

Annual Report

2022



www.nbs.sk

Published by Národná banka Slovenska

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Contact

Národná banka Slovenska
Imricha Karvaša 1
813 25 Bratislava
www.nbs.sk

Electronic version

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Foreword

Russia's aggression in Ukraine shocked the entire civilised world. It turned the global economy upside down and set off a sequence of events whose impact we continue to endure.

The immense human suffering of the people of Ukraine and the images of millions of refugees fleeing war is something not seen in Europe since the end of the Second World War. The immediate reaction of Europeans was a wave of solidarity and sympathy with our eastern neighbour.

With its immediate impact on commodity and energy prices, the war made economic recovery in Slovakia and across Europe much more difficult. Inflation was on the rise even before the war's outbreak, and it subsequently catapulted to levels not seen in decades.

Rocketing energy prices together with a record upsurge in food prices pushed annual headline inflation to 15 per cent in 2022. Household budgets were hit hard. Slovaks had to tighten their belts and dip into their savings. The most vulnerable low-income groups were the worst affected, as it is they who spend proportionally the most of their income on housing, heating, electricity and food.

Slovakia was far from alone in this situation.

Inflation reached unacceptably high levels across Europe and its expected path necessitated a robust response from central banks. The intention was clear – to get inflation quickly back to levels that support economic and living standard growth as well as sustainability.

Therefore, in July 2022, the European Central Bank embarked on a sharp tightening of monetary policy for the now twenty countries that have the euro as their currency. Raising interest rates is essential both for restoring equilibrium and for supporting healthy growth in the economy and living standards. The ECB's Governing Council is doing everything possible to ensure that inflation makes a timely return to the two percent target over the medium term. Much progress has already been made, but there is still some way to go.

We recognise how rising interest rates can adversely affect people, businesses and the economy. This temporary discomfort is, however, necessary for a sustainable return of inflation to desired levels.

Last year was demanding and I would like to thank all colleagues for their contributions and ideas. With their expertise and talents, we have the conditions, together as an institution, to ensure price and financial stability and therefore to protect society from risks even in these times of crisis.

The period ahead will not be without pitfalls and risks, both domestic and global.

Nevertheless, I hope that next year we can look back and say we managed to bring inflation safely back to target. There are challenges ahead, including those related to climate change, which require considerable effort and investment. Facing them, and coming up with solutions and answers, will undoubtedly be easier and more enjoyable in a world not beset with uncertainty and crises.



Peter Kažimír

Governor

The year at a glance

Slovak economic growth driven by private consumption



+5.1%
private consumption
growth



+1.8%
employment
growth



+15%
rise in consumer prices
in December

Cooling of mortgage market activity



-20%
drop in new mortgage
lending in December 2022
(compared with 2019–20
average)



+10.4%
year-on-year
growth in total
mortgage loans



+200 bp
year-on-year
increase in average
mortgage rate

Accelerated normalisation of the Eurosystem's monetary policy



+250 bp
surge in monetary
policy rates



ending of net
purchases for
monetary policy
portfolios



suspension of two-tier
system for remunerating
excess reserves

NBS financial market supervision



4
macroprudential
policy instruments
activated or adjusted



424
final supervisory
decisions issued



46
on-site
inspections

Three Slovak banks joined TIPS



29 million
transactions
settled via TIPS



268 million
transactions
settled via SIPS



166 thousand
transactions settled
via TARGET2-SK

Cumulative net issuance growth accelerated



€23 billion
cumulative net
issuance of euro cash in
Slovakia as at year-end



volume of euro
cash cycle increased
year-on-year



lowest number of
recovered counterfeit
banknotes

Progress in education and protection of financial consumers



3,588
pupils participating
in '5peňazi'
educational activities



1,593
consumer complaints
about financial
market entities



€303 thousand
paid in redress
to consumers by financial
market entities

NBS assistance



€20,115
raised for
Ukraine from
NBS staff



120
volunteer shifts by NBS
staff to help Ukraine war
refugees



€271 thousand
in NBS Foundation
grants for financial
education projects



**Economic
and financial
developments**

A

1

Macroeconomic developments

economic activity affected by uncertainty

inflation hitting historical highs at year-end

costlier borrowing for government, firms and households

household spending buoyant despite everything

A1 Macroeconomic developments

In 2022 the global economy was adversely affected by the war in Ukraine as well as by a resurgence of COVID-19 infections in China and the effects of that country's zero-COVID policy. The war had a major upward impact on oil and gas prices as well as on prices of certain non-energy commodities (wheat and metals), especially in the first three quarters of the year. These price increases amplified already rising inflationary pressures and accelerated the global tightening of monetary policy (Charts 1 and 2). Although commodity price movements eased towards the year-end, headline inflation remained at elevated levels.



Chart 1:
Commodity prices and consumer price inflation (annual percentage changes)

Source: Macrobond.

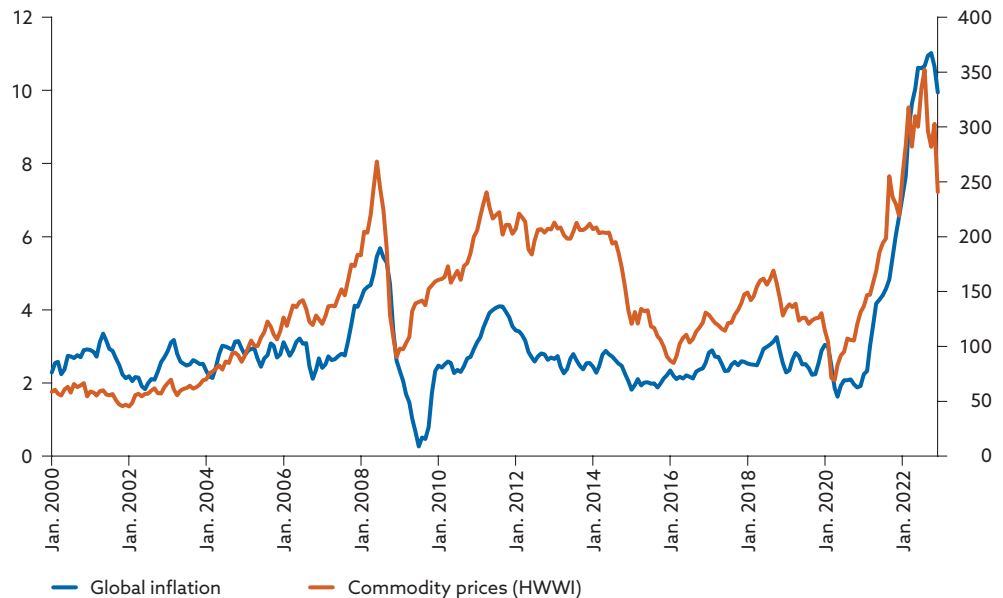
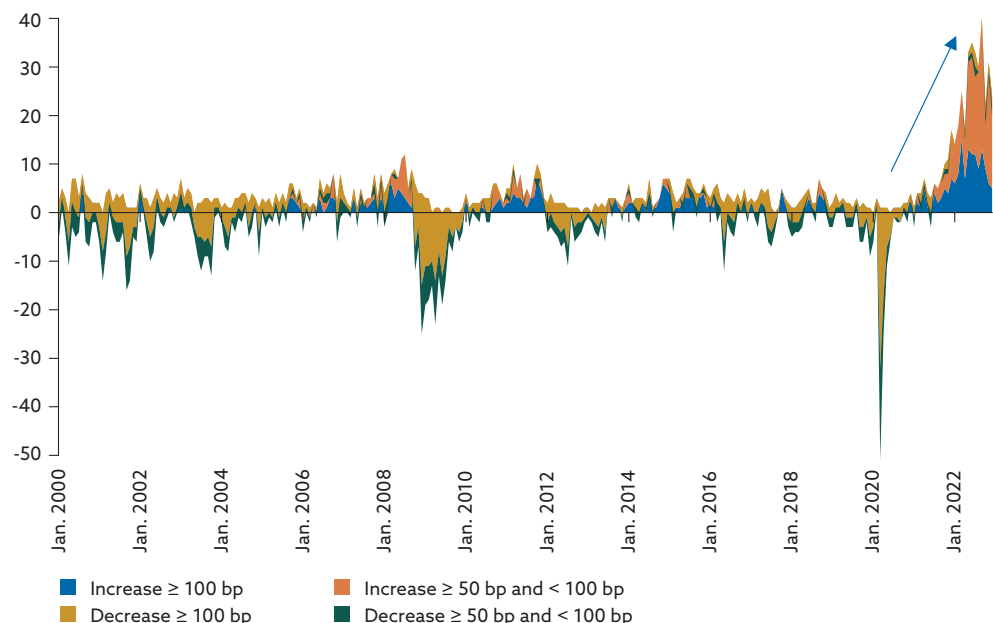


Chart 2:
Central banks' decisions on key interest rates (number of banks)

Source: Macrobond.



Economic growth in major world economies, including the United States and the euro area, was relatively resilient in 2022 (Chart 3). Although the situation in China hampered improvement in the functioning of supply chains, there was some easing of intermediate input shortages (Chart 4). There was also a decrease in sea freight rates. This supported a recovery in some sectors, e.g. the car industry, which were suffering from component shortages. Strong private consumption was supporting economic growth in 2022, particularly in the United States. Households were releasing demand pent up during the pandemic. However, the impact of monetary policy tightening started to be gradually felt, as the cost of mortgage financing increased and led to a decline in real estate investment.

The euro area economy was hard hit by the energy crisis. The economy was supported by a number of government measures to mitigate the effects of surging energy prices on firms and households. At the same time, however, high inflation was gradually eroding European households' disposable income and the positive impact of economic reopening gradually faded away. As a result, private consumption in many countries declined notably towards the year-end. Meanwhile, the ECB's monetary policy tightening translated into tighter financial conditions and a cooling of lending activity. The impact of rising borrowing costs was seen mainly in residential property investment.



Chart 3:
GDP in selected
countries (index:
Q4 2019 = 100)

Source: Macrobond.

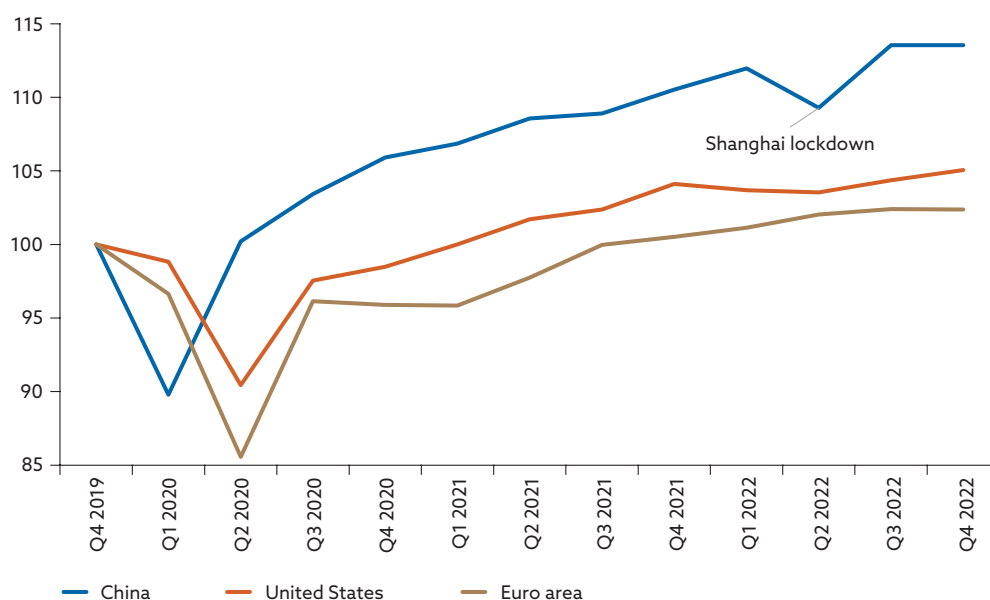
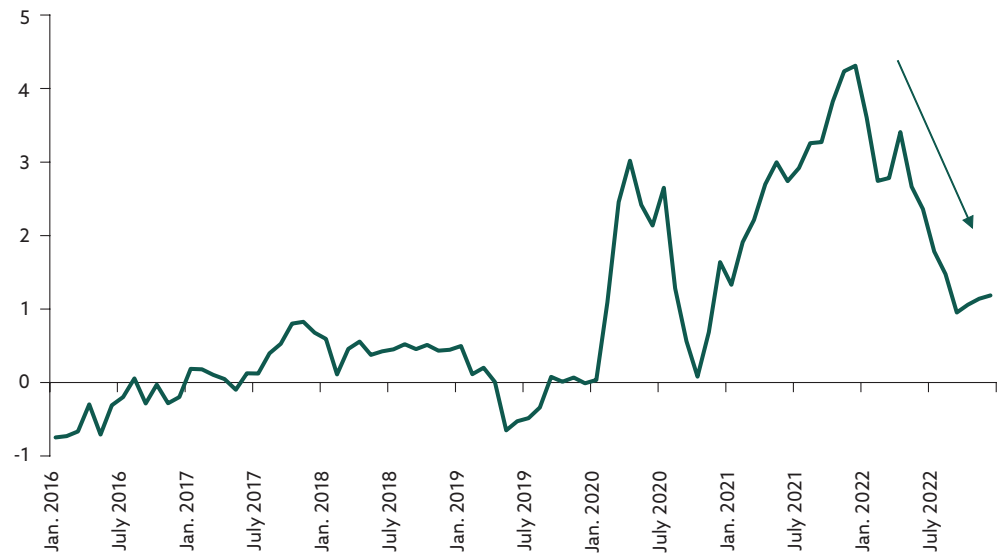




Chart 4: Global Supply Chain Pressures Index

Source: Macrobond.



The gradual unilateral reduction in gas supplies from Russia to Europe had a sharp upward impact on natural gas prices and consequently on electricity prices (Chart 5). Prices peaked in late summer when Russia halted gas flows through the Nord Stream 1 pipeline. Within a short time, however, European countries had managed to secure supplies of liquefied natural gas (LNG) from other sources and were fast-tracking the construction of LNG terminals. This, together with a relatively mild December and a reduction in demand, resulted in gas prices falling significantly at the end of the year. Prices of other commodities also gradually declined, with most falling to pre-war levels.

In this context, inflation pressures began to ease somewhat in late 2022, and global inflation probably peaked at that time. In the United States and some other countries, headline inflation even started to fall. However, core inflation (excluding energy and food prices) remained well above pre-pandemic levels, and in the euro area it continued to accelerate (Chart 6). This was due to the ongoing pass-through of recent cost shocks to prices of other goods and services. Moreover, labour market tightness was accelerating wage growth.



Chart 5:
Germany – gas and electricity futures prices
(first position;
EUR/MWh)

Source: Macrobond.

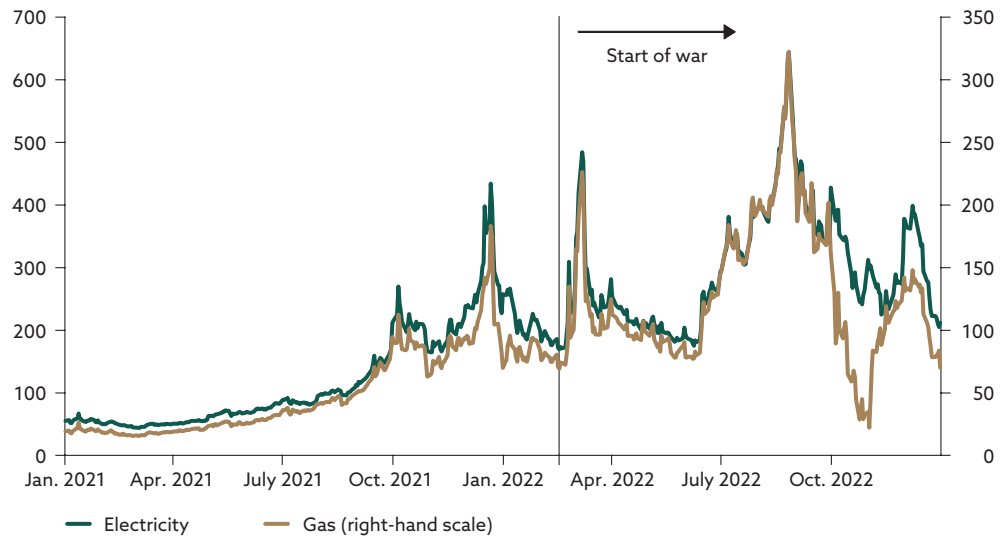
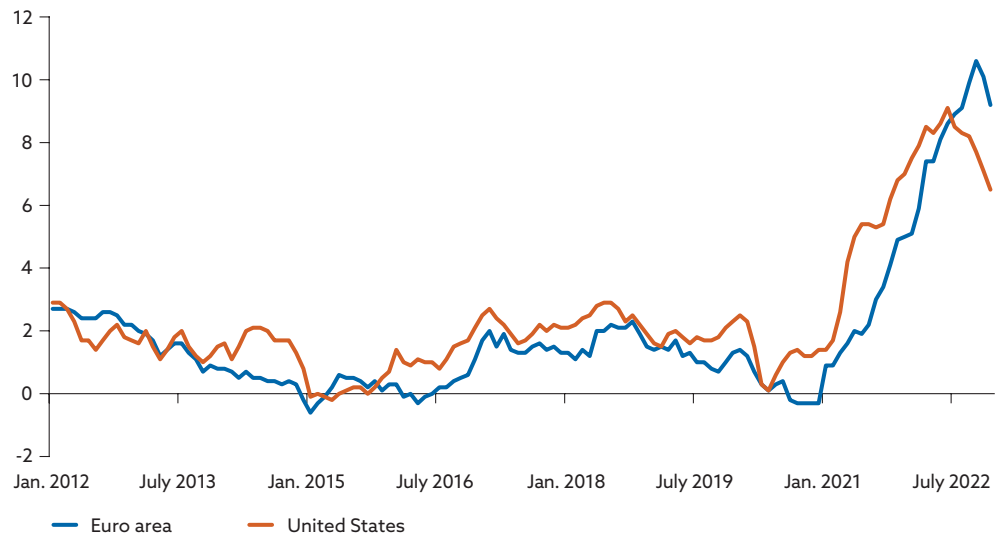


Chart 6:
Core inflation in the United States and the euro area
(annual percentage changes)

Source: Macrobond.



The Slovak economy grew by 1.7% in 2022, with the war in Ukraine interrupting what had been a solid recovery after two pandemic years (Chart 7). Rising uncertainty briefly exacerbated persisting component supply shortages in industry. An improvement in this regard did not occur until the second half of the year. This had a positive impact on the car industry, which saw its exports gradually increase. During the year, uncertainty surrounding the supply of energy commodities was rising, and their prices soared to historical highs. Most firms were having to contend with record input prices. At the same time, elevated costs were gradually constraining energy-intensive manufacturing. Investment activity revived in 2022, yet still remained slightly below its pre-pandemic level. A combination of high energy prices and strong consumer demand caused the trade deficit to widen to its highest level in twenty years (Chart 8).



