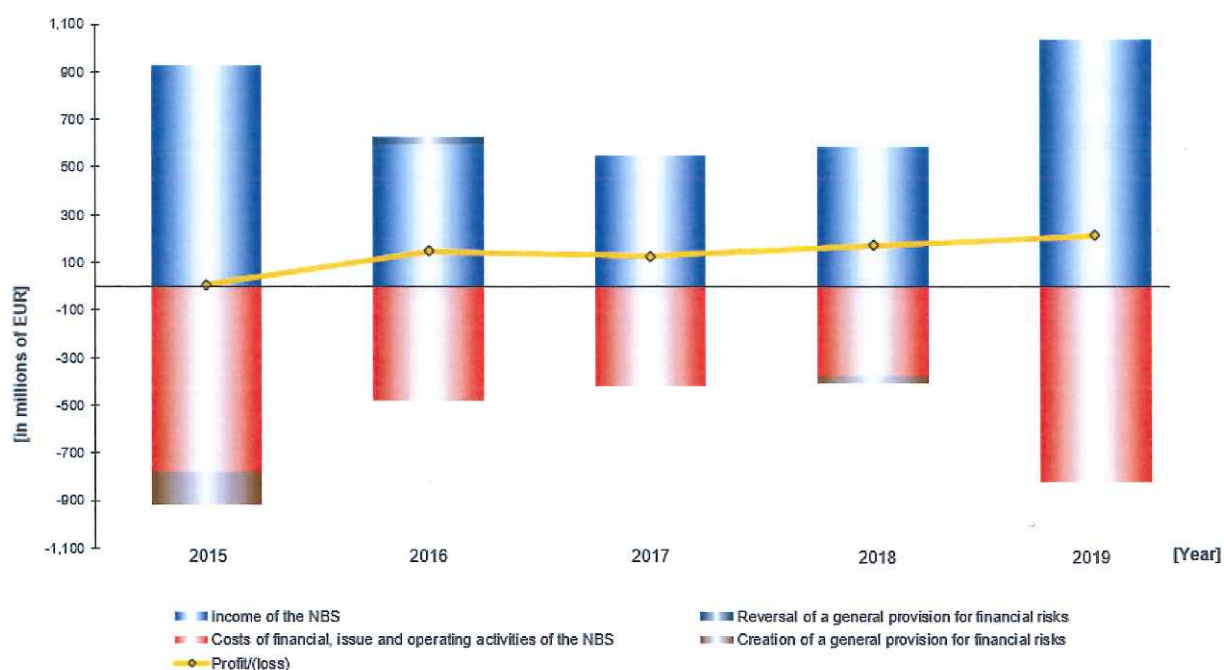
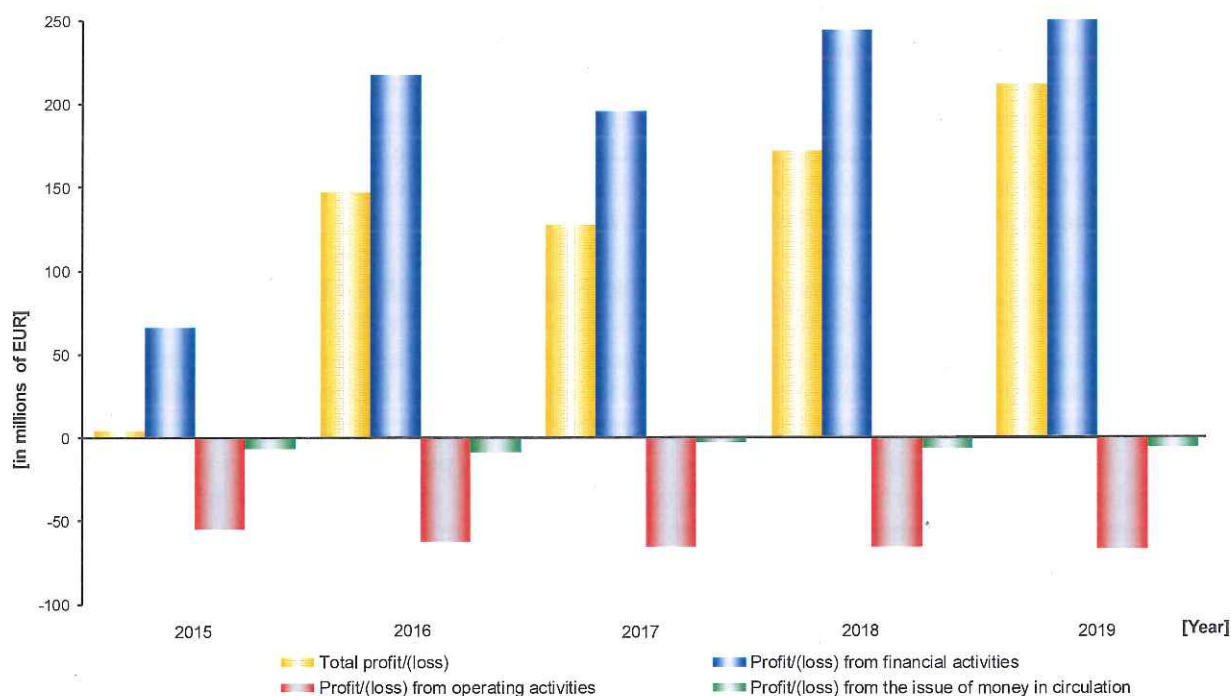




