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In 2015 Národná banka Slovenska (NBS) was faced with several challenges both domestically and supranationally. The factors shaping developments within the Eurosystem included primarily the persisting low interest rate environment and the further deployment of non-standard instruments in a climate of mounting global risk, as well as the establishment of the EU banking union’s second pillar and the implementation of a new voting rotation scheme for the ECB’s Governing Council. The key developments on the domestic front were the expansion of NBS’s remit in the area of financial market supervision and the establishment of the Resolution Council.

Inflation in Slovakia remained highly subdued throughout the year, while economic growth gathered momentum. Headwinds from the external environment continued in 2015, as global GDP growth fell to its lowest level for six years (3.1% at constant prices). This reflected the deteriorating situation in emerging market economies, including a slowdown of the Chinese economy and recession in several countries dependent on oil exports. By contrast, the euro area economy picked up in 2015, with GDP increasing by 1.6% on the basis of strengthening private consumption and investment. The average unemployment rate for the euro area fell by around one percentage point over the course of the year.

In Slovakia, too, domestic demand had a major bearing on annual GDP growth, which reached its highest level for five years (3.6% at constant prices). The domestic demand impulse was led by investment activity, which was boosted by the absorption of the remaining EU funds allocated to Slovakia under the previous programming period. In conjunction with the domestic economy’s solid growth, employment increased and the unemployment rate fell.

Oil and other energy commodity prices continued to decline in 2015, resulting in low imported inflation and, subsequently, a further drop in consumer prices. In Slovakia, the average annual inflation rate for the year as a whole was negative, at -0.3%, while in the euro area it remained flat. In response to adverse inflation developments in the euro area, the Governing Council decided in early 2015 to expand the ECB’s arsenal of non-standard instruments by adding a public sector asset purchase programme (PSPP) to the existing asset purchase programme (APP), thereby enabling secondary-market purchases of bonds issued by euro area central governments and European institutions. Later in year, with inflation remaining muted, the Governing Council decided to extend the period for monthly purchases under the APP until it sees a sustained adjustment in the path of inflation consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term. At the same time, the Governing Council decided to lower the interest rate on the deposit facility by 10 basis points, to -0.30%.

The enlargement of the euro area to include Lithuania on 1 January 2015 triggered a significant change in the ECB’s monetary policy decision-making process, with the implementation of a rotation scheme for the voting rights of the members of the Governing Council.

Following the Single Supervisory Mechanism’s successful entry into operation in the previous year, 2015 saw attention focus on establishing the second pillar of the EU’s banking union – the Single Resolution Mechanism (SRM). As part of this initiative, the Resolution Council was established on 1 January 2015 in the role of the national resolution authority in Slovakia. The task of providing expertise to, and organising the function of, the Resolution Council is performed by the new Resolution Section of the NBS Regulation Department.

The supervisory remit of NBS was expanded as from 1 January 2015 to include responsibility for financial consumer protection in Slovakia. In this area of activity, the bank focuses on preventing consumer rights breaches in the financial market, redressing any such breaches as soon as possible, and clamping down on practices that in the past led to significant consumer dissatisfaction. The non-bank provision of consumer credit presents particular challenges in this regard.
Given NBS’s expanding powers in the area of financial market supervision and financial consumer protection, as well as its new tasks concerning preparations for resolution activity in the financial market, the number of people employed at the bank increased in 2015, to stand at 1,053 by the end of the year.

NBS continued in 2015 to ensure the smooth functioning of the SIPS retail payment system and the TARGET2-SK (T2-SK) payment system. At the same time, NBS was involved in preparations for the implementation of TARGET2 Securities, a system that will allow the cross-border settlement of securities transactions. The number and value of transactions settled in T2-SK fell, year-on-year, while the corresponding figures for SIPS increased. The number of participants in both systems remained unchanged.

In the area of currency issuance, it is worth noting that the cumulative net issuance of euro currency in Slovakia – meaning the difference between the value of euro banknotes and coins that NBS has put into circulation and withdrawn from circulation – passed the €10 billion mark in 2015. Besides ordinary circulation coins, NBS issued two €2 commemorative coins and three precious-metal collector coins in 2015.

NBS reported a gross profit of more than €144 million for 2015, most of which was allocated to the general provision for financial risks. The net profit amounted to €4.6 million.

April 2016

Jozef Makúch
Governor
ECONOMIC, MONETARY AND FINANCIAL DEVELOPMENTS
1 Macroeconomic developments

1.1 The external economic environment

1.1.1 Global trends in output and prices
Global economic growth slowed to 3.1% in 2015, its lowest rate for six years and down from 3.4% in 2014. As in the previous year, GDP growth trended upwards across advanced economies and downwards across emerging market economies (EMEs).

The 2015 trends stemmed from several factors, the most important being the continuing slowdown of the Chinese economy. China’s transition away from investment-led economic growth (accompanied by excess capacity) and towards private consumption-led growth had an impact on global demand. In addition, amid mounting fears in mid-year that China’s economy could face a ‘hard landing’, equity prices in Chinese stock markets underwent a sharp correction, resulting in spillover effects in global financial markets. The downside risks to China’s growth outlook were further heightened by the volatility of the Chinese currency, with the renminbi being devalued to support export performance and capital flight ensuing. Owing to the continuation of monetary and fiscal policy stimulus measures aimed at stabilising the economy, China’s GDP growth was only slightly below target; nevertheless, the build-up of imbalances poses risks going forward. Another key factor in the global economic situation in 2015 was the continuing decline in commodity prices in general and oil prices in particular. The average oil price slumped to almost half of its 2014 level, with major repercussions for those economies most dependent on oil exports. In an environment of low oil prices, currency depreciation, ebbing confidence and rising geopolitical tensions, Russia fell furthest into deep recession. Brazil, too, experienced significant GDP contraction, its largest for 25 years, as the economy was buffeted by declining commodity prices, subdued global growth and economic slowdown in China, Brazil’s main trading partner. On the other hand, lower oil prices benefited India, which thanks to continuing reforms and an accommodative monetary policy stance became the fastest-growing large economy in the world in 2015. Generally, however, EMEs exerted a significant drag on global growth for a fifth successive year, and also contributed to the slowdown in world trade growth, from 3.4% in 2014 to 2.6% in 2015.

Advanced economies, supported by the continuation of monetary policy accommodation, had a positive impact on global GDP growth. The recovery in the advanced world did not have such momentum as in the previous year, and there was significant heterogeneity across countries. The euro area recorded the strongest growth, which was driven by both consumer and investment demand, as well as by export growth (despite a slowdown in global demand). Japan’s economy also picked up in 2015, after stagnating in the previous year, but its growth was entirely export-driven, with government demand compensating for a slight drop in private sector demand. In the United States, GDP growth maintained its pace of the previous year, with higher contributions from private and government consumption expenditure, a less positive contribution from gross fixed capital formation and a negative contribution from net exports. The labour market upturn supported expectations for the normalisation of US monetary policy in 2015, but it was not until December that the Federal Reserve increased the target range for the federal funds rate. The UK economy’s performance in 2015 had a dampening effect on global growth, as the upward impact of private consumption growth was offset by strong import growth.

Global headline inflation continued to fall in 2015, reflecting mainly the impact of a slump in energy prices in response to falling energy commodity prices. The average inflation rate across advanced economies fell to 0.3%, from 1.4% in 2014, and core inflation (excluding food and energy) also continued to decline, possibly implying future deflationary impulses. Although China also experienced falling inflation, caused by a drop in food price inflation, average inflation across EMEs accelerated to 5.5% in 2015.
(from 5.1% in 2014). The upward pressure on EME inflation came from currency depreciation and higher import prices, as well as from the low credibility of monetary policies.

The global oil price slump was a result of an over-supplied market. The supply-side causes of this situation included a production glut, the decision of OPEC countries not to reduce oil output, and the nuclear deal struck with Iran. The downward pressures from the demand side consisted mainly of a drop in Chinese imports amid a slowdown of the Chinese economy. At the same time, however, non-energy commodity prices also fell. Prices of metal and agricultural commodities responded, like oil prices, to persisting oversupply, high stocks and weakening global demand.

**1.1.2 Euro area economic developments**

The euro area economy’s growth accelerated to 1.6% in 2015 (from 0.9% in 2014). The largest contribution to that growth was made by private consumption, with smaller contributions from investment and government consumption. Private consumption and investment were buoyed significantly by the accommodative monetary policy stance and consequent easing of lending conditions. Export growth was higher in 2015 than in 2014, but since import growth was higher still, net exports had a slightly negative impact on GDP growth. The economic recovery remained fragile and buffeted by geopolitical tensions. As the economic recovery began to feed through to the labour market, the unemployment rate gradually declined over the course of the year, from 11.3% in December 2014, to 10.4% in December 2015 (the average rate for 2015 was 10.9%, while for 2014 it was 11.6%).

Headline inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP) averaged 0.0% in 2015, which was 0.4 percentage point lower compared with the previous year. Annual inflation remained very low throughout the year, crossing into negative territory in the first three months and in September. In December 2015 the annual inflation rate was slightly positive (at 0.2%) while in December 2014 it had been slightly negative (at -0.2%). The path of inflation during the year was determined mainly by energy commodity prices and their pass-through to energy prices. Food price inflation increased, and so too did non-energy industrial goods inflation, albeit only marginally. Services price inflation was relatively stable, but also remained subdued. Core HICP inflation (excluding energy and unprocessed food) accelerated earlier in the year, but then remained flat from May. It averaged 0.8% in 2015 (0.9% in 2014).
The euro’s exchange rate against the US dollar depreciated sharply at the beginning of 2015, remained broadly unchanged from March, and then weakened again in the last quarter of the year. This pattern reflected different cyclical positions and monetary policy stances in large global economies, as well as downward revisions to outlooks for growth and inflation in the euro area. In its trading against the US dollar, the euro was around 10% weaker at the end of 2015 than at the beginning of year.

As part of its response to current developments, the ECB’s Governing Council made one adjustment to its key rates in 2015. Furthermore, the Governing Council decided to expand the ECB’s asset purchase programme (APP) at a time when most indicators of actual and expected euro area inflation were gradually decreasing towards historical lows. Given the potentially adverse spillover effects of wage and price formation on the medium-term inflation path, the monetary policy response was necessary. Asset purchases are providing a monetary stimulus to the economy at a time when the ECB’s key rates are close to their lower bound.

1.2 MAcroECONOMIC DEVELOPMENTS IN SLOVAKIA

Slovakia’s economic growth reached a five-year high in 2015, as GDP at constant prices increased by 3.6% year-on-year (up from a rate of 2.5% in 2014). Domestic demand was the main driver of that growth, with its investment component having the largest impact and domestic consumption contributing to a lesser extent. Foreign demand growth was also stronger in 2015 than in 2014. The growth in GDP in the output approach was based largely on an increase in value added in industry, construction, wholesale trade and the general government sector. A major contribution to GDP growth came from the absorption of EU funds under the National Strategic Reference Framework of the Slovak Republic for 2007-2013, with the absorption of the available funds surging from 63% in 2014 90% in 2015.

In the balance of payments, the current account showed a deficit of €1.0 billion for 2015 (after a surplus of €0.1 billion for 2014). This was caused mainly by a decline in the trade surplus that reflected increasing goods imports. Other components of the current income remained broadly unchanged in year-on-year terms.

The labour market situation improved during 2015, supported by solid economic growth and, in the second half of the year, the increased absorption of EU funds. Employment as defined in the ESA 2010 grew by 2.0% year-on-year in 2015 (following a growth rate of 1.4% in 2014). The unemployment rate as measured by the Labour Force Survey fell from an average of 13.2% in 2014 to 11.5% in 2015. While the downward trend was favourable, the unemployment rate still remained above its pre-crisis level. Average nominal wages increased in 2015, but their annual growth rate was lower compared with the previous year.

Average annual inflation moved further into negative territory in 2015, from a rate of -0.1% in 2014 to -0.3%. The energy, food and services components all contributed to the decline in the overall price level.

1.2.1 PRICE DEVELOPMENTS

Average annual inflation followed a declining trend in year-on-year terms. The price level’s further move into negative territory reflected an acceleration in the decline of energy prices and lower rates of inflation in processed food and services prices. Inflation in 2015 was also under downward pressure from external factors (the continuing slump in prices of oil and other energy commodities) and, to a lesser extent, from administrative measures (rail fare reductions at the end of 2014) and from low imported inflation.

Wholesale gas prices fell in an environment of global oversupply, leading to reductions in regulated household gas prices, mainly in the second half of the year. Electricity prices were pushed down by the pipeline pressure of falling energy commodity prices. Owing to the pass-through of sharply falling oil prices, automotive fuel prices were on a downward trajectory throughout the year, falling by more than 12% on average. The oil price slump was one of the main causes of the persisting low inflation envi-
Unprocessed food inflation picked up gradually over the year, reflecting the base effect of the significant drop in unprocessed food prices in the second half of 2014. For the year as a whole, unprocessed food inflation averaged 0.3%. Processed food prices, by contrast, declined slightly in 2015 owing to relatively high stocks of key food commodities.

Despite exchange rate depreciation, the annual rate of inflation in non-energy industrial goods slowed gradually in 2015, from 0.6% at the beginning of the year to 0.1% in December. Its average for the year as a whole, however, was moderately higher compared with the previous year. Looking at the breakdown of non-energy industrial goods inflation, prices of non-durable goods increased and prices of durables were falling throughout the year, albeit more moderately towards the year-end. The price trends in non-energy industrial goods may have continued to be affected by the impact of structural changes (technical advances in manufacturing processes, burgeoning internet sales, and the shortening of product life cycles).

The average rate of services inflation was slightly lower in 2015 than in 2014, owing mainly to administrative measures. In particular, the introduction of zero rail fare for certain groups of consumers at the end of 2014 passed through to services inflation in 2015 (with an impact of -0.19 percentage point on the headline inflation rate). Despite favourable trends in the labour market and in household final consumption, services inflation excluding administered prices was relatively subdued throughout the year.

Headline inflation was strongly affected by the impact of external factors in the form of commodity price shocks. The consequent pipeline pressures resulted in negative energy inflation and low food price inflation. Services inflation, too, was affected by the pass-through of these shocks (via reduced energy, fuel and food costs), which served to dampen the upward impact of positive developments in the real economy as well as in the labour market, wages and consumption.

1.2.2 Gross Domestic Product
Slovakia’s annual GDP growth at constant prices increased to 3.6% in 2015, from 2.5% in 2014. The acceleration was based on stronger growth in domestic demand. Nominal GDP increased by 3.3% in year-on-year terms, to
€78 billion. The nominal growth was lower than the real growth owing to a decline in the general price level, as measured by the GDP deflator. The GDP deflator fell by 0.3% year-on-year (after falling by 0.2% in 2014) amid the continuing decline in consumer, producer, import and export prices.

**GDP on the output measure**
The output measure of annual GDP growth reflected an acceleration in real value added growth, to 3.1% (from 2.1% in 2014). The economic sectors reporting the strongest value added growth in 2015 were industry, construction, wholesale trade and the general government sector. In agriculture, by contrast, value fell.

**GDP on the expenditure measure**
Domestic demand growth was higher in 2015 than in 2014, at 5.0%. The acceleration was based largely on investment growth (elevated absorption of EU funds towards the end of the year) as well as continuing growth in household consumption. Net exports, on the other hand, made a negative contribution, with import growth (8.2% year-on-year) exceeding export growth (7.0%). As in the previous year, import growth
was boosted by the strengthening of domestic demand.

All components of domestic demand increased in 2015. Fixed capital investment grew the fastest, by 14.0% year-on-year, and while this growth was broadly-based across the range of sectors, it was strongest in the public sector, driven mainly by investment in other building construction. This surge in investment activity is expected to be only temporary, given that it was supported by the final absorption of EU funds available under the previous EU programming period. Consumption demand, too, contributed to economic growth. Private consumption increased by 2.4%, as the improving labour market situation and falling inflation had an upward impact on household disposable income. The pass-through of lower oil prices to inflation was seen mainly in prices of energy and automotive fuel. This enabled households to increase their spending on other, non-essential goods and services (such as recreation and culture). Government consumption growth, at 3.4%, was higher than private consumption growth, and included increases in goods and services expenditure and in compensation of employees.

Export performance was responsive to demand trends in Slovakia’s trading partners, with export growth accelerating gradually over 2015 and its average annual growth rate for the year standing at 7.0%. In sectoral terms, export growth was strongest in the car industry, while in the geographical breakdown, exports to EU markets increased the most.

As measured by the export-to-GDP ratio, export performance improved in 2015 by 1.9 percentage points, year-on-year, to stand at 94%. At the same time, import intensity increased by 3.2 percentage points, As for the openness of the Slovak economy, measured by goods and services exports and imports as a percentage of GDP, it rose by 5.1 percentage points, to 185.2%.

### 1.2.3 The labour market

After picking up in 2014, the labour market situation continued to improve in 2015. This trend reflected the impact of solid GDP growth and, in the second half of the year, the increased absorption of EU funds. Average nominal wage growth was attributable to the still rising demand for labour and labour productivity growth. At the same time, subdued inflation had a dampening effect on nominal wage growth. Unemployment fell quite sharply in 2015, but nevertheless remained in double digits.

#### Employment

Employment as defined in the ESA 2010 grew by 2.0% year-on-year in 2015 (following a growth rate of 1.4% in 2014). The number of hours worked increased by 1.7% in year-on-year terms

<table>
<thead>
<tr>
<th>Table 3 Labour market indicators</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td></td>
<td>Q1-Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>Nominal wages (index)</td>
<td>104.1</td>
<td>102.2</td>
</tr>
<tr>
<td>Real wages (index)</td>
<td>104.2</td>
<td>102.6</td>
</tr>
<tr>
<td>Nominal compensation per employee – ESA 2010 (index)</td>
<td>101.8</td>
<td>101.9</td>
</tr>
<tr>
<td>Labour productivity – GDP per employee (index; current prices)</td>
<td>100.9</td>
<td>100.8</td>
</tr>
<tr>
<td>Labour productivity – GDP per employee (index; current prices)</td>
<td>101.1</td>
<td>101.2</td>
</tr>
<tr>
<td>Employment – ESA 2010 (index)</td>
<td>101.4</td>
<td>101.8</td>
</tr>
<tr>
<td>Unemployment rate – LFS1 (%)</td>
<td>13.2</td>
<td>12.1</td>
</tr>
<tr>
<td>Nominal unit labour costs (ULCs)2)</td>
<td>100.7</td>
<td>100.7</td>
</tr>
</tbody>
</table>

Sources: SO SR and NBS calculations.

1)Labour Force Survey.

2) Ratio of compensation per employee growth at current prices to labour productivity growth (ESA 2010) at constant prices.
The sectors accounting for most of the employment growth were professional and scientific activities, industry, and the public sector. The construction sector’s contribution to overall employment growth remained negative in 2015, but it was the sector’s least negative contribution in the post-crisis period. Public sector employment grew by 1.1% (after increasing by 1.8% in 2014), based mainly on job growth in the health-care and, to a lesser extent, administration sectors. According to the Labour Force Survey, the number of Slovak citizens working abroad in 2015 soared by 10.5% (14,000 people) on a year-on-year basis. This was a turnaround from 2014, when the number fell.

Unemployment
As measured by the Labour Force Survey, the number of unemployed fell, year-on-year, by 12.4% (more than 44,000) and the unemployment rate decreased by 1.7 percentage point, to 11.5%. The average registered unemployment rate, based on figures from labour offices, fell by 1.3 percentage point year-on-year, to also stand at 11.5%.

Wages and Labour Productivity
The average monthly nominal wage in 2015 increased to €883, and its annual growth rate slowed to 2.9% (from 4.1% in 2014). As inflation was lower in 2015 than in 2014, it put downward pressure on nominal wage growth. As firms experienced reduced income in a low inflation environment, they were constrained from more significant wage growth. The sectors reporting the highest nominal wage growth in 2015 were IT and telecommunications (5.3%), transportation and storage (5.0%) and mining and quarrying (4.9%). Wage developments in the construction sector were notable in that the average wage climbed by 5.3% after falling in the previous year. This turnaround was supported by work on the completion of EU-funded projects, which had a greater impact on wage and production growth than on the employment figures in the sector. By contrast, sectors in which the average nominal wage fell included professional and scientific activities (-6.0%) and agriculture (-2.3%). As in 2014, the price level declined in year-on-year terms and, consequently, real wage growth was higher than nominal wage growth. The annual growth rate for labour productivity (GDP per employee) increased in 2015. At the same time, real labour productivity growth was lower than real wage growth. Such a situation may support a pick-up in prices in the following period, but if it were to persist for an extended time and spread to export-oriented sectors, it could weigh on economic competitiveness.

1.2.4 Financial results
The aggregate profit of non-financial and financial corporations in Slovakia increased in 2015 by 13.6% year-on-year, to €11,633.34 million (after falling by 0.9% in 2014), according to the SO SR’s preliminary figures. While the non-financial corporations sector increased its overall profit by 21.6% (up from 0.5% in 2014), financial corporations, not including Národná banka Slovenska, saw their aggregate profit slump by 21.1% (after increasing by 18.4% in 2014).

In absolute terms, the overall profit of non-financial corporations increased by €1,834.7 million, to €10,325.5 million. That growth was largely accounted for by manufacturing industry, and in particular by the sectors of pharmaceuticals and refined petroleum products, which made an aggregate profit after reporting a loss in the previous year. Other sectors that contributed positively to the total profit included the following: electricity, gas and steam supply; construction; transportation and storage; and trade.

The total profit of the financial sector (excluding NBS) was lower in 2015 than in 2014 by €347.4 million, at €1,301.0 million.

1.2.5 Balance of Payments
Current account
In Slovakia’s balance of payments for 2015, the current account result deteriorated to a deficit of €1.0 billion, from a moderate surplus in 2014. This result was largely attributable to the trade surplus, which declined owing to increasing imports of investment and consumption goods. The ratio of the current account balance to GDP (at current prices) fell, year-on-year, by 1.4 percentage point, to stand in negative territory at -1.3%.

1 Including also the health-care and education sectors.
Export performance was subdued in the early part of 2015, as it had been in late 2014. Exports began slowly to recover only in the second half of the year, led by export growth in the car industry. Import growth stemming from the import intensity of exports was heightened by growing imports of final consumption goods. As a result, exports grew more slowly than imports, and the trade surplus was therefore lower in 2015 than in the previous year.

Other components of the current showed only minor changes in year-on-year terms. The services balance surplus was almost unchanged, as increases in the travel and transportation items were offset by a deterioration in other items of the balance.

In contrast to the current account, the capital account recorded a surplus of €2.8 billion. This significant year-on-year increase was largely attributable to the completion of large infrastructure projects in the latter part of the year. These drew in a record inflow of EU funds, to the extent that almost 50% of the EU fund inflows for 2015 were recorded in the fourth quarter of the year.

**Financial account**

The surplus in the financial account of the balance of payments was €0.6 billion in 2015, €1.0 billion lower than in 2014.

In the direct investment balance of the financial account, the inflow comprised participating interests of non-residents and resulted in an increase in liabilities vis-à-vis the rest of the world. This impact of that increase was cancelled out by a moderate outflow of debt capital arising from the activity of economic agents. The outflow recorded in the portfolio investment balance was based mainly on NBS’s activities in relation to the Eurosystem’s asset purchase programme, i.e. the purchase from non-resident counterparties of securities issued in Slovakia. This activity had a downward impact on liabilities. The inflow in the other investment balance was supported

### Table 4 The b.o.p. current and capital account (EUR billions)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>2.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Exports</td>
<td>62.6</td>
<td>65.9</td>
</tr>
<tr>
<td>Imports</td>
<td>59.7</td>
<td>64.1</td>
</tr>
<tr>
<td>Services balance</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Primary income balance</td>
<td>-1.7</td>
<td>-1.8</td>
</tr>
<tr>
<td>Secondary income balance</td>
<td>-1.2</td>
<td>-1.1</td>
</tr>
<tr>
<td>Current account in total</td>
<td>0.1</td>
<td>-1.0</td>
</tr>
<tr>
<td>Current account to GDP ratio (%)</td>
<td>0.1</td>
<td>-1.3</td>
</tr>
<tr>
<td>Capital account</td>
<td>0.7</td>
<td>2.8</td>
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</table>

**Sources:** SO SR and NBS.

### Table 5 The b.o.p. financial account (EUR billions)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct investment</td>
<td>0.2</td>
<td>-0.7</td>
</tr>
<tr>
<td>Portfolio investment and financial derivatives</td>
<td>-2.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Other investment</td>
<td>0.0</td>
<td>-1.5</td>
</tr>
<tr>
<td>Reserve assets</td>
<td>0.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Financial account in total</td>
<td>-1.6</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

**Sources:** NBS.

**Note:** The figures for the financial account balances are shown in net terms (assets minus liabilities), with a positive value denoting a net outflow and a negative value denoting a net inflow.
mainly by loans provided to non-residents by Slovak banks.

Exterior Debt of Slovakia
As a result of b.o.p. transactions, Slovakia’s exterior debt denominated in euro decreased in 2015 by €0.5 billion, year-on-year, to €67.2 billion, and the external debt denominated in US dollars fell by $9.1 billion, to $73.2 billion. According to preliminary figures, the ratio of Slovakia’s total gross external debt to GDP at current prices was 87.8% as at 31 December 2015, which was 0.3 percentage point lower than the figure for 2014 (88.1%). The ratio of total short-term external debt to total gross external debt increased, year-on-year, by 2.1 percentage points, to 32.2% as at the year-end. Debt per capita was €12,398 as at the end of 2015, which was €136 higher than its level a year earlier.

Nominal and Real Effective Exchange Rates
The nominal effective exchange rate (NEER) depreciated in 2015 by an average of 1.9% year-on-year, after appreciating by 1.2% in the previous year. The principal negative contributions to the NEER were made by weakening against the Chinese renminbi (-1.2 percentage points), the South Korean won (-0.6 percentage point), the pound sterling (-0.5 percentage point) and the US dollar (-0.4 percentage point), while the main upward pressure on the index came from appreciation against the Russian rouble (0.9 percentage point). Exchange rates remained relatively stable with the currencies of neighbouring countries that are Slovakia’s fellow members of the Visegrad Four group (Poland, the Czech Republic, and Hungary).

The real effective exchange rate (REER) based on the producer price index depreciated by 2.5% in 2015, fully 2.3 percentage points more than it depreciated in 2014. The weakening of the REER was more marked than that of the NEER owing to the negative inflation differential against Slovakia’s most significant trading partners. After accounting for the weights of trading partners currencies in the index, the differentials that had the largest negative impact on the REER were those against Germany (-0.6 percentage point) and Russia (-0.5 percentage point). Amid continuing appreciation of the REER’s estimated equilibrium trajectory (stemming mainly from the fact that the equilibrium growth of labour productivity was higher in Slovakia than in its trading partners), the depreciation of the index led to increased undervaluation of the REER. The more undervalued REER continued to support the price competitiveness of domestic firms, which may have contributed to the pick-up in the share of Slovak exports in world trade.
2 EUROSYSTEM MONETARY POLICY

2.1 MONETARY POLICY OPERATIONS

The European Central Bank (ECB) implements euro area monetary policy through national central banks (NCBs), using monetary policy instruments in the form of open market operations, standing facilities, and minimum reserve requirements. Only counterparties subject to minimum reserve requirements are eligible to use standing facilities and to participate in standard tenders, i.e. open market operations. Open market operations consist of main refinancing operations (MROs), longer-term refinancing operations (LTROs), fine-tuning operations (FTOs), and structural operations (SOs). The standing facilities comprise the deposit facility (DF) and the marginal lending facility (MTF). In order to reduce the risk of a protracted period of low inflation, the ECB continued in 2015 to implement its non-standard asset purchase programme (APP) comprising the third covered bond purchase programme (CBPP3) and the asset-backed securities purchase programme (ABSPP), and it expanded the APP to include the public sector purchase programme (PSPP).

LIQUIDITY-PROVIDING OPERATIONS

Throughout the year the ECB conducted MROs and three-month LTROs as fixed rate tenders with full allotment, and it decided to continue conducting them as such for as long as necessary, and at least until the end of the last reserve maintenance period of 2017.

In addition, the ECB conducted targeted longer-term refinancing operations (TLTROs), also as fixed rate tenders with full allotment, with the aim of improving bank lending to the euro area non-financial private sector. TLTROs are designed to ensure that the funding obtained is passed on, via bank lending activity, to the final borrowers. In 2014 the ECB announced that there would be eight TLTROs at quarterly intervals. Two of them were conducted in 2014 (with the total take-up of loans under these operations amounting to €212.4 billion) and a further four in 2015 (€205.5 billion). The remaining two TLTROs will be conducted in 2016 (in March and June). The interest rate on the TLTROs was equal to the main refinancing rate prevailing at the time of take-up, thereby eliminating the 10 basis point spread over the MRO rate applied in the first two TLTROs. All TLTROs mature in September 2018 with the counterparties – commercial banks – able to opt for early repayment as of 24 months after each TLTRO.