Chart 7:
Real GDP in
Slovakia and its
components
(annual
percentage
changes; per-
centage point
contributions)

Sources: SO SR,
and NBS.

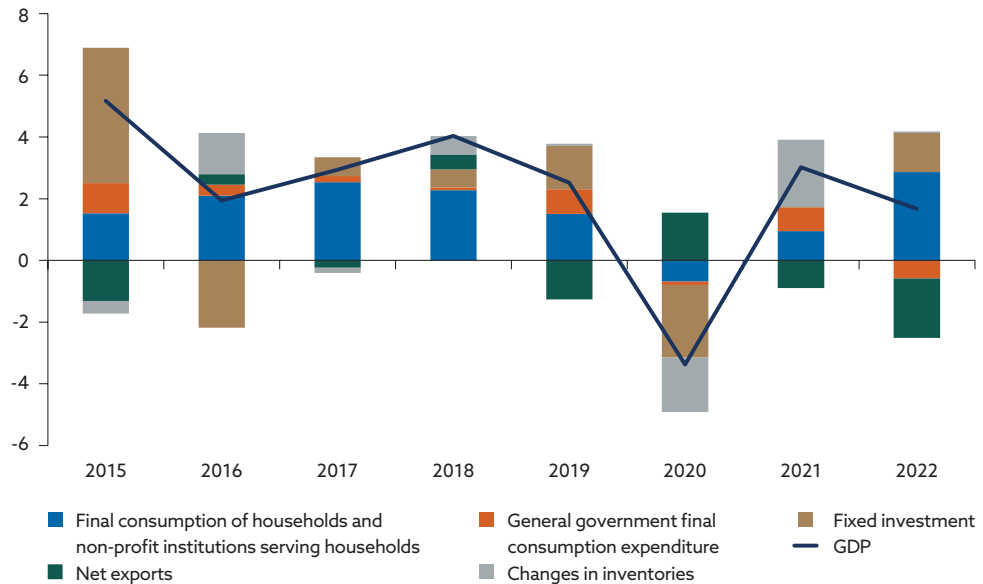
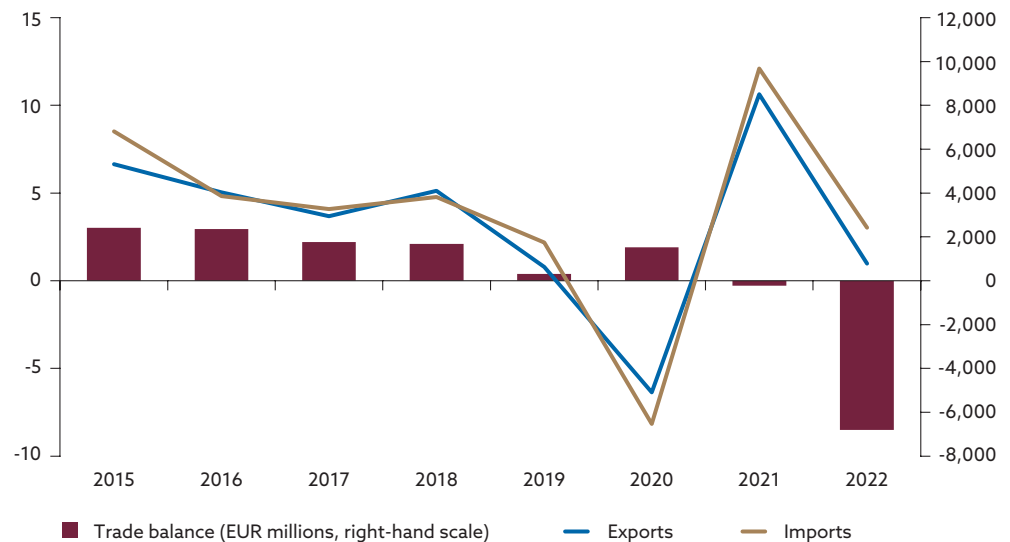


Chart 8:
Trade balance
(annual
percentage
changes;
constant prices;
EUR millions)

Sources: SO SR,
and NBS.



Slovakia's economic growth in 2022 was driven mainly by private consumption (Chart 7). Households were able to increase their consumption partly because they had built up savings during lockdown periods. Households were probably also spending savings out of concern that rising inflation would diminish their value. The economy also benefited from an upturn in tourism among Slovaks, which had been restricted during the two pandemic years. Consumption growth was further supported by the significant inflow of refugees from Ukraine, following the outbreak of the war.

The recruitment of people fleeing the war in Ukraine helped improve the labour market situation in 2022 (Chart 9). In total, more than 42 thousand people were added to the workforce in 2022, which helped firms deal with the problem of labour shortages.



Chart 9:
Employment
(annual
percentage
changes)

Sources: SO SR,
and NBS.

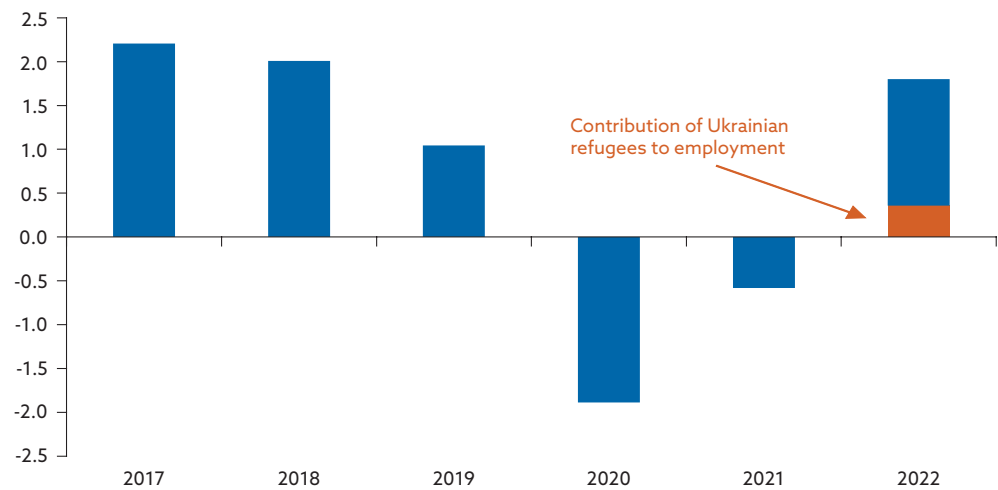
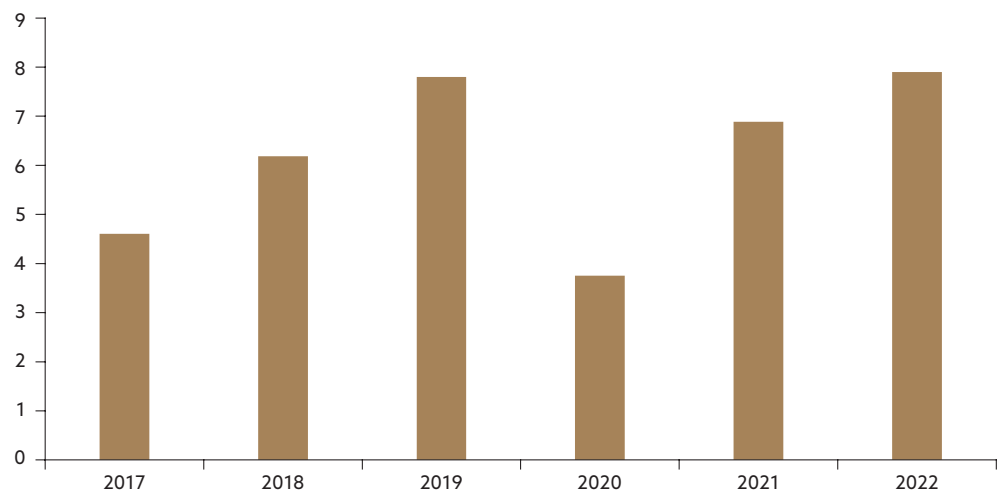


Chart 10:
Wage level
(annual
percentage
changes)

Sources: SO SR,
and NBS.



Wages increased in 2022 amid high inflation and persisting labour market tightness (Chart 10). In the wake of the easing of pandemic containment measures and the reopening of sectors hardest hit by the pandemic crisis (accommodation and food services, and recreation services), rising demand for labour in these sectors translated into rapid wage growth. Inflation acceleration during the year resulted in increasing demands for wage increases. Nevertheless, nominal wage growth was insufficient to cover sharply rising living costs. There was a decline in real wages – taking inflation into account – and therefore also in households’ purchasing power.

Headline inflation rose to 12.1% on average in 2022, its highest level since 2000. Its acceleration was driven by all components (Chart 11). Price developments in 2022 reflected mainly external factors. Domestically, a strong labour market added impetus to inflation. The main source of price growth was the surge in prices of energy and agricultural commodities, which quickly passed through to both foreign and domestic producer prices. Both import and wholesale prices accelerated. Eventually, after a slight lag, consumer prices of goods and services also increased at a faster pace.



Chart 11:
HICP inflation and
its components
(annual percentage
changes;
percentage point
contributions)

Sources: SO SR,
and NBS.

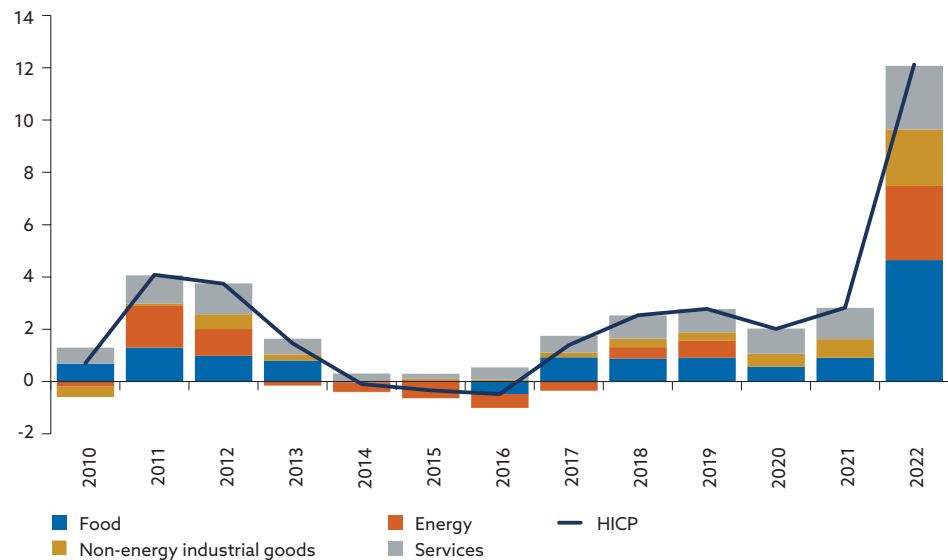
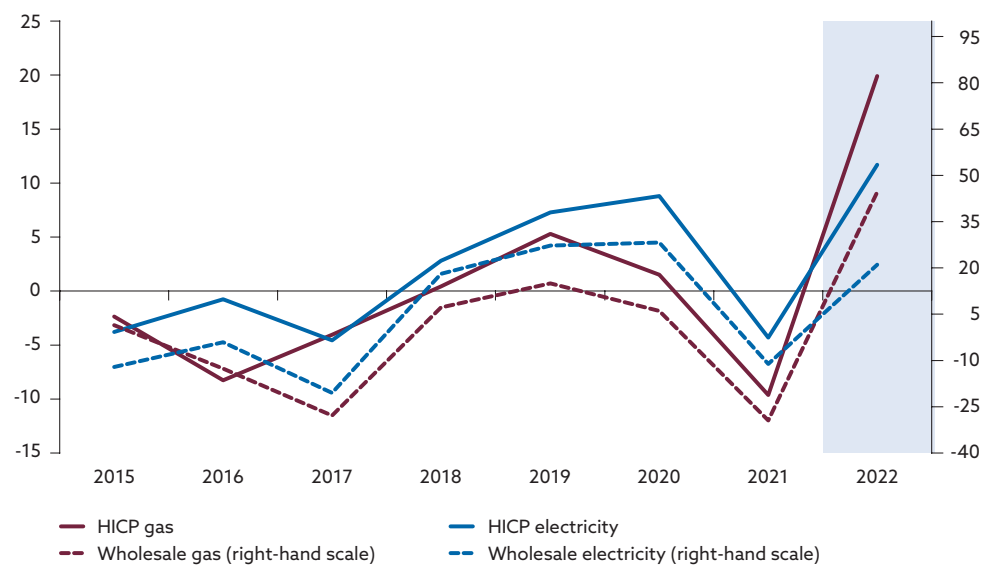


Chart 12:
Administered
prices of gas and
electricity
(annual percent-
age changes)

Sources: SO SR,
and NBS.



Administered prices of energy for households rose sharply at the start of 2022. They were raised in response to commodity price movements back in 2021. As a result of the war in Ukraine and the great uncertainty about the availability of energy sources, wholesale prices of electricity and gas increased sharply (Chart 12). Households, however, were protected from the direct impact of these increases by the regulatory system.

The uptrend in real estate prices came to a halt in 2022, though in the first half of the year their annual growth was still more than 20%. At that time, property prices were being driven up largely by demand from households looking to take advantage of favourable financing conditions. Lending activity peaked during this period. In the second half of the year, the ECB tightened monetary policy in an effort to contain inflation; it gradually stopped increasing its balance sheet through securities purchases and started to increase key interest rates. This resulted in costlier borrowing for government, firms and households. Besides rising interest rates, another curb on household demand for mortgages was the increase in their living costs.

A

2

Financial market developments

household
lending weakened
in the second
half of 2022

steep rise
in mortgage
rates

property
market surge
followed
by cooling

change in
banks' funding
structure

A2 Financial market developments



Figure 1:
Financial market
developments
in 2022

Source: NBS



External and macro factors affecting the financial sector

- High inflation and rising interest rates
- War in a neighbouring country
- Deteriorating economic activity and its outlooks
- High financial market volatility and falling prices of financial assets



Key trends in the Slovak financial sector in 2022

Credit market

- Interest rates, and mortgage rates in particular, rose sharply, with mortgage market activity consequently slowing in the second half of the year after a strong showing in the spring
- Despite an uptrend in corporate lending rates, growth in loans to firms remained relatively high

Bank solvency

- Banks remained sufficiently capitalised, although, like banks in most EU countries, they experienced a decline in capital adequacy
- In June 2022 the Bank increased the countercyclical capital buffer from 1.0% to 1.5% with effect from 1 August 2023
- Rising interest rates were increasing banks' interest income

Bank funding

- After not being issues for a long time, liquidity and the cost of funds returned to the fore
- The most significant factor was a sharp slowdown in retail deposit growth, which reduced banks' ability to fund credit growth with stable funds
- Wholesale long-term funding sources, including covered bonds, became costlier

Non-bank sectors

- Rising interest rates benefited insurers, especially in terms of their solvency
- In the asset management sectors (the pension fund and investment fund sectors), the net asset value of managed funds declined owing to significantly negative investment returns

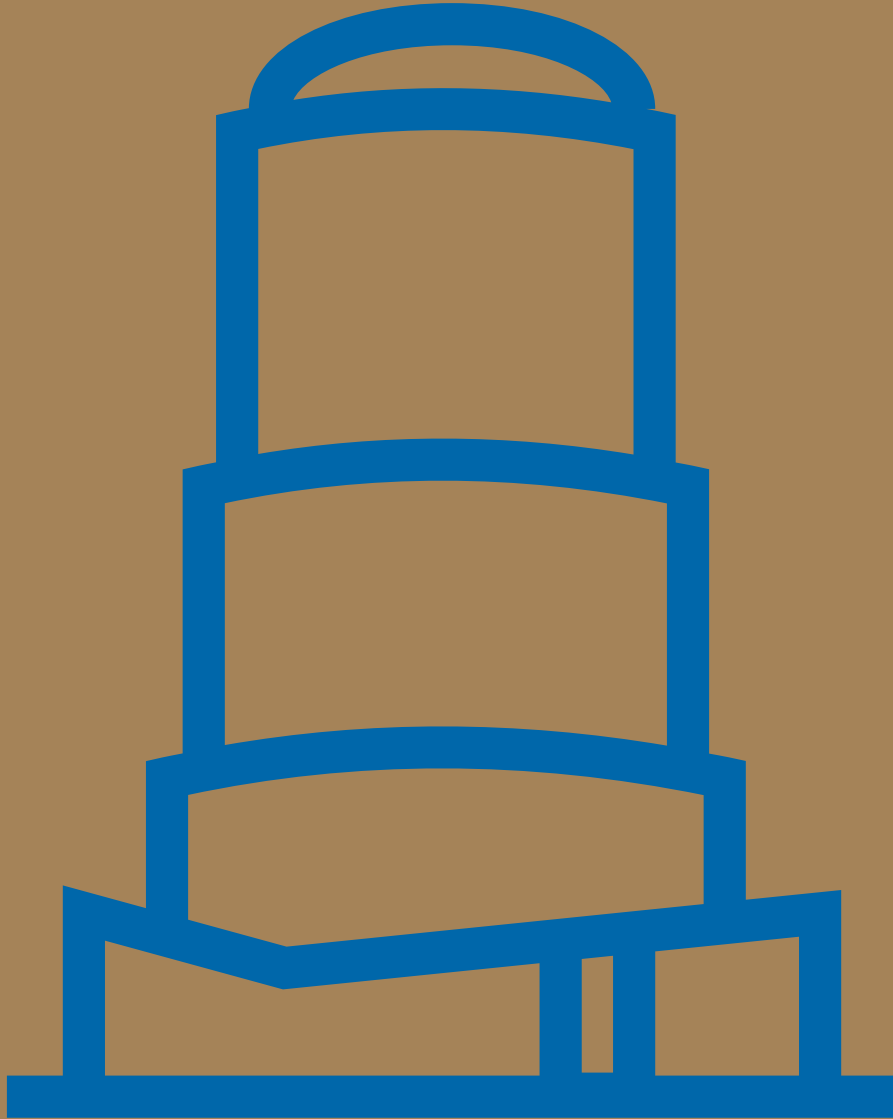
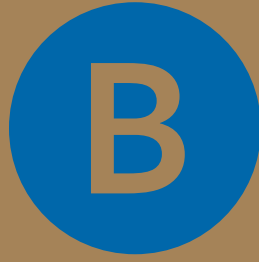
Property market

- Property prices virtually stopped rising after previously rising steeply
- Housing affordability fell to its lowest level since 2008



Risks and their implications for financial stability

- Household spending and business costs are, on average, rising faster than income
- Higher loan repayments are increasingly eroding income and revenues; buffers for periods of financial stress may diminish
- Financial difficulties may have an upward impact on non-performing loan ratios; however, some economic agents will see their financial situation improve
- The calming of developments in the credit and property markets will contribute to easing the hitherto rapid build-up of cyclical risks
- The banking sector's sound capital position will support its stability



**NBS
activities**

B

1

Monetary policy implementation and investment reserves management

key ECB rates increased by a cumulative **250 bp**

ending of net purchases for monetary policy portfolios

domestic banks' TLTRO III repayments amounted to **€4.2 bn**

NBS investment reserves totalled around **€11.8 bn**

B1 Monetary policy implementation and investment reserves management

1.1 Monetary policy implementation

In order to contain surging inflation, the ECB considerably stepped up the process of monetary policy normalisation in 2022. In line with its forward guidance, the ECB firstly discontinued net purchases under its monetary policy asset purchase programmes, before proceeding to raise its policy rates for the first time in more than a decade.

