



FOREWORD

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

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

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

Oil and other energy commodity prices continued to decline in 2015, resulting in low imported inflation and, subsequently, a further drop in consumer prices. In Slovakia, the average annual inflation rate for the year as a whole was negative, at -0.3%, while in the euro area it remained flat.

In response to adverse inflation developments in the euro area, the Governing Council decided in early 2015 to expand the ECB's arsenal of non-standard instruments by adding a public sector asset purchase programme (PSPP) to the existing asset purchase programme (APP), thereby enabling secondary-market purchases of bonds issued by euro area central governments and European institutions. Later in year, with inflation remaining muted, the Governing Council decided to extend the period for monthly purchases under the APP until it sees a sustained adjustment in the path of inflation consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term. At the same time, the Governing Council decided to lower the interest rate on the deposit facility by 10 basis points, to -0.30%.

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

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

The supervisory remit of NBS was expanded as from 1 January 2015 to include responsibility for financial consumer protection in Slovakia. In this area of activity, the bank focuses on preventing consumer rights breaches in the financial market, redressing any such breaches as soon as possible, and clamping down on practices that in the past led to significant consumer dissatisfaction. The non-bank provision of consumer credit presents particular challenges in this regard.





Given NBS's expanding powers in the area of financial market supervision and financial consumer protection, as well as its new tasks concerning preparations for resolution activity in the financial market, the number of people employed at the bank increased in 2015, to stand at 1,053 by the end of the year.

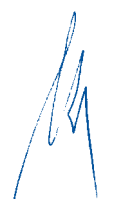
NBS continued in 2015 to ensure the smooth functioning of the SIPS retail payment system and the TARGET2-SK (T2-SK) payment system. At the same time, NBS was involved in preparations for the implementation of TARGET2 Securities, a system that will allow the cross-border settlement of securities transactions.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

increased. The number of participants in both systems remained unchanged.

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

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

April 2016



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Governor