In the first two TLTROs, counterparties were entitled to an initial borrowing allowance equal to 7% of the total amount of their loans to the euro area non-financial private sector. In subsequent TLTROs, conducted in 2015 and 2016, additional amounts may be borrowed and these may cumulatively reach up to three times each counterparty’s lending to the euro area non-financial private sector, excluding loans to households for house purchase, provided between 30 April and the respective allotment reference date. Those counterparties that have not fulfilled certain conditions regarding the volume of their net lending to the real economy will be subject to early mandatory repayment in 2016, two years before the TLTROs mature.

In 2015 the ECB continued to conduct the 7-day US dollar liquidity-providing operations that it first launched in 2008. Although these operations did not attract any bids from banks in the first half of year counterparties participated in them regularly in the second half of the year, taking up around USD 180 million.

ASSET PURCHASE PROGRAMMES

At its monetary policy meeting in January 2015, the ECB’s Governing Council decided to expand the asset purchase programme to include the PSPP, under which the Eurosystem purchases bonds issued by euro area central governments and European institutions. Monthly purchases under the ABSPP, CBPP3 and PSPP amounted to €60 billion. Eurosystem national central banks began making secondary-market purchases under the PSPP in March 2015, in proportions re-
flecting their respective shares in the ECB’s capital key.

From March to the end of 2015, securities purchased under the PSPP amounted to €494.9 billion.

The ABSPP and CBPP3 programmes, launched in November 2014, continued throughout 2015. The Eurosystem increased its total purchases under the ABSPP to €15.3 billion and those under the CBPP to €143.3 billion. The PSPP is making the largest contribution to the total purchases under the expanded APP. The ABSPP helps banks to diversify funding sources and stimulates the issuance of new securities. Asset-backed securities can help banks to fulfil their main role: providing credit to the real economy. The APP and TLTROs are having a sizeable impact on the provision of liquidity to banks and thus on the Eurosystem’s balance sheet. At its monetary policy meeting in December 2015, the Governing Council decided to extend the intended horizon of purchases under the PSPP until the end of March 2017, or beyond, if necessary, and in any event until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2%, over the medium term. The Governing Council also decided to reinvest the principal payments of the securities purchased under the APP as the underlying securities mature, for as long as necessary, thus contributing to favourable liquidity conditions and to an appropriate monetary policy stance. It was also decided at the December meeting that the PSPP would include euro-denominated marketable debt instruments issued by regional and local governments located in the euro area.

**Key interest rates**

The divergence between the monetary policies of major central banks became more pronounced in 2015. Towards the end of 2015 the US Federal Reserve began to tighten its monetary policy, raising the target range for the federal funds rate to 0.25%–0.50% (from 0.00%–0.25%), while in the same period the ECB’s Governing Council decided to reduce the interest rate on the ECB’s deposit facility by 10 basis points, to -0.30%. The ECB’s main refinancing rate and marginal lending rate remained unchanged at 0.05%, and 0.30% respectively.
a policy rate cut, the EONIA remained negative with minimal intraday changes. Following the reduction in the deposit facility rate, the EONIA fell to a historical low of -0.24%. Its declining trend was interrupted by temporary fluctuations at the ends of the reserve maintenance periods and/or at the month-ends and at the year-end.

2.2 EURO DEVELOPMENTS

The euro’s exchange rate in 2015 was affected by different cyclical developments and by the monetary policy outlooks for major world economies. Early in the year, after the ECB announced the expansion of its asset purchase programme, the euro depreciated considerably against the US dollar, from 1.214 to 1.055 dollars per euro. The euro stabilised in the second quarter, except for occasional volatility related to political developments in Greece as well as to shifts in market expectations for an increase in monetary policy rates in the United States. At the start of the third quarter, the euro appreciated strongly against the dollar, to EUR/USD 1.15, reflecting global risk aversion and uncertainty about developments in China. The exchange rate weakened again towards the year-end, with the world’s two largest central banks – the ECB and the Federal Reserve – expected to follow diverging monetary policy paths. In March 2015 the euro depreciated to a 13-year day-on-day low of EUR/USD 1.045, and by the year-end it was trading at USD 1.089, 10% weaker year-on-year.

3 FINANCIAL MARKET DEVELOPMENTS

Since the situation in the domestic economy is conditioned to a large extent by the external environment, the developments in that environment have a significant bearing on the stability of the Slovak financial sector. Hence the slight pick-up of advanced economies in 2015 can be seen as beneficial for Slovakia, even though it should be noted this trend was driven largely by such factors as the expansion and subsequent extension of the ECB’s asset purchase programme (APP), falling oil prices, and depreciation of the euro. The external environment is, however, subject to several risks. Globally, there are continuing downside risks to growth outlooks for emerging market economies (EMEs) in general and China in particular, with these risks being amplifed by imbalances accumulated during previous years.

Owing to developments in China and Greece in 2015, global financial markets became increasingly volatile, and this in turn accentuated the risk of a sudden and simultaneous decline in prices of riskier assets (exacerbated by the continuing decline in market liquidity in financial markets). As for the fiscal sphere, a number of EU countries are failing to decrease debt levels despite efforts to consolidate public finances.

The Slovak economy’s growth accelerated in 2015, while the composition of its growth underwent a change. Whereas net exports had been the main driver of growth in previous years, domestic demand came to the fore in 2015. In a low inflation environment, growth in employment and real wages had an upward impact.
on household consumption. Economic growth was also supported by investments, which was boosted mainly by the public sector’s effort to absorb outstanding EU funds from the finishing programming period. With the economy picking up, the financial position of both households and non-financial corporations improved.

The principal pillar of the Slovak financial sector – the banking sector – is on a sound footing in terms of solvency, profitability and access to funding, and on these measures ranks above average by international standards. The banking sector’s aggregate profit for 2015 was €626 million, 12% higher than the profit for 2014. The profit growth was supported by a drop in credit risk costs, an increase in non-interest income and a reduction in the bank levy, from 4% to 2%. There was, however, a decline in the main source of banking profits – interest income – as the downward trend in interest rates continued. This reflected mainly decreases in interest income from non-financial corporations and from securities. The sector’s average capital ratio remained largely unchanged, at 17.4%. The leverage ratio was more than 8%, significantly higher than the EU average.

Lending to households maintained solid growth in 2015, and in contrast to the previous year it was accompanied by a gradual increase in lending to non-financial corporations. The outstanding amount of retail loans increased in 2015 by 12.4% year-on-year, and that growth rate was far higher than the EU average. This growth was based mainly on housing loans, which grew by more than 13%. As for consumer loans, their annual growth rate remained strong, but slowed gradually, from more than 20% in March 2015 to 16.2% in December 2015. Demand for credit is being stoked mainly by increasing competition between banks and falling lending rates and margins in respect of new loans. On the other hand, credit standards have been tightened following the implementation of NBS Recommendation 1/2014 on risks related to market developments in retail lending. Falling interest rates are usually accompanied by an increase in refinancing, but in 2015 the share of refinancing loans in new loans dropped to 25%, due mainly to a drop in loan refinancings in which the principal is increased.

The annual growth rate for corporate loans reached 9% in December 2015. The pick-up in lending to non-financial corporations was supported by both demand and supply factors. On the supply side, credit standards were loosened slightly and the downward trend in lending rates continued. Demand for corporate loans, particularly among private firms, was greatly buoyed by favourable macroeconomic dynamics. Further evidence of the improving business climate was provided by the growth in loans to small and medium-sized enterprises and growth in loans for investment purposes.

The amount of the banking sector’s securities investments increased slightly in 2015. Across the portfolio, the amount invested in Slovak government bonds remained flat, while a decrease in foreign banks’ bonds was offset by an increase in domestic banks’ bonds and a marked rise in foreign government securities.

Credit risk remains the most significant risk in the Slovak banking sector. In this context, the decrease in non-performing loan (NPL) ratios can be perceived positively. The NPL ratio for household loans decreased to 3.9%, from 4.3%, in 2014. The decline was not entirely a result of

Chart 11 Financial sector assets as at 31 December 2015 – broken down by market segment

Source: NBS.
Note: CIFs – collective investment funds; IFs – investment firms; PFMCs – pension fund management companies (second pension pillar); SPMCs – supplementary pension management companies (third pension pillar).
an increase in lending, but also reflected a decrease in the outstanding amount of NPLs. It was a similar situation in the corporate credit portfolio, with the NPL ratio falling to 7.3%, from 8.6% in the previous year.

Total profits in the insurance sector declined by 20% in 2015, to just under €130 million. This deterioration was caused mainly by declines in both the financial result and technical result in life insurance. The technical result in non-life insurance remained largely unchanged. The principal risk in the insurance sector remains the low interest rate environment. Insurers are still struggling to achieve investment returns guaranteed in life insurance contracts. Insurers face a situation in which the higher-yielding bonds in their portfolios are maturing and can be replaced only with low-yielding investments, with potentially adverse implications going forward.

In the second pillar of the pension system – the old-age pension scheme operated by pension fund management companies (PFMCs) – the aggregate net asset value (NAV) of pension funds decreased in 2015 by just under 2%. The decline was caused by another ‘re-opening’ of the scheme, i.e. a temporary period in which it is permitted to withdraw from what is usually a mandatory scheme. The outflow of funds was substantially counterbalanced by the regular contributions of remaining savers. The distribution stage of the second pillar commenced in 2015, with the payment of the first pensions under scheme. This, however, had only a marginal impact on the NAV. The most notable change in the asset composition of second pillar pension funds was an increase in the equity component of equity pension funds. A combination of heightened uncertainty in global financial markets and the existing asset structure of pension funds resulted in the value of the funds’ pension points becoming more volatile in 2015 than at any time since 2008. Index funds recorded the highest nominal return in 2015 (7.5% on average), followed by equity funds (2.8%) and mixed funds (2.7%). The average return on bond pension funds was 0.5%.

In the third pillar of the pension system – the supplementary pension scheme operated by supplementary pension management companies (SPMCs) – the NAV of pension funds increased in 2015 by 5% year-on-year. In supplementary pension funds (SPFs) with a balanced investment strategy (constituting the bulk of third pillar funds), the share of debt securities in their aggregate asset portfolio declined in 2015, while the share of equities increased. The opposite development was observed in SPFs with a growth-focused investment strategy, as the bond component of their asset portfolio increased at the expense of equities. Across the third pillar, only SPFs following a conservative investment strategy reported a positive average return in 2015 (0.4%). The worst performing funds were growth SPFs (-2.9%), behind balanced SPFs (-1.7%) and distribution SPFs (-0.2%).

The collective investment sector saw the total value of assets under management increase for a fourth successive year in 2015, by €669 million, which represents annual growth rate of 10.6%. This reflected mainly net sales in the sector, with domestic and foreign investment funds making similar positive contributions. In the case of domestic funds, the inflow was concentrated on mixed funds, while the NAV of bond funds declined. Net sales were also recorded by alternative investment funds and real estate funds. Households were the main source of the inflow to domestic investment funds in 2015. In terms of their average nominal returns, investment funds were less successful in 2015 than in the previous two years. Equity funds had the highest average return (3.7%), while mixed funds performed the most poorly (-1.7%).
1 Monetary policy implementation and Investment portfolio management

As a member of the Eurosystem, Národná banka Slovenska is subject to the monetary policy set by the Governing Council of the European Central Bank. NBS conducts Eurosystem monetary policy operations in accordance with the ECB’s indicative calendar for them. The assets accepted as collateral in such operations must be eligible, i.e. fulfil certain criteria, in order to protect the Eurosystem from incurring losses in its monetary policy operations and to ensure the equal treatment of counterparties, as well as to enhance operational efficiency and transparency. In this regard, the Eurosystem has developed a single framework for eligible assets common to all Eurosystem credit operations.

Under Eurosystem rules, all credit institutions in the euro area are required to hold minimum reserves on account with their respective national central bank (NCB).

1.1 Minimum reserve requirements

In 2015 the reserve requirement was 1% of the reserve base.

At the beginning of 2015 a total of 28 credit institutions in Slovakia were subject to minimum reserve requirements; they comprised 13 banks incorporated in Slovakia (including three home savings banks) and 15 branches of foreign credit institutions (including credit cooperatives). Their number had fallen to 27 by the end of the year, as the Royal Bank of Scotland N.V., a branch of a foreign bank, ceased its operation in Slovakia as of 30 April 2015.

Excess reserves started to be remunerated at a negative rate from 11 June 2014 and the rate remained negative throughout 2015, at -0.20% until 8 December and at -0.30% from 9 December.

The length of reserve maintenance periods in 2014 was either 28 days or 35 days, while in 2015 it was either 42 days or 49 days and the number of maintenance periods was reduced from 12 to 8.

The average minimum reserve requirement in 2015 was €420.32 million, around 7.8% higher than in 2014. The extent by which, on average, reserve holdings exceeded the reserve requirement increased to 92.0% in 2015, from 62.9% in 2014. The highest reserve holdings were recorded in the eighth and third maintenance periods.

1.2 Eligible assets

The collateral eligibility criteria for Eurosystem credit operations underwent several significant changes in 2015. These concerned mainly the modification and further specification of eligible types of coupon structure, changes in the application of credit rating priority rules in assessments of asset eligibility, and an extension of the list of eligible asset issuers to include multilateral development banks and international organisations. In addition, a new class of eligible assets, namely ‘non-marketable debt instruments backed by eligible credit claims (DECCs)’, was introduced in the Eurosystem collateral framework. There were also several modifica-

![Image of Chart 12 Minimum reserve requirements and reserve holdings in 2015 (EUR millions)](chart.png)
tions to the eligibility criteria for asset-backed securities (ABSs). While the above changes were significant in the context of the Eurosystem as a whole, they did not have a marked impact on eligible assets and monetary policy implementation in Slovakia.

The value of Slovak eligible assets was, on average, 7% higher in 2015 than in 2014 and it increased moderately towards the year-end. The total nominal value of these assets at the end of 2015 was €35,474 million, which in comparison with its level a year earlier was higher by €3,009.1 million. Slovak government bonds constituted almost 90.1% of these eligible assets, and mortgage bonds 8%. Slovak Treasury bills also featured among Slovak eligible assets at the end of 2015, unlike at the end of 2014.

The participation of Slovak banks in Eurosystem monetary policy operations did not change notably during 2015. It largely involved repaying longer-term refinancing operations conducted in 2011 and 2012 and participation in the new targeted longer-term refinancing operations (TLTROs). The value of the collateral pledged by domestic banks in Eurosystem operations was around 6% higher at end-2015 than at end-2014, and the average year-on-year increase was around 5%. Of that total, government debt securities made up almost 94%, a similar share to that recorded in 2014. The only notable change in the use of eligible assets in 2015 was in their breakdown by country of issuer. As a proportion of the total amount of assets pledged as collateral, securities issued in the domestic market increased from 87% in 2014 to around 94% in 2015. Slovak counterparties used a collateral pool to manage their collateral.
1.3 INVESTMENT PORTFOLIO MANAGEMENT

Národná banka Slovenska manages its investment assets with the aim of ensuring that its investment portfolios contribute positively to the bank’s overall financial result. The total value of NBS’s investment portfolios as at 31 December 2015 was €6.8 billion (at corresponding exchange rates and with securities at nominal value).

In managing its portfolios, NBS applies the principles laid down in the NBS investment strategy approved in 2008 and updated in 2014. In the case of the euro-denominated portfolio, containing 82.3% of NBS’s overall investment assets, interest rate risk is managed in a standard way through interest rate swaps and futures contracts. The return on the euro-denominated portfolio in 2015, after taking into account interest expenses and hedging, stood at 0.16%.
2 Financial Stability and Financial Market Supervision

2.1 Financial Stability

During 2015 the Bank Board of Národná banka Slovenska issued seven macroprudential policy decisions concerning financial stability from the perspective of cyclical and structural systemic risks.

Four of these decisions were regular quarterly decisions on the countercyclical capital buffer rate, in which the Bank Board, taking into account the phase of the economic and financial cycle, set in all of the four cases the rate at 0%. These decisions were aimed at strengthening the resilience of the financial system and preventing a build-up of systemic risks with a view to maintaining the stability of the financial system as a whole.

The remaining three decisions concerned the local systemically important banks. The Bank Board of NBS classified five banks as other systemically important institutions (O-SII): Československá obchodná banka, a.s., Poštová banka, a.s., Slovenská sporiteľňa, a.s., Tatra banka, a.s., and Všeobecná úverová banka, a.s. Over the period from 1 January 2016 to 1 January 2018, the minimum own-funds requirement for these banks will be gradually increased through an O-SII buffer (capital buffer for other systemically important institutions) and a systemic risk buffer; the required amounts of the buffers will be specified in NBS decisions.

During 2015 NBS also published quarterly commentaries to keep the public regularly informed about the potential systemic risks in the Slovak financial sector. If a systemic risk is identified, these commentaries serve as a basis for the Bank Board of NBS decision to activate an appropriate macroprudential policy instrument in accordance with the Banking Act⁴ and the CRR Regulation.⁵

1 March 1 2015 saw the entry into force of certain parts of NBS’s Recommendation No 1/2014 on risks related to market developments in retail lending, aimed at preserving the domestic financial sector’s stability and avoiding risks that may have a negative impact on banks, their customers, and on the economy as a whole. The other parts of this Recommendation had also entered into force by the end of the year. Hence, the NBS’s supervisory tasks in 2015 also included the check of fulfilment of the implementation of this Recommendation by individual banks of the Slovak banking sector.

2.2 Supervision of the Financial Market

The banking sector

As at 31 December 2015, there were 13 banks and 14 branches of foreign banks operating in the banking sector of Slovakia.

Under the Single Supervision Mechanism (SSM, a framework for cooperation between the ECB and the competent national authorities), banks (credit institutions) are categorised into:

- significant banks – supervised directly by the ECB (Tatra banka, a.s.; Všeobecná úverová banka, a.s.; Slovenská sporiteľňa, a.s.; Československá obchodná banka, a.s., and ČSOB stavebná sporiteľňa, a.s., both belonging to the KBC Group; and Sberbank Slovensko, a.s., belonging to Sberbank Europe AG); and
- less significant banks – supervised directly by NBS (other banks with a registered office in Slovakia).

Within the scope of the SSM, the ECB has assumed certain powers in the area of authorisation, too. It conducts authorisation proceedings in close cooperation with NBS. The ECB issues decisions concerning the granting or revocation of authorisations and the acquisition of qualifying holdings in relation to both significant banks and less significant banks. It also assesses the eligibility of board members and supervisory board members, but only for significant banks.

Proceedings in matters falling within the ECB’s competence are also commenced before

⁵ Act No 483/2001 Coll. on banks and amending certain laws, as amended (‘the Banking Act’).
In such cases, NBS assesses the relevant application according to Slovak law, and the ECB does so according to the EU law. In total, 108 proceedings were commenced in the year under review: 82 within the competence of NBS and 26 within the competence of the ECB.

In regard to the banking sector, NBS conducted 94 authorisation proceedings during the year: 12 were instituted in 2014 and 82 were completed in 2015 with the issuance of a final decision. Most of the decisions concerned the granting of prior approval to appoint new members of the statutory body, members of the supervisory board, managerial employees or company secretaries.

The ECB conducted a total of 29 authorisation proceedings in 2015. Three of these proceedings were instituted in 2014 and 22 were completed in 2015 with the issuance of a final decision. Most of the decisions concerned the eligibility of members of the statutory body and members of the supervisory board of banks.

In 2015 no sanction proceedings were initiated in regard to the banking sector. One of the two proceedings brought in 2014 was completed in 2015 with the issuance of a final decision.

In 2015 NBS received one notification from a foreign bank (BNP Paribas Personal Finance S.A.) that intended to establish a branch in Slovakia and registered 14 foreign credit institutions that reported their intention to provide cross-border banking services in Slovakia, without establishing a branch. The branch of The Royal Bank of Scotland plc ended its activities in Slovakia in 2015.

In 2015 eight thematic on-site inspections were carried out in banks and branches of foreign banks. Within the scope of these inspections, the supervisors examined seven applications for the use of, or for a change in, an internal risk measurement model for capital requirement calculation for credit risk and one application for the use of an internal model for capital requirement calculation for operational risk. One of the top priorities of on-site inspections was to assess the effectiveness of banks’ risk management systems, the provision of investment and payment services, and the protection of banks against money laundering and terrorist financing.

The performance of on-site inspections in significant banks (falling within the ECB’s competence) was brought into line with the principles of the SSM during 2015. Inspections in such banks were carried out by the staff members of NBS on the basis of the ECB’s authorisation.

In exercising off-site supervision, the supervisors examined the regular statements and reports of banks and branches of foreign banks, analysed the risk profiles of individual banks, performed tasks in the ECB’s joint supervisory teams and supervisory colleges for individual banks, and carried out comprehensive evaluations, including an evaluation of banks’ risk profile, internal capital adequacy, own-funds adequacy and liquidity. This was followed by a joint assessment of the risk profile and own-funds adequacy of bank groups, which also include banks from the Slovak banking sector. The joint assessment led to the adoption of joint decisions by the participating supervisors. For the needs of a joint assessment of bank groups in terms of risk and capital, the supervisors also compiled detailed risk profile reports for the consolidating supervisors of banks that are the subsidiaries of banks established in other EU countries.

Banks that are subject to direct supervision by the ECB have set up joint supervisory teams to exercise supervision over banks on a continuous basis. These supervisory teams are responsible for the supervision of banks established in Slovakia. They perform this function in close cooperation with the Financial Market Supervision Unit of NBS (‘the FMS Unit’). The most important task of these teams in 2015 was to carry out an annual evaluation of banks in accordance with the principles of the SSM. The results of this annual evaluation were taken into account in the joint decisions.

**The payment services and electronic money issuance sector**

As at 31 December 2015, there were ten payment institutions operating in the Slovak financial market, seven of which were authorised to provide payment services with no scope limit...
and three were authorised to provide payment services in a limited scope. One electronic money institution commenced operations in 2015, with the authorisation of NBS.

A total of 22 decisions were issued during 2015 in regard to payment services, 21 of which entered into force in the same year.

In regard to electronic money issuance, three decisions were issued over the course of 2015.

In 2015, on the basis of notifications received from the supervisory authorities of other Member States, NBS registered seven agents of foreign payment institutions intending to provide payment services in Slovakia on a cross-border basis. On the basis of notifications received from the supervisory authorities of other Member States, NBS registered four agents of payment institutions and one other person (distributor of a foreign electronic money institution), who is authorised to distribute or redeem electronic money in Slovakia.

In 2015 one comprehensive on-site inspection of a payment institution (started in 2014) was completed. Furthermore, one comprehensive on-site inspection of a payment institution was carried out and one comprehensive on-site inspection of an electronic money institution was commenced. The inspections focused on verifying and evaluating the provision of payment services and the issuance of electronic money, compliance with the conditions stipulated for their business, the system of internal control and internal audit, the risk management system and selected risks, and the prevention of money laundering and terrorist financing and the fulfilment of the respective obligations and checking the adherence to generally binding legal regulations.

**The Foreign Exchange Sector**

As at 31 December 2015, there were 1,146 foreign exchange places in Slovakia holding a foreign exchange license. Eleven decisions entered into force in 2015, ten of which were issued in the same year and one in the previous year.

In regard to this sector, eight sanction proceedings were instituted in 2015. In addition, two proceedings brought in 2014 were completed with the issuance of a final decision.

The focus of supervision in this sector was on verifying compliance with the Foreign Exchange Act.6

**The Non-Bank Creditors Sector**

A new legislation covering the area of consumer credits and other credits and loans for consumers changed the conditions for the conduct of this business: creditors and other creditors may provide consumer credits only on the basis of an authorisation by NBS. The new legislation applies also to creditors and other creditors that used to operate on the basis of their registration in the register of creditors kept by NBS according to the previously applicable legislation. If such creditors and other creditors wished to continue providing consumer credits after 31 August 2015, they had to apply to NBS for authorisation by 31 May 2015. If a creditor had failed to deliver an application by that date, they were deprived of their right to do business in this area with effect from 1 September 2015. As of the same date, NBS removed the register of creditors from its website in compliance with the Consumer Credits Act.

In 2015 a total of 33 decisions were issued in regard to non-bank creditors, 30 of which entered into force in the same year. The most important decisions were those concerning the authorisation of 23 creditors to provide consumer credits in unlimited scope.

**The Insurance Sector**

As at 31 December 2015, there were 16 domestic insurance undertakings operating in the Slovak financial market and 24 branches of foreign insurance or reinsurance undertakings established in other EU Member States.

In regard to this sector, the FMS Unit conducted 23 authorisation proceedings during 2015 (three of which were instituted in 2014) and issued 23 decisions, which concerned mainly authorisation modifications (extensions) relating to the performance of insurance activities and to financial intermediation for financial institutions under separate regulations, and prior approvals, e.g. for the acquisition of qualifying holdings in insurance undertakings, the appointment of

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board members and general proxies, or for loan repayment before maturity.

The FMS Unit’s most significant decisions were those concerning the transfer of part of the insurance portfolio of MetLife Amslico, a.s., and the merger of that company with MetLife Europe Ltd.

In 2015 five actuaries were entered into the register of actuaries.

At the end of the year, the FMS Unit granted all 16 insurance undertakings established in Slovakia a certificate of the scope of insurance activities / certificate of the scope of insurance and reinsurance activities under the provisions of Article 192(4) of the Insurance Act,7 and thus the insurance and reinsurance activities of insurers based in Slovakia were brought into line with Annex 1 of the Insurance Act.

In regard to the activities of insurers and reinsurers established in Slovakia and other EU Member States, a total of 49 notifications were issued in 2015.

In 2015 the FMS Unit conducted six sanction proceedings in regard to insurers (three of which were instituted in the same year) and issued three first-instance decisions to impose a sanction (two of which entered into force in the same year). Appeals were lodged against three first-instance decisions, which were subsequently forwarded to the Bank Board of NBS for second-instance proceedings.

Off-site supervision focused on verifying compliance with the reporting requirement by insurers and by the Slovak Insurers’ Bureau, while NBS also collected data from the branches of insurers established in other Member States for supervisory purposes.

One comprehensive and 14 thematic on-site inspections were carried out in 2015. The thematic inspections focused on verifying compliance with the relevant provisions of the Insurance Act and other generally binding legal regulations pertaining to investment life insurance and on verifying the liquidation of insurance events, the management of insurance contracts and the handling of complaints. Two additional thematic on-site inspections were instituted in 2015 to verify the use of a partial internal model, but had not been completed by the end of December.

Furthermore, an analysis was carried out in 2015 of the insurers’ exposures to Russia and to EU countries experiencing unfavourable economic developments, including countries that were hit by the debt crisis in the past. This analysis revealed that exposures to these countries (mainly to issuers of securities) constituted only a negligible part of the insurers’ total assets, and thus the interests of their customers would not be affected severely in the event of a decrease in these exposures.

In accordance with the Solvency II Directive,8 NBS continued to cooperate in 2015 with the competent home supervisors in the pre-application preparations for the use of internal models for insurance risk management. The pre-validation process took place in three insurance undertakings in 2015 and focused on a preliminary assessment of the individual partial internal models of entities subject to supervision, which plan to use their internal models for calculating the solvency requirements.

In connection with the new insurance regulations effective from 1 January 2016, off-site supervision was used to determine the preparedness of insurers for Solvency II. The information obtained from insurers indicated that they were intensely preparing for the implementation of the new legal regulations.

9 Act No 43/2004 Coll. on the old-age pension saving scheme and amending certain laws, as amended (‘the Old-Age Pension Saving Scheme Act’).
10 Act No 650/2004 Coll. on the supplementary pension saving scheme and amending certain laws, as amended (‘the Supplementary Pension Saving Scheme Act’).
In 2015 the FMS Unit issued 34 decisions concerning the old-age pension saving scheme and 38 decisions concerning the supplementary pension saving scheme. All these decisions entered into force in the same year.

One of the priorities of off-site supervision in the pension sector was to verify compliance with the reporting requirement by pension funds management companies, supplementary pension management companies, and the depositaries of pension funds in relation to NBS. Special emphasis was placed on the verification for correctness of the valuation of financial instruments in pension fund assets and on the verification of compliance of the acquisition of such financial instruments with the relevant provisions of the Old-Age Pension Saving Scheme Act and of the Supplementary Pension Scheme Act.

The year under review saw the completion of eight thematic on-site inspections in pension funds management companies. Two of these inspections were launched in December 2014 to verify the preparedness of the companies under supervision for the payment of old-age pensions. The other six thematic inspections focused on verifying the ratings assigned to pension fund assets and the methods and procedures used by companies for valuing their assets held in pension funds.

In the third quarter of 2015, a thematic on-site inspection was also instituted in a banking institution performing depositary activities for the pension and collective investment sectors.

The Financial Intermediation and Financial Advisory services
As at 31 December 2015, a total of 34,400 entities were registered in the Register of Financial Agents and Financial Advisors (REGFAP), which is kept by NBS in accordance with Article 13 of the Financial Intermediation and Financial Advisory Services Act. During 2015, 49 new entities were entered into REGFAP and 71 independent financial agents or financial advisors were removed from REGFAP. In addition, 210 financial intermediaries from other Member States were entered into REGFAP, mostly intermediaries authorised to provide insurance and reinsurance services in Slovakia on the basis of the principle of free provision of cross-border services. In 2015 NBS accepted and processed 6,668 electronic proposals for the registration or deregistration of entities, and for a change in their registration, while cooperating with, and providing information to, public authorities and other authorised persons about affiliated entities registered in REGFAP.

