Annual report

2020

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

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NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

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Content

Foreword

Last year has gone down as one of the toughest in modern history. The COVID-19 pandemic paralysed our lives and crippled the economy. From the spring until the end of 2020, the pandemic claimed millions of victims worldwide, confined millions more to their bed, and erased thousands of jobs. Everyday activities such as meeting up with family and friends, going to work or holidaying could no longer be taken for granted.

Today, thanks to ongoing vaccination campaigns, our life is gradually, but very slowly, returning to a new normal. The level of uncertainty has been falling from month to month, while optimism is tentatively rising and the pressure on the healthcare system is gradually easing. Nevertheless, we are far from being out of the woods.

The global economy was for months buffeted by levels of uncertainty unparalleled in modern history. The repercussions of this crisis are uneven and differ between economic sectors. At the same time, the crisis has significantly accelerated and intensified structural changes in the economy: digitalisation, remote working, and process automation.

Many things will never be the same again. Some jobs and firms have been lost forever, but new ones will emerge.

The response to the pandemic was out of the ordinary. Governments around the world poured billions of euro into the system via fiscal policy. In addressing a crisis of this kind, fiscal policy plays the most crucial part. Government action helped curb damage to the labour market, supported the worst affected services and occupations, and provided healthcare systems with the resources needed to cope with the pandemic.

Government aid was not, however, an isolated element in the fight against the pandemic. Monetary policy had, and continues to have, a major role in the response.

Last year, after a notable deterioration in the price outlook for the euro area and after activity in many economic sectors came almost to a complete standstill, financial market stress increased to levels not seen since the global financial crisis more than ten years earlier. Monetary policy intervention was a necessity. The pace and vigour of our response was without precedent and it undoubtedly helped avert catastrophic scenarios.

The Eurosystem, for its part, safeguarded sufficient levels of liquidity within the euro area, enabling banks to maintain lending to the real economy. In the previous crisis, banks were part of the problem, but now they are instrumental in determining the strength and soundness of the economic recovery.

In its immediate response to the onset of the pandemic, the ECB's Governing Council launched a temporary pandemic emergency purchase programme (PEPP), to operate alongside its existing asset purchase programme (APP). With a total envelope of €1.85 trillion, the PEPP was designed to address a specific, exceptional and acute economic crisis that could pose a risk to the price stability objective and to the sound functioning of the monetary policy transmission mechanism. It has so far succeeded in this objective.

Simultaneously, the Governing Council made it simpler and significantly cheaper for the financial sector to obtain liquidity through Eurosystem monetary policy operations, in particular by modifying some of the key parameters of the third series of targeted longer-term refinancing operations (TLTRO III).

By its vital contribution to lending to firms and households, the additional funding available to banks is having a positive impact on investment and consumption.

In what ways has the pandemic affected our activities?

The 2020 profits of Eurosystem central banks, including Národná banka Slovenska, were affected to a large extent by extraordinary compensation and support measures adopted to safeguard the lives of European citizens and the euro area economy. NBS reported an annual profit of €26 million, comprising mainly the result of financial activities. Its year-on-year decline in profit was due to a decline in net income from the redistribution of Eurosystem monetary income and to an increase in the general provision for financial risks. Both changes resulted from an increase in the amount of Eurosystem monetary policy operations – a response to market instability triggered by the spread of the COVID-19 pandemic.

It gives us particular pride that, despite the extraordinary crisis regime, we managed to launch "5peňazí", an initiative to support financial education and increase financial literacy. Almost half a million euros were invested in this initiative during the period under review.

The importance of raising financial literacy has been made further evident during the pandemic, since it helps people find their bearings in regard to debt rescheduling. The introductory phase of this project included the launch of a new web portal (www.5penazi.sk), the establishment of three regional centres of financial education (in Kremnica, Banská Bystrica and Košice), and the introduction of a grant scheme.

What does the future hold for us?

The pandemic has taught us much. It has shown that we can deliver a swift and targeted response to a crisis whose essential nature is far different from that of the global financial crisis. It has demonstrated how innovation and technological progress can help us cope with, and adapt to, crisis situations. And it has confirmed the importance of investing resources and energy into education modernisation and innovation.

For both the European Central Bank and Národná banka Slovenska, 2021 will be a year of strategic decisions. By the end of it we will have completed a strategic review of the efficiency of our instruments and polices. The innovation, functioning and setting of monetary policy are essential to our ability to respond efficiently and appropriately to modern challenges such as climate change, the digitalisation of payments, and the evolution of cooperation with fiscal policy.

Peter Kažimír
Governor

The Bank Board members as at 31 December 2020

Front row, from the left: Ľudovít Ódor (Deputy Governor), Peter Kažimír (Governor). Back row, from the left: Vladimír Dvořáček (Executive Director), Karol Mrva (Executive Director), Ľuboš Pástor (external member)

A

Economic, monetary and financial developments

A

1

Macroeconomic developments

5.2%
contraction of the Slovak economy

investment down by
11.9%

around
52,000
jobs lost

A 1

Macroeconomic developments

Macroeconomic developments in 2020 include information about developments in the global economy and in Slovakia's underlying macroeconomic indicators during the year

1.1 External economic environment

1.1.1 Global economy struck by the pandemic crisis

Efforts to contain the spread of the coronavirus (COVID-19) pandemic by enforcing social distancing resulted in the economies being shut down in part of the first half of 2020. The economic sector worst affected was services, but the pandemic also caused serious supply chain disruptions and bottlenecks in several sectors, notably in the car industry. The downturn in economic activity mirrored the stringency of pandemic containment measures. The decline in activity was most pronounced between February and April 2020.

As the restrictions were gradually eased, the global economy began to pick up slowly. Its recovery was supported by significant fiscal stimuli and monetary policy loosening in the major economies. But with a resurgence in new infections in the last quarter of the year and the resulting tightening of containment measures, the recovery was curbed. According to the IMF's estimates, the global economy contracted by 3.5% in 2020. The pandemic's impact was uneven across countries. While the recovery in China was stronger than expected, the return to pre-pandemic levels proceeded only slowly in most other economies.

The pandemic crisis and related economic lockdowns also affected price developments. The economic downturn was reflected in lower demand for oil. In the midst of this situation, in March, Saudi Arabia initiated an oil price war that brought the price per barrel of oil down to USD 20. The average oil price for the whole of 2020 fell more than 30% year on year. Commodity prices passed through to consumer energy prices, which contributed significantly to the decline in headline inflation. However, the weakening of economic activity and consumer demand also dampened inflation in other sectors, services in particular.

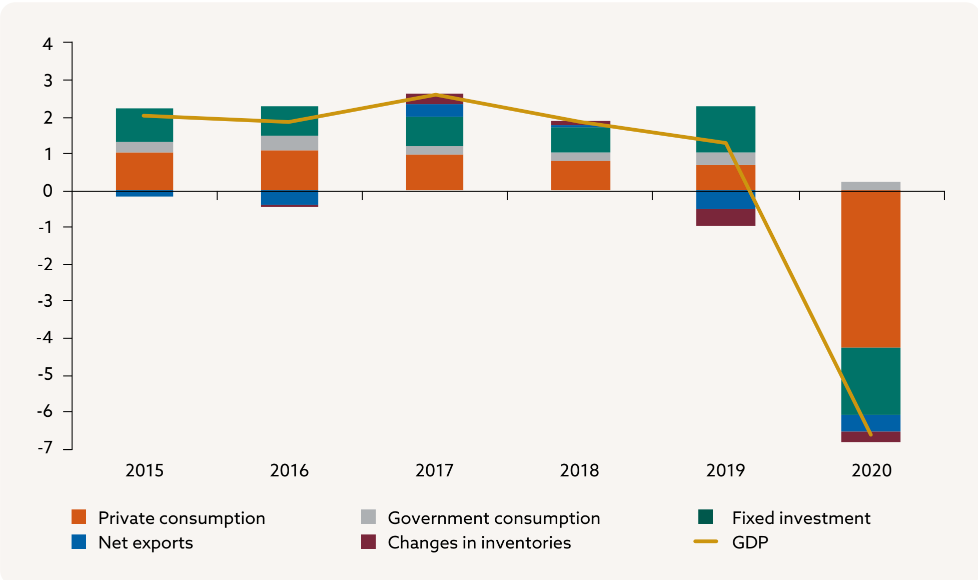
1.1.2 The adverse health situation had a major impact on the euro area economy

Pandemic containment measures included severe economic lockdowns, particularly in late March and early April. As a result, the euro area economy contracted by around 15% in the first half of the year. As the incidence of new infections dropped, the economy quickly regained momentum. In the latter part of the year, however, containment measures had to be tightened again and the economy again declined, albeit moderately.

The euro area's annual GDP decreased by 6.6% in 2020, after increasing slightly in the previous year (Chart 1). The largest contribution to that decline came from private consumption, which was hard hit by social distancing measures as well as by the deteriorating labour market situation and large rise in uncertainty. In an environment of worsening economic outlooks, investment demand also fell. Only government consumption had a positive impact on economic growth.

Chart 1: Euro area GDP and its components (annual percentage changes; percentage point contributions)

Source: Eurostat.

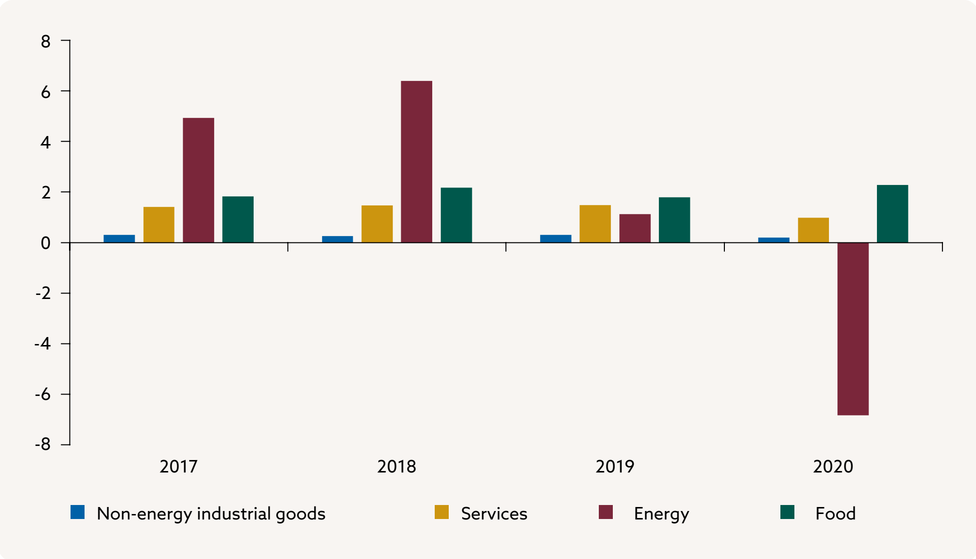


The adverse economic situation was reflected in the labour market, as employment in the euro area declined by 1.6% in 2020. Compared with the economy's contraction, however, that figure was relatively moderate and resulted from the support given to the labour market through various government job retention schemes.

The pandemic crisis also had a downward impact on euro area headline inflation in 2020, which fell by 1.0 percentage point, to 0.2%. This significant slowdown reflected the pass-through of falling oil prices to consumer energy prices (Chart 2). Inflation was further affected by the economic downturn and declining demand, as well as by the impact of pandemic-related shifts in consumer behaviour on price developments in the service industries hardest hit by the containment measures. Prices of transportation and trips decreased year on year, while inflation in the hotel and restaurant industry decelerated. By contrast, food inflation increased slightly. Core inflation (the headline rate excluding food and energy prices) slowed by 0.3 percentage point, to 0.7%.

Chart 2: Components of HICP inflation (annual percentage changes)

Source: Eurostat.



1.2 Macroeconomic developments in Slovakia

Owing to the effect of the pandemic crisis and strict lockdown measures, Slovakia's economy contracted by 5.2% in 2020. All GDP components apart from net exports had a negative impact on growth.

Employment declined amid a recession-hit labour market. Its decline was most severe in the first half of the year and resulted in an increase in the number of unemployed. Jobs were lost mainly in the industry and services sectors. Government measures aimed at retaining jobs supported employment to a large extent and mitigated the decline in household income. Wages across the economy increased, though mainly because of index-linked wage rises in the public sector.

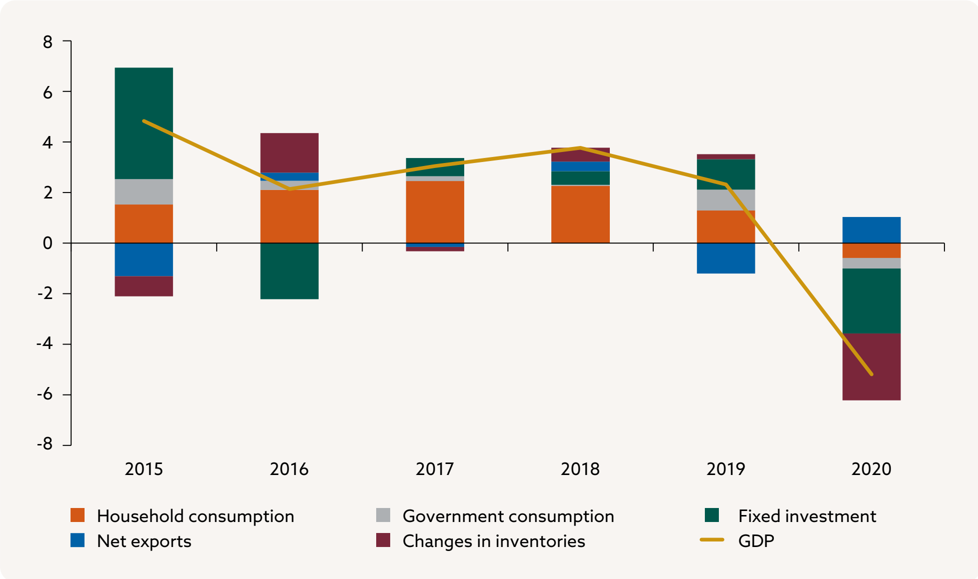
Annual HICP inflation decelerated to 2.0% in 2020, with the slowdown caused mainly by lower prices of energy and food.

1.2.1 Real economy affected by pandemic measures

In Slovakia, like other countries, the economy was unexpectedly affected by the onset of the COVID-19 pandemic in early 2020. The containment measures adopted in response to the crisis resulted in economic activity contracting by 5.2% in 2020 (after increasing by 2.3% in 2019). The domestic side of the economy was worse affected. While households reined in their consumption only slightly, firms were to a considerable extent deferring their investment plans. Exports fell in 2020, but net trade nevertheless made a positive contribution to economic growth. This was because imports declined amid lower domestic demand and significant destocking (Chart 3).

Chart 3:
Real GDP and its components (annual percentage changes; percentage point contributions)

Source: SO SR.



Business lockdowns and movement restrictions had an impact on household consumption, which fell by 1.1% in 2020. With pandemic containment measures in place, consumers were not able to spend their money as they might have wanted. The effect was most evident in revenues in those services hardest hit by the crisis. On the other hand, as remote working proliferated, spending on food and housing increased (Chart 4). The drop in household consumption stemmed partly from consumers' caution about the future. The various pandemic containment measures during the year were reflected in the labour market's deteriorating situation. The increase in unemployment and the halting of production during the pandemic's first wave caused a decline in labour income. Government measures, including a short-term work scheme ("kurzarbeit") and pandemic-related sickness allowance and carer's allowance payments, mitigated the decline in household disposable income (Chart 5). The savings rate climbed in 2020, though not as much as savings rates in other European countries.

Chart 4: Household consumption and its components (constant prices; annual percentage changes; percentage point contributions)

Sources: SO SR, and NBS calculations.

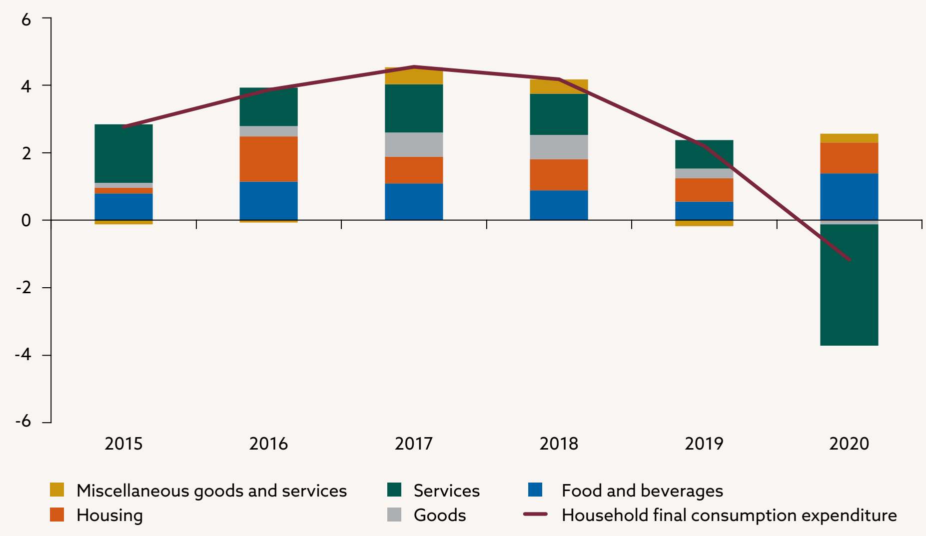
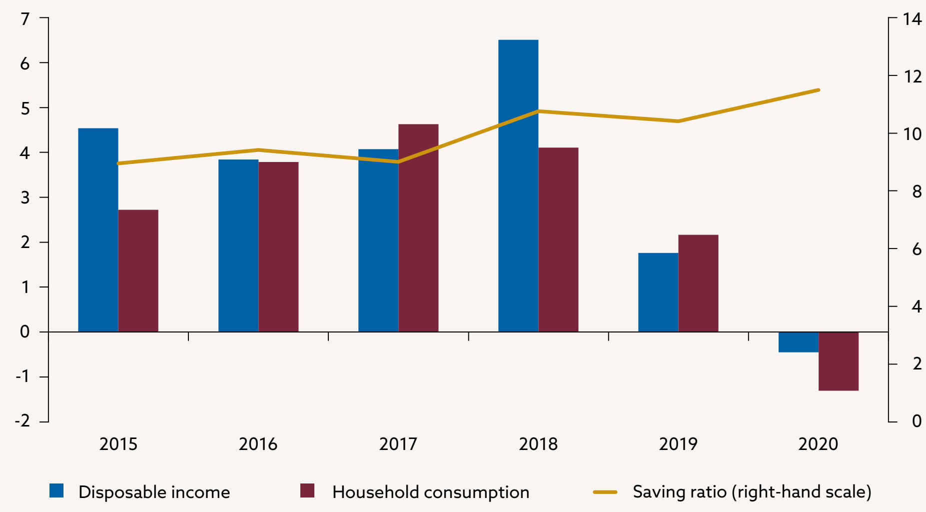


Chart 5: Household consumption and disposable income (constant prices; annual percentage changes)

Sources: SO SR, and NBS calculations.



Firms' investment activity in 2020 was greatly curtailed because of the pandemic, and gross fixed capital formation decreased by 11.9%. The halting of production and consequent drop in revenues diminished firms' liquidity. Seeking to improve their financial situation, firms cut costs and became more cautious about their investment plans in the light of concerns about future developments. Capital formation fell in all sectors of the economy, in particular however among financial and non-financial corporations. Looking at its breakdown by asset type, only investment in residential construction managed to maintain growth.

Slovakia's exports decreased in 2020 owing to lower foreign demand (Chart 6) and to the specific problems caused by the pandemic. During the first wave of the virus, the government enforced a hard lockdown, which for a certain time included shutting down production at industrial firms. At the same time, firms were having to deal with global supply chain disruptions and reduced competitiveness (Chart 7). The volume of exports during this period slumped by almost one-third. The subsequent easing of measures and gradual pick-up in production resulted in rapid recouping of losses, and therefore exports for the year as a whole fell, year on year, by a much more modest 7.4%.

Chart 6: Exports and foreign demand (index: 2015 = 100; constant prices)

Sources: SO SR, and NBS calculations.

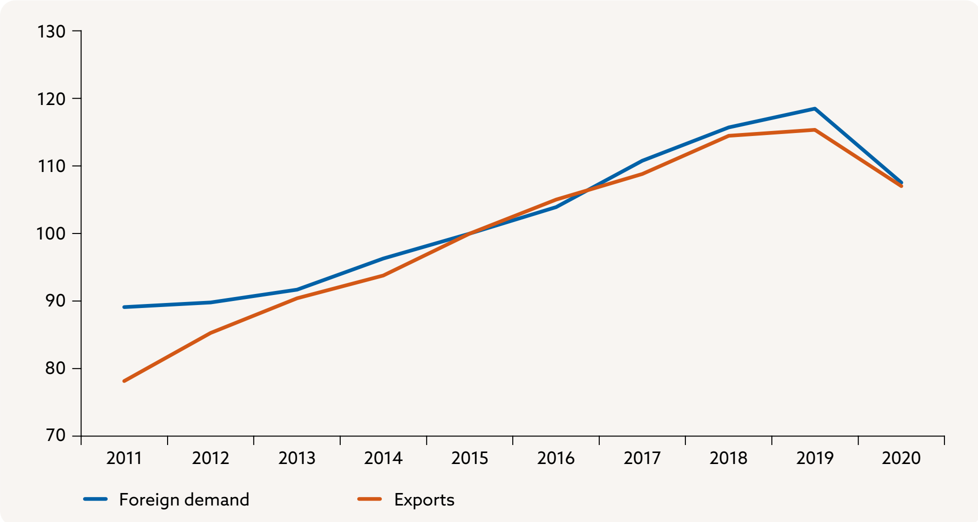
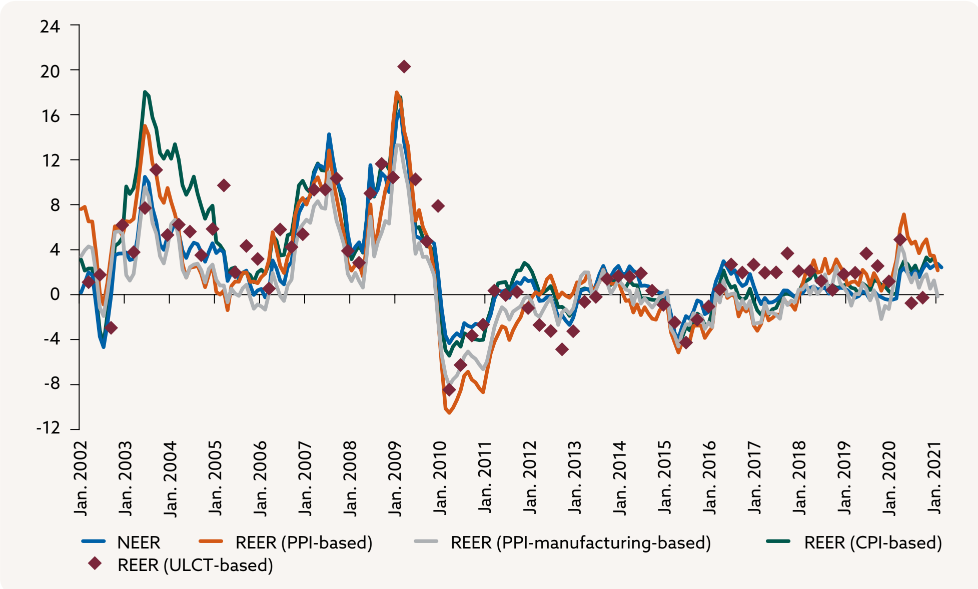


Chart 7: NEER and REER indices (calculated with respect to 15 trading partners; annual percentage changes)

Source: NBS calculations.



Note: Appreciation and depreciation of the NEER and REER indices are denoted by positive figures and negative figures respectively.

The difficult situation in the domestic side of the economy, together with firms' caution in the face of uncertain future developments, had a significant downward impact on imports of goods and services. Both industrial firms and retail businesses were running down inventories of intermediate and finished goods respectively. In the context of uncertainty about future demand (domestic and foreign), they were importing lower volume of goods and services throughout the year. The trade balance for the year showed a strong surplus, and net exports made the only positive contribution to economic growth.

As regards GDP calculated by the production approach, its decline in 2020 was due largely to decreases in value added in the trade sector and in accommodation and restaurant services. The industry sector also had negative impact, albeit confined mainly to the first wave of the pandemic. Because of the unfavourable economic situation, tax receipts were also lower.

Table 1: GDP based on the expenditure approach (annual percentage changes; constant prices)

Source: SO SR.

	2019	2020				
	Q1–Q4	Q1	Q2	Q3	Q4	Q1–Q4
Gross domestic product	**2.3**	**-3.6**	**-12.1**	**-2.4**	**-2.7**	**-5.2**
Final consumption of households and non-profit institutions serving households	2.3	1.1	-4.1	1.1	-2.2	-1.3
Final consumption of general government	4.7	1.2	-10.4	-0.3	0.1	-2.3
Gross fixed capital formation	5.8	-7.5	-15.1	-8.2	-15.4	-11.9
Exports of goods and services	0.8	-5.6	-26.0	0.7	1.8	-7.4
Imports of goods and services	2.1	-2.3	-26.8	-6.0	0.6	-8.7

1.2.2 Labour market deterioration reflected a sharp decline in economic activity

Employment fell and the unemployment rate increased in 2020. Average wage growth decelerated, with the growth being largely accounted for by the public sector through increases in contractual wages in the public and civil services. Wages in the private sector increased slowly.

Table 2: Labour market indicators

Sources: SO SR, and NBS calculations.

	2019	2020				
	Q1–Q4	Q1	Q2	Q3	Q4	Q1–Q4
Nominal wages (index)	7.8	6.2	-1.2	4.2	5.8	3.8
Real wages (index)	5.0	3.3	-3.0	2.7	4.2	3.2
Nominal compensation per employee – ESA 2010 (index)	6.6	5.6	-3.7	2.2	3.8	1.9
Labour productivity – GDP per person (index; current prices)	3.8	-0.2	-8.0	2.2	1.7	-1.1
Labour productivity – GDP per person (index; constant prices)	1.3	-3.2	-9.8	0.1	-0.6	-3.4
Employment – ESA 2010 (index)	1.0	-0.5	-2.6	-2.5	-2.0	-1.9
Unemployment rate – LFS [1] (percentage)	5.8	6.0	6.6	7.2	7.0	6.7
Nominal unit labour costs (ULCs) [2]	5.3	9.1	6.7	2.1	4.5	5.5

Note: 1) Labour Force Survey. 2) Ratio of compensation per employee at current prices to labour productivity growth (ESA 2010) at constant prices.

Employment fell by 1.9% and roughly 52 thousand jobs were lost in 2020 (after employment rose by 1.0% in 2019). The decline would have been greater but for the timely introduction of government job retention schemes. By compensating employers for part of their wage costs, the government tempered the blow of revenue losses resulting from the pandemic crisis. Almost all sectors reported net job losses, and those contributing most to the overall decline in employment were industry, trade, and services (in particular accommodation and recreation services). The pandemic crisis did not affect employment in the public sector and the information and communication sector. The downtrend in the number of residents working abroad continued for a fourth successive year, with the number dropping by 6.7 thousand year on year. On the other hand, the number of foreigners working in Slovakia remained flat for 2020 as a whole and it was already recording a notable year-on-year decline in the latter part of the year.

The number of unemployed increased in 2020 after decreasing for the previous six years. According to the Labour Force Survey, the number of unemployed increased by 24 thousand. The unemployment rate rose by 0.9 percentage point year on year, to 6.7%.

Average annual wage growth in 2020 stood at 3.8% (Chart 8), four percentage points below its level of the previous year. The main driver of wage growth was the public sector, specifically increases in contractual wages in the public and civil services. Private sector wage growth decelerated more sharply, while also being supported by government measures. Revenue losses and falling profitability were reflected in wage developments. In the private sector, there were notable declines in wages in accommodation and food services activities, the sectors that were most restricted for much of the year. At the same time, however, wages slowed in industry, which recovered very quickly from the initial shock of the crisis.

Owing to weak demand, labour market tightness was more moderate in 2020 than in the previous year and the upward pressure on wages weakened. With the decline in the economy being significantly greater than the decline in employment, nominal labour productivity decreased in 2020 and continued to lag behind wage growth.

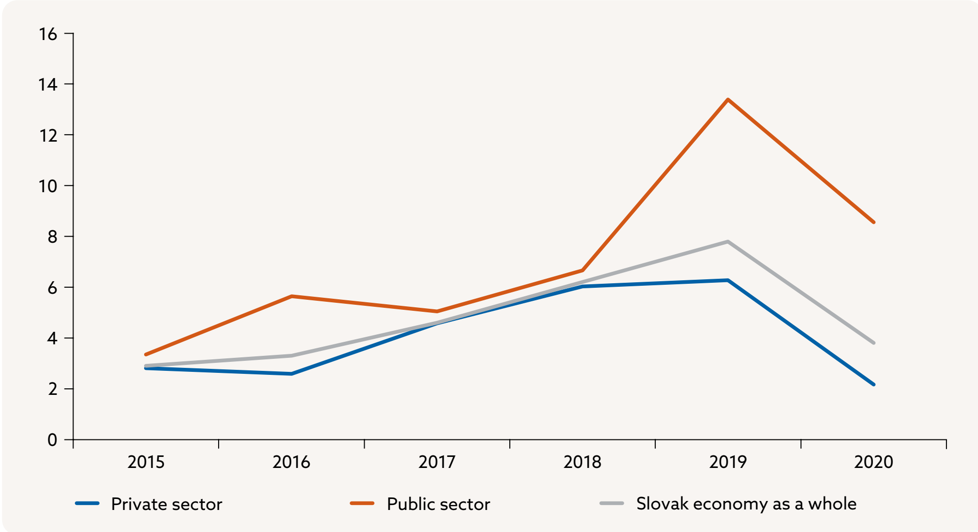


Chart 8: Average nominal wage (annual percentage changes)

Sources: SO SR, and NBS calculations.

1.2.3 Price developments were greatly affected by global factors

Slovakia's annual average HICP inflation slowed to 2.0% in 2020 (Chart 9). Compared with other euro area countries, Slovakia had one of the highest inflation rates.

Just after a sharp rise in negative economic expectations, oil prices plunged in March 2020. Because there was no significant lag between the two developments, the pass-through of lower oil prices to inflation was seen as early as April.

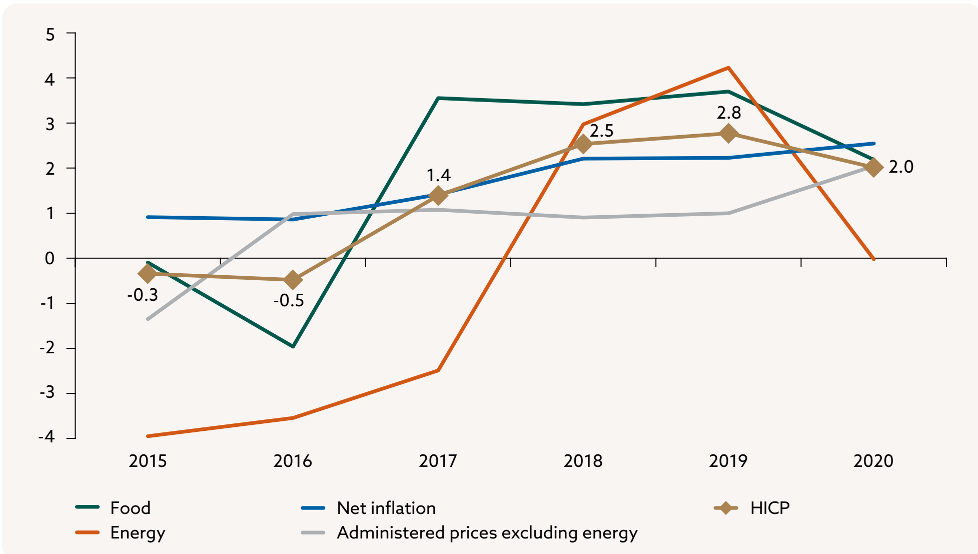


Chart 9: HICP inflation and components (annual percentage changes)

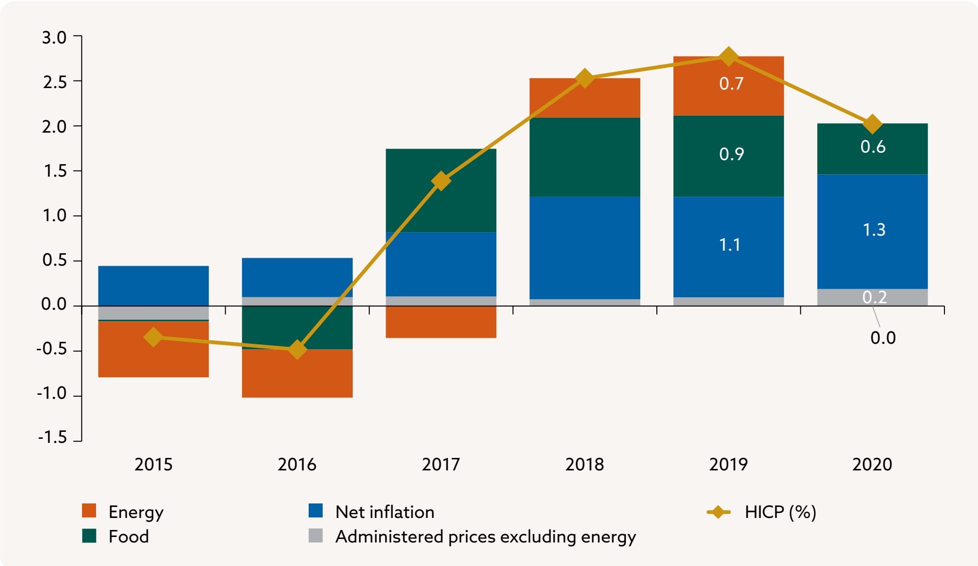
Sources: SO SR, and NBS calculations.

After the initial energy price shock, agricultural commodity prices also declined. The slightly lagged pass-through to consumer food prices began in June. Their level remained on a downtrend until the end of the year and their annual rate of increase decelerated, the trend being driven by prices of meat and unprocessed food. From when the pandemic appeared in Slovakia, the most significant inflationary developments were in prices of automotive fuel and food.

Net inflation remained elevated in 2020 (Chart 10). The economic lockdown and other pandemic-related restrictions caused a decline in domestic consumption. The greater difficulty in collecting price data and resulting estimations of prices may have had an impact on the calculation of inflation during the pandemic. Sellers of goods and providers of services struggled with revenue losses throughout the year, yet still had to cover their fixed costs. Hence there was a paradoxical situation in which prices remained relatively high amid weak consumer demand.

Chart 10: HICP inflation and components (annual percentage changes; percentage point contributions)

Sources: SO SR, and NBS calculations.



Compared with the previous year, administered energy prices increased more moderately. The prices were adjusted in January 2020, so the pandemic was not a dampening factor in their resetting. The lower increase was rather caused largely by a base effect in heat prices.

1.2.4 Reduced current account deficit

In Slovakia's balance of payments for 2020, the current account deficit moderated on the back of an improvement in the trade deficit (Chart 11). The slump in global trade in the first half of the year was reflected in Slovakia's foreign trade, with both exports and imports declining. In the second half of the year, exports recovered more strongly than imports, resulting in a notably improved balance of foreign trade in goods.

Other components of the current account remained largely unchanged (Chart 11). The balance of services surplus was trimmed by the impact of the pandemic crisis, while there were slight deficit reductions in the primary and secondary income balances.

The financial account deficit increased slightly in 2020. The largest inflow, recorded in the other investment balance, was related to an increase in deposits in the central bank's accounts. The financial account developments were also affected by purchases of foreign debt securities by Slovak residents. Another factor was the outflow of debt capital resulting from the economic activity of firms under the balance of direct investment abroad.

Chart 11: Current account balance and trade balance (EUR millions; percentages)

Sources: SO SR, and NBS calculations.

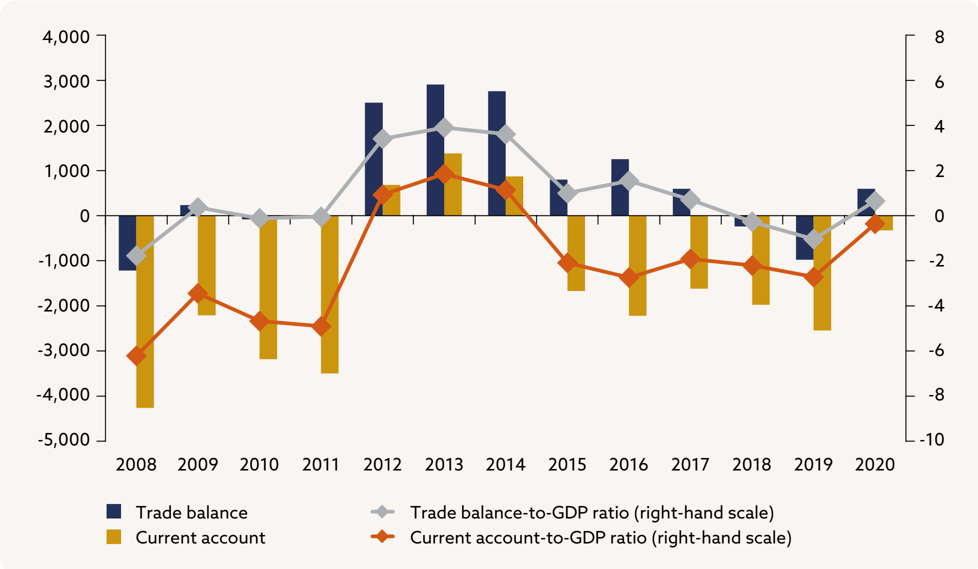


Table 3: Current account and capital account balances (EUR billions, unless otherwise indicated)

Sources: SO SR, and NBS calculations.

	2019	2020
Goods	-1.0	0.6
Exports	75.7	69.7
Imports	76.6	69.1
Services	1.2	1.1
Primary income balance	-1.9	-1.5
Secondary income balance	-0.8	-0.5
Current account	-2.5	-0.3
Current account-to-GDP ratio (percentage)	-2.7	-0.4
Capital account	0.7	1.1

Table 4: Financial account balance (EUR billions)

Sources: SO SR, and NBS calculations.

	2019	2020
Direct investment	2.1	1.9
Portfolio investment and financial derivatives	0.4	2.7
Other investment	0.9	4.8
Reserve assets	1.5	1.4
Financial account	1.1	1.2

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.