Chart 2 shows the impact of individual activities on the Bank's profit/loss for the year and its development since 2015. The result from financial activities continues to be a key factor for the Bank's total profit/loss. The operating and currency issue activities are stable compared to the previous year.

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



## 1.2 Financial Activities

The financial activities are related to 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 2019, financial activities generated a profit of EUR 284,298 thousand (2018: EUR 244,209 thousand), which was positively affected above all by the profit from monetary policy operations in the amount of EUR 163,212 thousand and the profit from transactions with clients amounting to EUR 87,362 thousand.

**Table 2 Financial Activities**

Financial activities	L. No.	Actual figures		Δ 2019 2018	Year-on-year change
		2019	2018		
Profit/(loss) from monetary policy operations	1	163,212	165,939	98%	(2,727)
of which withholding tax	2	(35,075)	(28,884)	121%	(6,191)
Profit/(loss) from administration of investment reserves	3	13,058	6,800	192%	6,258
Profit/(loss) from transactions with the ECB	4	20,666	16,224	127%	4,442
Profit/(loss) from transactions with clients	5	87,362	85,246	102%	2,116
<b>Total profit/(loss) from financial activities before the creation (reversal) of a general provision</b>	<b>6</b>	<b>284,298</b>	<b>274,209</b>	<b>104%</b>	<b>10,089</b>
Creation (reversal) of a general provision for financial risks	7	0	(30,000)	0%	30,000
Costs of financial activities	8	(733,408)	(322,690)	x	(410,718)
Income from financial activities	9	1,017,706	566,899	180%	450,807
<b>Total profit/(loss) from financial activities</b>	<b>10</b>	<b>284,298</b>	<b>244,209</b>	<b>116%</b>	<b>40,089</b>

The portfolio of securities held for single monetary policy operations of the Eurosystem increased by 1.9% y/y to EUR 21 987 million (EUR 21 574 million as at 31 December 2018).

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"). CBPP1 (purchases completed in 2010) and SMP (purchases completed in 2012) are gradually reduced when maturities are reached. The purchase of securities in 2019 was made under the CBPP3 and PSPP programmes.

A decision of the Governing Council of the ECB (December 2018) terminated, until November 2019, net purchases in the asset purchase programme ("APP") that covers the CBPP3, PSPP, ABSPP and CSPP programmes. The full principal amount from repaid securities purchased under the APP continued to be invested in this period. For government PSPPs, the allocation of reinvested securities was adjusted to bring national central banks closer to the share of the ECB's paid-up capital. The Governing Council decided to resume net purchases of securities under the APP monetary-policy programmes with effect from 1 November 2019.

The investment portfolio increased to EUR 8,243 million y/y (EUR 6,432 million as at 31 December 2018). The largest share of the portfolio is denominated in EUR, which increased to EUR 3,184 million (EUR 2,729 million as at 31 December 2018). The portfolio denominated in USD increased by 10% y/y to EUR 2,116 (EUR 1,917 million as at 31 December 2018). The portfolio denominated in GBP increased by 63% y/y to EUR 2,371 (EUR 1,453 million as at 31 December 2018). The portfolio in JPY increased to EUR 191 million (purchases for this portfolio started in December 2018), the portfolio in CHF increased to EUR 131 million (EUR 85 million in 2018) and the portfolio in CNY remains comparable to 2018 (EUR 250 million vs. EUR 247 million).