In regard to this sector, the FMS Unit conducted a total of 101 sanction proceedings during 2015 and issued 76 decisions to impose a sanction and 21 decisions to end the proceedings (83 of which entered into force in the same year). Appeals were lodged against two first-instance decisions, but were not resolved in 2015.

Off-site supervision in this sector was exercised to verify and evaluate compliance with the statutory reporting requirement by the entities under supervision and to examine, in cooperation with the competent registry courts, compliance with the requirement that newly authorised financial agents and financial advisors should submit a proposal for the entry into the Commercial Register of the business of financial intermediation or financial advisory within three months of the date of authorisation. In several cases, the supervision revealed a breach of the Financial Intermediation and Financial Advisory Services Act. Such breach of law was sanctioned with the revocation of authorisation.

In 2015 six on-site inspections were conducted in regard to independent financial agents (legal persons), i.e. three thematic and two comprehensive inspections (one of which had not been formally completed by the end of December), and one comprehensive inspection from 2014 (it was completed in the first quarter of 2015).

The Securities market sector
As at the end of 2015, there were 14 investment firms operating in the Slovak financial market. During the year, one investment firm was authorised to provide investment services and one investment firm returned its authorisation.

In regard to investment firms, the FMS Unit issued 18 decisions over the course of 2015. Most
of these decisions concerned changes in authorisations to provide investment services and prior approvals for the appointment of board members or for the relocation of a firm’s head office. During the year, the FMS Unit received 100 notifications from foreign investment firms that intended to provide investment services in Slovakia on a cross-border basis.

Regarding the public offering of securities, the FMS Unit approved 36 securities prospectuses in 2015, plus 11 supplements to securities prospectuses and 6 investment certificate prospectuses, which are not classified as securities prospectuses under the Prospectus Directive.12 In the same year, the FMS Unit received 74 notifications from the supervisory authorities of other EU Member States in regard to the approval of securities prospectuses or of supplements to such prospectuses, and sent four notifications to the supervisory authorities of other EU Member States.

Within the scope of authorising activity relating to the segment of share issuers whose shares are traded on a regulated market of the Bratislava Stock Exchange (BCPB, a.s.), the FMS unit issued three decisions in 2015 in regard to the approval of take-over bid proposals and to the granting of permission for the exercise of the squeeze-out right.

In regard to the performance of depositary activities, the FMS Unit issued 14 decisions in 2015. These decisions concerned mainly the granting of prior approvals for the appointment of board and supervisory board members for the Central Securities Depository of the SR (CDCP SR, a.s.), for changes in the organisational rules of CDCP SR, a.s., and for the draft organisational rules of the National Central Securities Depository (NCDCP, a.s.). The approval of the organisational rules of NCDCP, a.s., was one of the conditions for NCDCP to commence securities depositary activities, stipulated by NBS. However, NCDCP, a.s. had not commenced operations by 31 December 2015.

Within the scope of its authorising activity relating to BCPB, a.s., the FMS Unit issued five decisions in 2015 to grant prior approval for the appointment of board members and supervisory board members for BCPB, a.s.

In the securities marker sector, the FMS Unit conducted 13 sanction proceedings during 2015, four of which were cancelled and three completed with the issuance of a decision to impose a sanction. A total of seven first-instance decisions entered into force in 2015. Appeal proceedings were initiated against one first-instance decision, which was forwarded to the Bank Board of NBS for second-instance proceedings, but had not been reviewed by the end of 2015.

As at 31 December 2015, 14 domestic investment firms and 7 foreign investment firms operating in Slovakia through their branches were subject to off-site supervision under the MiFID Directive.13 Off-site supervision also covered the activities of BCPB, a.s., and CDCP SR, a.s., as well as compliance with the reporting requirement by 78 issuers of securities admitted to trading on a regulated market of BCPB, a.s., via the Central Register of Regulated Information (CERI) kept by NBS. Their number had dropped to 67 by end-December 2015. During 2015 NBS also verified six issuers in the matter of invitations for take-over bids.

In the securities market sector, two comprehensive on-site inspections were carried out in 2015 (one of them was instituted in 2014). In addition, 14 thematic on-site inspections were carried out in investment firms, with the focus being on verifying the measures employed by these firms to ensure adequate protection for complainants / consumers and other clients and the method they used to implement the Complaints Handling Guideline of ESMA14 into their internal regulations and policies. In the second half of 2015, two on-site inspections (one comprehensive and one thematic) were instituted in two investment firms with the focus being on verifying the provision of investment services and auxiliary services to clients.

**THE COLLECTIVE INVESTMENT SECTOR**

In 2015 there were seven management companies operating in the collective investment sector of the Slovak financial market. At the end of the year, one of these companies returned its authorisation to manage standard mutual funds and standard European mutual funds.

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14 Methodological Guideline No 2/2014 of the Financial Market Supervision Unit of NBS of 30 September 2014 on complaints-handling for investment firms and management companies in accordance with the requirements of the European supervisory authority (European Securities and Markets Authority) (‘the Complaints-Handling Guideline’).
Within the scope of its authorising activity, the FMS Unit issued 108 decisions during 2015, including four authorisations to set up or manage a mutual fund (i.e. two authorisations to set up a standard mutual fund, one authorisation to set up a special public securities fund, and one authorisation to manage a special professional investor fund), 96 prior approvals (63 of which were prior approvals for a change in a mutual fund’s statutes and 24 prior approvals for the appointment of board members or supervisory board members for a management company), and two authorisations for foreign management companies to distribute, using public offering, securities issued by their alternative investment funds to non-professional investors.

In 2015 a total of 38 notifications were received from European funds intending to offer publicly their securities in Slovakia. In addition, 39 notifications were received from foreign management companies intending to offer the shares/units of European alternative investment funds in Slovakia.

In regard to this sector, the FMS Unit issued one decision in 2015 to impose a penalty (it entered into force in the same year).

Subject to off-site supervision in 2015 were seven domestic management companies, which managed a total of 66 standard mutual funds (six of which were standard mutual funds set up under the Collective Investment Act but managed by a foreign management company), 22 alternative investment funds and 5 banking institutions performing depositary activities in accordance with the Collective Investment Act.15

In the collective investment sector, two comprehensive on-site inspections of two management companies were completed in 2015 (one of them was instituted in 2014). In addition, six thematic on-site inspections were completed in 2015; these inspections were carried out to verify the measures that companies had adopted to ensure adequate protection for complainants / consumers and other clients and to check the implementation of the Complaints Handling Guideline for investment firms and management companies into the internal regulations and policies of the companies concerned.

In the third quarter of 2015, a thematic on-site inspection was also commenced in a banking institution performing depositary activities for the collective investment and pension sectors.

### 2.3 Financial Market Regulation

#### The Banking Sector

In cooperation with the Ministry of Finance, NBS prepared an amendment to the Resolution Act,16 in order to extend the legal framework for the prevention and resolution of crisis situations in the Slovak financial market. The amendment was designed to transpose the Bank Recovery and Resolution Directive (BRRD)17 into Slovak law.

NBS, working closely with the Ministry of Finance, also prepared a law on housing loans18, designed to implement the Mortgage Credit Directive19 and to create a legal framework for the effective functioning of the housing loan market within the harmonised internal market of the EU. This law stipulates conditions for the provision of housing loans and other services, procedures for the conclusion of housing loan agreements, the due form of such loan agreements and other particulars needed for the provision of housing loans.

In connection with the implementation of the new single European regulatory framework for banks, i.e. the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV),20 NBS continued to prepare further legal regulations in 2015, especially NBS decrees.

NBS prepared a decree stipulating the details of additional types of risks, the details of the risk management systems of banks and branches of foreign banks, and the details of what is meant by a ‘sudden and unexpected change in market interest rates.’

The risks related to asset encumbrance and their management were taken into account in the drafting of a decree amending the decree on information disclosure by banks and branches of foreign banks. In compliance with the EBA

15 Act No 203/2011 Coll. on collective investment, as amended (‘the Collective Investment Act’).
16 Act No 437/2015 Coll. amending Act No 371/2014 Coll. on resolution in the financial market and amending certain laws (‘the Amendment to the Resolution Act’).
18 Act No 90/2016 Coll. on housing loans and amending certain laws (hereinafter ‘the Housing Loans Act’).
Guideline, the new decree was designed to extend the list of financial indicators to include a new item to be published, i.e. information about encumbered and unencumbered assets.

**The payment services and electronic money issuance sector**

An amendment to the Payment Services Act was prepared and approved in 2015, for the purpose of transposing the PAD Directive. It entered into force on 1 January 2016.

This amendment was designed to keep financial consumers better informed, by supplying them with detailed information about fees related to payment accounts before they enter into a payment account agreement, to ensure a higher degree of transparency by enabling consumers to compare the banks’ fees on the NBS website, and to simplify the process of payment account switching. The amendment also contained adjustments to the ‘basic bank product’, which is designed for the lower-income groups of households.

**The non-bank lending sector**

During 2015 the Consumer Loans Act was amended on two occasions in connection with the enactment of a law on housing loans.

In this connection, NBS also prepared a decree on the submission of statements by creditors providing consumer loans in a limited extent. Its purpose was to implement certain provisions of the Consumer Loans Act. This decree has created a legal framework for the verification of compliance with the requirement laid down in the Consumer Loans Act under which creditors, when allowed to provide consumer loans in a limited extent, may not exceed the amount lent of €10,000 over a period of 12 calendar months from the commencement of lending to consumers.

**The insurance sector**

The new law on insurance implementing the new regulatory requirements for insurance market entities, laid down in the Solvency II Directive, entered into force on 1 January 2016. The new regulation is based on a risk-oriented approach and is designed to provide better protection for the insured and beneficiaries. In parallel, it supports market stability, especially by higher quality of risks evaluation and effective allocation of capital. The structure of Solvency II is based on three pillars. The first pillar lays down capital requirements for insurance and reinsurance undertakings, taking account of the risk to which they are exposed (including underwriting, credit, market and operational risks). The second pillar sets out requirements for the system of governance used by insurance and reinsurance undertakings, as well as the method of supervision. The third pillar focuses on reporting and disclosure requirements.

For implementing the authorising provisions of the law, NBS issued twelve decrees in 2015 with effect from 1 January 2016.

In connection with the introduction of the new regulation under the Solvency II regime, NBS issued a recommendation to transpose the Solvency II guidelines of EIOPA.

**The pension sector**

As part of its legislative competences, NBS issued five decrees reflecting the changes in the primary legislation applicable for this sector, including amendments to the Old-Age Pension Scheme Act and the Supplementary Pension Scheme Act. The new decrees also take into account the prepared transition to the new information system, Statistics Collection Portal (IS ŠZP), and the application practice.

In preparing a formal letter providing the savers with information about the pay-out options of Pillar II of the pension system, the Financial Market Supervision Unit cooperated closely with the Slovak Ministry of Labour, Social Matters, and the Family.

The regulatory activity of NBS consisted in the adoption and publication of standpoints, with a view to ensuring a common approach to the transfer of funds from the institutions of foreign pension schemes and to the preservation of supplementary pension rights for Slovak citizens working and paying contributions abroad.

**The financial intermediation and financial advisory services**

During 2015 NBS cooperated closely with the Ministry of Finance in the preparation and drafting of a comprehensive amendment to the Financial Intermediation and Advisory Services Act, which was to enter into force on 1 January 2016. After

21 Guideline No EBA/GL/2014/03 of the European Banking Authority of 27 June 2014 on disclosure of encumbered and unencumbered assets.
22 Act No 405/2015 Coll. amending Act No 492/2009 Coll. on payment services and amending certain laws, as amended, and amending Act No 483/2001 Coll. on banks and amending certain laws, as amended (the Amendment to the Payment Services Act).
24 Act No 35/2015 Coll. amending Act No 129/2010 Coll. on consumer loans and other credits or loans for consumers and amending certain laws, as amended (the Amendment to the Consumer Loans Act).
25 Act No 117/2015 Coll. amending Act No 566/2001 Coll. on securities and investment services and amending certain laws (the Securities Act), as amended, and amending certain other laws.
the draft amendment had undergone the inter-ministerial coordination procedure, however, the legislative process was suspended in the summer of 2015. With effect from 1 January 2016, a shortened version of this amendment was passed to provide a legal framework for the use of a professional guarantor instead of a senior employee of a financial agent or of a financial advisor.

The securities market sector
As regards the securities market sector, NBS cooperated closely with the Ministry of Finance in the implementation of a recent amendment to the Transparency Directive, which was transposed into the Stock Exchange Act, as well as in the preparation of an amendment to the Securities Act with the aim of extending the legal framework for the issuance of investment certificates and simplifying the process of transition to the conduct of central depository activities on the principle of full membership. With the issuance of an amendment to the Securities Act, one of the tasks arising from the Concept of Capital Market Development has been accomplished.

During 2015 NBS drafted several decrees for the securities market sector to amend the existing decrees, mainly on reporting by investment firms.

At the beginning of the year, NBS issued a decree to amend an existing decree on the submission of statements by non-bank investment firms for the purpose of maintaining continuity in the structure of databases and data reported to NBS by in the form of balance sheets and profit and loss accounts.

Within its regulatory competence, the Financial Market Supervision Unit NBS published recommendation on the definition of financial instruments pursuant to Article 5 (1) (f – g) of the Securities Act on its website, transposing the respective ESMA guideline.

The collective investment sector
In 2015 NBS cooperated closely with the Ministry of Finance in the preparation of an amendment to the Collective Investment Act, designed to transpose the UCITS V Directive to Slovak law. In the context of the tasks arising from the Concept of Capital Market Development, the new amendment has created a legal framework for the use of new forms of collective investment and related activities, mainly by introducing open-ended collective investment funds (SICAV).

For collective investment undertakings, NBS issued an amendment to the decree on risks and risk management systems, risk measurement, and the calculation of overall and counterparty risks, which was designed to implement the updated guidelines of the European Securities and Markets Authority (ESMA) on ETFs and other UCITS issues.

For the managers of alternative investment funds (AIFs), NBS issued a decree in the first half of 2015 on the submission of information by the managers of AIFs for the purposes of supervision and systemic risk monitoring, as well as a related methodological guideline.

2.4 BANK RECOVERY AND RESOLUTION

In January 2015, the Resolution Council started to perform its key tasks and functions in the area of bank recovery and resolution. The performance of tasks needed to create a professional and organisational framework for the Council to exercise its powers is actually ensured by the Resolution Section of the Regulation Department of NBS.

In 2015 the Resolution Section ensured the preparation of internal regulations for the Resolution Council and, working closely with the Deposit Protection Fund, established procedures for the collection of contributions from banks for the National Resolution Fund. The staff members of the Resolution Section cooperated closely with the Ministry of Finance in the preparation of amendments to the Resolution Act, which were designed, inter alia, to clarify and review the provisions governing proceedings before the Resolution Council, and in the transposition of a new directive on deposit protection. The Resolution Section also cooperated intensely with the Single Resolution Board based in Brussels. Together with the representatives of other euro area countries, the Resolution Section participated in the preparation of methodologies and joint procedures for the Single Resolution Board, and in the organisation of two internal resolution teams for bank groups operating in Slovakia.
2.5 FINANCIAL CONSUMER PROTECTION

As from 1 January 2015, NBS is the competent authority for consumer protection in the Slovak financial market. Before that date, NBS had already performed the functions of a single contact place for consumers and other clients who complained about the violation of their rights by entities subject to supervision. Consumer protection is currently perceived as an important matter at both the national and European levels. NBS intends to contribute to the protection of consumer rights and to ensure that remedy for any breach thereof is provided as soon as possible and that practices that had given rise to complaints in the past are not repeated. A crucial task in this regard is to ensure adequate consumer protection in the area of non-bank lending, too. This task was taken on by NBS in 2015.

Since the year under review saw several major legislative changes in consumer protection, methodological activity is regarded as one of the key tools for accomplishing this task. The FMS unit has adopted a standpoint on the application of the Civil Code to business relationships involving consumers. It concerns the use of new rules in relation to virtually all the entities that are subject to supervision. With effect from April 2015, the Civil Code is to be applied even to legal relationships that are covered by the Commercial Code, for example to loan and current account agreements. In regard to consumer protection, further two methodological guidelines were issued in 2015: a guideline on the designation and promotion of insurance products and a guideline on the use of valuation tables in connection with the conclusion of an insurance contract. In addition, a statement was issued on the application of Article 9a of the Consumer Protection Act. Two public consultations were initiated in 2015 on the following subjects: (1) unilateral modifications to contracts for financial services and (2) the examination of a person’s state of health for health insurance purposes.

As regards consumer protection, several sanctions proceedings were instituted in 2015 but no final decision was issued to impose a sanction. At the same time, preliminary measures were taken to protect the collective rights of consumers. Since 2015 was the first year of supervision in the area of financial consumer protection, in-depth examinations were carried out to obtain an overview of compliance by the entities under supervision with their obligations and of the market practices used in consumer protection. As the range of supervisory tools and powers used in this area had been extended through an amendment to the Financial Market Supervision Act (with effect from the beginning of 2015), appropriate internal processes and procedures had to be adopted for the exercise of supervision. These included a brand new tool, i.e. on-site inspection conducted indirectly or in the form of a mystery shopping exercise in which the FMS Unit had no practical experience at that time. In the area of banking, supervision focused on verifying the segment of consumer loans, in particular whether consumer loan agreements contained any unacceptable conditions, whether they contained all the statutory elements, whether consumers had all the information needed for the conclusion of a loan agreement, and whether any false or misleading information was used during the promotion of loan products. Supervision was also used to verify the legality of, and the information provided about, fees charged for payment services, mainly in connection with payments in foreign currency. In the area of insurance, the supervisors verified the procedures followed by insurers in liquidating insurance events and the sale of insurance products linked to bank products – banking insurance. In connection with the latest amendment to the Consumer Loans Act, which required companies that intended to continue providing non-bank consumer loans to apply for authorisation for such activity, the supervisors in charge of consumer protection made preparations for the verification of the facts such companies stated in their applications. In the area of consumer protection, the focus of supervision was on verifying the conduct of financial intermediation, in particular whether aggressive and unfair business practices were employed, such as concealment of material facts or misleading of consumers.

In 2015 off-site supervision was instituted in 18 cases and broad surveillance in 6 cases. Thematic on-site inspections were commenced in nine cases (six in non-bank entities), with the focus being on the conclusion of consumer loan agreements. In all these cases, the on-site inspection began...
with a mystery shopping exercise. A total of 42 mystery shopping exercises were conducted during the year, 20 of which also included the conclusion of a financial service agreement.

In 2015 NBS received 1,645 submissions from financial consumers, i.e. 167 more than in 2014 (an increase of 10%). Almost one fifth of these submissions were justified, i.e. they concerned cases where the right of a consumer had actually been violated by a financial institution. The exercise of supervision over consumer loans provided by non-bank creditors was also reflected in the number of submissions received. During 2015 NBS received 209 such submissions. This indicates that consumer loans were the second most frequent subject-matter of complaints, next to comprehensive motor insurance. In the area of banking, the complaints of financial consumers concerned mainly mortgage loans, housing loans and consumer loans provided by banks. The number of submissions regarding financial intermediation remained virtually unchanged during 2010-2014. These submissions concerned the method, range and quality of the information financial consumers had received before the financial service was actually provided. In 2015 submissions received from the customers of entities subject to supervision remained the main source of information that NBS used in conducting on-site inspections or off-site supervision in specific companies.

3 Issuing Activity and Currency Circulation

3.1 Cumulative Net Issuance

The cumulative net issuance (CNI)³⁴ of euro banknotes and coins in Slovakia had a total value of €10.2 billion as at 31 December 2015, with euro banknotes accounting for €10.1 billion of that amount. The CNI increased in 2015 by 7.5% year-on-year (by €711.5 million), with its growth rate accelerating after several years on a downward trend³⁵. The value of the item currency in circulation, corresponding to Národná banka Slovenská’s allocated share in the Eurosystem’s production of euro banknotes (Banknote Allocation Key), amounted to around €10.9 billion as at 31 December 2015³⁶. The difference in value between the euro banknotes issued in Slovakia and the currency in circulation item was €879 million.

The CNI’s daily trend in 2015 remained the same as in previous years, with the year-on-year difference ranging approximately between €0.4 billion and €0.8 billion. The daily CNI is usually highest in the pre-Christmas period, and in 2015 it peaked on 23 December (at €10.4 billion).

Euro banknotes accounted for almost the entire value of the CNI (98.5%), but only for 20% of the CNI in terms of volume. Euro coins (including euro collector coins) made up the remaining 80%.

The cumulative net issuance as at 31 December 2015 comprised almost 149 million euro banknotes and approximately 604 million euro coins (including collector coins). The €50 denomination had the largest share of the total number of banknotes included in the CNI, at almost 24%. The coins issued in the highest volumes are the

³⁴ Since euro banknotes and euro coins in circulation in Slovakia include banknotes and coins issued in other euro area countries, Národná banka Slovenská does not record the actual value and volume of currency in circulation, but only the euro banknotes and euro coins that NBS itself has put into and withdrawn from circulation. The cumulative net issuance as at 31 December 2015 refers to the difference between the value (volume) of euro banknotes and coins put into and withdrawn from circulation between 1 January 2009, when Slovakia joined the euro area, and 31 December 2015.
³⁵ The CNI increased by 6.6% in 2014, 7.5% in 2013, 12.7% in 2012, 21.6% in 2011 and 30.8% in 2010.
³⁶ The value of currency in circulation throughout the euro area as at 31 December 2015 was €1,083 billion, and the share of that currency issued in Slovakia according to the banknote allocation key was 1.0095%, or around €10.9 billion.
Table 6 Composition of the cumulative net issuance of euro banknotes and coins

<table>
<thead>
<tr>
<th>Cumulative net issuance</th>
<th>Share in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNI as at 31 December 2015</td>
<td>Difference vis-à-vis 31 December 2014</td>
</tr>
<tr>
<td>number</td>
<td>value (€)</td>
</tr>
<tr>
<td>€500</td>
<td>8,331,659</td>
</tr>
<tr>
<td>€200</td>
<td>337,555</td>
</tr>
<tr>
<td>€100</td>
<td>30,180,407</td>
</tr>
<tr>
<td>€50</td>
<td>35,666,851</td>
</tr>
<tr>
<td>€20</td>
<td>32,526,836</td>
</tr>
<tr>
<td>€10</td>
<td>32,599,485</td>
</tr>
<tr>
<td>€5</td>
<td>9,344,031</td>
</tr>
<tr>
<td><strong>Total banknotes</strong></td>
<td><strong>148,986,824</strong></td>
</tr>
<tr>
<td><strong>€2</strong></td>
<td>45,435,741</td>
</tr>
<tr>
<td><strong>€1</strong></td>
<td>20,975,299</td>
</tr>
<tr>
<td><strong>50 cent</strong></td>
<td>26,241,693</td>
</tr>
<tr>
<td><strong>20 cent</strong></td>
<td>33,214,433</td>
</tr>
<tr>
<td><strong>10 cent</strong></td>
<td>53,326,380</td>
</tr>
<tr>
<td><strong>5 cent</strong></td>
<td>69,825,618</td>
</tr>
<tr>
<td><strong>2 cent</strong></td>
<td>151,994,293</td>
</tr>
<tr>
<td><strong>1 cent</strong></td>
<td>202,314,461</td>
</tr>
<tr>
<td><strong>Total coins</strong></td>
<td><strong>603,327,918</strong></td>
</tr>
<tr>
<td><strong>Collector coins</strong></td>
<td>335,950</td>
</tr>
<tr>
<td><strong>Total banknotes and coins</strong></td>
<td><strong>752,650,692</strong></td>
</tr>
</tbody>
</table>

Source: NBS.

1) Combined value of both series of euro banknotes (ES1 + ES2).

Two lowest denominations (1 and 2 cent). They made up more than half (59%) of all the coins in the CNI and their share is increasing year by year. In value terms, however, the combined share of these two denominations is only 3.5%.

As an average per capita, the number of euro banknotes in circulation in Slovakia in 2015 stood at 27 and their value at around €1,772. As for coins (including collector coins) the corresponding figures were 106 and €26. The average per capita value of the CNI was €1,798.

The most common euro banknotes and coins in circulation in Slovakia in 2015 were the €50 banknote (around seven per capita), the 1 cent coin (35) and the 2 cent coin (27).

**ISSUANCE OF THE SECOND SERIES OF EURO BANKNOTES**

In accordance with an ECB decision, a new €20 banknote began circulating on 25 November 2015. This was the third banknote of the second (Europa) series of euro banknotes (ES2) to be launched. From 25 November to 31 December 2015 a total of 4 million of the ES2 €20 banknotes were included in the CNI.

**SLOVAK KORUNA BANKNOTES AND COINS**

By 31 December 2015, unredeemed Slovak koruna banknotes and commemorative coins totalled, respectively, 18.9 million (including 10.1 million 20 koruna banknotes) and approximately 933,000. Their combined face value was around SKK 2.96 billion (€98.3 million), or around 1.5% of the total value of banknotes issued (by 31 December 2007).

In per capita terms, koruna banknotes unredeemed by the end of 2015 numbered around four and had a face value of SKK 417. The per capita value of commemorative koruna coins was SKK 129, and that of koruna banknotes was SKK 129, and that of koruna banknotes...
and coins combined was SKK 546. The number of outstanding 20 koruna banknotes, the commonest denomination, was almost two per capita.

### 3.2 PRODUCTION OF EURO BANKNOTES AND COINS

In 2015 NBS commissioned for the Eurosystem the production of 45.82 million €50 banknotes. The banknotes were produced by the Dutch printing company Royal Joh. Enschedé. In accordance with its banknote allocation for 2015, NBS also commissioned the production of 23.48 million €50 banknotes, but their printing, by the French company Oberthur Technologies, was postponed until the first half of 2016.

In addition to euro banknotes, NBS ensured the production of 23.111 million 1 cent euro coins, 12.564 million 2 cent euro coins, 7.350 million €2 coins, as well as one million €2 commemorative coins featuring the 30th anniversary of the Flag of Europe (issued on 24 September 2015) and one million €2 commemorative coins featuring the 200th anniversary of the birth of Ludovít Štúr (issued on 23 October 2015).

All the euro coins commissioned by NBS are produced by the state-owned mint Mincovňa Kremnica (‘the Kremnica Mint’). The coins minted in 2015 included 25,000 euro coins of each denomination that were used in the four annual collector sets of Slovak euro coins.

In accordance with its issue plan for commemorative and collector euro coins, NBS also issued three collector coins in 2015, including two silver coins and one gold coin. In October 2015 a number of collector coins due to be issued in 2016 were frontloaded to NBS from the Kremnica Mint. They comprised 8,800 €10 silver coins commemorating the 150th anniversary of the birth of Ladislav Nádaši-Jégé (issued on 19 January 2016) and 8,300 €20 silver coins featuring the Historical Preservation Area of Banská Bystrica (issued on 30 March 2016). NBS arranges the sale of commemorative and collector euro coins through contractual partners in Slovakia and abroad.

### 3.3 PROCESSING OF EURO BANKNOTES AND COINS

In 2015 more than 351.7 million euro banknotes were put into circulation by Národná banka Slovenska (via banks, and partly to the public directly), while €346.4 million were returned to NBS from circulation.

During the year NBS processed over 347.2 million euro banknotes (368 million in 2014) in accordance with the common procedures laid down by the ECB for all national central banks in the euro area. The total number of euro banknotes returned to NBS was approximately 2.4 times higher than the average number of euro banknotes issued by NBS. Therefore each euro banknote issued by NBS was returned to it once every five months on average. The authenticity and fitness for circulation of returned banknotes are checked by NBS, with the aim of maintaining the integrity of the currency and public confidence in euro banknotes. The high

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**Table 7 Collector coins issued by Národná banka Slovenska in 2015**

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Theme</th>
<th>Issuing (volume)</th>
<th>NBS notification of coin issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>€10&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>World Natural Heritage – Primeval Beech Forests of the Carpathians</td>
<td>9,500</td>
<td>No 369/2014 Z. z.</td>
</tr>
<tr>
<td>€10&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>200th anniversary of the birth of Ludovít Štúr</td>
<td>9,200</td>
<td>No 195/2015 Z. z.</td>
</tr>
<tr>
<td>€100&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>World Natural Heritage – Primeval Beech Forests of the Carpathians</td>
<td>4,100</td>
<td>No 258/2015 Z. z.</td>
</tr>
</tbody>
</table>

Source: NBS.
1) Silver collector coin.
2) Gold collector coin.
level of public satisfaction with the quality of euro banknotes circulating in Slovakia is confirmed by a survey conducted each year in euro area countries. In the latest survey, around 93% of respondents expressed satisfaction with the quality of euro banknotes.

The €50 banknote was the most frequently processed denomination in 2015 (Chart 20), being the most common euro banknote in circulation and the most frequently issued via cash dispensers.

In the processing of euro banknotes during 2015, 43.8 million banknotes were identified as being unfit for circulation and subsequently destroyed. The number of unfit banknotes destroyed by NBS was around 15% lower in 2015 than in 2014. The lower volume of banknotes sorted as unfit was reflected in the average unfit rate for euro banknotes, which decreased year-on-year by 1.4 percentage points, to 12.6%. The average unfit rate reported by euro area national central banks in 2015 was 15.8%.