A 2 Eurosystem monetary policy

Eurosystem

more than

€1.85 trillion

– the total envelope of the ECB's new pandemic emergency purchase programme (PEPP)

€5.5 trillion

– the total liquidity provided by the Eurosystem

€1.8 trillion

– the amount allotted in TLTRO III operations, representing a historical high for the TLTRO series

A 2

Eurosystem monetary policy

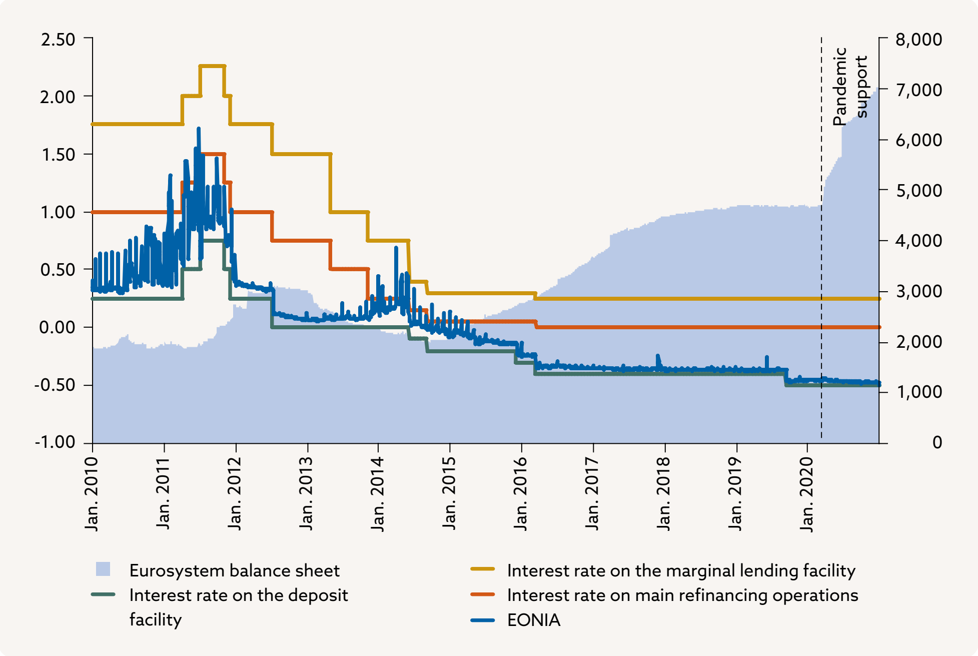
The scale and nature of the pandemic shock in 2020 demanded an extraordinary monetary policy response. A comprehensive package of measures was introduced, supplementing the existing automatic stabilisers of prolonged low interest rates, forward guidance and the asset purchase programme (APP)

In 2020 the Eurosystem continued to maintain an accommodative monetary policy stance and, in the light of the continued subdued inflation outlook, was resolved to keep this stance for a prolonged period of time. The accommodative monetary conditions were grounded on standard monetary policy instruments, namely low key interest rates: 0.00% for main refinancing operations, 0.25% for the marginal lending facility, and -0.50% for the deposit facility. In order to support the monetary policy transmission mechanism in an environment of negative interest rates, the Eurosystem continued in 2020 to implement the two-tier system for reserve remuneration that it had introduced in October 2019. Accommodative monetary conditions continued to be maintained mainly through non-standard instruments, specifically through targeted longer-term refinancing operations (TLTROs) and through APP purchases made at a monthly pace of €20 billion. Forward guidance remained an important part of the monetary policy toolkit in 2020, with the ECB's Governing Council using this instrument to indicate its intentions regarding the future path of policy rates, the expected duration of the asset purchase programme, and the reinvestment horizon. The Governing Council employed forward guidance not only to shape expectations about short-term interest rate developments, but also in regard to the outlook for longer-term rates. In January 2020 the Governing Council decided to launch a review of the ECB's monetary policy strategy (see Box 1 for more details).

The continuing convergence of inflation towards its target level was interrupted in early 2020 by the economic shock and accompanying financial market volatility triggered by the spread of the COVID-19 pandemic. The ECB responded to the new crisis with monetary policy measures that had the following aims: to stabilise financial markets; to preserve the flow of credit by ensuring favourable financing conditions for all sectors and jurisdictions; and to neutralise the pandemic-related downside risks to the inflation path[1]. Through monetary policy interventions, the Eurosystem provided the euro area banking sector with a considerable volume of new liquidity, resulting in the size of the Eurosystem's balance sheet reaching a historical high of €6.8 trillion in 2020. Of that total, monetary policy assets accounted for 83%.

Chart 12: Key ECB interest rates and the Eurosystem balance sheet (percentages; EUR millions)

Sources: ECB, Bloomberg, and NBS.



The Governing Council's initial monetary policy response to the COVID-19 pandemic came in March 2020, when it decided first to modify existing instruments and then to launch a new temporary asset purchase programme of private and public sector securities, called the pandemic emergency purchase programme (PEPP). Then in April, the Governing Council unveiled a new series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs). One important modification of the monetary policy toolkit was the enlargement of the pool of collateral eligible for use in Eurosystem operations. In June 2020 the Governing Council decided to set up a new backstop facility, called the Eurosystem repo facility for central banks (EUREP), to provide precautionary euro repo lines to central banks outside the euro area. The reason for providing euro liquidity to these central banks was to ensure the smooth transmission of ECB monetary policy by reducing the risk of fire sales of euro-denominated assets. Having regard to the impact of the pandemic, the Governing Council recalibrated its pandemic-related measures in April, June and December so that they would continue contributing to the preservation of favourable financing conditions.

[1] Philip R. Lane, Member of the Executive Board of the ECB, "Monetary policy in a pandemic: ensuring favourable financing conditions", speech at the Economics Department and IM-TCD, Trinity College Dublin, 26 November 2020.

As regards monetary policy operations allotted through tenders, the bulk of the funds taken up by the banking sector in 2020 were provided through non-standard targeted and non-targeted operations with favourable interest conditions. The aim of the operations was to ensure bank lending to the entities hardest hit by the coronavirus pandemic.

Since the standard weekly main refinancing operations (MROs) and three-month longer-term refinancing operations (LTROs) remained subject to standard interest conditions, demand in these operations fell to minimal levels in 2020. The banking sector continued to make far more use of non-standard refinancing operations, to which the Governing Council in 2020 started applying a negative interest rate for the first time. The largest take-up continued to be seen in the third series of targeted longer-term refinancing operations (TLTRO III), which experienced a surge in demand after the Governing Council decided to reduce the interest rate on these operations to a negative level[2] for the period from June 2020 to June 2021. The modification was intended to support bank lending to those affected most by the spread of the coronavirus, in particular small and medium-sized enterprises and households. In the fourth TLTRO III operation, conducted in June 2020, the take-up of €1.3 trillion represented a historical high for a Eurosystem tender operation. In order to provide immediate liquidity support to the financial system during the period from March to June, prior to the fourth TLTRO III operation, the Governing Council decided to conduct, temporarily, new bridge LTROs, which also carried a negative interest rate. Last but not least, the Governing Council decided at the end of April on a new series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs), designed to support liquidity conditions in the euro area financial system and to contribute to preserving the smooth functioning of money markets. These operations were also subject to a negative interest rate and they registered the second highest take-up among the Eurosystem's tender operations, which, however, was significantly below the take-up of TLTRO III operations. The overall liquidity provided by the Eurosystem to the euro area banking sector in 2020 amounted €1.8 trillion, almost three times higher than the corresponding figure for 2019.

[2] In March 2020 the Governing Council decided that during the period from June 2020 to June 2021, the interest rate on TLTRO III operations would be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations. For counterparties that maintain their levels of credit provision, the rate applied over that period can be as low as 25 basis points below the average interest rate on the deposit facility. These conditions were further eased in April, when it was decided to increase both of those reductions to 50 basis points. In December the Governing Council decided that the period over which these more favourable terms apply would be extended to June 2022 and that three additional operations would be conducted between June and December 2021.

In line with the coordinated efforts of the world's major central banks to make liquidity provision more effective, the ECB in 2020 increased the frequency of its tender operations in US dollars. The greater availability of dollar liquidity in the euro area financial market – evident from the high take-up of these operations, particularly in the first half of the year – helped ensure that financial conditions also stabilised in this segment of the European financial market.

In 2020, the significant easing of monetary policy and the application of more favourable financing conditions in the real economy were also ensured through the asset purchase programme (APP) and the new pandemic emergency purchase programme (PEPP).

In March 2020 the Governing Council introduced a temporary envelope of additional net asset purchases of €120 billion until the end of the year, so extending the existing APP envelope of €20 billion per month. Later in March, as the diffusion of the coronavirus pandemic escalated and posed increasingly serious risks to the monetary policy transmission mechanism, the Governing Council decided to launch a new pandemic emergency purchase programme (PEPP), which initially had an envelope of €750 billion and was to run at least until the end of 2020. PEPP purchases included all the asset categories eligible under the existing APP, including bonds issued by euro area sovereigns and international organisations located in the euro area, covered bonds, corporate bonds, and asset-backed securities. In addition, the PEPP included a waiver of the eligibility requirements for securities issued by the Greek Government. In the light of market needs, it was also decided to expand the eligibility of non-financial commercial paper to include securities with a remaining maturity of at least 28 days. The PEPP's implementation was calibrated in accordance with the programme's dual function: firstly, to stabilise the market and ensure smooth policy transmission, and, secondly, to ease the monetary policy stance. The PEPP purchases were conducted in a flexible manner over time, across asset classes and among jurisdictions. As under the APP, the majority of assets purchased under the PEPP were government bonds. For PEPP purchases, the benchmark allocation across jurisdictions continued to be the percentage share of each national central bank in the ECB's total capital (the capital key). The flexibility of PEPP purchases allowed for fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions. In June 2020, responding to the pandemic-related downward revision of projected inflation, the Governing Council decided to increase the PEPP envelope by €600 billion, to a total of €1,350 billion, and to extend the horizon for net purchases under the PEPP to at least the end of June 2021. In December 2020, in view of the economic fallout from the resurgence of the pandemic, the Governing Council decided to increase the PEPP envelope by a further €500 billion, to a total of €1,850 billion, and to extend the programme's horizon to at least the end of March 2022. At the same time, the Governing Council made clear that, depending on market conditions, the PEPP envelope need not be used in full or it may be increased.

Chart 13: Eurosystem tender operations (EUR millions)

Sources: ECB, and NBS.

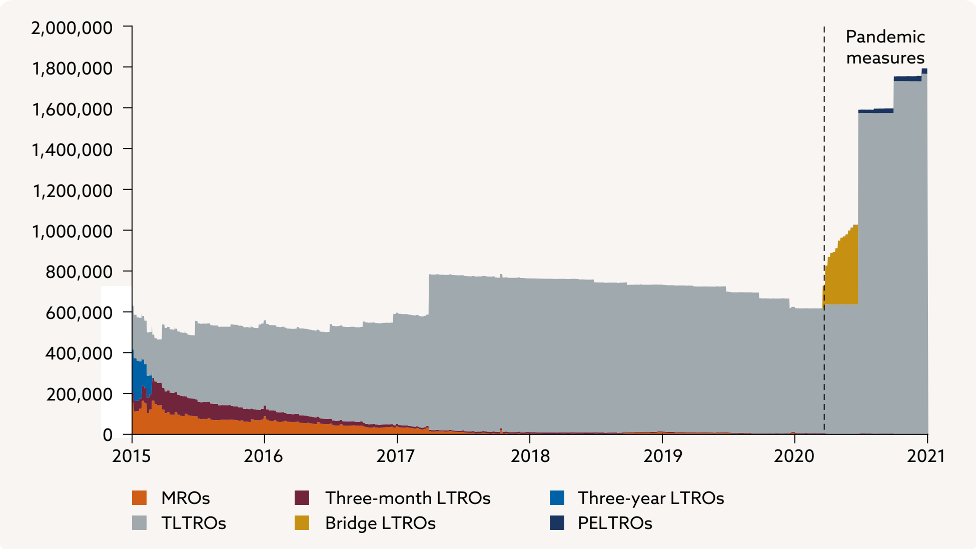
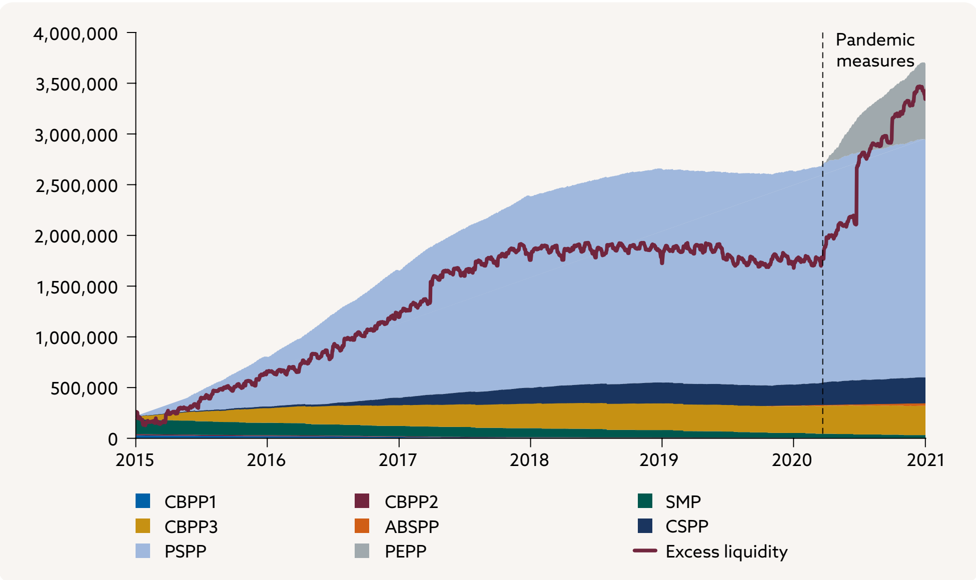


Chart 14: Eurosystem monetary policy portfolio (EUR millions)

Sources: ECB, and NBS.



At the end of 2020 APP and PEPP holdings amounted to €2.9 trillion and €755 billion respectively, almost €3.7 trillion in total. The PEPP holdings were at about the size of the programme's originally announced envelope. Of the total liquidity provided by the Eurosystem in 2020, amounting to €5.5 trillion, asset purchases accounted for 67% and tender operations for 33%. The day-to-day fine-tuning of banking sector liquidity is ensured through the marginal lending facility and deposit facility, i.e. standing facilities. Owing to the enormous liquidity surplus in the European banking sector in 2020, the marginal lending facility was used in very limited amounts.

On the other hand, banks continued to reduce their liquidity surplus via recourse to the deposit facility, the average use of which amounted to €500 billion.

The primary challenge in 2020 was a health one. At the same time, however, the Eurosystem's monetary policy helped to ensure significant financial market stabilisation and to preserve favourable financing conditions for households, firms and governments.

Chart 15: EURIBOR rates

Sources: Bloomberg, and NBS.

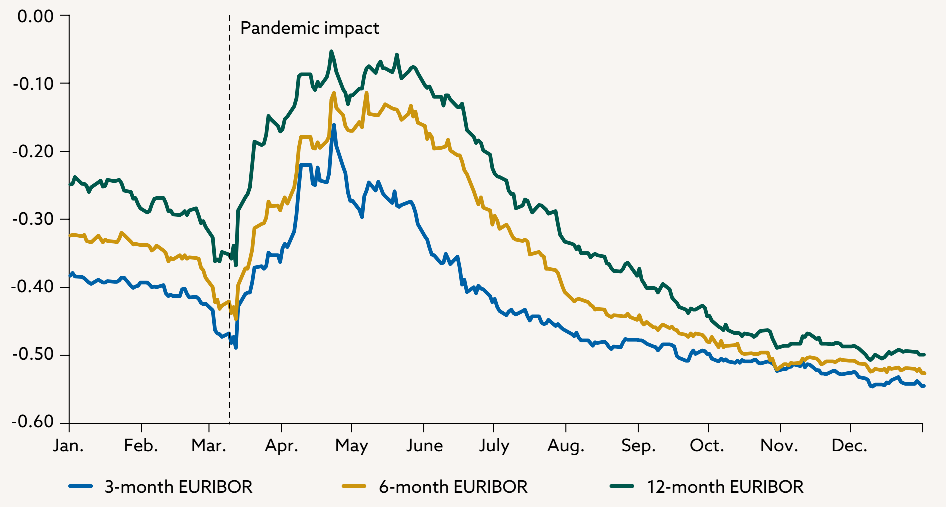
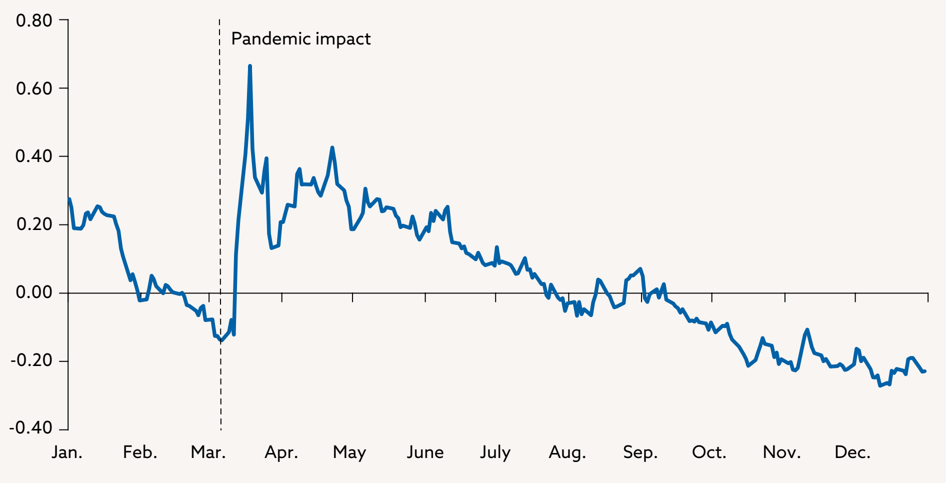


Chart 16: 10-year GDP-weighted yield on euro area government bonds

Sources: SDW ECB, and NBS.



BOX 1

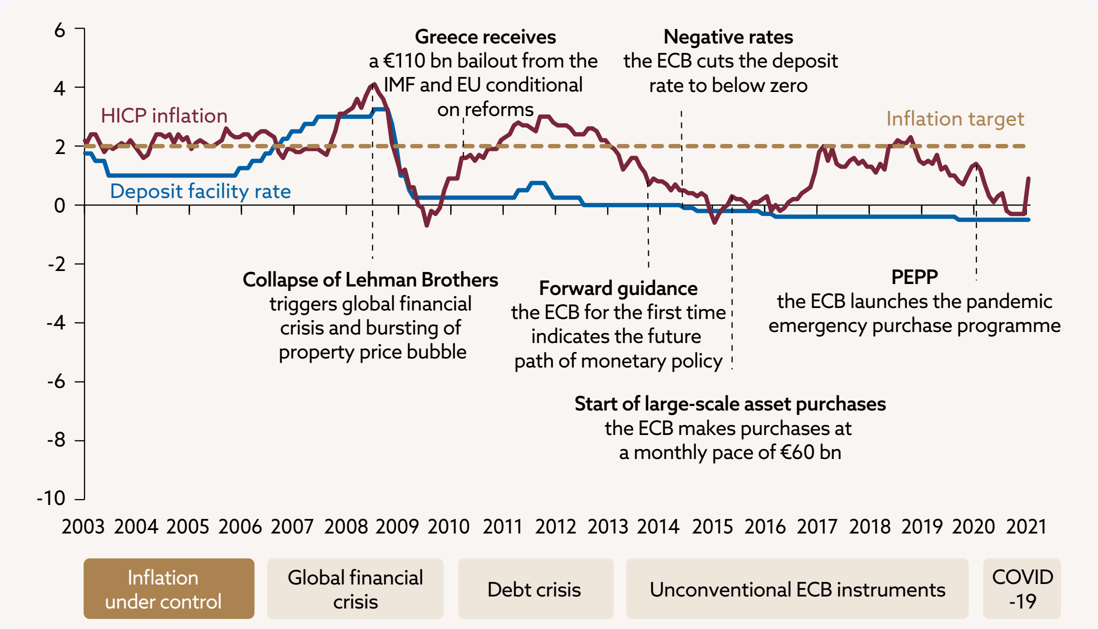
The ECB's monetary policy strategy review

The ECB's monetary policy strategy is about what objectives the ECB wants to achieve, and how it wants to achieve them, in order to fulfil its mandate to maintain price stability. That general primary mandate was given by EU citizens through the approval of the Treaty establishing the European Community. The strategy also helps the ECB communicate its objectives and intentions to the public.

The ECB last conducted a strategy review in 2003, since when the euro area economy has undergone profound changes. Policymakers faced new challenges in the form of the global financial crisis and its fallout, which included the debt crisis and lower economic growth. Declining trend growth amid decelerating productivity growth, an ageing population and the repercussions of the financial crisis put downward pressure on interest rates in the economy, making it harder for the ECB and other central banks to reduce interest rates in the event of a business cycle downturn.

As the economic damage faded and interest rates remained subdued, the ECB had to respond with several new unconventional instruments (Chart A). After a certain time since their introduction, it is necessary to take stock of these instruments, to assess to what extent they have supported, and are supporting, the fulfilment of strategic

Chart A: Key events and the introduction of new ECB instruments (EUR billions)



Source: SDW ECB.

objectives. This should also help ensure that the ECB can respond as efficiently as possible to future challenges presented by globalisation, digitalisation, population ageing, and climate change.

The new strategy review that the ECB's Governing Council launched in January 2020 covers all aspects of monetary policy. There are five main issues:

1. what is meant by "price stability", that is, what rate of inflation should be aimed for;
2. the way to analyse how decisions affect the economy, specifically stakeholders like consumers, companies, markets and banks;
3. to what extent is it important to take account of other issues such as employment, climate change and financial stability;
4. the monetary policy instruments the ECB uses to achieve its objective;
5. how decisions are communicated to, and understood by, the public.

In order to deepen understanding of these key issues, the ECB has set up 13 work streams (see Figure 1). The work streams are actively using the expertise and analytical capacities of Eurosystem staff members from the ECB and national central banks, including Národná banka Slovenska, and are also receiving inputs from the various stakeholders: the public, the business sector, civil society organisations, etc.

Figure 1: The ECB's strategy review work streams

BOX 1

An important prerequisite for the effectiveness of the ECB's monetary policy, is transparency – both in monetary policy decisions, and in the strategies that result in those decisions. In this vein, the first "ECB Listens" event was held in October 2020, as a way for the ECB to hear the views of citizens, firms, the academic community, and civil society organisations from across Europe.

The ECB has excellent communication with experts and financial markets; however, its decisions and tasks need to be better understood by the general public. The proposals made by participants at the ECB Listens event focused mainly on how to simplify communication with the general public and the importance of educating people about the basic functioning of monetary policy. A central bank that is closer to people helps to raise awareness as well as to prevent the spread of populism. In this regard, Národná banka Slovenska has already launched several projects, including, for example, the "5peňazí" financial education initiative and a regular publication about the background to monetary policy, called "Frankfurtské hárky" (Frankfurt Papers).

Events involving the direct participation of the broader public were also organised at the national level

In late 2020, for example, Národná banka Slovenska hosted an event called "NBS vás počúva" (NBS Listens), at which the NBS Governor Peter Kažimír, Deputy Governor Ľudovít Ódor, and Chief Economist Michal Horváth spoke about the current economic situation with representatives of the non-profit, business and public sectors. Among the key issues for the participants were the risks related to the pandemic crisis and to rising property prices. Another risk mentioned was the prolonged low interest rate environment in the light of households' overly conservative investment behaviour, which may result in them having a greater propensity to hoard cash than to invest. The participants also pointed out the importance of stable and predictable prices to the investment decisions of firms and households.

Because of the pandemic crisis, the review has been delayed and is now expected to be concluded in the second half of 2021. The objective is to ensure that the strategy is fit for purpose both now and in the future.

A 3

Financial market developments

loan moratoria used by over 120,000 individuals and 5,200 firms

second highest housing loan growth in the EU

the banking sector's profit down by more than **one-quarter**

highest corporate loan growth among CEE EU countries

non-bank financial firms not so far unduly affected by the crisis

A 3

Financial market developments

In 2020 the coronavirus crisis did not significantly affect the financial market, but banks nevertheless began preparing for potential loan losses

In 2020 both the Slovak and global economies were seriously weakened by the fallout from the COVID-19 pandemic

In response to the global spread of the coronavirus (COVID-19) pandemic in 2020, necessarily stringent countermeasures were taken across the world. After growing over the previous decade, the global economy recorded its largest contraction in modern history. Governments and central banks were exceptionally swift in their response to the emerging situation and adopted extensive measures to protect their economies and labour markets. In the European Union, the steps taken succeeded in safeguarding millions of jobs. At the same time, however, the pandemic crisis resulted in rising debt levels in the private and public sectors. The world economy has been gradually recovering, but its nascent growth is highly fragile and is coupled with substantial risks. These stem from uncertainty about the pandemic's further progress and about economic developments following the ending of relief measures, from the newly elevated levels of public and private sector debt, and from the diminished capacity of many borrowers to service their bank loans.

A similar story was seen in export-oriented Slovakia, where GDP contracted to its lowest level since 2017. Despite the difficult period, however, household consumption showed resilience, with its rate of decline being among the most moderate in the EU. Although tens of thousands of people lost their jobs, the increase in unemployment was, thanks to relief measures, lower than the increase resulting from the 2008-09 crisis. On the other hand, some firms may find themselves on the verge of insolvency as a result of the crisis, particularly if the lockdown measures continue for an extended period of time. The economy is not expected to return to its pre-crisis level until 2022.

The pandemic crisis tested the banking sector's resilience

The Slovak banking sector's aggregate profit fell, year on year, by more than one-quarter in 2020. The drop was caused mainly by an increase in loan loss provisioning costs, as several banks sought to prepare in good time for a future increase in loan delinquencies. Such action is laudable from a financial stability perspective. For their part, borrowers have been benefiting from the crisis relief measures. More than 120,000 individuals and more than 5,200 firms have so far taken advantage of a pandemic-related loan moratorium, with their loans representing over one-tenth of the total outstanding amount of bank loans. The end of the relief measures may, however, result in an increase in loan delinquencies, as some borrowers may no longer be able to meet their loan repayments. In 2020 banks in Slovakia were also helped by the abolition of the bank levy as from July of that year. Had the levy been retained, the decline in their aggregate profit would probably have been one of the highest among Europe's national banking sectors.

Banks have for some time been under pressure from a prolonged decline in interest rates. They have tried to ease this pressure by stepping up their lending activity and by gradually increasing their operational efficiency, including through staff layoffs and branch closures. The fall in banks' profit margins has not been reflected in their fee income, which as a ratio to total loans and deposits actually declined last year.

On the positive side, domestic banks were well capitalised going into the pandemic crisis. The aggregate total capital ratio of the Slovak banking sector was one-third higher at the start of 2020 than on the eve of the previous crisis in 2008. This situation was due in part to most banks opting not to pay dividends for 2019. Banks are well placed to weather the expected crisis-induced increase in credit risk losses, while remaining stable and managing to maintain lending to the real economy.

Lending has not been notably affected by the pandemic crisis

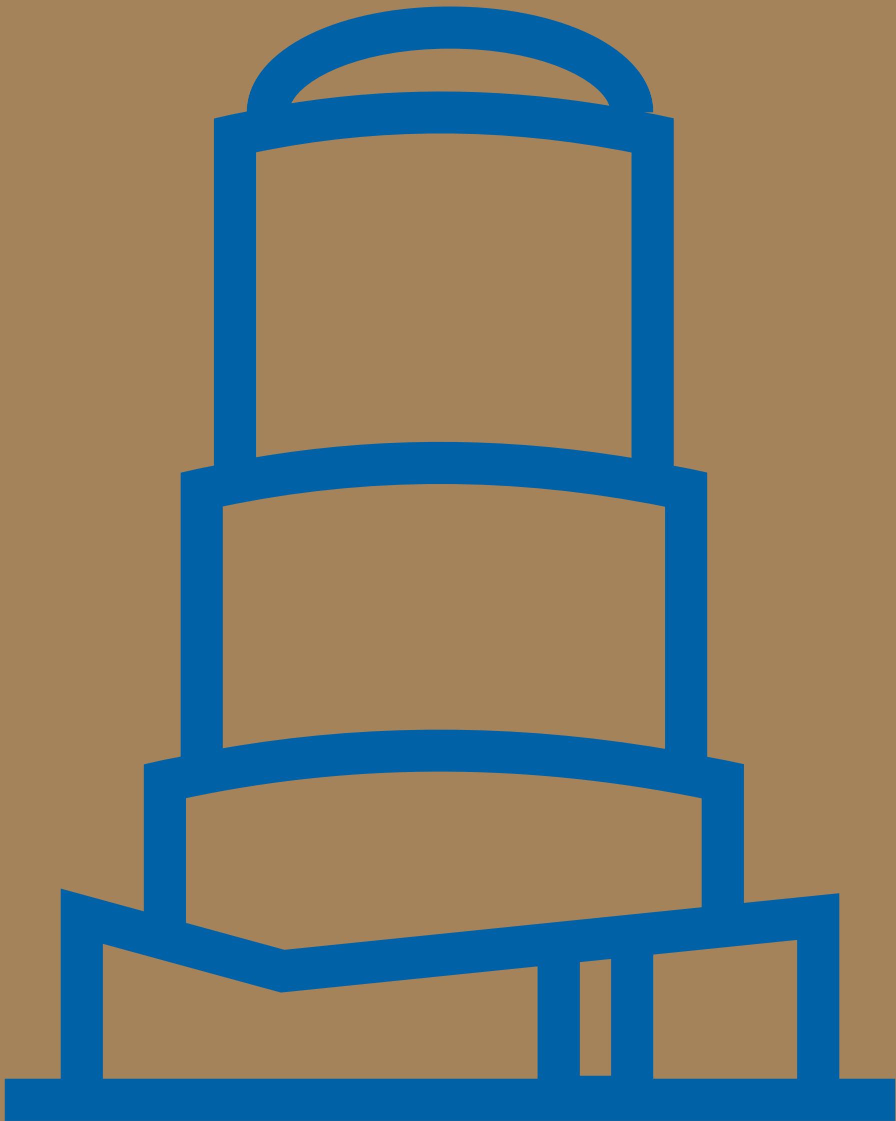
Total bank loans maintained their pre-crisis growth trend even during the pandemic. As regards loans to households for house purchase, Slovakia recorded the second highest growth in Europe. Demand for these loans was supported by stable, low interest rates and an ongoing uptrend in property prices. In the case of consumer credit, however, its volume was stagnating even before the crisis and it recorded an accelerating downtrend as the crisis wore on. Beside an increase in uncertainty, this decline reflected falling expenditure on consumption and an increase in interest rates. Another factor may have been the gradual tightening of debt service-to-income ratio limits during the first half of 2020, although several banks did not make full use of the permitted exemptions.

In 2020 growth in loans to non-financial corporations remained higher in Slovakia than in any other central and eastern European country. Banks responded to the outbreak of the crisis by tightening lending conditions and credit standards, but then gradually eased them. Demand for loans was also supported by the introduction of public loan guarantee schemes. Despite getting off to a slow and gradual start, government-guaranteed loans ended up accounting for more than half of the total amount of loans provided during the summer months of 2020.

The pandemic crisis affected non-banking segments of the financial market in 2020, but not to a significant extent

Although the crisis did have an impact on the insurance sector in 2020, insurers did not suffer heavy losses. The most notable negative effects of the crisis were declines in demand for life insurance products and in insurers' financial results. On the other hand, the reduction in mobility resulted in fewer claims paid on motor insurance policies. Several crisis-related risks have not yet fully materialised. Going forward, we can expect an increase in risk premia, an increase in surrenders due to the worsened financial situation of households, the downgrading of investment-grade ratings, and a rise in loss ratios in credit insurance and travel agency insurance.

Pension funds and investment funds suffered heavy losses at the outset of the pandemic crisis, but they had largely, or in some cases completely, recouped those losses by the end of 2020. What is positive from a financial stability perspective is that investors in domestic funds did not panic in response to financial market fluctuations and moved hardly any of their money out of the sector. The losses reported for the early part of 2020 were of a temporary nature, and subsequent months saw a rapid reduction in losses amid the recovery of financial markets.



NBS activities

B

1

Monetary policy implementation and investment portfolio management

more than

€27 billion

– the total volume of credit institutions' excess reserves exempted, under the ECB's two-tier system, from remunerating at the deposit facility rate of -0.5%

€12.7 billion

– the total value of investment portfolios, including gold reserves and the equity portfolio

24%

– average increase in the use of covered bonds as collateral in Eurosystem operations

almost

€4 billion

– the take-up of LTRO funds in Slovakia

B 1

Monetary policy implementation and investment portfolio management

In 2020 the domestic banking sector borrowed almost €4 billion under LTRO operations, which exceeded its borrowing under any previous Eurosystem operations

Národná banka Slovenska implements the Eurosystem's monetary policy in Slovakia by conducting tender operations in which domestic counterparties participate and by participating in asset purchase programmes involving a wide range of monetary policy counterparties. In 2020 domestic monetary policy counterparties made only sporadic and modest use of the Eurosystem's main refinancing operations, bridge longer-term refinancing operations, and deposit facility, and their recourse to the marginal lending facility was also occasional. The domestic banking sector borrowed relatively higher amounts under the Eurosystem's US dollar tenders. Its borrowing under the Eurosystem's longer-term refinancing operations (LTROs) has been sizeable, and that amount totalled €3.95 billion by the end of 2020.

Securities purchased by NBS for the monetary policy portfolio amounted to €30.8 billion

Národná banka Slovenska participates in the Eurosystem's monetary policy asset purchase programmes, which in 2020 comprised the existing asset purchase programme (APP) and a new pandemic emergency purchase programme (PEPP). The types of assets that NBS purchased under the APP in 2020 remained the same as before, and its purchases under the PEPP were in the same asset categories: domestic government bonds, bonds issued by supranational institutions, and domestic covered bonds. By the end of 2020, the Bank's holdings of domestic government bonds totalled €15.5 billion, including APP purchases of €11.1 billion and PEPP purchases of €4.4 billion. The weighted average maturity of this portfolio was eight years. Bonds issued by supranational institutions also accounted for a significant share of the monetary policy portfolio, amounting to €13.3 billion, while covered bond holdings stood at €2.0 billion. The size of the Bank's monetary policy portfolio at the end of 2020 was 40% higher year on year, at €30.8 billion. Including tender operations, the Bank's monetary policy activity amounted to €35 billion. The Bank continued in 2020 to lend domestic and foreign government securities purchased under ECB programmes. This lending was conducted via the State Street Bank and Trust Company, as an agent, and via Euroclear Bank, as a custodian. The securities were lent both automatically and to third parties on request.

Chart 17: NBS monetary policy position (EUR millions)

Source: NBS.

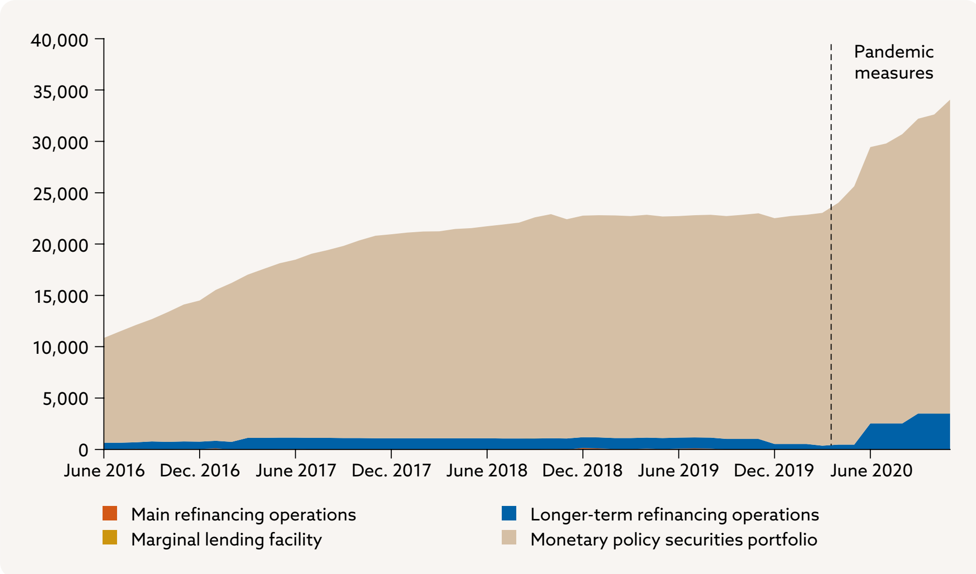
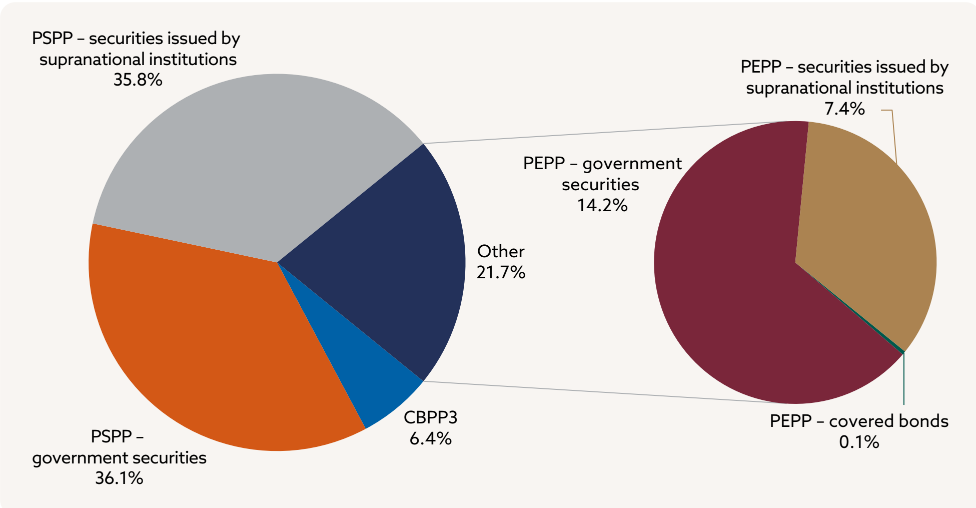


Chart 18: NBS monetary policy portfolio (percentages)

Source: NBS.



1.1 Minimum reserve requirements

The two-tier system for remunerating excess reserves had its first full year of application

Under Eurosystem rules, all euro area credit institutions are required to hold a certain amount of funds as minimum reserves in their current accounts at their national central bank (NCB). Institutions currently have to hold a minimum of 1% of the sum of eligible balance sheet items that constitute the basis for calculating the reserve requirement ('the reserve base'). This requirement must be met on average over the maintenance period, i.e. the period over which compliance with reserve requirements is calculated.