With inflation rising sharply towards the end of 2021, the outlook for its stabilisation at the 2% medium-term target remained subject to widespread uncertainty. Under a decision taken by the ECB's Governing Council in December 2021, the Eurosystem entered the new year on a path of step-by-step monetary policy normalisation, but monetary accommodation was still needed. Given the uncertainty surrounding the inflation outlook and the exacerbation of that uncertainty by the outbreak of war in Ukraine in February, the Governing Council attached a considerable degree of flexibility to its decisions and left itself the option, where necessary, to adjust the monetary policy stance to an extent different from that originally signalled.



The ECB's main building in Frankfurt
Source: [Flickr ECB](#).

The previous long period of below-target inflation and the monetary support necessary during the pandemic led to a need for intensive recourse to non-standard monetary policy instruments. Their nature had a considerable impact on the market environment in which the Eurosystem implemented such measures. A slow and predictable unwinding of non-standard instruments was therefore of paramount importance for financial market stability. A key step was the reduction of the Eurosystem's activity in the bond market, as effected from the start of 2022 by a phased reduction in, and subsequent discontinuation of, net purchases for monetary policy portfolios. In line with the ECB's previously signalled policy sequencing, this phasing-out preceded a first increase in policy rates.


This important sequencing was accomplished within the first half of 2022. In the first phase of policy normalisation, the Eurosystem ended net purchases under the pandemic emergency purchase programme (PEPP) at the end of March and under the asset purchase programme (APP) at the beginning of July.

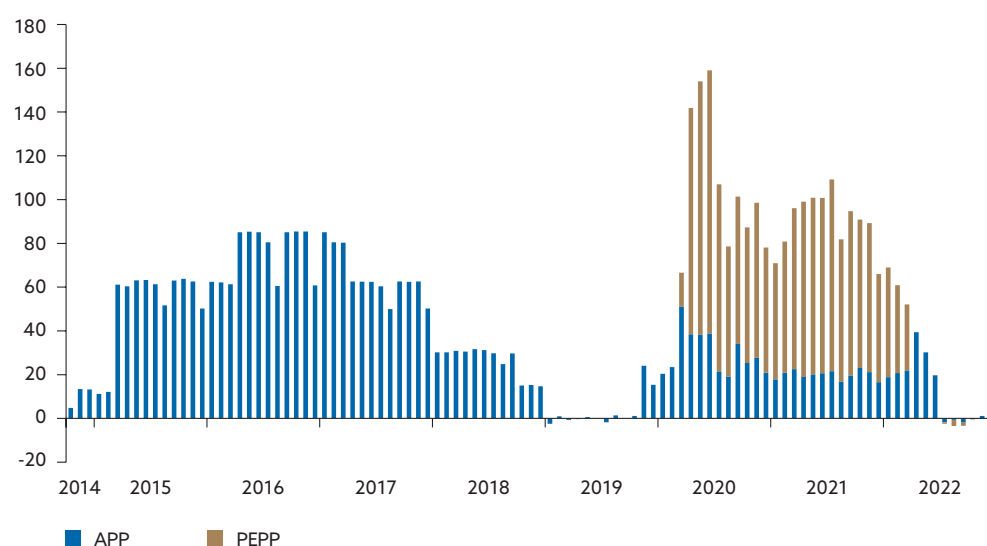
As regards monetary policy purchase programmes, net (portfolio-increasing) purchases under the PEPP were conducted at a lower pace in the first quarter of 2022 than in the previous quarter and were discontinued at the end of March 2022. As for APP purchases, the Governing Council had decided in December 2021, and reiterated in [February 2022](#), that the pace of monthly purchases would be reduced to €40 billion in the second quarter of 2022, to €30 billion in the third quarter, and to €20 billion from October, for as long as necessary to reinforce the accommodative impact of policy rates. The outbreak of war in Ukraine and resulting surge in inflationary pressures across many sectors prompted the Governing Council to revise the purchase schedule for the APP at its [March meeting](#); it set the pace of monthly net purchases at €40 billion in April, €30 billion in May and €20 billion in June, and said it expected to conclude purchases in the third quarter of 2022. By the middle of the year inflation remained on a sharp upward path, owing mainly to surging prices of energy and food as well as to the war's repercussions. At the same time, inflation pressures were broadly spread across many goods and services.

In this context, APP purchases were ended as of 1 July, thus concluding the Eurosystem's bond market activity that had increased the volume of bond holdings in monetary policy portfolios. In line with its policy sequencing the Governing Council decided in [June](#) that it would raise the key ECB interest rates by 25 basis points at its July monetary policy meeting.

Although it had stopped increasing monetary policy portfolios by ending net purchases, the Governing Council considered it necessary to continue reinvesting the principal payments from maturing securities purchased under the PEPP and APP

The reinvestment was considered necessary to maintain ample liquidity conditions and an appropriate monetary policy stance. In the case of APP purchases that do not increase the portfolio, the Governing Council therefore planned to continue making them for an extended period of time past the date when it started to raise the key rates. As for the PEPP, the Governing Council said it intended to continue reinvesting the redemptions coming due until at least the end of 2024, while stressing the importance of flexibility in these reinvestments. The Governing Council emphasised that, in the event of renewed market fragmentation related to the pandemic, PEPP reinvestments could be adjusted flexibly across time, asset classes and jurisdictions.


Chart 13:
Monthly purchases for Eurosystem monetary policy portfolios (EUR billions)
 Source: ECB.



In July 2022 the Governing Council raised the key ECB interest rates for the first time in more than a decade, and the deposit facility rate left negative territory for the first time since 2014; each policy rate was increased by a cumulative 250 basis points over the last four meetings of the year, which included the largest individual rate hikes on record

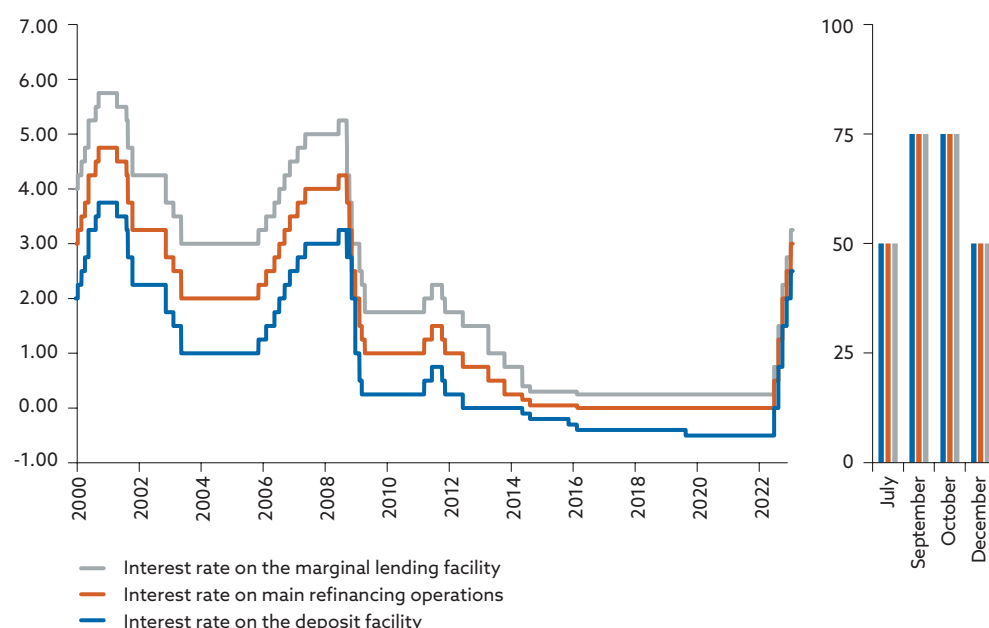
At its [July 2022 meeting](#), the Governing Council judged that it was appropriate to take a larger first step on its policy rate normalisation path and therefore to add impetus to this process. This decision was based on an updated assessment of inflation risks, its aim being to strengthen the anchoring of inflation expectations that were on a rising path. In July the three

key ECB interest rates were raised by 50 basis points, with the rate on the main refinancing operations rising to 0.50% and the rates on the marginal lending facility and the deposit facility rising respectively to 0.75% and 0.00% (up from -0.50%). In order to frontload the transition from the prevailing highly accommodative level of policy rates, the Governing Council decided [in September 2022](#) to raise the key ECB rates by 75 basis points, and [in October](#) it hiked them by a further 75 basis points. [In December](#), at its last monetary policy meeting of the year, the Governing Council raised the policy rates by another 50 basis points in response to the persistence of high inflation. The Governing Council said that interest rates would still have to rise significantly at a steady pace to reach levels that were sufficiently restrictive to ensure a timely return of inflation to the two per cent medium-term target.



Chart 14:
The ECB's monetary policy interest rates (percentages, left-hand panel) and their increments (percentage points, right-hand panel)

Source: ECB.



In 2022 the ECB recalibrated the terms and conditions for the third series of targeted longer-term refinancing operations (TLTRO III) to ensure consistency with the broader monetary policy normalisation process

The Governing Council [decided in October to adjust the interest rate on TLTRO III operations](#), so that from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations would be indexed to the average applicable key ECB interest rates over this period. Furthermore, three additional voluntary early repayment dates were introduced to provide TLTRO III participants (banks) with additional opportunities to partly or fully repay their respective TLTRO III borrowings before their maturity.

Introduction of the Transmission Protection Instrument

Because of the need for faster monetary policy normalisation, the ECB's Governing Council approved in July 2022 the new [Transmission Protection Instrument \(TPI\)](#) as an addition to its monetary policy toolkit.

The TPI is intended to ensure that the monetary policy stance is transmitted smoothly across all euro area countries during the necessarily accelerated policy normalisation. Subject to activation, the TPI allows the Eurosystem to make secondary market purchases of securities, usually government bonds, issued in jurisdictions experiencing a deterioration in financing conditions not warranted by country-specific fundamentals. In any event, the flexibility in reinvestments of redemptions coming due in the PEPP portfolio remains the first line of defence to counter risks to the transmission mechanism. At the same time, the whole system is complemented by the ECB's existing discretion to use Outright Monetary Transactions (OMTs).

The Eurosystem balance sheet reached its historical high in June 2022, at €8.8 trillion, before falling to €8.0 trillion by the end of the year; the reduction stemmed mainly from maturing operations and early repayments under TLTRO III

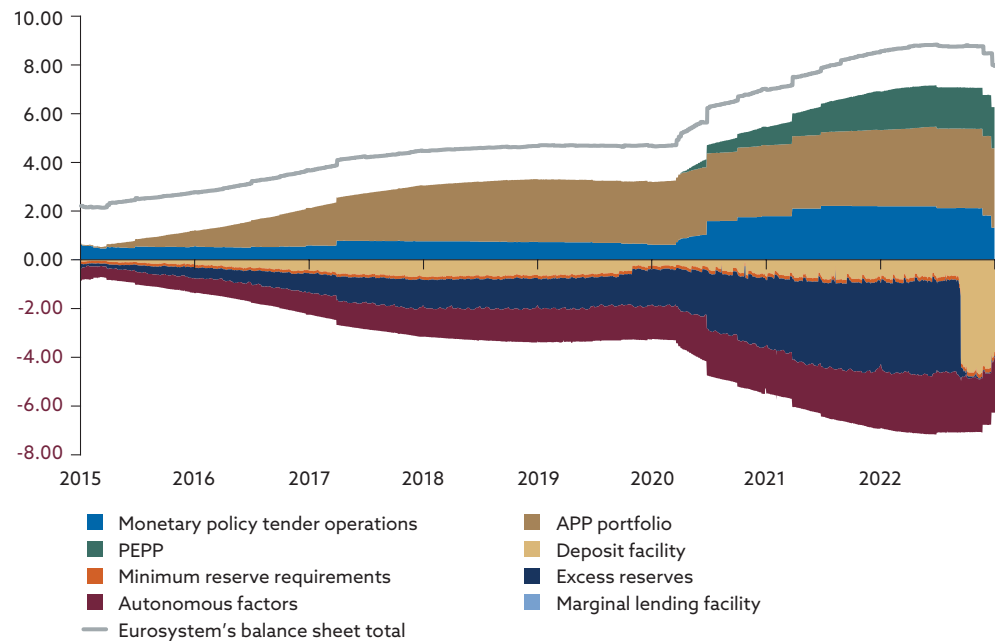
At the end of 2022 monetary policy assets of the Eurosystem balance sheet amounted to €6.3 trillion, a decline of €0.7 trillion compared with the end of 2021. The outstanding amount of TLTRO III operations at the year-end was €1.3 trillion, or 21% of the Eurosystem's monetary policy assets. Since the end of the previous year, the banking sector had repaid €880 billion, mainly through voluntary early repayments. Securities holdings in monetary policy portfolios accounted for €5.0 trillion, or 79%, of monetary policy assets at the year-end, and the size of these portfolios increased by €224 billion year-on-year. At the end of 2022 APP holdings amounted to €3.3 trillion and PEPP holdings to €1.7 trillion.

On the liabilities side, the overall amount of credit institutions' reserve holdings and recourse to the deposit facility decreased to €4.0 trillion at the end of 2022 (from €4.3 trillion at the end of 2021). A notable difference from the previous year on the liabilities side was the reallocation of current account holdings to the deposit facility. With the deposit facility rate moving back into positive territory, deposit facility operations started to be attractive again for the banking sector. By the year-end, credit institutions' reserve holdings in excess of minimum requirements had been moved to the deposit facility.



**Chart 15:
Selected
monetary
policy-related
items of the
Eurosystem's
consolidated
balance sheet
(EUR trillions)**

Source: SDW ECB.



Note: Positive values denote assets; negative values denote liabilities.

The current composition of the Eurosystem's balance sheet is the result of monetary policy implementation over the past decade, during which inflation was below target for an extended period. In response to inflation's exceptional uptrend, the Governing Council decided in 2022 to accelerate monetary policy normalisation, in particular by ending balance sheet-increasing purchases and sharply raising key rates. However, higher interest rates affect [the financial results of both the ECB and euro area national central banks](#) and can even lead to financial losses. This is because costs on the liabilities side of a central bank's balance sheet are more sensitive to interest rates than is the bank's asset-generated income. Over time, income from assets will also increase, again improving the Eurosystem's profitability. The Eurosystem does, however, have arrangements in place to ensure that financial losses do not jeopardise its ability to fulfil its price stability mandate.

Based on the decentralised implementation of the ECB's monetary policy, the outstanding amount of liquidity provided via Národná banka Slovenska was €50.3 billion as at the end of 2022, of which credit operations accounted for €6.8 billion and monetary policy portfolios for €43.5 billion

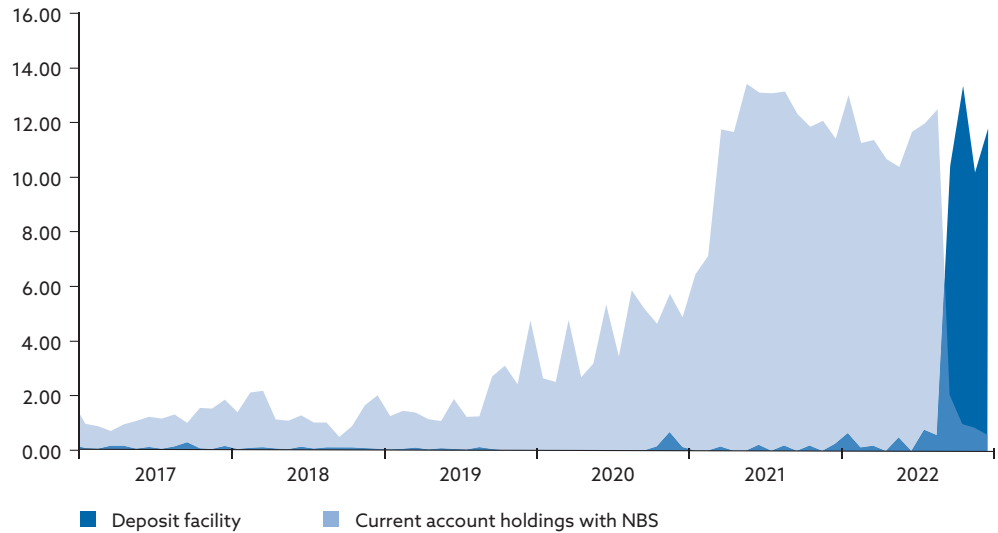
Following changes to TLTRO III terms and conditions to align them to the monetary policy normalisation process, the domestic banking sector took advantage of the newly added early repayment dates and reduced its overall TLTRO III borrowing by €4.2 billion to €6.0 billion. Domestic banks also used other monetary policy tender operations during 2022, specifically main refinancing operations (MROs) and standard three-month longer-term refinancing operations (LTROs). The outstanding amounts of their MRO borrowing and LTRO borrowing as at the end of 2022 were,

respectively, €276 million and €450 million. Given its ongoing excess liquidity, the domestic banking sector had only occasional and negligible recourse to the marginal lending facility in 2022. At the same time, domestic banks transferred the entirety of their excess liquidity to the deposit facility. Including inflows from monetary policy purchase programmes, the excess liquidity of the domestic banking sector increased to around €12 billion by the end of the year.



Chart 16:
Domestic counterparties' recourse to the deposit facility (EUR billions)

Source: SDW ECB.

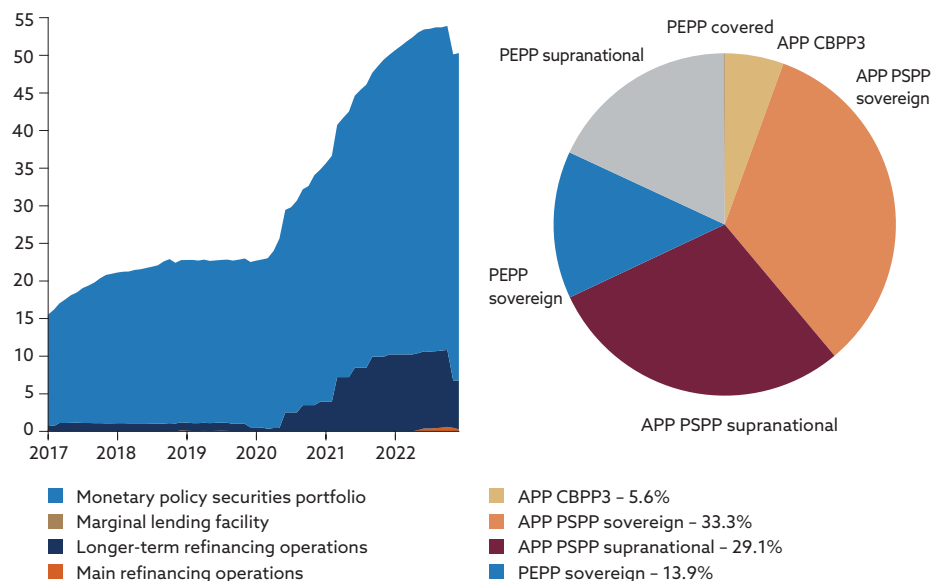


In 2022 NBS continued its involvement in the ECB's asset purchase programme, and its purchases for the portfolio comprised domestic covered bonds, Slovak government bonds, and supranational bonds. The Bank's APP securities holdings increased to €29.6 billion by the end of 2022. The Bank purchased the same types of securities under the PEPP, and its PEPP securities holdings stood at €13.9 billion by the year-end. The Bank's total securities holdings under the APP and PEPP therefore amounted to €43.5 billion at the end of 2022.