In 2015 more than 338 million euro coins were put into circulation by NBS, and more than 289 million euro coins were returned to NBS from circulation. The coins were processed in automated coin processing machines, which checked the coins for both authenticity and fitness for circulation. Since coins have a longer lifespan than banknotes, only around 454,000 of the 289.4 million processed were sorted as unfit. The number of euro coins that NBS processed did not vary significantly between denominations.

The processing and recirculation of euro banknotes and coins is performed not only by NBS, but also by commercial banks and other cash handlers which have received approval from NBS to process euro cash. The activities of these cash handlers are subject to regular supervision of NBS.

3.4 COUNTERFEIT BANKNOTES AND COINS RECOVERED IN SLOVAKIA

A total of 4,854 counterfeit banknotes and coins were recovered in Slovakia in 2015, approximately one-quarter fewer than were recovered in 2014 (Table 8). The vast majority (98%) of these counterfeits were euro counterfeits.

Of the total number of counterfeits recovered, banknotes made up 3,029 and coins 1,825. Fully 82.3% of the counterfeits were recovered from circulation by banks, branches of foreign banks, non-bank entities and security services (the corresponding figure for 2014 was 76.3%). In one widely reported case in June 2015, law enforcement authorities in Nitra Region seized 666 counterfeit €50 banknotes before they entered circulation.

The regions in which most of the counterfeits were recovered were Bratislava Region (31.1%) and Nitra Region (23.4%), while the lowest share was recorded by Trenčín Region (2.8%). Of the total counterfeits withdrawn from circulation, commercial banks recovered 41.3%, security services 16.5%, NBS 18.3%, and the police also 18.3%. The rest were removed by non-bank entities.

A moderate improvement in the quality of counterfeits was observed in 2015, especially in counterfeits of euro banknotes and coins. Nevertheless, neither the number of counter-
feits recovered, nor the technical level of their production posed a serious risk to the integrity and smooth operation of cash circulation in Slovakia.

**EURO COUNTERFEITS**

The number of counterfeit euro banknotes and coins recovered in Slovakia in 2015 was 4,749 and they had total face value of €171,939.50.

The number of euro banknote counterfeits recovered in Slovakia has remained steady over a long period, with the figures tending to reflect the impact of particular cases (one or two a year) in which sizeable quantities of counterfeit banknotes are seized by police before entering circulation. The number of euro coin counterfeits recovered has been falling gradually in recent years.

Out of all euro counterfeits recovered across the euro area, the proportion recovered in Slovakia has long been below 1% and in 2015 it was only 0.25%.

Euro banknotes made up 2,924 of all the counterfeit banknotes and coins recovered in Slovakia in 2015, and that number was around 15% lower in year-on-year terms. Although euro counterfeits are mostly of high quality, they can be detected without technical equipment, so long as sufficient attention is paid to euro cash when receiving it.

The denominational breakdown of euro counterfeits has remained similar in recent years. The most common counterfeits in 2015 were €50 and €20 banknote counterfeits, which accounted for 60.6% and 18.9% of total euro counterfeits respectively. A similar trend is observed throughout the euro area.

Counterfeits of the three medium-denomination banknotes, the €20, €50 and €100 notes, constituted 91.9% of all the euro banknotes recovered in Slovakia in 2015 (the share of these denominations in the total issuance of euro banknotes in Slovakia was 66%), while in 2014 they accounted for only 59%. Across the euro area, the share of these three denominations in the total number of counterfeits recovered has been above 90% over an extended period.

A total of 1,825 euro coin counterfeits were removed from circulation in Slovakia in 2015, down...
Chart 21 Denominational breakdown of counterfeit euro banknotes recovered in Slovakia and the euro area

Slovakia

€5 – 1.1%
€10 – 2.8%
€20 – 10.9%
€50 – 60.6%

€100 – 12.4%
€200 – 3.4%
€500 – 0.8%

Euro area

€5 – 0.8%
€10 – 1.5%
€20 – 38.3%
€50 – 39.5%

€100 – 7.9%
€200 – 0.7%
€500 – 1.3%

Source: NBS.

Recent years have seen counterfeit 50 cent coins recovered in greater numbers than counterfeit €1 coins.

SLOVAK KORUNA COUNTERFEITS

Following the introduction of the euro into cash circulation, the number of Slovak koruna counterfeits fell sharply. Only 11 Slovak koruna counterfeits were recovered in 2015 (the figure for 2014 was 21). Although the period in which Slovak koruna banknotes may be exchanged for euro at NBS is indefinite, further incidence of...
koruna counterfeits is expected to be only sporadic.

Counterfeits of other foreign currency

The total number of counterfeits of other foreign currencies recovered in Slovakia was lower in 2015 than in 2014. The majority of them were US dollar counterfeits, 43 of which were recovered. As in previous years, the $100 dollar banknote was the most counterfeited denomination, accounting for 91% of US dollar counterfeits. The other counterfeits recovered included 41 Swiss franc, 4 British pound, 4 Hungarian forint and 2 Polish zloty counterfeits.

4 Payment services and payment systems

4.1 Payment services

The principal legal regulation governing payment services and payment systems in Slovakia is Act No 492/2009 on payment services and amending certain laws (hereinafter ‘the Payment Services Act’), which transposes into Slovak law Directive 2007/64/EC of the European Parliament and of the Council on payment services in the internal market.

Slovak law in the area of payment services also includes the following directly applicable EU Regulations:

- Regulation (EU) No 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006; and

A further component of the legal framework is Decree No 8/2009 of Národná banka Slovenska laying down the structure of domestic and international bank account numbers and details about the issuance of an identifier code converter.

In 2015 Národná banka Slovenska approved a proposal of the Slovak Banking Association (SBA) that the SBA should not pay any contribution for that year to the operation of the SBA’s Permanent Court of Arbitration (established under the Payment Services Act for the out-of-court settlement of disputes), in view of the Court’s financial results and the sufficiency of existing funding for the activities of the Court’s Chamber for the Arbitration of Disputes Related to Payment Services.

4.2 Payment systems in Slovakia

4.2.1 TARGET2 and TARGET2-SK

Since Slovakia joined the euro area in 2009, Národná banka Slovenska has operated the TARGET2 component system known as TARGET2-SK (T2-SK). T2-SK functioned smoothly in 2015, free of any incident that might have disrupted the processing of payments or operation of the system, or negatively affect its participants.

Národná banka Slovenska ensures the day-to-day operation of T2-SK, provides advice and support to the system’s participants, and performs regular testing of recovery procedures. It is also involved in coordinating the development, modification, testing, and implementation of software releases for the Single Shared Platform (SSP) that forms the technical infrastructure of TARGET2. New software releases, approved by the Eurosystem in response to the requirements of the system’s users, bring enhanced functionalities and modifications to the SSP and also rectify any deficiencies identified in the previous version.
NBS organises regular working meetings with representatives of T2-SK participants. These meetings provide opportunities to discuss proposed motions and planned changes in TARGET2, to coordinate the testing of new SSP software releases with participants, to evaluate the day-to-day operation of the system, and to pass on any other relevant information.


4.2.2 Payments executed via TARGET2-SK
T2-SK had 33 participants at the end of 2015, including 30 direct participants. The other three participants were ancillary systems, namely: the Slovak Interbank Payment System (SIPS); a central securities depository named Centrálny depozitár cenných papierov SR (CDCP); and a company named First Data Slovakia, s.r.o. The overall number of participants was the same as at the end of 2014, the only changes in 2015 being the arrival of one direct participant and departure of another.

In 2015 T2-SK settled more than 233,000 transactions with a total value of over €586 billion. In comparison with 2014, T2-SK traffic decreased in volume by 8.7% (over 22,000 transactions) and decreased in value by 12.1% (€81 billion).

T2-SK had 256 operating days in 2015, and its average daily traffic by volume and value was 912 transactions and almost €2,292 million.

Looking at the payment traffic in 2015 broken down into customer and interbank transactions, customer payments had the higher share by number (71:29), while interbank payments predominated in terms of value (7:93).

At the end of 2015 there were 24 EU central banks connected to TARGET2. Of the total number of payments settled by T2-SK in 2015, 47.62% were domestic, 47.41% were cross-border within the euro area and 4.97% were cross-border to counterparties in non-euro area.
countries. Domestic payments accounted for 56% of the total value of payments, and cross border payments for 44%.

4.2.3 The Slovak Interbank Payment System (SIPS)
The retail payment system, SIPS, is used mainly for the processing and clearing of retail payments in euro. These comprise mostly domestic payments, but also cross-border SEPA credit transfers and SEPA direct debits in the XML message standard. Cross-border SEPA credit transfers and SEPA direct debits are processed by STEP2, a pan-European automated clearing house, in which NBS is a direct participant.

SIPS processes and clears payments through multiple clearing cycles on each business day. A new clearing cycle was introduced in SIPS from 1 January 2015. This extended the deadline for making same-day domestic and cross-border SEPA payments by two and a half hours, until 3 p.m. After participants’ payments are cleared in SIPS, which is an ancillary system of T2-SK, the resulting cash positions undergo final settlement in T2-SK. SIPS functioned smoothly in 2015, free of any incident that might have disrupted the processing and clearing of payments or operation of the system.

Preparations for expanding SIPS services to include the processing of cross-border direct debits between businesses, under the SEPA Business-to-Business (B2B) Direct Debit Scheme, were completed during 2015, in response to demand from the banking sector and based on a decision of the NBS Bank Board. This new functionality of SIPS was successfully tested towards the end of the year and became operational as of 1 January 2016.

As part of the preparations for SEPA B2B direct debits, NBS also adopted and published Decision No 18/2015 amending Decision No 7/2012 of 16 October 2012 on rules for the Slovak Interbank Payment System as amended.

NBS maintains the register of creditor identifiers (CIs) for SEPA direct debits (SDDs), after assuming this task from the Slovak Banking Association in 2013. Each SDD payee, whether a natural or legal person, has a unique CI. The number of active SDD payees registered with NBS was almost 390 at the end of 2015.
4.2.4 Payments executed via SIPS
SIPS had a total of 25 direct participants in 2015, the same as in the previous year.

In 2015 SIPS processed 205,738,000 transactions, which had a total value of €224.23 billion. Compared with 2014, the number of transactions increased by 6.33% (from 193,491,000) and the value increased by 20.63% (from €185.88 billion).

Of the total number of transactions executed via SIPS in 2015, around 94% were domestic and 6% cross-border. Of their total value, domestic transactions accounted for 77% and cross-border transactions for 23%.

4.2.5 Payment cards
The number of payment cards in circulation in Slovakia increased by 5.3% from the end of 2014 to the end of 2015, up to 5,304,377. Both the number and value of payment card transactions also increased year-on-year in 2015, their number by 15.7% (from 317.36 million in 2014 to 367.02 million) and their value by almost 8% (to €20.38 billion).

Contactless payment cards
The use of contactless cards in Slovakia is high by international standards. In 2015 the number of the contactless cards in circulation in Slovakia increased by 23% year-on-year (from 3.2 million in 2014 to almost 4 million), and the number and value of contactless card payments rose markedly, the former by 99.4% (from 50.52 million to 100.75 million) and the latter by 105.8%, (from €650.64 million to €1,338.8 million).

The share of contactless cards in total payment cards was 74.7% by the end of 2015. In regard of this proportion, Slovakia is one of the most advanced countries of the EU.

Cash dispensers (ATMs) and POS terminals
In comparison with 2014, the number of ATMs in Slovakia increased in 2015 by 30, to 2,738, and the number of point-of-sale (POS) terminals increased by 2,782, to 49,604. The number of contactless-enabled POS terminals soared by 44%, from 26,680 in 2014 to 38,424 in 2015.

4.3 Cooperation with International Financial Institutions in the Payment Systems Field

The Eurosystem – TARGET2-Securities
The implementation of TARGET2-Securities (T2S), the Eurosystem’s landmark platform for
securities settlement, entered its operational phase in 2015 in accordance with the T2S Programme Plan. After final testing of the system, the revealed bugs were fixed and a number of modifications were proposed, which were then approved by the Eurosystem. The migration of central securities depositaries (CSDs) and their user communities to the T2S platform is taking place in waves. All CSDs participating in T2S first wave were considered to be eligible by the Eurosystem, after assessing their readiness. On 22 June 2015 a first group from Greece, Malta, Romania and Switzerland connected to T2S. Italy followed on 31 August 2015.

At the same time, considerable progress was made in defining and harmonising T2S standards and in bringing national markets in line with them. Following publication of the CSD Regulation (CSDR) in 2014, cooperation in the drafting of technical standards continued in 2015.

Slovakia is preparing to join the fourth wave of T2S migration, scheduled for February 2017. The institutions involved are Centrálny depozitár cenných papierov SR, Národná banka Slovenska, and all other banks in Slovakia.

The ECB published updates on the progress of T2S throughout 2015, on its website page T2S OnLine.40

5 STATISTICS

Národná banka Slovenska develops, collects, compiles and disseminates a wide range of statistics which support the monetary policy of the euro area and the stability of the financial system in Slovakia, as well as other tasks of the European System of Central Banks (ESCB), the European Systemic Risk Board (ESRB), the Bank for International Settlements (BIS) and other international institutions. Based on data reported by financial and non-financial agents, the statistics serve internal users at Národná banka Slovenska and are also used by financial market participants, public sector entities, the media and the general public.

Since January 2015 NBS has been operating a new information system, the Statistics Collection Portal (SCP), for the collection of selected statistical statements. The large scale project concerning all remaining statements and controls to the SCP also began at this time, so as to prepare them for the parallel collection, which started in November and December in cooperation with the reporting agents. Work also continued in 2015 on extending the SCP data model to include data for outputs validated in a parallel operation.

5.1 MONETARY AND FINANCIAL STATISTICS

The field of monetary and financial statistics experienced several changes in 2015. The beginning of the year saw the transition to reporting according to the requirements of the new European System of National and Regional Accounts (ESA 2010). Another significant change was the preparatory work for reporting according to the data model configuration and to the new SCP. In relation to these developments, NBS issued four decrees that expanded the existing legal framework for reporting by credit institutions, investment funds, other financial intermediaries (firms specialising in leasing, factoring or hire-purchase) and payment institutions.

As regards NBS’s involvement in ECB/ESCB operational activities, the priorities in 2015 included the incorporation of new requirements for specific balance sheet and interest rates statistics (as well as historical time series), and dataset reporting for the implementation of ECB measures concerning targeted longer-term refinancing operations. In cooperation with the ECB’s Statistics Committee and the Single Supervisory Mechanism, NBS participated in the collection of data for the calculation of the ECB’s supervisory fees.

In the area of securities statistics, activities in 2015 were focused on increasing the quality of data held in the ECB’s securities databases. The Centralised Securities Database (CSDB) underwent two significant updates in 2015, which besides introducing technical adjustments to enhance database performance, included the installation of a module containing daily information about the credit ratings of securities (and their issuers) eligible for Eurosystem credit operations. In the Securities Holdings Statistics Database (SHSDB), the quality management framework for the reporting of sectoral data was upgraded and an analytical system for securities holdings of national banks and significant banking groups was launched.

Datasets at both the aggregate and granular levels were used more intensively in 2015 by users in the areas of financial stability, banking operations, and payment systems. A new data user is the ECB banking supervision.

5.2 QUARTERLY FINANCIAL ACCOUNTS

The main purpose of producing quarterly financial accounts (QFAs) is to record all financial flows in the economy, i.e. in what amount and form funds are provided or claimed by non-financial corporations, financial institutions, general government, and households. In addition to financial transactions, the QFAs provide information
After the implementation of the revised system of national accounts, ESA 2010 into financial account statistics in 2014, the dataset that has to be transmitted to the ECB was expanded in 2015 to include information about selected financial instruments (debt securities, listed shares and investment fund shares/units). The expanded dataset was first transmitted in October 2015 and included back series for the period from 2013. Another change in 2015 was the revamping of the financial account statistics page on the NBS website. Given the continuing trend in collecting data and compiling statistics from microdata, work on the securities database progressed and work on a non-financial corporations database started.

The compilation of government finance statistics for the ECB’s Annual Public Finance Report (APFR) continued in 2015, with the final APFR being submitted to the ECB’s Governing Council and then to European Commission and the ECOFIN Council.

In compiling Slovakia’s QFAs and GFS, NBS cooperates with the SO SR (responsible for general government sector data and annual financial accounts for the economy as a whole) and the Finance Ministry.

5.3 Statistics on the insurance, capital market and pension fund sectors

Data reported by agents in the insurance, capital market and pension fund sectors were used for supervision and statistical purposes, for both national and supranational institutions. Data quality in terms of timeliness, accuracy and comparability was maintained. At the end of 2015 a total of 219 reporting agents were registered with NBS, including 41 in the insurance sector, 131 in the capital market sector and 47 in the pension fund sector.

In the field of insurance statistics, preparations continued for the implementation of the EU’s Solvency II Directive in 2016, the purpose of which is to harmonise supervisory requirements for the release, transparency and consistency of data across the European Union. In the course of two preparatory stages, the reporting and processing of selected data through NBS’s new information system were successfully tested and the data were then transmitted to the European Insurance and Occupational Pensions Authority (EIOPA). With the purpose of minimising the reporting burden on insurance corporations in relation to supervision (Solvency II) and statistics, Regulation (EU) No1374/2014 (ECB/2014/50) on statistical reporting requirements for insurance corporations entered into force in 2015. In drafting this Regulation, the ECB analysed the extent to which specific requirements are duplicated and identified requirements in addition to those laid down in Solvency II (‘addons’). In Slovakia, all these requirements were taken into account in new NBS Decrees that enter into force in 2016.

As regards the capital market in Slovakia, the Collective Investment Act (No 203/2011 Coll.) was amended in 2015 by Act No 361/2015 Coll. in order to allow new forms of collective investment and related activities. In regard to the management of domestic investment funds, the Slovak law previously addressed only funds without legal personality, whereas the amended legislation covers also investment companies with variable share capital – funds in the legal form of a joint stock company, abbreviated as ‘SICAVs’ on the basis of their French name (Société d’investissement à Capital Variable). This legislative change was complicated by the fact that investment funds with variable share capital are funds having a legal form of trading partnership with its own management, and such funds would now be allowed to perform activities not only independently (self-governing funds), but also as funds managed by management companies; this refers to the transposition of the Directive 2014/91EU amending the Directive 2009/65 EU on undertakings for the collective investment in transferable securities (UCITS V Directive). Now these Slovak financial institutions – in particular asset management companies – are able to establish SICAVs, and
they have a greater opportunity to compete in the EU’s single market in financial services.

Based on the requirements of the ESCB, European Systemic Risk Board and European Commission for pension fund sectors, work on a process for determining reporting requirements commenced in 2015 as part of the preparations for a new ECB regulation on pension funds. The purpose of the regulation will be to acquire corresponding quarterly data as from 2019.

5.4 STATISTICS ON NON-BANK ENTITIES

Statistics on non-bank entities involve the collection and processing of data reported by legal entities other than banks and branches of foreign banks, for the compilation of balance of payments (b.o.p.) statistics, international investment position (i.i.p.) statistics, and foreign direct investment statistics, and for the requirements of the SO SR.


The structure, scope and content of statistical reports and the reporting method, procedure deadlines and place are laid down in NBS Decree No 264/2015 Coll. of 5 October 2015 on reporting in accordance with the Foreign Exchange Act. Reports are collected on a monthly, quarterly and annual basis. A new Decree (No 264/2015) was adopted owing to the implementation of the new SCP information system, and in order to ensure harmonisation and compliance with the requirements of international institutions (primarily the ECB and OECD) for the compilation of b.o.p. statistics, i.i.p. statistics, and foreign direct investment statistics.

The collection and processing of quarterly reports was carried out via the new SCP in 2015.

5.5 BALANCE OF PAYMENTS STATISTICS

Balance of payments statistics provide information about Slovakia’s stocks and flows vis-à-vis the rest of the world, and cover the balance of payments, international investment position, foreign exchange reserves, gross external debt, and foreign direct investment.

Back series of b.o.p./i.i.p. statistics (2004–2013) and gross external debt statistics were compiled and published in 2015, in accordance with the new methodology of the sixth edition of the IMF’s Balance of Payments and International Investment Position Manual (BPM6). At the same time the presentation of b.o.p. statistics on the NBS website was extended to include analytical time series.

The NBS Decree governing reporting by insurance undertakings, pension fund management companies and supplementary pension management companies was amended in 2015 to reflect new requirements of the ECB and other international institutions, as well as requirements related to the introduction of the SCP data model.

As part of process automatisation in the area of securities statistics, a technological module combining input data from individual respondents with data available in the CSDB was developed and finalised using ‘business intelligence’ technology.
6 Economic Research

The economic research conducted at Národná banka Slovenska deals with challenging economic, monetary and financial issues that require complex and often technically demanding solutions. The prevailing part of the research activity takes form of applied research. Although the Research Department generates most of the research performed at NBS, a number of its outputs are the result of collaboration between its staff members and experts from other institutions (both domestic and foreign) and academia. The cooperation helps bridge the gap between research and its practical application.

The specific research tasks undertaken at any given time reflect the focus of the medium-term research strategy approved by the NBS Bank Board and the current needs of NBS. Professional oversight of the research agenda is ensured by the NBS Research Committee, composed of experts from Slovakia and abroad.

A key factor in advancing the bank’s research is its cooperation on international research projects. A majority of co-authors are, naturally, from other central banks of EU countries, linked within the European System of Central Banks. This cooperation takes place mainly within Eurosystem/ESCB research networks, and in 2015 NBS was involved in three such networks.

The Household Finance and Consumption Network (HFCN) spent most of 2015 processing data from the new wave of the Eurosystem’s Household Finance and Consumption Survey (HFCS). New information about the financial situation and expenditures of euro area households provided material for several research papers. The principal findings from the survey of Slovak households for the HFCS were published in an NBS occasional paper. The anonymised survey data were provided to first external researchers.

Experts involved in the Wage Dynamics Network (WDN), which examines labour market adjustments, also focused on the processing of the new survey data. The WDN’s survey presents interesting facts about wage and price formation, as well as about firms’ approaches to employment in the post-crisis period.

Cooperation within the Competitiveness Research Network (CompNet) concerned mainly the preparation, finalisation and initial application of a new database of competitiveness indicators based on firm-level data. This cooperation provided an impetus for several papers published by NBS in 2015.

Another important form of international cooperation is participation in international conferences and seminars. In 2015 NBS staff members presented their work at a number of academic conferences in Slovakia and abroad.

NBS has for many years organised seminars for the presentation of research results, mainly by domestic experts. In 2015 NBS organised or co-organised more than 34 seminars. Nine of them had a discussion format that broadly addressed current economic issues. Seven were conducted as part of the series of Bratislava Economic Seminars, organised jointly by NBS, the Department of Economic Policy at the University of Economics in Bratislava, and the Centre for Economics and Finance of the Faculty of Mathematics Physics and Informatics at Comenius University in Bratislava. These seminars are important way of bringing foreign experts to Slovakia and learning more about their work.

The contribution of NBS’s research to professional discourse is based mainly on its specialist publications. The more wide-ranging outputs of NBS research are published as peer-reviewed working papers, discussion papers or policy papers41. NBS published a total of ten papers in 2015 as well as several analytical commentaries. Most of the research concerned approaches to economic modelling, but other topics were also addressed, including the labour market, real economy, monetary policy and inflation.

41 Full texts of NBS research papers can be found on the NBS website, at http://www.nbs.sk/en/publications-issued-by-the-nbs/research-publications
The economic modelling research concerned mainly the forecasting of economic indicators. Among the outputs was a proposal for a new test allowing the selection of a statistically appropriate prediction bands for estimated variables. A follow-up paper presented a new validation test for forecasting techniques and models. The application of the test on selected forecasts of leading economic indicators in the United States indicates that analysts’ forecasts of key macroeconomic and financial indicators are no more accurate than simple statistical methods. Another paper based on joint international research into GDP modelling did not result in a specific model applicable to all central and eastern European countries, but rather a recommendation that several short-term models be used simultaneously. A fourth paper on the topic of forecasting examined the quality of the approach currently used at NBS and recommended the use of factor models for GDP forecasts.

Research on household finances yielded interesting findings about the relationship between the indebtedness of Slovak households and their net wealth. Whereas non-mortgage debt has a substantial negative impact on households’ net wealth, the impact of mortgage loans is neutral. Although households in larger towns and cities and in more developed regions of Slovakia are wealthier, they are also more indebted. The results of the survey conducted as part of the latest wave of the HFCS showed an increase in the debt of Slovak households and a decline in their net wealth. The fresh data also indicate that the distribution of wealth has shifted in favour of the wealthiest households.

An analysis of new firm-level data about the labour market and price formation in the post-crisis period supported several findings identified at the macro level (stagnating employment, increasing wages and marked differences between sectors in terms of their recovery). Wage rigidity and collective bargaining were the key factors observed in employment and wage developments. Large firms and foreign-owned firms face fewer obstacles in adjusting to labour costs. Supranational research on the competitiveness of non-financial corporations showed that productivity distribution across firms in a country has a significant effect on the country’s international trade developments. Firms able to export their output are more productive, and productivity growth correlates with firms’ experience.

Research on the convergence of the Slovak economy towards the EU average suggested that since 2008 Slovakia had managed to sustain an upward trend in terms of its competitiveness, with non-price factors playing an important role. This research also highlighted the risk that Slovakia’s shortcomings in institutional competitiveness could result in a long-term hiatus in the process of its catching up with the performance and living standards of advanced economies.

The monetary policy research conducted at NBS in 2015 focused on reviewing the validity of key monetary facts. Based on a sample of 43 countries over the period since the Second World War, the research showed significant weakening in the long-run relationship between monetary aggregate growth and inflation. By contrast, the relationship between excessive credit growth and the outbreak of financial crises strengthened.

The results of international research projects involving NBS staff members are often disseminated in working papers or occasional papers published by the ECB or other foreign institutions. In 2015 NBS researchers co-authored two ECB working papers, one working paper of the Magyar Nemzeti Bank and one paper of the Österreichische Nationalbank42.

The most notable results of NBS research are published in academic journals. Besides several articles in domestic journals, some results are published in international refereed journals43.
7 EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION

7.1 EUROPEAN AFFAIRS

EUROSYSTEM AND SINGLE SUPERVISORY MECHANISM
The Eurosystem comprises the ECB and the national central banks of all the EU Member States that have adopted the euro. The NBS Governor is, by virtue of his position, a member of the ECB’s main decision-making body, the Governing Council, which is primarily responsible for the conduct of monetary policy for the euro area and also for the Single Supervision Mechanism (for the supervision of significant credit institutions in SSM-participating EU Member States). The Governor is also a member of the ECB’s General Council, a transitional decision-making body that will cease to exist once all EU Member States have adopted the single currency. The ECB’s decision-making bodies are assisted in their tasks by the committees of the Eurosystem, European System of Central Banks (ESCB) and SSM, established for all the main areas of central bank activity. During 2015 more than 80 NBS employees participated directly in the work of these committees and their working groups. The participation of NBS departments in Eurosystem and SSM tasks constitutes a substantial part of the central bank’s activities.

EUROPEAN UNION
In 2015 NBS had a delegation at two informal ECOFIN Council meetings, the first in Riga in April and the second in Luxembourg in September. The discussions in Riga centred on the economic situation in EU countries, financial stability, structural reforms, support for investment in the EU, and issues related to the creation of the Capital Markets Union.

In Luxembourg, the focus of the talks was the deepening of the Economic and Monetary Union (EMU) and financing for the Single Resolution Fund.

7.2 COOPERATION WITH INTERNATIONAL INSTITUTIONS

INTERNATIONAL MONETARY FUND (IMF) AND WORLD BANK GROUP (WBG)

The IMF/WBG Spring Meetings and Annual Meetings were the main events for the Bretton Woods institutions in 2015, the first being held in Washington DC in April and the second in Lima, Peru in October. The Spring Meetings included the presentation of the IMF’s World Economic Outlook (WEO) and Global Financial Stability Report (GFSR), and discussions on pressing issues in the international monetary system and the current state of the reform of members’ quotas and IMF governance. At the Annual Meetings, the IMF’s Board of Governors discussed the institution’s Annual Report, financial statements, and amendments to its internal documents.

In October 2015 the IMF conducted its annual Mission to Slovakia, in accordance with Article IV of the IMF’s Articles of Agreement. The Mission had been preceded by consultations in May 2015. In its concluding statement, the IMF Mission said that growth in Slovakia was accelerating due to strong domestic demand, that well-designed fiscal measures would help support policies to reduce still-high joblessness and regional disparities, and that vigilant application of macroprudential policies would help guard against potential risks from rapid household credit growth.

Slovakia’s commitments to the IMF as at 31 December 2015 were as follows: SDR 102.5 million under the Financial Transactions Plan (FTP) and SDR 4.9 million under the bilateral loan agreement.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)
In 2015 NBS representatives regularly participated in meetings of OECD committees and working groups in Paris, as well as in meetings of a Coordination Committee at the Slovak Ministry of Foreign and European Affairs which addresses Slovakia’s activities in the OECD.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)
The 24th Annual Meeting of the EBRD’s Board of Governors was held in the Georgian capital,
Tbilisi, in 2015, and included the participation of a Slovak delegation led by the NBS Governor. The meeting approved a reallocation of €130 million from the EBRD’s general reserves to its Special Shareholders Funds. Approval was also given to the EBRD’s Strategic and Capital Framework (SCF) for 2016 to 2020, which provides a broader outline of the EBRD’s strategic aims for the coming years.