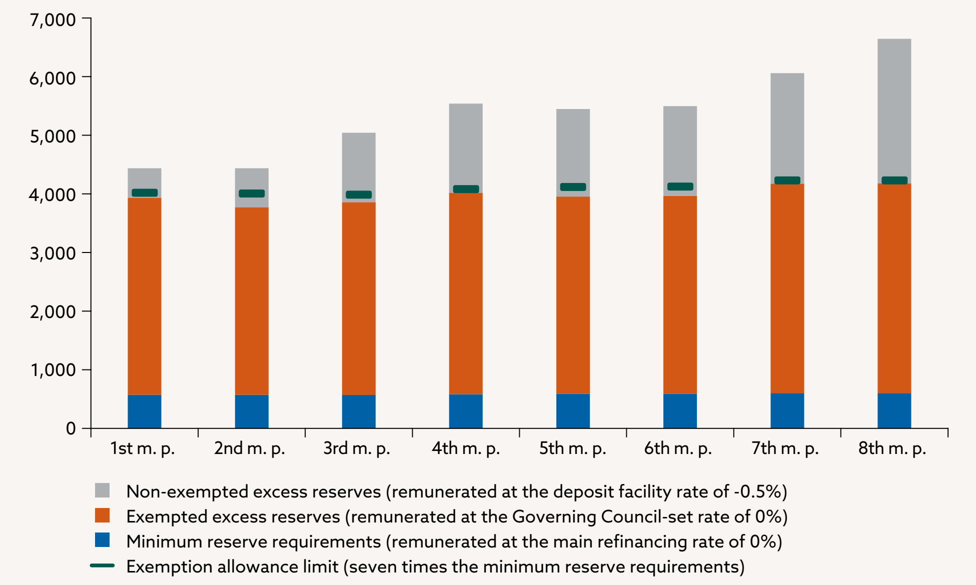
In 2020, as in the previous year, a total of 27 credit institutions in Slovakia were subject to minimum reserve requirements. They comprised 12 banks incorporated in Slovakia (including three home savings banks) and 15 branches of foreign credit institutions.

Compliance with minimum reserve requirements in 2020 was significantly affected by the two-tier system for excess reserve remuneration ('tiering'), which had its first full year of application after being introduced on 30 October 2019. Under tiering, a part of each credit institution's reserve holdings in excess of minimum reserve requirements is exempt from the deposit facility rate, and in 2020 that exemption allowance remained set at six times the institution's minimum required reserves and was remunerated at 0%. The non-exempted excess reserves were remunerated at the deposit facility rate of -0.5%, while required reserves continued to be remunerated at the main refinancing rate of 0%. With the system configured in this way, the exemption allowance limit became more relevant than required reserves. Most credit institutions have adapted to this remuneration system, and in 2020 the banking sector's usage of the exemption allowance was 97% on average.

The average amount of required reserves held by credit institutions with Národná banka Slovenska in 2020 was €585.91 million, representing a year-on-year increase of 5.8%. Their actual reserves held with NBS averaged €5.36 billion in 2020, which was 121% higher than in 2019. Comparing the volume of average actual reserves with average required reserves, it went from being 4.4 times higher in 2019 to 9.1 times higher in 2020, owing mainly to the impact of the tiering system and to banks' high participation in Eurosystem monetary policy operations. In 2020 the total exempted excess reserves amounted to €27.18 billion. The excess reserves remunerated at the deposit facility rate were on average, 30.9% larger in 2020 than in 2019, despite the lower negative average deposit facility rate.

Chart 19: Minimum reserve requirements and actual reserve holdings (showing differential remuneration under the ECB's tiering system) (EUR millions)

Source: NBS.



1.2 Eligible assets

In order to mitigate the fallout from the COVID-19 crisis, the ECB eased credit quality requirements for collateral eligibility in Eurosystem operations and expanded the temporary additional credit claims frameworks

The collateral eligibility criteria for Eurosystem credit operations underwent several significant changes in 2020, most of which were of a temporary nature and were aimed at mitigating the fallout from the COVID-19 crisis. One notable change was an extension of the additional credit claims (ACC) frameworks, through which central banks can temporarily accept credit claims that do not fulfil all the general eligibility criteria for Eurosystem collateral. Another key change was a general reduction of collateral valuation haircuts by a fixed factor of 20%. In addition, the valuation haircuts applied to credit claims were reduced by a further 20%. Important steps were also taken to mitigate the effect on collateral availability of possible rating downgrades resulting from the pandemic's economic fallout. All these temporary measures are expected to remain in place at least until June 2022. In 2020 the ECB's Governing Council also approved certain changes to the Eurosystem's general collateral framework, but these are not due to apply until 2021 or later.

From the perspective of NBS, the most significant change was the establishment and subsequent extension of an ACC framework in Slovakia. Slovak banks could therefore, if necessary, increase the value of their collateral and, as a result, increase the value of monetary policy operations. From June 2020, NBS was gradually accepting as collateral individual credit claims of lower credit quality. To assess the credit quality of these claims, banks were allowed to use their internal ratings-based models, which had previously been approved only for banking supervision purposes. From August 2020, credit claims subject to a lower level of protection against set-off risk became eligible, and from October 2020, so did credit claims not fulfilling all the eligibility criteria applicable under the Eurosystem's general collateral framework. Under the new public loan guarantee scheme, the Export-Import Bank of the Slovak Republic guaranteed the repayment of up to 80% of the principal of these claims. In 2020 NBS also made a change to the general collateral framework by reducing the residual value of a credit claim upon its mobilisation as collateral, from €500,000 to €100,000.

The value of Slovak marketable eligible assets was, on average, 20% higher in 2020 than in 2019. In absolute terms, the value of these assets at the end of 2020 was €48,973 million, which compared to its level at the end of the previous year was higher by €8,079 million. Slovak government bonds constituted almost 80% of these eligible assets; covered bonds, 14.5%; Slovak Treasury bills, 4.9%; and other bonds, around 0.6%. Chart 20 shows the composition of eligible assets during 2020, and Chart 21 compares the year-end composition of eligible assets in 2020 and 2019.

Chart 20: Composition of Slovak eligible assets in 2020 (EUR millions)

Source: NBS.

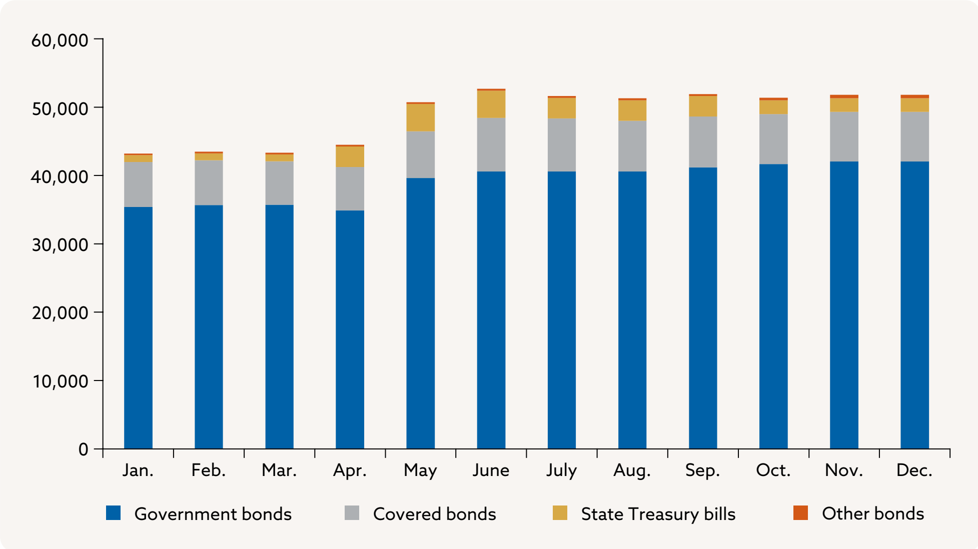
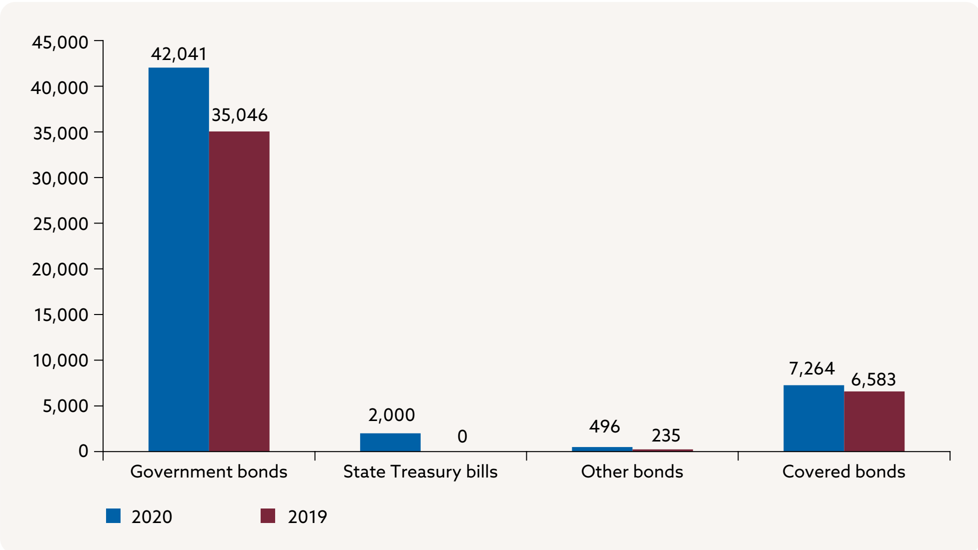


Chart 21: Composition of Slovak eligible assets as at end-December 2020 and end-December 2019 (EUR millions)

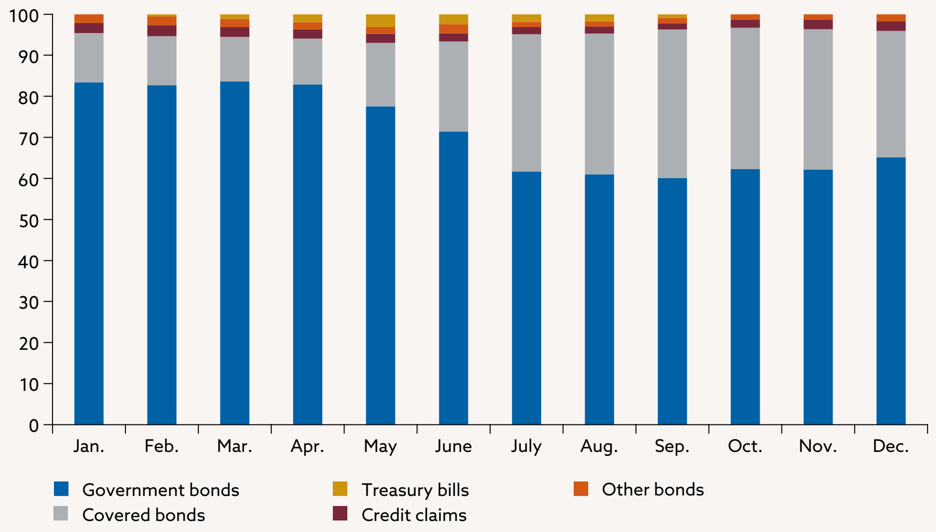
Source: NBS.



As regards the collateral pledged by domestic banks in Eurosystem operations, its value increased significantly in 2020. This shift was seen from May and stemmed from banks' elevated participation in new types of operations aimed at mitigating the fallout from the pandemic crisis. The volume of collateral pledged was, on average, around 24% higher in 2020 than in the previous year. The share of government bonds in that collateral averaged 72%. The changes in that share during the course of 2020 are shown in Chart 22, as is the fact that the use of covered bonds increased sharply from June compared with the previous period. The share of covered bonds averaged 24% for the whole year and 32% for the period from June to December. Other bonds had an average share of around 1.7%, slightly lower compared with 2019, and the share of credit claims also dropped, to 2.1%.

Chart 22: Eligible collateral pledged by domestic banks in Eurosystem credit operations in 2020 (percentages)

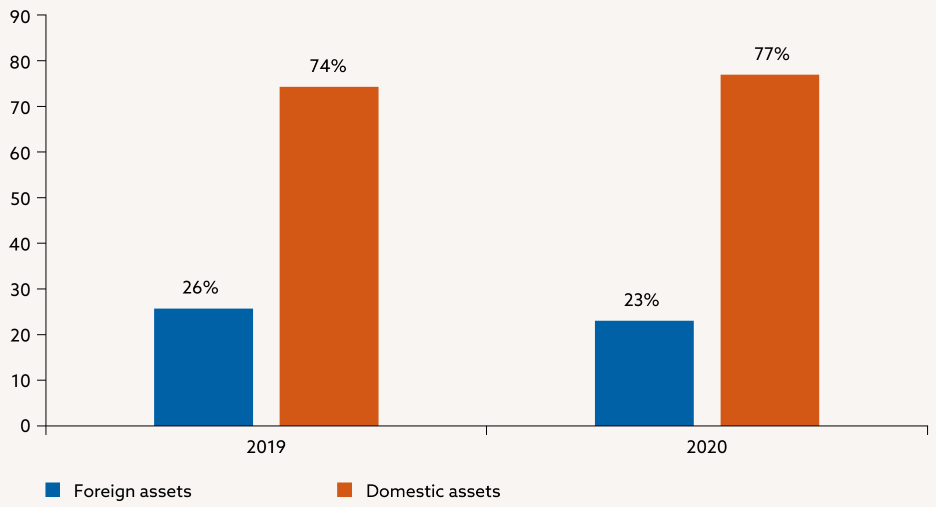
Source: NBS.



As a share of the total collateral pledged by domestic banks, collateral issued in Slovakia remained around the same in 2020 as in the previous year. The shares of domestic collateral and cross-border collateral are shown in Chart 23. Slovak counterparties use a collateral pool to manage their collateral.

Chart 23: Use of domestic and foreign eligible assets in 2020 and 2019 (percentages)

Source: NBS.



1.3 Investment portfolio management

The total value of NBS's investment portfolios was €11.1 billion at the end of 2020

Národná banka Slovenska manages its investment portfolios with the aim of ensuring that they contribute positively to the Bank's overall financial result. The total value of the Bank's investment portfolios as at 31 December 2020 was €11.1 billion (at corresponding exchange rates and with securities at nominal value), or €12.7 billion including gold. Bond portfolios accounted for 79% of that total. These are currency-hedged portfolios denominated in euro, US dollars, British pounds, Swiss francs, Australian dollars, and Japanese yen (in all of which interest rate risk is managed in a standard way, through interest rate swaps and futures contracts), as well as a portfolio of Chinese government bonds.

Since June 2018 the Bank's investment portfolios have also included an equity portfolio that comprises shares in selected exchange-traded funds representing the global equity market. As at 31 December 2020 the market value of this portfolio stood at €236 million. The Bank's indirect investment in the Chinese renminbi[3] had a market value of around USD 47 million at the end of 2020. The total return on the Bank's investment portfolios in 2020 was around €297.7 million (according to the mark-to-market principle), including the return on gold reserves[4] and taking into account hedging costs and other expenses and income arising from operations on the liability side of the individual portfolios. Charts 24 and 25 show, respectively, the value of the Bank's investment portfolios during the course of 2020 and the geographical breakdown of the securities in its bond portfolios at the end of 2020.

[3] Invested in the currency through the BISIP CNY, an open-ended fund comprising Chinese government bonds and managed by the Bank for International Settlements in Basel.

[4] The overall return on gold holdings was around €199.3 million, mostly accounted for by gold price movements.

Chart 24: NBS investment portfolios in 2020 (EUR millions)

Source: NBS.

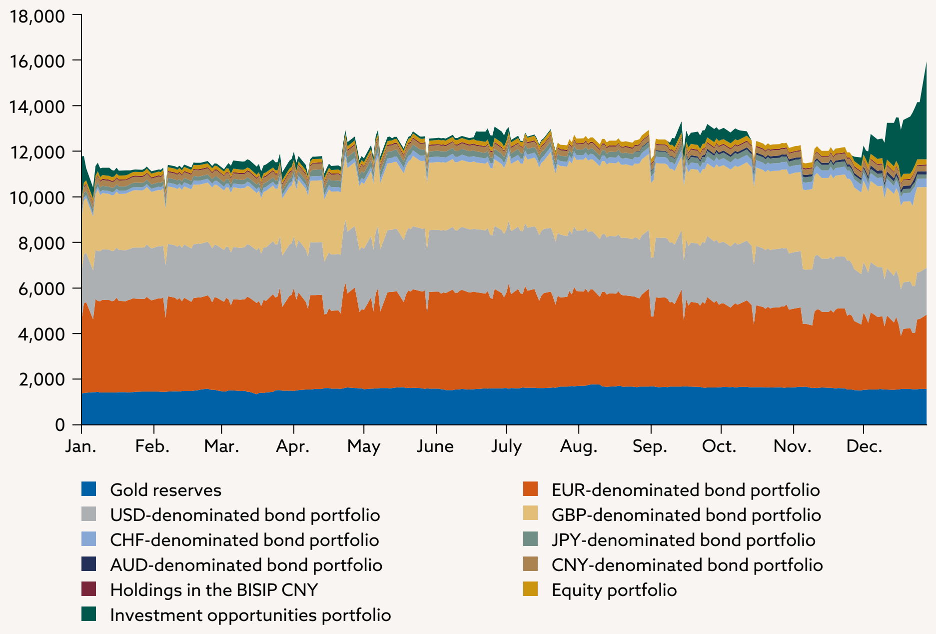
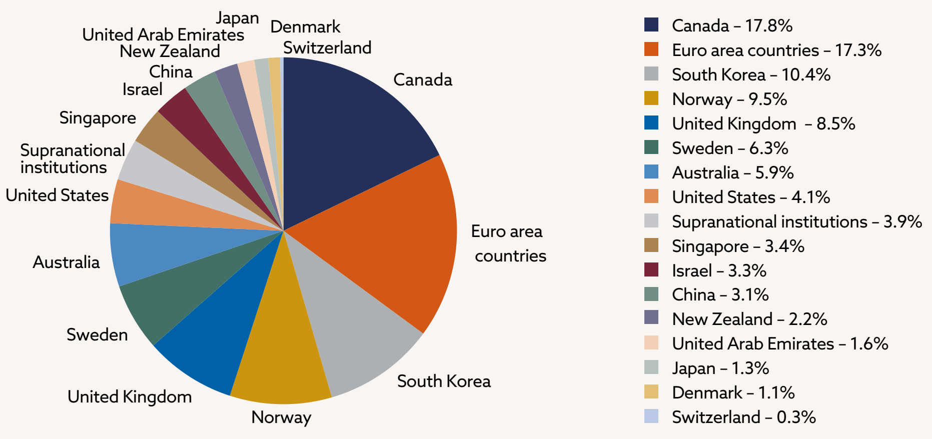


Chart 25: Total value of NBS bond portfolios as at 31 December 2020 – broken down by country of issuer (percentages)

Source: NBS.



B 2

Financial stability and financial market supervision

397
completed proceedings

Preparation of new pan-European pension product

1%
countercyclical capital buffer

21
respondents to a survey of the crypto-asset market

50
Innovation Hub requests addressed

B 2

Financial stability and financial market supervision

Despite the coronavirus (COVID-19) pandemic, the Slovak financial market had a stable year in 2020, thanks in part to measures taken by Národná banka Slovenska. Through the exercise of its supervisory function, the Bank is actively helping financial institutions get through the difficult pandemic crisis[5]

2.1 Banking sector

European supervisory authorities, NBS, and the banking sector itself responded to COVID-19 pandemic

In response to the evolving COVID-19 pandemic, banks had to take various measures to mitigate the impact of the crisis. Early on in the pandemic, it was vital to ensure the operationality of bank branches, cash transportation, and the regular refilling of ATMs. Important changes for bank customers included an increase in the limit on contactless card payments, from €20 to €50, and the significant strengthening of online banking functionalities, information system resilience and transmission link performance.

Because of the unclear evolution of the pandemic crisis and its impact on the banking sector's stability, Národná banka Slovenska adopted important measures. These included providing the sector with capital and liquidity relief, setting requirements for profit and capital distribution, and facilitating loan moratoria. As a result, for example, banks were permitted to meet Pillar 2 requirements using capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital. And in the area of liquidity, they were also, where justified, exempted temporarily from full compliance with the liquidity coverage ratio (LCR).

[5] Further details are provided in the Report on the Activities of the Financial Market Supervision Unit for 2020, published on the NBS website (in Slovak only).

In response to an increasing number of bank customers applying for loan moratoria, the European Banking Authority (EBA) published a series of Guidelines during 2020, beginning in March. The Guidelines concerned legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis. At the national level in Slovakia, the EBA Guidelines were implemented through the "Lex Corona" legislation, which established a legislative framework to facilitate loan moratoria for banks' borrowers.

Also in 2020, banks' deadlines for compliance with supervisory measures were extended by six months. The purpose of this step was to free up capacities needed for bolstering priority functions. At the same time, the Bank revised its schedule for future on-site inspections.

The Bank's supervisory priorities did not change in 2020, while activities were focused on the pandemic crisis

The priorities of the Single Supervisory Mechanism for 2020 centred mainly on the recovery of banks' balance sheets and the strengthening of banks' resilience. The COVID-19 pandemic necessitated an operational change in the Bank's supervisory activity. The focus of the Bank's supervisory activity in 2020 was on assessing banks' internal governance, in particular banks' ability to work under a special regime. This included assessing their preparedness for having employees work from home and the flexibility and operational efficiency of their management as the pandemic crisis evolved. The on-site inspections scheduled for 2020 were focused on the following matters: internal governance, information technology, and the sufficiency of provisioning (IFRS 9).

In 2020 NBS banking supervision staff conducted on-site inspection remotely. A total of seven on-site inspections took place during the course of the year, including two at significant banks, two at less significant banks established in Slovakia, and three AML inspections. In addition, NBS inspectors participated in four investigations of internal models used for calculating the capital requirement for credit risk. Also in 2020, NBS staff took part in six inspections conducted by international teams and conducted 27 AML-related off-site inspections, one for each bank in the sector.

In March 2020 the Bank created a dedicated team responsible for monitoring banks' situation in the light of the COVID-19 pandemic. Supervisory review and evaluation focused mainly on the following areas of bank assessment: business model; internal management, credit risk, liquidity risk, IT risk, and capital adequacy.

Banks' profits dropped significantly in the first half of the year, before stabilising thereafter – largely owing to lower provisioning needs and the abolition of the bank levy. The banking sector's aggregate profit for 2020 was approximately one-quarter lower than its profit for the previous year. Besides closely monitoring credit risk indicators, the Bank's credit risk evaluation team addressed the issues of loan moratoria and the uptake of public loan guarantee schemes. In addition to granting loan moratoria in accordance with the Lex Corona legislation, banks also provided case-by-case credit relief to their customers, especially corporate customers.

In 2020 changes in profitability, loan loss provisioning and credit risk in the loan portfolio had a notable impact on bank capital positions. The banking sector's total capital ratio improved, not least because banks responded responsibly to an NBS Recommendation on capital and profit distributions and strengthened their capitalisation, for example by not paying dividends and by increasing the share of Tier 1 capital in total capital.

Annual assessment confirmed banks' stability

NBS banking supervision took a pragmatic approach to implementing the annual Supervisory Review and Evaluation Process (SREP) in 2020. In response to the situation caused by the pandemic, the Bank, acting in step with the ECB, adopted a series of measures aimed at helping the banking sector deal with the consequences of the crisis. The banking supervision focused on having banks demonstrate their capital and liquidity management processes (including internal decision-making processes), their ability to promptly update plans in the areas of capital, liquidity and funding sources, and their stress testing procedures. The results of the pragmatic SREP were discussed with the banks via supervisory dialogue.

Both the close monitoring of banks during the pandemic crisis and the SREP showed that Slovak banks are stable and that they are able to respond quickly to an evolving situation while focusing primarily on maintaining the full provision of customer services.

2.2 Insurance and pension fund sectors

To help mitigate the fallout from the COVID-19 pandemic, the Bank adopted a series of administrative measures to make it easier for supervised entities to perform their activities. It was essential to increase communication between the Bank and insurers, pension fund management companies (PFMCs) and supplementary pension management companies (SPMCs) operating in Slovakia and also to establish "extra monitoring and reporting" for monitoring the financial situation of these entities.

2.2.1 Insurance sector

During the pandemic crisis, the Bank prompted insurers to take significant steps to ensure their stability

Through recommendations issued in response to the pandemic situation, the Bank called on insurers to review all areas of their activity in order to maintain financial market stability and their ability to meet obligations. Insurers reviewed the payment and size of dividends for 2019 and the impact of their action in this area on the Solvency Capital Requirement (SCR) coverage ratio. In regard to their capital planning, the Bank asked insurers to provide it with details of their ability to increase capital.

In 2020 the Bank conducted a survey of insurers to learn more about the pandemic's impact on the insurance sector and about what steps insurers had taken in respect of their employees and staff to ensure business continuity. The questions concerned mainly business continuity plans and contact with customers at insurance offices. The priority was to ensure compliance with measures and recommendations aimed at protecting public health during the pandemic. These measures also affected the handling of insurance claims and the formulation of insurers' back-up plans in case of a deterioration of the overall situation. On the whole, insurers in Slovakia are covering pandemic-related insurance costs in their productions.

As part of its cooperation with EIOPA, the Bank in 2020 focused much of its information gathering activity on monitoring the effects of the pandemic crisis on the Slovak insurance market.

Monitoring of insurers' liquidity showed sufficient liquid resources

At the initiative of EIOPA, the Bank monitored liquidity risks in the insurance sector in 2020. The criteria considered when assessing the documentation received from insurers included, for example, the extent to which insurance claim payment estimates were realistic and whether cash reserves were adequate. According to the Bank's assessments, insurers had sufficient liquidity.

The Bank also assessed the impact of the crisis on insurers' key financial indicators and solvency, comparing them with levels planned as at the end of 2020. It did so in order to assess the potential impact of the pandemic crisis on the financial situation of insurers. The crisis's estimated impact on the year-end indicators were updated on a quarterly basis.

The assessment of insurers did not reveal any risk of insolvency or of a substantial deterioration in the solvency position of insurers in the Slovak market. None of the supervised insurers reported a risk of their SCR ratio falling below 100%.

The Solvency II review will not significantly change the capital position of insurers in Slovakia

According to EIOPA's opinion on the 2020 review of the Solvency II regulatory regime for insurers, the regime is working well and no fundamental changes are needed at this point in time. A risk-based approach to assess and mitigate risks is applied, and the insurance industry has better aligned capital to the risks it runs. Governance models and their risk management capacity have been significantly strengthened. At the same time, the templates for supervisory reporting have been harmonised.

Slovak insurers and Slovakia itself may, however, be greatly affected by EIOPA's proposed introduction of a European network of national insurance guarantee schemes or alternative mechanisms that should meet a minimum set of harmonised features. If the regulatory framework is changed in this way, it will mean an overhaul of the status quo.

2.2.2 Pension fund sector

The COVID-19 pandemic has necessitated the adoption of effective measures

Following the onset of the pandemic crisis in 2020, the Bank stepped up its communication with PFMCs and SPMCs.[6] Its main purpose in doing so was to check the companies' compliance with all their obligations, so as to ensure the continuity of key operational activities and the protection of the long-term interests of savers, participants and beneficiaries. In 2020 the Bank was regularly monitoring and analysing the capacity of the second- and third-pillar pension fund managers to cope with pandemic-related losses without risking non-compliance with capital and liquidity requirements, which could have an adverse impact on future pensions.

The Bank called on all pension fund managers to engage in open and transparent communication with their customers, with EIOPA also having issued a statement and recommendations to similar effect. In view of the special pandemic regime and the exceptional restrictions on face-to-face meetings, the Bank recommended pension fund managers to communicate with their customers using digital and online instruments and to keep the information on their websites regularly updated.

For PFMCs, the Bank in 2020 started implementing a special reporting framework focused mainly on risk management and asset management. It did so in the light of the pandemic's significant impact on financial markets and, by extension, on the assets under management in the pension system's second pillar.

In 2020 the second pillar and third pillar were subject to separate monitoring for their sensitivity to negative financial market developments. The Bank assessed in particular the risk of PFMCs having to replenish the assets of guaranteed pension funds. On the liquidity front, no negative impact was recorded.

[6] The second pillar of the Slovak pension system – the old-age pension scheme – is a defined contribution scheme operated by pension fund management companies (PFMCs); enrolment is voluntary but savers may not leave the scheme after enrolment. The third pillar – the supplementary pension scheme – is a voluntary defined contribution scheme operated by supplementary pension management companies (SPMCs).

After a review of their implementation in the third pillar, new information documents were adopted in the second pillar with effect from 1 January 2021

In 2020 the Bank remained actively involved in the Slovak Ministry of Labour, Social Affairs and Family's plan to change the law in respect of key information documents used in the old-age pension scheme (second pillar) in order to ensure that savers in the scheme are better informed.

The Bank was also involved in the introduction of a completely new type of key information to be provided by PFMCs to savers before concluding an old-age pension scheme agreement with them. This key information should, above all, facilitate communication about the risks related to investing in the given pension fund and should then, taking that risk into account, provide clear and comparable information on the potential benefits and costs of investing in that pension fund and therefore on what distinguishes it from other funds.

With the aim of providing second-pillar savers with comprehensive and personalised information about the amount of their pension savings and a projection of their future path, the Bank in 2020 prepared new templates of pension account statements.

A new form of pension saving is coming, portable throughout the EU

The pan-European personal pension product (PEPP) will be a voluntary pension product, complementary to public and occupational pensions. Its EU-wide portability will make it particularly suitable for EU citizens who move and work between different EU countries. In 2020 the Bank was actively involved in the production of EIOPA's final draft delegated acts for the design and delivery of the PEPP. Its task was to draft the national legislation that will be necessary for introducing this pension product to the Slovak market.

2.3 Capital market and financial intermediation sector

2.3.1 Response to the impacts of the pandemic crisis

The Bank issued guidance on the performance of financial intermediation

In 2020 Národná banka Slovenska responded to new risks in the financial market. The pandemic crisis affected the activity of supervised entities and their customers, as well as the Bank's supervisory activity. The evolving situation necessitated a prompt response, including in the form of legislative changes and guidelines.

In the area of financial intermediation, one of the first challenges was to ensure that professional examinations could continue to take place. Under the then in force NBS Decree governing them, these examinations had to be taken in person; hence they could not be conducted while lockdown measures were in place. This situation threatened the continuity of compliance with the professional examination requirements laid down in the Financial Intermediation Act. Through an amendment to the Decree, it was soon possible to sit the examinations online.

In May 2020 the Bank issued a Methodical Guideline on the performance of financial intermediation, to address the increase in demand for the remote performance of financial intermediation. This Methodological Guideline also gives an overview of the remote customer identification obligation under AML legislation, the application of Act No 266/2005 on the protection of consumers in respect of the distance marketing of financial services, and the civil law implications for the validity of contracts concluded at a distance. Considering the state of technological developments and digitalisation, it is assumed that the Methodological Guideline will in future continue to benefit entities performing financial intermediation.

The Bank reviewed the business continuity of capital market participants during the pandemic

The Bank reviewed and assessed the functioning of capital market participants under its supervision during the severe restriction of their normal functioning. The purpose of this off-site supervision of investment firms, asset management companies and the Bratislava Stock Exchange (BSSE) was to ascertain whether they had adequate procedures in place and were able, during the pandemic, to continue providing customer services with due professional care.

Increased liquidity monitoring of investment funds confirmed their stability

In cooperation with the Slovak Association of Asset Management Companies (SASS), the Bank in 2020 introduced intensive weekly monitoring of investment funds' liquidity. Following the global pandemic-related slump in financial markets, a surge in investment fund outflows such as that seen during the 2008–09 crisis could have been expected.

From a financial stability perspective, it was positive that investors in domestic investment funds did not panic and moved hardly any of their money out of the sector. Asset management companies therefore did not need to adopt liquidity-related measures, and in the few cases where such measures were adopted, they were of an entirely precautionary nature.

The Bank also reviewed the pandemic's impact on the disclosure of issuers' regulated information

In 2020 the Bank granted several issuers whose securities are admitted to trading on the BSSE an extension to the deadline for publishing their annual financial report for 2019. Under the Lex Corona legislation, the issuers were entitled to request such extension.

NBS supervision also focused on reviewing the disclosure of relevant information in issuers' half-yearly and annual financial reports. In March 2020 ESMA issued a Public Statement in which it acknowledged the difficulties encountered by issuers in preparing their annual report. At the same time, however, ESMA underlined the need for issuers to keep investors properly informed within a reasonable time.

2.3.2 Investment in corporate bonds

Investment in corporate bonds became one of the most important issues in 2020 and a frequent subject of discussion among both the lay and professional public. Corporate bonds are bonds issued by non-financial corporations, and they can be invested in through investment firms and financial intermediaries, including banks.

In 2020, for the second year running, the Bank analysed developments in corporate bond trading for customers, whether natural or legal persons. Compared with the 2019 analysis, investment in corporate bonds showed a falling trend, whereas the total volume of customer assets managed by investment firms increased by one-quarter.

During 2020 the Bank conducted an in-depth review of the distribution of corporate bonds in selected entities in the capital market and the financial intermediation sector. The aim was to find out how supervised entities are proceeding with the distribution of corporate bonds within individual distribution networks, to assess procedures for checking customers' experience and knowledge and for identifying target markets, and to assess the setting-up of internal procedures and regulations of distribution networks.

2.3.3 Other supervisory activity

Change in coverage limits on liability insurance in the (re) insurance sector

Independent financial agents and financial advisers are liable for any damage they cause in the performance of financial intermediation or the provision of financial advisory services. In June 2020 the level of insurance coverage limits for liability insurance in the (re)insurance sector were changed.

In the second half of 2020 the Bank reviewed submitted insurance contracts of independent financial agents and financial advisers for compliance with legislative requirements for increased insurance coverage limits.

The Bank stepped up supervision of public offerings of securities

When making a public offering of securities, issuers are required to publish a securities prospectus approved by Národná banka Slovenska. One of the grounds for exemption from this obligation is if the public offering is addressed to fewer than 150 natural or legal persons. Issuers do not sufficiently realise that the number of investors who buy the securities in question is less important than the number of entities notified about the offering. By publishing information about their securities offerings on their websites, issuers are in effect addressing their offerings to the general public.

In its regular monitoring of various issuers' websites, the Bank has found a number of breaches of provisions of the EU's Prospectus Regulation. To address this issue, the Bank drafted a Methodological Regulation in 2020.

2.4 Payment services, fintech and financial innovation

Payment services are becoming more sophisticated and secure

In 2020 the Bank significantly stepped up its communication with potential applicants for payment services licences, contacting them in person, by post and online. The result was a sizeable increase in demand for PSD2 licences in the fourth quarter.

There was also intensive communication with banks about the new opportunities in payments and services which PSD2 has brought to the market.

Another significant task for the Bank in 2020 was to monitor the introduction of strong customer authentication requirements for e-commerce payments, i.e. online card payments.

The Bank is actively developing a financial innovation ecosystem in Slovakia

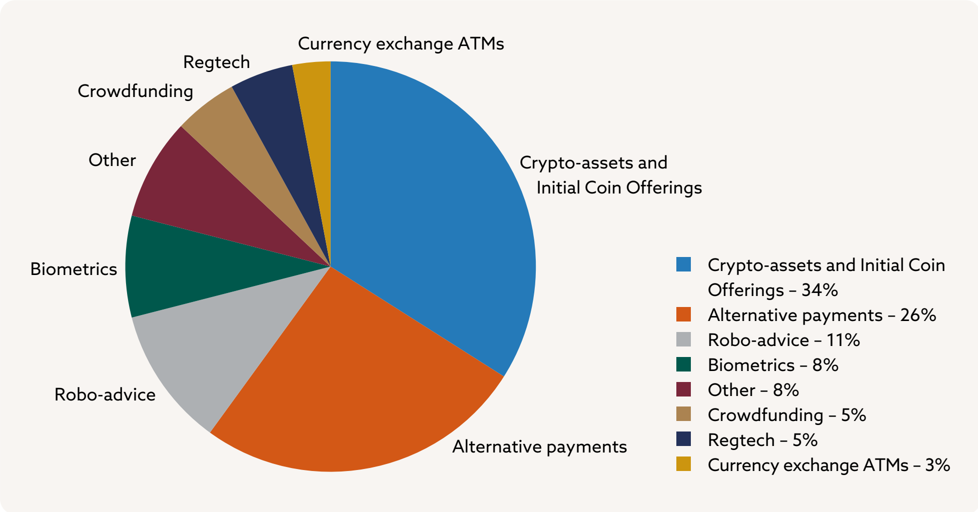
By the end of 2020 more than 50 requests had been addressed through the Bank's Innovation Hub, launched in 2019. Most of them concerned crypto-assets, the provision of payment services, and the provision of automated online investment advice ("robo-advice").

In cooperation with Slovakia's Ministry of Finance (MF SR), the Bank in 2020 analysed the benefits and potential use of the regulatory sandbox concept as one of the tools for supporting the innovation economy system. The sandbox denotes an environment in which innovative financial products, services and other business models can be tested in accordance with a testing plan approved by the supervisory authority.

As part of a public consultation carried out in summer 2020, the Bank and the MF SR's Centre for Financial Innovation (CFI) presented their concept for a regulatory sandbox as well as alternatives to it. The 20 respondents to the consultation exercise expressed clear support for the establishment of a regulatory sandbox and largely agreed with the Bank's proposal. In December 2020 the Bank Board decided to support innovation development in the Slovak financial market by building cooperation with business accelerators in the financial market and by establishing a regulatory sandbox.

Chart 26: Innovation Hub requests broken down by subject matter

Source: NBS.



Note: Data are for the first twelve months of the Innovation Hub's operation, i.e. from 1 April 2019 to 31 March 2020.

Crypto-assets are gradually becoming part of the innovation ecosystem. The Bank's supervision function does not at present extend to the crypto-asset market. On the other hand, based on a regulation proposal published by the European Commission in 2020, crypto-asset business is expected to become a regulated and supervised activity. As regards discussions about the establishment of a European regulatory framework in this area, a key issue for the Bank is to increase its knowledge about the domestic crypto-asset market.

By means of a survey it conducted in 2020, the Bank mapped providers of crypto-assets and crypto-asset-related services operating in Slovakia. A total of 21 firms responded to the survey. According to the results, the Slovak market in crypto-assets is both young and very varied. As many as 70% of the respondents had been established within the previous three years, and only 25% reported revenues of more than €1 million for 2019.

Further developments in registers intended for supervisory purposes and for the general public

The new version of the Register of Bank Loans and Guarantees (RBUZ), operative since 2018, was expanded in 2020 to include additional important functionalities in response both to legislative requirements and the needs of the banking sector. Most notably, the information system's credit data collection method was modified in the light of government measures to facilitate loan moratoria during the pandemic crisis. This reporting modification allowed the establishment of the necessary data for analysing the pandemic's impact on the Slovak economy, for reporting to the ECB, for off-site supervision, and for the proper assessment of customer risk from the point of view of the banking sector.

Through the Register of Entities, a part of the RBUZ register, data quality is continuously improved. In 2020 the Register was upgraded with a set of new validation rules to ensure the correct reporting of entities' head offices and parent undertakings.

Experience of using the Register of Financial Agents and Financial Advisers (REGFAP) has shown that its data quality needs to be improved. To that end, new reports allowing analyses of trends in different sectors were introduced in 2020, as was a new functionality of the report collection system.

2.5 Cross-cutting themes

2.5.1 Macroprudential policy response to the pandemic crisis

Despite the domestic economy being hit hard by the pandemic crisis, the financial sector remained stable

A response to the ongoing pandemic crisis in 2020 was also seen in the Bank's Financial Stability Reports. Efforts to develop an analytical framework for monitoring the pandemic's impact on financial stability had to be stepped up.