Chart 17:
NBS monetary policy operations on the asset side (EUR billions, left-hand panel) and the NBS monetary policy portfolio's composition (percentages, right-hand panel)

Source: SDW ECB.



1.2 Minimum reserve requirements

The two-tier system for the remuneration of excess reserves was suspended in 2022

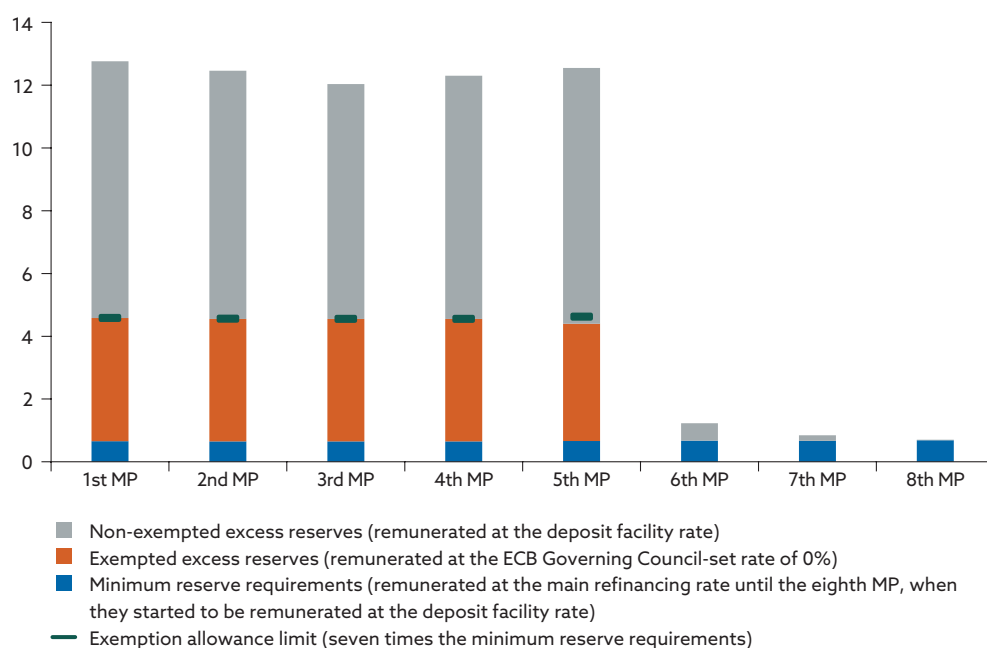
In 2022 a total of 29 credit institutions in Slovakia were subject to minimum reserve requirements. Changes in the remuneration of minimum reserves and in key ECB interest rates were reflected in the maintenance of minimum reserves. With effect from 14 September 2022, the two-tier system for the remuneration of excess reserves was suspended and, in particular, the interest rate on the deposit facility was increased to 0.75%; thus, it became economically disadvantageous to hold excess reserves. This was reflected in a significant decline in banks' actual reserves, which plummeted tenfold between the fifth and sixth minimum reserve maintenance periods. Another significant change was the Governing Council's decision to switch the rate at which minimum reserves are remunerated from the main refinancing rate to the deposit facility rate, with effect from the beginning of the (eighth) reserve maintenance period starting on 21 December 2022.

The average amount of required reserves was €663.57 million, representing a year-on-year increase of 6%. The average amount of banks' actual reserves held with NBS was €7.76 billion in 2022, 36% lower than in 2021. The decline resulted from the above-mentioned suspension of the two-tier system for the remuneration of excess reserves and the increase in the deposit facility rates, which also resulted in two distinctly different periods in the evolution of the value of banks' reserve holdings.



Chart 18:
Minimum
reserve require-
ments and actual
reserve holdings
(showing
differential
remuneration
under the ECB's
tiering system)
(EUR billions)

Source: NBS.



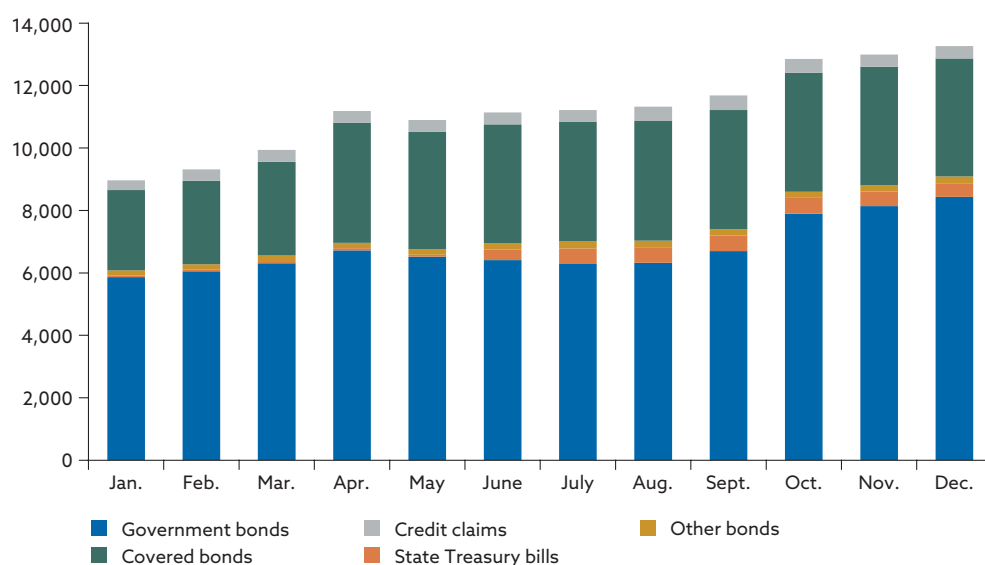
1.3 Eligible assets

The collateral eligibility criteria for Eurosystem credit operations underwent several changes in 2022. Most significantly, the ECB announced the gradual phase-out of pandemic collateral easing measures introduced in April 2020. The purpose of the measures was to facilitate the availability of eligible collateral for Eurosystem counterparties. Domestic banks' participation in Eurosystem credit operations was at a similarly high level in 2022 as it was in 2021. The total value of the collateral they mobilised for these operations was 15% higher year-on-year. Chart 19 shows the breakdown of this collateral by asset type.



Chart 19:
Composition of eligible assets used by Slovak banks in 2022 (EUR millions)

Source: NBS.



1.4 Investment reserves management

The Bank's investment reserves (including gold), at market value calculated at current exchange rates, amounted to €11.8 billion as at the end of 2022. Of that total, 67% was accounted for by seven bond portfolios, each denominated in a different currency, and a USD-denominated bond intervention portfolio that was newly created in 2022 and had a market value of €494 million at the end of the year. The primary objective of this portfolio is to cover any potential ECB call on foreign exchange reserves in the event of intervention.

In January 2022 the Bank sold shares in the BISIP CNY fund¹ which it had held since December 2014 as an indirect investment in the Chinese renminbi. The proceeds of this sale were reallocated to the Bank's renminbi-denominated bond portfolio, whose market value increased to around €325 million as at the end of 2022.

¹ The BISIP CNY is an open-ended fund comprising Chinese government bonds and is managed by the Bank for International Settlements in Basel.


In the other currency-hedged portfolios – denominated in euro, US dollars, British pounds, Swiss francs, Australian dollars and Japanese yen – interest rate risk was managed in a standard way in 2022. Gains on derivative-hedging operations in 2022 notably mitigated the impact of financial market developments following repeated increases in global currency interest rates.

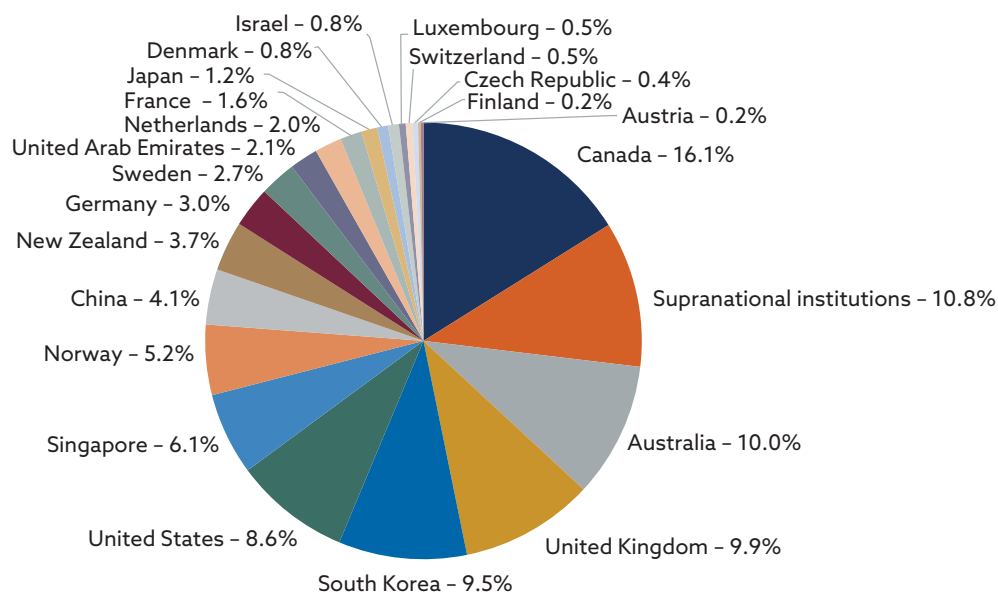
The Bank's equity investment portfolio, containing shares in exchange-traded funds tracking the global equity market, had a market value of €438 million as at the end of 2022.

In 2022 the total net return on the Bank's investment reserves, including gold, was around €10.9 million² (according to the mark-to-market principle³), which in relative terms represented a return of around 0.7% per annum.

As regards the quality of the securities in the Bank's bond portfolios as at the end of 2022, 94% had at least an AA credit rating. The ESG rating⁴ of the investment reserves was also high, with the bond portfolio recording an AAA rating and the equity portfolio an AA rating.

Chart 20 breaks down the securities in NBS bond portfolios by country of issuer.


Chart 20:
Securities in
NBS bond
portfolios by
country of
issuer as at the
end of 2022
(percentages)
 Source: NBS.



² The overall return on gold holdings was around €113 million, mostly accounted for by the change in the price of gold vis-à-vis the euro.

³ Marking-to-market means pricing assets and liabilities at fair value, i.e. at their current market price.

⁴ A qualitative assessment of an issuer in terms of the extent to which it applies environmental, social and governance (ESG) principles in its activities. ESG ratings range from AAA (the best) to CCC (the worst).

B

2

Financial stability and financial market supervision

**banks stable
in terms of
capital
adequacy**

**first PEPP
in the
European
Union**

**crowdfunding
– a new way
of financing
in Slovakia**

**launch of the
Regulatory
Sandbox**

B2 Financial stability and financial market supervision

2.1 Financial stability

Financial stability in an environment of high inflation and rising interest rates

From a financial stability perspective, 2022 brought new challenges and dynamic changes.

Rising inflation, interest rate increases and the war in Ukraine have raised a number of questions about future developments. The Bank has therefore made an in-depth analysis of the possible effects of these factors on financial stability. Many of them are characterised by their heterogeneous impact across economic agents, hence the increasing importance of using detailed granular data. The assessment of systemic risks is described in detail in the Bank's [Financial Stability Reports](#) and [Macroprudential Commentaries](#).

The Bank's financial stability analysis in 2022 focused mainly on:

- the impact of inflation and rising interest rates on the financial situation and debt servicing capacity of households and firms;
- [the impact](#) of the spring wave of refinancing on banks' loan books;
- monitoring of the real estate market and housing affordability;
- the gradually deteriorating state of banks' stable funding sources.

Rising interest rates have resulted in a certain easing of the overheated credit and property markets. Compared with a year ago, people are now taking a more rational approach to borrowing. A new risk, however, is the increasing number of people with repayments at the maximum allowed level according to the minimum statutory financial buffer requirement.

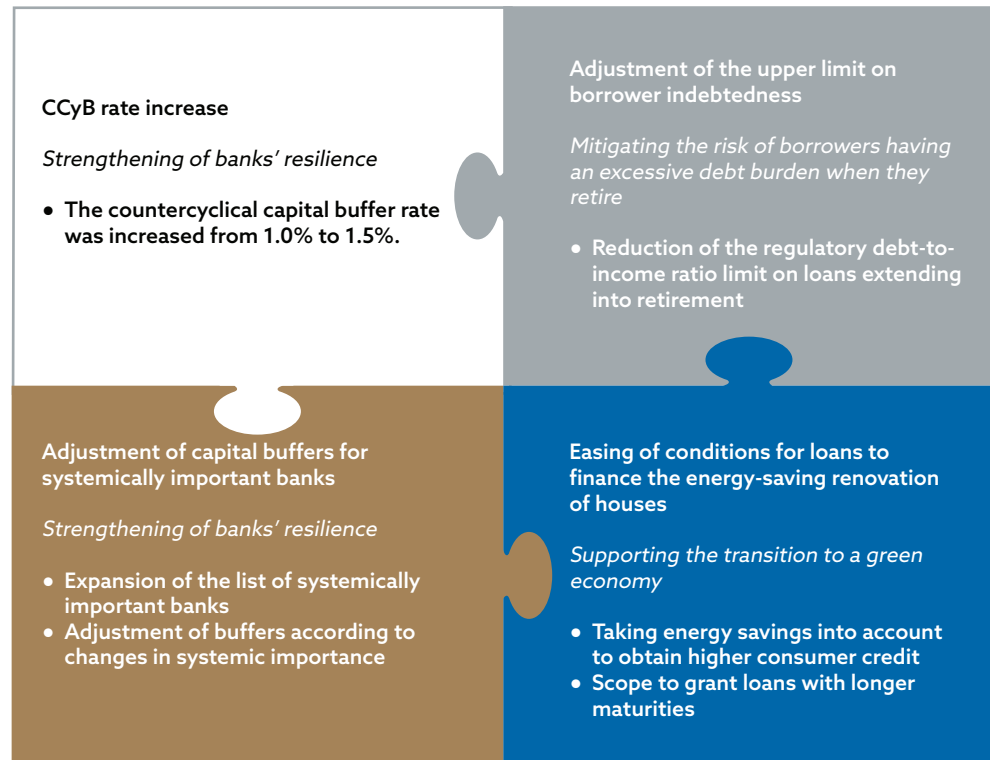
The Bank adopted a set of macroprudential measures

Last year the Bank continued to take a proactive approach to the implementation of macroprudential policy. A number of mutually complementary measures were adopted, including the adjustment of capital buffer rates and [new rules](#) on lending to households.



**Figure 2:
Adopted
macro-
prudential
measures**

Source: NBS.



2.2 Banking sector

On the heels of the COVID-19 pandemic, the war in Ukraine has brought new challenges

The risk profile of domestic banks remained stable in 2022, despite an adverse external environment in which one crisis followed straight after another. Although the geopolitical and macroeconomic environment deteriorated sharply in 2022, [banks](#) continued to withstand the unfavourable conditions. The energy crisis necessitated close monitoring of the corporate sector. Banks' proactive approach to customers helped stabilise the financial situation of energy-intensive firms.

Annual assessment of banks in the light of the impact of external conditions

The assessment of banks focused mainly on their ability to adapt their financial and capital plans to unexpected external changes – especially following the outbreak of the war in Ukraine and its knock-on effects. Besides assessing standard risks, NBS banking supervision also focused on assessing the state of banks' information systems, cyber risks, and banks' preparedness for managing climate and environmental risks.

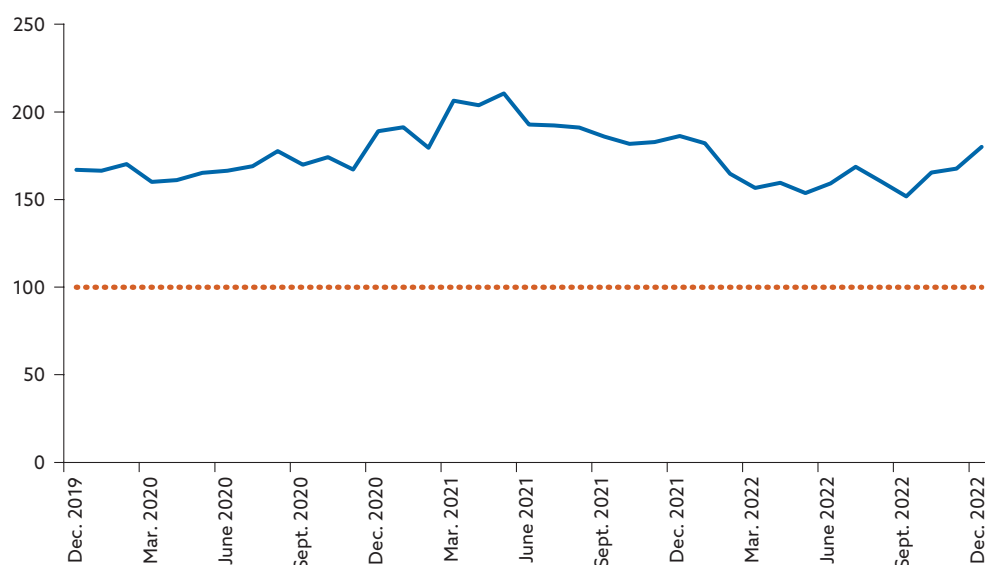
Elevated inflation and rising interest rates had an impact on liquidity management

The volume of deposits with domestic banks built up during the pandemic period as customers consumed less and spent less. Banks saw their funding costs decrease and liquidity positions increase. These trends began to change from early 2022. **As inflation, customer consumption and interest rates increased during 2022, so liquidity risk rose.** To stabilise the situation, banks responded by stepping up their issuance of covered bonds and by slightly reducing credit growth. They thus ensured that their liquidity position was stronger by the end of the 2022.



Chart 21:
Evolution of
the liquidity
coverage ratio
(percentages)

Source: NBS.