**Bank for International Settlements (BIS)**
The NBS Governor attends the regular BIS meetings of central bank governors. Six such All Governors’ Meetings were held in 2015, and the topics discussed included: financial markets and the role of central banks; financial inclusion and education – the challenges for central banks; central clearing – trends and current issues; the impact of technological innovations on productivity growth; and economic imbalances versus monetary policy.

The NBS Governor also attended the 85th Annual General Meeting of the BIS, held in Basel. The main items on the agenda were the approval of the BIS’s financial results and the distribution of its profit and dividends.

**7.3 International Activities in the Field of Supervision**

**European Systemic Risk Board (ESRB)**
The meetings of the ESRB’s General Board in 2015 dealt not only with systemic risk factors and intensity, but also with several other issues that may be divided into three groups.

One group, concerning the analytical area, included the following topics: a common methodology for identifying potentially systemic risks to financial stability arising from the interlinkage between banks and firms; market liquidity issues; the impact of the low interest rate environment on financial stability; current systemic risks in the insurance sector; and the residential and commercial property markets vis-à-vis financial stability and measures to mitigate the related risks.

A second group included: macroprudential policy in regard to the application of the leverage ratio; the cross-border effects of macroprudential policy decisions and reciprocity in the taking of such decisions; and the setting of the countercyclical capital buffer rate in both EU and non-EU countries.

The third key area concerned the formulation of scenarios for the EBA and EIOPA stress tests.

**European Banking Authority (EBA)**
As a member of the EBA, NBS helps to ensure the fulfilment of tasks set by the EBA’s Management Board. In 2015 NBS continued to cooperate with the EBA through participation in committees and working groups, especially in the drafting of regulatory technical standards (RTSs) required under the EU’s Capital Requirements Regulation and Directive (CRR/CRD IV). NBS was actively involved in this agenda at all levels of competence, from working groups to the highest approval bodies. It continued to contribute to the drafting of RTSs concerning new requirements for the improved supervision of banks and investment firms and for the implementation of certain specific articles of the CRR, as well as to the provision of guidance on the CRR and CRD IV – two core planks of EU legislation on bank regulation – via the EBA’s ‘Q&A tool’.

**Group of Banking Supervisors from Central and Eastern Europe (BSCE GROUP)**
On 24 June 2015 Bratislava hosted the fourth High-level Meeting for Central and Eastern Europe, a gathering of representatives from CEE countries’ bank supervisors organised by the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Institute (FSI), in cooperation with the Group of Banking Supervisors from Central and Eastern Europe (BSCEE) and Národná banka Slovenska. The meeting, opened by the NBS Governor, featured discussions on a range of topics, including: the application of the Basel III framework in respect of total loss-absorbing capacity, capital requirements and interest rate risk in the banking book; the implementation of macroprudential buffers in the global environment; the security of payment systems; and cybercrime.

On the next day, 25 June, NBS hosted the BSCEE Group’s Annual Conference, with NBS at that time holding the rotating chairmanship of the group. The gathering was opened by Mr Vladimír Dvořáček, a member of the NBS Bank Board and Executive Director of NBS’s Financial Market Supervision Authority. The BSCEE Group brings together banking supervisors from CEE countries
with the aim of improving cooperation between the institutions and providing a forum for the exchange of information and experience.

**European Insurance and Occupational Pensions Authority (EIOPA)**

2015 was an important year for EIOPA, mainly because the transposition of the Solvency II Directive into national law was completed. The result was new insurance legislation which came into force on 1 January 2016. The law dispenses with in-depth statutory requirements and introduces a regime based on principles that are further elaborated in Implementing Technical Standards (ITSs) and Guidelines. Establishing the new regime required also the amending of secondary legislation, in particular decrees linked with the previous Insurance Act (dating back to 2008).

In February 2015 EIOPA made an on-site visit to NBS, which involved reviewing the national regulator’s preparations for the new Solvency II regime and auditing its performance of insurance sector supervision. EIOPA’s assessment of the bank’s supervision of the insurance market was favourable. The result of the on-site visit was a final report containing 39 recommendations, mostly concerned with staffing issues.

At December’s meeting of EIOPA’s Board of Supervisors, the authority’s main decision-making body, the director of the NBS’s Regulation Department joined EIOPA’s Management Board as one of its six members who are representatives of national supervisory authorities. The Management Board ensures that EIOPA carries out its mission and performs the tasks assigned to it.

NBS was actively involved in EIOPA peer reviews conducted during 2015. These exercises result in evaluation reports that have such aims as enhancing the quality of services provided by supervised entities, improving the performance of supervision, and facilitating the exchange of information.

In the area of pensions, EIOPA continued work on the development of an EU single market for personal pension products.

**European Securities and Markets Authority (ESMA)**

At the beginning of 2015, following the signing of delegation agreements by national competent authorities (NCAs) and ESMA, work was launched on two IT delegated projects: FIRDS and TRACE. Národná banka Slovenska was involved with TRACE from the outset and joined FIRDS later. The purpose of TRACE is to establish a single point of access through which all connected NCAs may retrieve data reported to trade repositories by market entities in accordance with the European Market Infrastructure Regulation (EMIR). The purpose of FIRDS is to ensure, at ESMA, the central collection of financial instrument data from trading venues and the storage, processing and publication of that data, including transparency-related calculations in accordance with MiFID II and MiFIR.

One of the main tasks of ESMA in 2015 was to draft technical standards implementing provisions of MiFID II and MiFIR. The drafting of 30 regulatory and 11 implementing technical standards was undertaken by several working groups, and the final drafts of the standards, together with final reports, were published and submitted to the European Commission.

Another significant regulatory issue for ESMA was the implementation of EMIR, including relevant regulatory and implementing technical standards, as well as questions surrounding the common approaches and practices to be followed by supervisors when applying this regulation.

In 2015 ESMA’s Board of Supervisors approved two mandates for evaluating the uniformity of NCAs approaches and procedures in the exercise of supervision. One concerns the practice of the supervision of entities authorised to provide investment services, and specifically the rules for their eligibility under MiFID II, and the other concerns peer review of the securities prospectus approval process. The subject-matter of these evaluations, which are still ongoing, also falls within the supervisory remit of NBS’s Financial Market Unit.

In connection with the building of a Capital Markets Union and with the approval of a Supervisory Convergence Work Programme, a decision to rename ESMA’s Review Panel as the Supervisory Convergence Standing Committee was approved by ESMA at a meeting in 2015.
7.4 TECHNICAL COOPERATION

In 2015 Národná banka Slovenska provided technical assistance to the Belarusian central bank, in the areas of financial market supervision, cash circulation and commemorative coins.

As part of the European Commission’s Technical Assistance and Information Exchange (TAIEX) programme, officials from Montenegro visited NBS to learn about the anti-money laundering measures implemented in Slovakia.

8 COMMUNICATION

Národná banka Slovenska works to develop, modernise and enhance its communication tools, so as to be as effective as possible in meeting the demand for information and in addressing target groups. In this regard, the bank places great importance on openness and transparency and aims to maintain its high standing in the eyes of the Slovak public. The data, reports and analyses published by NBS are an important source of information for economists, research and educational institutions, and the media.

A central pillar of NBS communication policy is participation in the Eurosystem’s joint communications procedures, which primarily involves regular provision of information on monetary developments and monetary policy decisions in the euro area and on the Single Supervisory Mechanism (SSM). The bank also publishes information on developments in the Slovak and European economies and on the banking sector and other segments of the financial market, as well as details of their impact on financial stability in Slovakia.

Other issues that featured prominently in the bank’s communication with the general public during 2015 included: the issuance of a new €20 banknote as part of the second series of euro banknotes (entitled ‘Europa’); financial consumer protection, the licensing process for creditors, and the supervision of creditors (non-bank entities).

NBS communication also involves dealing directly with the public by e-mail. In 2015 the bank’s specialist departments answered a total of 3,604 e-mails from members of the public, of which 48 were requests for information under the Freedom of Information Act (No 211/2000 Coll.).

The bank’s regular Analytical Reports on selected issues and Flash Reports on specific macroeconomic indicators are valued for their up to date information. A total of 12 Analytical Reports and 141 Flash Reports were published in 2015. In 2015 the NBS macroeconomic database was enhanced to provide the public with a broad range of macroeconomic time series data in a tabular form. The bank also addresses current economic issues through analyses and working papers. In line with the principles of the Eurosystem/ESCB’s multilingual communication system, NBS participates in the drafting of Slovak language versions of the ECB’s official publications.

Official publications of NBS are issued in electronic form only. To make its information as easy to access as possible, NBS also produces ePUB versions of its key publications and includes QR codes in its information materials.

The bank’s Biatec journal plays an important role in communication activities, providing specialist articles in the area of banking, finance and economics. Through Biatec, NBS interacts with authors and readers from the banking and financial sector, academia, and the educational sector.
Written in Slovak with English-language summaries of selected articles, Biatec was published ten times per year and the full text is available on the NBS website

**WEBSITE**
In the 2015 the Financial Market Supervision section of NBS's website underwent a complete redesign, including the addition of new subsections for the Resolution Council and for financial consumer protection, as well as a separate search module for national legislation and EU legal acts. The whole website was modified so as to be easier to navigate from mobile devices. The rising trend in the website's traffic continued in 2015, with the average daily number of visits exceeding 22,000.

**PRESENTATIONS, EXHIBITIONS AND COMPETITIONS**
For school and university students from both Slovakia and abroad, NBS organises presentations focused mainly on the central bank’s role in the Eurosystem. In September 2015 these activities were expanded to include workshops on improving financial literacy. Altogether, more than 2,850 students visited such events in 2015. In addition, NBS hosts research seminars which are attended by Slovak and foreign researchers presenting the results of their work.

Visitors to the bank may also enjoy its permanent exhibition entitled *Od slovenskej koruny k euru (From the Slovak koruna to the euro)*, which is targeted mainly at primary and secondary school students and so provides a natural accompaniment to the presentations. The exhibition explains the background and process of Slovakia’s integration into the euro area, the lifecycle of banknotes and coins, and the importance of being able to distinguish the security features of the euro currency. The exhibition was seen by more than 2,000 students in 2015.

The fourth annual edition of the Generation Euro Students’ Award, a Eurosystem educational competition for secondary school students, was completed in May 2015 when the winners of the national competitions received their awards at the ECB’s headquarters in Frankfurt am Main. The winners of the Slovak competition were from the Grósslingová Gymnasium in Bratislava and their award was presented by the ECB’s President, Mario Draghi, and NBS’s Governor, Jozef Makúch. The competition again attracted a high level of participation from schools in Slovakia (the second highest among the countries taking part), which showed the strong interest in raising students’ awareness of central banking issues. The fifth Generation Euro Students’ Award competition was launched in October 2015, with presentations for participating teachers and students. A new feature of the 2015/2016 competition is the inclusion of NBS educational videos on specialist subjects, which significantly facilitate the work of participating students and teachers.

The third annual edition of the NBS Governor’s Award for outstanding dissertations or doctoral theses in the field of economics was held in 2015.

**NBS OPEN DAY**
NBS held an Open Day on 26 September 2015 at which around 5,000 members of the public took the opportunity to tour the bank’s headquarters. Prominent themes of the event included the introduction of the new €20 banknote and its security features, and financial consumer protection. One highlight was when the NBS Deputy Governor, Ján Tóth, presented a prize to the winner of the online competition *Spoznaj novú bankovku 20 € (Know the €20 banknote).*

**NBS ARCHIVES**
The NBS Archives are specialist public archives that serve not only the bank’s organisational units, but also historians, economists, architects and students, and provide information to national and local government authorities. The Archives have 199 fonds and collections, containing documents from most of the financial institutions that operated in the territory of what is now Slovakia within the period from 1842 until the establishment of Národná banka Slovenska in 1993.

The NBS Archives Section cooperates with archives from across Europe and its staff attend regular meetings of the European Association for Banking and Financial History (EABH) as well as meetings at ECB’s Information Management Services Division. In this way they gain experience in addressing the various current challenges in the field of registry and archive management. At the EABH annual meeting, held under the title “Inflation. Money. Output”, staff from the NBS Archives Section gave a presentation on the...
evolution and activities of the first institution in Slovakia to focus on economic research.

In 2015 the Archives Section received 17 research visits and 124 written information requests and research enquiries (77 were from within the bank and 47 were external). The external requests and enquiries were largely concerned with obtaining information about properties, while the researchers who examined the archival documents were mostly focused on technical plans and designs of buildings, on information about loans, and on details of specific people from the past.

**Documentation Centre**

The Documentation Centre (DC) of NBS is responsible for the bank's library and information activities. It provides documentary, research and consultation services, mainly in the fields of central and commercial banking, financial supervision, and monetary policy, and mostly to NBS staff members, interns and other people with a professional interest in its materials.

In late 2015 the DC implemented a new library information system called Advanced Rapid Library (ARL). It supports the automatic management of library catalogues and collections in a network environment, as well as allowing not only the processing of bibliographical information, but also work with multimedia, pictorial and audio documents.

DC staff members participated in a meeting of ESCB libraries and archives under the name "Successful Change in Information Management Services" and presented the results of the implementation of a new NBS library-information system.

**The NBS Museum of Coins and Medals in Kremnica**

The Museum of Coins and Medals (MCM) in Kremnica is one of the oldest museum institutions in Slovakia. In 2015 the Museum marked the 125th anniversary of its establishment as the only specialised numismatic museum in Slovakia.

Most of the events organised by the Museum include educational programmes and creative workshops for various target groups. The Museum runs several school-group programmes related to the history of money, mining and minting in Slovakia and to regional and cultural education. Naturally, in 2015, the Museum also organised programmes related to the anniversary of its founding.

An exhibition featuring almost 150 items associated with the Habsburg coronations in Bratislava could be viewed in the Museum's Galleries from 25 March to 26 June 2015. Entitled *Coronatus Posonii... Bratislava coronation medals and tokens (1563–1830)*, the exhibition included period commemorative medals and tokens that had been scattered before the people lining the route of the coronation procession. The exhibits included not only items taken from the MCM's collections, but many others loaned by the Hungarian National Museum in Budapest, the SNM Museum of History in Bratislava, the Bratislava City Museum, the Budapest History Museum, and the Hungarian Numismatic Society. The exhibition attracted more than 1,600 visitors.

In April 2015 the Museum hosted a colloquium for participants in *Third Generation Museums*, a national project aimed at enhancing the professional skills of museum staff.

There were a series of events commemorating the Museum's anniversary in 2015, including, for music lovers, a spring concert held at St Catherine's Church in Kremnica. The anniversary also featured prominently in the *Night of the Museums* annual event, which was held on 16 May 2015 at
the site of the Museum’s Two Faces of Money exhibition. The theme was continued at the Museum’s summer events, including Picnic at the Castle, Museum Stories, and Summer Nights of the Muses.

The anniversary commemorations culminated with Kremnica Museum Day on 18 September 2015. This included the presentation of a new illustrated book entitled Národná banka Slovenska – Museum of Coins and Medals in Kremnica: 1890–2015, and a celebratory concert at St Catherine’s Church, situated in the grounds of the Town Castle in Kremnica.

To mark the anniversary, the Museum issued a commemorative medal and produced a documentary film on its 125-year history, which may be viewed on the Museum’s website.

The Museum’s XIII International Symposium of Medals was held between 12 October 2015 and 8 November 2015. A selection of medals produced at the previous symposiums, going back to the first in 1988, is on display at the permanent exhibition Two Faces of Money – Money and Medal-Making in the History of Slovakia.

The following exhibitions of artwork were held at the Museum’s Galleries in Kremnica in the second half of 2015:

- László Szlávics junior – Za hranicami medailérska... (Medal-making without limits...) A selection of works by this leading Hungarian medallist and sculptor.
- Karikaturisti (Caricaturists) Held as part of the regular European Festival of Humour and Satire – Kremnica Gags, this exhibition featured works by caricaturists nominated for the festival’s Golden Gander Award.
- 20 rokov jabloneckej medailiérskej školy – (20 years of the Jablonec medal-making school) A selection of works produced by students, former students and teachers of the Medal and Coin Department at the High School of Applied Arts in Jablonec nad Nisou (Czech Republic). The exhibition marked the 20th anniversary of the school’s establishment.
- Vladimír Durbák – Diaľóg a Dialógy (Dialogue and dialogues) A selection of works from sculptor Vladimír Durbák’s extensive oeuvre.
- Textilná tvorba 2015 (Textile creations 2015) The 6th edition of this Slovakia-wide competitive exhibition for non-professional textile artworks showcased more than 200 items by more than 77 participants.

The following exhibitions were held alongside the Two Faces of Money exhibition:

- 125 rokov kremnického múzea (125 years of the Kremnica Museum) An exhibition dedicated to the 125th anniversary of the Museum included several notable items from the early years of its collections.

More than 43,000 people, from Slovakia and abroad, visited the various exhibitions and events held by the NBS Museum of Coins and Medals in 2015.

9 Legislation

In 2015 Národná banka Slovenska continued to exercise its competences in the drafting of legislation (including the transposition of relevant EU laws) in accordance with Article 30 of Act No 566/1992 on Národná banka Slovenska, as amended (the NBS Act). Under Article 30(1) of the NBS Act, the central bank submits draft laws on currency circulation to the Slovak Government. Under Article 30(2), draft laws concerning payment systems, payment services or the financial market (including the banking sector and NBS activities) are jointly submitted by NBS and the Slovak Finance Ministry to the Slovak Government. Also as part of its legislative competences,
NBS drafts and issues secondary legislation in the form of NBS regulations and decrees. Its authority to issue generally binding legislation is based on Article 56(2) of the Constitution of the Slovak Republic, according to which NBS may issue such legislation where authorised by statutory law to do so.

**AMENDMENTS MADE IN 2015 TO LAWS ON MATTERS FALLING WITHIN THE COMPETENCE OF NÁRODNÁ BANKA SLOVENSKA**


Act No 39/2015 Coll. on insurance (and amending certain laws) was amended in 2015 by Act No 437/2015 Coll. and Act No 359/2015 Coll.


Act No 43/2004 Coll. on the old-age pension scheme (and amending certain laws), as amended, was amended in 2015 by Act No 25/2015 Coll. and Act No 140/2015 Coll.

Act No 650/2004 Coll. on the supplementary pension scheme (and amending certain laws), as amended, was amended in 2015 by Act No 375/2015 Coll.

Act No 186/2009 Coll. on financial intermediation and financial advisory services (and amending certain laws), as amended, was amended in 2015 by Act No 117/2015 Coll. and Act No 437/2015 Coll.

Act No 381/2001 Coll. on compulsory motor third party liability insurance (and amending certain laws), as amended, was amended in 2015 by Act No 39/2015 Coll.


Act No 118/1996 Coll. on deposit protection (and amending certain laws), as amended, was amended in 2015 by Act No 239/2015 Coll.


Act No 530/1990 Coll. on bonds, as amended, was amended in 2015 by Act No 39/2015 Coll.

Act No 429/2002 Coll. on stock exchanges, as amended, was amended in 2015 by Act No 388/2015 Coll.

**IMPLEMENTING LEGISLATION OF GENERAL APPLICATION ISSUED BY NÁRODNÁ BANKA SLOVENSKA IN 2015**

**Decrees promulgated in the Collection of Laws of the Slovakia Republic by the publication of their full text**

Decree No 264/2015 Coll. of Národná banka Slovenska of 5 October 2015 on reporting in accordance with the Foreign Exchange Act.

Decree No 436/2015 Coll. of Národná banka Slovenska of 8 December 2015 on the reporting by pension fund management companies and their depositaries of transactions in assets held in pension funds.
Decree No 441/2015 Coll. of Národná banka Slovenska of 15 December 2015 on the own funds of pension fund management companies.

Decrees promulgated in the Collection of Laws of the Slovak Republic by the publication of a notification of their issuance

Decree No 1/2015 of Národná banka Slovenska of 17 February 2015 on reporting by alternative investment fund managers for the purposes of supervision and systemic risk monitoring.

Decree No 2/2015 of Národná banka Slovenska of 10 March 2015 amending Decree No 13/2014 of Národná banka Slovenska on reporting by investment firms and branches of foreign investment firms for supervisory purposes.

Decree No 3/2015 of Národná banka Slovenska of 31 March 2015 amending Decree No 8/2012 of Národná banka Slovenska on fees for acts performed by Národná banka Slovenska, as amended by Decree No 8/2013.

Decree No 4/2015 of Národná banka Slovenska of 31 March 2015 on additional types of risk, on details of the risk management function of banks and branches of foreign banks and on the definition of a sudden and unexpected change in market interest rates.

Decree No 5/2015 of Národná banka Slovenska of 26 May 2015 on how to demonstrate compliance with conditions for the granting of prior approval of Národná banka Slovenska under Article 77(1) of Act No 39/2015 Coll. on insurance (and amending certain laws)

Decree No 6/2015 of Národná banka Slovenska of 14 July 2015 on solvency in regard to insurance undertakings not subject to a special regime and in regard to reinsurance undertakings, branches of foreign insurance undertakings and branches of foreign reinsurance undertakings.

Decree No 7/2015 of Národná banka Slovenska of 4 August 2015 amending Decree No 11/2011 of Národná banka Slovenska on risks and risk management, risk measurement and the calculation of global exposure and counterparty risk.

Decree No 8/2015 of Národná banka Slovenska of 4 August 2015 on how to demonstrate compliance with conditions under which undertakings not subject to a special regime may be granted an authorisation to perform insurance business or an authorisation to perform reinsurance activities.

Decree No 9/2015 of Národná banka Slovenska of 5 October 2015 on reporting by creditors that provide consumer loans in limited scope.

Decree No 10/2015 of Národná banka Slovenska of 5 October 2015 on own funds of financial conglomerates and on how to calculate the adequacy of own funds at the conglomerate level in accordance with the Insurance Act.

Decree No 11/2015 of Národná banka Slovenska of 5 October 2015 on solvency for insurance undertakings subject to a special regime.

Decree No 12/2015 of Národná banka Slovenska of 5 October 2015 laying down investment limits for assets covering technical provisions for insurance undertakings subject to a special regime.

Decree No 13/2015 of Národná banka Slovenska of 20 October 2015 amending Decree No 16/2014 of Národná banka Slovenska on the disclosure of information by banks and branches of foreign banks.

Decree No 14/2015 of Národná banka Slovenska of 20 October 2015 laying down a form template for the principal elements of insurance contracts.

Decree No 15/2015 of Národná banka Slovenska of 20 October 2015 on how insurance undertakings subject to a special regime are to determine the value of securities and real estate used to cover their technical provisions.

Decree No 16/2015 of Národná banka Slovenska of 24 November 2015 on reporting by the Slovak Insurers’ Bureau.

Decree No 17/2015 of Národná banka Slovenska of 1 December 2015 on the own funds of financial conglomerates and on the large exposures
of financial conglomerates pursuant to the Banking Act.

Decree No 18/2015 of Národná banka Slovenska of 1 December 2015 on reporting by payment institutions and electronic money institutions.

Decree No 19/2015 of Národná banka Slovenska of 1 December 2015 on information about customer fees and payments provided by banks and branches of foreign banks.

Decree No 20/2015 of Národná banka Slovenska of 1 December 2015 on reporting by insurance undertakings, reinsurance undertakings, branches of foreign insurance undertakings, branches of foreign reinsurance undertakings, insurance undertakings and reinsurance undertakings from other EU Member States, pension fund management companies and supplementary pension management companies.

Decree No 21/2015 of Národná banka Slovenska of 1 December 2015 amending Decree No 17/2014 of Národná banka Slovenska on reporting for statistical purposes by banks, branches of foreign banks, investment firms and branches of foreign investment firms.

Decree No 22/2015 of Národná banka Slovenska of 1 December 2015 amending Decree No 18/2014 of Národná banka Slovenska on reporting for statistical purposes by asset management companies for an investment fund or sub-fund.

Decree No 23/2015 of Národná banka Slovenska of 1 December 2015 amending Decree No 19/2014 of Národná banka Slovenska on reporting for statistical purposes by factoring companies, consumer credit companies and leasing companies.

Decree No 24/2015 of Národná banka Slovenska of 1 December 2015 amending Decree No of Národná banka Slovenska No 22/2014 on reporting for statistical purposes by payment institutions, branches of foreign payment institutions, electronic money institutions and branches of foreign electronic money institutions.

Decree No 25/2015 of Národná banka Slovenska of 1 December 2015 on the maximum level of the technical interest rate.

Decree No 26/2015 of Národná banka Slovenska of 8 December 2015 amending Decree No 3/2012 of Národná banka Slovenska of 10 January 2012 on reporting by asset management companies and investment funds’ depositaries for the purposes of financial market supervision.

Decree No 27/2015 of Národná banka Slovenska of 8 December 2015 amending Decree No 16/2007 of Národná banka Slovenska on reporting by stock exchanges and the central securities depositaries for the purposes of financial market supervision, as amended by Decree No 24/2008.

Decree No 28/2015 of Národná banka Slovenska of 8 December 2015 amending Decree No of Národná banka Slovenska No 12/2014 on reporting by banks and branches of foreign banks for supervisory purposes, as amended by Decree No 25/2014.

Decree No 29/2015 of Národná banka Slovenska of 8 December 2015 amending Decree No 13/2014 of Národná banka Slovenska on reporting by investment firms and branches of foreign investment firms for supervisory purposes, as amended by Decree No 2/2015.

Decree No 30/2015 of Národná banka Slovenska of 8 December 2015 on reporting on the net asset value of supplementary pension funds.

Decree No 31/2015 of Národná banka Slovenska of 8 December 2015 on reporting on the amount of assets in supplementary pension funds.

Decree No 32/2015 of Národná banka Slovenska of 8 December 2015 on reporting the exceedance of, and restoration of compliance with, limits for assets held in pension funds and supplementary pension funds.

Decree No 33/2015 of Národná banka Slovenska of 15 December 2015 amending Decree No 8/2012 of Národná banka Slovenska on fees for acts performed by Národná banka Slovenska, as amended.
Decree No 34/2015 of Národná banka Slovenska of 15 December 2015 amending Decree No 14/2014 of Národná banka Slovenska on reporting for data collection purposes under a separate regulation by banks, branches of foreign banks, investment firms and branches of foreign investment firms.

Decree No 35/2015 of Národná banka Slovenska of 15 December 2015 on how insurance undertakings subject to a special regime are to demonstrate compliance with the conditions for the issue of an authorisation to conduct insurance business.

Decree No 36/2015 of Národná banka Slovenska of 15 December 2015 on reporting by insurance undertakings subject to a special regime.

10 Institutional Developments

10.1 Institutional Framework

Národná banka Slovenska (NBS) was established as the independent central bank of the Slovak Republic on 1 January 1993, under Act No 566/1992 Coll. on Národná banka Slovenska.

The primary objective of NBS is to maintain price stability. To this end NBS:

- participates in the common monetary policy set for the euro area by the Governing Council of the European Central Bank (ECB);
- issues euro banknotes and euro coins in accordance with separate regulations that apply in the euro area to the issuance of euro banknotes and coins;
- promotes the smooth operation of payment and settlement systems; regulates, coordinates and oversees currency circulation, payment systems, and payment settlements; and ensures that these systems are run efficiently and cost-effectively;
- maintains and manages foreign reserves and conducts foreign exchange operations in accordance with separate regulations applicable to Eurosystem operations;
- performs other activities relating to its participation in the European System of Central Banks;
- performs other tasks, such as those required under the Financial Market Supervision Act.

As regards the role of NBS vis-à-vis the financial market in Slovakia, NBS contributes to the stability of the financial system as a whole and to the secure and sound functioning of the financial market, with the aim of ensuring financial market credibility, financial consumer protection and protection of other financial market clients and compliance with competition rules. In addition to its role as the central bank, NBS is the financial market supervisory authority in Slovakia and as such is responsible for macroprudential supervision, financial consumer protection, and the supervision of the following: banks, branches of foreign banks, investment firms, stock exchanges, central securities depositories, asset management companies, investment funds, foreign collective investment undertakings, insurance undertakings, reinsurance undertakings, pension fund management companies, pension funds, supplementary pension management companies, supplementary pension funds, payment institutions, electronic money institutions, independent financial agents, financial advisers, creditors, the Deposit Protection Fund, the Investment Guarantee Fund, the Slovak Insurers’ Bureau, and other financial market participants which are subject to regulatory supervision.

As from 1 January 2015 NBS assumed responsibility for financial consumer protection in Slovakia. In this role, the bank supervises the protection of financial consumers’ and other clients’ rights in order to support the secure and sound functioning of the financial market.

On 1 January 2009, when Slovakia joined the euro area, NBS became a member of the Eurosys-
An n uAl Re p oRt

2015

Chapter 10

tem, which is the central banking system of the euro area within the European System of Central Banks (ESCB).