The new approach was needed, in particular, to take account of the numerous pandemic-related moratoria on loan payments, so as to be able to estimate what proportion of the loans under moratoria might default once the moratoria have expired. The impact of the crisis on households' debt servicing capacity was analysed on a regular basis, as was the mitigating effect of the supporting measures adopted up to that point. Analyses of the crisis's impact on the corporate sector started to use granular firm-level data on the financial situation of non-financial corporations, thereby allowing an estimate to be made of the potential increase in firms at risk of insolvency as well as of firms' additional liquidity needs. The results were used to estimate the overall impact of the crisis on banks' profitability and total capital ratios. These estimates also provided important bases for discussions on the setting of macroprudential instruments and on the adoption of a recommendation to restrict dividend payments.[7]

[7] Recommendation No 1/2020 of Národná banka Slovenska of 28 July 2020 on capital and profit distributions by banks and insurers during the COVID-19 pandemic.

The Bank reduced the countercyclical capital buffer (CCyB) rate

As regards the business cycle, 2020 was a year in which good times turned into bad times. In the period 2016–2019, the Bank's decisions on the CCyB rate resulted in it increasing up to 2%, one of the highest levels in the EU. The domestic banking sector went into the crisis with sound capital reserves, which gave the Bank the leeway to reduce the CCyB rate twice during 2020.

As a result of the CCyB rate being cut to 1.5% in March and then to 1.0% in July, capital amounting to almost €370 million was freed up in the banking sector. Banks were able to use the additional capital for loan loss provisioning, without affecting their lending capacity. The Bank stands ready to further reduce the CCyB rate if necessary.

No change in regulatory limits on credit standards

The Bank in 2020 decided not to ease regulatory lending limits yet. The importance of preparing for bad times is evident in the setting of regulatory lending limits. Because of the series of tightenings of different lending parameters in recent years, banks and households have been better prepared to deal with the economic effects of the pandemic. When easing conditions, correct timing is crucial, as the experience of other countries has shown.

As regards loans to households, an important step in 2020 was the launch of a detailed and regular survey of households' financial situation and their debt servicing capacity.[8] With more granular information from this area, the Bank can be more precise in its monitoring of households' situation and in taking decisions about the setting of macroprudential policy in respect of household lending.

2.5.2 Resolution

In 2020 the Bank continued its active involvement in improving the preparation of resolution measures in banks' resolution plans. In regard to banks in Slovakia that fall under the competence of the EU's Single Resolution Board (SRB), the Bank in 2020 continued to participate in international resolution teams and followed priorities set by the SRB. Progress was achieved

[8] For further information, see NBS Analytical Commentary No 97 of 4 January 2021, entitled "Prieskum zadlžených domácností - výsledky šiestej vlny" (in Slovak only), and Cupák, A., Klacso, J., and Šuster, M., "Surveying the Impact of the Covid-19 Recession on the Financial Situation of Indebted Households", NBS Working Paper, No 6, Národná banka Slovenska, 2020.

in the drafting of resolution manuals by banks whose resolution strategy involves using the bail-in tool. Improvements were made to those parts of resolution plans concerned with how to ensure continuity of critical services during and after resolution. Progress was also made in banks' contingency plans for maintaining access to key financial market infrastructures both during and after resolution.

For banks that in a future crisis would be resolvable in resolution proceedings, as opposed to insolvency proceedings, **Slovakia's Resolution Council in 2020 set a binding minimum requirement for own funds and eligible liabilities (MREL)** based on the results of resolution planning in the previous period.

In 2020 the Bank cooperated with the Ministry of Finance in transposing into Slovak law the EU's BRRD2 directive, which includes changes to the way the MREL is determined. This is linked with a new classification of banks and with an increase in transparency regarding banks' compliance with the MREL. Banks will be required to report to the Resolution Council and to disclose regularly to the public their levels of eligible and bail-inable liabilities and the composition of those liabilities, including their maturity profile and ranking in normal insolvency proceedings. The BRRD2 also introduced rules for investors in instruments eligible for the MREL, so as to prevent the instruments from being held by investors that might not have received an appropriate indication of relevant risks – a situation that could in itself constitute an impediment to resolvability.

2.5.3 Brexit

The United Kingdom's withdrawal from the European Union (Brexit) had significant implications for the financial area. As a result of Brexit, UK-based financial firms no longer have passporting rights to provide services across the EU Single Market based on a single authorisation in their home Member State.

In 2020 the Bank was actively engaged in the preparation of specific steps related to Brexit, working together with the EBA, ESMA and EIOPA (as EU-level regulatory authorities) and with the ECB, which along with the Bank exercises supervision of banks in Slovakia. In this regard, the Bank reminded UK-authorised financial firms operating in Slovakia to complete the necessary Brexit-related steps in regard to the updating of cross-border agreements, including the switching of their position to another entity authorised to provide financial services in Slovakia. The Bank also gave public notice that, as from 1 January 2021, UK-based insurers would no longer have the right to conclude new insurance contracts in Slovakia and would still be required to meet their obligations arising under insurance contracts concluded in Slovakia before that date.

In the last quarter of 2020, the Bank also addressed capital market participants under its supervision about their preparedness for conducting business under the new legal framework entering into force from 1 January 2021. Its survey of investment firms, asset management companies and the Bratislava Stock Exchange included mainly questions on what direct or indirect impact they expected Brexit to have on the conduct of their business and their customers and on what measures they had taken or were planning to take.

2.5.4 Anti-money laundering and combating the financing of terrorism (AML/CFT)

2020 was a busy year in the AML/CFT field

In regard to the fulfilment of AML/CFT tasks at the domestic and international level, the Bank's supervision sections coordinated their activity. The two principal tasks being fulfilled in 2020 were related to a comprehensive assessment of AML/CFT risk in Slovakia.

The first task concerned the efficiency of the AML/CFT system in Slovakia. Following an assessment visit by experts from the Council of Europe's MONEYVAL Committee, staff members from all different areas of NBS supervision cooperated with representatives of domestic state institutions and with Council of Europe experts to prepare the Mutual Evaluation Report that would be adopted by the MONEYVAL Committee at its plenary session in September 2020.

The second task was the second round of a National Money Laundering and Terrorist Financing Risk Assessment. The work performed in May 2020 built on the conclusions of the first assessment round. It concerned the assessment of existing risks and the identification of new risks in the AML/CFT area. Later in the year, a number of NBS expert teams began to draft reports on the AML/CFT situation in different segments of the financial market.

B

3

Financial consumer protection

282
complaints resolved voluntarily

€460,000
repaid to customers

8
sanction decisions

2
NBS Decisions on the APRC

B 3

Financial consumer protection

The Bank responded quickly and flexibly to the government's statutory loan moratorium scheme and provided consumers with a high-quality information service on this issue. Consumer protection supervision was responsible for ensuring the conditions for the moratoria and that people were not hindered in exercising their right to them

3.1 Supervision

New supervisory themes in the pandemic year

The supervision of financial consumer protection in the area of consumer credit and housing loans in 2020 was originally to entail the continuation of the supervisory cycle in selected banks and in non-banks specialising mainly in debt recovery.

Because of the COVID-19 pandemic, however, it was necessary to change the supervisory plan in regard to consumer protection and to ensure that on-site inspections by NBS supervision staff were kept to the necessary minimum. As a result, off-site supervision came to the fore. Supervision activity focused on compliance with loan moratorium rules, on advertising and promotional activity, on financial scams, and on checking the content of contractual documentation.

3.1.1 Moratoria on loan repayments for consumers

Government measures to ease the impact of the pandemic on households

In 2020 the principal government measure to contain the spread of COVID-19 was the imposition of lockdowns to reduce people's mobility. The lockdowns had a direct downward impact on people's economic activity, while at the same time many people continued to have debts in the form of housing loans, consumer credit, and car leasing arrangements. In April the government responded to this situation with the "Lex Corona" legislation, under which borrowers could request a moratorium on loan repayments – for up to nine months in the case of bank loans and three months (extendable for a further three months) in the case of non-bank loans. Consumer protection supervision had the task of ensuring that people were not hindered in exercising their right to a loan moratorium.

Addressing loan moratoria

The Bank was fast and flexible in its response to the new legislative moratoria on loan repayments and provided consumers with a high-quality source of information on this issue. Since the Lex Corona legislation imposes a considerable number of moratoria-related obligations on banks and non-bank lenders, the Bank's supervisory activity in this area focused on monitoring compliance with these obligations.

The Bank checked 19 banks engaged in consumer lending and 21 non-bank lenders for whether they were following correct procedures in regard to pandemic-related loan moratoria.

This supervisory activity identified less significant shortcomings, concerning mainly moratorium applications, the fulfilment of statutory information obligations, the provision of information about the moratoria's consequences and the method of paying interest for the period of moratorium. When asked to do so by the Bank, all of the banks and non-bank lenders in question voluntarily rectified the shortcomings.

As regards consumers' moratorium applications, most of them were made between mid-April and around mid-June 2020. Moratorium applications had to be processed within 30 days, and, as Chart 27 shows, the bulk of these applications were made in the early part of the pandemic crisis.

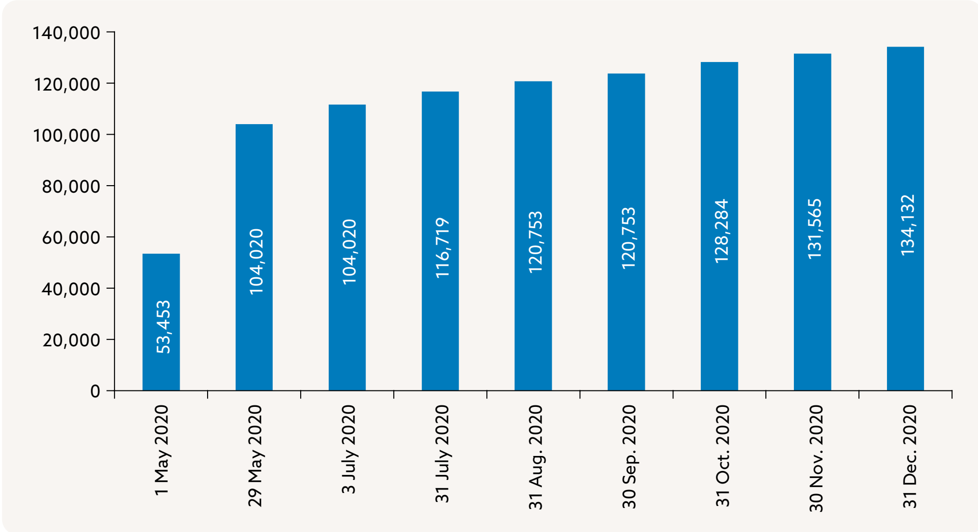


Chart 27: Cumulative number of approved applications for Lex Corona moratoria on loan repayments (consumers only)

Sources: Slovak Banking Association, and NBS.

The Bank issued an opinion on loan moratorium agreements

An issue that came under discussion later in the year was how to create conditions for borrowers that would allow them to smoothly resume loan repayments following the expiry of their moratoria. For many borrowers facing the resumption of their repayments, economic conditions had still not returned to normal. As many as 4% of households (according to an NBS survey) expected to experience significant difficulty in resuming their loan repayments at the end of the year.

In response to this situation, the Bank issued an opinion enabling simplified moratorium agreements outside the Lex Corona framework for all types of consumer credit.

3.1.2 Fraudulent advertising and financial fraud during the pandemic

The Bank is tracking fraudulent advertising in the online space

As part of its systematic monitoring of advertising targeted at financial consumers, the Bank in 2020 paid increasing attention to potential scams. In doing so, it also closely monitored advertising by entities not under its supervision which nevertheless have a strong presence in the advertising space aimed at financial consumers. The Bank was tracking mainly online forms of such advertising – on websites and social media.

As regards fraudulent advertising whose originator is unidentifiable, the Bank recorded an increasing incidence of such advertising in 2020, particularly in the area of various credit and investment offers. **A total of 53 such advertisements were recorded in 2020, representing an 89% increase compared with 2019.** This increase was partly caused by the pandemic crisis.

In 2020 the Bank also recorded an increase in complaints from financial consumers who had become victims of financial fraud in various guises. Enticing advertising was a major part of these scams. People ask the Bank for information about whether such advertising is for a genuine product or service or whether it is a scam, and they report to the Bank their suspicions of financial fraud.

On the Warnings page of its website, the Bank regularly draws the public's attention to its findings in the area of financial scams. The Bank points out how scams work, so as to make as many people as possible aware of the problem. **In 2020 a total of 14 warnings were published on the NBS website, including four about different fraudulent practices (the Bank also had a social media campaign on this issue).**

3.1.3 Annual percentage rate of charge (APRC)

Two new NBS Decrees governing the APRC

Although the APRC is governed by the Consumer Credit Act and Housing Loan Act, supervisory practice has shown that the APRC calculation procedures are not always applied correctly or uniformly. The Bank regularly receives from state institutions requests to calculate annual percentage rates of charge, or validate APRC calculations. The Bank is also regularly asked by consumers to check annual percentage rates of charge. The main reason for these requests is that no universal certified APRC calculator – such that consumers or government authorities could use to check APRC calculations for themselves –are published in Slovakia.

On the basis of enabling provisions in the above-mentioned laws, the Bank in 2020 issued two Decrees laying down detailed provisions on the calculation of the APRC, one for consumer loans[9] and one for housing loans.[10] The Decrees will also bring consistency to court rulings and increase legal certainty in this area.

[9] Decree No 5/2020 of Národná banka Slovenska of 24 November 2020 laying down detailed provisions on the calculation of the annual percentage rate of charge for consumer loans

[10] Decree No 4/2020 of Národná banka Slovenska of 24 November 2020 laying down detailed provisions on the calculation of the annual percentage rate of charge for housing loans

3.2 Complaints handling

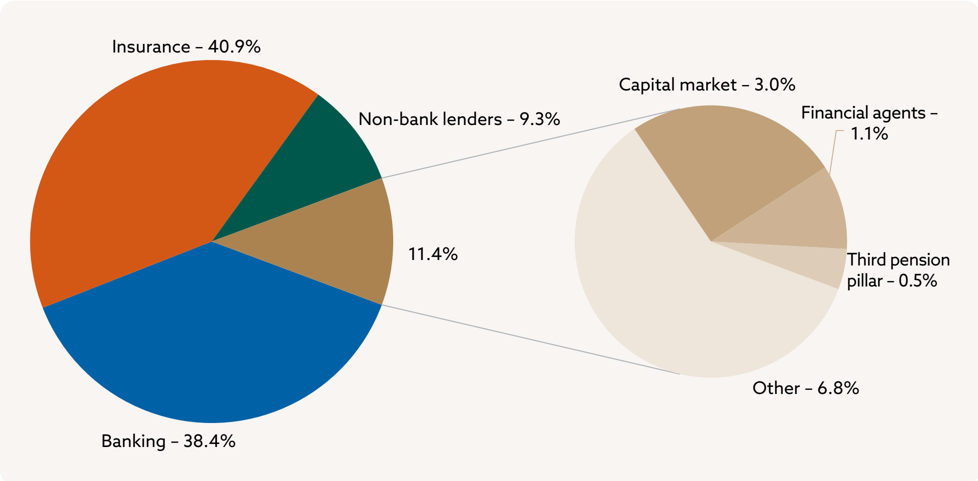
Complaints handling is an important source of information for NBS supervision

The complaints about supervised entities which it receives from financial consumers and other customers of supervised entities mostly require the Bank to examine compliance with statutory rules and with financial contract arrangements. **In 2020 the Bank received a total of 2,015 complaints,** representing a year-on-year drop of 7%.

Complaints concerning insurers made up the largest share (41%) of that total, though the number of such complaints was 438 lower in 2020 than in the previous year. As for complaints about banking products and services, they increased by 43% (from 539 to 773), owing partly to complaints about the new pandemic-related loan moratoria.

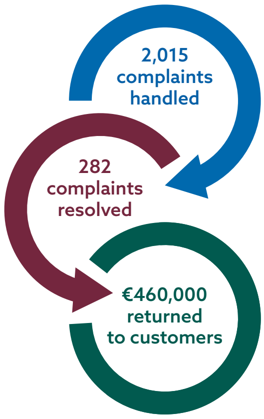
Chart 28: Financial consumer complaints in 2020 broken down by financial market segment (percentages)

Source: NBS.



Note: The number of complaints about financial agents is low, since any complaints from their customers are usually less about the agent and more about the financial institution whose product or service is provided through the agent.

As regards the proportion of complaints that are justified – i.e. the number of cases in which the Bank finds the supervised entity to be in breach of its obligations – **almost 25% of the complaints made to the Bank in 2020 were assessed to be justified.** In 282 cases, representing 56% of the justified complaints, the supervised entity rectified the breach voluntarily after being asked by the Bank to do so. Compared with the previous year, that share was higher by eight per-



centage points. The consumers who made the complaints resolved in this way were repaid €460,000 by the financial institutions concerned, which was 12% more than the corresponding figure for the previous year.

Unjustified complaints are generally an indicator of lower financial literacy (in the case of three-quarters of the unjustified complaints in 2020, the problem was either that the customer had misunderstood the contract or the nature of the financial product or that the product was not what the customer had expected).

Out of the total number of justified complaints, the share resolved by the financial institution itself at the Bank's request typically ranges between 50% and 60%. A more detailed summary of the number of complaints and the proportion of justified complains is given in Table 5.

Table 5: Summary of complaints in regard to justification and voluntary rectification

Source: NBS.

Complaints made in 2020 (situation as at 31 December)	Number of complaints in total	Complaints being handled	Justified complaints	
			without rectification	with rectifications
Banking	**773**	**76**	**52**	**107**
current accounts	309	37	15	42
consumer credit	200	18	16	25
other (banking sector)	147	11	11	25
housing loans	117	10	10	15
Insurance sector	**825**	**130**	**143**	**153**
non-life insurance – MTPL and windscreen	367	44	73	73
non-life insurance – civil liability	42	10	7	4
personal insurance	195	46	31	39
non-life insurance – comprehensive motor insurance	107	8	17	25
non-life insurance – property	87	19	12	8
non-life insurance – other	27	3	3	4
Non-bank lenders	**188**	**24**	**22**	**9**
consumer credit	117	21	12	5
debt collection companies	36	3	10	4
other (outside the scope of NBS)	35	0	0	0
Other [1)]	**137**	**3**	**1**	**1**
Capital market	**58**	**8**	**2**	**3**
Supplementary pension scheme (third pillar)	**11**	**2**	**0**	**4**
Financial agents	**23**	**5**	**1**	**5**
Total	**2,015**	**248**	**221**	**282**

Note: [1)] This category includes complaints where it was not possible to identify the institution (bank/non-bank lender) or the type of loan (consumer loan/housing loan).

The Bank receives a large number of complaints about windscreen insurance claims. The persisting problem of such claims being made under motor third party liability (MTPL) insurance needs to be addressed by an amendment to the MTPL Act. On this matter, to ensure that claims for windscreen damage are settled more smoothly, the Bank has initiated discussions with the Ministry of Finance in 2020.

By contrast, the Bank receives few complaints about financial agents. This may be surprising given that most insurance contracts are concluded through agents and that as much as 60% of new housing loan business is arranged through agents.[11]

The number and breakdown of complaints made in 2020 was partly affected by the COVID-19 pandemic.

Of the total number of complaints made to the Bank in 2020, almost 8% (153) were related to the pandemic crisis. A more detailed summary of these complaints is given in Table 6.

The pandemic crisis brought an increase in the number of online scams, which was reflected in a higher number of consumer complaints about the misuse of payment data. In this regard, the Bank identified a special type of phishing scam in which fraudsters managed to misuse customers' payment data.

Table 6: Summary of pandemic-related complaints

Financial institution	Subject matter of complaint					Total
	Consumer loan	Housing loan	Phishing	Travel insurance	Other	
Banks	42	32	8	0	24	**106**
Non-bank lenders	7	0	0	0	3	**10**
Insurers	0	0	0	15	0	**15**
Not stated	4	5	0	0	13	**22**
TOTAL	**53**	**37**	**8**	**15**	**40**	**153**

Source: NBS.

In the area of travel insurance, the Bank received 15 complaints about insurers either not paying claims or not reimbursing the insurance premium following the pandemic-related cancellation of a trip. In ten of these cases, the insurer resolved the complaint at the Bank's request. In 2020 the Bank actively participated in discussions about transferring insurance for trips that were postponed in 2020 because of the pandemic.

[11] See page 44 of the Bank's Financial Stability Report, May 2020.

3.3 Sanctions in brief

A total of eight NBS decisions concerning financial consumer protection took effect in 2020. In accordance with the Financial Market Supervision Act, the Bank publishes such decisions on its website only when they are valid and enforceable.

3.3.1 Consumer loans – unfair commercial practices

Under an NBS supervision decision that became valid and enforceable on 3 March 2020, a supervised entity – KRUK Česká a Slovenská republika, s.r.o., organizačná zložka – was assessed to have engaged in an unfair commercial practice by misinforming consumers about the amount of their debt and was fined €10,000 for doing so.

3.3.2 Insurance sector – unfair commercial practices and unfair terms

This part provides information about final sanction decisions against seven insurers which took effect in 2020 and followed interim measures issued in 2019 against the same supervised entities. All the decisions concerned insurers that had unilaterally increased policy premiums on grounds of the introduction of an insurance tax. Because the information they sent to policyholders about the increase included incorrect information about the price of the insurance, the insurers were assessed to have committed a misleading action constituting an unfair commercial practice. In setting the level and type of sanction, the Bank took account of whether the insurer voluntarily refrained from pursuing the increase before the sanction proceedings commenced as well as whether, before the proceedings were concluded, it had begun to redress the identified shortcoming or to actively cooperate in clarifying the situation.

The decisions were issued against Union poisťovňa, a.s., ČSOB Poisťovňa, a.s., KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Generali Poisťovňa, a.s., UNIQA poisťovňa, a.s. and Poštová poisťovňa, a.s. The fines imposed thereunder ranged between €10,000 and €100,000.

B 4 Issuing activity and cash circulation

more than
235 million
euro banknotes in the Bank's cumulative net issuance

more than
917 million
euro coins in Slovakia's cumulative net issuance

almost
231 million
banknotes processed by NBS

177 million
euro coins processed by the Bank

6
precious metal collector coins issued by the Bank

17,523
counterfeit euro banknotes and coins recovered in Slovakia

B 4 Issuing activity and cash circulation

2020 saw a year-on-year increase in euro cash issuance growth and a rise in the number of counterfeit banknotes and coins withdrawn from circulation in Slovakia

4.1 Cumulative net issuance developments

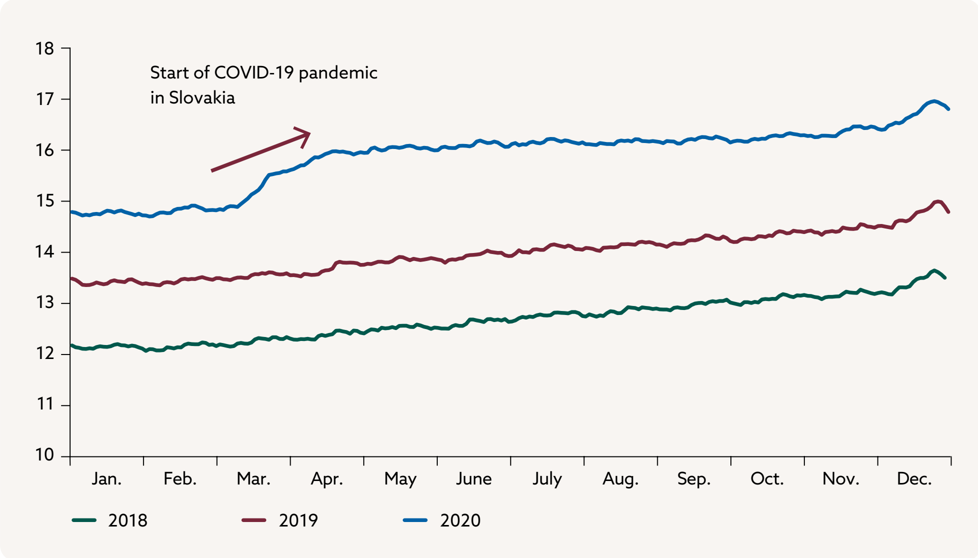
Euro cash issuance growth was higher in 2020 than in the previous year

In 2020 cash circulation in Slovakia was affected by the COVID-19 pandemic crisis, which when it broke out in March triggered a brief surge in euro cash issuance. Immediately after Slovakia reported its first case of COVID-19, it saw increasing demand for euro banknotes, mainly for the €200 and €100 denominations. As a result, the cumulative net issuance (CNI)[12] of euro in Slovakia increased by €0.8 billion during March. In subsequent months, the CNI maintained a steady trend. Once the cash started to be returned from circulation to Národná banka Slovenska, cash circulation stabilised. Despite a year-on-year reduction in the volume of the cash cycle (the volume of cash issued and returned from circulation), the value of the CNI of euro in Slovakia in 2020 represented a year-on-year increase of 13.2% (€1.96 billion). The impact of the pandemic on the CNI is shown in Chart 29.

[12] Since euro banknotes and euro coins in circulation in Slovakia include banknotes and coins issued in other euro area countries, Národná banka Slovenska does not record the actual value and volume of currency in circulation, but only that of euro banknotes and euro coins which NBS itself has put into and withdrawn from circulation. The cumulative net issuance as at 31 December 2020 means the difference, in value or volume terms, of euro banknotes and coins put into and withdrawn from circulation between 1 January 2009, when Slovakia joined the euro area, and 31 December 2020.

Chart 29: Cumulative net issuance of euro cash on a daily basis (EUR billions)

Source: NBS.



The CNI of euro banknotes and coins in Slovakia had a total value of **€16.75 billion** as at 31 December 2020, with banknotes accounting for €16.54 billion of that amount. The CNI converted into the former Slovak koruna currency passed the "magic" 500 billion koruna level in December 2020 and was three times higher than the value of Slovak koruna cash in circulation just before Slovakia adopted the euro (on 1 January 2009). More detailed data on the issuance of euro banknotes and coins in Slovakia is provided in Table 7.

Table 7: Composition of the cumulative net issuance of euro banknotes and coins

Source: NBS.

Denomination	Cumulative net issuance as at 31 December 2020		Annual net issuance in 2020		Annual percentage change	
	number	value (EUR)	number	value (EUR)	volume	value (EUR)
€500	7,126,561	3,563,280,500.00	-624,422	-312,211,000.00	-8.06	-8.06
€200	4,950,601	990,120,200.00	2,662,562	532,512,400.00	116.37	116.37
€100	84,436,020	8,443,602,000.00	15,908,613	1,590,861,300.00	23.21	23.21
€50	45,739,451	2,286,972,550.00	2,762,325	138,116,250.00	6.43	6.43
€20	36,851,806	737,036,120.00	-610,154	-12,203,080.00	-1.63	-1.63
€10	46,998,078	469,980,780.00	1,075,293	10,752,930.00	2.34	2.34
€5	9,356,720	46,783,600.00	176,979	884,895.00	1.93	1.93
Total banknotes	**235,459,237**	**16,537,775,750.00**	**21,351,196**	**1,948,713,695.00**	**9.97**	**13.36**
€2	67,686,263	135,372,526.00	3,332,355	6,664,710.00	5.18	5.18
€1	22,185,943	22,185,943.00	494,760	494,760.00	2.28	2.28
50 cent	30,727,114	15,363,557.00	594,673	297,336.50	1.97	1.97
20 cent	33,771,285	6,754,257.00	584,658	116,931.60	1.76	1.76
10 cent	75,636,142	7,563,614.20	4,335,597	433,559.70	6.08	6.08
5 cent	105,321,350	5,266,067.50	7,551,271	377,563.55	7.72	7.72
2 cent	227,540,146	4,550,802.92	15,305,884	306,117.68	7.21	7.21
1 cent	354,101,738	3,541,017.38	31,359,721	313,597.21	9.72	9.72
Total coins	**916,969,981**	**200,597,785.00**	**63,558,919**	**9,004,576.24**	**7.45**	**4.70**
Collector coins	585,758	11,596,165.00	50,223	921,185.00	9.38	8.63
Total value		**16,749,969,700.00**		**1,958,639,456.24**		**13.24**

According to the banknote allocation key agreed by the ECB's Governing Council, the Bank's cumulative share in the Eurosystem's production of euro banknotes amounted to €15.11 billion[13] as at 31 December 2020. The value of euro banknotes actually commissioned by the Bank as at that date exceeded the 'allocated' value by €1,425.2 million.

Looking at euro banknotes in Slovakia in average per capita terms, their number and value in 2020 were 41.27 and €2,877. For coins (including collector coins), the corresponding figures were 162 and €38. For banknotes and coins together, their average per capita[14] value was €2,915.

4.1.1 Europa series banknotes in circulation were used not only as a store of value but also for transaction purposes

All denominations[15] of the second series of euro banknotes – the Europa series (ES2) – were already in circulation by the start of 2020. During the period under review, Europa series banknotes increased as a share of the total number of processed banknotes, which indicates that they were used not only as a store of value but also for transaction purposes.

4.1.2 Unredeemed Slovak koruna banknotes and coins

As at 31 December 2020, i.e. twelve years after Slovakia adopted the euro, unredeemed Slovak koruna banknotes totalled 18.69 million (including 10.02 million 20 koruna banknotes). Their combined face value was around SKK 2.12 billion (€70.2 million). The face value of unredeemed Slovak koruna banknotes was only around 1.39% of the total value of koruna banknotes issued (by 31 December 2007). The number of unredeemed Slovak koruna commemorative coins stood at 0.9 million by the end of 2020, and their total face value was SKK 0.7 billion.

In per capita terms, koruna banknotes unredeemed by the end of 2020 numbered 3.4 and had a face value of SKK 387.2. The SKK 20 denomination was the most numerous of these banknotes, at almost 1.8 per capita. The koruna banknotes redeemed in 2020 numbered 30.6 thousand and had

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[13] The value of euro banknotes in circulation throughout the euro area as at 31 December 2020 was €1,434.5 billion, and the Bank's share in that amount according to the banknote allocation key was 1.0535%.

[14] The population of Slovakia was 5,464,060 million as at 30 September 2020, according to the Statistical Office of the Slovak Republic. The calculations used the average number and average value of euro banknotes and euro coins in the CNI in 2020.

[15] Not including the €500 denomination, which was part of the first series of euro banknotes and is no longer produced.

a combined face value of SKK 18.5 million (€0.61 million). Compared with 2019, the number and value of Slovak banknotes redeemed in 2020 were lower by, respectively, 34.8 %% (16.4 thousand banknotes) and 31.8% (SKK 8.6 million).

4.2 Production of euro banknotes and coins

The Europa series banknotes whose production was commissioned by the Bank in 2020 comprised €20 banknotes in the following amounts:

1) 76.52 million banknotes produced by Bundesdruckerei GmbH in Germany;

2) 50 million banknotes produced by Oberthur Fiduciaire SAS in France (this production was commissioned in response to the Eurosystem's need for additional supplies of €20 banknotes).

The banknotes were produced and delivered in the stipulated volume during the course of 2020.

The additional production and deliveries in 2020 were commissioned in response to an urgent ECB request (and its subsequent approval by the NBS Bank Board on 12 May 2020) to have the production of 50 million €20 banknotes brought forward from 2021 to 2020. A total of 37.60 million of these banknotes were delivered by 31 December 2020, and the remaining 12.40 million will be delivered in the first quarter of 2021.

In 2020 the Bank also commissioned the production of 114.5 million euro coins intended for circulation, including five different denominations (Table 8).

Table 8: Euro coins intended for circulation – deliveries to NBS logistical stocks in 2020

Denomination	Number of coins delivered [1]
€2	3,106,500
10 cent	12,109,600
5 cent	16,482,000
2 cent	25,094,000
1 cent	57,674,500
Total	**114,466,600**

Source: NBS.

Note: [1] The number delivered includes a contractual tolerance of +5%.

All the Slovak euro coins commissioned by NBS are produced by the state-owned Kremnica Mint (Mincovňa Kremnica). Those minted in 2020 included 28,100 coins of each denomination that were used in seven annual collector sets of Slovak euro coins.

In 2020, in accordance with its issuance schedule for commemorative and collector euro coins, NBS also issued:
- six euro collector coins, including five struck in silver and one in gold (Table 9);
- one million €2 commemorative coins marking the 20th anniversary of the accession of the Slovak Republic to the Organisation for Economic Co-operation and Development (OECD); the coins started circulating on 11 November 2020.

Table 9: Collector coins issued by the Bank in 2020

Source: NBS.

Denomination	Feature	Number of coins issued		NBS Notification of coins issuance
		Total	of which proof	
€10 [1]	100th anniversary of the Slovak National Theatre	11,300	8,200	No 416/2019
€10 [1]	200th anniversary of the birth of Andrej Sládkovič	9,150	6,350	No 10/2020
€10 [1]	300th anniversary of the birth of Maximilian Hell	9,300	6,500	No 83/2020
€20 [1]	Poľana Mountains Protected Landscape Area	9,750	6,750	No 185/2020
€10 [1]	150th anniversary of the birth of Štefan Banič	9,200	6,450	No 220/2020
€100 [2]	Svätopluk II, Prince of Nitra	3,950	3,950	No 270/2020

Notes: [1] Silver collector coin. [2] Gold collector coin.

The Bank outsources the sale of commemorative and collector euro coins through contractual partners in Slovakia and abroad.

4.2.1 The Bank's processing of euro cash in 2020 was affected by the COVID-19 pandemic

Compared with the previous year, fewer euro banknotes and coins were returned to the Bank from circulation in 2020, owing mainly to the impact of pandemic containment measures (including the closure of businesses and services). In consequence, the number of euro banknotes and coins processed by the Bank was lower in 2020, as, by extension, was the number of euro banknotes and coins sorted as unfit. The average unfit rate for euro banknotes decreased to 15.3% in 2020 (from 15.7% in 2019). More detailed data on the cash cycle and the processing of euro banknotes and coins are provided in Table 10.

Table 10: Summary data on the cash cycle and on the Bank's processing of euro banknotes and coins (in millions, unless otherwise stated)

Source: NBS.

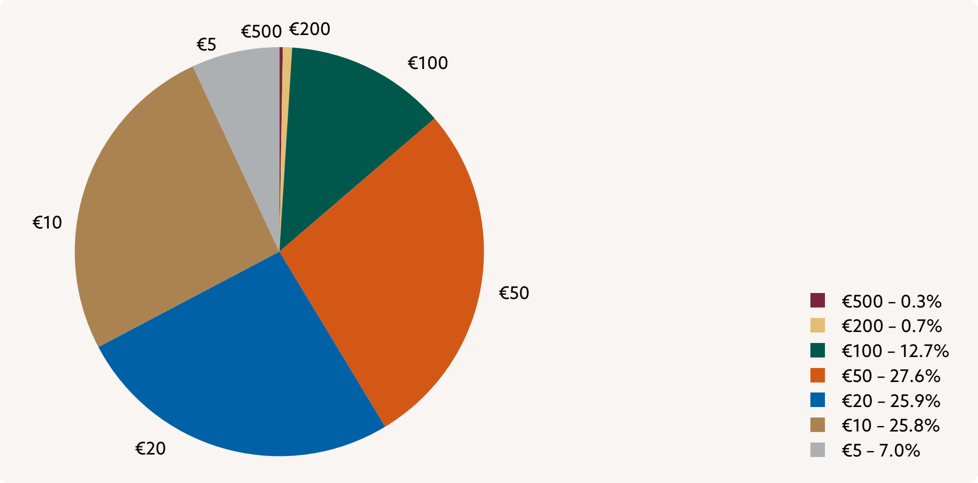
	Euro banknotes			Euro coins		
	2019	2020	Year-on-year change	2019	2020	Year-on-year change
Number issued	332.9	255.6	-23.2%	329.1	242.6	-26.3%
Number returned from circulation	311.7	234.3	-24.9%	254.4	179.0	-29.6%
Number processed	313.8	230.8	-26.4%	255.2	177.1	-30.6%
of which: ES2 banknotes	271.2	214.4	-20.9%			
Number sorted as unfit	49.3	35.2	-28.5%	0.177	0.175	-1.1%
of which: ES2 banknotes	21.5	18.9	-12.5%			
Number destroyed	49.3	36.3	-26.4%	0	0	x
of which: ES2 banknotes	21.5	18.9	-12.3%			
Unfit rate (percentage)	15.7	15.3	-0.4 p.p.	0.07	0.10	0.03 p.p.
Unfit rate for ES2 banknotes (percentage)	7.9	8.8	0.9 p.p.			

Note: The change in the unfit rate is shown in percentage points (p.p.).

The total number of banknotes returned to the Bank in 2020 was approximately 1.5 times higher than the average number of banknotes in the annual CNI for the year. This means that, on average, each euro banknote issued by the Bank was returned to it once every eight months[16]. In this way, the Bank checks the authenticity and fitness for circulation of returned banknotes, with the aim of maintaining the integrity of the currency and strengthening public confidence in euro banknotes.

The €50 banknote, among the most used euro banknotes in circulation, was again the most frequently processed denomination in 2020 (Chart 30).

Chart 30: Denominational breakdown of euro banknotes processed by the Bank in 2020

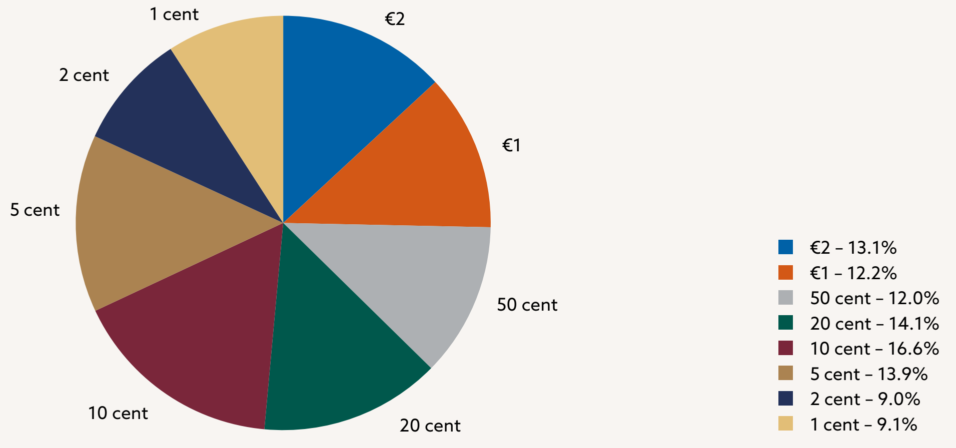


Since coins have a longer lifespan than banknotes, only 175 thousand of the 177.1 million euro coins processed in 2020 were sorted as unfit. Looking at

[16] Some cash is kept out of circulation and is therefore not returned to the Bank for processing.

each euro coin denomination in terms of the share sorted by the Bank in 2020, the figures ranged from 9.0% to 16.6% (Chart 31). The 1 and 2 cent denominations recorded the largest year-on-year decreases in the number of coins processed, owing to a further decline in the number of these coins returned from circulation.