In accordance with the Decision of the Bank Board of the NBS of 28 January 2020, the general provision for financial risks (created in accordance with the ECB Guideline) remained at EUR 660 million, ie at the level as at 31 December 2018. 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 No. ECB/2016/34, as amended, 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 2019, the Bank reported a profit of EUR 163,212 thousand from monetary policy operations (2018: profit of EUR 165,939 thousand), which was positively affected by the NBS share of Eurosystem monetary income of EUR 91,208 thousand and net interest income from structural operations of EUR 69,338 thousand (2018: profit of EUR 64,901 thousand). The profit was reduced by withholding tax of EUR 35,075 thousand from the CBPP3 and PSPP programmes paid by the Bank to the state budget of the Slovak Republic (2018: EUR 28,884 thousand).



**Table 3 Monetary Policy Operations**

Monetary policy operations	L. No.	Actual figures		Δ 2019 2018	Year-on-year change
		2019	2018		
<b>Open market operations (I. 2, 5):</b>	<b>1</b>	<b>65,141</b>	<b>60,582</b>	<b>108%</b>	<b>4,559</b>
<b>Longer-term refinancing operations (I. 3, 4):</b>	<b>2</b>	<b>(4,197)</b>	<b>(4,319)</b>	<b>97%</b>	<b>122</b>
- interest received	3	0	2	0%	(2)
- interest paid	4	(4,197)	(4,321)	97%	124
<b>Structural operations (I. 6 to 8):</b>	<b>5</b>	<b>69,338</b>	<b>64,901</b>	<b>107%</b>	<b>4,437</b>
- interest received	6	104,413	93,739	111%	10,674
- income	7	0	46	0%	(46)
- withholding tax	8	(35,075)	(28,884)	121%	(6,191)
<b>Standing facilities (I. 10):</b>	<b>9</b>	<b>161</b>	<b>186</b>	<b>87%</b>	<b>(25)</b>
- interest received	10	161	186	87%	(25)
<b>Minimum reserves system (I. 12):</b>	<b>11</b>	<b>4,783</b>	<b>4,025</b>	<b>119%</b>	<b>758</b>
- interest received	12	4,783	4,025	119%	758
<b>Share in monetary income of the Eurosystem and provisions for losses from MPO (I. 14 to 16):</b>	<b>13</b>	<b>91,995</b>	<b>99,658</b>	<b>92%</b>	<b>(7,663)</b>
- income	14	91,384	100,670	91%	(9,286)
- expense	15	(176)	0	x	(176)
- provision for losses from MPO Eurosystem	16	787	(1,012)	x	1,799
<b>Fees, contractual penalties and other (I. 18 to 21):</b>	<b>17</b>	<b>1,132</b>	<b>1,488</b>	<b>76%</b>	<b>(356)</b>
- interest received	18	4	3	133%	1
- interest paid	19	(3)	(4)	75%	1
- fees received	20	1,936	2,275	85%	(339)
- fees paid	21	(805)	(786)	102%	(19)
Costs of monetary policy operations	22	(39,469)	(35,007)	113%	(4,462)
Income from monetary policy operations	23	202,681	200,946	101%	1,735
<b>Profit/(loss) from monetary policy operations (I. 22 and 23)</b>	<b>24</b>	<b>163,212</b>	<b>165,939</b>	<b>98%</b>	<b>(2,727)</b>

As at 31 December 2019, 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 406 thousand). The purchased volume of securities under the CBPP3 programme amounted to EUR 2,052 million at amortised cost, with net received interest of EUR 13,539 thousand (after payment of withholding tax of EUR 723 thousand). The SMP programme amounted to EUR 88 million at amortised cost, with net received interest of EUR 5,565 thousand. Under the PSPP programme, the Bank records securities at amortised cost of EUR 19,837 million, of which net interest received was recognised in the amount of EUR 49,828 thousand (after payment of withholding tax of EUR 34,352 thousand).