The Eurosystem comprises:
- the ECB; and
- the national central banks (NCBs) of the EU Member States whose common currency is the euro.

The Eurosystem is thus a subset of the ESCB. Since the decisions of the ECB’s Governing Council (on, for example, monetary policy) apply only to euro area countries, it is in reality the Eurosystem which carries out the central bank functions for the euro area. Therefore the ECB and the NCBs contribute jointly to attaining the common goals of the Eurosystem.

There are three main reasons for having a system of central banking in Europe:
- The Eurosystem approach builds on the existing competences of the NCBs, their institutional set-up, infrastructure, expertise, and operational capabilities. Moreover, several central banks perform additional tasks besides those of the Eurosystem.
- Given the large geographical size of euro area and the long-established relationships between the national banking communities and their NCBs, it was deemed appropriate to give credit institutions an access point to central banking in each participating Member State.
- Owing to the multitude of nations, languages and cultures in the euro area, the individual NCBs (rather than a supranational institution) are best located to serve as access points of the Eurosystem.

The euro area NCBs, as an integral part of the Eurosystem, perform the Eurosystem’s tasks in line with the rules set by the decision-making bodies of the ECB. The NCBs contribute to the activities of the Eurosystem and the ESCB by participating in the various Eurosystem/ESCB committees.

Eurosystem/ESCB Committees

The Eurosystem/ESCB committees play an important role in assisting the ECB’s decision-making bodies. They provide expertise in their fields of competence and perform specific tasks mandated by the ECB’s Governing Council.

- Accounting and Monetary Income Committee
- Banknote Committee
- Committee on Controlling
- Eurosystem/ESCB Communications Committee
- Financial Stability Committee
- Information Technology Committee
- Internal Auditors Committee
- International Relations Committee
- Legal Committee
- Market Operations Committee
- Monetary Policy Committee
- Organisational Development Committee
- Payment and Settlement Systems Committee
- Risk Management Committee
- Statistics Committee
- Budget Committee
- Human Resources Conference

NBS’s Tasks within the Banking Union

Regulation (EU) No 1024/2013 confers on the ECB specific tasks concerning policies relating to the prudential supervision of credit institutions, with the aim of contributing to the safety and soundness of credit institutions and the stability of the financial system within the participating EU Member States.

Within the Single Supervisory Mechanism (SSM), NBS cooperates with the ECB. As the national competent authority (NCA) in Slovakia, NBS is involved in supervision at the European level through the direct participation of its staff (from the Financial Market Supervision Unit) in Joint Supervisory Teams (JSTs) and through the drafting of decisions as part of the ECB’s decision-making processes. As regards the supervision of significant banks in Slovakia, the participating NBS staff conduct day-to-day supervision of these institutions and continuously monitor their quantitative data and risk management processes. All on-site inspections in significant banks conducted by staff from the NBS Financial Market Supervision Unit are based on ECB mandates, as are the assessments of their internal models. NBS is responsible for the direct supervision of less significant banks in Slovakia. It conducts supervision according to the common framework and methodologies created for the SSM. In doing so, NBS acts in line with the SSM’s overall
supervisory strategy, using its own resources and decision-making processes.

In January 2015 the Resolution Council (‘the Council’) was established as the national resolution authority for institutions in Slovakia’s financial sector, as part of the Single Resolution Mechanism (the second of the banking union’s three pillars). Resolution in the financial sector means the restructuring of a financial institution or group which is in difficulties owing to insolvency. NBS provides expertise to the Council and organises its functioning, including its communication with the media and the public. These tasks are carried out by the bank’s Resolution Section, a part of the Regulation Department.

In 2015 the Bank Board had five sitting members: the Governor, one Deputy-Governor and three other members.

The Governor and Deputy Governors are appointed, and may be dismissed, by the President of the Slovak Republic at the proposal of the Slovak Government and subject to the approval of the Slovak Parliament. The other two members of the Bank Board are appointed, and may be dismissed, by the Government at the proposal of the NBS Governor.

Pursuant to the NBS Act, as of 1 January 2015, the Bank Board comprises a maximum of six members. The term of office of Bank Board members is six years (or five years for those appointed before 1 January 2015), commencing as of the effective date of their appointment. There are no term limits for Bank Board members, but no one may serve as Governor or Deputy Governor for more than two terms.
Chapter 10

The members of the Bank Board as at 31 December 2015 were:
- Jozef Makúch, Governor;
- Ján Tóth, Deputy Governor responsible for the Monetary Policy, Statistics and Research Division;
- Vladimír Dvořáček, Executive Director of the Financial Market Supervision Unit;
- Karol Mrva, Executive Director of the Financial Market Operations Division;
- Ľuboš Pástor, an external member appointed with effect from 15 March 2015.

The Executive Board of Národná banka Slovenska was established by the NBS Bank Board with effect from 1 August 2012, in accordance with Article 6(2)(i) of the NBS Act. The Executive Board is the bank’s managing, executive and coordination authority.

The Executive Board is composed of the NBS Governor, Executive Directors, and other senior management appointed by the Governor.

The members of the Executive Board (EB) as at 31 December 2015 were:
- Jozef Makúch, Governor (EB Chairman);
- Štefan Králik, Executive Director of the Legal Services and Security Division (EB Deputy Chairman);
- Karol Mrva, Executive Director of the Financial Market Operations Division;
In line with a decision of the NBS Bank Board, one amendment to the NBS Organisational Rules was approved in 2015. The amendment resulted in a change to the bank’s organisational structure and to the duties and competences of certain senior managers.

### 10.3 Human Resources

Národná banka Slovenska had 1,053 employees as at 31 December 2015. A total of 64 employees left the bank in 2015 and 87 were hired. There were 91 recruitment campaigns.

Staff exchanges between ESCB national central banks, the ECB and other international financial institutions support staff mobility within the ESCB, the exchange of experience and know-how, and the development of human resources. A total of nine NBS employees were on secondment to the ECB or European Banking Authority during the whole or part of 2015.

The rules and principles of staff remuneration at the bank are laid down in internal NBS Work Regulation No 28/2008 on the remuneration of NBS employees as amended. The average monthly salary in 2015 was €2,010.15.

Severance payments were made to 26 employees who left the bank on grounds of retirement, early retirement or invalidity.

The number of NBS employees enrolled in the supplementary pension scheme stood at 879 as at 31 December 2015.

### 10.4 Education

To support staff in their educational and professional development, the Human Resources Department, in cooperation with NBS’s Institute of Banking Education, arranges staff participation in courses tailored to their identified requirements and the needs of their respective unit.

The courses run in 2015 were attended by 1,027 employees in total, and they focused on the following areas:

- specialist training;
- management training and development;
- language training;
- IT training;
- social skills training;
- general training.

In 2015 NBS organised three international training projects: Audit Report Writing; Introduction to Operational Risk Management; and English in Legal and Contractual Central Banking Practice.

Every year a number of NBS staff members conduct professional training by performing teaching, lecturing and consultation activities. In 2015 a total of 84 staff members from 20 departments were involved in such work.

Ten students completed internships at NBS in 2015, including two from universities in Slovakia and eight studying in other European Union countries.

### 10.5 Environmental Policy

Národná banka Slovenska takes a responsible approach to the impact of its activities on the environment and it is fully compliant with Slovak legislation and European Commission Recommendations concerning the environment. In 2015 the bank implemented several measures aimed at meeting core objectives of its environment policy.

In 2015 the bank completed the phasing-out of fully halogenated hydrocarbons and halon in its air-conditioning systems and reduced its CO₂ emissions by 4% in comparison with the previous year.

By monitoring waste water on a regular basis and conducting laboratory tests on waste water samples, the bank continued in 2015 to reduce the level of pollutants in the water discharged from its premises into the public sewerage sys-
tem. Measures to prevent malfunctioning and breakdowns of technical equipment were implemented and new installations ensured efficient performance of the water-saving system.

In 2015 the bank began revamping the way it measures and regulates energy consumption. By using modern and efficient IT technology, as well as energy-saving appliances and equipment, the bank is gradually reducing its overall energy consumption and the operating costs of its various buildings.

The bank ensures that its waste is sorted and, consequently, its generation of municipal waste continued to decrease 2015. All other waste, including hazardous materials, is disposed of by specialist firms, with great importance placed on recycling and ecological disposal.

NBS is a long-established supporter of environmental initiatives both at the global level (such as Earth Day and Earth Hour) and in Slovakia (including the competition “Do práce na bicykli”/“Go to work on a bicycle”).
INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF NBS AS AT 31 DECEMBER 2015
Independent Auditors’ Report

To the Bank Board of Národňa banka Slovenska:

We have audited the accompanying financial statements of Národňa banka Slovenska ("the Bank"), which comprise the balance sheet as at 31 December 2015, the profit and loss account for the year then ended and the notes, which include a summary of significant accounting policies and other explanatory information.

Responsibility of the Bank Board of Národňa banka Slovenska for the Financial Statements

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank Board of Národňa banka Slovenska, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

8 March 2016
Bratislava, Slovak Republic

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

Ing. Tomáš Přeček
UDVA Licence No.1067

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT
# Balance Sheet

of Národňá banka Slovenská

<table>
<thead>
<tr>
<th>Assets</th>
<th>Note</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 Gold and gold receivables</td>
<td>1</td>
<td>991,581</td>
<td>1,009,401</td>
</tr>
<tr>
<td>A2 Claims on non-euro area residents</td>
<td>2</td>
<td>1,652,655</td>
<td>1,815,180</td>
</tr>
<tr>
<td>A3 Claims on euro area residents</td>
<td>3</td>
<td>188,375</td>
<td>103,367</td>
</tr>
<tr>
<td>A4 Claims on non-euro area residents</td>
<td>4</td>
<td>3,323,804</td>
<td>3,904,986</td>
</tr>
<tr>
<td>A5 Lending to euro area credit institutions</td>
<td>5</td>
<td>661,380</td>
<td>570,326</td>
</tr>
<tr>
<td>A6 Other claims on euro area credit</td>
<td>6</td>
<td>8,116,273</td>
<td>6,140,578</td>
</tr>
<tr>
<td>A7 Securities of euro area debt</td>
<td>7</td>
<td>27,846</td>
<td>55,977</td>
</tr>
<tr>
<td>A8 General government debt</td>
<td>8</td>
<td>5,330,188</td>
<td>5,480,476</td>
</tr>
<tr>
<td>A10 Loss for the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>23,100,746</td>
<td>23,074,280</td>
</tr>
</tbody>
</table>

| Liabilities                                 |      |             |             |
| L1 Banknotes in circulation                 | 10   | 10,837,216  | 10,322,943  |
| L2 Liabilities to euro area credit         | 11   | 1,465,594   | 751,969     |
| L3 Other liabilities to euro area credit   | 12   | 4,767,615   | 4,601,404   |
| L4 Debt certificates issued                 | 13   | 271,270     | 1,228,097   |
| L5 Liabilities to euro area residents      | 14   | 1,838,163   | 2,942,803   |
| L7 Liabilities to non-euro area residents  | 15   | 1,011,276   | 397,075     |
| L8 Liabilities to non-euro area residents  | 16   | 468,225     | 280,600     |
| L9 Counterpart of special drawing rights    | 17   | 403,359     | 405,987     |
| L10 Intra-Eurosystem liabilities           |      |             |             |
| L11 Items in course of settlement          |      |             |             |
| L12 Other liabilities                      | 18   | 416,862     | 559,166     |
| L13 Provisions                             | 19   | 966,100     | 524,830     |
| L14 Revaluation accounts                   | 20   | 433,645     | 519,396     |
| L15 Capital and reserves                   | 21   | 357,797     | 357,797     |
| L16 Profit for the year                    | 34   | 4,804       | 102,193     |
| **TOTAL LIABILITIES**                      |      | 23,100,748  | 23,074,280  |

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.
### Profit and Loss Account
of Národná banka Slovenska

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>EUR ’000</td>
<td>EUR ’000</td>
</tr>
<tr>
<td>1.1</td>
<td>Interest income</td>
<td>191 009</td>
<td>430 250</td>
</tr>
<tr>
<td>1.2</td>
<td>Interest expense</td>
<td>(94 465)</td>
<td>(216 188)</td>
</tr>
<tr>
<td>1</td>
<td>Net interest income</td>
<td>23 640</td>
<td>214 062</td>
</tr>
<tr>
<td>2.1</td>
<td>Realized gains arising from financial operations</td>
<td>77 797</td>
<td>147 055</td>
</tr>
<tr>
<td>2.2</td>
<td>Write-downs on financial assets and positions</td>
<td>(28 849)</td>
<td>(53 677)</td>
</tr>
<tr>
<td>2.3</td>
<td>Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks</td>
<td>(140 000)</td>
<td>(220 000)</td>
</tr>
<tr>
<td>2</td>
<td>Net result of financial operations, write-downs and risk provisions</td>
<td>24 (91 052)</td>
<td>(126 622)</td>
</tr>
<tr>
<td>3.1</td>
<td>Fees and commissions income</td>
<td>795</td>
<td>734</td>
</tr>
<tr>
<td>3.2</td>
<td>Fees and commissions expense</td>
<td>(1 058)</td>
<td>(999)</td>
</tr>
<tr>
<td>3</td>
<td>Net income/(expense) from fees and commissions</td>
<td>25 (263)</td>
<td>265</td>
</tr>
<tr>
<td>4</td>
<td>Income from equity shares and participating interests</td>
<td>11 356</td>
<td>10 575</td>
</tr>
<tr>
<td>5</td>
<td>Net result of pooling of monetary income</td>
<td>51 463</td>
<td>47 072</td>
</tr>
<tr>
<td>6</td>
<td>Other income</td>
<td>9 530</td>
<td>32 416</td>
</tr>
<tr>
<td></td>
<td><strong>Total net income</strong></td>
<td><strong>77 664</strong></td>
<td><strong>177 238</strong></td>
</tr>
<tr>
<td>7</td>
<td>Staff costs</td>
<td>29 (38 031)</td>
<td>(35 096)</td>
</tr>
<tr>
<td>8</td>
<td>Administrative expenses</td>
<td>30 (17 904)</td>
<td>(22 463)</td>
</tr>
<tr>
<td>9</td>
<td>Depreciation of tangible and intangible fixed assets</td>
<td>31 (7 350)</td>
<td>(7 714)</td>
</tr>
<tr>
<td>10</td>
<td>Banknote production services</td>
<td>32 (2 284)</td>
<td>(6 255)</td>
</tr>
<tr>
<td>11</td>
<td>Other expenses</td>
<td>28 (6 319)</td>
<td>(3 361)</td>
</tr>
<tr>
<td>12</td>
<td>Income tax and other charges on income</td>
<td>33 (2 202)</td>
<td>(156)</td>
</tr>
<tr>
<td></td>
<td><strong>Profit for the year</strong></td>
<td><strong>4 604</strong></td>
<td><strong>102 193</strong></td>
</tr>
</tbody>
</table>

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.
NOTES

to the financial statements
as at 31 December 2015

Bratislava, 8 March 2016

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence.
A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska (“the National Bank of Slovakia”, “NBS” or “the Bank”) was established in accordance with Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (“the NBS Act”). The NBS commenced its activities on 1 January 1993.

Upon euro adoption in Slovakia on 1 January 2009, the NBS became a full member of the Eurosystem. The NBS abides by the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (“the Statute”).

In accordance with Article 39 (5) of the NBS Act, the Bank submits the annual report on results of its operations to the National Council of the Slovak Republic within three months after the end of the calendar year. In addition to the NBS financial statements and the auditor’s opinion thereon, the report provides information on the NBS’s operating costs. If so requested by the National Council of the Slovak Republic, the NBS is obliged, within six weeks, to supplement the report as requested and/or provide explanations to the submitted report.

The supreme governing body of the NBS is the Bank Board of the NBS (“the Bank Board”). As at 31 December 2015, the Bank Board had the following structure:

<table>
<thead>
<tr>
<th>Name</th>
<th>Term of Office in the Bank Board</th>
<th>Current position</th>
<th>Date of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>doc. Ing. Jozef Makůch, PhD.</td>
<td>1 Jan 2006 to 12 Jan 2021</td>
<td>Governor</td>
<td>12 Jan 2015</td>
</tr>
<tr>
<td>Mgr. Ján Tóth, M.A.</td>
<td>5 Nov 2012 to 5 Nov 2017</td>
<td>Deputy Governor</td>
<td>5 Nov 2012</td>
</tr>
<tr>
<td>RNDr. Karol Mrva</td>
<td>1 June 2012 to 1 June 2017</td>
<td>Member</td>
<td>1 June 2012</td>
</tr>
<tr>
<td>Ing. Vladimír Šoltýšek</td>
<td>2 April 2014 to 2 April 2019</td>
<td>Member</td>
<td>2 April 2014</td>
</tr>
</tbody>
</table>

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Legal framework and accounting principles

The Bank applies its accounting principles in accordance with the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2010/20, as amended, (“the ECB Guideline”). In recognizing transactions not regulated by the ECB Guideline, the Bank observes International Financial Reporting Standards (“IFRS”). In other cases, the Bank acts in accordance with Act No. 431/2002 Coll. on Accounting, as amended (“the Act on Accounting”). In accordance with this legal framework, the Bank applies the following basic accounting principles:

- Economic reality and transparency
- Prudence
- Recognition of post-balance-sheet events
- Materiality
- Accruals principle
- Going-concern basis
- Consistency and comparability
Assets and liabilities are held on the balance sheet only if it is probable that any future economic benefits associated with them will flow to or from the Bank, all risks and benefits have been transferred to the Bank and the assets or liabilities can be measured reliably. Foreign exchange transactions, financial instruments, excluding securities and the corresponding accruals, are subject to the economic principle, i.e., transactions are recorded on off-balance sheet accounts on the trade date. On the settlement date, off-balance sheet booking entries are reversed and the transactions are recorded on the balance sheet. Other economic transactions, including transactions with debt securities, are recorded in accordance with the cash settlement principle, i.e., no accounting entries are made on the trade date and the transaction is recorded on the balance sheet on the settlement date.

Interest accruals attributable to financial instruments are calculated and recorded on a daily basis. Accruals of premium and discount are recorded using the internal rate of return method (IRR). In other cases, the linear method is applied.

When preparing the financial statements, the Bank acts in accordance with the agreed recommended harmonized disclosures for Eurosystem national central banks' annual accounts.

b) Valuation of assets and liabilities

Financial assets and liabilities, excluding held-to-maturity securities, securities held for monetary policy purposes and participating interests, are measured on a monthly basis at mid-market rates and prices. Foreign currency revaluation, including balance sheet and off-balance sheet transactions, is performed for each currency separately; securities are measured for each ISIN separately and interest rate swaps and futures agreements are measured individually. In the case of gold, there is no distinction between price and currency revaluation differences.

Securities held for monetary policy purposes are measured at amortized cost and are subject to an impairment test. In the event of impairment, provisions are created as at the end-of-year date and reassessed on an annual basis. The impairment provisions for certain types of securities held for monetary policy purposes are shared within the Eurosystem, based on the shares in the paid-up capital of the ECB, valid at the time of initial impairment.

Participating interests, except the BIS investment Pool Sovereign China fund (denominated in CNY (Chinese Yuan Renminbi) (“BISIP CNY”), are measured at historical cost and are subject to an impairment test. Impairment in participating interests is recognized as impairment charges through profit/loss. The BISIP CNY fund is measured at market value on a monthly basis, based on the supporting documentation from the Bank for International Settlements (“BIS”) in Basel, Switzerland.

The exchange rates of key foreign currencies against EUR 1, used to value the assets and liabilities as at 31 December 2015, were as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>31 Dec 2015</th>
<th>31 Dec 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBP</td>
<td>0.73365</td>
<td>0.77960</td>
<td>(0.0459)</td>
</tr>
<tr>
<td>USD</td>
<td>1.08870</td>
<td>1.21410</td>
<td>(0.1254)</td>
</tr>
<tr>
<td>JPY</td>
<td>131.07000</td>
<td>146.23000</td>
<td>(14.1600)</td>
</tr>
<tr>
<td>XDR</td>
<td>0.78567</td>
<td>0.83964</td>
<td>(0.05397)</td>
</tr>
<tr>
<td>EUR/oz.*</td>
<td>573.225</td>
<td>587.769</td>
<td>(14.54400)</td>
</tr>
</tbody>
</table>

* 1 t oz. (troy ounce) = 31.1034807 g
(c) Accounting and recognition of revenues

Realized profits and losses are derived from the daily measurement of changes in assets and liabilities and represent the difference between the transaction value and the average value of the respective financial instrument or currency. They are recognized directly in the profit and loss account.

Unrealized profits and losses result from the monthly measurement of assets and liabilities and represent the difference between the average value and the month-end market value of the respective financial instrument or currency. Unrealized profits are shown in equity on revaluation accounts (see Note 21). Unrealized losses in excess of unrealized revaluation profits from the given financial instrument or currency are recognized in the profit and loss account. Unrealized losses on one financial instrument or currency are not netted off against unrealized profits made on another financial instrument or currency. In the event of an unrealized loss at year-end, the average acquisition cost is adjusted to the year-end exchange rate or fair value of the measured item. Unrealized revaluation losses on interest rate swaps and marketable securities are amortized to income in the following years.

Premiums and discounts of acquired securities are recognized in the profit and loss account as interest income.

According to the agreed recommended harmonized disclosure rules, the Bank presents the negative interest income or expense stemming from the application of negative interest rates on a net basis with other interest income or expense on the underlying transactions. The net interest income is included in interest income; net interest expense is included in interest expense.

(d) Gold and gold receivables

Gold swap transactions are recognized as repurchase transactions with gold (see Notes 12, 14, 15 and 16). The gold used in such transactions remains in the Bank’s total assets under the item “Gold and gold receivables”.

(e) Debt securities

Securities are recognized together with the accruals of the premium and the discount. Coupons are recorded under “Other assets”.

The impairment test for bonds held for monetary policy purposes and bonds acquired within the Securities Markets Program (SMP) and the Public Sector Purchase Program (PSPP) is carried out centrally by the ECB. The results of the impairment test on securities, from which profit and loss is shared in the Eurosystem, are subject to the approval of the Governing council of the ECB.

The impairment test for bonds acquired within the Covered Bonds Purchase Program (CBPP1) and within the third Covered Bond Purchase Program (CBPP3) is coordinated by the ECB. Based on the decision of the Bank Board, the NBS accepts the results of the coordinated test for CBPP1. The results of the coordinated impairment test for CBPP3 are subject to the approval of the Governing Council of the ECB.

(f) Derivatives

Spot, forward and swap transactions are included in the net currency positions for calculating the average acquisition cost of currencies and foreign exchange gains and losses. They are recognized on off-balance sheet accounts at the spot rate of the transaction on the trade date.
The difference between the spot and forward values of the transaction is considered as interest expense or interest income.

The forward position of currency swaps is valued together with the related spot position, so the currency position is only affected by the accrued interest in foreign currency.

Interest rate swaps are recorded in the off-balance sheet accounts from the trade date until the settlement date. They are measured based on generally accepted valuation models using corresponding yield curves derived from quoted interest rates.

In the case of interest rate or currency swaps, if there is an increase or a decrease in the net swap position, a collateral adjustment in the form of deposits with daily extension is agreed upon contractually with selected counterparties. Payment of interest is on a monthly basis (see Notes 9 and 18).

The Bank recognizes futures contracts on off-balance sheet accounts from the trade date to the settlement at the nominal value of the underlying instrument. Initial margins may be provided either in cash or in the form of securities. The initial deposit in the form of securities is not accounted for. The daily settlement of revaluation differences on the margin account is recognized in the profit and loss account.

(g) Reverse transactions

Reverse transactions are the transactions that the Bank conducts under reverse repurchase agreements or collateralized loan transactions.

Transactions conducted under a repurchase agreement (repurchase transaction) are recognized as a collateralized inward deposit on the liabilities side of the balance sheet, while the item provided as collateral remains on the assets side of the balance sheet. Securities provided under a repurchase transaction remain part of the portfolio of the Bank.

Reverse repurchase agreements are recognized as a collateralized outward loan on the assets side of the balance sheet. Securities accepted under a reverse repurchase transaction are not accounted for.

If the collateral value deviates from the respective loan value, representing an increased counterparty credit risk, collateral is required in the form of a deposit. These deposits bear interest and are extended on a daily basis (see Notes 12 and 14).

The Bank does not account for security lending transactions conducted under an automated security lending program. Revenues from these transactions are recognized in the profit and loss account.

(h) Banknotes in circulation

Pursuant to Decision ECB/2010/29 as amended, euro banknotes are issued jointly by the national central banks within the Eurosystem and the ECB. The total amount of banknotes in circulation is allocated to individual central banks in the Eurosystem on the last working day of each month, according to the Banknote Allocation Key. The ECB's share in the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share in the total issue of euro banknotes within the Eurosystem is 1.0096%. The share of banknotes in circulation is recognized under liabilities - "Banknotes in circulation" (see Note 10).
The difference between the banknotes allocated according to the Banknote Allocation Key and the banknotes actually in circulation represents an interest-bearing receivable or liability within the Eurosystem. This is disclosed under the item "Net claims or liabilities related to the allocation of euro banknotes within the Eurosystem".

Interest income or interest expense from these receivables/liabilities is disclosed net in the Bank’s profit and loss account in "Net interest income" (see Note 23).

(i) ECB profit redistribution

In accordance with Decision ECB/2014/57 as amended, the ECB’s income, consisting of the remuneration of the ECB’s 8% share in euro banknote issue and net income from securities purchased by the ECB under the SMP, CBPP3, Asset-Backed Securities Purchase Program (ABSPP) and PSPP is re-allocated among the Eurosystem’s individual central banks in the same financial year as accrued in the form of an interim distribution of the ECB’s profit (see Note 26).

Under Article 33 of the Statute, the ECB’s remaining net profit is re-allocated among the central banks within the Eurosystem upon approval of the ECB’s financial statements, i.e., in the following calendar year.

(j) Fixed assets

With effect from 1 January 2010 and pursuant to the ECB’s Guideline, the NBS’s fixed assets include tangible and intangible fixed assets with an input price higher than EUR 10,000 and with a useful life of more than one year. Immovables, works of art, immovable cultural monuments and collections, with the exception of those listed under separate regulations (Act No. 206/2009 Coll. on Museums and Galleries and on the Protection of Cultural Valuables, as amended), are recognized on the balance sheet irrespective of their input price. The assets listed under separate regulations are recognized on the off-balance sheet and in records maintained for collection items at acquisition cost. Tangible and intangible fixed assets up to EUR 10,000 that were acquired and put in use prior to 1 January 2010 are depreciated as put in use until they are fully depreciated.

Fixed assets held for sale are recognized at cost net of accumulated depreciation and provisions, or at fair value net of cost of sale, whichever amount is lower.

<table>
<thead>
<tr>
<th>Depreciation group</th>
<th>Depreciation period in years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Buildings, long term investments, technical enhancements of immovable cultural monuments</td>
<td>30</td>
</tr>
<tr>
<td>2. Separable components built into structures identified for depreciation</td>
<td>4 - 20</td>
</tr>
<tr>
<td>3. Utility network</td>
<td>20</td>
</tr>
<tr>
<td>4. Machines and equipment</td>
<td>2 - 12</td>
</tr>
<tr>
<td>5. Transport means</td>
<td>4 - 6</td>
</tr>
<tr>
<td>6. Furniture and fixtures</td>
<td>4 - 12</td>
</tr>
<tr>
<td>7. Intangible fixed assets - purchased software</td>
<td>2 - 10</td>
</tr>
<tr>
<td>8. Other intangible fixed assets</td>
<td>4 or as per contract</td>
</tr>
</tbody>
</table>
(k) Taxes

In accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes, as amended, the NBS is not liable to corporate income tax. Only income taxed by withholding tax is subject to taxation (see Note 33).

The NBS has been a registered VAT payer since 1 July 2004, pursuant to Act No. 222/2004 Coll., as amended.

(l) Provisions

The Bank creates a general provision for foreign exchange rate, interest rate and credit risks as well as risks from changes in gold prices (see Notes 19 and 24), which is presented in the Bank’s equity. The amount and reasonableness of the general provision is reassessed on an annual basis with the impact on the profit and loss account. The provision is subject to the approval of the Bank Board.

The Bank creates a provision in relation to the impairment of securities acquired as part of the single monetary policy of the Eurosystem (see Section B, Note e).

The Bank also creates provisions in line with the Act on Accounting (see Note 19).

(m) NBS profit redistribution

In accordance with Article 39 (4) of the NBS Act, the profit generated by the Bank is allocated to the reserve fund and other funds created from profit, or it is used to cover accumulated losses from prior years. Any loss incurred in the reporting period may be settled by the NBS from the reserve fund or from other funds. Alternatively, the Bank Board may decide to carry the accumulated loss forward to the following reporting period.

C. NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ITEMS

1. Gold and gold receivables

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold in repo transactions</td>
<td>987,223</td>
<td>952,959</td>
<td>34,264</td>
</tr>
<tr>
<td>Gold stored in banks</td>
<td>2,827</td>
<td>51,888</td>
<td>(49,061)</td>
</tr>
<tr>
<td>Gold on stock</td>
<td>1,531</td>
<td>1,554</td>
<td>(23)</td>
</tr>
<tr>
<td></td>
<td>991,681</td>
<td>1,006,401</td>
<td>(14,820)</td>
</tr>
</tbody>
</table>

As at 31 December 2015, gold totaled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2014), of which 1,014 thousand t oz. was used in repurchase transactions, 3 thousand t oz. was deposited with correspondent banks and 2 thousand t oz. was deposited with the Bank.