Banks' capital adequacy remained stable

Despite the challenges and difficulties that came in 2022, the capital position of domestic banks remained stable. The proactive steps taken by NBS banking supervision and the responsible approach of banks succeeded in increasing banks capital resources by almost €450 million. As a result, the sector's total capital ratio remained stable at 19.5%. Banks' aggregate capital and total capital ratio were, respectively, more than €1 billion and 1.5% higher at the end of 2022 than at the start of the pandemic.

Banking supervision priorities

NBS banking supervision priorities are consistent with [the priorities of the ECB's Single Supervisory Mechanism](#) (SSM). In line with the current trend, on-site inspections are conducted in shorter, thematic formats across several banks or the whole banking sector. The areas assessed are selected on the basis of a risk map. **Key areas include banks' resilience to**

immediate macroeconomic and geopolitical shocks, addressing digitalisation challenges, strengthening internal governance, and stepping up efforts to tackle climate change.

2.3 Insurance and pension fund sectors

Insurance

Partly because of the implications of the war in Ukraine, the Bank continued in 2022 to monitor the year-end estimates of insurers' financial position and solvency, comparing them with planned levels. The results showed a slight increase in premiums written for new and renewal contracts and higher claims costs as a result of inflation in prices of commodities, goods and services. Insurers were most impacted in their investment portfolios, which turned loss-making owing to financial market volatility and rising interest rates. Insurers were sufficiently solvent in 2022.

Inflation affected the combined ratio and MTPL business

Motor third party liability (MTPL) business in 2022 was affected by several factors. Population mobility gradually returned to pre-pandemic levels. The uptrend in inflation had an upward impact on prices of spare parts and labour and consequently on the cost ratio in MTPL insurance, whose net level as at 30 September 2022 was slightly higher year-on-year, at 39.98%. The combined ratio in this insurance class, after improving temporarily in 2021 (as the pandemic's favourable impact came with a lag), therefore began to deteriorate slightly again, with its net level falling to 93.42% as at 30 September 2022. Because of continuing pricing pressure, several insurers are finding it difficult to make a profit on their MTPL business.

Insurers are sufficiently prepared for IFRS 17 and IFRS 9

In 2022 the Bank conducted an analysis of the insurance sector's preparedness for the transition to IFRS 17 and IFRS 9, new accounting standards in effect from 2023. At the time the data were collected, 56% of insurers and branches of insurers were in either the implementation or testing phase of IFRS 17/9 solutions, and 44% were in the phase of parallel running of IFRS 4 and IFRS 17. Several insurers provided the Bank with their initial estimates of the impact of IFRS 17/9 on their balance sheet and profit and loss accounts. According to these data, the coming period may be expected to see claims liabilities decrease (by 19% on average) and equity increase (by 34% on average), thereby improving the financial position of insurers and insurers' branches.

Pension funds

In 2022 the Bank was monitoring the management of pension savings and the pension sector's sensitivity to financial market fluctuations; these resulted in significant declines in 2022 and therefore the situation for pension savers was a far cry from the exceptionally successful year they enjoyed in 2021. The adverse financial market developments stemmed largely from the sharp rise in global inflation that was a result of ongoing fiscal stimulus packages, of the renewed but uneven pick-up in the global economy, and of the sudden outbreak of the war in Ukraine.

Company transformations

At the end of year, KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group entered the second pillar pension market in Slovakia by acquiring, with the Bank's prior approval, a 100% direct interest in the share capital and voting rights of DSS 365.life, d.s.s., a.s. from 365.bank, a.s. The pension company, with a market share of almost 5%, manages the pension savings of approximately 125 thousand savers, amounting to more than €500 million.

Expected second pillar pension reform adopted

An amendment to the Old-Age Pension Scheme Act, the law governing the second pillar of Slovakia's pension system, was adopted in late 2022, with the Bank having played an active part in its drafting. The amendment brings fundamental changes to the set-up of the second pillar scheme, after twenty years of its operation. Among the key changes is the introduction of a default investment policy, a more targeted setting of new individual guarantees, automatic entry, and changes in fee policy and in the decumulation phase.

BOX 2

The Bank co-organised the 2022 Global Forum on Private Pensions

The 2022 Global Forum on Private Pensions international conference took place in Bratislava and was jointly organised by the OECD, the International Organisation of Pension Supervisors (IOPS) and the Bank. The event was held back-to-back with the IOPS Committee Meetings and the IOPS Annual General Meeting on 2-4 November 2022.

Entitled 'Current Challenges Faced by Private Pensions', the conference addressed issues that were important for Slovakia and other central and eastern European countries as well as for other conference participants, who included around 150 experts representing governmental bodies, national supervisory authorities, insurers, associations, and the research and academic communities.

2.4 Capital market and financial intermediation sector

The Bank maintains regular communication with capital market participants

In 2022 the Bank organised several meetings with capital market entities at which it presented the results of supervisory activities, the Bank's expectations resulting from these activities, and new developments in the regulatory field.

Online workshops for investment firms focused on reporting obligations and on assessing the appropriateness of financial instruments purchased by clients. During the presentations, NBS staff highlighted areas of concern, practical examples of good and bad practice, and the importance of the detailed assessment of information about clients' knowledge and experience.

An online seminar for independent financial agents working in the capital market sector presented the results of regular supervisory activities, some statistics, and the current state of the sector. The seminar familiarised the participants with an NBS document entitled '[Manual for the provision of financial intermediation in the capital market sector](#)', prior to its publication in June 2022. The purpose of the manual is to improve the quality of compliance with obligations.

With the COVID-19 pandemic having abated, the Bank was able to host a seminar at its headquarters in 2022. The main topic of discussion was the distribution of financial instruments, with focus on product oversight and governance and on supervisory benchmark compliance in the distribution of corporate bonds. The seminar also addressed questions concerning rules of conduct towards customers.

In September the Bank issued a [consultation paper](#) for a draft methodological guideline on authorised business in the field of collective investment. The purpose of the paper was to seek comments from the public on this issue, given its increased importance and the findings from the Bank's supervisory activities.

Remote examinations have become standard; the costs of providing them have increased

Remote examinations for the provision of financial intermediation and financial advisory services were introduced during the pandemic crisis and proved to be appropriate as a standard examination method. The Bank therefore amended the NBS Decree regulating these examinations (No 5/2018) to establish them as a standard examination method. The implementation of remote examinations meant, however, an increase in the costs of organising examinations, as investment in new systems was necessary and staffing costs also increased. In 2022 the Bank therefore made a further [amendment to NBS Decree No 5/2018](#) to increase the examination fee from €30 to €50.

The Bank is stepping up supervision of the quality of reported data

Timely and high-quality data are prerequisite to having a transparent overview of the activities of supervised entities and therefore to the effective conduct of supervision. In this regard, the Bank followed ESMA's priorities and focused on the reporting framework and on the quality of data reported by investment firms and asset management companies. The Bank identified that most of the entities in the sample were not reporting data of sufficiently high quality. During the year, the Bank repeatedly reminded supervised entities of their obligation to report data in a due and timely manner and in the required quality.

Start of preparations for the transition to reporting to the Statistics Collection Portal

In 2022 the bank started a process aimed at improving the collection of data from independent financial agents and financial advisers and ensuring that such data are used more effectively. This process is **the transition from reporting to the Bank's Register of Financial Agents and Financial Advisers (REGFAP) to reporting to the Bank's Statistics Collection Portal**. In connection with this change, work began on amending [NBS Decree No 16/2018](#), and an information workshop was held in order to familiarise participants with the changes in reporting, with the Statistics Collection Portal, and with the timeline of the transition.

The Bank examined investment fund valuation methods

In 2022 a joint Europe-wide review was conducted to examine whether managers of undertakings for collective investment in transferable securities (UCITS) and managers of open-ended alternative investment funds (AIFs)

were complying with the EU's statutory organisational requirements regarding asset valuation as well as whether they were complying with valuation principles and methods that give a true and fair view of their financial position under normal and stressed market conditions.

The Bank reviewed firms' alignment with supervisory benchmark recommendations in corporate bond offerings

In 2022 the Bank focused on reviewing the application of supervisory benchmark-based recommendations aimed at aligning the processes and procedures of distributors of corporate bonds when selling such bonds to retail clients. The results of the review showed that expectations were met by most of the supervised entities in the sample. Where entities did not have their processes aligned, the Bank pointed their deficiencies out to them and invited them to take action.

BOX 3

Crowdfunding as an activity newly under NBS supervision

Crowdfunding may be described as a form of alternative funding for start-ups and SMEs, which typically rely on small investments. To operate in Slovakia, crowdfunding service providers must be authorised by the Bank. In the second half of 2022 the Bank received four applications for such authorisation.

2.5 Payment services, fintech and financial innovation

The Bank is fostering a financial innovation ecosystem

The Bank is actively trying to increase the innovation potential of the Slovak financial market. Its two main instruments for supporting financial innovation are the [Innovation Hub](#) and the [Regulatory Sandbox](#). The Bank's Innovation Hub has been operating for four years. The enquiries received by the Hub in 2022 concerned predominantly the area of crypto-assets. The Bank's Regulatory Sandbox had its first year of operation in 2022. Its activities included the testing of a digital mortgage service.

The Bank considers it crucial to communicate openly with the public on matters of financial innovation. In October 2022 the Bank hosted the second annual edition of an event for the professional community entitled [Slovenský finančný trh a inovácie](#) (Slovak financial market and innovation). When promoting financial innovation in Slovakia, it is important to have an overview of the actual situation in the market. The Bank therefore commissioned the Focus polling agency to carry out a consumer survey on crypto-assets and the digital euro, and the survey [results](#) were published in April 2022.

Development of supervisory applications

As part of the INOLAB project, the Bank last year cooperated with the Slovak Technical University to improve data quality in the Register of Bank Loans and Guarantees. Using advanced statistical methods, the Bank identified the incidence of anomalies and unusual values in credit data. For the [Central Government Portal](#), the Bank last year prepared a [form](#) through which authorised persons can easily, in a purely electronic form, request an extract from the Register of Bank Loans and Guarantees.

In 2022 the Bank expanded the portal of its Central Register of Regulated Information to support the [European Single Electronic Format \(ESEF\)](#), an electronic reporting format in which issuers whose securities are admitted to trading on EU regulated markets must now prepare their annual financial reports.

2.6 Cross-cutting themes

Resolution

As part of its responsibility to provide expertise and organisational support to Slovakia's Resolution Council, **the Bank continued in 2022 to perform tasks related to the resolution measures set out in resolution plans for banks and one investment firm** for the 2021/22 and 2022/23 planning cycles. In addition to further refinement of the bail-in tool, progress was also made in preparing banks for implementation of the sale of business tool.

As part of the resolution teams set up for banks in Slovakia that fall under the competence of the Single Resolution Board (SRB), **the Bank was actively involved in assessing the resolvability of banks with a multiple point of entry (MPE) resolution strategy**. Priorities of the previous year were expanded in 2022 to include an emphasis on ensuring liquidity and funding sources in resolution and management information systems for valuation in resolution.

The Bank continued in 2022 to carry out tasks related to the determination of the minimum requirement for own funds and eligible liabilities (MREL) for banks. For the 2021/22 planning cycle, in accordance with the Resolution Council's decisions and implementing decisions, **the overall MREL for banks that in a future crisis would be subject to resolution proceedings amounts to €9,138 million as of 1 January 2024**. For the first time, MREL determination decisions were made for banks with an 'insolvency' resolution strategy.

In cooperation with the Deposit Protection Fund, the Bank arranged the [collection](#) and transfer of the Council's contributions to the SRB for 2022. Contributions collected from 12 banks and totalling €26,991,746.69 (including €651,245.45 as an irrevocable payment commitment) were transferred to the SRB.

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

In the [AML area](#), the Bank last year focused on two main tasks: the drafting of the Council of Europe MONEYVAL Committee's 1st Enhanced Follow-up Report on the Slovak Republic; and the EBA's assessment visit. In addition, the Bank also monitored AML risks associated with the war in Ukraine.

The Bank provided supervised entities with guidelines on AML issues related to the war in Ukraine. The guidelines included recommendations for striking an optimal balance between robust statutory obligations in the AML field and ensuring that citizens of Ukraine and other countries who found temporary refuge in Slovakia during the war have access to basic financial products and services.

First PEPP provider authorisation in Europe issued in Slovakia

In September 2022 the Bank became the first authority in the EU to authorise a [provider](#) of the new pan-European personal pension product (PEPP). The PEPP is a personal pension scheme that offers EU citizens a new option to save for retirement. It is complementary to existing national pension regimes, including Slovakia's three-pillar pension system, and is supervised by national authorities and EIOPA.

B

3

Financial consumer protection

€303,000
paid in redress
to customers

substantiated
complaints
– a basis
for further
supervision

formulated
transparency
requirements
for unit-linked
insurance

the Bank's
'5peňazí' financial
education
programme

B3 Financial consumer protection

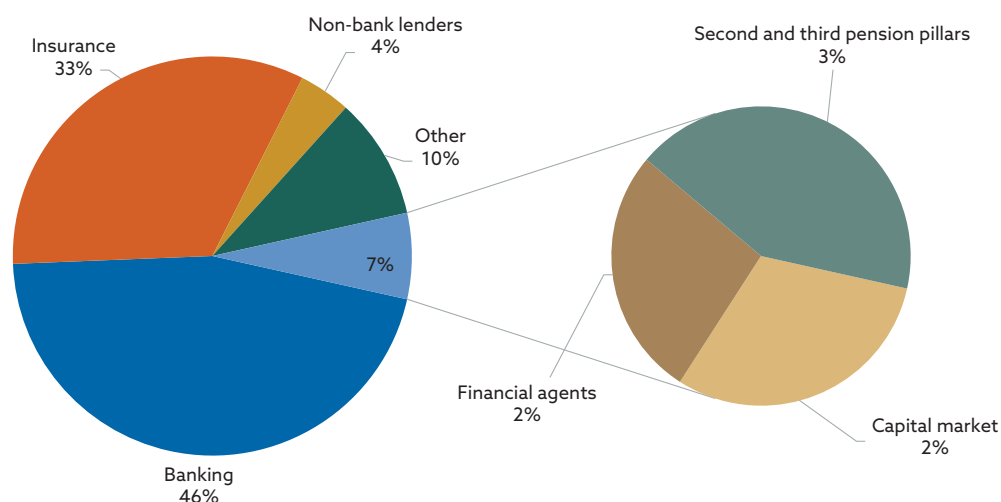
3.1 Financial consumer complaints

In 2022 the number of complaints that the Bank received from financial consumers and other customers about financial market entities fell by 5% year-on-year, to 1,593. The sector that attracted the most complaints, 731, was banking, with the number of complaints about this sector rising by 4% year-on-year. The share of total complaints that concerned the insurance sector fell from 40% in 2021 to 33% in 2022. In other sectors, the trends of previous years continued in the period under review.



Chart 22:
Financial consumer complaints broken down by financial market segment

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.

The Bank monitors substantiated complaints

For the purposes of supervision, it is important that the Bank keep track of what proportion of complaints are substantiated, i.e. concern a matter in which the supervised entity is in breach of its obligations. The share of complaints that are substantiated has been stable for a long-time. The amount that supervised entities paid in redress to customers in 2022 totalled €303 thousand.

The share of all complaints that are substantiated has been stable for several years, at around one-quarter.

The resolution ratio, showing the percentage of cases where the financial institution made redress at the Bank's initiative is 50–60%.

3.2 Supervision

Supervision of unit-linked life insurance products

In 2022 the Bank continued to analyse the transparency of information provided about unit-linked life insurance products. The aim was to check in particular the clarity and comprehensibility of the fees charged by insurers in relation to these products. In addition to the price movements of the underlying funds' shares, fees can have a major effect on the return that customers receive from the investment component of their unit-linked policies.

The Bank examined six unit-linked products to see what fee information is provided to customers in the policy documentation and in what way it is provided. The focus of this supervisory activity was mainly on the fee structure set out in the policy terms and conditions, the amount of the fees, and the comprehensibility of the fee calculations, as well as on the charging frequency, due dates and payment methods of fees.

The Bank found that fee information in policy documentation was insufficiently transparent.

The Bank formulated requirements and recommendations to improve clarity and comprehensibility of the information provided.

Unit-linked insurance products are complex by nature, and not all customers adequately understand them, as can be seen from the complaints received by the Bank. The Bank therefore aims to ensure that when purchasing these products, customers are provided with clear information in the required scope and quality.

3.3 Financial education

The Bank's '5peňazí' financial education programme

Following the lifting of pandemic containment measures, 2022 was the first year in which the Bank could make full use of the regional centres set up as part of its '5peňazí' financial education programme. Through informal financial education modules, primary and secondary school pupils had the opportunity to learn through play about money, sound financial decision-making, investing and pensions.

'5peňazí' education for primary and secondary school pupils

 **99**
participating schools

 **238**
education sessions

 **3,588**
pupils took part

The Bank's online [InfoSWAP](#) webinars for university students continued in 2022, with three Slovak universities and more than 200 students participating in the events.

The Bank also provides financial education for the general public. Last year 5peňazí programmes and topics were featured on public Slovak Radio and Slovak Television, on the private television news channel TA3, on Rádio Expres, and on a new online station, Rádio Impuls. At the same time, educational activities continued on the [5penazi.sk](#) website and on the programme's Facebook and Instagram pages. Based on feedback from its educational activities, the most followed topics were further developed on the 5peňazí website under five categories.

'5peňazí' in the online environment


Warnings


Family finances


Investment advice


Tips on saving


Crypto School

The 5peňazí website received more than one hundred thousand visitors in 2022. The programme's Facebook and Instagram pages attracted, respectively, almost two million and more than 700 thousand views. The number of subscribers to the regular 5peňazí educational newsletter increased significantly during the year.

As part of the 5peňazí programme, the Bank last year launched an education campaign for adults which was based on a **series of twelve animated stories featuring a character called '5peniažko'**. Created in collaboration with a young artist, Anna Mária Medvecká, the stories cheerfully offer

advice on financial matters encountered in everyday life, including buying a property, taking out a loan for a holiday, claiming refunds, and so on. The animations were broadcast on Slovak Television and can be seen [here](#) on the 5peňazí website.

Last year 5peňazí also had a presence at a number of different public events.

5peňazí's presence at events



Kremnica
Gags



Bratislava
Science Fair



Financial
Consumer Days



NBS Coronation
Route exhibition

Cooperation with external partners

Where the Bank cannot provide 5peňazí financial education on its own, it teams up with partners. In 2022 **the non-profit organisation [FinQ Centrum](#) was established as a joint initiative of the [NBS Foundation](#) and the [SLSP Foundation](#)**. Its objective is to bring systematic financial education and financial culture development to up to one-third of the primary and secondary school pupils in Slovakia. In 2022 the 5peňazí programme also helped the NBS Foundation to define the objectives and target groups of its grant calls focused on raising financial literacy.

Together with the civic association Cesta von ('Way Out'), 5peňazí educators last year launched FILIP, a pilot programme for the provision of financial education and assistance to socially excluded Roma communities in order to help them out of intergenerational poverty. Under the programme, a total of forty Roma families received support from qualified mentors and field workers, who helped them learn how to manage a household budget, gradually pay off debts, live in their own home, and keep a job. FILIP received financial support from the NBS Foundation's grant programme.