Chart 31: Denominational breakdown of euro coins processed by the Bank in 2020



The processing and recirculation of euro banknotes and coins is performed not only by the Bank, but also by commercial banks and other cash handlers which the Bank has authorised. The activities of these cash handlers are subject to the Bank's regular supervision.

4.3 Counterfeit banknotes and coins recovered in Slovakia

A total of 17,584 counterfeit euro banknotes and coins were recovered in Slovakia in 2020, approximately five times more than were recovered in 2019 (Table 11). The sharp rise was accounted for by the seizure of 15,002 counterfeit euro banknotes in a single police operation, before the notes entered circulation.

Table 11: Number of counterfeit banknotes and coins recovered in Slovakia

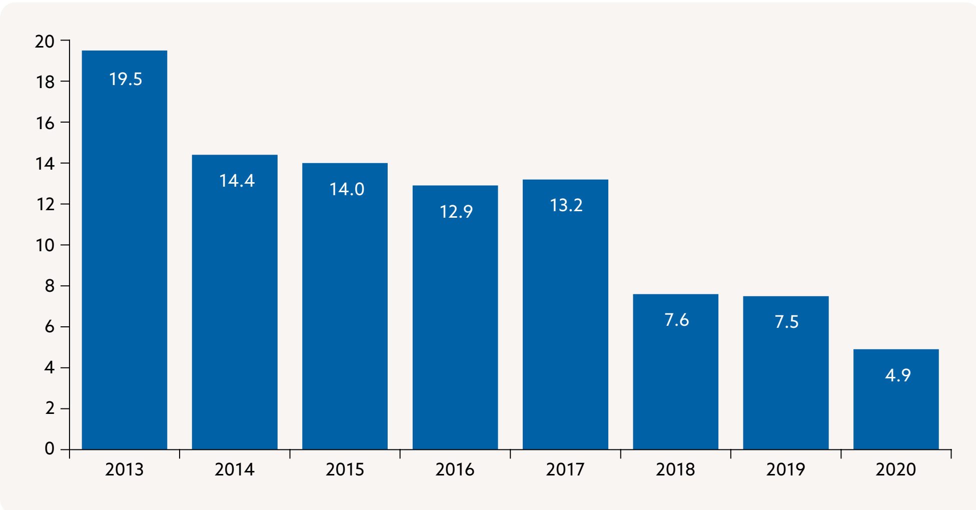
Year	Euro	Slovak koruna	Other currency	Total
2018	2,720	5	82	2,807
2019	3,391	1	46	3,438
2020	17,523	0	61	17,584

Of the total number of counterfeits recovered in 2020, only 13.8% were recovered by banks, foreign bank branches and professional cash handlers. The rest (86.25%) were seized by police before entering circulation.

Of the total number of counterfeit banknotes and coins recovered in Slovakia in 2020, nearly all –17,523 – were euro counterfeits (including 16,294 notes and 1,229 coins). Of the 16,294 counterfeit euro banknotes, only 1,145 were recovered from circulation, which was the lowest number since Slovakia adopted the euro in 2009. Relative to the number of genuine euro banknotes in circulation in Slovakia, the proportion of counterfeits in 2020 was approximately 4.9 parts per million, and the corresponding figure for euro coin counterfeits was 1.34. The chances of individuals coming across a counterfeit euro banknote or coin are therefore low.

Leaving aside the isolated case of one exceptionally large seizure of counterfeit euro banknotes in 2020 (accounting for 85% of the total), the number of euro counterfeits recovered in Slovakia has been low for many years. This is particularly true of the number of counterfeit euro banknotes recovered from circulation, which has averaged between 120 and 150 per month.

Chart 32: Number of counterfeit euro banknotes per million genuine euro banknotes in circulation in Slovakia (parts per million)



Source: NBS.

The number of counterfeit euro coins recovered in Slovakia in 2020 fell by around one-fifth, year on year, to 1,129. All the coins were recovered from circulation. The number of counterfeit euro coins has been gradually decreasing in recent years.

As for euro coin counterfeits, 85% of those recovered in 2020 were counterfeit €2 coins; 7.7%, 50 cent coins; and 7.3%, €1 coins. In recent years, the recovered counterfeits have included more 50 cent than €1 denominations, reflecting the fact that the lower denomination is easier to counterfeit than the higher denomination, which is bimetallic and has a magnetic inner part.

No Slovak koruna counterfeits were recovered in 2020, while the foreign currency counterfeits comprised 39 US dollar counterfeits (all of the USD 100 denomination), 21 British pound counterfeits (mostly of the GBP 20 denomination) and one Czech koruna counterfeit (the CZK 2,000 denomination).

B 5

Payment services and payment systems

146,000
TARGET2-SK transactions

more than
261 million
SIPS transactions

2
payment systems

561 million
payments with cards issued by domestic banks

almost
€194
– the average amount of ATM withdrawals

B 5

Payment services and payment systems

The long uptrend in cashless payments by consumers became notably more pronounced in 2020. The same year also saw the modernisation of the SIPS retail payment system come to completion

5.1 Payment services

The principal legislation governing payment services and payment systems in Slovakia is the Payment Services Act (No 492/2009), which transposes into Slovak law the European Union's Second Payment Services Directive (PSD 2) of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC. The Payment Services Act includes provisions on the out-of-court resolution of disputes through alternative dispute resolution bodies.

Further components of the legal framework include two decrees of Národná banka Slovenska: Decree No 8/2009 laying down the structure of domestic and international bank account numbers and details about the issuance of an identifier code converter; and Decree No 6/2013 on direct debit creditor identifiers and the register of direct debit creditor identifiers.

5.2 Payment systems in Slovakia

5.2.1 TARGET2 and TARGET2-SK – new functional elements

Since 2009 Národná banka Slovenska has been operating the TARGET2[17] component system known as TARGET2-SK (T2-SK). Besides ensuring the

[17] STARGET stands for Trans-European Automated Real-time Gross settlement Express Transfer system: the Eurosystem's real-time gross settlement system for the euro. The first-generation TARGET system was replaced by TARGET2 in May 2008.

day-to-day operation of T2-SK, the Bank 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.

Apart from TARGET2, there are two other components of the Eurosystem's Target Services: TARGET2-Securities (T2S) and TARGET Instant Payment Settlement (TIPS).

Following discussions with TARGET2 participants, the ECB decided in 2020 to extend the timeline of the T2-T2S consolidation project by one year because of the pandemic crisis. The project, which aims to develop new services for participants in the areas of liquidity management and real-time gross settlement (RTGS) services and to adapt existing services, is now due to go live on 21 November 2022. Also in 2020, the European Commission adopted a retail payments strategy for the EU, and the ECB's Governing Council took steps to ensure the pan-European reach of TIPS.

5.2.2 Payments processing in TARGET2-SK – with some new participants

The number of T2-SK participants increased from 36 at the end of 2019 to 39 in 2020. They comprised 34 direct participants and the following five ancillary systems: the Slovak Interbank Payment System; SIA Slovakia, s.r.o., and three central securities depositories (CSDs) – Centrálny depozitár cenných papierov SR, a.s., Národný centrálny depozitár cenných papierov, a.s., and the Prague-based Centrální depozitář cenných papírů, a.s. The three new participants were TRINITY Bank, a.s., PPF Banka, a.s., and Centrální depozitář cenných papírů, a.s.

As Charts 33 and 34 show, in 2020 T2-SK processed more than 146,063 transactions with a total value of around €900 billion. Compared with 2019, T2-SK traffic fell in number by more than 11% (18,056 transactions) but increased in value by 49% (more than €297 billion).

T2-SK had 257 operating days in 2020, and its average daily traffic by number and value was 578 transactions and almost €3.5 billion.

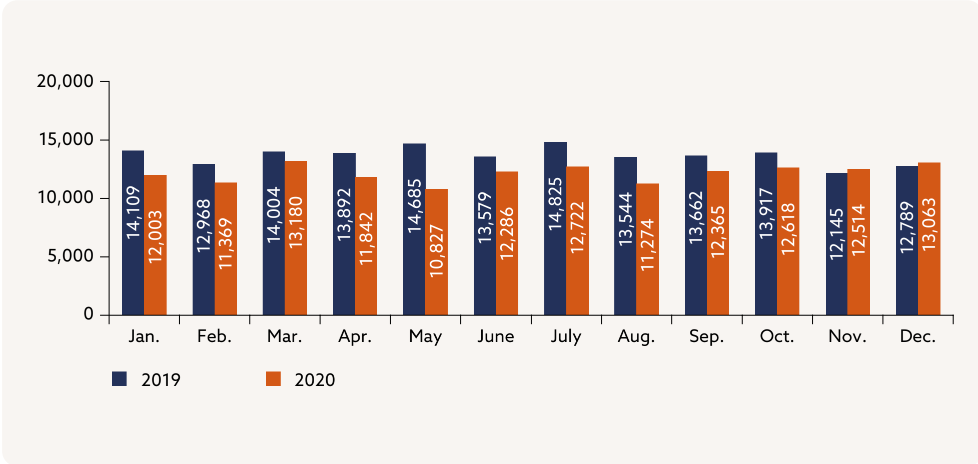


Chart 33: Number of transactions processed by T2-SK in 2019 and 2020

Source: NBS.

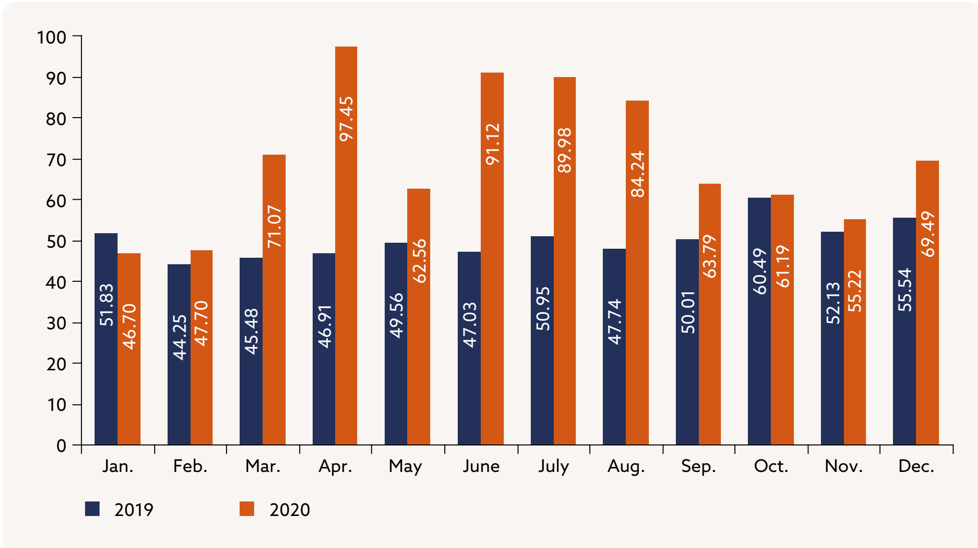


Chart 34: Value of transactions processed by T2-SK in 2019 and 2020 (EUR billions)

Source: NBS.

The breakdown of payment traffic between customer and interbank transactions followed the same pattern in 2020 as in previous years: customer payments had the higher share by number (59:41) and interbank payments predominated in terms of value (4:96).

The number of EU national central banks connected to TARGET2 remained unchanged in 2020, at twenty-four. Of the total number of payments sent by T2-SK participants in 2020, 45% were domestic and 55% were cross-border. Domestic payments accounted for 57% of the total value of payments, and cross-border payments for 43% (see Charts 35 and 36).

Chart 35:
Number of payments sent by T2-SK participants in 2020 broken down by destination (percentages)

Source: NBS.

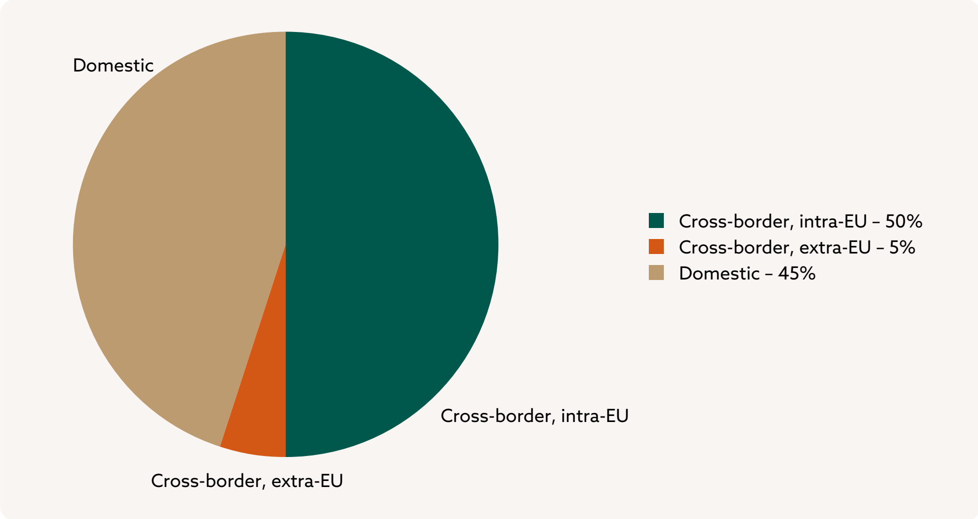
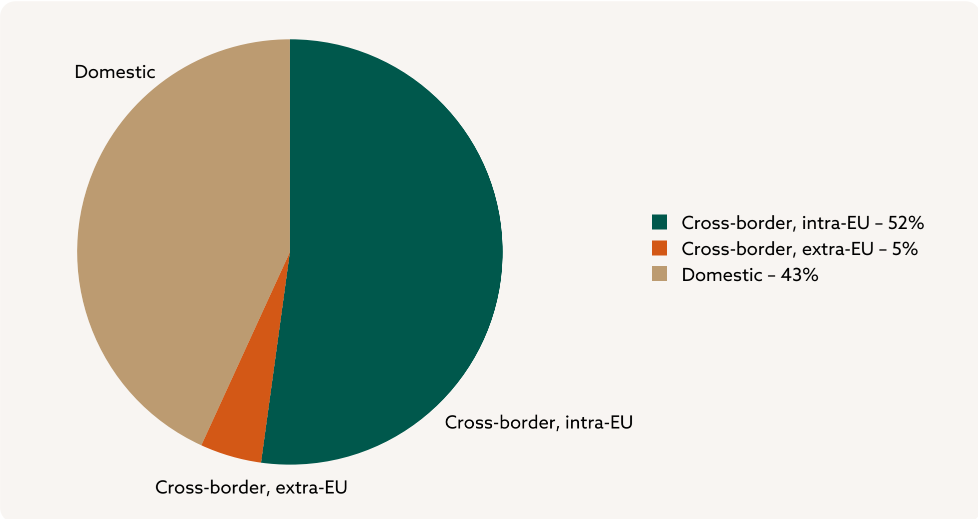


Chart 36:
Value of payments sent by T2-SK participants in 2020 broken down by destination (percentages)

Source: NBS.



5.2.3 The Slovak Interbank Payment System (SIPS)

Successful completion of SIPS modernisation

Operated by Národná banka Slovenska, the SIPS retail payment system processes domestic and cross-border SEPA credit transfers (SCTs) and SEPA direct debits (SDDs). As regards SCTs and SDDs sent to payment service providers that are not SIPS participants, Národná banka Slovenska ensures their processing through STEP2, a pan-European automated clearing house in which it is a direct participant.

SIPS processes and clears the payments of its participants over four clearing cycles on each business day. Since SIPS is a T2-SK ancillary system, the final cash positions after each cycle undergo final settlement in T2-SK.

In 2020 the Bank completed the upgrading of the SIPS clearing centre. The new clearing centre module is based on modern information technology and began operating on 31 July 2020. In the same year work began on making modifications to SIPS as part of the preparations for the T2-T2S consolidation project, which is due to go live in 2022.

Another task of the Bank is to issue creditor identifiers to creditors wishing to initiate SEPA direct debits. Such creditors may be natural or legal persons. All the creditor identifiers are recorded in a register that the Bank has maintained since 2013. From that year to the end of 2020, the Bank issued a total of 537 creditor identifiers.

Increase in number of transactions processed by SIPS

The number of SIPS participants increased from 25 at the end of 2019 to 27 in 2020, as two foreign payment service providers joined the system.

In 2020 SIPS processed more than 261.48 million transactions with a total value of €277,696.19 million (the monthly breakdowns of these figures are shown in Charts 37 and 38). Compared with the previous year, the number of transactions increased by 3.8%, but the value of transactions fell by 1.2% after previously being on an uptrend.

Chart 37: Number of transactions processed by SIPS in 2019 and 2020 (millions)

Source: NBS.

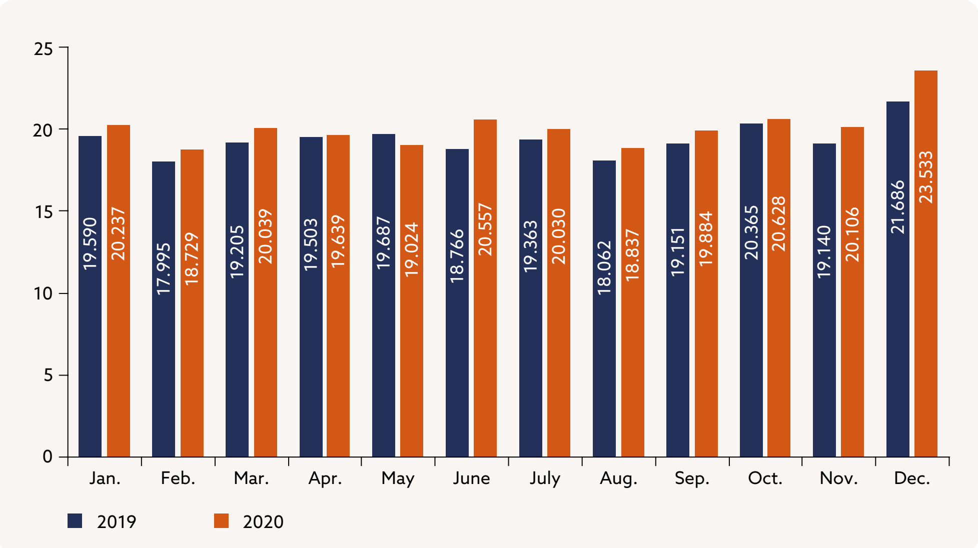
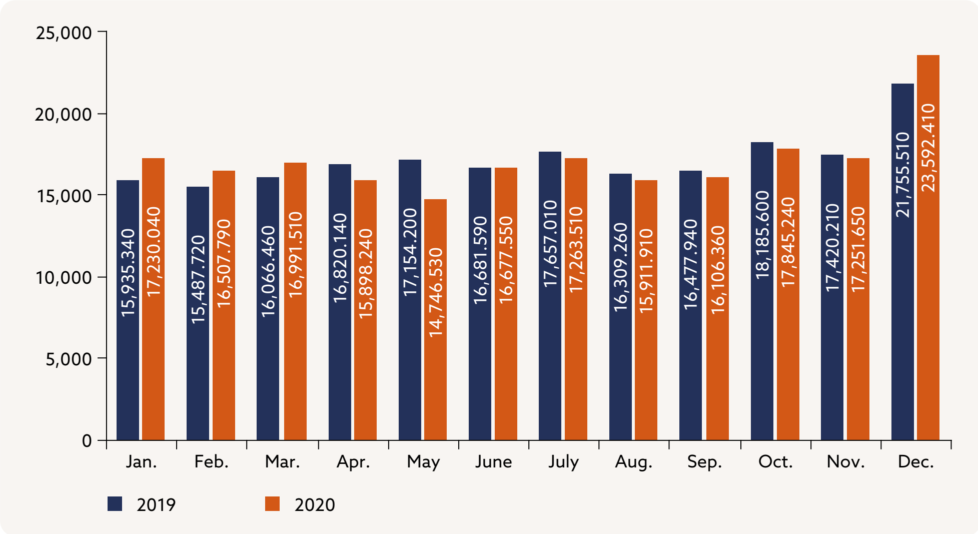


Chart 38: Value of transactions processed by SIPS in 2019 and 2020 (EUR millions)

Source: NBS.



The share of cross-border transactions in the total number of transactions processed by SIPS in 2020 was 7.7%, the same as in 2019, while the share of cross-border transactions in the total value of SIPS transactions was almost 1% lower in 2020 than in the previous year, at 25.88%.

As regards the breakdown of overall SEPA transactions between credit transfers and direct debits, credit transfers predominate in terms of both number (93.43% versus 6.57% in 2020) and value (99.4% versus 0.6%).

5.2.4 Payment cards

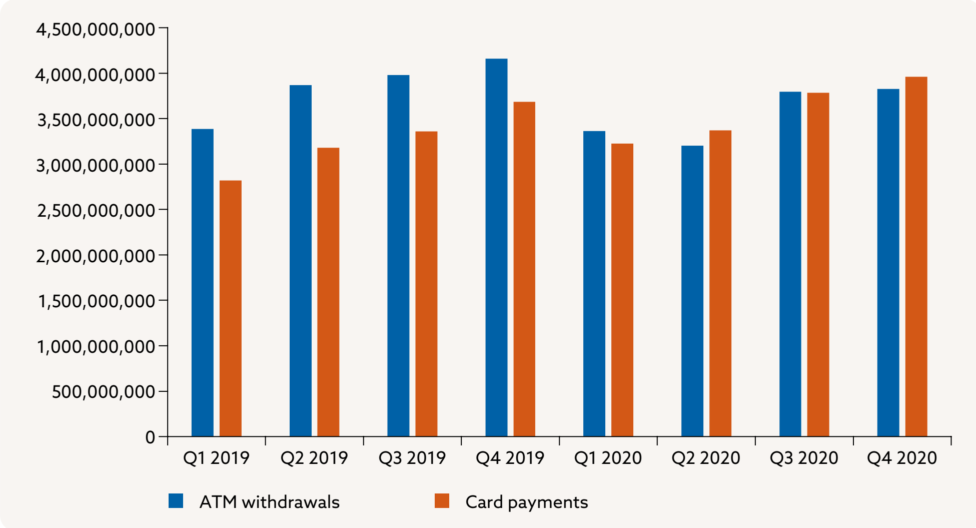
Payment card issuance

The number of valid payment cards issued by banks in Slovakia stood at 5,513,916 at the end of 2020, representing a year-on-year increase of almost 3.6%. The vast majority of these cards were either VISA or MasterCard cards, and virtually all (99.56%) of them featured contactless technology.

The usage of domestically issued payment cards changed in 2020 owing to the impact of pandemic-related lockdowns and business closures. This was seen in the second and fourth quarters of the year, when the value of card payments surpassed the value of ATM withdrawals (Chart 39). This represented a significant shift in cardholder behaviour, with cards being used more for contactless merchant payments than for ATM withdrawals.

Chart 39: Value of ATM withdrawals and card payments in 2019 and 2020

Sources: Banks and foreign bank branches.



This trend also appeared in the total value of transactions in 2020.

In 2020 the number of ATM withdrawals made in Slovakia with domestic bank-issued payment cards stood at more than 73 million, and the total amount of these withdrawals was €14.2 billion. Compared with the previous year, these figures were lower by 21.3% and 7.8% respectively. The average amount of withdrawals increased by 17%, year on year, to €193.9.

Payment cards issued in Slovakia were used to make almost 561 million payments in 2020, either at point-of-sale (POS) terminals or to online merchants. The total value of these payments was almost €14.34 billion. Compared with the previous year the number and value of POS/e-commerce[18] payments increased by 4.7% and 9.9% respectively. The average amount of card payments rose by 5%, to €25.6.

The total number of ATM withdrawals made up 12% of all payment card transactions, while card payments accounted for more 50% of the value of transactions.

The total number of mobile payments based on domestically issued payment cards increased from 13.6 million in 2019 to 36.6 million in 2020, and the total value of such transactions surged from €262 million to more than €781 million. The tendency to use mobile payments for lower-value transactions was again evident in 2020 – the average value of mobile payments was €21.53 (€19.25 in 2019).

[18] The term "e-commerce" refers to the sale or purchase of goods or services through electronic transactions conducted via the internet or other computer-mediated networks.

Payment card acceptance affected by cardholder behaviour

The number of automated teller machines (ATMs) in Slovakia at the end of 2020 was unchanged year on year, at 2,778. A shift in cardholder behaviour was also apparent in regard to the usage of cards in the ATM and POS terminal networks. Given the decline in the need for cash, the number and value of ATM withdrawals decreased year on year. The total number of ATM withdrawals, 74.7 million, was down by 20.4%, and their total value, €14.4 billion, was 7% lower. But while cardholders were using ATMs less often, the average value of their withdrawals increased to almost €193 (from €165 in 2019). The total value of ATM deposits almost doubled in 2020, to €3.6 billion (from €1.9 billion).

By the end of 2020 there were 62,836 POS terminals operating in Slovakia and a total of 5,088 domestically based merchants that accepted e-commerce card payments – 1,445 more than did so at the end of 2019.

A total of 384 million card payments were made to brick-and-mortar and online merchants in 2020, representing a year-on-year decline of 2.23%, while the total value of these payments increased by 6.22%, to €9.1 billion. Looking at the combined payment card usage for POS/e-commerce payments and ATM withdrawals, POS/e-commerce payments accounted for 83.72% of the total number of transactions and for 38.86% of the total value.

A change in cardholder behaviour was also seen in the area of online shopping, with the number of transactions increasing by 1.3% and the value of transactions increasing by 0.7%. A total of 23.6 million e-commerce card payments were made in Slovakia in 2020, and their total value was almost €0.88 billion.

5.3 Cooperation with international financial institutions

Financial market harmonisation

The Eurosystem continued its financial market harmonisation process in 2020, building on the previous year's results. It started monitoring the state of the implementation of approved standards in national markets. In this process, the main implementing actors are the central securities depositories (CSDs) and triparty agents (TPAs) which in 2019 submitted Adaptation Plans to the Eurosystem. The first monitoring round was launched in March 2020. The Eurosystem is monitoring the implementation phase not only at CSDs and TPAs, but also at other capital market participants. According to the results of the first monitoring round, the implementation milestones were being met in accordance with the original plan.

B

6 Statistics

110,258
unique statements received from reporting agents

127,053
statements received from reporting agents

4,234
reporting agents registered in the Statistics Collection Portal

1,168
new reporting templates were produced

B 6 Statistics

Národná banka Slovenska develops, collects, compiles and disseminates a wide range of statistics, which include data on financial and non-financial entities. The statistics are used not only by internal users at the Bank, but also by financial market participants, public sector entities, the media, and the general public.

6.1 Statistical developments

Statistical developments in 2020 were affected by the impact of the pandemic crisis and included preparations for a new reporting system and the regular compilation of the required types of statistics.

In connection with the outbreak of the COVID-19 pandemic, several countries introduced instruments to mitigate the economic and financial impact of the pandemic on households and firms. Loan moratoria have been one of the most frequently used instruments among euro area countries. The moratoria have also become a focus of attention of monetary policy analysis, since they may affect loan growth rates by increasing the volume of outstanding loans to higher than "standard" levels.

In April 2020 Národná banka Slovenska launched a monthly survey of a sample of households and non-financial corporations (NFCs)[19] to collect information on the volume of household loans and NFC loans under moratoria.

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[19] Since April 2020 the European Central Bank (ECB) has required reporting of the outstanding amount of loans that are subject to moratoria introduced in connection with the COVID-19 pandemic. In the case of the NBS survey, the data sources were 12 banks (the most significant by lending volume) and two registers – the Register of Bank Loans and Guarantees (RBUZ) and the Slovak Credit Bureau (CRIF) register. The data were collected only for loans that were under moratoria introduced pursuant to Section 30b of Act No 67/2020 on certain extraordinary financial measures in relation to the spread of the dangerous contagious human disease COVID-19 ("legislative moratoria").

Chart 40: Loans to non-financial corporations (S.11) (amount in EUR millions – left-hand scale; percentage share – right-hand scale)

Source: Statistics Collection Portal.

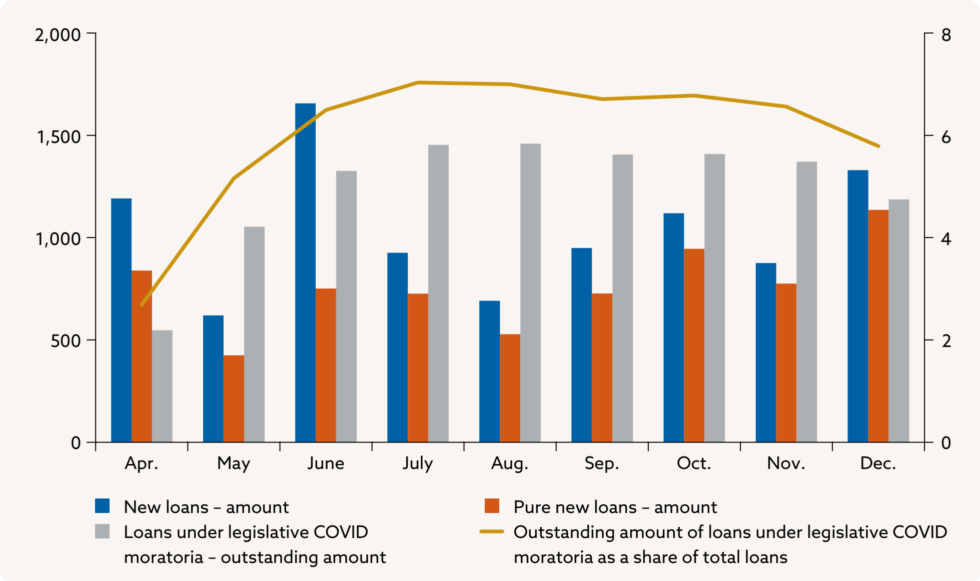
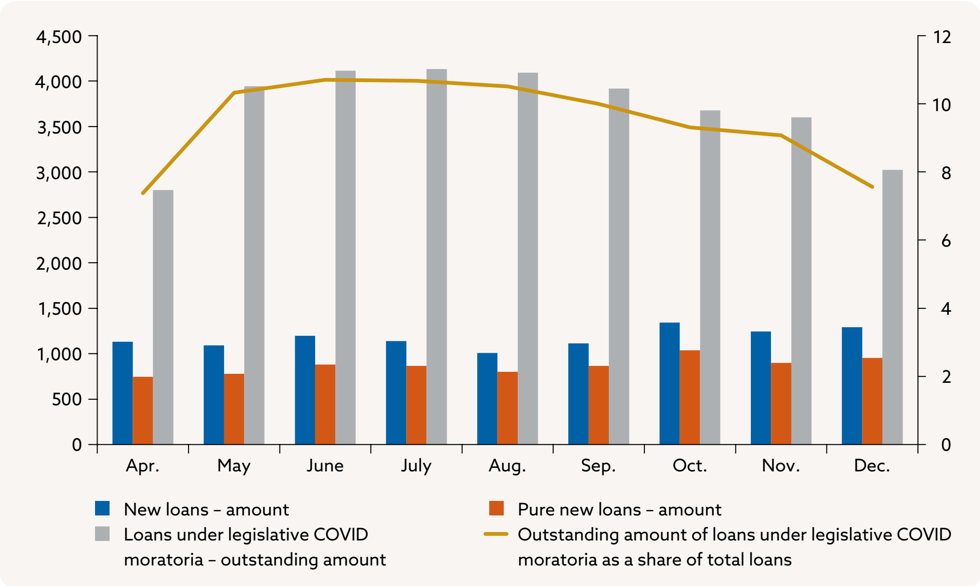


Chart 41: Loans to households (S.14+S.15) (amount in EUR millions – left-hand scale; percentage share – right-hand scale)

Source: Statistics Collection Portal.



In government finance statistics, two new tables on loans, currency and deposits (so-called LCD tables) were added in 2020, as was one table on measures to mitigate the impact of the COVID-19 pandemic.

Both the EU budget and national budgets faced a great challenge in 2020. The drop in tax revenue and surge in government expenditure caused by the worldwide pandemic led to the adoption of new instruments to support and revive economies – including, for example, the EU's temporary support to mitigate unemployment risks in an emergency (SURE) and its Recovery and Resilience Facility (RRF). The Bank cooperated with Slovakia's Ministry of Finance, Statistical Office and Council for Budget Responsibility in registering and properly recording the measures adopted to mitigate the effects of the pandemic.

Firm-level data from the individual Bank for the Accounts of Companies Harmonized (iBACH) database were the basis for an ECB study of the pandemic's economic impact.

From April 2020 there was an increase in the transmission frequency for data on liquidity in managed investment funds, asset management companies and investment firms.

The Integrated Reporting Framework

In order to ease the reporting burden on deposit-taking corporations, the ESCB has for several years now been working to integrate existing reporting requirements as far as possible into a unique and standardised Integrated Reporting Framework (IReF). Back in 2018 the ESCB, in close cooperation with the banking sector, began the IReF cost-benefit analysis in order to estimate the IReF's impact on individual entities and on the sector as a whole. On the basis of a qualitative survey, the ESCB proposed baseline scenarios for the IReF.

In late 2020 the ESCB began another IReF-related survey concerning the impacts of the proposed scenarios on individual market participants. The entities in Slovakia that have pledged to participate in the survey account for more than 90% of the banking sector´s overall balance sheet.

The survey is expected to provide the basis for a draft new ECB Regulation on statistical reporting, which will replace the existing regulations on various areas of statistical reporting.

Preparations for new reporting

Since the first data transmissions under the new ECB Regulation will not take place until 2022, Národná banka Slovenska, has decided on a broader change in reporting statements (switching from static statements to dynamic statements in which so-called semi-aggregated data are reported). The new reporting system will integrate reported balance sheet statistics and interest rate statistics together into a single source; it will incorporate financial accounts requirements and, to some extent, balance of payments requirements. The new reporting structure will eliminate reporting duplications and enable the transmitted data to be used for several purposes.

Balance sheet and interest rate statistics

For its part, the Bank has ended parallel reporting, so now only one new dynamic statement is submitted. For reported monetary and financial statistics, new intra-statement and inter-statement checks have been defined which help improve data quality.

Micro data on loans provided to natural persons will be used to conduct more in-depth analysis of statistical data for the household sector. The aim is to use micro data in the compilation of the macro data which the Bank, like other national central banks, is required to provide for purposes related to monetary policy, financial accounts, financial stability, and so on.

In 2020 the Bank saw the start of interdepartmental cooperation on the closer analysis of data reported in the Register of Bank Loans and Guarantees (RBUZ) for the ECB's analytical credit database (AnaCredit) and on comparing these data with reported balance sheet statistics. This comparison increased quality in both the statistical domains.

Securities

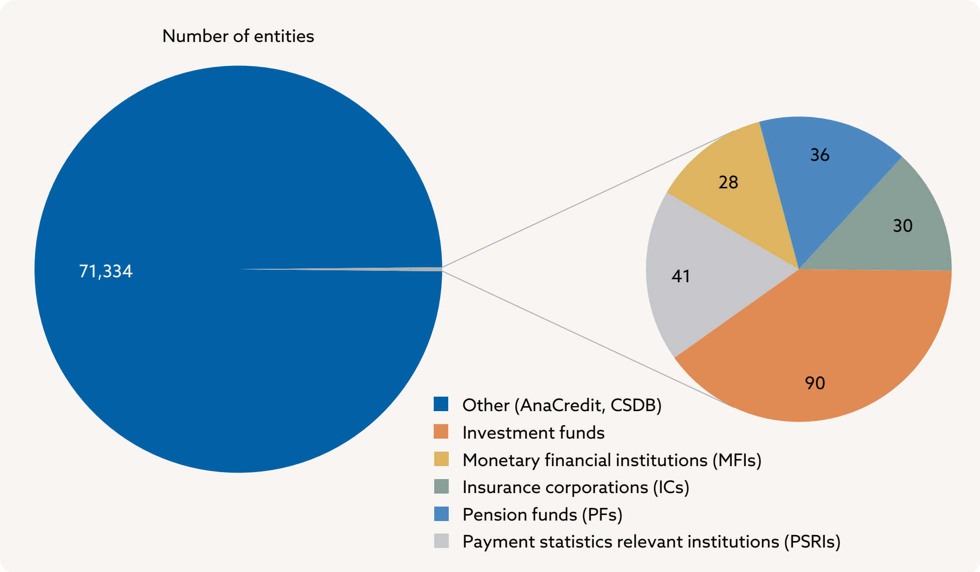
As regards the ESCB's two securities databases, the process of improving their data quality continued in 2020, as did central banks' development of related quality management systems. These databases, to which the Bank contributes data on a regular basis, are the Centralised Securities Database (CSDB) and Securities Holdings Statistics Database (SHSDB). By the end of the year, the ECB had completed preparations for the parallel compilation of securities statistics based on data stored in the CSDB. At present these data are still transmitted in aggregate form for comparison on a monthly basis. Projects and testing aimed at interconnecting the ECB's key databases continued in 2020. A project to connect the CSDB and SHSDB with the ECB's Register of Institutions and Affiliates Database (RIAD) was completed, and a project to connect them to AnaCredit was launched. The interconnection, consistency and comparability of the data in these databases is important for the production of detailed analyses of the financial market and financial stability.

Register of Institutions and Affiliates Database

By the end of 2020 the total number of entities recorded in RIAD stood at around 11 million, including more than 71 thousand residents of Slovakia.

Chart 42: Slovak residents in the RIAD system

Source: RIAD.



A new ECB Guideline on the recording of certain data by national competent authorities in the Register of Institutions and Affiliates Data entered into force in 2020. The Guideline establishes the obligations of NCAs with respect to the recording, maintenance and quality management of reference data in RIAD for the purposes of supervisory tasks, these data being closely related to the European Centralised Infrastructure for Supervisory Data (EUCLID) project. A significant milestone towards increasing the required quality of data was achieved in 2020 with the establishment of the comprehensive RIAD data quality report, which at present is generated automatically on a monthly basis. For Slovak residents in the RIAD system, almost 100% of the required attributes were recorded. Another important step in 2020 was the publication of the RIAD Reference Manual, a comprehensive source of methodological information and relations for users of the system. At the Bank, work began on producing a unique register of entities for all sectors of the economy, as an integral part of the discrete collection of micro data.

Government finance statistics

In 2020 the Bank twice transmitted data on government finance statistics to the ECB (comprising mainly revenue and expenditure, the debt and deficit, and their individual components). Around half of the data is the same as that transmitted by the Statistical Office of the Slovak Republic under the European System of Accounts transmission programme (ESA TP). At the same time, the Bank transmitted to the ECB on a quarterly basis three ESA TP tables that the SO SR sent to Eurostat. The number and specificities of the ECB's Eurostat's data requirements are increasing over time.

Non-financial corporations sector

As regards economic statistics for the non-financial corporations sector, proxied by contributions to the BACH or iBACH databases, the regular collection of data continued in 2020 alongside methodological activities and participation in ad hoc analyses.

For entities reporting through the Bank's Statistics Collection Portal which are subject to a reporting obligation under the Foreign Exchange Act, the scope of their reporting was expanded in 2020 to include new requirements of international institutions, mainly the ECB, concerning the compilation of balance of payments (b.o.p.) and international investment position (i.i.p.) statistics as well as concerning a "Questionnaire on the currency composition of non-resident assets and liabilities". The statistical reporting obligation for non-bank entities is governed by Slovakia's Foreign Exchange Act.