The NBS share of Eurosystem monetary income totalled EUR 91,208 thousand (2018: EUR 100,670 thousand) and consisted of monetary income for 2019 (EUR 91,384 thousand) and a correction of monetary income for 2018 (EUR 176 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 at the time of first impairment in the amount of EUR 981 thousand (2018: EUR 1,768 thousand).

Interest expense of EUR 4,197 thousand (2018: EUR 4,321 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") bore interest of 0% p.a. or of the deposit facility rate, whichever is lower. Based on the Governing Council's decision of 12 September 2019 (ECB/2019/31), a two-tier system for remunerating excess liquidity on the accounts of entities constituting PMR has been in effect since 30 October 2019. Due to a negative interest rate (-0.40% up to 17 September 2019 and -0.50% since 18 September 2019), in 2019, the Bank recognised received interest from the exceeded compulsory minimum reserves of EUR 4,783 thousand (2018: EUR 4,025 thousand) and EUR 161 thousand from deposit facilities (2018: EUR 186 thousand).

As regards the 0% interest rate for the main refinancing operations applicable in 2018 and 2019, 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. Such portfolios mainly consist of securities, foreign exchange swaps, interest rate swaps, repo transactions, gold repo transactions and transactions on nostro accounts.

The Bank's investment portfolio included 39% bonds denominated in EUR issued primarily by monetary financial institutions (2018: 42%), 26% bonds denominated in USD (2018: 30%), 29% bonds denominated in GBP (2018: 23%), 3% bond in CNY (2018: 4%), 2% in JPY (2018: 0.02%) and 1% in CHF.

In 2019, the NBS reported net income from investment reserve administration of EUR 13,058 thousand (see Table 4), which was adversely mainly affected by unrealised losses from the valuation of investment reserves recognised in the Bank's profit/loss at the end of the year in the amount of EUR 45,471 thousand (2018: EUR 38,314 thousand). Unrealised gains from the valuation of investment reserves were recognised and included in equity in the amount of EUR 110,134 thousand (2018: EUR 43,154 thousand). The stated volumes are without realised gains from gold.

The Bank generated a net profit of EUR 116,030 thousand from securities transactions (2018: EUR 43,879 thousand). The net interest income amounting to EUR 102,893 thousand (2018: EUR 58,694 thousand) had a positive impact, which was affected by an increase in the volume of the investment portfolio of securities compared to 2018 and a year-on-year decrease in unrealised loss on securities (EUR 2,336 thousand compared to EUR 18,940 thousand in 2018).

Dividends from the Bank for International Settlements paid for the 2018/2019 financial year amounted to EUR 859 thousand (2018: EUR 812 thousand) and dividends paid from equity shares in the Exchange Traded Funds amounted to EUR 3,143 thousand (2018: EUR 567 thousand), see Table 4, part of I. 3).