As at 31 December 2015, the market price of gold was EUR 973,225 per t oz. (EUR 987,769 per t oz. as at 31 December 2014). The change in the balance of "Gold and gold receivables" was most affected by gold revaluation accounts (see Note 20).
### 2. Claims on non-euro area residents denominated in foreign currency

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from/Payables to the IMF</td>
<td>566,755</td>
<td>608,831</td>
<td>(39,076)</td>
</tr>
<tr>
<td>Balances with banks and security investments, external loans and other external assets</td>
<td>1,082,900</td>
<td>1,210,349</td>
<td>(127,449)</td>
</tr>
<tr>
<td></td>
<td>1,642,655</td>
<td>1,819,180</td>
<td>(166,525)</td>
</tr>
</tbody>
</table>

### Receivables from/Payables to the International Monetary Fund

<table>
<thead>
<tr>
<th></th>
<th>Equivalent mil. XDR</th>
<th>Equivalent mil. EUR '000</th>
<th>Change mil. EUR '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from IMF:</td>
<td>725</td>
<td>961,133</td>
<td>779</td>
</tr>
<tr>
<td>1) Member’s quota</td>
<td>428</td>
<td>544,137</td>
<td>428</td>
</tr>
<tr>
<td>a) Member’s quota in local currency</td>
<td>308</td>
<td>391,377</td>
<td>268</td>
</tr>
<tr>
<td>b) Reserve position</td>
<td>120</td>
<td>152,760</td>
<td>160</td>
</tr>
<tr>
<td>- foreign exchange part of Member’s quota</td>
<td>16</td>
<td>22,274</td>
<td>18</td>
</tr>
<tr>
<td>- FTP reserve position</td>
<td>102</td>
<td>130,468</td>
<td>142</td>
</tr>
<tr>
<td>2) Nostro account in IMF</td>
<td>322</td>
<td>410,758</td>
<td>323</td>
</tr>
<tr>
<td>3) Bilateral loans</td>
<td>5</td>
<td>8,237</td>
<td>28</td>
</tr>
<tr>
<td>Payables to IMF:</td>
<td>308</td>
<td>391,377</td>
<td>268</td>
</tr>
<tr>
<td>1) Loro accounts of IMF</td>
<td>303</td>
<td>385,640</td>
<td>251</td>
</tr>
<tr>
<td>2) Currency valuation adjustment account</td>
<td>5</td>
<td>5,737</td>
<td>17</td>
</tr>
<tr>
<td>Total reported amount (net)</td>
<td>969,755</td>
<td>708,031</td>
<td>(261,724)</td>
</tr>
</tbody>
</table>

The FTP reverse position represents the receivable of the NBS from the loans provided under the IMF’s Financial Transactions Plan.

Liabilities in local currency change, depending on the IMF representative exchange rate, which is recorded in the Currency valuation adjustment account. A significant part of the liabilities on the IMF loro accounts consists of a note of EUR 329,505 thousand (EUR 297,882 thousand as at 31 December 2014).

The Bank records a liability to the IMF from the allocation recorded under L9 “Counterpart of special drawing rights allocated by the IMF” (see Note 17).

### Balances with banks and security investments, external loans and other external assets

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>1,023,896</td>
<td>484,686</td>
<td>539,210</td>
</tr>
<tr>
<td>Other</td>
<td>59,004</td>
<td>725,693</td>
<td>666,689</td>
</tr>
<tr>
<td></td>
<td>1,082,900</td>
<td>1,210,349</td>
<td>(127,449)</td>
</tr>
</tbody>
</table>

The caption “Debt securities” mainly consists of bonds issued by financial institutions denominated in USD. Compared to the previous period, an increase in the volume of debt securities mainly relates to the purchase of securities in USD.

The caption “Other” mainly includes cash on nostro accounts in foreign currency and overnight investment deposits in USD.
3. Claims on euro area residents denominated in foreign currency

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>185,812</td>
<td>103,270</td>
<td>82,542</td>
</tr>
<tr>
<td>Current accounts</td>
<td>563</td>
<td>97</td>
<td>466</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>186,375</strong></td>
<td><strong>103,367</strong></td>
<td><strong>83,008</strong></td>
</tr>
</tbody>
</table>

Debt securities categorized under this caption are denominated in USD. As per security issuers, as at 31 December 2015 the Bank mainly recorded securities of monetary financial institutions.

The increase in the volume of debt securities compared to the preceding period was mostly due to the purchase of securities denominated in USD.

4. Claims on non-euro area residents denominated in euro

As at 31 December 2015, the Bank recognized non-euro area resident debt securities of EUR 3,323,804 thousand under this caption (EUR 3,904,556 thousand as at 31 December 2014). As per security issuers, the Bank mainly recorded securities of monetary financial institutions. Compared to the previous period, a decrease was mainly due to maturity of securities.

5. Lending to euro area credit institutions related to monetary policy operations denominated in euro

In accordance with the rules for monetary policy operations in the Eurosystem, the NBS recognized longer-term refinancing operations of EUR 641,380 thousand as at 31 December 2015 (EUR 385,320 thousand as at 31 December 2014).

Longer-term refinancing operations are regular liquidity-providing reverse transactions of a longer period which are performed through standard tenders. Under these transactions, the Bank recognizes targeted longer-term refinancing operations with a maturity of three to four years, bearing interest at the main refinancing rate or main refinancing rate increased by 10 basis points. The targeted longer-term refinancing operations are aimed at improving bank lending to the euro area non-financial private sector (excluding loans to households for house purchase) and as at 31 December 2015 amounted to EUR 641,380 thousand (EUR 215,320 thousand as at 31 December 2014).

As at 31 December 2015, the Bank recognized main refinancing transactions of EUR 20,000 thousand (EUR 185,000 thousand as at 31 December 2014) at a rate of 0.05% p.a. The main refinancing transactions are regular liquidity-providing reverse transactions at one week intervals with a current maturity of one week.

The risks arising from monetary policy transactions are subject to sharing with the involved central banks in proportion to their capital key, pursuant to Article 32.4 of the Statute.
6. Other claims on euro area credit institutions denominated in euro

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redistribution loan</td>
<td>24,904</td>
<td>28,533</td>
<td>(3,629)</td>
</tr>
<tr>
<td>Deposits to reverse transactions</td>
<td>2,290</td>
<td>220</td>
<td>2,070</td>
</tr>
<tr>
<td>Current accounts</td>
<td>862</td>
<td>27,224</td>
<td>(26,362)</td>
</tr>
<tr>
<td></td>
<td><strong>27,848</strong></td>
<td><strong>56,977</strong></td>
<td><strong>(29,131)</strong></td>
</tr>
</tbody>
</table>

Redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. During the year 2015 the redistribution loan bore interest of 0.50% p.a. (0.50% p.a. as at 31 December 2014).

As at 31 December 2015, the NBS recorded a state guarantee for the redistribution loan of EUR 25,891 thousand on the off-balance sheet (EUR 29,722 thousand as at 31 December 2014). The amount of the state guarantee represents the principal and interest up to the loan maturity.

7. Securities of euro area residents denominated in euro

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities held for monetary policy purposes</td>
<td>6,383,101</td>
<td>1,358,176</td>
<td>5,024,925</td>
</tr>
<tr>
<td>Other securities</td>
<td>2,433,172</td>
<td>4,602,402</td>
<td>(2,169,230)</td>
</tr>
<tr>
<td></td>
<td><strong>8,816,273</strong></td>
<td><strong>6,160,578</strong></td>
<td><strong>2,655,695</strong></td>
</tr>
</tbody>
</table>

Securities held for monetary policy purposes

As at 31 December 2015, under the caption "Securities held for monetary policy purposes", the Bank recorded securities purchased under the CBPP1, CBPP3, SMP and PSPP programs.

They are mainly issued by the public authorities and monetary financial institutions of the euro area. The increase of EUR 5,024,925 thousand, compared to the preceding period, was mainly due to securities purchased under the new PSPP program, which was announced in March 2015.

CBPP1

Under the CBPP1 program, the ECB and national central banks purchased covered bonds denominated in euro, issued by euro area institutions. The purchases of the securities under the program were completed in June 2010.

CBPP3

In October 2014, the operational details of the CBPP3 program were announced by the Governing Council of the ECB. Under the program, the ECB and national central banks started to purchase, in both the primary and secondary markets, euro-denominated covered bonds issued by euro area institutions. The program aims to facilitate credit provision to the euro area economy, generate positive spillovers to other markets and, as a result, ease the ECB’s monetary policy stance.

SMP

Under the SMP program announced in May 2010, the ECB and national central banks purchased public and private debt securities denominated in euro, aiming to improve the
functionality of certain euro area debt security market segments and to restore the proper functioning of the monetary policy transmission mechanism. In September 2012, the Governing Council of the ECB decided to terminate the program.

**PSPP**

On 22 January 2015, the Governing Council of the ECB decided that asset purchases should be expanded to include a secondary market public sector purchase program. This program aims to further ease monetary and financial conditions, including those relevant to borrowing conditions of euro area and non-financial corporations and households, thereby supporting aggregate consumption and investment spending in the euro area and ultimately contributing to a return of inflation rates to levels below but close to 2% over the medium term. Under this program the ECB and national central banks may purchase, in the secondary market, euro-dominated securities issued by euro area central governments and European institutions. The combined monthly purchases of CBPP3, ABSPP and PSPP are intended to amount EUR 60 billion and are expected to be carried out until at least March 2017 (if necessary, the program may be extended following the decision of the Governing council of the ECB).

Securities purchased under all monetary policy programs are valued at amortized cost basis subject to impairment. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end.

The amortized cost of these securities, as well as their market value (which is not recorded on the Balance Sheet or in the Profit and Loss Account but is provided for comparison purposes only) are as follows:

<table>
<thead>
<tr>
<th>Security</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBPP1</td>
<td>152,555</td>
<td>160,294</td>
<td>(94,127)</td>
</tr>
<tr>
<td>CBPP3</td>
<td>1,454,929</td>
<td>1,448,812</td>
<td>292,449</td>
</tr>
<tr>
<td>SMP</td>
<td>635,000</td>
<td>703,337</td>
<td>620,087</td>
</tr>
<tr>
<td>PSPP</td>
<td>4,140,817</td>
<td>4,134,294</td>
<td>4,140,817</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,383,101</strong></td>
<td><strong>6,446,737</strong></td>
<td><strong>1,358,176</strong></td>
</tr>
</tbody>
</table>

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under the monetary policy programs. As at 31 December 2015, the total Eurosystem national central banks holding amounted to EUR 637,980,474 thousand, of which the NBS held EUR 6,383,101 thousand. In accordance with Article 32.4 of the Statute, losses from holdings of securities, if they were to materialize, are shared in full by the euro area national central banks, in proportion to the prevailing ECB capital key shares.

As a result of the impairment test conducted as at 31 December 2015 on securities purchased under the monetary policy programs and pursuant to a decision of the Governing Council of the ECB, it is expected that all future cash flows on these securities will be received. For this reason, the NBS did not create a provision for impairment losses (see Section B, Note e).

**Other Securities**

Under this caption, as at 31 December 2015, the Bank recognized marketable securities, mainly issued by monetary financial institutions and public authorities of the euro area.

The decrease, compared to the preceding period, of EUR 2,369,230 thousand was mainly caused by the maturity of securities.
### 8. Intra-Eurosystem claims

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participating interest in ECB</td>
<td>262,722</td>
<td>262,722</td>
<td>0</td>
</tr>
<tr>
<td>Claims equivalent to the transfer of foreign reserves</td>
<td>447,672</td>
<td>447,672</td>
<td>0</td>
</tr>
<tr>
<td>Net claims related to the allocation of euro banknotes within the Eurosystem</td>
<td>879,240</td>
<td>965,869</td>
<td>(86,629)</td>
</tr>
<tr>
<td>Other claims within the Eurosystem</td>
<td>521,010</td>
<td>2,296,986</td>
<td>(1,775,976)</td>
</tr>
<tr>
<td></td>
<td><strong>2,110,644</strong></td>
<td><strong>3,973,029</strong></td>
<td><strong>(1,862,385)</strong></td>
</tr>
</tbody>
</table>

**Participating interest in the ECB**

As at 31 December 2015, the Bank recorded a participating interest in the ECB’s subscribed capital of EUR 83,623 thousand (EUR 83,623 thousand as at 31 December 2014) and a claim of EUR 24,885 thousand from the changes of its participating interest in the ECB’s net equity. On 1 January 2015, following the accession of Lithuania into the Eurosystem, the Eurosystem key of the NBS decreased from 1.1039% to 1.0974%.

In accordance with Article 49 (2) of the Statute and the decision of the ECB Governing Council, the NBS contributed EUR 154,214 thousand to the ECB’s provisions to cover credit, foreign exchange, interest rate and gold price risks and to the ECB revaluation accounts.
As at 31 December 2015, the shares of 28 central banks of the European Union in the ECB’s capital were as follows:

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Capital Key for Subscription of ECB’s Capital (%)</th>
<th>Subscribed Share in the ECB’s Capital (EUR)</th>
<th>Paid-up Capital (EUR)</th>
<th>Eurosystem Key (% - Share on the ECB’s Paid-up Capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banque National de Belgique</td>
<td>2.4778</td>
<td>268,222,025.17</td>
<td>268,222,025.17</td>
<td>3.5200</td>
</tr>
<tr>
<td>Estonia Bank</td>
<td>0.1928</td>
<td>20,870,613.83</td>
<td>20,870,613.83</td>
<td>0.2739</td>
</tr>
<tr>
<td>Deutsche Bundesbank</td>
<td>17.9973</td>
<td>1,548,208,997.34</td>
<td>1,948,208,997.34</td>
<td>25.5674</td>
</tr>
<tr>
<td>Central Bank and Financial Services Authority of Ireland</td>
<td>1.1607</td>
<td>125,645,857.06</td>
<td>125,645,857.06</td>
<td>1.6489</td>
</tr>
<tr>
<td>Bank of Greece</td>
<td>2.0332</td>
<td>220,094,043.74</td>
<td>220,094,043.74</td>
<td>2.8884</td>
</tr>
<tr>
<td>Banco de España</td>
<td>8.8409</td>
<td>957,028,050.02</td>
<td>957,028,050.02</td>
<td>12.5996</td>
</tr>
<tr>
<td>Banque de France</td>
<td>14.1792</td>
<td>1,534,899,402.41</td>
<td>1,534,899,402.41</td>
<td>20.1433</td>
</tr>
<tr>
<td>Banca d’Italia</td>
<td>12.3108</td>
<td>1,332,644,970.33</td>
<td>1,332,644,970.33</td>
<td>17.4950</td>
</tr>
<tr>
<td>Central Bank of Cyprus</td>
<td>0.1513</td>
<td>16,378,235.70</td>
<td>16,378,235.70</td>
<td>0.2150</td>
</tr>
<tr>
<td>Latvia Bank</td>
<td>0.2821</td>
<td>30,537,344.94</td>
<td>30,537,344.94</td>
<td>0.4008</td>
</tr>
<tr>
<td>Lithuania Bank</td>
<td>0.4132</td>
<td>44,728,929.21</td>
<td>44,728,929.21</td>
<td>0.5870</td>
</tr>
<tr>
<td>Banque centrale du Luxembourg</td>
<td>0.2030</td>
<td>21,974,764.35</td>
<td>21,974,764.35</td>
<td>0.2884</td>
</tr>
<tr>
<td>Central Bank of Malta</td>
<td>0.0648</td>
<td>7,014,604.58</td>
<td>7,014,604.58</td>
<td>0.0921</td>
</tr>
<tr>
<td>De Nederlandsche Bank</td>
<td>4.0035</td>
<td>433,379,158.03</td>
<td>433,379,158.03</td>
<td>5.6875</td>
</tr>
<tr>
<td>Oesterreichische Nationalbank</td>
<td>1.9631</td>
<td>212,505,713.78</td>
<td>212,505,713.78</td>
<td>2.7688</td>
</tr>
<tr>
<td>Banco de Portugal</td>
<td>1.7434</td>
<td>186,723,173.25</td>
<td>186,723,173.25</td>
<td>2.4767</td>
</tr>
<tr>
<td>Banka Slovenije</td>
<td>0.3455</td>
<td>37,400,399.43</td>
<td>37,400,399.43</td>
<td>0.4928</td>
</tr>
<tr>
<td>Národná banka Slovenska</td>
<td>0.7728</td>
<td>83,633,179.61</td>
<td>83,633,179.61</td>
<td>1.0974</td>
</tr>
<tr>
<td>Suomen Pankki – Finlands Bank</td>
<td>1.2564</td>
<td>136,005,388.82</td>
<td>136,005,388.82</td>
<td>1.7849</td>
</tr>
<tr>
<td>Subtotal euro area NCBS*</td>
<td>70.3915</td>
<td>7,619,884,851.40</td>
<td>7,619,884,851.40</td>
<td>100,0000</td>
</tr>
</tbody>
</table>

| Bulgaria national bank (Bulharska narodna banka) | 0.8590                                           | 92,986,810.73                             | 3,487,005.40          |
| Czech national bank             | 1.6075                                           | 174,011,988.64                            | 6,525,449.57          |
| Danske Nationalbank            | 1.4873                                           | 161,000,330.15                            | 6,037,512.38          |
| Magyar Nemzeti Bank             | 1.3798                                           | 149,365,447.35                            | 5,601,129.28          |
| Narodowy Bank Polski            | 5.1230                                           | 554,565,112.18                            | 20,790,191.71         |
| Banca Naţională a României      | 2.6024                                           | 281,709,983.98                            | 10,594,124.40         |
| Sveriges Riksbank               | 2.7279                                           | 246,041,585.69                            | 9,226,559.46          |
| Bank of England                 | 13.6743                                          | 1,480,243,941.72                          | 55,509,147.81         |
| Hrvatska narodna banka          | 0.8023                                           | 65,199,017.58                             | 2,444,963.16          |
| Subtotal non-euro area NCBS*    | 29.6085                                          | 3,205,122,218.22                          | 120,192,083.17        |

Total* 100.00 10,825,007,068.61 7,740,076,934.57

* Subtotals and totals may not correspond due to the effect of rounding

Claims equivalent to the transfer of foreign reserves

The NBS records a claim of EUR 447,672 thousand (EUR 447,672 thousand as at 31 December 2014), in accordance with Article 30 (1) of the Statute. The receivable bears interest amounting to 85% of the main refinancing operations rate. As at 31 December 2015, interest income from the claim, equivalent to the transfer of foreign reserves, amounted to EUR 193 thousand (EUR 629 thousand as at 31 December 2014, see Note 23).
Net claims related to the allocation of euro banknotes within the Eurosystem

The caption represents the net claim related to euro banknotes allocation within the Eurosystem of EUR 879,240 thousand (EUR 965,669 thousand as at 31 December 2014, see Note 10), bearing the main refinancing operations rate. As at 31 December 2015, the Bank recognized interest income of EUR 480 thousand related to allocation of euro banknotes within the Eurosystem (EUR 457 thousand as at 31 December 2014, see Note 23).

Other intra-Eurosystem claims

Intra-Eurosystem claims and liabilities represent the NBS position towards other members of the European System of Central Banks ("ESCB") arising from cross-border transactions. The most significant part of this caption represents the claim of the NBS against other central banks and the ECB, arising from operations within TARGET2, which amounted to EUR 465,634 thousand as at 31 December 2015 (EUR 2,240,613 thousand as at 31 December 2014). The position bears an interest rate for the main refinancing operations. The total amount of the received interest amounted to EUR 503 thousand as at 31 December 2015 (EUR 8,497 thousand as at 31 December 2014, see Note 23).

Other significant amounts within this caption are claims from monetary income of EUR 51,463 thousand (EUR 47,072 thousand as at 31 December 2014, see Note 27) and the share of NBS in the ECB’s net profit for 2015 amounting to EUR 8,913 thousand (EUR 2,281 thousand as at 31 December 2014, see Note 26).

9. Other assets

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible and intangible fixed assets</td>
<td>133,277</td>
<td>137,501</td>
<td>(4,224)</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>57,635</td>
<td>51,691</td>
<td>5,944</td>
</tr>
<tr>
<td>Off-balance sheet instruments revaluation differences</td>
<td>749</td>
<td>749</td>
<td></td>
</tr>
<tr>
<td>Accruals and prepaid expenditure</td>
<td>179,674</td>
<td>167,506</td>
<td>12,169</td>
</tr>
<tr>
<td>Accumulated losses from previous years</td>
<td>4,814,414</td>
<td>4,916,607</td>
<td>(102,193)</td>
</tr>
<tr>
<td>Sundry</td>
<td>144,435</td>
<td>207,171</td>
<td>(62,733)</td>
</tr>
<tr>
<td></td>
<td>5,335,188</td>
<td>5,480,476</td>
<td>(150,288)</td>
</tr>
</tbody>
</table>
Tangible and intangible fixed assets

This item comprises fixed assets of the NBS as at 31 December 2015:

<table>
<thead>
<tr>
<th>Tangible assets, advances and assets under construction</th>
<th>Intangible assets, advances and assets under construction</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost as at 1 January 2015</td>
<td>262,765</td>
<td>33,067</td>
</tr>
<tr>
<td>Additions</td>
<td>787</td>
<td>9,230</td>
</tr>
<tr>
<td>Disposals</td>
<td>2,882</td>
<td>6,081</td>
</tr>
<tr>
<td>Acquisition cost as at 31 December 2015</td>
<td>260,880</td>
<td>36,216</td>
</tr>
<tr>
<td>Accumulated depreciation as at 1 January 2015</td>
<td>135,303</td>
<td>26,991</td>
</tr>
<tr>
<td>Additions</td>
<td>6,489</td>
<td>861</td>
</tr>
<tr>
<td>Disposals</td>
<td>1,982</td>
<td>75</td>
</tr>
<tr>
<td>Accumulated depreciation and provisions as at 31 December 2015</td>
<td>139,810</td>
<td>27,777</td>
</tr>
<tr>
<td>Carrying amount of tangible and intangible assets as at 1 January 2015</td>
<td>127,462</td>
<td>6,076</td>
</tr>
<tr>
<td>Carrying amount of tangible and intangible assets as at 31 December 2015</td>
<td>120,870</td>
<td>8,439</td>
</tr>
</tbody>
</table>

As at 31 December 2015, the NBS recognized fixed assets held for sale of EUR 3,966 thousand (EUR 3,963 thousand as at 31 December 2014).

Other financial assets

| Shares of BISIP CNY fund                              | 46,097                                                  | 41,012 | 5,085   |
| Shares of BIS                                        | 7,513                                                   | 7,038  | 474     |
| Share certificates of RVS, a.s.                      | 3,901                                                   | 3,585  | 316     |
| Institute of Banking Education                       | 33                                                      | 33     | 0       |
| Shares of SWIFT                                      | 92                                                      | 23     | 69      |
| **TOTAL**                                             | **57,635**                                              | **51,691** | **5,944** |

As at 31 December 2015, the NBS recognized shares within the BISIP CNY program which represents an indirect form of investing in the on-shore Chinese government bonds market. The purchase represents a 1.75% share of the fund’s total value. The year-on-year increase is the result of the valuation of shares (see Section B, Note b).

In accordance with the Commercial Code (Act No. 513/1991 Coll. as amended), the NBS is the controlling entity in the voting rights in RVS, a.s. Bratislava, with a 54.42% equity share (a 52.35% share as at 31 December 2014). The increase in the amount of EUR 316 thousand is due to the increase of the share capital of RVS, a.s. (a joint stock company) in October 2015. Despite the significant influence of the NBS in RVS, a.s., in accordance with Article 22 of the Act on Accounting, the Bank does not prepare consolidated financial statements.

The Bank’s share in the BIS share capital represents 0.51%. The participating interest in BIS is recognized in the amount of the paid-up share (25%). The unpaid portion of the share (75%) is payable on demand. Dividends are distributed in euro from the total share of the NBS in BIS held in XDR (see Note 25).

Since 2008, the Bank has recognized a deposit in the registered capital of the Institute of Banking Education, a non-profit organization (Inštitút bankového vzdelávania NBS, n. o. Bratislava). The Bank is the only shareholder of the company.
The Bank holds shares of SWIFT, representing a 0.0245% capital share (0.0063% capital share as at 31 December 2014). The increase of EUR 69 thousand was due to the increased shareholding of the Bank.

**Off-balance-sheet instruments revaluation differences**

As at 31 December 2015, this item represented foreign exchange gains from the valuation of currency swaps in the amount of EUR 749 thousand.

**Accruals and prepaid expenditure**

This item mainly represents accrued bond coupons of EUR 137,994 thousand (EUR 138,677 thousand as at 31 December 2014) and the value of purchased bond coupons in the amount of EUR 37,007 thousand (EUR 16,491 thousand as at 31 December 2014).

<table>
<thead>
<tr>
<th>Sundry</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits - collaterals to derivatives</td>
<td>127,440</td>
<td>173,131</td>
<td>-(45,691)</td>
</tr>
<tr>
<td>Investment loans granted to employees</td>
<td>7,294</td>
<td>8,452</td>
<td>-(1,158)</td>
</tr>
<tr>
<td>Fair value of interest rate swaps</td>
<td>2,541</td>
<td>2,387</td>
<td>154</td>
</tr>
<tr>
<td>Interest rate futures</td>
<td>2,474</td>
<td>1,890</td>
<td>584</td>
</tr>
<tr>
<td>Other</td>
<td>4,683</td>
<td>21,331</td>
<td>-(16,648)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144,438</strong></td>
<td><strong>207,171</strong></td>
<td><strong>-(62,733)</strong></td>
</tr>
</tbody>
</table>

The purpose of the deposits granted – collaterals to derivatives – is to secure counterparty credit risk in respect of a decrease in the value of the swap on the part of the NBS. The year-on-year decrease in the volume of deposits is due to a decrease in the volume of interest rate swaps.

**10. Banknotes in circulation**

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro banknotes in circulation issued by NBS</td>
<td>10,057,976</td>
<td>9,357,274</td>
<td>700,702</td>
</tr>
<tr>
<td>Euro banknotes not issued by NBS</td>
<td>879,240</td>
<td>965,660</td>
<td>-(86,420)</td>
</tr>
<tr>
<td><strong>Total volume of euro banknotes in line with the NBS Banknote Allocation Key</strong></td>
<td><strong>10,937,216</strong></td>
<td><strong>10,322,934</strong></td>
<td><strong>614,273</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2015, the Bank issued banknotes amounting to EUR 10,057,976 thousand; down by EUR 879,240 thousand (down by EUR 965,660 thousand as at 31 December 2014) compared to the volume allocated to the NBS by the Banknote Allocation Key (see Section B, Note h). This difference represents a claim of the NBS against the Eurosystem (see Note 8). Following the entry of Lithuania into the Eurosystem, the Banknote Allocation Key for the NBS decreased from 1.0155% to 1.0095% as at 1 January 2015.

**11. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro**

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current accounts covering the minimum reserve system</td>
<td>1,455,594</td>
<td>651,999</td>
<td>803,595</td>
</tr>
<tr>
<td>Deposit facility</td>
<td>40,000</td>
<td>100,000</td>
<td>-(60,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,495,594</strong></td>
<td><strong>751,999</strong></td>
<td><strong>743,595</strong></td>
</tr>
</tbody>
</table>
Current accounts represent monetary reserves of credit institutions that are subject to the minimum reserve system ("MRS") in accordance with the Statute. The MRS enables the average fulfillment of monetary reserves of credit institutions over the maintenance period set, as published by the ECB. The MRS holdings are remunerated at the average rate of the Eurosystem’s main refinancing operations, valid over the given maintenance period. In accordance with Decision ECB/2014/23 on the remuneration of deposits, balances and holdings of excess reserves, reserve holdings exceeding the MRS are remunerated at 0% p.a. or the deposit facility rate, whichever is lower. With effect from 9 December 2015, the ECB applies the negative interest rate -0.30% p.a. for the deposit facility (-0.20% p.a. as at 31 December 2014).

The deposit facility represents overnight deposits at a pre-specified interest rate as announced by the ECB. The purpose of such deposits is to provide contracting parties with the option to deposit short-term surplus liquidity. As at 31 December 2015, a negative interest rate of -0.30% p.a. was set for this type of transaction.

12. Other liabilities to euro area credit institutions denominated in euro

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tri-party repo transactions</td>
<td>2,600,000</td>
<td>2,400,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Liabilities from repo transactions</td>
<td>2,091,115</td>
<td>2,146,378</td>
<td>(55,263)</td>
</tr>
<tr>
<td>Liabilities from repo transactions with gold</td>
<td>85,645</td>
<td>34,230</td>
<td>51,415</td>
</tr>
<tr>
<td>Deposits received to repo transactions</td>
<td>520</td>
<td>271</td>
<td>249</td>
</tr>
<tr>
<td>Interbank clearing in Slovakia (IBS)</td>
<td>135</td>
<td>20,525</td>
<td>(20,390)</td>
</tr>
<tr>
<td></td>
<td>4,777,616</td>
<td>4,601,404</td>
<td>166,211</td>
</tr>
</tbody>
</table>

The interest rate applicable to repo transactions are from -0.03 to -0.31% p.a. (from -0.08 to 0.05% p.a. as at 31 December 2014).