Household sector

Preparations for the fourth wave of the Eurosystem's Household Finance and Consumption Survey (HFCS) were being made in 2020. Attention focused mainly on the options for using available administrative data to improve the quality of the survey design and data checking.

Quarterly financial accounts

In the field of quarterly financial accounts statistics, work on harmonising these statistics with b.o.p. and i.i.p. data continued in 2020. In addition, preparations were made for extended reporting requirements regarding the other financial institutions sector and the central bank sector, as well as for separate reporting of foreign direct investment.

Balance of payments

The most notable development concerning balance of payments statistics in 2020 was the completion of the implementation of Guideline ECB/2018/19 amending Guideline ECB/2011/23 on the statistical reporting requirements of the European Central Bank in the field of external statistics. In accordance with the new requirements, currency composition statements were introduced during the course of the year for banking entities, insurance and pension market entities, and selected non-financial institutions.

Work continued in 2020 on the update of the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (the BPM6 update). The updating process will last several years and will result in the production of an updated Manual (BPM7) by 2025. The whole process is being coordinated with the update of the System of National Accounts.

Another event that affected b.o.p. statistics in 2020 was Brexit, which resulted in a change in the reporting of geographical breakdown. Besides the relevant code lists being changed, all individual b.o.p. and i.i.p. outputs for the ECB and Eurostat were retrospectively updated.

Also in 2020, the Bank reduced data asymmetries in the current and capital accounts of the balance of payments. In this case, the analysis focused mainly on differences in regard to partner economies within International Trade in Services Statistics (ITSS). At the same time, work continued on harmonising b.o.p. data and national accounts data between the Bank and the Statistical Office. In addition, a new technical solution was introduced for the compilation of secondary incomes, concerning mainly household transfers and Slovakia's revenue and expenditure vis-à-vis Slovakia and the European Commission.

Preparatory work on integrating statistics on cross-border card payments began in 2020. At the same time, a new system was implemented for the calculation of inbound and outbound tourism, which in 2020 proved to be key components of developments in the services account, as the impact of the pandemic crisis was most evident in these two indicators.

Insurance and pension fund sectors

As regards the insurance and pension fund sectors in 2020, attention centred on the implementation of new ECB requirements for the quarterly reporting of statistical data as well as for streamlining the collection and processing of data for supervisory purposes in the context of the new Solvency II taxonomy.

In 2020 the Bank's Statistics Department and Insurance and Pension Fund Supervision Department agreed on conditions for mutual internal cooperation in the checking and processing of reporting statements. The competences and obligations of persons responsible for each stage of statement processing under off-site supervision were also defined, as were the deadlines for these stages. In the Statistics Collection Portal, new checks that go beyond Solvency II requirements were instituted for quarterly and annual reporting.

Reporting for statistical purposes by insurance and pension market participants was extended in 2020 to include, for balance of payments purposes, a new dynamic quarterly statement on the stock of assets and liabilities vis-à-vis the rest of the world, broken down by currency of denomination.

In the pension fund sector, 2020 saw the full launch of the collection and processing of data for supplementary pension funds in accordance with an EIOPA Decision on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information and with changes resulting from the amended version of that Decision.

Another focus of attention in 2020 was ensuring the timely collection of data in accordance with changes related to the reclassification of the European Stability Mechanism (ESM) and European Financial Stability Facility (EFSF) under ECB requirements.

In 2020 statistics on the insurance sector, capital market and pension fund sector were affected by Brexit-related changes in the recording of data. Reporting had to be aligned with the ECB's geographical and sectoral breakdown requirements.

Cooperation with the SO SR

In April 2020 the Bank and Slovakia's Statistical Office (SO SR) signed Addendum No 5 to their *Framework agreement on cooperation in the provision of statistical data and statistical information* of 21 May 2013. This concerned changes in the names of NBS divisions, departments and sections engaged in the mutual exchange of statistical data and information with SO SR units.

6.2 Information systems

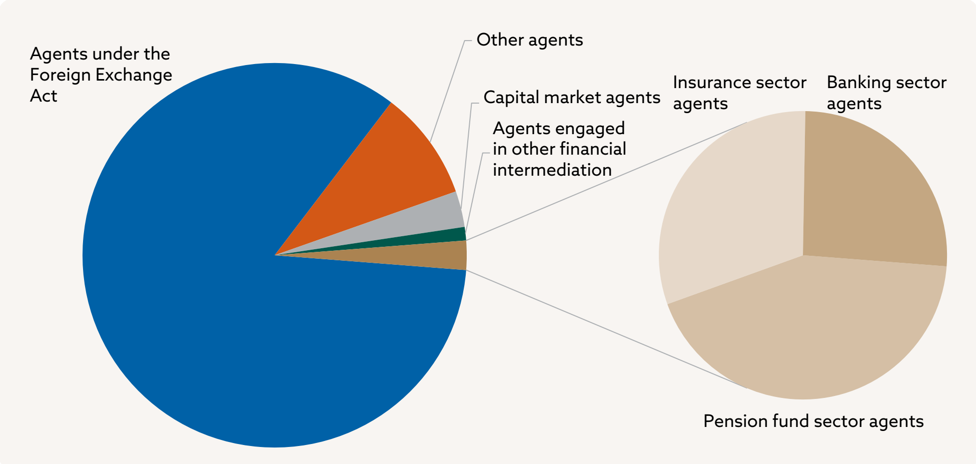
In the area of information systems, 2020 saw the preparation of materials for an upgrade of the Statistics Collection Portal (SCP) and the launch of the DWH/BI pilot project.

The Bank uses the SCP to collect, process and store data received from reporting agents for statistical and supervisory purposes. In 2020 a new taxonomy was being implemented in the SCP in accordance with requirements of the European Banking Authority (EBA), EIOPA and the ECB. In addition, certain functionality components related to ESMA reporting were upgraded.

By the end of 2020 around 4,234 reporting agents (Chart 43) were registered in the SCP, including 27 from the banking sector, 48 engaged in other financial intermediation, 32 from the insurance sector, 128 from the capital market (investment firms, investment funds, asset management companies, the stock exchange, and central securities depositories), 45 from the pension fund sector, 3,563 entities reporting to NBS under the NBS Decree on reporting in accordance with the Foreign Exchange Act, and 391 other agents.

Chart 43: Number of reporting agents registered in the SCP

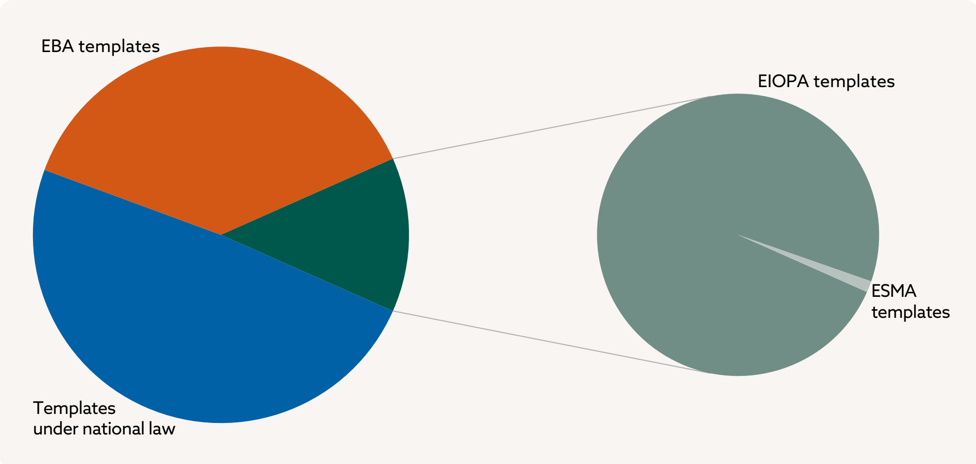
Source: Statistics Collection Portal.



In 2020 a total of 572 reporting templates were designed for data collection requirements under national law, 441 as required by the EBA, 153 as required by EIOPA (110 for the insurance sector and 43 for the pension fund sector), and two in accordance with the EU's Alternative Investment Fund Managers Directive (Chart 44).

Chart 44: Number of reporting templates used in the SCP

Source: Statistics Collection Portal.



Work continued in 2020 on transforming historical data from all reporting statements collected in the years from 1996 to 2012 and migrating them to the SCP.

A notable area of activity in 2020 was the further implementation and use of the Qlik Sense business intelligence tool. From an infrastructure perspective, the Bank expanded the capacity of the development and operational server. The number of Qlik licences purchased by the Bank increased to 70. The number of modules was further increased to support the performance of consulting, training and internal work; the new modules were from the areas of securities statistics, balance sheet statistics, interest rate statistics, other financial intermediaries statistics, balance of payments statistics, government statistics, financial accounts statistics, insurance corporation and pension fund statistics, foreign direct investment statistics, and services statistics. Qlik Sense was also used for the data aggregation output for the BACH database.

In response to an ECB requirement that individual balance sheet items (iBSI) be transmitted for all credit institutions that are subject to full reporting requirements ("full reporters"), a new application called "GESMES IBSI" was established in the Qlik Sense environment (with the GESMES IBSI codes being hyperlinked to the SCP metadata).

During 2020 the Bank was involved in a new project to build a data warehouse for the whole banking sector – the purpose of which is to find an appropriate logical and architectural solution for data collected in the AnaCredit database and selected data from monetary and financial statistics.

B 7

Economic research

- **1** international scientific conference
- **21** analytical commentaries and blog posts
- **number 1** RePEc ranking
- **10** articles in scientific journals
- **22** seminars
- **18** research papers

B

7 Economic research

In response to the COVID-19 pandemic, some new research topics emerged in 2020. Analyses of the pandemic's direct impacts on the economy came to the fore, while several longer-term research projections were temporarily put on hold. The exchange of experience and new knowledge moved increasingly into the online space and away from offices, classrooms and conference rooms

The rapid adaptation to new working conditions was seen in NBS research outputs, not only in their greater number compared with the previous year, but also in their quality. On the basis of its working papers and articles published in peer-reviewed journals, Národná banka Slovenska has become a leading institution in the economic research field in Slovakia.[20]

7.1 The number and quality of publications increased

The results of NBS research work are presented primarily in the form of peer-reviewed papers. In 2020 the Research Department published seven working papers and three occasional papers on the NBS website. A further eight papers were co-authored by NBS staff members with colleagues from abroad, and these papers were published on the websites of foreign institutions, including the US Federal Reserve and the International Monetary Fund.

New research in the area of financial stability drew heavily on the results of a survey of indebted households that NBS initiated in order to gain a better understanding of the impacts of the pandemic crisis on the financial situation of households and consequently on the financial stability of commercial banks. The results confirmed the severity of pandemic's effect on Slovak households and its upward impact on household debt risk. More detailed calculations showed that Slovak banking sector would be able to absorb potential loan delinquency losses.

[20] ideas.repec.org/top/top.slovakia.html

Another paper addressing the financial situation of households found that households' financial literacy, confidence in their own financial skills, and confidence in the economy were strong determinants of whether households decided to participate in markets for risky financial assets and bonds.

One paper that was valuable from a financial stability perspective, and potentially also for monetary policymaking, suggested the construction of a new indicator for identifying the phase of the financial cycle in Slovakia. Because this is an empirical approach based on indicators that monitor the risk build-up phase, it is satisfactorily reliable and may be used by economic policymakers for macroprudential purposes.

In the area of monetary policy research, one NBS working paper produced more precise estimations of the equilibrium interest rate in Slovakia, taking into account specifics of the Slovak economy. Another study, on non-standard monetary policy measures, attracted significant international interest. The authors compared the research findings of central bank researchers and academic economists and found that central bank papers reported larger effects of quantitative easing on output and inflation. Central bankers were also more likely to report statistically significant effects.

As regards fiscal policy, research activity in 2020 included detailed analyses of current fiscal policy instruments and of the second pillar of the pension system. In the light of the weaknesses identified, the studies provided recommendations on how to improve the efficiency of public financing and to enhance the performance of the pension system. On the fiscal front it was recommended to follow best practice in the structure of revenue and expenditure, to undertake key structural reforms, to build up institutions and capacities, and to improve processes. As for the second pillar recommendations, they included setting stronger limits on investment strategies and fee policies and establishing a centralised fund.

In 2020 global value chains (GVCs) and the factors determining a country's position within GVCs were the focus of NBS research concerning the real economy. The results show that larger economies have a greater share of domestic value added in the exports of trading partners and a lower GVC participation rate; at the same time, however, they have a better position in GVCs. By contrast, a greater volume of foreign direct investment is associated with a greater share of foreign value added in exports, a higher GVC participation, and a lower position in GVCs. The calculations also indicate that domestic currency appreciation increases the ratio of domestic value added in exports to gross exports.

Economic modelling research in 2020 brought interesting practical findings concerning the application of different modifications of distribution symmetry tests for economic time series. According to the calculations, the choice of subsampling method does not have a significant impact on symmetry test robustness. One important finding with practical implications was that asymmetry in key economic time series occurs far less frequently than is presented in the literature.

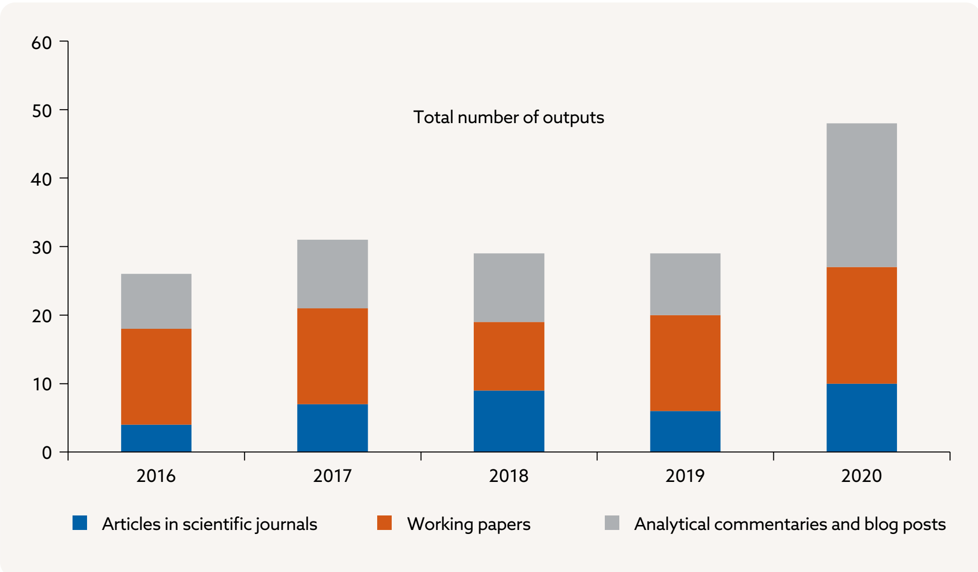
The need for a rapid response to the pandemic-related changes was reflected in the higher number of analytical commentaries and blog posts published by NBS research staff during 2020. These concerned mainly the pandemic's impact on households and their financial situation, including their debt servicing capacity, and the impact of lockdowns and income losses on firms' solvency, workforces and productivity. Current issues other than those related to COVID-19 were also addressed, including, for example, the transition to digital currency and the impacts of climate change.

The most important NBS research findings in 2020 were published in respected peer-reviewed journals in Slovakia and abroad, including the *Journal of International Money and Finance, the Journal of Macroeconomics, Oxford Economic Papers, Economic Systems, Economic Modeling, and The B.E. Journal of Macroeconomics.*

The total number of NBS research outputs were notably higher in 2020 than in any previous year.

Chart 45: Published NBS research outputs

Source: NBS calculations.



7.2 External research cooperation moved into the online space

Apart from a few seminars earlier in the year, all NBS research events in 2020 were held virtually. The Bank hosted a total of 22 research and discussion seminars during the year; some enabled NBS research staff to obtain quick feedback on their findings or suggestions for developing their calculations, and some provided a platform for external researchers to present the results of their work.

In 2020 Národná banka Slovenska and the independent Competitiveness Research Network (CompNet) jointly organised a virtual three-day international conference entitled "Sustainable development, firm performance and competitiveness policies in small open economies". One of the two welcome addresses to the conference was made by NBS Deputy Governor Ľudovít Ódor. The keynote speech was given by WTO Chief Economist Robert B. Koopman, who spoke about the COVID-19 pandemic's impact on foreign trade and economic growth. The conference had more than one hundred participants, and its specialist discussions featured presentations from thirty foreign and Slovak economists, including four NBS representatives.

The CompNet/NBS conference highlighted several important messages, including the following: that the economic impacts of the COVID-19 pandemic differ from sector to sector, but uncertainty has increased across all areas of business; that firms will be more carefully considering the production efficiency benefits of global value chains in the light of potential disruptions to foreign supplies, and this may bring changes to the structure of international trade; that despite the number of acute pandemic-related challenges, governments are expected to pursue reforms leading to economic transformation and sustainable growth; and that after measures focused on ensuring sufficient liquidity during the pandemic crisis, the emphasis is expected to shift to support for long-term investment, especially investment in the areas of green technology and innovation.

As a way of strengthening its external cooperation, the Bank each year offers several talented students, mainly from established foreign universities, the opportunity to complete a research internship. In 2020, as part of its cooperation with the academic community, the Bank invited an associate professor from the University of California to make a study visit, with her work focusing on political economy and international finance.

In 2020 the Bank maintained its involvement in CompNet and in two ESCB research networks: the Household Finance and Consumption Network (HFCN) and the Price-setting Microdata Analysis Network (PRISMA). The NBS members of the HFCN were largely engaged in preparations for the fourth wave of the Household Finance and Consumption Survey (HFCS). Much of their work consisted of participating in research and analytical projects that used data from previous HFCS waves in order, among other things, to find answers to several questions about the impacts of the COVID-19 pandemic on households.

The PRISMA research network studies the price-setting behaviour of individual firms and retail traders using micro price datasets. In 2020 the network focused mainly on analysing the frequency of individual price changes and on revising the methodology used to calculate the Harmonised Index of Consumer Prices (HICP).

As for CompNet, a forum for research and policy analysis in the areas of competitiveness and productivity, its NBS members in 2020 organised the above-mentioned conference and were involved in preparing the new version of the CompNet dataset, accompanying manual, and follow-up Firm Productivity Report – May 2020.

B 8

European affairs and international cooperation

new strategy for NBS technical cooperation

20th anniversary of OECD membership

90th anniversary of the BIS

B 8

European affairs and international cooperation

Ongoing cooperation with international institutions was largely confined to the online space in 2020. A key development in this area was the adoption of a new technical cooperation strategy

8.1 Cooperation with international institutions

International Monetary Fund (IMF) and World Bank Group (WBG)

The most important events of the Bretton Woods Institutions in 2020 were the Spring and Annual Meetings of the IMF/WBG, which were held in a virtual format for the first time ever.

The Spring Meetings in April included the presentation of the latest editions of the IMF's multilateral surveillance documents: the World Economic Outlook (WEO) and the Global Financial Stability Report (GFSR). The number of discussions was reduced to a minimum and all outputs were presented in electronic form. The main issues under discussion were the impact of the coronavirus pandemic on the world and the need for close cooperation between IMF member countries. The Fund highlighted measures taken by particular countries in the area of fiscal, monetary and financial stability and committed prompt assistance to the most vulnerable of its member countries.

At the virtual Annual Meetings in October, the IMF presented the October 2020 editions of the WEO and GFSR. Discussions centred on the continuation of unprecedent levels of pandemic assistance to member countries, the importance of international cooperation, and the objectives of ensuring sustainable, balanced and inclusive growth and accelerating the digitalisation of economies.

In December 2020 IMF experts and NBS representatives held virtual discussions about the macroeconomic trends and outlook in Slovakia, the situation in Slovakia's financial sector, and macroprudential policy matters.

Organisation for Economic Co-operation and Development (OECD)

December 2020 was the 20th anniversary of Slovakia's accession to the OECD, and Národná banka Slovenska marked the occasion by issuing a €2 coin commemorating the event.

European Bank for Reconstruction and Development (EBRD)

At the 2020 Annual Meeting of the EBRD's Board of Governors, held virtually in October, the main points were the approval of a new Strategic and Capital Framework (SCF) for 2021 to 2025 and the election of a new EBRD President. The SCF sets out the Bank's strategic aspirations over a five-year period. The Board of Governors elected Odile Renaud-Basso as President for 2020–2024.

Bank for International Settlements (BIS)

In 2020 the BIS marked its 90th anniversary. The main issues it addressed during the year, besides the COVID-19 pandemic, were financial innovation, climate change-related risks, and cyber security.

Owing to the coronavirus pandemic, the BIS's bimonthly All Governor' Meetings were held virtually from March 2020. These meetings are regularly attended by the NBS Governor. In 2020 the governors discussed current issues such as the use of big data in the financial sector and the options for addressing any future economic crisis with new monetary policy instruments.

In February 2020 NBS Deputy Governor Ľudovít Ódor attended a meeting of the BIS's working group for monetary policy in central and eastern Europe. The central bank representatives taking part in the meeting discussed the economic fallout from the COVID-19 pandemic and macroeconomic developments. They also reviewed the past 30 years of economic transformation and European integration of central and eastern European countries.

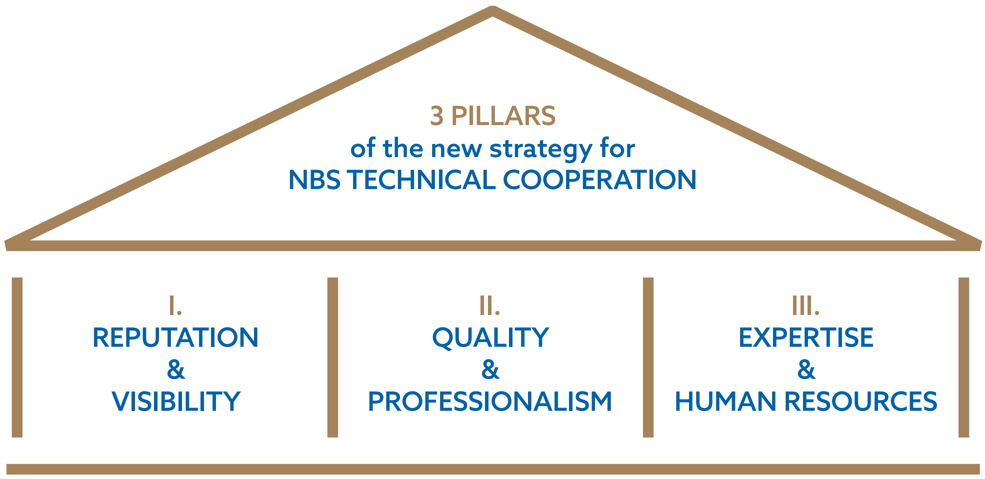
The BIS's 90th Annual General Meeting (AGM) took place in Basel in June 2020, with the Bank represented by Governor Peter Kažimír and Deputy Governor Ľudovít Ódor. Besides approving the BIS's Annual Report 2019/2020 and Annual Economic Report 2020, the meeting discussed central banks and payments in the digital era and the impact of the COVID-19 pandemic on payment behaviour.

8.2 Technical cooperation with external institutions

Technical cooperation is about exchanging knowledge and experience and building professional relations and partnerships with other central banks, supervisory authorities, and other institutions, mostly outside the European Union.

In 2020 the Bank prepared a new technical cooperation strategy, which was approved by its Executive Board in September 2020. This followed an analysis of the current state of the Bank's technical cooperation agenda, which identified room for improvement and the need for a new strategy consistent with the Bank's current ambitions and overall vision.

Figure 2: NBS technical cooperation



Under the new strategy, the Bank's technical cooperation will be based on active cooperation with institutions in Slovakia and abroad, making use of current digitalisation trends and engaging in EU-supported programmes and in activities of international institutions.

Among the EU projects that the Bank was involved in during 2020 was Twinning Serbia. As part of this project, NBS experts organised a study visit for colleagues from the National Bank of Serbia on the subject of foreign exchange management. The visitors were shown risk management and front office operations of the Bank and the Eurosystem, as well as the RiskHouse database system.

As part of the EU's Twinning North Macedonia project, the Bank organised a virtual mission for employees of the National Bank of the Republic of North Macedonia and the Ministry of Finance of the Republic of North Macedonia. The mission focused on anti-money laundering (AML) activities and involved NBS experts presenting NBS and Eurosystem activities in this area, including in relation to financial market supervision.

Staff members from the National Bank of Serbia and Národná banka Slovenska during a February 2020 study visit organised by Národná banka Slovenska

B

9 Communication

chatbot Groš answered more than **1,000** questions

a new NBS Communication Strategy

2.7 million visitors to the NBS website

600 hours of staff voluntary work for four non-profit organisations

130th anniversary of the Museum of Coins and Medals in Kremnica

B 9 Communication

In 2020 the NBS Bank Board approved a new NBS Communication Strategy (Slovak only) whose purpose is to present Národná banka Slovenska as a modern, open and lucid central bank, as a vanguard institution that sets out issues, identifies trends and represents innovation in the areas of monetary policy, the financial sector (regulation), and education and financial literacy, and, not least, as an institution that attracts talent

No sooner was the Communication Strategy adopted than the Bank had to adapt its communication activity to new conditions. In response to the coronavirus pandemic, the Bank stepped up its use of online communication, including social media, and had pandemic-related messages projected on to its headquarters building. In line with the Strategy, NBS increased its engagement with the public, including through targeted and easy-to-understand communication on current economic topics, through financial education initiatives, and through community activities beneficial for Slovakia.

Lighting up of the NBS building during pandemic

9.1 External communication

Main events in 2020

In February 2020 NBS together with the Rotary Club unveiled a bust of Imrich Karvaš, the first governor of the Slovak National Bank (during the wartime Slovak Republic), on the facade of the NBS headquarters building.

Following the outbreak of the COVID-19 pandemic, the Bank cancelled foreign business trips and visits for all staff members, closed its Museum of Coins and Medals in Kremnica, and introduced a remote working regime. In late March the Bank took the exceptional step of lighting up its building facade with pandemic prevention hashtags: #rúškoTiPristane (the mask suits you) #spoluToZvladneme (together we'll overcome) #somDoma (stay at home) #solidarita (solidarity). April saw the first ever virtual NBS press conference (on the update of the NBS Medium-Term Forecast).

With a loan moratorium included among the pandemic relief measures, the Bank introduced a website chatbot called Groš to answer the most frequently asked questions on this issue. Within three months it had replied to more than 430 questions. Operating continuously and automatically from a dedicated database, the chatbot provided users with a choice of preset questions and answered them in seconds. The chatbot also answered questions on other issues, mostly about the exchange of banknotes and coins, public counter opening hours, exchange rates, and the lodging of complaints about financial institutions. Over the whole year, the chatbot answered more than one thousand questions. In November 2020, after the loan moratorium had become less of an issue, the Bank introduced an updated version 2.0 of the chatbot, which, through the use of artificial intelligence, recognises users' text inputs and is able to learn and to answer questions on other issues.

The Bank is a long-standing supporter of the arts, especially the visual and musical arts, and in 2020 it signed a Memorandum on Cooperation with the Academy of Fine Arts and Design in Bratislava (VŠVU). At the end of June, an exhibition of paintings by young Slovak artists who were either students at or graduates of VŠVU was held at the new Gallery in the NBS headquarters building. In 2020 the Bank put on two exhibitions in cooperation with VŠVU. The Bank also supported a series of concerts in Bratislava and Kremnica held as part of the One Day Jazz Festival.

In July the Bank organised a round-table meeting in which NBS Bank Board members and representatives of the Slovak Finance Ministry, the Slovak Parliament's Finance and Budget Committee and the media discussed the topic "How banks are helping to mitigate the pandemic fallout".

In August the Bank reported the results of the first wave of its own household credit survey, and in the autumn it published its expert view on the issues of pension system reform and Slovakia's plans for securing support from the Next Generation EU recovery fund.

In November NBS launched a new financial education initiative: the web portal www.5penazi.sk (Slovak only), where people can learn in a practical way how to better manage money. The portal incorporates new profiles for social media, ambassadors, media presentations, talks, and articles.

To mark the issuance of euro collector coins, public holidays, and other significant events, the Bank has striking light displays projected onto its headquarters building, all created in cooperation with leading Slovak designers. In 2020 the Bank continued to support the Biela noc / White Night contemporary art festival, which because of the pandemic was held in a minimalist "winter" version – the NBS building was lit up with a Christmas projection created by fifteen of Slovakia's top designers and artists.

The Bank may be contacted by email at the addresses provided on its website. In 2020 it received 3,706 emails, including questions, suggestions and other requests for information. A total of 3,404 emails were received at the addresses dedicated to communication with the public: info@nbs.sk; webmaster@nbs.sk – 255 emails; and infozakon@nbs.sk – 47 emails that were all requests for information under the Freedom of Information Act (No 211/2000). The rest, 330, were received at the address for media enquiries, press@nbs.sk.

9.2 Internal communication and social responsibility

Much of the Bank's internal communication in 2020 centred on preventive measures aimed at protecting the health and safety of NBS employees. In order to ease their transition to a remote working regime, employees were given information on how to manage the technical aspects of remote working, including how to organise online meetings, and regular updates on the remote working regime. The NBS Governor spoke to employees via video messages in which he addressed key issues such as remote working during the pandemic, mutual solidarity and assistance, and the pandemic-related measures already adopted. Despite the pandemic, the Bank managed to organise a blood donation drive among its employees and promoted their engagement in the nationwide Bike to Work campaign.

In 2020 the Bank began to develop a corporate social responsibility (CSR) programme, the aim of which is to ensure that the Bank acts as a responsible partner in relation to its employees, the general public, financial consumers, communities, and the environment.

As regards voluntary activities in 2020, a fund-raising event among NBS staff collected €16,645 for four non-profit organisations, and the Bank topped up the final amount to make it a round €20,000. The Bank donated 5,000 masks to the civic initiative #KtoPomôžeSlovensku (Who will help Slovakia) and supported a concert for health professionals held at the Slovak Radio Building.

In 2020 the Bank took part for the first time in the Naše Mesto (Our Town) corporate volunteering event. Among the largest teams in Bratislava, the NBS team of 170 people did more than 600 hours of voluntary work at four locations in the city.

Another new element of the CSR programme in 2020 was the Giving Tuesday charity initiative. The contributions made by NBS employees went to primary schools attended by their children. In 2020 NBS donated computer and related equipment to 42 schools, which altogether received 60 desktop computers with monitors and 163 printers.

For the third year running, the Bank held a Charity Christmas Market where NBS staff can buy products made by sheltered workshops. The 2020 edition was held virtually because of the pandemic and raised a total of €5,000.

9.3 Publications and website

In 2020 the Bank continued publishing its own official publications at regular intervals and cooperated with the ECB in publishing Slovak language versions of four of the ECB's Economic Bulletins as well as of the ECB's

Annual Report, Annual Report on supervisory activities, and Convergence Report.

A new publication entitled "How does Slovakia's central bank work?" was published on the NBS website in 2020, with the aim of providing basic information about the Bank to schoolchildren and students. The Bank's publishing activity also includes materials related to its new collector coins. In 2020, the Bank published ten working papers, 22 analytical commentaries and 44 flash commentaries. All of the Bank's periodical and specialist publications are available on the website in PDF format.

In April 2020 the Bank started publishing blogs on its website, and in May it expanded this initiative to include podcasts.

The NBS website registered more than 2.7 million visitors and 14.5 million page views in 2020, figures similar to those for 2019.

9.4 Museum Of Coins and Medals

In 2020 the Museum of Coins and Medals in Kremnica marked the 130th anniversary of its establishment. Today administered by Národná banka Slovenska, the Museum maintains collections that altogether include more than one hundred thousand items and make it a numismatic museum of significance.

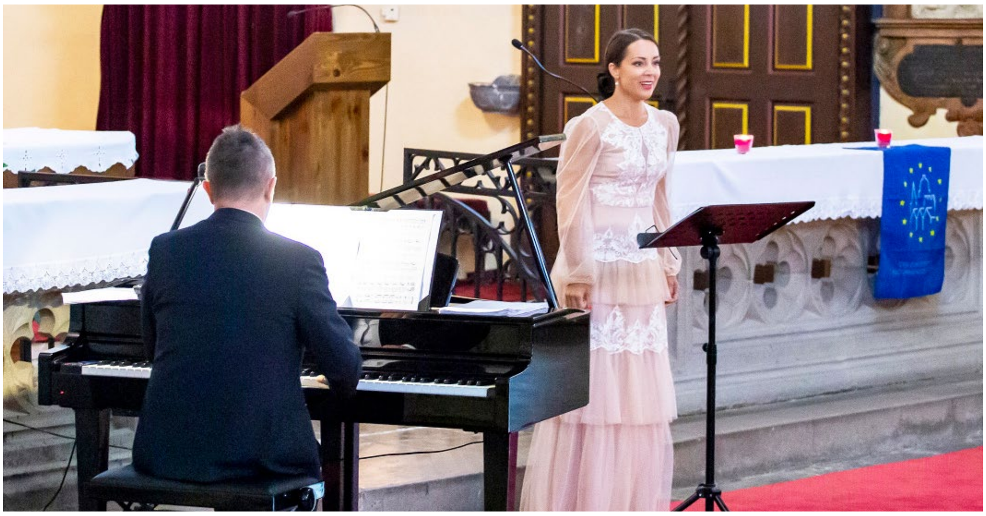
A special event in 2020 was the opening of a new long-term historical exhibition entitled "Dead on Target! The Kremnica Burgher Shooting Society and Its Shooting Targets". The Museum's collection of 138 painted shooting targets made between 1837 and 1896 is the third largest collection of such targets in Slovakia, and this was the first time they had been put on public display. The Museum's most interesting items are displayed at its permanent exhibition entitled "Two Faces of Money: Money and Medal-Making in the History of Slovakia" and in exhibitions at the Town Castle (a complex of buildings with St Catherine's Church at the centre).

In addition to the above, the Museum in 2020 put on four temporary art exhibitions: "SALÓN < 55 kremnických výtvarníkov" (SALON < 55 Kremnica Artists); "Kremnické gagy 2020 – Karikaturisti" (Kremnica Gags 2020 – Caricaturists); "Ivana Olbricht – Zlato v obrazoch" (Ivana Olbricht – Gold on Canvas); and "Slovenská medaila 2016 – 2020" (Slovak Medals 2016–2020).

A further two exhibitions were held alongside the Two Faces of Money exhibition: "26. ročník Medzinárodného sympózia umeleckého šperku Kremnica 2020" (26th International Symposium of Jewellery Art – Kremnica 2020); and "Detské vypletačky – drevené hračky" (Children's Weavings – Wooden Toys). The Museum's exhibition events are also accompanied by educational programmes for school children and creative workshops for the general public. Throughout the year, school groups visiting the Museum were offered educational programmes on the history of money, mining and minting in Slovakia, regional and cultural education, and financial literacy. In 2020 the Museum's educational programmes and creative workshops attracted a total of 2,150 participants.

In summer, the Museum again held its Picnic at the Castle and Museum Stories events, and also put on Organ Music Presentations at St Catherine's Church. A special event took place in August, when the international One Day Jazz Festival was held at the Town Castle. In September the Museum organised a European Heritage Days event, the Adriana Kučerová and Guests concert, which also marked the Museum's 130th anniversary and served as a gala opening for its new long-term exhibition. The last event of the autumn was PRIPRAVIŤ SA! POZOR! PÁĽ! (On your marks! Get set! Shoot!). In 2020 the Museum participated in the Slovak-wide Night of Museums and Galleries Event by providing a virtual tour of its exhibitions.

During 2020 more than forty-one thousand people from Slovakia and abroad visited the Museum's various exhibitions and events.



The Adriana Kučerová and Guests concert held at St Catherine's Church in Kremnica

B

10 Institutional developments

launch of the
5peňazí
initiative

ecological disposal of more than
48 tonnes
of waste

14,644
new files received by the NBS Registry Centre

4,063
new records processed by the NBS library

113
teams in the Generation €uro competition

873
staff attended training courses

B 10 Institutional developments

10.1 Národná banka Slovenska as part of the Eurosystem

Národná banka Slovenska has been part of the Eurosystem since 1 January 2009. The Eurosystem comprises the European Central Bank (ECB) and the national central banks of those European Union countries that have adopted the euro. The NBS Governor is a member of the ECB's Governing Council, the Eurosystem's highest decision-making body.

Among the ways in which the Bank contributes to the activities of the Eurosystem and the European System of Central Banks (ESCB) is through its involvement in committees and working groups, including the following:

- Accounting and Monetary Income Committee (AMICO)
- Banknote Committee (BANCO)
- Committee on Controlling (COMCO)
- Eurosystem/ESCB Communications Committee (ECCO)
- Financial Stability Committee (FSC)
- Information Technology Committee (ITC)
- Internal Auditors Committee (IAC)
- International Relations Committee (IRC)
- Legal Committee (LEGCO)
- Market Operations Committee (MOC)
- Monetary Policy Committee (MPC)
- Organisational Development Committee (ODC)
- Payment and Settlement Systems Committee (PSSC)
- Risk Management Committee (RMC)
- Statistics Committee (STC)
- Budget Committee (BUCOM)
- Human Resources Conference (HRC)

10.2 Organisation and management

The Bank Board of Národná banka Slovenska

The Bank Board is the Bank's highest governing body, and throughout 2020 it had five members.

The Bank Board's authority and powers are specified in Act No 566/1992 on Národná banka Slovenska ('the NBS Act'), as amended, in other legislation of general application, and in the NBS Organisational Rules.

The Governor and Deputy Governor(s) 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 members of the Bank Board are appointed, and may be dismissed, by the Government at the proposal of the NBS Governor.

Under the NBS Act, the maximum number of Bank Board members has been set at six since 1 January 2015. The term of office of Bank Board members is six years, 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.

NBS Bank Board		Total income*
Governor	Peter Kažimír	175,651
Deputy Governor	Ľudovít Ódor	153,662
Bank Board member	Vladimír Dvořáček	126,335
Bank Board member	Karol Mrva	128,205
Bank Board member	Ľuboš Pástor	39,518

* Total net income including allowances, benefits, bonuses, other contributions and emoluments paid to Bank Board members.

The Bank Board members as at 31 December 2020:
- Peter Kažimír, Governor
- Ľudovít Ódor, Deputy Governor
- Vladimír Dvořáček, Executive Director of the Supervision and Financial Stability Division

- Karol Mrva, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division
- Ľuboš Pástor, external member

The Executive Board of Národná banka Slovenska

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

The Executive Board members as at 31 December 2020:
- Peter Kažimír, Governor
- Ľudovít Ódor, Deputy Governor
- Karol Mrva, Executive Director of the Risk Management, Settlement, Payment Systems and Cash Management Division
- Vladimír Dvořáček, Executive Director of the Supervision and Financial Stability Division
- Júlia Čillíková, Executive Director of the Supervision and Financial Consumer Protection Division
- Albín Kotian, Executive Director of the Financial Management and Information Technology Division
- Jaroslav Mikla, Executive Director of the Facility Services and Security Management Division
- Martin Lipovský, Director of the Legal Services Department
- Michal Horváth, Director of the Economic and Monetary Analysis Department (Chief Economist)

Three amendments to the NBS Organisational Rules were approved in 2020. The amendments resulted in changes to the NBS organisational structure and to the remits and names of certain organisational units.