**Table 4 Administration of Investment Reserves**

Administration of investment reserves	L. No.	Actual 2019	Actual 2018	Δ 2019 2018	Year-on- year change
<b>Securities (I. 2 to 4):</b>	<b>1</b>	<b>116,030</b>	<b>43,879</b>	<b>x</b>	<b>72,151</b>
- interest income	2	102,893	58,694	175%	44,199
- income from operations with securities	3	15,513	5,068	x	10,445
- costs of operations with securities and unrealised losses from valuation	4	(2,376)	(19,883)	12%	17,507
<b>Transactions with gold (I. 6):</b>	<b>5</b>	<b>4,497</b>	<b>5,054</b>	<b>89%</b>	<b>(557)</b>
- interest received	6	4,497	5,054	89%	(557)
<b>Transactions with derivatives (I. 8 to 11):</b>	<b>7</b>	<b>(68,955)</b>	<b>(13,804)</b>	<b>x</b>	<b>(55,151)</b>
- interest received	8	60,758	43,214	141%	17,544
- interest paid	9	(86,104)	(46,448)	185%	(39,656)
- income from transactions with derivatives	10	26,912	38,374	70%	(11,462)
- costs of transactions with derivatives and unrealised losses from valuation	11	(70,521)	(48,944)	144%	(21,577)
<b>Credit operations (I. 13, 14):</b>	<b>12</b>	<b>(57,298)</b>	<b>(32,603)</b>	<b>176%</b>	<b>(24,695)</b>
- interest received	13	6,008	4,246	141%	1,762
- interest paid	14	(63,306)	(36,849)	172%	(26,457)
<b>Current accounts and deposits (I. 16, 17):</b>	<b>15</b>	<b>18,601</b>	<b>5,047</b>	<b>x</b>	<b>13,554</b>
- interest received	16	20,125	9,954	x	10,171
- interest paid	17	(1,524)	(4,907)	31%	3,383
<b>Foreign exchange rate differences (I. 19 to 21):</b>	<b>18</b>	<b>647</b>	<b>(489)</b>	<b>x</b>	<b>1,136</b>
- realised foreign exchange rate gains	19	468,870	98,554	x	370,316
- realised foreign exchange rate losses	20	(467,663)	(96,595)	x	(371,068)
- unrealised foreign exchange rate losses from valuation	21	(560)	(2,448)	23%	1,888
<b>Receivables from/payables to Target2</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>x</b>	<b>0</b>
<b>Fees (I. 24, 25):</b>	<b>23</b>	<b>(464)</b>	<b>(284)</b>	<b>163%</b>	<b>(180)</b>
- fees received	24	77	35	x	42
- fees paid	25	(541)	(319)	170%	(222)
Costs of administration of investment reserves	26	(692,595)	(256,393)	x	(436,202)
Income from administration of investment reserves	27	705,653	263,193	x	442,460
<b>Profit/(loss) from administration of investment reserves (I. 26 and 27)</b>	<b>28</b>	<b>13,058</b>	<b>6,800</b>	<b>x</b>	<b>6,258</b>

The Bank recognised net costs of EUR 68,955 thousand in respect of derivative transactions (2018: EUR 13,804 thousand). The NBS primarily uses interest rate swaps to manage interest rate risk. The volume of traded interest rate swaps in USD, GBP and EUR increased significantly in 2019, which was reflected in an increase in paid interest from interest rate swaps (y/y increase of EUR 25,912 thousand, part of I. 9) and in an increase in unrealised losses from these transactions (y/y increase of EUR 24,731 thousand, part of I. 11).

The net costs of EUR 57 298 thousand from credit operations consisted mainly of net interest paid of EUR 57,377 thousand from repo transactions used for refinancing (see Table 4, part of I. 13, 14). This item also includes interest of EUR 70 thousand received from a redistribution loan provided by Slovenská záručná a rozvojová banka, a.s. to finance housing construction in 1990 (2018: EUR 83 thousand). The y/y increase in the loss from credit operations was due to the higher volume of repo transactions (mainly in USD and GBP) and due to the increased base rate of the Bank of England and fluctuations in the FED's base rate.

### 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 20,666 thousand from transactions with the ECB (2018: EUR 16,224 thousand), see Table 5, which mainly consisted of the share of the NBS of the ECB's net profit for 2019 in the amount of EUR 16,452 thousand and the received share of the NBS of the ECB's net profit for 2018 in amount of EUR 4,214 thousand.

In 2018 and 2019, the NBS did not receive 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		Δ 2019 2018	Year-on- year change
		2019	2018		
Receivables from the transfer of foreign reserves to the ECB	1	0	0	x	0
Receivables/payables from the issue of banknotes	2	0	0	x	0
Share in the ECB's profit	3	20,666	16,224	127%	4,442
Costs of transactions with the ECB	4	0	0	x	0
Income from transactions with the ECB	5	20,666	16,224	127%	4,442
<b>Profit/(loss) from transactions with the ECB (l. 4 and 5)</b>	<b>6</b>	<b>20,666</b>	<b>16,224</b>	<b>127%</b>	<b>4,442</b>