In 2022 5peňazí educators prepared a number of special educational seminars, including, for example, for debt adviser staff of the Central Office of Labour, Social Affairs and Family (ÚPSVaR SR) and for women associated with the WomanUp civic association.

B

4

Issuing activity and cash circulation

6

precious metal
collector
euro coins

more than
323 million
banknotes in
net issuance

more than
956 million
euro coins in
net issuance


ratio of
counterfeits
to cash in
circulation
remains low

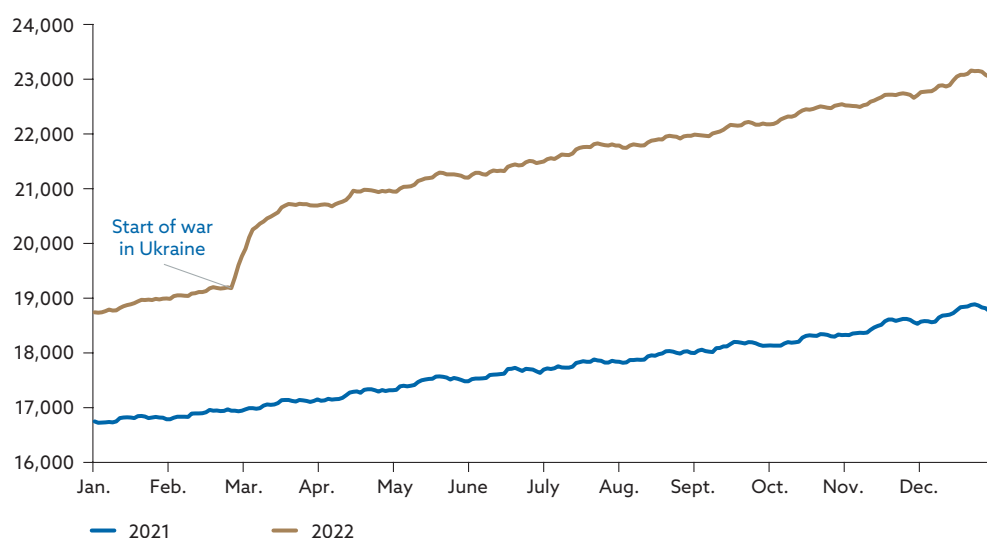
B4 Issuing activity and cash circulation

4.1 Cumulative net issuance developments

Largest annual increase in euro cash issuance since Slovakia adopted the euro

The cumulative net issuance (CNI) of euro banknotes and coins in Slovakia increased faster in 2022 than in any year since the country adopted the single currency in 2009. The CNI's value reached €23 billion by the end of 2022, representing a significant year-on-year increase of almost 23%. Banknotes accounted for €22.8 billion of that total, and coins, including collector coins, for €237 million. The war in Ukraine had a major upward impact on demand for cash, and the largest rise in the CNI's daily level, €224 million, occurred in early March 2022, just after the war's outbreak. The CNI peaked in the pre-Christmas period of 2022 (Chart 23).


Chart 23:
Cumulative net issuance of euro cash on a daily basis (EUR millions)
Source: NBS.



Looking at the denomination breakdown of the total number of banknotes included in Slovakia's CNI, the €100 banknote had the highest share (42%),⁵ followed by the €10 denomination (19%) and €50 denomination (17%).


⁵ The fact that it had the largest share in the CNI does not mean the €100 banknote was the most used banknote during the period under review. Owing to unregistered banknote migration, the CNI of a euro area country is not identical with the volume of cash in circulation in that country.

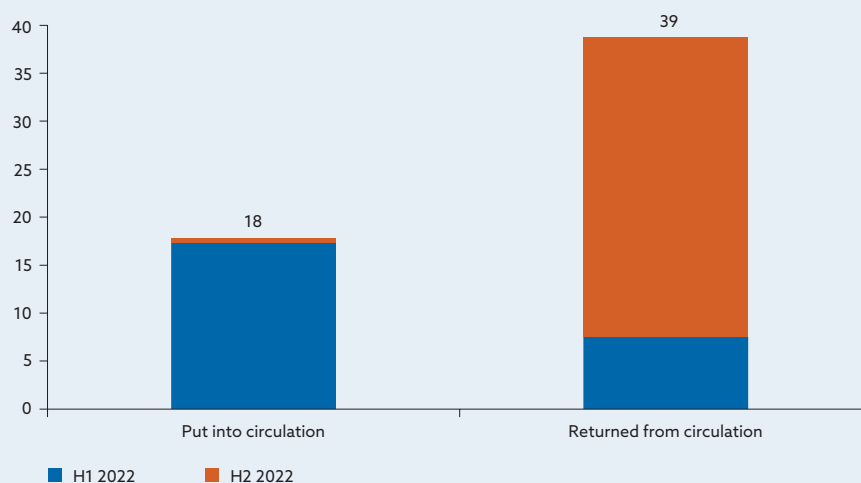
Issuance of 1 and 2 cent coins from 1 July 2022, when Slovakia introduced rounding of final amounts payable for cash transactions


Since 1 July 2022 all final amounts payable for cash transactions in Slovakia have been mathematically rounded to the nearest multiple of five cents, in accordance with Act No 457/2021 amending [Act No 18/1996](#) on prices, as amended. Rounding was introduced in order to make cash circulation more efficient by gradually reducing the use of 1 and 2 cent coins in cash circulation and thereby reducing the costs of their minting and handling.

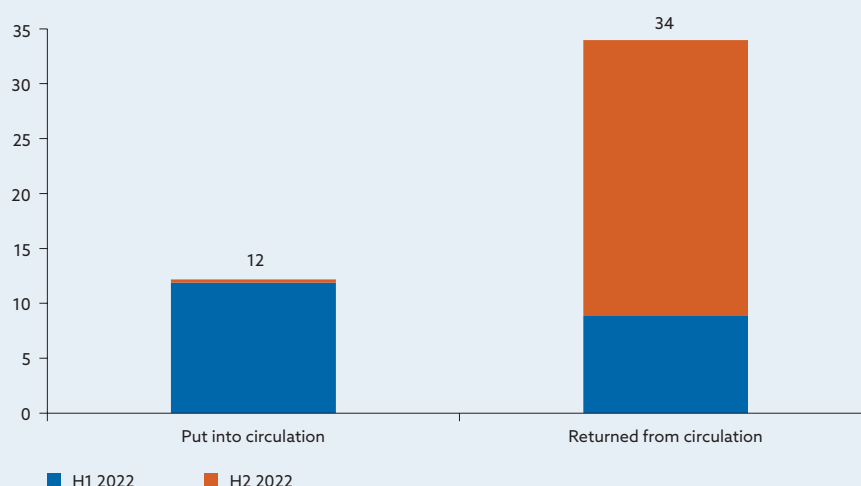
Banks' requests for these coins were far lower in the months from July to December 2022 than in the first half of the year. The number of these coins returned from circulation in the second half of 2022 was on a par with the number returned in 2020 and 2021 combined.

Charts 24 and 25 show the number of 1 and 2 cent coins put into and returned from circulation in the first half of 2022 and – after the introduction of rounding – in the second half of the year.


Chart 24:
 Number of
 1 cent coins
 put into and
 returned from
 circulation
 (millions)
 Source: NBS.




Chart 25:
 Number of
 2 cent coins
 put into and
 returned from
 circulation
 (millions)
 Source: NBS.



The share of 1 and 2 cent coins in the coin component of the CNI decreased in 2022 because of the surge in their return from circulation; nevertheless, they continue to have the highest share in volume terms, together accounting for 61% of all coins in the CNI.

As for the annual net issuance of individual banknote denominations, the largest increases in 2022 were recorded by the €100 banknote and the €200 banknote. Among euro coins, the €1 and 5 cent coins had the highest annual net issuance in 2022. More detailed data on banknote and coin issuance and year-on-year changes in issuance are provided in Table 1.



Table 1:
Issuance of euro banknotes and coins in Slovakia as at 31 December 2022

Source: NBS.

Denomination	Cumulative net issuance as at 31 December 2022		Annual net issuance in 2022		Annual percentage change	
	Number in millions	EUR millions	Number in millions	EUR millions	Number	Value
€500	6.0	3 016.2	-0.5	-261.9	-8.0	-8.0
€200	9.0	1 799.1	2.1	418.8	30.3	30.3
€100	137.0	13 701.6	34.9	3 492.8	34.2	34.2
€50	54.9	2 746.9	8.2	408.0	17.4	17.4
€20	44.0	880.8	6.1	122.1	16.1	16.1
€10	61.1	610.6	10.3	103.0	20.3	20.3
€5	11.1	55.4	1.3	6.6	13.5	13.5
Total banknotes	323.1	22 810.6	62.4	4 289.4	23.9	23.2
€2	75.0	149.9	3.8	7.6	5.4	5.4
€1	25.5	25.5	2.0	2.0	8.7	8.7
50 cent	33.8	16.9	2.0	1.0	6.4	6.4
20 cent	36.3	7.3	1.1	0.2	3.2	3.2
10 cent	85.2	8.5	5.3	0.5	6.6	6.6
5 cent	120.4	6.0	7.7	0.4	6.8	6.8
2 cent	218.5	4.4	-21.8	-0.4	-9.1	-9.1
1 cent	360.5	3.6	-20.9	-0.2	-5.5	-5.5
Total coins	955.2	222.1	-20.8	11.1	-2.1	5.3
Collector coins	0.9	14.7	0.1	1.5	18.9	11.7
Total value		23 047.4		4 302.0		23.0

Unredeemed Slovak koruna banknotes still number more than 18 million and have a combined face value of SKK 2.1 billion (€69.1 million)

As at 31 December 2022, i.e. fourteen years after Slovakia adopted the euro, unredeemed Slovak koruna banknotes represented 1.36% 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 2022, and their total face value was SKK 0.7 billion (€23.2 million).

4.2. Production of euro banknotes and coins

In 2022 the Bank commissioned the production of €50 banknotes for the Eurosystem and three euro coin denominations for cash circulation; it also issued six precious metal collector euro coins, two base metal collector euro coins, two commemorative euro coins and four thematic collector sets of 2021 Slovak euro coins

As required under the ECB's allocation of euro production volumes across Eurosystem national central banks for and during 2022, the Bank commissioned the production of 67.7 million Europa series €50 banknotes. Of that number, 52.6 million were delivered in January 2022. Delivery of the remaining 15.1 million was postponed until early February 2023 in accordance with the Eurosystem's revised needs. The banknotes were produced by Oberthur Fiduciaire SAS, a printing works based in France.

As for coins, in 2022 the Bank commissioned the production of 15.6 million [euro coins intended for circulation](#), which included three different denominations. Moreover, an exchange of surplus stocks of euro coins between the Bank and the Belgian Finance Ministry took place in early 2022, with the Ministry transferring surplus €1 and €2 coins to the Bank, and the Bank transferring surplus 20 cent coins to the Ministry.

The Bank last year issued six precious metal [collector euro coins](#) and two base metal collector euro coins. In addition, it issued two €2 [commemorative coins](#), each with a mintage of one million. All the Slovak euro coins issued by the Bank are produced by the state-owned Kremnica Mint (Mincovňa Kremnica).

Out of its 2022 production of circulation euro coins, the Kremnica Mint set aside 13,800 coins of each denomination for use in four thematic collector sets of Slovak euro coins

After falling in previous years, the volume of the cash cycle increased year-on-year in 2022

The volume of banknotes which the Bank puts into circulation and which are returned to the Bank from circulation was greater in 2022 than in the previous year, largely because of high demand stoked by the war in Ukraine. As regards euro coins, the volume put into circulation decreased year-on-year, while the volume returned from circulation increased, owing mainly to an increase in the return of 1 and 2 cent coins following the introduction of cash rounding from July 2022.

The higher return of cash from circulation was reflected in the number of euro banknotes and coins processed by the Bank, as they increased, respectively, by 11% and 33%. As a result, the number of banknotes and coins sorted as unfit also rose (by 1.7% and 36% respectively).⁶

4.3. Counterfeit banknotes and coins recovered in Slovakia

The number of counterfeit euro banknotes recovered in Slovakia in 2022 was the lowest in any year since the country adopted the euro

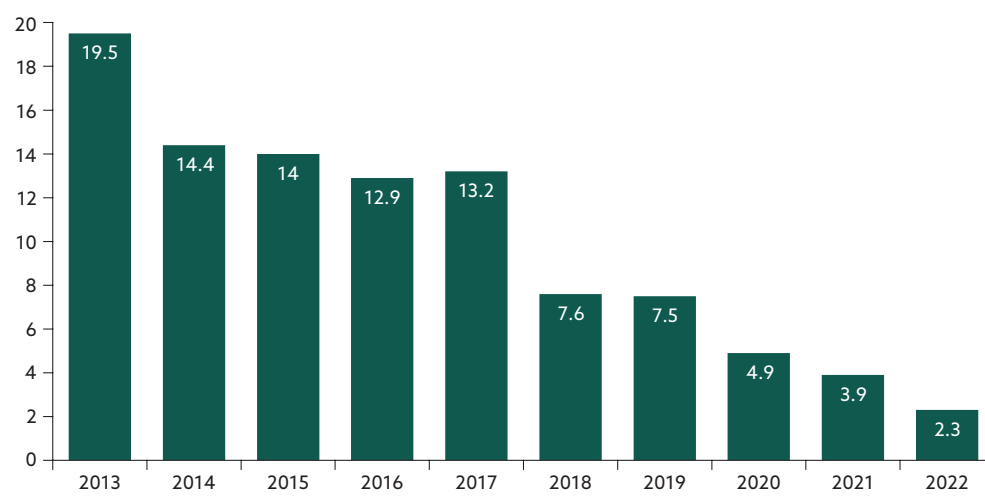
The total number of counterfeit banknotes and coins recovered in Slovakia in 2022 was 3,434. Of that total, counterfeit euro banknotes accounted for 771, the lowest number since Slovakia adopted the euro in 2009. On the other hand, the number of counterfeit euro coins recovered in 2022 was 2,580, the highest figure in six years. Of the euro banknote counterfeits, 751 (97%) were recovered from circulation; of the euro coin counterfeits, 2,315 (90%). The number of counterfeit euro banknotes and coins recovered from circulation has been stable in recent years. The recovered banknotes have mainly been lower quality counterfeits that lack any security features or include very poorly counterfeited security features. The quality of euro coin counterfeits has been relatively high for a long time.

Relative to the number of genuine euro banknotes in circulation in Slovakia, the proportion of counterfeits recovered in 2022 was around two per million, and the corresponding figure for euro coin counterfeits was also around two. The chances of anyone coming across a counterfeit euro banknote or coin are therefore low.⁷



Chart 26:
Number of counterfeit euro banknotes per million euro banknotes in circulation in Slovakia

Source: NBS.



⁶ 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.

⁷ Genuine banknotes can be easily recognised using the 'feel, look and tilt' method which, along with the particular security features, is described [here](#) on the ECB's website.

The counterfeit banknotes recovered in 2022 consisted mostly of €50 counterfeits (41% of the total), followed by €20 and €100 counterfeits (16% and 16% respectively). As for coins, €2 counterfeits accounted for almost 94% of the total. Besides euro counterfeits, three Slovak koruna counterfeits, 77 US dollar counterfeits and three British pound counterfeits were recovered in 2022.

B

5

Payment services and payment systems

2

payment systems
operated by NBS

transactions
settled via:
SIPS - 268 m
TARGET2-SK
- 166 thousand
TIPS - 29 m

896 m
transactions
made with
payment cards
issued by
Slovak banks

687.5 m
card transactions
at ATMs and with
merchants
in Slovakia

B5 Payment services and payment systems⁸

5.1 Payment systems

The Bank operates two payment systems - TARGET2-SK and the Slovak Interbank Payment System (SIPS); TARGET2-SK is a TARGET2 component system that has been in operation since 2009

As regards TARGET2-SK, the Bank ensures the system's day-to-day operation, provides consultative support to the system's participants, and tests business resumption procedures; it is also involved in coordinating the development, modification, testing and implementation of software releases for the Single Shared Platform (SSP) that forms the technical infrastructure of TARGET2-SK.⁹ 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.

2022 sees successful rollout of SEPA instant payments in Slovakia

On 1 February 2022 three banks accounting for a major share of the Slovak banking market (Slovenská sporiteľňa, VÚB and Tatra banka) joined TARGET Instant Payment Settlement (TIPS) and became the first banks in Slovakia to join the SEPA Instant Credit Transfer (SCT Inst) scheme. As a result, these banks' customers could send and receive instant payments to and from any bank in the SEPA area which offers this type of payment. Other domestic banks interested in joining SCT Inst conducted testing of instant payments in 2022, while also analysing when they may be in a position to launch these payments and what steps need to be taken before they can join TIPS.

Over the year, Slovak banks were among the TIPS participants that processed the highest number of instant payments

Customers in Slovakia showed strong interest in SEPA instant payments in the very first month of their provision, and the number of these payments gradually increased during the year. The number of SEPA instant payments, both domestic (sent) and cross-border (sent and received), increased from 1.7 million in February to 3.1 million in December.

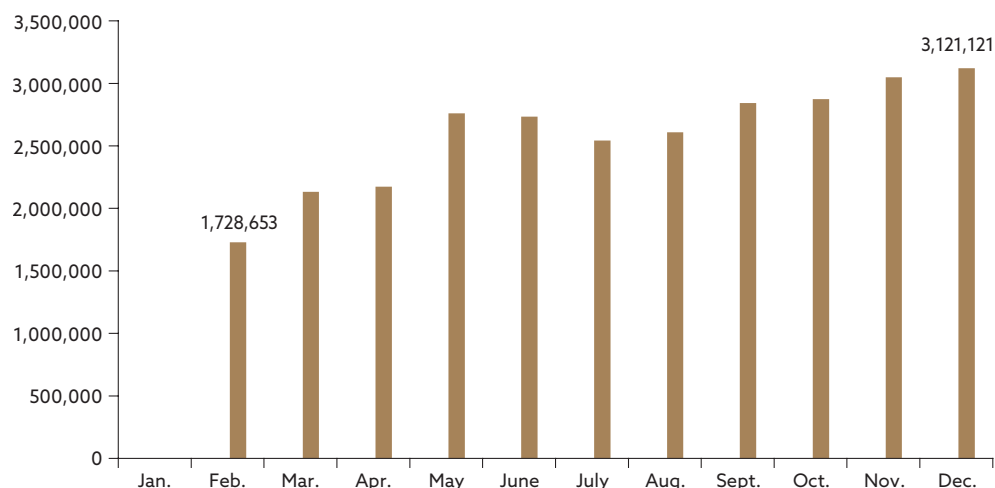
⁸ The area of payment services and payment systems in Slovakia is governed primarily by the [Payment Services Act \(No 492/2009\)](#). This law includes provisions on the out-of-court resolution of disputes through [alternative dispute resolution](#) bodies.