Figure 3: The Bank's organisation chart as at 31 December 2020

10.3 Human resources

Národná banka Slovenska had 1,122 employees as at 31 December 2020. A total of 83 employees ended their employment with the Bank in 2020 and 86 were hired. There were 105 recruitment procedures for 112 vacancies.

Staff exchanges between ESCB national central banks, the European Central Bank and other international financial institutions support staff mobility within the ESCB, the exchange of experience and know-how, and staff development. A total of 14 NBS employees were on secondment during the whole or part of 2020, either at the ECB, the Vienna University of Economics and Business, the International Monetary Fund, or the Cross-National Data Center in Luxembourg.

The average monthly salary of NBS employees in 2020 was €2,814.41, representing a year-on-year increase of 9.8%.

In 2020 severance payments were made to 37 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 925 as at 31 December 2020.

10.3.1 The bank's ethical principles

Národná banka Slovenska sets out principles of ethical behaviour for all its staff, so as to ensure that they behave with the highest levels of independence, objectivity, integrity and transparency. In order to strengthen ethical awareness among its staff, the Bank in 2020 took part for the first time in the Global Ethics Day initiative; it organised workshops on making decisions about ethical dilemmas and talks on the development of business ethics in Slovakia.

10.4 Operational risk management

The purpose of operational risk management is to support the fulfilment of the Bank's objectives by safeguarding the quality and continuity of business processes and by protecting the Bank's reputation and financial assets against damage, loss or misuse. Throughout 2020 the Bank continued to monitor for operational risks and incidents in its processes. In 2020 the NBS Bank Board approved the Annual Report on Operational Risk Management, which was the basis for either accepting operational risks or proposing plans for their mitigation.

10.5 Staff training and public education activities

10.5.1 Professional training

Národná banka Slovenska provides for the training and development of its employees in accordance with their training and development plans for the current calendar year and with the work situation of their respective unit. In 2020 this activity also took into account conditions related to the COVID-19 pandemic.

A total of 873 employees attended training courses laid on by the Bank in 2020. These courses were divided into six areas: professional training; management training; general training; IT training; social skills training; and language training. While these were held in Slovakia, a number of NBS employees went abroad to pursue their professional development, attending training events organised by central banks and foreign educational institutions.

In 2020 the Bank organised a seminar in Bratislava entitled "Legal and Contractual English and Communication for Central Bank and SSM Staff", for staff from other central banks and regulatory and supervisory authorities. Other planned events with participants and teachers from different countries were held under the auspices of the ECB.

Several undergraduates completed specialist work experience at the Bank in 2020, thereby extending their skills and gaining valuable knowledge.

Every year a number of NBS employees support staff training through in-house teaching activities in their areas of expertise.

10.5.2 Public education

Generation €uro Students' Award

The Generation €uro Students' Award is run by the ECB in coordination with the central banks of 12 euro area countries. The ninth annual edition in 2020 provided another opportunity for participating teams to learn more about monetary policy, the Eurosystem and the world of finance, and, just as importantly, to gain experience of teamwork. For the teams from Slovakia, the main goal was to reach the national final at the Bank's headquarters in Bratislava and, if successful there, to join the winning teams from other participating countries at an award ceremony at the ECB in Frankfurt. In 2020, however, because of the COVID-19 pandemic, the national final and award ceremony were held online.

Slovakia regularly ranks among the three countries with the highest number of participating teams relative to national population. A total of 113 teams from Slovakia entered the 2020 competition, representing a year-on-year increase of almost 20%. Thirty-seven of those teams proceeded to the second round, and the national final was won by a team from the Gymnasium on Grösslingová Street in Bratislava.

Archives and registry

The NBS Archives hold 208 archival fonds, which in 2020 increased in size to more than 6,000 linear metres. As for the Bank's Registry Centre, it received 14,644 closed files in 2020, representing a year-on-year increase of 56%.

In 2020 the Archives staff handled 414 internal and external requests for the retrieval and provision of information and documents. The external requests – from private individuals and various organisations and authorities – concerned mainly archival documents about real estate and prominent persons, as well as archival collections of documents, in particular the collections of securities and photographs. Interest in the archival documents has been stimulated by the Research Archive Portal, which was made available to the public in 2019 and provides information about the documents that may be accessed online.

In 2020 the NBS Archives staff produced an article entitled "The photograph collection in the archives of Národná banka Slovenska", which was the Bank's contribution to the Finance & Photography project of The European Association for Banking and Financial History. The publication provides information about the electronic processing and digitalisation of the Bank's photograph collection as well as the possibilities for presenting the collection online.

Library

The NBS Documentation Centre, otherwise known as the NBS library, provides all NBS staff with library and information services, including advisory, research and lending services. From March 2020, the library was operating under restricted conditions owing to the pandemic crisis. As a result, its services were focused to a greater extent on the provision of electronic resources, i.e. databases, electronic periodicals, and eBooks.

In 2020 the library loaned a total of 1,044 printed materials – including 192 in July, more than in any other month – and processed 4,063 new records. NBS staff downloaded 795 files from the library's online catalogue.

The library again participated in the Week of Slovak Libraries event, this time preparing a programme for NBS staff that included giving away surplus books, presenting the library's online catalogue and services, and providing training on how to use, or become more proficient in using, the library's databases. There was also staff interest in three talks given as part of a programme entitled "Čriepky z histórie bankovníctva a finančnej gramotnosti na území dnešného Slovenska" (Fragments from the history of banking and financial literacy in the territory of present-day Slovakia).

10.5.3 Financial education

The financial literacy of the Slovak public is an increasingly important issue

Národná banka Slovenska sees supporting public financial literacy as one of its responsibilities. A more financially educated population means a more stable economic and financial system.

Following the approval in 2019 of The Financial Literacy Support Strategy of Národná banka Slovenska, the Bank, in cooperation with its Institute of Banking Education, drew up several projects that straddle financial education issues identified in the Strategy. Some of these projects were unveiled to the public during 2020.

In 2020 the Bank supported a comprehensive financial education programme for schools, entitled Program FinQ. The programme illustrates the quality and innovation in financial education in Slovakia and serves as an example of good practice for the OECD's Future of Education and Skills 2030 project.

Early in the year field workers of Slovak labour and social services offices took part in meetings as part of a project entitled "Train the Trainer", in which the Bank provided them with a grounding in financial education. The aim was to have these field workers use what they learnt at these meetings in their day-to-day interactions with poorer members of society. The project was suspended for the rest of the year owing to the pandemic crisis.

The Bank also promoted financial education through its stand at the job fair entitled "Profesia days Bratislava 2020"

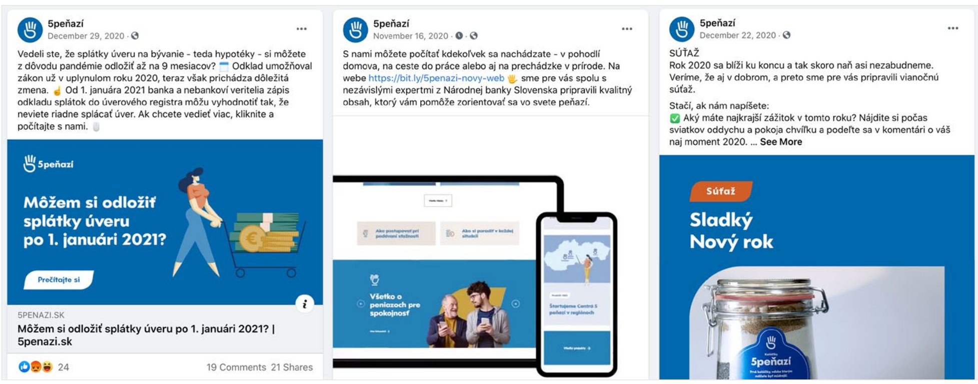
New web portal: www.5penazi.sk

In November 2020 the Bank launched www.5penazi.sk, a web portal that serves as a one-stop shop for all the Bank's projects in the area of financial education. The aim of the "5peňazí" initiative is to help people find their way in the world of money by educating them and providing useful content and advice.

What is “5peňazí” about?

The Bank wants people to become increasingly aware of this project and to gradually learn about what they can expect from it. The launch of a campaign entitled “chvíľka s 5peňazí” (a moment with 5peňazí) was conducted both online and in print media. The idea is to get people to take a moment to learn something new about the world of finances, so as to help them make better decisions about their money.

The portal offers up-to-date information on financial matters, videos, quizzes, competitions, interviews, warnings and advice, all with the aim of giving people easy-to-understand assistance in their financial decision-making.



Regional 5peňazí Centres

The roll-out of the 5peňazí project was supposed to include the opening of 5peňazí Centres in Banská Bystrica, Košice and Kremnica, which would serve as regional centres of financial education for children and adults. Given, however, the social contact restrictions in force during 2020, the Bank decided to partly replace this planned activity by launching a new form of online education for secondary schools, which began in November 2020 and may be accessed through the www.5peňazí.sk portal.

The Bank intends that the **5peňazí project will have five pillars.** By phasing in these pillars, the Bank will build up the financial literacy of the general public.

The pillars comprise the following:

1. **The most trustworthy web portal on money matters**
   This uses the internet to bring financial education closer to consumers.
2. **Free education closer to you**
   5peňazí Centres at NBS premises in Banská Bystrica, Kremnica and Košice will be places where primary school and secondary school children, and eventually adults too, can learn about money in practical ways.
3. **Cooperation with schools**
   Teachers will find a gradually increasing range of materials that they can use in the classroom, as well as contacts for verified partners who they can invite to give talks at their schools or to join their projects.

4. **Helping the most vulnerable**
   Together with the public sector, we will work to ensure the conditions in which people at risk of generational poverty and bad financial decision-making have a better chance to improve their lives.
5. **Grant calls**
   In 2021 the Bank will publish the first calls for 5peňazí grants. Through these grants, the project will establish partnerships with non-profit organisations.

By the end of 2020, within a period of one month, the project had attracted more than 1,600 followers on Facebook and more than 1,100 followers on Instagram, while its website had received around 35 thousand visitors. Subscribers to the 5peňazí mailing list receive an electronic newsletter once a month.

All you need to know about loan moratoria

10.6 Environmental policy

Národná banka Slovenska takes a responsible approach to environmental issues, both through its consistent compliance with legislation and European Commission Recommendations on environmental matters and through a number of measures aimed at meeting the priorities and objectives of its environmental policy.

In 2020 the Bank again participated in the worldwide Earth Day and Earth Hour events. To mark Earth Hour, the lights of the Bank's headquarters building and the NBS-administered Town Castle in Kremnica were switched off for an hour.

By replacing older lighting at its headquarters building and five regional offices with environmentally friendly LED lights, the Bank reduced its end-use electricity consumption by more than 57% in 2020. The introduction of new greenery inside the NBS headquarters and the planting of new greenery outside the building and outside the NBS Regional Office in Poprad helped improve the working environment for staff in an eco-friendly way. In the Bank's car fleet, three vehicles were replaced in 2020 with new models featuring more efficient engines and transmissions and lower fuel consumption – all of which comply with the Euro 6d emission standard. In the area of information technology, the process of replacing old desktop computers with new laptops gathered pace in 2020, and personal printers were gradually being replaced with networked multifunctional devices in order to save on the consumption of electricity, toner cartridges and paper. In its public procurement activity, the Bank purchased energy-efficient and ecologically sustainable products and services.

The bank disposes of its waste in compliance with the requirements of municipal waste separation. Non-hazardous and other waste generated by the Bank's operations is assessed against ecological criteria and disposed of only by authorised waste disposal companies. In the period under review, 34.9 tonnes of the Bank's paper waste was disposed of with energy recovery and a further 2.95 tonnes of its paper waste underwent secondary recovery through recycling. The Bank's waste also included seven tonnes of paper packaging, 1.4 tonnes of plastic, and 2.7 tonnes of electrical waste.

Independent auditor's report and Financial Statements of NBS as at 31 December 2020

Deloitte.

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Národná banka Slovenska

INDEPENDENT AUDITOR'S REPORT

To the Bank Board of Národná banka Slovenska:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS"), which comprise the balance sheet as at 31 December 2020, the income statement for the year then ended, and notes, which include a summary of significant accounting policies and accounting methods.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance for the year then ended in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2016/34 as amended (hereinafter the "ECB Guideline") and the Act on Accounting No. 431/2002 Coll. as amended (hereinafter the "Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Bank Board of the NBS for the Financial Statements

The Bank Board of the NBS is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the ECB Guideline and the Act on Accounting, and for such internal control as the Bank Board of the NBS determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank Board of the NBS is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/sk/en/about to learn more.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank Board of the NBS.

- Conclude on the appropriateness of the Bank Board of the NBS's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The Bank Board of the NBS is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting and Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (hereinafter the "Act on NBS"). Our opinion on the financial statements stated above does not apply to other information disclosed in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

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

- Information disclosed in the annual report prepared for 2020 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting and Act on NBS.

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

Bratislava, 9 March 2021

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

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

(in thousands of EUR)

BALANCE SHEET

of Národná banka Slovenska

ASSETS	Note	31 Dec 2020 EUR' 000	31 Dec 2019 EUR' 000
A1 Gold and gold receivables	1	1,572,996	1,379,644
A2 Claims on non-euro area residents denominated in a foreign currency	2	8,826,725	9,103,406
A3 Claims on euro area residents denominated in a foreign currency	3	1,330,152	874,462
A4 Claims on non-euro area residents denominated in euro	4	2,114,530	2,766,448
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	3,952,470	533,540
A6 Other claims on euro area credit institutions denominated in euro	6	11,637	15,070
A7 Securities of euro area residents denominated in euro	7	31,014,799	22,406,480
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	8,449,873	10,157,079
A10 Items in course of settlement		0	0
A11 Other assets	9	4,983,428	5,047,053
A12 Loss for the year		0	0
TOTAL ASSETS		**62,256,610**	**52,283,182**

LIABILITIES	Note	31 Dec 2020 EUR' 000	31 Dec 2019 EUR' 000
L1 Banknotes in circulation	10	15,112,584	13,670,747
L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	5,022,054	3,012,873
L3 Other liabilities to euro area credit institutions denominated in euro	12	1,517,167	1,532,155
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	4,083,362	967,858
L6 Liabilities to non-euro area residents denominated in euro	14	27,957,619	25,249,177
L7 Liabilities to euro area residents denominated in a foreign currency	15	2,750,690	1,063,593
L8 Liabilities to non-euro area residents denominated in a foreign currency	16	1,177,847	2,892,800
L9 Counterpart of special drawing rights allocated by the IMF	17	401,288	420,114
L10 Intra-Eurosystem liabilities	18	1,425,192	918,315
L11 Items in course of settlement		0	0
L12 Other liabilities	19	479,401	453,213
L13 Provisions	20	817,206	675,931
L14 Revaluation accounts	21	1,128,360	856,544
L15 Capital and reserves	22	357,797	357,797
L16 Profit for the year	35	26,043	212,065
TOTAL LIABILITIES		**62,256,610**	**52,283,182**

This version of the accompanying financial statement 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.

(in thousands of EUR)

PROFIT AND LOSS ACCOUNT
of Národná banka Slovenska

	Note	31 Dec 2020 EUR' 000	31 Dec 2019 EUR' 000
1.1 Interest income		386,792	399,746
1.2 Interest expense		(121,716)	(169,116)
1 Net interest income	24	**265,076**	**230,630**
2.1 Realised gains/(losses) arising from financial operations		48,129	16,444
2.2 Write-downs on financial assets and positions		(83,012)	(45,471)
2.3 Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks		(140,000)	0
2 Net result of financial operations, write-downs and risk provisions	25	**(174,883)**	**(29,027)**
3.1 Fee and commission income		2,828	2,464
3.2 Fee and commission expense		(1,688)	(1,353)
3 Net income/(expense) from fees and commissions	26	**1,140**	**1,111**
4 Income from equity shares and participating interests	27	**28,885**	**24,668**
5 Net result of pooling of monetary income	28	**25,606**	**91,995**
6 Other income	29	**12,729**	**22,828**
Total net income		**158,553**	**342,205**
7 Staff costs	30	**(58,865)**	**(53,455)**
8 Administrative expenses	31	**(23,052)**	**(25,124)**
9 Depreciation/amortisation of tangible and intangible fixed assets	32	**(9,563)**	**(9,243)**
10 Banknote production services	33	**(7,018)**	**(3,383)**
11 Other expenses	29	**(6,838)**	**(3,859)**
12 Income tax and other government charges on income	34	**(27,174)**	**(35,076)**
PROFIT	35	**26,043**	**212,065**

This version of the accompanying financial statement 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 2020

Bratislava, 9 March 2021

This version of the accompanying financial statement 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.

(in thousands of EUR)

A. GENERAL INFORMATION ON NÁRODNÁ BANKA SLOVENSKA

Národná banka Slovenska (the "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 NBS submits the annual report on the results of its operations to the National Council of the Slovak Republic within three months of 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 Bank'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 2020, the Bank Board had the following structure:

Name	Term of Office in the Bank Board		Current Position
	From	Until	
Ing. Peter Kažimír	1.6.2019	1.6.2025	Governor
Mgr. Ľudovít Ódor	20.2.2018	20.2.2024	Deputy Governor
RNDr. Karol Mrva	1.6.2012	2.6.2023	Member
Ing. Vladimír Dvořáček	2.4.2014	3.4.2025	Member
prof. Mgr. Ľuboš Pástor, M.A. PhD.	15.3.2015	15.3.2021	Member

B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS APPLIED

(a) Legal framework and accounting principles

The Bank applies accounting principles in accordance with the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks No. ECB/2016/34 as amended (the "ECB Guideline"). When recognising transactions not regulated by the ECB Guideline, the Bank observes International Financial Reporting Standards. In other cases, the Bank acts in accordance with Act No. 431/2002 Coll. on Accounting, as amended. In accordance with this legal framework, the Bank applies the following fundamental 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 only held on the balance sheet 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 valued reliably.

Foreign exchange transactions, financial instruments excluding securities, and the corresponding accruals, are subject to the economic principle. 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 and transactions with 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 or a method defined for the relevant financial instrument is applied. Accruals of premium and discount for securities with an embedded option for early repayment are recorded until the official maturity of securities. Interest accruals are disclosed separately from the financial instrument in "Other assets" or "Other liabilities". Accruals of premium and discount are disclosed together with the financial instrument.

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

The Bank does not prepare consolidated financial statements in accordance with Article 22 of the Act on Accounting.

(b) Valuation of assets and liabilities

Financial assets and liabilities, excluding held-to-maturity securities, securities held for monetary policy purposes and non-marketable participating interests, are valued on a monthly basis at mid-market rates and prices. Options embedded in securities are not reported separately from the host instrument and the financial instrument is valued as a whole. Foreign currency revaluation, including balance sheet and off-balance sheet transactions, is performed for each currency separately; securities are valued for each ISIN separately and interest rate and cross-currency swaps and futures agreements are valued individually. For gold, no distinction is made between price and currency revaluation differences.

Securities held for monetary policy purposes are valued at amortised 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 provision for impairment of securities acquired under the securities market programme ("SMP"), the third covered bond purchase programme ("CBPP3"), the corporate sector purchase programme ("CSPP") and securities issued by international organisations and multilateral development banks acquired under the public sector purchase programme on the secondary market ("PSPP") is created in percentage proportion to the prevailing ECB capital key shares valid at the time of the initial impairment. The Bank creates a provision in full amount for impairment of securities issued by the Government of the Slovak Republic acquired under the PSPP programme and the pandemic emergency purchase programme ("PEPP", see Note 7).

Current accounts and deposits granted/received and loans are valued at face value.

(in thousands of EUR)

Participating interests, except the BIS Investment Pool Sovereign China equity fund denominated in CNY ("BISIP") and Exchange Traded Funds denominated in USD ("ETF"), are valued at historical cost and are subject to an impairment test. A provision is recognised for the impairment in participating interests through profit/loss. The BISIP equity fund is valued at the net asset value of the fund provided by the Bank for International Settlements ("BIS") in Basel, Switzerland on a monthly basis. The ETF funds are valued at mid-market prices on a monthly basis for each security (ISIN) separately.

The exchange rates of key foreign currencies against EUR 1, used to value the assets and liabilities as at 31 December 2020, were as follows:

Currency	31 Dec 2020	31 Dec 2019	Change
GBP	0.89903	0.85080	0.04823
USD	1.22710	1.12340	0.10370
JPY	126.49000	121.94000	4.55000
XDR	0.84846	0.81044	0.03802
CNY	8.02250	7.82050	0.20200
EUR/ozs*	1,543.884	1,354.104	189.78000

* 1 ozs (troy ounce) = 31.1034807 g

(c) Accounting and recognition of income

Realised profits and losses are derived from the daily valuation 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 recognised directly in the profit and loss account.

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

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

According to the agreed recommended harmonised 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 recognised as repurchase transactions with gold (see Note 14). The gold used in such transactions remains in the Bank's total assets under the item "Gold and gold receivables".

(e) Debt securities

At initial recognition, securities are valued at transaction costs. Fees which are not part of the transaction costs are directly recognised in the profit and loss account and are not considered as part of the average cost of the securities.

Securities are recognised together with the accrued premium and discount. Coupons are recorded under "Other assets". The withholding income tax on bonds and treasury notes is recognised in the profit and loss account under "Income tax and other charges on income" (see Note 34).

(f) Derivatives

Foreign exchange 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 recognised 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 paid or received interest that is accrued.

The forward position of foreign exchange 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 valued individually for each transaction based on generally accepted valuation models using corresponding yield curves derived from quoted interest rates.

For cross-currency swaps, the provisions are applied separately to the foreign exchange and interest rate legs of the swap. Forward and spot purchases and sales of cross-currency swaps are recognised in balance-sheet accounts at the respective settlement date at the spot rate of the transactions. They are included in the net currency position to calculate the average cost of the currency position and foreign exchange gains and losses. Interest payments are agreed upon in regular instalments in two different currencies. Interests paid and received are accrued on a daily basis. The same rules as for interest rate swaps apply to the valuation of the interest rate leg.

For interest rate, foreign exchange or cross-currency swaps, if there is an increase or decrease in the net swap position, a collateral adjustment in the form of deposits with a daily extension is contractually agreed with selected counterparties. The interest is settled monthly (see Notes 9 and 19).

The Bank recognises 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 as securities. The initial deposit in the form of securities is not accounted for. The daily settlement of revaluation differences on the margin account is recognised in the profit and loss account.

Options embedded in debt securities are not reported separately from the host instrument.

(g) Reverse transactions

Reverse transactions are the transactions that the Bank conducts under reverse repo agreements or collateralised loan transactions.

Repo agreements (repo transactions) are recognised as a collateralised inward deposit on the liabilities side of the balance sheet, and the item provided as collateral remains on the assets side of the balance sheet. Securities provided under a repo transaction remain part of the Bank's portfolio.

Reverse repo agreements (reverse transactions) are recognised as a collateralised outward loan on the assets side of the balance sheet. Securities accepted under a reverse repo 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. Income from these transactions are recognised 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 of the total amount of banknotes in circulation is 8%. Pursuant to the Decision cited above, the NBS's share of the total issue of euro banknotes within the Eurosystem is 1.0535% (1.0575% until 31 December 2019). The share of banknotes in circulation is recognised under liabilities "Banknotes in circulation" (see Note 10).

The difference between banknotes allocated according to the Banknote Allocation Key and banknotes in circulation represents an interest-bearing claim or liability within the Eurosystem. They are disclosed under "Intra-Eurosystem claims or liabilities".

Interest income or interest expense from these claims/liabilities is disclosed net in the Bank's profit and loss account under "Net interest income" (see Note 24).

(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 issues and net income from securities purchased by the ECB under the SMP, CBPP3, asset-backed securities purchase programme (hereinafter "ABSPP"), PSPP and PEPP, is re-allocated among the Eurosystem's individual central banks and is recognised in the year in which originated as an interim distribution of the ECB's profit (see Note 27).

Under Article 33 of the Statute, the ECB's remaining net profit is reallocated 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 recognised on the balance sheet irrespective of their input price. The assets listed under separate regulations are recognised on the off-balance sheet and in records maintained for collection items at 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.

(in thousands of EUR)

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

Depreciation Group	Depreciation Period in Years
1. Buildings, long-term investments, technical improvements to immovable cultural monuments	30
2. Separable components built into structures identified for separate depreciation	4 - 20
3. Utility networks	20
4. Machines and equipment	2 - 12
5. Transport means	4 - 6
6. Operating lease	as per a contract
7. Fixtures and fittings	4 - 12
8. Intangible fixed assets - purchased software	2 - 10
9. Other intangible fixed assets	4 or as per a contract

(k) Taxes

In accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes, as amended, the NBS is not a corporate income tax payer. Only income taxed by withholding tax is subject to taxation (see Note 34).

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 financial risks to hedge against foreign exchange rate, interest rate, credit, equity risks and gold price risks (see Notes 20 and 25), which is presented in the Bank's equity.

The level of the provision is reassessed at year-end and is based on the estimated potential loss using the Expected Shortfall at the confidence level of 99% in a one-year horizon, taking into account the simulation of potential scenarios of financial markets developments in relation to the positions of the financial instruments held by the NBS.

The provision also reflects the NBS's share of credit risks resulting from monetary policy operations and the Eurosystem intervention purchase programmes. The share of the NBS on the ECB's risks and monetary policy portfolios credit risks, of which gains and losses are shared by the Eurosystem central banks, are derived from the outputs generated by the ECB as part of the regular analysis of financial risks and buffers of the Eurosystem national central banks. The estimated provision to cover a potential loss from the credit risks of other monetary policy portfolios and investment portfolio of the Bank is calculated at the NBS level.

For the risk assessment calculations, the financial positions are considered at market prices except for monetary policy portfolios, which are taken at amortised cost from accounting books. In accordance with the approved approach, the Bank Board may reflect on additional factors that are expected to have an impact on the risk value when making a decision on the final level of the provision.

(in thousands of EUR)

(m) NBS profit redistribution

In accordance with Article 39 (4) of the NBS Act, the profit generated by the Bank can be allocated to the reserve fund and other funds created from profit, or it is used to cover accumulated losses from prior years. Losses 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

	31 Dec 2020	31 Dec 2019	Change
Gold in repo transactions	1,566,616	1,373,718	192,898
Gold stored in banks	3,955	3,795	160
Gold in stock	2,425	2,131	294
	1,572,996	**1,379,644**	**193,352**

As at 31 December 2020, gold totalled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2019), of which 1,015 thousand t oz. were used in repo transactions, 3 thousand t oz. deposited with correspondent banks and 1 thousand t oz. deposited with the Bank.

As at 31 December 2020, the market price of gold was EUR 1,543.884 per t oz. (EUR 1,354.104 per t oz. as at 31 December 2019). The changes in the account balances were associated with revaluation differences (see Note 21).

2. Claims on non-euro area residents denominated in foreign currency

	31 Dec 2020	31 Dec 2019	Change
Receivables from/Payables to the IMF	662,823	632,674	30,149
Balances with banks and security investments, external loans and other external assets	8,163,902	8,470,732	(306,830)
	8,826,725	**9,103,406**	**(276,681)**

Receivables from / Payables to the International Monetary Fund

	31 Dec 2020		31 Dec 2019		
	Equivalent XDR million	EUR '000	Equivalent XDR million	EUR '000	Change EUR '000
Receivables from the IMF:	**1,316**	**1,554,834**	**1,315**	**1,624,628**	**(69,794)**
1) Member's quota	1,001	1,183,739	1,001	1,236,729	(52,990)
a) Member's contribution	753	892,011	803	991,954	(99,943)
b) Reserve position	248	291,728	198	244,775	46,953
- Foreign exchange part of Member's quote	138	162,618	138	170,247	(7,629)
- Reserve position of FTP	110	129,110	60	74,528	54,582
2) Nostro account in the IMF	315	371,095	314	387,899	(16,804)
Payables to the IMF:	**753**	**892,011**	**803**	**991,954**	**(99,943)**
1) Loro accounts in the IMF	802	949,888	803	991,557	(41,669)
2) Currency valuation adjustment account	(49)	(57,877)	0	397	(58,274)
Total reported amount (net)	**563**	**662,823**	**512**	**632,674**	**30,149**

(in thousands of EUR)

Within the Financial Transaction Plan (hereinafter the “FTP”), the NBS received two instalments totalling XDR 5 million and provided a loan in the amount of XDR 55 million in 2020, thus, increasing the FTP reserve position. As a result of the above transactions, the structure of the Member’s quota changed, although its level remained unchanged.

Payables to the IMF represent the IMF loro accounts and the associated currency valuation adjustment account. Liabilities in local currency change depending on the IMF representative exchange rate. A significant part of payables on the IMF loro accounts consists of a note of EUR 868,807 thousand (EUR 851,935 thousand as at 31 December 2019).

The Bank records a payable to the IMF from the allocation under item 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

	31 Dec 2020	31 Dec 2019	Change
Debt securities	5,152,373	4,185,500	966,873
Other	3,011,529	4,285,232	(1,273,703)
	8,163,902	**8,470,732**	**(306,830)**

The caption “Debt securities” mainly consists of securities denominated in USD, GBP, CHF, CNY, JPY and AUD. As at 31 December 2020, the Bank mainly recorded securities issued by monetary financial institutions. An increase in the volume is related to the purchase of securities.

The caption “Other” mainly includes cash on nostro accounts in foreign currency. A decrease in the caption “Other” is mainly related to foreign exchange swaps.

3. Claims on euro area residents denominated in foreign currency

	31 Dec 2020	31 Dec 2019	Change
Debt securities	1,328,872	873,564	455,308
Current accounts	1,280	898	382
	1,330,152	**874,462**	**455,690**

The caption “Debt securities” consists of securities denominated in GBP, USD, CHF, AUD and JPY. As at 31 December 2020, the Bank mainly recorded securities issued by monetary financial institutions.

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

	31 Dec 2020	31 Dec 2019	Change
Debt securities	2,114,515	2,763,993	(649,478)
Current accounts	15	2,455	(2,440)
	2,114,530	**2,766,448**	**(651,918)**

As at 31 December 2020, the Bank mainly recorded securities issued by monetary financial institutions. The decrease is mainly related to the sale of securities.

(in thousands of EUR)

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

The main refinancing operations ("MRO") are regular liquidity-providing reverse transactions with a frequency and maturity of one week. As at 31 December 2020, the Bank does not record such transactions.
Longer-term refinancing operations of EUR 3,952,470 thousand (EUR 533,540 thousand as at December 2019) are regular liquidity-providing reverse transactions for a longer period, with a maturity of 3 to 48 months. As part of these operations, in 2016 the Governing Council launched a series of four targeted longer-term refinancing operations (TLTRO II) with a maturity of 4 years with the option of repayment after two years. These operations are aimed at supporting bank lending to the non-financial private sector, excluding loans to households for house purchases. The agreed final interest rate for these operations is a negative interest rate of -0.40% p.a. In this category, the Bank records one operation with a Slovak lending institution with a maturity in March 2021.
In 2019, the Governing Council introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTRO III), with a maturity of three years and an earlier repayment option after two years. From September 2021, repayment will be possible one year after the settlement of each operation. The programme is aimed at supporting the provision of bank lending to the small and medium-sized enterprises most affected by the COVID-19 pandemic. Furthermore, in 2020, the Governing Council decided that for the period between 24 June 2020 and 23 June 2022, the interest rate applicable to all outstanding loans is 50 basis points below the average interest rate on the main refinancing operations. . When the lending performance threshold (lending benchmark) is reached, the interest rate can be as low as 50 basis points below the average deposit facility rate. For interest accrual recognition, the NBS applies (under the prudence principle) the lowest possible interest rate of -0.5% below the average deposit facility rate, i.e. -1% p.a.
Under this programme, the Bank records five operations with three Slovak lending institutions with a maturity in 2023.
In April 2020, the Governing Council decided to conduct a new series of seven non-targeted longer-term refinancing operations called "Pandemic emergency longer-term refinancing operations" (PELTROs) with a maturity in 3Q 2021. The new series is aimed at supporting liquidity and the smooth functioning of money markets in euro area. An interest rate of 25 basis points below the average rate of the Eurosystem's main refinancing operations, i.e. -0.25%, is applied to the operations. The Bank records one operation with a Slovak lending institution with a maturity in September 2021.

The risks arising from monetary policy operations are subject to sharing with the 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

	31 Dec 2020	31 Dec 2019	Change
Redistribution loan	10,629	13,195	(2,566)
Current accounts	698	697	1
Deposits provided for repo transactions	310	1,178	(868)
	11,637	**15,070**	**(3,433)**

A redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. For 2020, the interest rate for the redistribution loan remained at 0.50% p.a. (0.50% p.a. as at 31 December 2019).

(in thousands of EUR)

As at 31 December 2020, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 10,939 thousand on the off-balance sheet (EUR 13,600 thousand as at 31 December 2019). 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

	31 Dec 2020	31 Dec 2019	Change
Securities held for monetary policy purposes	30,827,872	21,986,683	8,841,189
Other securities	186,927	419,797	(232,870)
	31,014,799	**22,406,480**	**8,608,319**

Debt securities held for monetary policy purposes

Under this caption, the Bank disclosed securities purchased under the SMP, CBPP3, PSPP and PEPP programmes.

Programme	Commencement Date	Termination Date	No. of the ECB's Decision	Securities as at 31 Dec 2020
SMP	May 2010	September 2012	ECB/2010/5	debt securities issued by euro area governments
CBPP3	October 2014	ongoing	ECB/2020/8 (as amended)	covered bonds issued by euro area residents
PSPP	March 2015	ongoing	ECB/2020/9 (as amended)	debt securities issued by euro area governments, international organisations and multilateral development banks based in euro area
PEPP	March 2020	ongoing	ECB/2020/17	all securities eligible under APP

Net securities purchases under the APP programme, which includes the CBPP3, PSPP, ABSPP and CSPP programmes, continue at a monthly pace of EUR 20 billion on average, together with the purchase of assets under a temporary additional envelope of EUR 120 billion, which will terminate at the end of the year. The Governing Council also expects that monthly net purchases will run for as long as necessary to reinforce the accommodative impact of monetary policy rates and to end shortly before it starts raising key interest rates. The Governing Council also intends to continue to reinvest, in full, the principal payments of maturing securities purchased under the APP programme for an extended period of time until the ECB starts raising key interest rates, and for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

On 18 March 2020, the Governing Council launched a temporary PEPP programme with an envelope of EUR 750 billion. The PEPP programme envelope was increased by EUR 600 billion on 4 June 2020 and on 10 December 2020 by an additional EUR 500 billion to a new total of EUR 1,850 billion. The horizon for net purchases under the PEPP programme was also extended to at least the end of March 2022, and until the COVID-19 pandemic crisis is over. The principal payments from maturing securities will be reinvested under the PEPP programme until at least the end of 2023. The future roll-off of the PEPP portfolios will be managed to avoid interference with the appropriate monetary stance.

(in thousands of EUR)

Income on securities with a source in the Slovak Republic is net of withholding tax (see Note 34).

Securities purchased under all monetary policy programmes are valued on an amortised cost basis and are subject to an impairment test. The amortised and market values of securities held for monetary policy purposes are shown in the table below (market valuation is not recorded in the Balance Sheet or the Profit and Loss Account and is provided for comparison purposes only):

	31 Dec 2020		31 Dec 2019		Change	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP1	0	0	10,000	10,017	(10,000)	(10,017)
CBPP3	1,959,307	2,021,150	2,051,919	2,108,527	(92,612)	(87,377)
SMP	58,260	71,892	88,358	105,344	(30,098)	(33,452)
PSPP gov.	11,105,736	12,203,048	9,523,063	10,158,723	1,582,673	2,044,325
PSPP supr.	11,026,867	11,602,836	10,313,343	10,627,116	713,524	975,720
PEPP gov.	4,357,655	3,999,282	0	0	4,357,655	3,999,282
PEPP supr.	2,292,042	2,322,492	0	0	2,292,042	2,322,492
PEP covered by debt sec.	28,005	28,711	0	0	28,005	28,711
	30,827,872	**32,249,411**	**21,986,683**	**23,009,727**	**8,841,189**	**9,239,684**

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under the monetary policy programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council of the ECB. Based on the results of the impairment test on securities held for monetary policy purposes performed as at 31 December 2020 and pursuant to the decision of the Governing Council of the ECB, the NBS did not create a provision for losses from monetary policy operations (see Note 20).

Other securities

Under this caption, as at 31 December 2020, the Bank recognised securities held for trading issued by the euro area monetary financial institutions.

8. Intra-Eurosystem claims

	31 Dec 2020	31 Dec 2019	Change
Participating interest in the ECB	281,193	282,754	(1,561)
Claims equivalent to the transfer of foreign reserves	462,031	463,840	(1,809)
Other Intra-Eurosystem claims (net)	7,706,649	9,410,485	(1,703,836)
	8,449,873	**10,157,079**	**(1,707,206)**

Participating interest in the ECB

As at 31 December 2020, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 86,850 thousand (31 December 2019: EUR 86,643 thousand) and a claim of EUR 40,129 thousand from the changes of its participating interest in the ECB's net equity (31 December 2019: EUR 41,897 thousand). This change is due to BREXIT, i.e. the departure of the United Kingdom of Great Britain and Northern Ireland from the European Union and the consequent withdrawal of the Bank of England from the European System of Central Banks ("ESCB") on 31 January 2020. Subsequently, weighted participating interests of the Eurosystem national central banks were adjusted. The NBS's capital key was adjusted from 0.8004% to 0.9314% with effect from 1 February 2020.

In accordance with Article 48 (2) of the Statute and the decision of the Governing Council of the ECB, 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.

Claims equivalent to the transfer of foreign reserves

The Bank records a claim from the transfer of foreign reserves to the ECB of EUR 462,031 thousand as at 31 December 2020 (EUR 463,840 thousand as at 31 December 2019), in accordance with Article 30 (1) of the Statute. The year-on-year change in the claim was due to BREXIT. The claim bears interest at 85% of the rate for the main refinancing operations. As at 31 December 2020, the Bank recorded no interest income from the claim from the transfer of foreign reserves due to the interest rate of 0% p.a. With effect from 1 February 2020, the NBS's Eurosystem key was adjusted from 1.1497% to 1.1452%.