## 1.2.4 Transactions with Clients

Such transactions include expenses incurred and income of the Bank from transactions with clients and other transactions with domestic banks not associated with monetary policy operations. The NBS reported a profit from these transactions of EUR 87,362 thousand (2018: profit of EUR 85,246 thousand). This positive result was mainly due to interest of EUR 87,645 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		Δ 2019 2018	Year-on- year change
		2019	2018		
<b>Client current accounts and deposits (l. 2 to 4):</b>	<b>1</b>	<b>86,921</b>	<b>84,811</b>	<b>102%</b>	<b>2,110</b>
- interest received	2	87,698	85,461	103%	2,237
- interest received from the Slovak Republic	3	557	633	88%	(76)
- other interest paid	4	(1,334)	(1,283)	104%	(51)
<b>Other banking operations (l. 6):</b>	<b>5</b>	<b>(3)</b>	<b>(1)</b>	<b>x</b>	<b>(2)</b>
- increase/(decrease) in receivables from clients	6	(3)	(1)	x	(2)
<b>Fees (l. 8, 9):</b>	<b>7</b>	<b>444</b>	<b>436</b>	<b>102%</b>	<b>8</b>
- fees received	8	451	442	102%	9
- fees paid	9	(7)	(6)	117%	(1)
Costs of transactions with clients	10	(1,344)	(1,290)	104%	(54)
Income from transactions with clients	11	88,706	86,536	103%	2,170
<b>Profit/(loss) from transactions with clients (l. 10 and 11)</b>	<b>12</b>	<b>87,362</b>	<b>85,246</b>	<b>102%</b>	<b>2,116</b>

## 1.3 Issue of Banknotes and Coins

Currency issue activities include costs of printing banknotes and minting coins in circulation and collector coins totalling EUR 7,233 thousand in 2019. The Bank produced 56.4 million banknotes with a nominal value of EUR 20, minted 54.6 million circulation coins and 7 types of collector coins totalling 67 thousand coins (see Table 8).

The y/y decrease in costs is mainly affected by the printing costs of euro banknotes lower by EUR 1,529 thousand (lower number of banknotes produced by 28.1 million pieces), which is partly eliminated by costs of minting circulation and collector coins higher by EUR 896 thousand.

In 2019, income from the issue of banknotes and coins mainly comprised revenues from the sale of collector coins, which are higher by EUR 121 thousand compared to 2018.

**Table 7 Issue of Banknotes and Coins**

Issue of money in circulation and collector coins	L. No.	Actual figures		$\Delta$ 2019 2018	Year-on-year change
		2019	2018		
Costs of printing banknotes and minting coins	1	(7,233)	(7,944)	91%	711
Revenues from the issue of banknotes and coins	2	1,818	1,715	106%	103
<b>Profit/(loss) from the issue of money in circulation and collector coins</b>	<b>3</b>	<b>(5,415)</b>	<b>(6,229)</b>	<b>87%</b>	<b>814</b>

**Table 8 Collector and Commemorative Coins Minted or Issued in 2019**

Name of commemorative circulation coin, collector coin	L. No.	Coin type	Nominal value	Issue date	Number of coins (pcs)
Introduction of the euro in the Slovak Republic – 10th anniversary	1	silver collector coin	EUR 10	1/8/2019	10,600
Milan Rastislav Štefánik – 100th anniversary of death	2	commem. circulation coin	EUR 2	4/25/2019	1,000,000
Milan Rastislav Štefánik – 100th anniversary of death	3	silver collector coin	EUR 10	4/25/2019	13,650
Comenius University in Bratislava – 100th anniversary of establishment	4	silver collector coin	EUR 10	6/27/2019	10,400
Michal Bosák – 150th anniversary of birth	5	silver collector coin	EUR 10	10/10/2019	9,150
Nomination of Alexander Rudnay as Archbishop of Esztergom – 200th anniversary	6	silver collector coin	EUR 10	11/5/2019	9,600
Great Moravian Prince Mojmir I.	7	gold collector coin	EUR 100	11/18/2019	4,100
Slovak National Theatre – 100th anniversary of establishment	8	silver collector coin	EUR 10	28.2.2020	11,300
Andrej Sládkovič – 200th anniversary of birth	9	silver collector coin	EUR 10	30.3.2020	9,150
<b>Total:</b>	<b>10</b>				<b>1,077,950</b>
of which minted in 2019	11				1,067,350

Note: Introduction of the euro in the Slovak Republic – 10th anniversary was minted in 2018

## 1.4 Operating Activities

Net expenses (ie expenses less income) for securing the Bank's operations and administration in 2019 amounted to EUR 66,818 thousand, a y/y increase of 2% (see Table 2).

Operating income primarily comprised contributions and fees from the supervised financial market entities amounting to EUR 11,995 thousand (2018: EUR 9,555 thousand), and received fees for the use of the domestic interbank payment system SIPS amounting to EUR 2,808 thousand.