⁹ More information about [TARGET Services](#) and about TARGET2-SK platforms can be found on the NBS website in the Payment systems section and the B5 chapter of the Bank's [2021 Annual Report](#).



**Chart 27:
Number of
SEPA instant
payments in
Slovakia in 2022**

Source: NBS.

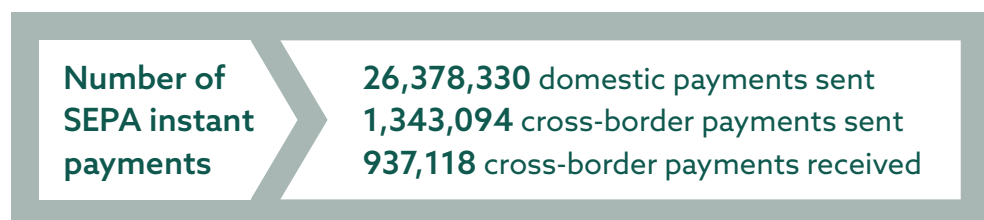


SEPA instant payments were soon being used as a standard payment instrument, mainly in the domestic market. The share of SEPA instant payments in the total number of SEPA payments in Slovakia increased from 8.8% in February to around 14% at the end of the year.



**Figure 3:
Number of
SEPA instant
payments
in 2022**

Source: NBS.



T2/T2S consolidation project - modernising the existing TARGET2 system

In 2022 work continued within the Eurosystem on T2/T2S consolidation, a project to produce a new and technically improved TARGET system. The launch of the new system was rescheduled to 20 March 2023 in order to improve its stability and to allow additional time for the testing of new functionalities. Throughout 2022, intensive testing was carried out by NBS and TARGET2-SK participants, and there was regular monitoring of the preparation and implementation of the project activities.

TARGET2-SK participants

TARGET2-SK had 37 [participants](#) at the end of 2022. They comprised 33 direct participants and four ancillary systems, namely the Slovak Interbank Payment System, SIA Slovakia, s.r.o., and two central securities depositories (CSDs) – Bratislava-based Centrálny depozitár cenných papierov SR, a.s. and Prague-based Centrální depozitář cenných papírů, a.s.

Payments processing in TARGET2-SK

TARGET2-SK had 257 operating days in 2022, and its average daily traffic by number and value was 647 [transactions](#) and more than €4.1 billion.



Figure 4:
Number
and value of
transactions
processed by
TARGET2-SK

Source: NBS.

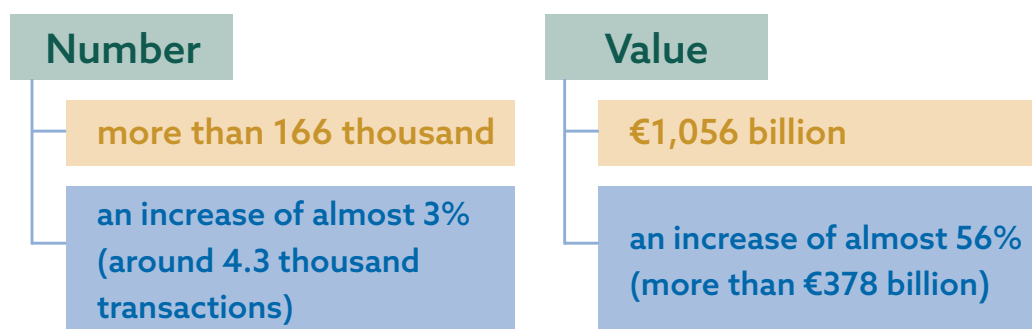
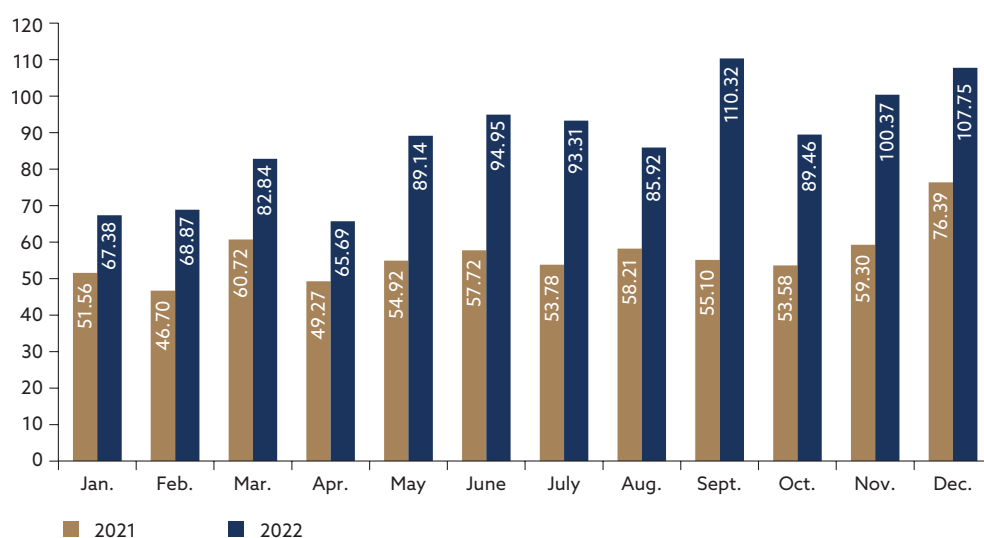


Chart 28:
Value of
transactions
processed by
TARGET2-SK in
2021 and 2022
(EUR billions)

Source: NBS.



In the breakdown of payment traffic between customer and interbank transactions, customer payments had the higher share by number (59:41) and interbank payments predominated in terms of value (8:92). Twenty-four EU countries were using TARGET2 in 2022. Of the total value of TARGET2 transactions, domestic transactions accounted for 59%, intra-EU cross-border transactions for 35% and extra-EU transactions for 6%.

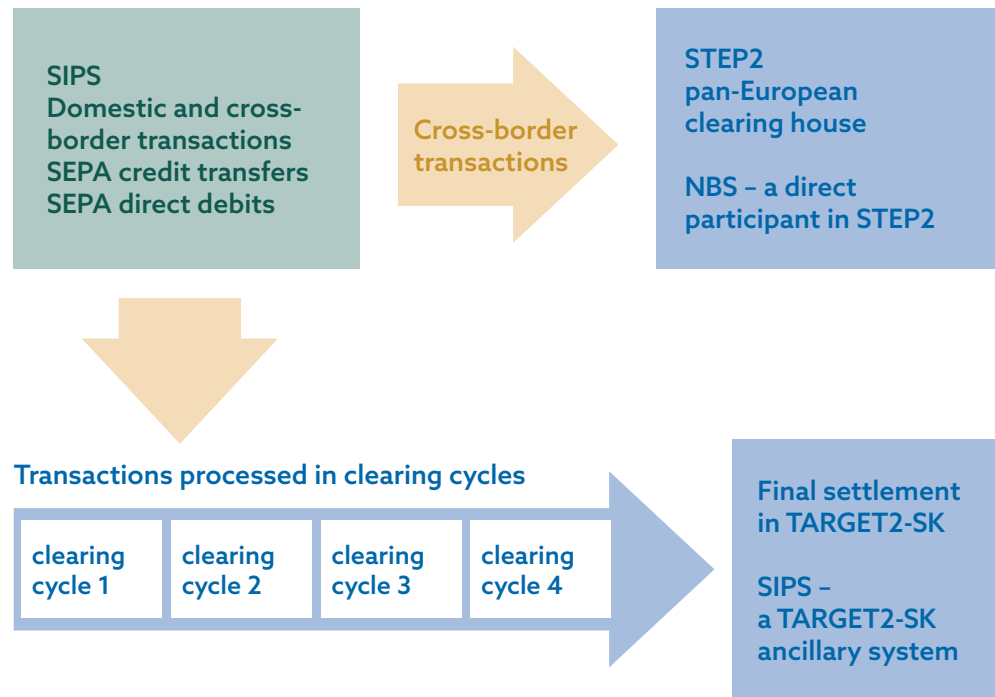
The Slovak Interbank Payment System (SIPS)

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, the Bank 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, and the final cash positions after each cycle undergo final settlement in TARGET2-SK.



Figure 5:
SIPS – interbank
retail payment
system

Source: NBS.



Preparing SIPS for changes to connected systems

SIPS underwent modification in 2022 in connection with the annual release of the updated functional version of STEP2. With the launch date of the T2/T2S consolidated platform having been rescheduled to March 2023, the Bank continued testing SIPS and preparing it for the new go-live.

SIPS participants

SIPS had 27 [participants](#) in 2022, the same as in the previous year, including 21 domestic and six cross-border payment service providers.

Transactions processed in SIPS

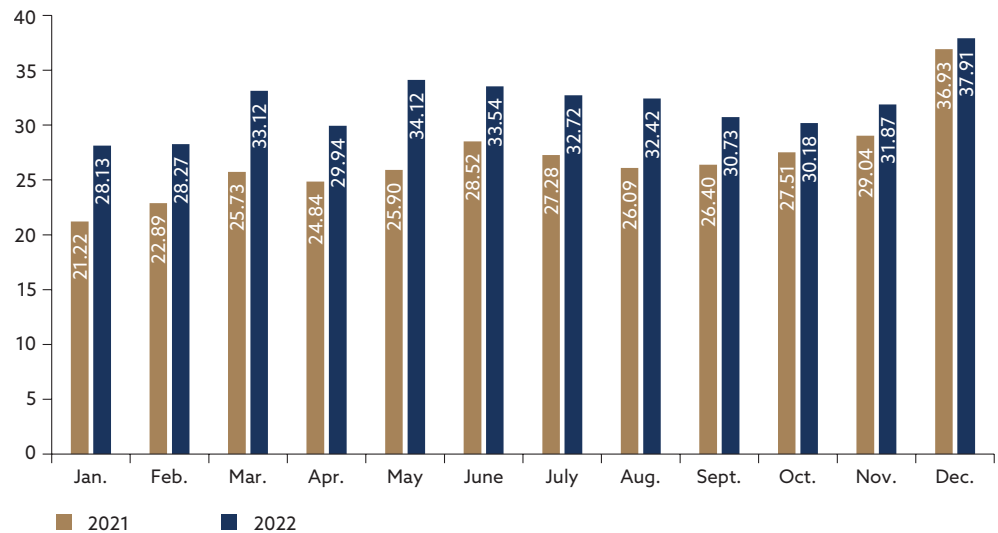
In 2022 SIPS processed 268.13 million [transactions](#), almost 4% fewer compared with the previous year. The total value of SIPS transactions increased by around 19%, to €382.95 billion. Domestic transactions accounted for 91% of the total number of SIPS transactions and for 70% of their total value. As for cross-border transactions, their share of the total number of transactions increased by just under one per cent, to 9%, and their share of the total value rose by almost two per cent, to 30%.

In the breakdown of SEPA transactions by payment instrument, SEPA credit transfers continued to predominate in terms of both number (94%) and value (99%), with these shares being virtually unchanged from the previous year.



Chart 29:
Value of SIPS
transactions in
2021 and 2022
(EUR billions)

Source: NBS.



Creditor Identifiers

In the SEPA direct debit (SDD) scheme, creditors (payees) must have a Creditor Identifier. The Bank has maintained a Creditor Identifier Register since 2013, and by the end of 2022 it had issued a total of 581 Creditor Identifiers to SDD creditors (natural or legal persons).

5.2 Payment cards

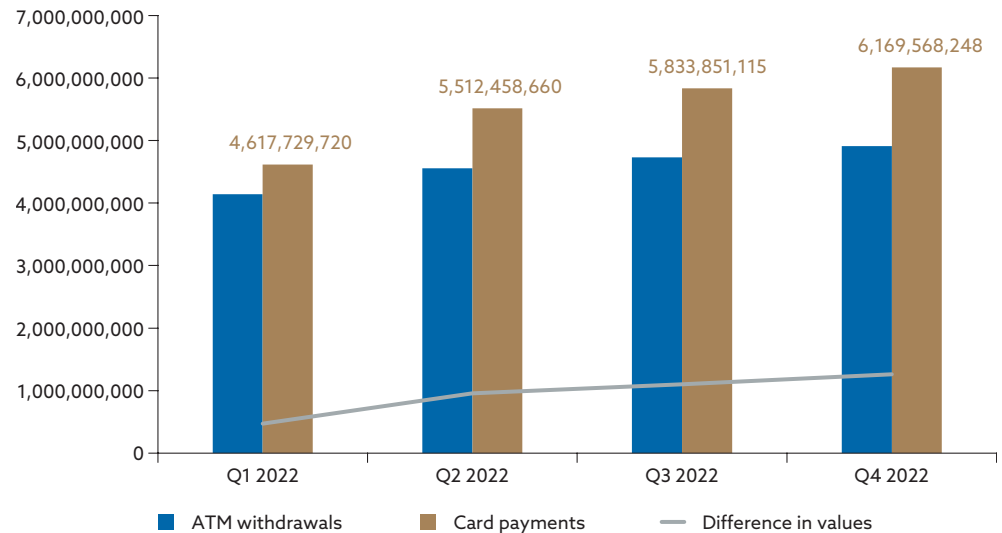
Payment card transactions

In 2022 the dominant position of [payment cards](#) in the Slovak payments market became even more pronounced. The market share of VISA cards increased moderately, at the expense of the share of MasterCard cards. Of the total number of transactions made with payment cards issued by Slovak banks, 85% were domestic. Cards were used mostly for payments to merchants, with their share of card usage increasing at the expense of the share of ATM withdrawals. As in 2021, the value of payments made by domestically issued bank payment cards exceeded the value of ATM withdrawals made with these cards, and the gap between the two increased steadily throughout the year.



Chart 30:
Value of payment card transactions broken down by payments and ATM withdrawals (EUR)

Source: Banks and foreign bank branches in Slovakia.

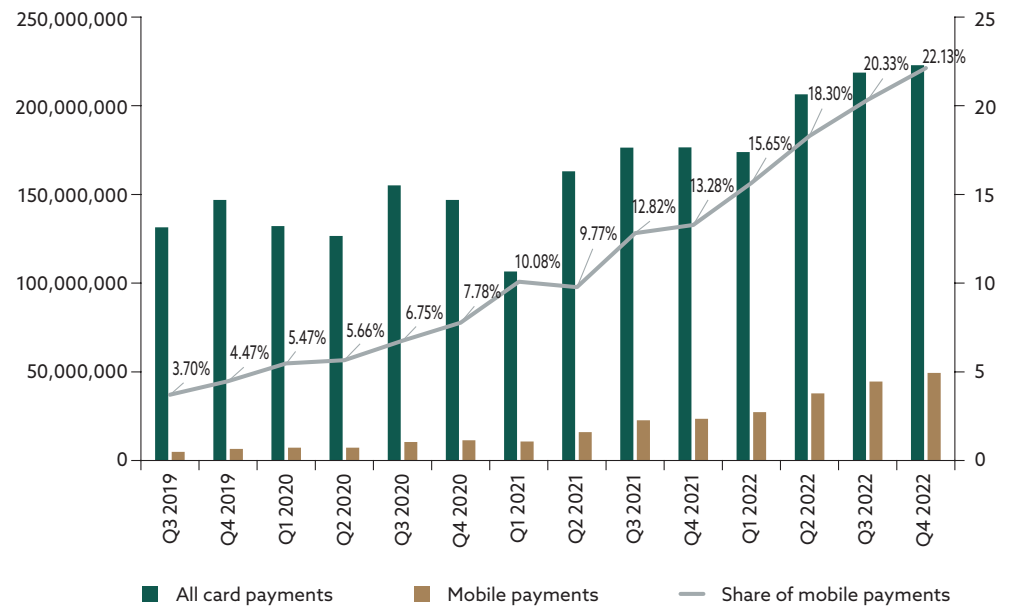


In 2022 cards were also the preferred instrument for making payments to online merchants, with the number and value of these transactions continuing to increase. The share of online card payments in total card payments ranged between 11.7% and 13.1% during the year.



Chart 31:
Total numbers of card and mobile payments (number, left-hand scale; percentages, right-hand scale)

Source: Banks and foreign bank branches in Slovakia.

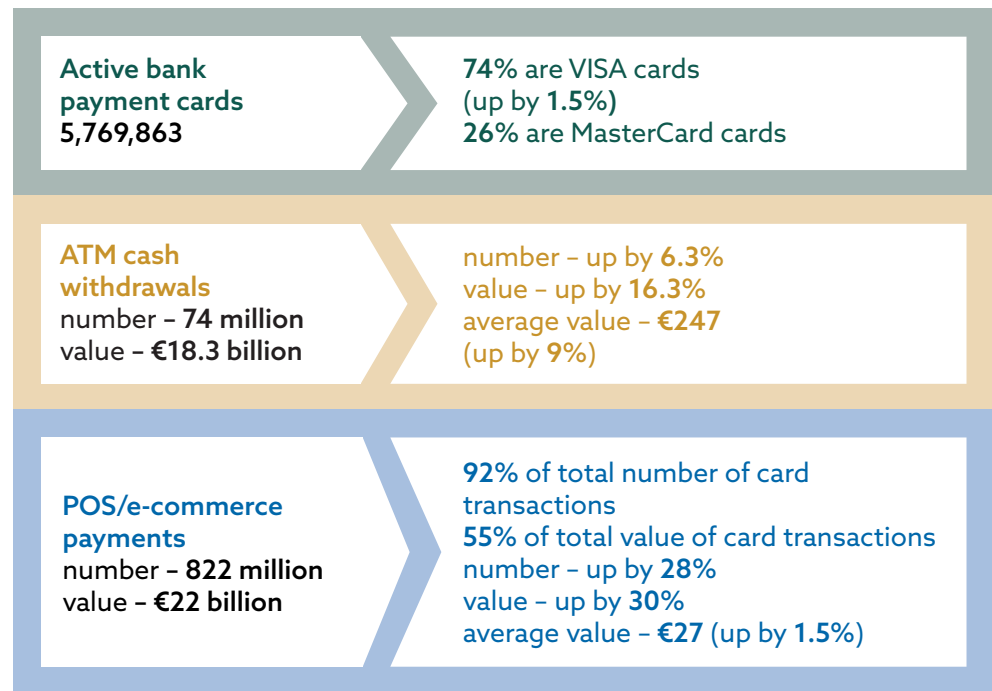


The largest increases in the number and value of payment transactions were recorded by mobile payments (through the applications Apple Pay, Google Pay, Garmin Pay, FitBit Pay and others.) Their share of all card payments continued to grow in 2022, by approximately 3% each month, and by the end of the year it was already up to 22.1%.



Figure 6:
Payment card
issuance – the
number of
payment cards
issued by
Slovak banks,
and the number
and value of
transactions
made with them

Source: Banks and
foreign bank branches
in Slovakia.