The increase in liabilities from tri-party repo transactions, compared to the preceding period, resulted from an increase in the volume of these repo transactions.

13. Liabilities to other euro area residents denominated in euro

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>318</td>
<td>1,000,977</td>
<td>(1,000,659)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>270,952</td>
<td>227,120</td>
<td>43,832</td>
</tr>
<tr>
<td></td>
<td>271,270</td>
<td>1,228,097</td>
<td>(956,827)</td>
</tr>
</tbody>
</table>

General government

As at 31 December 2015, under this caption, the NBS recognized current accounts of the State Treasury amounting to EUR 318 thousand (EUR 977 thousand as at 31 December 2014). As at 16 January 2015, term deposits from the Ministry of Finance of the Slovak Republic ("MFSR") amounting to EUR 1,000,000 thousand matured.

Other liabilities

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client current accounts</td>
<td>47,317</td>
<td>12,442</td>
<td>34,875</td>
</tr>
<tr>
<td>Client term deposits</td>
<td>29,877</td>
<td>30,070</td>
<td>(193)</td>
</tr>
<tr>
<td>Current accounts of auxiliary financial institutions</td>
<td>1,432</td>
<td>896</td>
<td>537</td>
</tr>
<tr>
<td>Term deposits of auxiliary financial institutions</td>
<td>192,326</td>
<td>183,713</td>
<td>8,613</td>
</tr>
<tr>
<td></td>
<td>270,952</td>
<td>227,120</td>
<td>43,832</td>
</tr>
</tbody>
</table>

The Bank recognizes within this item current accounts and deposits from clients and auxiliary financial institutions (the Deposit Protection Fund and the Investment Guarantee Fund).
14. Liabilities to non-euro area residents denominated in euro

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities from term deposits</td>
<td>700,000</td>
<td>2,424,102</td>
<td>(1,724,102)</td>
</tr>
<tr>
<td>Liabilities from repo transactions</td>
<td>600,103</td>
<td>600,103</td>
<td></td>
</tr>
<tr>
<td>Liabilities from repo transactions with gold</td>
<td>534,182</td>
<td>513,333</td>
<td>20,849</td>
</tr>
<tr>
<td>Client current accounts</td>
<td>3,413</td>
<td>6,368</td>
<td>(2,955)</td>
</tr>
<tr>
<td>Deposits received to repo transactions</td>
<td>465</td>
<td>465</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>1,836,163</strong></td>
<td><strong>2,942,803</strong></td>
<td><strong>(1,106,640)</strong></td>
</tr>
</tbody>
</table>

Liabilities from inward term deposits represent central banks’ deposits with maturity from one day to three months at an interest rate of -0.20% p.a. (-0.03 to 0.03% p.a. as at 31 December 2014).

The interest rate applicable to repo transactions in euro are from -0.15 to -0.07% p.a.

15. Liabilities to euro area residents denominated in foreign currency

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities from repo transactions</td>
<td>850,085</td>
<td>250,493</td>
<td>599,592</td>
</tr>
<tr>
<td>Liabilities from repo transactions with gold</td>
<td>115,263</td>
<td>101,580</td>
<td>13,683</td>
</tr>
<tr>
<td>Liabilities from deposits received</td>
<td>45,927</td>
<td>45,927</td>
<td></td>
</tr>
<tr>
<td>Current accounts of the State Treasury in foreign currency</td>
<td>1</td>
<td>2</td>
<td>(1)</td>
</tr>
<tr>
<td></td>
<td><strong>1,011,276</strong></td>
<td><strong>397,075</strong></td>
<td><strong>614,201</strong></td>
</tr>
</tbody>
</table>

The interest rate applicable to repo transactions in USD is 0.58 to 1.40% p.a. (0.25 to 0.33% p.a. as at 31 December 2014). As at 31 December 2015, the Bank recognized liabilities from long-term repo transactions with gold due in September 2016.

16. Liabilities to non-euro area residents denominated in foreign currency

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities from repo transactions</td>
<td>217,706</td>
<td>188,079</td>
<td>29,627</td>
</tr>
<tr>
<td>Liabilities from repo transactions with gold</td>
<td>213,778</td>
<td>72,521</td>
<td>141,257</td>
</tr>
<tr>
<td>Liabilities from deposits received</td>
<td>35,741</td>
<td>35,741</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>468,225</strong></td>
<td><strong>260,600</strong></td>
<td><strong>207,625</strong></td>
</tr>
</tbody>
</table>

The interest rate applicable to repo transactions denominated in USD is from 0.83 to 0.91% p.a. (0.33 to 0.38% p.a. as at 31 December 2014). As at 31 December 2015, the Bank recognized liabilities from long-term repo transactions with gold with maturity in January 2016.

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2015, the Bank recorded a liability to the IMF from the allocation of EUR 433,359 thousand (EUR 405,987 thousand as at 31 December 2014). The liability from the allocation is denominated in XDR. As part of the general allocation and the special allocation, the IMF allocated XDR 265 million and XDR 75 million to Slovakia, respectively.

18. Other liabilities

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off-balance sheet instruments revaluation differences</td>
<td>356</td>
<td>15,729</td>
<td>(15,373)</td>
</tr>
<tr>
<td>Accruals and income collected in advance</td>
<td>33,378</td>
<td>52,790</td>
<td>(19,412)</td>
</tr>
<tr>
<td>Sundry</td>
<td>383,148</td>
<td>560,641</td>
<td>(177,493)</td>
</tr>
<tr>
<td></td>
<td><strong>416,882</strong></td>
<td><strong>659,165</strong></td>
<td><strong>(242,283)</strong></td>
</tr>
</tbody>
</table>

Off-balance-sheet instruments revaluation differences

As at 31 December 2015, this item represented foreign exchange losses from the revaluation of
currency swaps of EUR 356 thousand (EUR 15,729 thousand as at 31 December 2014).

Accruals and income collected in advance

As at 31 December 2015, the major part of accruals was represented by interest expense from interest rate swaps denominated in euro of EUR 32,690 thousand (EUR 78,856 thousand as at 31 December 2014).

Sundry

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro coins in circulation</td>
<td>152,378</td>
<td>141,657</td>
<td>10,721</td>
</tr>
<tr>
<td>Deposits - collaterals to derivatives</td>
<td>81,120</td>
<td>218,620</td>
<td>(137,500)</td>
</tr>
<tr>
<td>SKK banknotes in circulation</td>
<td>75,085</td>
<td>78,735</td>
<td>(1,650)</td>
</tr>
<tr>
<td>Fair value of interest rate swaps</td>
<td>44,845</td>
<td>95,632</td>
<td>(50,787)</td>
</tr>
<tr>
<td>SKK coins in circulation</td>
<td>23,191</td>
<td>23,193</td>
<td>(2)</td>
</tr>
<tr>
<td>Other</td>
<td>6,529</td>
<td>4,634</td>
<td>1,895</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>383,148</strong></td>
<td><strong>560,641</strong></td>
<td><strong>(177,493)</strong></td>
</tr>
</tbody>
</table>

The value of interest rate swaps as at 31 December 2015 represented the cumulative year-end revaluation loss which is gradually amortized to the profit and loss account under net realized gains from interest rate swaps in accordance with the ECB Guideline (see Note 24).

The purpose of deposits received — collaterals to derivatives — is to secure the credit risk of the NBS in respect of a decrease in the value of the swap on the part of the counterparty.


<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General provision for financial risks</td>
<td>660,000</td>
<td>520,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Provisions for payables to employees</td>
<td>4,123</td>
<td>3,805</td>
<td>318</td>
</tr>
<tr>
<td>Provisions for unbilled supplies</td>
<td>969</td>
<td>695</td>
<td>274</td>
</tr>
<tr>
<td>Provisions for legal disputes</td>
<td>8</td>
<td>340</td>
<td>(332)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>665,100</strong></td>
<td><strong>524,830</strong></td>
<td><strong>140,270</strong></td>
</tr>
</tbody>
</table>

The Bank created a general provision for financial risks in order to protect against foreign exchange, interest rate, credit risks and risks from changes in gold prices. The amount of provision is reassessed on an annual basis, and corresponds to an estimate of potential loss from the total NBS investment reserves and gold holdings, taking into account historical scenarios of the financial market development. The potential negative development on the financial markets in the subsequent period has been taken into account in creating the provision. In accordance with the decision of the Bank Board, the provision will be used to cover future losses from financial activities.

The provision of EUR 332 thousand created for legal dispute purposes was dissolved due to the completion of the litigation (see Note 28).

20. Revaluation accounts

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation accounts of gold</td>
<td>358,347</td>
<td>373,197</td>
<td>(14,820)</td>
</tr>
<tr>
<td>Revaluation accounts of securities</td>
<td>47,956</td>
<td>125,037</td>
<td>(77,081)</td>
</tr>
<tr>
<td>Revaluation accounts of derivatives</td>
<td>2,547</td>
<td>2,397</td>
<td>150</td>
</tr>
<tr>
<td>Revaluation accounts of foreign currency</td>
<td>22,260</td>
<td>18,129</td>
<td>4,131</td>
</tr>
<tr>
<td>Revaluation accounts of shares in BIS/ CNY fund</td>
<td>2,556</td>
<td>196</td>
<td>2,360</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>433,945</strong></td>
<td><strong>519,396</strong></td>
<td><strong>(85,451)</strong></td>
</tr>
</tbody>
</table>
The decrease in the revaluation accounts of gold, compared to the prior period, is due to a decrease in the gold price. The year-on-year decrease in the revaluation accounts of securities is linked to the development on financial markets.

21. Capital and reserves

This item includes the statutory fund representing the paid-up capital assumed from separation of the balance sheet of the former State Bank of Czechoslovakia, which has been in the amount of EUR 15,490 thousand since the establishment of the NBS, and the assumed registered capital of the Financial Market Authority (Úrad pre finančný trh, “ÚFT”) of EUR 551 thousand. With effect from 1 January 2006, the ÚFT was dissolved and merged with the NBS in accordance with the applicable law.

Reserves consist of general reserves and capital reserves.

As at 31 December 2015, the closing balance of the NBS’s general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2014). The general reserves consist of contributions from profits of EUR 337,412 thousand generated in previous years. As at 1 January 2006, following the merger of the ÚFT with the NBS, the ÚFT’s general reserves of EUR 3,482 thousand were transferred to the NBS’s general reserves.

As at 31 December 2015, the closing balance of the NBS’s capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2014).

Summary of changes in equity and accumulated losses

<table>
<thead>
<tr>
<th>Statutory fund</th>
<th>Capital reserves</th>
<th>General reserves</th>
<th>General provision for financial risks</th>
<th>Revaluation accounts gain/(loss)</th>
<th>Accumulated (loss) from previous years</th>
<th>Profit/(loss) for the current year</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Transfer of profit for 2014 to accumulated loss from previous years</td>
<td>102,103</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Transfer to statutory fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Transfer to general reserves</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Change in the general provision for financial risks</td>
<td>140,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Change in revaluation accounts of securities</td>
<td>(77,861)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Change in revaluation accounts of derivatives</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Change in revaluation accounts of gold</td>
<td>(14,950)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Change in revaluation accounts of foreign currencies</td>
<td>4,131</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Change in revaluation accounts of shares in BESP/ODF fund</td>
<td>2,339</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Profit for the current reporting period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Change for the reporting period</td>
<td>145,300</td>
<td>(25,751)</td>
<td>332,103</td>
<td>(27,266)</td>
<td>58,663</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
22. Off-balance sheet instruments

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Receivables</td>
<td>Liabilities</td>
<td>Receivables</td>
</tr>
<tr>
<td>Currency swaps in EUR</td>
<td>331,171</td>
<td>386,014</td>
<td>1,176,507</td>
</tr>
<tr>
<td>Currency swaps in USD</td>
<td>407,764</td>
<td>288,683</td>
<td>351,819</td>
</tr>
<tr>
<td>Currency swaps in JPY</td>
<td>21,363</td>
<td>2,327</td>
<td>614,088</td>
</tr>
<tr>
<td>Currency swaps in GBP</td>
<td>24,484</td>
<td>1,708</td>
<td>27,099</td>
</tr>
<tr>
<td>Currency swaps in CHF</td>
<td></td>
<td>124,790</td>
<td></td>
</tr>
<tr>
<td></td>
<td>732,535</td>
<td>734,544</td>
<td>1,538,420</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Receivables</td>
<td>Liabilities</td>
<td>Receivables</td>
</tr>
<tr>
<td>Interest rate futures in EUR</td>
<td>61,200</td>
<td>45,700</td>
<td>0</td>
</tr>
<tr>
<td>Interest rate futures in USD</td>
<td>27,896</td>
<td>5,271</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>89,096</td>
<td>50,971</td>
<td>0</td>
</tr>
</tbody>
</table>

23. Net interest income

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in EUR:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net income from securities</td>
<td>38,656</td>
<td>142,631</td>
<td>(103,975)</td>
</tr>
<tr>
<td>net income from derivatives</td>
<td>93,997</td>
<td>302,097</td>
<td>(208,100)</td>
</tr>
<tr>
<td>net income from repo transactions</td>
<td>61,591</td>
<td>144,628</td>
<td>83,037</td>
</tr>
<tr>
<td>net expense from repo transactions</td>
<td>7,111</td>
<td>(4,253)</td>
<td>11,364</td>
</tr>
<tr>
<td>net expense from current accounts and term deposits</td>
<td>(971)</td>
<td>(10,733)</td>
<td>9,762</td>
</tr>
<tr>
<td>other net interest income</td>
<td>139</td>
<td>148</td>
<td>(12)</td>
</tr>
<tr>
<td>Investments in foreign currency:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net income from securities</td>
<td>1,134</td>
<td>1,176</td>
<td>(42)</td>
</tr>
<tr>
<td>net income from derivatives</td>
<td>11,234</td>
<td>1,376</td>
<td>9,858</td>
</tr>
<tr>
<td>net expense from derivatives</td>
<td>(4,860)</td>
<td>(851)</td>
<td>(4,209)</td>
</tr>
<tr>
<td>net expense from current accounts and term deposits</td>
<td>(2,663)</td>
<td>3</td>
<td>(2,696)</td>
</tr>
<tr>
<td>net expense from repo transactions</td>
<td>(2,911)</td>
<td>(93)</td>
<td>(2,818)</td>
</tr>
<tr>
<td>compensation from MF SR</td>
<td>364</td>
<td>541</td>
<td>(177)</td>
</tr>
<tr>
<td>Monetary policy operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net income from securities</td>
<td>55,664</td>
<td>60,672</td>
<td>(5,008)</td>
</tr>
<tr>
<td>net income from deposits and loans</td>
<td>54,746</td>
<td>61,161</td>
<td>(6,415)</td>
</tr>
<tr>
<td>net income from MRS</td>
<td>439</td>
<td>(13)</td>
<td>452</td>
</tr>
<tr>
<td>Remuneration of the claims equivalent to the transfer of foreign reserves</td>
<td>479</td>
<td>(476)</td>
<td>965</td>
</tr>
<tr>
<td>Remuneration of euro banknotes</td>
<td>193</td>
<td>629</td>
<td>(436)</td>
</tr>
<tr>
<td>Remuneration of TARGET2</td>
<td>480</td>
<td>457</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>96,630</td>
<td>214,062</td>
<td>(117,432)</td>
</tr>
</tbody>
</table>

The decrease in net interest income from investments in euro is mainly linked to the decrease in the net interest income from securities and volume of securities in the portfolio (see Note 7). Interest income from TARGET2 remuneration decreased due to the lower net position of TARGET2 (see Note 8).
Due to the introduction of negative interest rates on the financial markets since 2014, and the method of reporting (see Section B, Note c), the NBS recorded the following gross interest income and gross interest expense as at 31 December 2015:

<table>
<thead>
<tr>
<th>Gross interest income</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in EUR:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repo transactions</td>
<td>4,744</td>
<td>149</td>
<td>4,595</td>
</tr>
<tr>
<td>Term deposits</td>
<td>105</td>
<td>105</td>
<td></td>
</tr>
<tr>
<td>Client current accounts</td>
<td>166</td>
<td>5</td>
<td>161</td>
</tr>
<tr>
<td>Investments in foreign currency:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repo transactions</td>
<td>14</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Monetary policy operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRS</td>
<td>690</td>
<td>167</td>
<td>523</td>
</tr>
<tr>
<td>Deposit facility</td>
<td>16</td>
<td>112</td>
<td>(96)</td>
</tr>
<tr>
<td></td>
<td>5,734</td>
<td>433</td>
<td>5,301</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross interest expense</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in EUR:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current accounts</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Investments in foreign currency:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current accounts</td>
<td>1,943</td>
<td>1,943</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,943</td>
<td>1,943</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,943</td>
<td>1,943</td>
<td></td>
</tr>
</tbody>
</table>

24. Net result of financial operations, write-downs and risk provisions

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realised gains arising from financial operations</td>
<td>77,797</td>
<td>147,065</td>
<td>(69,268)</td>
</tr>
<tr>
<td>Net gains from interest rate swaps</td>
<td>60,138</td>
<td>128,346</td>
<td>(68,208)</td>
</tr>
<tr>
<td>Net gains from sale of securities</td>
<td>11,178</td>
<td>15,650</td>
<td>(4,472)</td>
</tr>
<tr>
<td>Net foreign exchange gains</td>
<td>6,481</td>
<td>2,759</td>
<td>3,722</td>
</tr>
<tr>
<td>Write-downs on financial assets and positions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses from interest rate swaps revaluation</td>
<td>(12,886)</td>
<td>(43,392)</td>
<td>30,506</td>
</tr>
<tr>
<td>Losses from securities revaluation</td>
<td>(3,732)</td>
<td>(1,473)</td>
<td>2,259</td>
</tr>
<tr>
<td>Losses from foreign currency revaluation</td>
<td>(12,231)</td>
<td>(8,812)</td>
<td>(3,419)</td>
</tr>
<tr>
<td>Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks</td>
<td>(140,000)</td>
<td>(220,000)</td>
<td>80,000</td>
</tr>
<tr>
<td>General provision for financial risks</td>
<td>(140,000)</td>
<td>(220,000)</td>
<td>80,000</td>
</tr>
<tr>
<td></td>
<td>(91,052)</td>
<td>(126,622)</td>
<td>35,570</td>
</tr>
</tbody>
</table>
25. Net income/(expense) from fees and commissions

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees and commissions from investment operations:</td>
<td>(98)</td>
<td>(248)</td>
<td>150</td>
</tr>
<tr>
<td>Net loss from operations with banks</td>
<td>(498)</td>
<td>(598)</td>
<td>100</td>
</tr>
<tr>
<td>Net profit from operations with clients</td>
<td>210</td>
<td>216</td>
<td>(6)</td>
</tr>
<tr>
<td>Net profit from operations with securities</td>
<td>224</td>
<td>179</td>
<td>45</td>
</tr>
<tr>
<td>Net loss from interest rate futures</td>
<td>(17)</td>
<td>(32)</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>(17)</td>
<td>(13)</td>
<td>(4)</td>
</tr>
<tr>
<td>Fees and commissions from monetary policy operations:</td>
<td>(224)</td>
<td>(71)</td>
<td>(153)</td>
</tr>
<tr>
<td>Net loss from operations with banks</td>
<td>(238)</td>
<td>(108)</td>
<td>(130)</td>
</tr>
<tr>
<td>Net profit from operations with securities</td>
<td>14</td>
<td>37</td>
<td>(23)</td>
</tr>
<tr>
<td>Net profit from exchange of euro coins</td>
<td>59</td>
<td>54</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>(263)</td>
<td>(266)</td>
<td>2</td>
</tr>
</tbody>
</table>

26. Income from equity shares and participating interests

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income on the ECB's net profit of the current year</td>
<td>8,913</td>
<td>9,281</td>
<td>(368)</td>
</tr>
<tr>
<td>Income on the ECB's net profit of the previous year</td>
<td>1,635</td>
<td>599</td>
<td>1,036</td>
</tr>
<tr>
<td>Dividends from BIS shares</td>
<td>806</td>
<td>695</td>
<td>113</td>
</tr>
<tr>
<td></td>
<td>11,356</td>
<td>10,575</td>
<td>781</td>
</tr>
</tbody>
</table>

27. Net result of pooling of monetary income

Monetary income in accordance with Article 32(1) of the Statute and Decision ECB/2010/23 or the allocation of monetary income of the national central banks of Member States whose currency is the euro, as amended, represents the net annual income derived from their assets, held against banknotes in circulation and deposit liabilities to credit institutions. Monetary income is the income resulting from the performance of the monetary policy of the ESCB.

Monetary income is allocated to the NBS at the end of each financial year in proportion to its share on the ECB’s paid-up capital (1.0974%).

Monetary income pooled by the NBS for 2015 into the common pool of monetary income of the Eurosystem amounted to EUR 46,974 thousand. The monetary income equivalent to the 1.0974% share of the NBS amounted to EUR 98,557 thousand. The difference of EUR 51,583 thousand (EUR 45,119 thousand as at 31 December 2014) represents the net result of the pooling of monetary income. The revenues of the NBS decreased by EUR 120 thousand as a result of a revision to Eurosystem monetary income for 2014 (the revenues increased by EUR 1,953 thousand as at 31 December 2014 as a result of a revision for the years 2009 – 2013).

28. Other income and other expenses

As at 31 December 2015, the most significant part of the Bank’s “Other income” was represented by income from fees and contributions from financial market entities of EUR 5,176 thousand (EUR 4,203 thousand as at 31 December 2014), earned fees from participation in settlement systems of EUR 2,692 thousand (EUR 2,643 thousand as at 31 December 2014), and income from sale of commemorative coins and coins in circulation of EUR 1,225 thousand...
(EUR 1,269 thousand as at 31 December 2014). In 2014, the item "Other income" was influenced by an extraordinary gain from the issuance of Slovak coins in the amount of EUR 23,778 thousand.

As at 31 December 2015, the Bank’s "Other expenses" mainly represented costs of the minting of general circulation and collector coins, including costs of related services, of EUR 5,638 thousand (EUR 2,409 thousand as at 31 December 2014). This item was positively affected by the release of provision for legal disputes of EUR 332 thousand (see Note 19).

29. Staff costs

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>(23,575)</td>
<td>(23,257)</td>
<td>(2,318)</td>
</tr>
<tr>
<td>Social security costs</td>
<td>(9,150)</td>
<td>(8,364)</td>
<td>(741)</td>
</tr>
<tr>
<td>Other employee costs</td>
<td>(3,351)</td>
<td>(3,470)</td>
<td>124</td>
</tr>
<tr>
<td></td>
<td><strong>38,031</strong></td>
<td><strong>38,096</strong></td>
<td><strong>(2,035)</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2015, the average FTE number of employees was 1,046 (1,008 as at 31 December 2014), of whom 98 were managers (97 as at 31 December 2014).

Wages and employee benefits of the Bank Board’s members for 2015 amounted to EUR 556 thousand (EUR 542 thousand in 2014). As at 31 December 2015 and 2014, the Bank recorded no outstanding loans to the members of the Bank Board.

The NBS has created a supplementary pension plan for its employees in cooperation with supplementary pension management companies. Contributions to the supplemental pension plans are recognized under "Other employee costs".

30. Administrative expenses

As at 31 December 2015, this item mainly included the costs of technical support and IS maintenance, repairs and maintenance, energy and material consumption and telecommunications costs totaling EUR 8,575 thousand (EUR 13,661 thousand as at 31 December 2014).

Costs of audit and verification of the financial statements by the auditor amounted to EUR 68 thousand as at 31 December 2015 (EUR 71 thousand as at 31 December 2014). As at 31 December 2015, the Bank did not record any costs of assurance and audit services and tax consulting as per Article 18 (6) of the Act on Accounting.

31. Depreciation of tangible and intangible fixed assets

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of tangible fixed assets</td>
<td>(6,489)</td>
<td>(6,504)</td>
<td>15</td>
</tr>
<tr>
<td>Depreciation of intangible fixed assets</td>
<td>(881)</td>
<td>(1,210)</td>
<td>349</td>
</tr>
<tr>
<td></td>
<td><strong>(7,360)</strong></td>
<td><strong>(7,714)</strong></td>
<td><strong>354</strong></td>
</tr>
</tbody>
</table>

32. Banknote production services

As at 31 December 2015, the cost for printing euro banknotes was EUR 2,254 thousand (EUR 6,255 thousand as at 31 December 2014).
33. Income tax and other charges on income

According to Article 43 of Act No. 595/2003 Coll. on Income Taxes, as amended, the NBS is a taxpayer of income (proceeds) accrued from bonds issued in the jurisdiction of the Slovak Republic. In 2015, the NBS paid a withholding tax of EUR 2,202 thousand (EUR 156 thousand as at 31 December 2014).

34. Profit for the year

The result of the Bank’s operations as at 31 December 2015 was a profit of EUR 4,604 thousand (profit of EUR 102,193 thousand as at 31 December 2014). The most significant part of this item is represented by net interest income (see Note 23).

D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 18 February 2016, the ECB Governing Council decided to distribute the ECB’s net profit for 2015 to individual central banks based on the key on the ECB’s paid-up capital. The NBS income of EUR 2,959 thousand from the profit distribution is accounted for in the 2016 reporting period.

No significant events occurred subsequent to 31 December 2015 that would require any adjustments to the 2015 financial statements.

Bratislava, 8 March 2016

doc. Ing. Jozef Makúch, PhD.
Governor

Ing. Miroslav Uhrin
Executive Director
Division for Financial Management, Information Technology and Facility Services

Ing. Katarína Taragelová
Director
Financial Management Department
Appendix to the independent auditor’s report on the consistency of annual report with the financial statements
In accordance with Act No. 540/2007 Coll. § 23 par. 5

To the Bank Board of the Národná banka Slovenska:

I. We have audited the financial statements of the Národná banka Slovenska (“the Bank”) as at 31 December 2015 presented in the annual report on pages 68 – 96. We issued the following independent audit report dated 8 March 2016 on the financial statements:

“Independent Auditors’ Report

To the Bank Board of the Národná banka Slovenska:

We have audited the accompanying financial statements of the Národná banka Slovenska (“the Bank”) which comprise the balance sheet as at 31 December 2015, the profit and loss account for the year then ended and the notes, which include a summary of significant accounting policies and other explanatory information.

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

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank Board of the Národná banka Slovenska, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015 and of its financial performance for the year then ended in accordance with the ECB Guideline and the Act on Accounting.

8 March 2016

Bratislava, Slovak Republic

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

Ing. Tomáš Plhček
UDVA Licence No 1067*

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT
I. We have also audited the consistency of the annual report with the above-mentioned financial statements. The management of the Národná banka Slovenska is responsible for the accuracy of preparation of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the financial statements. We have checked that the information presented in the annual report is consistent with that contained in the financial statements as at 31 December 2015. We have not audited information that has not been derived from financial statements or Bank accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements of the Bank as at 31 December 2015 and is in accordance with the Act on Accounting No 431/2002 Coll., as amended by later legislation.

28 April 2016
Bratislava, Slovak Republic

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

Ing. Tomáš Přeček
UDVA Licence No.1067

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT
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ABBREVIATIONS

BCPB, a.s.  Bratislava stock exchange “Burza cenných papierov v Bratislave, a. s.”
BIS  Bank for International Settlement
BSCEE  Group of Banking Supervisors from Central and Eastern Europe
CDCP  central securities depositary “Národný centrálny depozitár cenných papierov, a. s.”
ERI  Central Register of Regulated Information
EBA  European Banking Authority
EC  European Commission
ECB  European Central Bank
ECOFIN  Economic and Financial Affairs Council
EIOPA  European Insurance and Occupational Pensions Authority
EONIA  Euro OverNight Index Average
ESCB  European System of Central Banks
ESMA  European Securities and Markets Authority
EU  European Union
EUR  euro/€
FIRDS  Financial Instruments Reference Data System
GDP  Gross Domestic Product
HICP  Harmonised Index of Consumer Prices
ISIN  International Securities Identification Number
IMF  International Monetary Fund
MF SR  Ministry of Finance of the Slovak Republic
NAV  net asset value
NBS  Národná banka Slovenska
NCB  national central bank
OECD  Organisation for Economic Co-operation and Development
O-SII  other systemically important institutions
p.a.  per annum
PFMC  pension fund management company
p.p.  percentage point
REGFAP  Register of Financial Agents and Financial Advisors
SEPA  Single Euro Payments Area
SICAV  open-ended collective investment funds
SIPS  Slovak Interbank Payment System (systematically important payment system)
SKK  Slovak koruna
SPMC  supplementary pension management company
SR  Slovak Republic
SRM  Single Resolution Mechanism
SSM  Single Supervisory Mechanism
SO SR  Statistical Office of the Slovak Republic
TARGET2  Trans-European Automated Real-time Gross Settlement Express Transfer in Euro
TRACE  Single Access to Trade Repositories Project
UCITS  undertakings for collective investment in transferable securities
USD  United States dollar