**Table 9 Profit/Loss from Operating Activities**

Operating activities	L. No.	Actual figures		$\Delta$ 2019 2018	Year-on-year change
		2019	2018		
Staff costs and social security expenses	1	(53,455)	(47,456)	113%	(5,999)
Operating and administrative expenses	2	(19,928)	(22,233)	90%	2,305
Depreciation of tangible assets	3	(6,799)	(6,822)	100%	23
Amortisation of intangible assets	4	(2,444)	(2,200)	111%	(244)
Fees and contributions received from financial market entities	5	11,995	9,555	126%	2,440
Other operating income	6	3,813	3,512	109%	301
Operating expenses	7	(82,626)	(78,711)	105%	(3,915)
Operating income	8	15,808	13,067	121%	2,741
<b>Profit/(loss) from operating activities (loss)</b>	<b>9</b>	<b>(66,818)</b>	<b>(65,644)</b>	<b>102%</b>	<b>(1,174)</b>

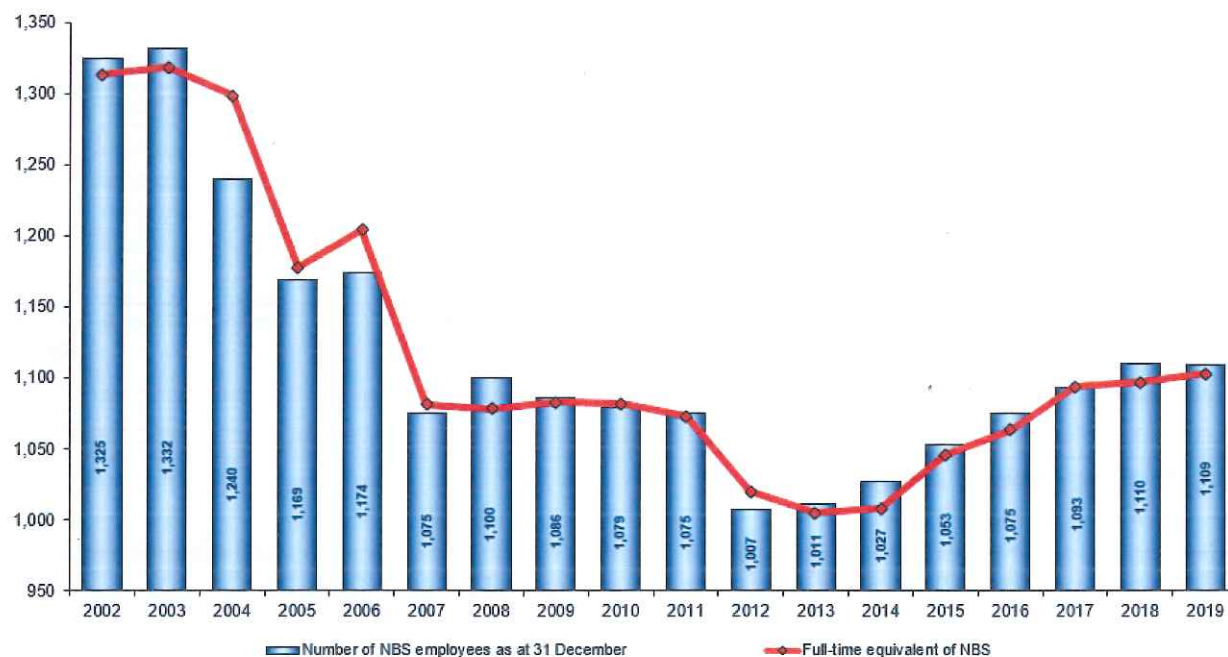


### 1.4.1 Staff Costs and Social Security Costs

Staff costs include wages and salaries, statutory insurance contributions and other personnel expenses. In 2019, they amounted to EUR 34,334 thousand.

The full-time equivalent for 2019 is 1,103, ie a y/y increase of 6 new employees for the Regulation and Financial Consumer Protection Departments. As at 31 December 2019, the NBS had 1,109 employees in total (see Chart 4).

**Chart 4 Number of NBS Employees**



Social security expenses amounted to EUR 19,121 thousand in 2019, of which 66% were statutory social contributions to social insurance funds paid to Sociálna poisťovňa, a.s. (Social Insurance Agency) and health insurance companies (EUR 12,580 thousand).