(in thousands of EUR)

As at 1 February 2020, after BREXIT, the participating interests of the central banks of the European Union in the ECB's capital were as follows:

	Capital Key for Subscription of ECB's Capital (%)	Subscribed Share in Capital (EUR)	Paid-up Capital (EUR)	Eurosystem Key (%) - Share on the ECB's Paid-up Capital
Banque National de Belgique	2.9630	320,744,959.47	276,290,916.71	3.6432
Eesti Pank	0.2291	24,800,091.20	21,362,892.01	0.2817
Deutsche Bundesbank	21.4394	2,320,816,565.68	1,999,160,134.91	26.3615
Central Bank and Financial Services Authority of Ireland	1.3772	149,081,997.36	128,419,794.29	1.6934
Bank of Greece	2.0117	217,766,667.22	187,585,027.73	2.4735
Banco de España	9.6981	1,049,820,010.62	904,318,913.05	11.9246
Banque de France	16.6108	1,798,120,274.32	1,548,907,579.93	20.4243
Banca d'Italia	13.8165	1,495,637,101.77	1,288,347,435.28	16.9885
Central Bank of Cyprus	0.1750	18,943,762.37	16,318,228.29	0.2152
Latvijas Banka	0.3169	34,304,447.40	29,549,980.26	0.3897
Lietuvos bankas	0.4707	50,953,308.28	43,891,371.75	0.5788
Banque centrale du Luxembourg	0.2679	29,000,193.94	24,980,876.34	0.3294
Central Bank of Malta	0.0853	9,233,731.03	7,953,970.70	0.1049
De Nederlandsche Bank	4.7662	515,941,486.95	444,433,941.02	5.8604
Oesterreichische Nationalbank	2.3804	257,678,468.28	221,965,203.55	2.9269
Banco de Portugal	1.9035	206,054,009.57	177,495,700.29	2.3405
Banka Slovenije	0.3916	42,390,727.68	36,515,532.56	0.4815
Národná banka Slovenska	**0.9314**	**100,824,115.85**	**86,850,273.32**	**1.1452**
Suomen Pankki – Finlands Banl	1.4939	161,714,780.61	139,301,721.39	1.8369
*Subtotal euro area NCBs**	*81.3286*	*8,803,826,699.60*	*7,583,649,493.38*	*100.0000*
Българска народна банка (Bulharská národná banka)	0.9832	106,431,469.51	3,991,180.11	
Česká národní banka	1.8794	203,445,182.87	7,629,194.36	
Danmarks Nationalbank	1.7591	190,422,699.36	7,140,851.23	
Magyar Nemzeti Bank	1.5488	167,657,709.49	6,287,164.11	
Narodowy Bank Polski	6.0335	653,126,801.54	24,492,255.06	
Banca Naţională a României	2.8289	306,228,624.99	11,483,573.44	
Sveriges Riksbank	2.9790	322,476,960.60	12,092,886.02	
Hrvatska narodna banka	0.6595	71,390,921.62	2,677,159.56	
*Subtotal non-euro area NCBs**	*18.6714*	*2,021,180,369.98*	*75,794,263.89*	
Total*	**100.00**	**10,825,007,069.61**	**7,659,443,757.27**	

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

Other claims within the Eurosystem (net)

Claims within the Eurosystem represent the NBS's position towards other members of the ESCB arising from cross-border transactions. This caption comprises the claim of the NBS against other central banks and the ECB arising from operations within TARGET 2, which amounted to EUR 7,667,592 thousand as at 31 December 2020 (claim of EUR 9,302,825 thousand as at 31 December 2019). The position bears an interest rate for the main refinancing operations. The Bank recorded no interest as at 31 December 2020 due to the interest rate of 0% p.a.

(in thousands of EUR)

The caption also comprises a receivable from monetary income of EUR 24,625 thousand (EUR 91,208 thousand as at 31 December 2019, see Note 28) and a receivable from the NBS's share in the ECB's profit for 2020 of EUR 14,432 thousand (EUR 16,452 thousand as at 31 December 2019, see Note 27).

9. Other assets

	31 Dec 2020	31 Dec 2019	Change
Tangible and intangible fixed assets	105,002	109,339	(4,337)
Other financial assets	289,901	210,684	79,217
Off-balance sheet instruments revaluation difference	31,950	17,189	14,761
Accruals and prepaid expenses	301,531	278,853	22,678
Accumulated losses from previous years	4,149,867	4,361,932	(212,065)
Other	105,177	69,056	36,121
	4,983,428	**5,047,053**	**(63,625)**

Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2020:

	Tangible Assets, Advances and Assets under Construction	Intangible Assets, Advances and Assets under Construction	TOTAL
Acquisition cost as at 1 Jan 2020	**248,390**	**42,008**	**290,398**
Additions	5,520	4,253	9,773
Disposal	5,710	2,970	8,680
Acquisition cost as at 31 Dec 2020	**248,200**	**43,291**	**291,491**
Accumulated depreciation as at 1 Jan 2020	**146,121**	**34,939**	**181,060**
Additions	7,181	2,382	9,563
Disposal	3,652	481	4,133
Accumulated depreciation and provisions as at 31 Dec 2020	**149,650**	**36,840**	**186,490**
Carrying amount of tangible and intangible assets as at 1 Jan 2020	**102,269**	**7,069**	**109,338**
Carrying amount of tangible and intangible assets as at 31 Dec 2020	**98,550**	**6,451**	**105,001**

As at 31 December 2020, the NBS recognised fixed assets held for sale in the amount of EUR 1 thousand (EUR 1 thousand as at 31 December 2019).

Other financial assets

	31 Dec 2020	31 Dec 2019	Change
Participating interests in ETF funds	236,156	156,550	79,606
Participating interests in BISIP fund	46,664	46,727	(63)
Shares of BIS	6,956	7,282	(326)
Shares of SWIFT	92	92	0
Inštitút bankového vzdelávania, n.o.	33	33	0
	289,901	**210,684**	**79,217**

(in thousands of EUR)

Since June 2018, the Bank has purchased shares in ETF denominated in USD, which are in the form of marketable securities and are traded as common shares on a stock exchange.

As at 31 December 2020, the Bank recognised shares within the BISIP programme which represents an indirect form of investing in the on-shore Chinese government bonds' market. The Bank's share represents 0.57% of the fund's total value (0.70% share of the fund's total value as at 31 December 2019, see Section B, Note b).

The Bank's share in the BIS capital represents 0.51% (0.51% as at 31 December 2019). The participating interest in BIS is recognised in the amount of the paid-up share (25%). The unpaid proportion 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. In 2020, dividends were not paid due to the coronavirus pandemic (see Note 27).

The Bank holds shares of SWIFT, representing a 0.0247% capital share (0.0246% capital share as at 31 December 2019).

Since 2008, the Bank has recognised a contribution to the registered capital of Inštitút bankového vzdelávania NBS, n. o. Bratislava. The Bank holds a 100% share in the company.

Off-balance sheet instruments revaluation differences

As at 31 December 2020, the caption comprises a foreign exchange gain primarily from the valuation of foreign exchange and cross currency swaps in USD and JPY in the amount of EUR 31,950 thousand (EUR 17,189 thousand as at 31 December 2019).

Accruals and prepaid expenses

This caption mainly includes accrued bond coupons in the amount of EUR 260,121 thousand (EUR 254,080 thousand as at 31 December 2019).

Sundry

	31 Dec 2020	31 Dec 2019	Change
Deposits - collateral to derivatives	89,680	51,425	38,255
Fair value of interest rate swaps - gains	7,470	6,239	1,231
Investment loans granted to employees	3,256	4,020	(764)
Cross currency swap	477	509	(32)
Interest rate futures	387	370	17
Other	3,907	6,493	(2,586)
	105,177	**69,056**	**36,121**

The purpose of the deposits granted – collaterals to derivatives – is to secure counterparty credit risk in the case of a decrease in the value of swap transactions on the part of the NBS. The year-on-year increase in the volume of deposits is related to the decrease in the market price of swaps on the part of the NBS.

10. Banknotes in circulation

	31 Dec 2020	31 Dec 2019	Change
Euro banknotes in circulation issued by the NBS	16,537,776	14,589,062	1,948,714
Adjustment to euro banknotes in circulation	(1,425,192)	(918,315)	(506,877)
Total volume of euro banknotes in line with the NBS Banknote Allocation Key	**15,112,584**	**13,670,747**	**1,441,837**

(in thousands of EUR)

As at 31 December 2020, the Bank issued banknotes amounting to EUR 16,537,776 thousand (EUR 14,589,062 thousand as at 31 December 2019) , which is an increase of EUR 1,425,192 thousand compared to the volume allocated to the NBS by the Banknote Allocation Key (see Section B, Note h). This difference represents a liability of the NBS to the Eurosystem (see Note 18).

As a result of the departure of the United Kingdom of Great Britain and Northern Ireland from the European Union and the consequent withdrawal of the Bank of England from the ESCB on 31 January 2020, the euro banknote allocation key was adjusted from 1.0575% to 1.0535% with effect from 1 February 2020 (see Note 8).

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

	31 Dec 2020	31 Dec 2019	Change
Current accounts covering the minimum reserve system	4,894,054	3,012,873	1,881,181
Deposit facilities	128,000	0	128,000
	5,022,054	**3,012,873**	**2,009,181**

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 fulfilment of monetary reserves of credit institutions over the set maintenance period, as published by the ECB.

The MRS bear interest at the average rate of the Eurosystem's main refinancing operations valid over the given maintenance period. Since June 2014, reserves exceeding the minimum reserve system (hereinafter "Excess Reserves") bear interest at zero percent or at the deposit facility rate, whichever is lower. Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, which exempts part of credit institutions' excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. This exempt tier is remunerated at the annual rate of 0% and its volume is determined by a multiplier approved by the Governing Council (multiplier valid for 2020 is 6). The non-exempt tier of excess liquidity holdings continues to be remunerated at the lower of either zero percent or the deposit facility rate. With effect from 18 September 2019, the ECB applies a negative interest rate of -0.50% p.a. to deposit facilities.

As at 31 December 2020, the net interest income from the MRS amounts to EUR 6,080 thousand (EUR 4,783 thousand as at 31 December 2019, see Note 24).

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

	31 Dec 2020	31 Dec 2019	Change
Tri-party repo transactions	1,250,000	0	1,250,000
Liabilities from repo transactions	266,059	1,532,099	(1,266,040)
Deposits received to repo transactions	1,084	0	1,084
Interbank clearing in Slovakia (SIPS)	24	56	(32)
	1,517,167	**1,532,155**	**(14,988)**

The interest rate applicable to repo transactions denominated in EUR ranges from -0.46% to -0.48% p.a. (from -0.44% to -0.47% p.a. as at 31 December 2019). The interest rate applicable to three-party repo transactions denominated in EUR is -0.47% p.a.

(in thousands of EUR)

13. Liabilities to other euro area residents denominated in euro

	31 Dec 2020	31 Dec 2019	Change
General government	3,993,150	876,296	3,116,854
Other liabilities	90,212	91,562	(1,350)
	4,083,362	**967,858**	**3,115,504**

General government

Under this caption, the Bank recognised current accounts of the general government. The bulk of this caption includes current accounts of the State Treasury.

Other liabilities

	31 Dec 2020	31 Dec 2019	Change
Client current accounts	45,659	47,302	(1,643)
Client term deposits	44,553	44,259	294
Current accounts of auxiliary financial institutions	0	1	(1)
	90,212	**91,562**	**(1,350)**

14. Liabilities to non-euro area residents denominated in euro

	31 Dec 2020	31 Dec 2019	Change
Client current accounts	20,178,337	20,016,306	162,031
Liabilities from received term deposits	6,039,783	3,472,987	2,566,796
Liabilities from repo transactions with gold	1,588,711	1,342,387	246,324
Liabilities from repo transactions	149,861	417,407	(267,546)
Deposits received to repo transactions	927	90	837
	27,957,619	**25,249,177**	**2,708,442**

"Client current accounts" are mainly funds in the TARGET2 accounts of clients who are not subject to MRS. The interest rate for client current accounts is -0.50% p.a. (see Note 24).

"Liabilities from received term deposits" represent national central banks' deposits with a maturity of 1-7 months at an interest rate of -0.50% p.a. (from -0.50% to -0.51% p.a. as at 31 December 2019).

The interest rate applicable to repo transactions is -0.48% p.a. (from -0.35% to -0.41% p.a. as at 31 December 2019).

15. Liabilities to euro area residents denominated in foreign currency

	31 Dec 2020	31 Dec 2019	Change
Liabilities from repo transactions	1,744,046	1,063,589	680,457
Tri-party repo transactions	1,006,640	0	1,006,640
State Treasury current accounts in foreign currency	4	4	0
	2,750,690	**1,063,593**	**1,687,097**

(in thousands of EUR)

The interest rate applicable to repo transactions in USD ranges from 0.28% to 0.66% p.a. (from 2.10% to 2.52% p.a. as at 31 December 2019).

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

	31 Dec 2020	31 Dec 2019	Change
Liabilities from repo transactions	1,177,847	2,884,789	(1,706,942)
Liabilities from received deposits	0	8,011	(8,011)
	1,177,847	**2,892,800**	**(1,714,953)**

The interest rate applicable to repo transactions in GBP ranges from 0.10% to 0.18% p.a. (from 0.83% to 0.98% p.a. as at 31 December 2019), the interest rate applicable to repo transactions in USD ranges from 0.3% to 0.33% p.a. (from 2.45% to 2.70% p.a. as at 31 December 2019).

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2020, the Bank recorded a liability to the IMF from the allocation of EUR 401,288 thousand (EUR 420,114 thousand as at 31 December 2019). The liability from the allocation is denominated in XDR. As part of the general allocation and special allocation, the IMF allocated XDR 265 million and XDR 75 million to the Slovak Republic, respectively.

18. Intra-Eurosystem liabilities

This position is a net liability of the NBS from the allocation of euro banknotes within the Eurosystem, which amounted to EUR 1,425,192 thousand (EUR 918,315 thousand as at 31 December 2019). The position bears interest rate at the rate for the main refinancing operations. As at 31 December 2020, the Bank has no interest expense resulting from the liability from the euro banknote allocation within the Eurosystem due to the interest rate of 0% p.a.

19. Other liabilities

	31 Dec 2020	31 Dec 2019	Change
Off-balance sheet instruments revaluation differences	22,333	15,968	6,365
Accruals and income collected in advance	31,583	28,950	2,633
Sundry	425,485	408,295	17,190
	479,401	**453,213**	**26,188**

Off-balance sheet instruments revaluation differences

As at 31 December 2020, the caption comprises a foreign exchange loss mainly from the valuation of open foreign exchange swaps in GBP and CZK in the amount of EUR 22,333 thousand (EUR 15,968 thousand as at 31 December 2019).

Accruals and income collected in advance

As at 31 December 2020, the bulk of accruals was represented by interest from refinancing monetary policy operations of EUR 16,139 thousand (EUR 6,240 thousand as at 31 December 2019) and interest expense from interest rate swaps of EUR 12,753 thousand (EUR 16,412 thousand as at 31 December 2019).

(in thousands of EUR)

Sundry

	31 Dec 2020	31 Dec 2019	Change
Euro coins in circulation	212,194	202,268	9,926
SKK banknotes in circulation	70,221	70,835	(614)
Deposits - collateral to derivatives	4,460	16,250	(11,790)
Fair value of interest rate swaps - losses	77,732	54,178	23,554
SKK coins in circulation	23,183	23,184	(1)
Cross currency swap	3,556	918	2,638
Other	34,139	40,662	(6,523)
	425,485	**408,295**	**17,190**

The value of interest rate swaps as at 31 December 2020 represented the cumulative year-end revaluation loss, which is gradually amortised to the profit and loss account under net realised gains from interest rate swaps in accordance with the ECB Guideline (see Note 25).

The purpose of received deposits (collateral to derivatives) is to secure the NBS credit risk in the event of a decrease in the value of swap transactions on the part of the counterparty. The year-on-year decrease in the volume of deposits is related to the increase in the market price of swaps on the part of the counterparty.

20. Provisions

	31 Dec 2020	31 Dec 2019	Change
General provision for financial risks	800,000	660,000	140,000
Provision for losses from monetary policy operations	0	981	(981)
Other	17,206	14,950	2,256
	817,206	**675,931**	**141,275**

In accordance with the Bank Board's decision, the general provision for financial risks was increased by EUR 140,000 thousand to EUR 800,000 thousand as at 31 December 2020 (see Note 25 and section B, letter l). The main reason for the increase of the provision is the NBS's elevated credit risk exposure stemming from monetary policy operations of higher volumes during 2020 in response to instability on financial markets caused by the COVID-19 pandemic.

The amount of EUR 64 million from the provision for losses from monetary policy operations created by the Eurosystem national central banks totalling EUR 90 million (the NBS's share: EUR 981 thousand) was used to cover the loss realised after the sale of impaired securities (the NBS's share: EUR 698 thousand). The residual portion of the provision in the amount of EUR 26 million was released to profit and loss account by the Eurosystem national central banks in proportion to their subscribed capital key shares in the ECB's paid-up capital prevailing at the time of initial impairment (the NBS's share: EUR 283 thousand). For other information, see section B, letter b and Note 28.

As at 31 December 2020, the Bank's "Other provisions" represented mainly provisions for payables to employees of EUR 11,648 thousand (EUR 10,141 thousand as at 31 December 2019).

(in thousands of EUR)

21. Revaluation accounts

	31 Dec 2020	31 Dec 2019	Change
Revaluation accounts of gold	939,764	746,410	193,354
Revaluation accounts of securities	107,957	69,518	38,439
Revaluation accounts of derivatives	7,946	6,749	1,197
Revaluation accounts of foreign currency	14,027	7,593	6,434
Revaluation accounts of share securities (BISIP, ETF)	58,666	26,274	32,392
	1,128,360	**856,544**	**271,816**

22. Capital and reserves

This item includes the statutory fund representing the paid-up capital assumed from the 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, 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 2020, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2019). 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 ÚFT with the NBS, ÚFT's general reserves of EUR 3,462 thousand were transferred to the NBS's general reserves.

As at 31 December 2020, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2019).

(in thousands of EUR)

Summary of changes in equity and accumulated losses

	Statutory Fund	Capital Reserves	General Reserves	General Provision for Financial Risks	Revaluation Accounts Gain/(Loss)	Accumulated (Loss) from Previous Years	Profit/(Loss) for the Current Year	Equity
1. Balance as at 31 Dec 2019	**16,041**	**882**	**340,874**	**660,000**	**856,544**	**(4,361,932)**	**212,065**	**(2,275,526)**
2. Transfer of profit for 2019 to accumulated loss from previous years						212,065	(212,065)	**0**
3. Transfer to statutory fund								**0**
4. Transfer to general reserves								**0**
5. Change in the general provision for financial risks				140,000				**140,000**
6. Change in revaluation accounts of securities					38,439			**38,439**
7. Change in revaluation accounts of derivatives					1,197			**1,197**
8. Change in revaluation accounts of gold					193,354			**193,354**
9. Change in revaluation accounts of foreign currencies					6,434			**6,434**
10. Change in revaluation accounts of equity shares in BISIP and ETF funds					32,392			**32,392**
11. Profit for the current reporting period							26,043	**26,043**
12. Change for the reporting period				**140,000**	**271,816**	**212,065**	**(186,022)**	**437,859**
13. Balance as at 31 Dec 2020	**16,041**	**882**	**340,874**	**800,000**	**1,128,360**	**(4,149,867)**	**26,043**	**(1,837,667)**

23. Off-balance sheet instruments

	31 Dec 2020	31 Dec 2019	Change
Interest rate swaps in EUR	3,374,900	2,707,000	667,900
Interest rate swaps in USD	1,712,542	1,708,563	3,978
Interest rate swaps in GBP	1,822,862	1,193,604	629,259
Interest rate swaps in AUD	94,678	0	94,678
	7,004,982	**5,609,167**	**1,395,815**

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange swaps in EUR	5,068,839	16,500	4,860,120	6,200	208,719	10,300
Foreign exchange swaps in USD	16,347	176,677	6,146	229,966	10,201	(53,290)
Foreign exchange swaps in CNY	0	25,678	0	24,231	0	1,447
Foreign exchange swaps in GBP	0	1,600,725	0	271,509	0	1,329,216
Foreign exchange swaps in JPY	0	391,920	0	587,256	0	(195,336)
Foreign exchange swaps in CHF	0	143,492	0	44,223	0	99,269
Foreign exchange swaps in CZK	0	2,610,319	0	3,699,622	0	(1,089,303)
Foreign exchange swaps in AUD	0	134,625	0	0	0	134,625
	5,085,186	**5,099,936**	**4,866,266**	**4,863,008**	**218,920**	**236,928**

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange forwards in EUR	14,183	2,377	0	9,295	14,183	(6,918)
Foreign exchange forwards in CNY	0	4,222	0	0	0	4,222
Foreign exchange forwards in GBP	0	0	1,057	0	(1,057)	0
Foreign exchange forwards in USD	0	0	8,171	0	(8,171)	0
Foreign exchange forwards in JPY	2,379	9,637	0	0	2,379	9,637
	16,562	**16,236**	**9,227**	**9,295**	**7,335**	**6,942**

(in thousands of EUR)

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Cross currency swaps in EUR	592,282		460,284	0	131,998	0
Cross currency swaps in JPY	0	174,717	0	185,501	0	(10,784)
Cross currency swaps in USD	0	149,947	0	187,716	0	(37,769)
Cross currency swaps in CHF	0	244,251	0	89,036	0	155,215
	592,282	**568,915**	**460,284**	**462,253**	**131,998**	**106,662**

	31 Dec 2020		31 Dec 2019		Change	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in GBP	0	96,215	0	125,764	0	(29,549)
Interest rate futures in USD	0	0	0	6,449	0	(6,449)
	0	**96,215**	**0**	**132,213**	**0**	**(35,998)**

24. Net interest income

	31 Dec 2020	31 Dec 2019	Change
Investments in EUR, of which:	**131,382**	**92,024**	**39,358**
net income from current accounts and term deposits	133,374	103,857	29,517
net income from repo transactions	13,031	10,423	2,608
net income from securities	2,716	3,821	(1,105)
net expense from derivatives	(17,800)	(26,151)	8,351
other	61	74	(13)
Investments in a foreign currency, of which:	**39,933**	**33,446**	**6,487**
net income from securities	89,252	99,072	(9,820)
net expense from repo transactions	(21,243)	(63,297)	42,054
net expense/income from derivatives	(28,726)	(3,825)	(24,901)
net expense from current accounts and term deposits	(762)	(1,290)	528
compensation from the MF SR	1,412	2,786	(1,374)
Monetary policy operations, of which:	**93,761**	**105,160**	**(11,399)**
net income from securities	103,956	104,413	(457)
net expense from deposits and loans	(16,275)	(4,036)	(12,239)
net income from MRS	6,080	4,783	1,297
	265,076	**230,630**	**34,446**

The increase in net interest income from monetary policy operations is due to purchases of securities held for monetary policy purposes (see Note 7).

As at 31 December 2020, the Bank records no interest on remuneration of the claim from the transfer of foreign reserves, remuneration of euro-banknotes and TARGET2 remuneration due to an interest rate of 0% p.a. (see Notes 8 and 18).

Due to the introduction of negative interest rates to 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 2020:

(in thousands of EUR)

	Balance Sheet Item	31 Dec 2020	31 Dec 2019	Change
Investments in EUR				
Gross interest income, of which:		**142,332**	**111,278**	**31,054**
Current accounts and term deposits	**L6**	134,897	105,351	29,546
Repo transactions	**L3, L6**	7,435	5,927	1,508
Gross interest expense, of which:		**(39)**	**(43)**	**4**
Current accounts	**A6**	(39)	(43)	4
Investments in a foreign currency				
Gross interest income, of which:	**L7, L8**	**2**	**0**	**2**
Repo transactions		2	0	2
Gross interest expense, of which:		**(15)**	**(7)**	**(8)**
Current accounts	**A2, A3**	(15)	(7)	(8)
Monetary policy operations				
Gross interest income, of which:		**6,564**	**4,944**	**1,620**
MRS	**L2**	6,080	4,783	1,297
Deposit facilities	**L2**	484	161	323
Gross interest expense, of which:		**(16,768)**	**(4,197)**	**(12,571)**
Longer-term refinancing operations	**A5**	(16,768)	(4,197)	(12,571)

Development of interest rates as announced by the ECB:

With Effect From	Marginal Lending Facility	Main Refinancing Operations	Deposit Facility
16.3.2016	0.25% p.a	0.00% p.a	-0.40% p.a
18.9.2019	0.25% p.a	0.00% p.a	-0.50% p.a

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

	31 Dec 2020	31 Dec 2019	Change
Realised gains from financial operations	**48,129**	**16,444**	**31,685**
Net gains from sale of securities	29,877	11,471	18,406
Net gains from interest rate swaps	14,806	3,766	11,040
Net foreign exchange gains	2,937	1,207	1,730
Net gains from cross currency swaps	509	0	509
Write-downs on financial assets and positions	**(83,012)**	**(45,471)**	**(37,541)**
Losses from interest rate swaps revaluation	(51,026)	(42,575)	(8,451)
Losses from foreign currency revaluation	(27,705)	(560)	(27,145)
Losses from securities revaluation	(1,134)	(2,336)	1,202
Losses from cross currency swaps revaluation	(3,147)	0	(3,147)
Transfer to/from provisions for foreign exchange rate, interest rate, credit and gold price risks	**(140,000)**	**0**	**(140,000)**
General provision for financial risks	(140,000)	0	(140,000)
	(174,883)	**(29,027)**	**(145,856)**

(in thousands of EUR)

26. Net income/(expense) from fees and commissions

	31 Dec 2020	31 Dec 2019	Change
Fees and commissions from investment portfolio, of which:	**(281)**	**(92)**	**(189)**
Net profit from operations with clients	226	216	10
Net loss from operations with banks	(556)	(230)	(326)
Net profit from operations with securities	87	(32)	119
Net loss from interest rate futures	(10)	(18)	8
Other	(28)	(28)	0
Fees and commissions	**1,360**	**1,131**	**229**
Net profit from operations with securities	2,012	1,736	276
Net loss from operations with banks	(652)	(605)	(47)
Net profit from exchange of euro coins	**61**	**72**	**(11)**
	1,140	**1,111**	**29**

27. Income from equity shares and participating interests

	31 Dec 2020	31 Dec 2019	Change
Interim distribution of the ECB's profit of the current year	14,432	16,452	(2,020)
Share in the ECB's profit of the previous year	10,747	4,214	6,533
Dividends from ETF funds	3,706	3,143	563
Dividends from BIS shares	0	859	(859)
	28,885	**24,668**	**4,217**

28. Net result of pooling of monetary income

Monetary income in accordance with Article 32 (1) of the Statute and Decision ECB/2016/36 on 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 from the assets of the national central bank, 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.

The recognised share of the NBS in monetary income also includes a share of the realised loss in relation to the sale of securities held by a Eurosystem central bank in the CSPP portfolio, as well as the release of the provision established in 2019 against losses from monetary policy operations (see Note 20).

Monetary income is distributed in proportion to NBS's share on the paid-up capital of the ECB after the end of each financial year (1.1497% until 31 January 2020; 1.1452% since 1 February 2020).

Monetary income pooled by the NBS for 2020 into the common pool of monetary income of the Eurosystem amounted to EUR 24,247 thousand. The monetary income corresponding to the share of the NBS in the ECB's paid-up capital amounted to EUR 49,547 thousand. The difference of EUR 25,300 thousand (EUR 91,384 thousand as at 31 December 2019) represents the net result of the pooling of monetary income. The NBS's income decreased by EUR 675 thousand as a result of a revision of the Eurosystem monetary income for 2018 and 2019 (income decreased by EUR 176 thousand as at 31 December 2019 as a result of a revision for 2017 and 2018). The decrease in the NBS's income from the redistribution of the Eurosystem monetary income compared to 2019 resulted mainly from the increased volume of longer-term refinancing operations carried out with the aim to mitigate COVID-19 impacts on the euro area economy (see Note 5).

This caption also contains the Bank's share in the realised loss from the sale of securities held in the CSPP portfolio and the release of the provision for losses from monetary policy operations created in 2019 (see Note 20).

(in thousands of EUR)

29. Other income and other expenses

As at 31 December 2020, the most significant portion of the Bank's "Other income" comprised income from fees and contributions from financial market entities of EUR 6,877 thousand (EUR 11,974 thousand as at 31 December 2019) and received fees from participation in settlement systems of EUR 3,334 thousand (EUR 3,245 thousand as at 31 December 2019). The year-on-year decrease in income from fees and contributions from financial market entities is due to the Bank's decision to waive annual contributions for the second half of 2020 in order to mitigate negative impacts of the COVID-19 pandemic on the financial sector.

As at 31 December 2020, the Bank's "Other expenses" mainly represented costs for minting circulation and collector coins, including costs for related services, of EUR 6,833 thousand (EUR 3,850 thousand as at 31 December 2019).

30. Staff costs

	31 Dec 2020	31 Dec 2019	Change
Wages and salaries	(38,367)	(34,334)	4,033
Social security costs	(13,864)	(12,580)	1,284
Other employee costs	(6,634)	(6,541)	93
	(58,865)	**(53,455)**	**5,410**

As at 31 December 2020, the average FTE number of employees was 1,108.6 (1,103.2 as at 31 December 2019), of which 113 were managers (105 as at 31 December 2019).

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

31. Administrative expenses

As at 31 December 2020, this item mainly included costs for technical support and IS maintenance, repairs and maintenance, energy consumption and telecommunications costs totalling EUR 11,506 thousand (EUR 11,210 thousand as at 31 December 2019).

The cost of the statutory auditor for the audit of the financial statements amounted to EUR 61 thousand as at 31 December 2020 (EUR 61 thousand as at 31 December 2019). As at 31 December 2020, 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.

(in thousands of EUR)

32. Depreciation of tangible and intangible fixed assets

	31 Dec 2020	31 Dec 2019	Change
Depreciation of tangible fixed assets	(7,181)	(6,799)	382
Amortisation of intangible fixed assets	(2,382)	(2,444)	(62)
	(9,563)	**(9,243)**	**320**

33. Banknote production services

As at 31 December 2020, the costs for printing euro banknotes were EUR 7,018 thousand (EUR 3,383 thousand as at 31 December 2019).

34. Income tax and other charges on income

According to Article 43 of Act No. 595/2003 Coll. on Income Tax, as amended, the NBS is a payer of tax on income (proceeds) from bonds issued in the jurisdiction of the Slovak Republic. In 2020, the NBS paid a withholding tax of EUR 27,174 thousand (EUR 35,076 thousand at 31 December 2019). The decrease by EUR 7,902 thousand compared to the preceding period was due to a decrease in income from securities realised for monetary policy purposes (see Note 7).

35. Profit for the year

The Bank's financial result as at 31 December 2020 was a profit of EUR 26,043 thousand (profit of EUR 212,065 thousand as at 31 December 2019). Compared to 2019, the financial result decreased due to lower income from the redistribution of the Eurosystem monetary income (see Note 28) and an increase in the general provision for financial risks (see Note 20), in both cases this was due to the increased volume of monetary policy operations carried out in response to the market instability caused by the COVID-19 pandemic.

(in thousands of EUR)

D. POST-BALANCE SHEET EVENTS

In accordance with Article 33 of the Statute, at its meeting on 17 February 2021, the Governing Council of the ECB decided to distribute the ECB's net profit for 2020 to national central banks based on the key on the ECB's paid-up capital. The NBS income of EUR 4,387 thousand from the profit distribution is recognised in the 2021 reporting period.

No significant events occurred subsequent to 31 December 2020 that would require any further adjustments to the 2020 financial statements.

Bratislava, 9 March 2021

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Národná banka Slovenska

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT
to Section Report on Information Disclosed in the Annual Report

To the Bank Board of Národná banka Slovenska:

We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2020 disclosed on pages 136 – 168 of the accompanying annual report of the Bank, on which we issued an independent auditor's report on 9 March 2021 that is disclosed on pages 137 – 138 of the Bank's annual report. We have prepared this supplement in accordance with Article 27 (6) of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Statutory Audit Act").

Based on the performed procedures described in section "Report on Information Disclosed in the Annual Report" of the independent auditor's report specified above, in our opinion:

- Information disclosed in the Bank's annual report prepared for 2020 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to Act No. 431/2002 Coll. on Accounting, as amended and Act on NBS, as amended.

Furthermore, based on our understanding of the Bank and its position obtained during our audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report. There are no findings that should be reported in this regard.

Bratislava, 25 May 2021

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

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

Legislation

Legislation in 2020

Národná banka Slovenska exercises legislative competences in accordance with Section 30 of Act No 566/1992 on Národná banka Slovenska, as amended (‘the NBS Act’). All draft primary legislation concerning currency circulation must be submitted to the Slovak Government by NBS, and all draft primary legislation concerning foreign exchange relations, payment systems, payment services, or the financial market (including the banking sector and the role and remit of NBS) must be submitted to the Government jointly by NBS and the Slovak Finance Ministry.. The Bank’s authority to issue secondary legislation of general application is based on Article 56(1) of the Constitution of the Slovak Republic, according to which the Bank may issue such legislation where authorised by statutory law to do so.

Amendments made in 2020 to laws on matters falling within the competence of Národná banka Slovenska

Act No 67/2020 on certain extraordinary financial measures in relation to the spread of the dangerous contagious human disease COVID-19, as amended, was amended in 2020 by Act No 75/2020, Act No 96/2020, Act No 120/2020, Act No 156/2020, Act No 198/2020, Act No 264/2020 and Act No 353/2020.

Act No 483/2001 on banks (and amending certain laws), as amended, was amended in 2020 by Act No 340/2020 and Act No 423/2020.

Act No 371/2014 on resolution in the financial market (and amending certain laws), as amended, was amended in 2020 by Act No 343/2020.

Act No 492/2009 on payment services (and amending certain laws), as amended, was amended in 2020 by Act No 340/2020.

Act No 566/2001 on securities and investment services (and amending certain laws) (the Securities Act), as amended, was amended in 2020 by Act No 312/2020, Act No 340/2020 and Act No 423/2020.

Act No 429/2002 on stock exchanges, as amended, was amended in 2020 by Act No 340/2020.

Act No 39/2015 on insurance (and amending certain laws), as amended, was amended in 2020 by Act No 340/2020.

Act No 43/2004 on the old-age pension scheme (and amending certain laws), as amended, was amended in 2020 by Act No 46/2020, Act No 66/2020, Act No 68/2020, Act No 95/2020, Act No 275/2020 and Act No 296/2020.

Act No 650/2004 on the supplementary pension scheme (and amending certain laws), as amended, was amended in 2020 by Act No 68/2020 and Act No 95/2020.

Implementing legislation of general application issued by Národná banka Slovenska in 2020

Decrees promulgated in the Collection of Laws of the Slovak Republic by virtue of their publication

Decree No 1/2020 of Národná banka Slovenska of 26 May 2020 amending Decree No 5/2018 of Národná banka Slovenska on professional examinations and professional certification examinations for financial intermediation and financial advisory services.

Decree No 2/2020 of Národná banka Slovenska of 9 June 2020 on how to demonstrate compliance with conditions for an authorisation to establish and manage standard funds and European standard funds and for an authorisation to establish and manage alternative investment funds and foreign alternative investment funds.

Decree No 3/2020 of Národná banka Slovenska of 13 October 2020 amending Decree No 8/2019 of Národná banka Slovenska on reporting by payment institutions, branches of foreign payment institutions, electronic money institutions and branches of foreign electronic money institutions.

Decree No 4/2020 of Národná banka Slovenska of 24 November 2020 laying down detailed provisions on the calculation of the annual percentage rate of charge for housing loans.

Decree No 5/2020 of Národná banka Slovenska of 24 November 2020 laying down detailed provisions on the calculation of the annual percentage rate of charge for consumer loans.

Decree No 6/2020 of Národná banka Slovenska of 8 December 2020 amending Decree No 16/2014 of Národná banka Slovenska on the disclosure of information by banks and branches of foreign banks, as amended.

Decree No 7/2020 of Národná banka Slovenska of 8 December 2020 amending Decree No 13/2017 of Národná banka Slovenska of 12 December 2017 on reporting for supervisory purposes by banks and branches of foreign banks.

ABC

Abbreviations and short titles

Abbreviations

A

ABSPP
asset-backed securities purchase programme

AIFMD
Alternative Investment Fund Managers Directive

AML
anti-money laundering

AML/CFT
anti-money laundering / combating the financing of terrorism

AnaCredit
analytical credit database

APP
asset purchase programme

B

BCPB
Bratislava Stock Exchange

BIS
Bank for International Settlements

Brexit
The withdrawal of the United Kingdom from the European Union on 1 February 2020.

C

CBPP
covered bond purchase programme

CBPP 3
third covered bond purchase programme

CET1
Common Equity Tier 1

CSDB
Centralised Securities Database

CSPP
corporate sector purchase programme

E

EBA
European Banking Authority

ECB
European Central Bank

EIOPA
European Insurance and Occupational Pensions Authority

ESMA
European Securities and Markets Authority

EUCLID
European Centralised Infrastructure for Supervisory Data

EU
European Union

G

GDP
gross domestic product

H

HFCS
Household Finance and Consumption Survey

I

IFRS
International Financial Reporting Standards

IMF
International Monetary Fund

IReF
Integrated Reporting Framework

L

LCR
liquidity coverage ratio

LTRO
longer-term refinancing operation

M

MF SR
Ministry of Finance of the Slovak Republic

MREL
minimum requirement for own funds and eligible liabilities

MRO
main refinancing operation

N

NBS
Národná banka Slovenska

NCA
national competent authority

NFC
non-financial corporation

P

PELTRO
pandemic emergency longer-term refinancing operations

PEPP
1) pandemic emergency purchase programme
2) pan-European pension product

PSPP
public sector purchase programme

R

RBUZ
Register of Bank Loans and Guarantees / Register bankových úverov a záruk

REGFAP
Register of Financial Agents and Financial Advisers

RIAD
Register of Institutions and Affiliates Database

RRF
Recovery and Resilience Facility

S

SCP
Statistics Collection Portal

SDW
Statistical Data Warehouse

SEPA
Single Euro Payments Area

SIPS
Slovak Interbank Payment System

SHSDB
Securities Holdings Statistics Database

SMP
Securities Markets Programme

Solvency II
Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

SO SR
Statistical Office of the Slovak Republic

SRB
Single Resolution Board

SREP
Supervisory Review and Evaluation Process

SSM
Single Supervisory Mechanism

T

TLTRO
targeted longer-term refinancing operation

TLTRO III
third series of targeted longer-term refinancing operations

Short titles of Slovak legal acts

Consumer Credit Act
Act No 129/2010 on consumer credits and on other credits and loans for consumers (and amending certain laws), as amended

Financial Intermediation Act
Act No 186/2009 on financial intermediation and financial advisory services (and amending certain laws), as amended

Financial Market Supervision Act
Act No 747/2004 on financial market supervision (and amending certain laws), as amended

Housing Loan Act
Act No 90/2016 on housing loans (and amending certain laws), as amended

Foreign Exchange Act
Act No 202/1995 – the Foreign Exchange Act (including amendments to Act No 372/1990 on non-indictable offences, as amended), as amended

"Lex Corona" legislation
Act No 67/2020 on certain extraordinary financial measures in relation to the spread of the dangerous contagious human disease COVID-19

MTPL Act
Act No 381/2001 on compulsory motor third party liability insurance (and amending certain laws), as amended

Short titles and abbreviations of EU legal acts

BRRD2
Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC

Prospectus Regulation
Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71

PSD2
Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC

Solvency II
Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

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