## 1.4.2 Administrative and Operating Expenses and Income

**Table 10 Operating and Administrative Expenses and Income**

Operating and administrative expenses and income	L. No.	Actual figures		Δ 2019 2018	Year-on- year change
		2019	2018		
Costs of technical support and maintenance of information systems	1	(4,943)	(5,864)	84%	921
Repairs and maintenance	2	(4,567)	(3,193)	143%	(1,374)
Consumed raw materials	3	(2,389)	(2,317)	103%	(72)
Consumed energy	4	(1,658)	(1,418)	117%	(240)
Contributions to legal entities and membership fees	5	(1,386)	(1,292)	107%	(94)
Access fees, data transfer fees and telecommunication expenses	6	(1,332)	(1,230)	108%	(102)
Travel expenses	7	(1,262)	(1,181)	107%	(81)
Education	8	(967)	(983)	98%	16
Promotion expenses, periodicals and other press and information materials	9	(675)	(560)	121%	(115)
Financial donations	10	(582)	(575)	101%	(7)
Cleaning services	11	(503)	(489)	103%	(14)
Entertainment expenses	12	(499)	(590)	85%	91
Costs of protecting buildings and protecting the transport of money in circulation	13	(394)	(160)	x	(234)
Rating and audit expenses	14	(364)	(318)	114%	(46)
Taxes and fees	15	(261)	(256)	102%	(5)
Rent	16	(240)	(128)	188%	(112)
Insurance premium paid	17	(123)	(124)	99%	1
Translation, interpretation and advisory expenses	18	(69)	(136)	51%	67
Other administrative and operating expenses and income	19	2,286	(1,419)	x	3,705
<b>Services purchased and other operating and administrative expenses (I. 1 to 19)</b>	<b>20</b>	<b>(19,928)</b>	<b>(22,233)</b>	<b>90%</b>	<b>2,305</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 2019, administrative and operating expenses amounted to EUR 29,171 thousand (2018: EUR 31,255 thousand). The expenses and income for the operation and management of buildings and equipment decreased y/y by 10% to EUR 19,928 thousand (2018: EUR 22,233 thousand) and depreciation/amortisation of tangible and intangible assets amounted to EUR 9,243 thousand (2018: EUR 9,022 thousand).

Funds were mainly used for the technical support and maintenance of the NBS information systems and for servicing, maintenance and operation of buildings. Repair expenses mainly relate to maintenance of buildings and facilities for processing money in circulation. Energy consumption is mainly influenced by higher electricity prices. The costs of protecting buildings and protecting the transport of money in circulation are affected by higher costs of transporting money in circulation and more frequent transport. The y/y increase in promotion expenses are due to the creation of an interactive webpage for the 30th anniversary of the Velvet Revolution and the light projection on the occasion of the White Night and 17 November. The amount of rent is influenced by the lease payments for the backup technological premises. Other administrative and operating expenses are affected by extraordinary net income from the sale of a building on Tomášikova street in Bratislava.

## 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 2019, the NBS generated a profit of EUR 212,065 thousand. Based on a decision of the Bank Board of the NBS, dated 3 March 2020, the 2019 profit was settled in full against the Accumulated losses from previous years (see Table 11).

**Table 11 Distribution of Profit/Settlement of Loss**

Settlement of profit/(loss)	L. No.	2019	2018
Profit/(loss) for the current year	1	212,065	172,336
<b>Funds (allotments to)/transfers from:</b>			
Statutory fund	2	0	0
Reserve fund	3	0	0
Capital funds	4	0	0
Funds created from profit			
<b>Profit/(loss) for the current year after transfers in funds (l. 1 to l. 4)</b>	<b>5</b>	<b>212,065</b>	<b>172,336</b>
Settlement of loss from previous years	6	(212,065)	(172,336)
<b>Profit/(loss) for the current year after distribution (l. 5 + l. 6)</b>	<b>7</b>	<b>0</b>	<b>0</b>

Bratislava, 3 March 2020



Ing. Peter Kažimír  
Governor



Ing. Jaroslav Mikla  
Executive Director  
Financial Management  
and Information  
Technology Division



Ing. Jana Langerová  
Director  
Financial Management  
Department