Payment card acceptance

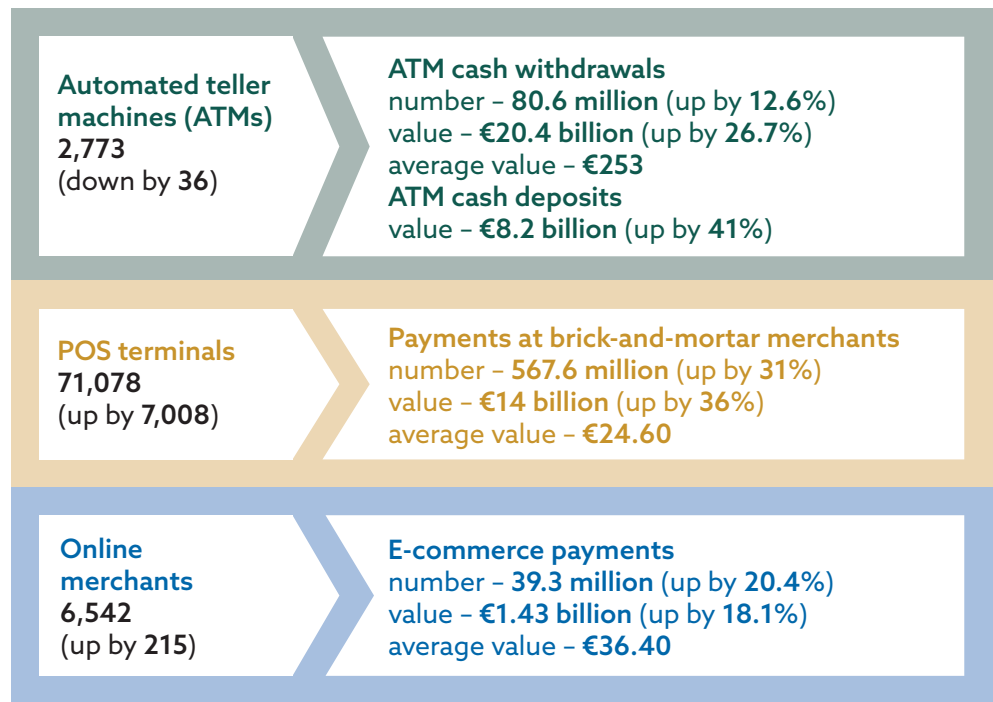
Changes in the use of payment cards by cardholders in Slovakia has a direct impact on the extent of the domestic ATM and merchant acceptance networks in the country as well as on the number of transactions made with these cards.

Given the broad trend in the use of cards for ATM cash withdrawals, some banks have decided to reduce the number of their ATMs. On the other hand, the number of EFTPOS and mobile terminals continues to increase, as does the number of online merchants accepting payment cards. As a result, the number and value of payments to all types of merchants increased in 2022 by, respectively, 30% and 34%.



**Figure 7:
Payment card
acceptance
– ATMs and
card-accepting
merchants
in Slovakia
by number and
value of card
transactions**

Source: Banks and
foreign bank branches
in Slovakia.



B

6

Statistics

10.4%

y-o-y growth
in total loans for house
purchase as at
31 December 2022

1.3%

y-o-y drop
in households' total
deposits as at
31 December 2022

200 bp

y-o-y rise in average
rate on new loans for
house purchase as at
31 December 2022

100 bp

y-o-y rise in average
rate on households'
2-year time deposits as at
31 December 2022

B6 Statistics

6.1 Statistical developments

Modern statistics – organisational change in the NBS Statistics Department

The Bank's Statistics Department underwent a major organisational change in 2022, with the aim of streamlining its entire operation and improving the quality of its data services. The need to unify and centralise the Bank's statistical process had been clear for some time. The implementation of a unified model for data collection, processing and dissemination was and will continue to be an essential prerequisite for effective implementation of the Bank's data strategy. Many long-standing issues, such as duplication of data collection, lack of flexibility in the collection and processing of data, and differences in the classification of code lists, can be more efficiently addressed by centralising the statistical process. The benchmark chosen for this purpose was the Generic Statistical Business Process Model (GSBPM).

Given the continual emergence of new data needs, it was agreed to overhaul the department's section structure and to realign activities and job positions so as to best reflect not only current needs, but also future and longer-term requirements. As this project is still in its first phase – with so far only partial migration of data areas (the second phase is foreseen from 2024) – transitional periods have been agreed to ensure smooth cooperation with both reporting entities and international institutions.

For these reasons, the *Non-Bank Statistics Section* was abolished in 2022 and its responsibilities in the area of foreign exchange and services statistics were transferred to the *External Statistics and Financial Accounts Section*. This section's remit, which already included balance of payments statistics, was further expanded to include quarterly financial accounts statistics, government finance statistics, and Household Finance and Consumption Survey (HFCS) data collection. The remit of the *Monetary and Financial Statistics Section* was widened to include payment system statistics, reporting to the European Banking Authority (FINREP, COREP), and statistics on payment institutions and electronic money institutions. The name of the *Financial Accounts Statistics and IT Support Section* was changed to the *Data Management and Data Governance Section*, and its remit was broadened to cover data governance and management. Another section name change in 2022 saw the *Capital Market, Insurance and Pension Fund Statistics Section* become the *Financial Market Statistics*

Section; its remit was expanded to include the collection and processing of data for bureaux de change, lenders, financial agents, and financial advisers. The *Microdata Statistics Section* was newly established last year and is tasked with processing and consolidating microdata on individual financial instruments, implementing master data management, and providing microdata outputs to both internal and external users.

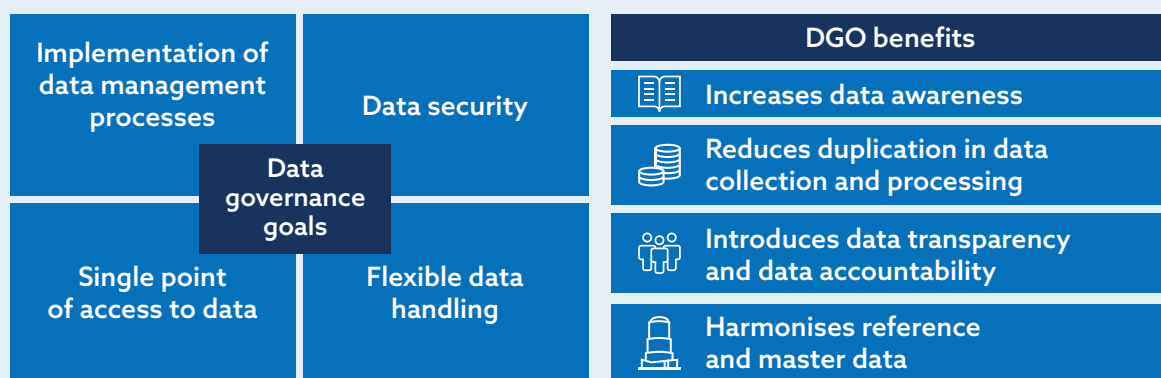
These changes, which resulted in the number of posts in the department's organisation structure increasing by eight, were approved with effect from 1 September 2022.

BOX 5

Data governance

Data are a key asset of the Bank and therefore need to be treated in an appropriate manner

Among the prerequisites for the fulfilment of the Bank's core tasks are the collection, integration and subsequent use of timely, accurate and high-quality data. A review of the state of data processing identified the following issues: decentralised data handling and the absence of a data governance process. Therefore, in 2022, the Bank adopted a medium-term data strategy that includes setting up a data governance organisation (DGO). The introduction of a DGO at the Bank will ensure greater transparency, quality, security and reliability of data, greater flexibility and optimisation of processes, and more efficient use of resources.



On 1 September 2022 the Bank began the gradual process of developing an advanced DGO by establishing a Data Governance Office within the Statistics Department. In cooperation with an external company, the Office's basic documents were prepared, a survey was carried out of other national central banks' DGO experience, and a series of internal meetings with all relevant NBS departments was organised.

The DGO's successful implementation assumes defining different levels of management, adopting the Statutes and the Work Instruction for the Office's operation, developing standards, principles and policies, setting out processes and their participants, defining data domains, designing a conceptual data model, and creating a business model for the central management of catalogues, such as the business dictionary, the business glossary, and the catalogues of contracts, data sources, decrees, reports, data quality indicators, and key performance indicators.

New reporting for the banking sector

In 2022, ahead of the implementation of dynamic reporting pursuant to NBS Decree No 8/2021, banks in Slovakia and NBS itself underwent preparatory testing of their technical and methodological readiness for the new reporting. For NBS, changes in source statements meant having to prepare new data processing and analysis, to compile new outputs for all users, and to put in place controls and permissible combinations. In 2022 the broader banking sector was engaged in setting-up internal systems for more granular data collection, in testing and in methodological consultation with the Bank.

Payments statistics

When banks and payment institutions in Slovakia reported payments statistics for the first half of 2022, it was the first time they had reported such data in accordance with NBS Decree Nos [7/2021](#) and [8/2021](#) and the requirements of a new ECB Regulation on payment statistics.¹⁰ The new reporting implies significantly higher data quality and quantity requirements for payments statistics. Both the frequency and extent of data breakdown in the individual statements have increased. The process of assessing data quality and the ECB's technical requirements for data transmission and control continued on an ongoing basis.

Investment funds for monetary purposes

In line with EU requirements, the Bank is involved in the preparing of an update of an EU regulation to implement new requirements using also microdata on securities. Adoption of the new regulation is expected in 2024. In the first half of 2022, a questionnaire was developed to define and assess the cost burden of the new requirements on central banks and reporting management companies. The subsequent process involves identifying the benefits of the new requirements and is being conducted in cooperation with relevant ECB/ESCB working groups.

The Integrated Reporting Framework (IReF)

The IReF project represents a key element of the ECB/ESCB strategy to reduce the reporting burden on banks, to streamline the ESCB's statistical processes and to improve the quality of data available to policymakers. Its long-term goal is to standardise and integrate firstly banks' statistical reporting and then, in stages, their resolution reporting and prudential reporting. The preparation process is at this stage focused primarily on the integration of statistical reporting.

Securities

The inputs and outputs of microdata on securities issues and holdings are processed by the *Microdata Statistics Section*, newly established in 2022. The ESCB Working Group on Securities Statistics is focused on improving data quality and on developing interactive data quality management systems in the ESCB securities databases – the Securities Holdings Database (SHSDB) and the Centralised Securities Database (CSDB). In 2022 the Bank began work with the ECB and other euro area national central banks on developing experimental climate change-related indicators. These were published on the [ECB's website](#) in early 2023. The related analysis included data on issues and holdings of green and sustainable securities. In June 2022 the reporting to the ECB of aggregate securities issues statistics was discontinued and replaced by the compilation of CSDB granular data outputs directly at the ECB.

External statistics, quarterly financial accounts, and government finance statistics

In 2022 the Bank held a number of bilateral discussions with the Statistical Office of the Slovak Republic and Eurostat to further improve the quality of external statistics and to identify causes of asymmetries in selected balance of payments items. In the framework of cooperation with the ECB, the second phase of the 'Trade by invoicing currency' pilot project was implemented. The Bank was again involved in the exchange of data on the currency structure of cross-border services. Following the integration of a number of statements with the aim of reducing the burden on reporting agents, it was also necessary to finalise the technical part of data collection using the new statements.

As regards quarterly financial accounts statistics, work on aligning them with balance of payments (b.o.p.) and international investment position (i.i.p.) data continued in 2022, as did preparations for the expanded reporting of other financial corporations data and for the exclusion of

foreign direct investment from individual financial instruments. Changes resulting from the new reporting of monetary, financial and financial market statistics were also applied to data underlying financial accounts and government finance statistics. Following the change in reporting, the Qlik business intelligence tool underwent modification and work began on preparing a procedural manual for financial accounts. In line with the ECB's requirements under the FA MTS, new financial instruments and an expanded sectoral breakdown were incorporated. The data sharing agreement between Eurostat and the ECB fulfilled the objective of quarterly sharing of data on government finance statistics.

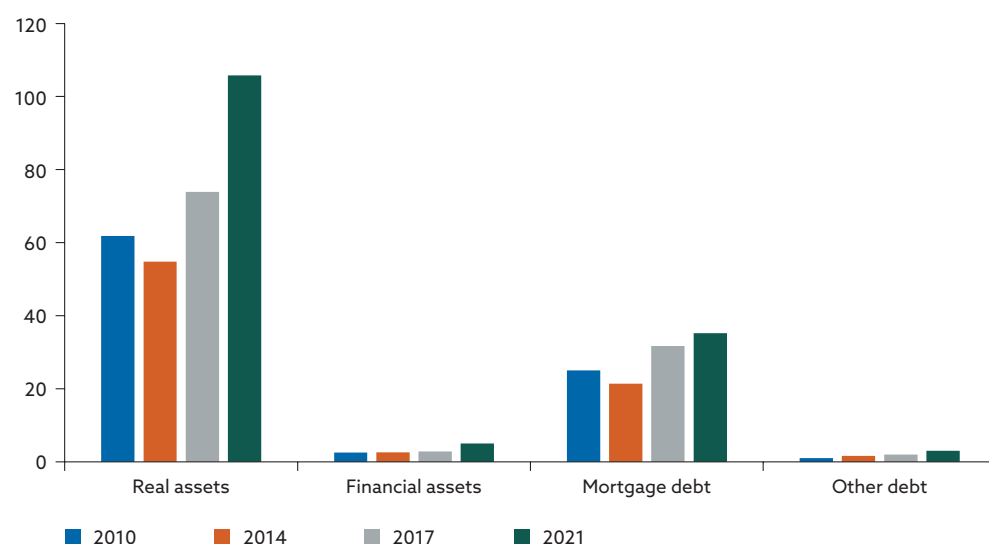
Non-financial corporations and households sector

Statistics for the non-financial corporation (NFC) sector are proxied by contributions to the Bank for the Accounts of Companies Harmonized (BACH) database and the iBACH database of microdata from BACH, which contain harmonised data from 12 EU Member States, including Slovakia. For NFCs 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 2022 to include new requirements of international institutions (mainly the ECB) concerning the compilation of b.o.p. and i.i.p. statistics. Data from the survey conducted in Slovakia in 2021 for the fourth wave of the ECB's Household Finance and Consumption Survey underwent statistical processing in 2022. The first results of this survey confirm that Slovak households continue to have most of their wealth allocated to real assets.



Chart 32:
Median value
of households'
assets and
liabilities
according
to the HFCS
(EUR thousands)

Source: NBS.



Insurance, capital and pension markets

Reporting by insurance and reinsurance undertakings underwent significant changes from mid-2022. Insurers' statements started to be submitted and processed through the new ESAs module of the Bank's Statistics Collection Portal ('the SCP-ESAs module') in line with Solvency II requirements; this required a change in the data processing process and the definition and creation of new outputs for data users.

As regards statistical reporting by insurers, reinsurers and their branches, preparations were made in 2022 for itemised data collection and for the changes required from 2023 under IFRS 17 Insurance Contracts, a new international accounting standard.

An important step in the provision of information on the insurance market took place in 2022 with the concluding of an agreement on mutual cooperation and provision of statistical data and information between the Bank and the Slovak Insurance Association.

In the area of pension fund statistics, 2022 saw ongoing preparations for the start of data collection for the new pan-European personal pension product (PEPP). At the EU level, European harmonised statements to be submitted by occupational pension institutions were introduced. At the national level, new reporting was being prepared for the second and third pillars of the pension system.

As a result of the financial market situation caused by the COVID-19 pandemic, three new statements in the area of capital market statistics were introduced in 2022. Two of them were for asset management companies and one was for investment firms, the purpose being to obtain relevant information about these reporting agents and about the liquidity of funds under their management.

Investment firms and asset management companies, like insurers and reinsurers, started submitting new statements in a modified format via the SCP-ESAs module in 2022 (in their case, pursuant to the EU's Investment Firms Regulation¹¹). These statements are subsequently exported by the IT system to the European Banking Authority.

At the beginning of last year, in accordance with Regulation (EU) No 909/2014, as amended,¹² the central securities depository introduced new monthly and annual reporting on settlement fails in securities transactions.

¹¹ Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 5.12.2019).

¹² Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014), as amended.

In regard to the collection of data for other financial market entities, such as bureaux de change, consumer creditor providers, independent financial agents and financial advisers, a number of changes started to be prepared in 2022. These included, for example, reporting by independent financial agents and financial advisers through the Statistics Collection Portal as from 2023, and updating of the legislation governing bureaux de change and the subsequent designing of new statements.

Cooperation with the Statistical Office of the Slovak Republic

In May 2022 the Bank and the Statistical Office of the Slovak Republic signed Addendum No 6 to their Framework agreement on cooperation in the provision of statistical data and statistical information of 21 May 2013.

6.2 Information systems

The Bank uses its [Statistics Collection Portal](#) (SCP) for a significant part of its data collection, processing and storage. In 2022 a new ‘ESAs module’ was added to the SCP for the collection of data as required by the European Banking Authority, the European Insurance and Occupational Pensions Authority, and the European Central Bank.

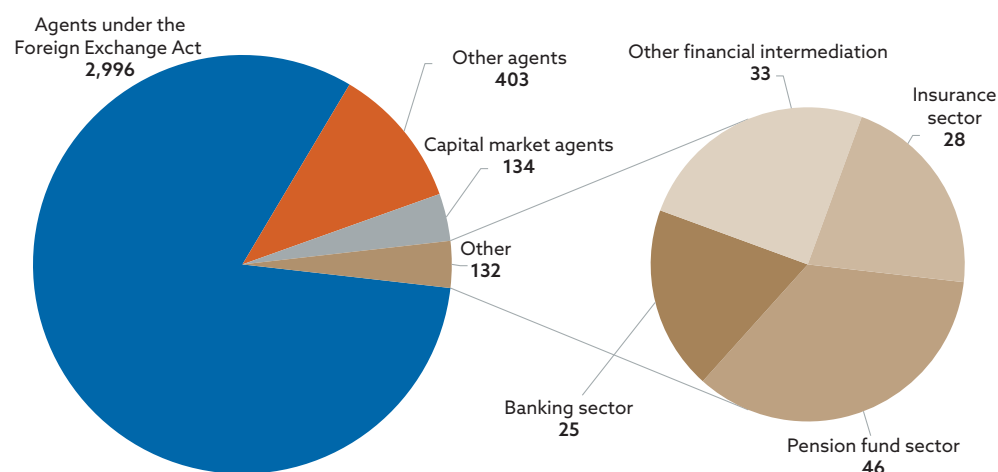
In 2022 a total of 190 reporting templates were designed for data collection requirements under national law, and two were designed in accordance with the EU’s Alternative Investment Fund Managers Directive (AIFMD).¹³

In 2022 a total of 3,665 reporting agents from the financial and non-financial sectors reported to the Bank via the SCP. The breakdown of these agents is shown in Chart 33.



Chart 33:
Number of agents reporting through the Statistics Collection Portal

Source: NBS (Statistics Collection Portal).



¹³ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011), as amended.

B

7

Economic research

number
1
in RePEc
ranking

8
research papers

9
articles
in academic
journals

12
discussion notes
and blog posts

13
expert
seminars

B7 Economic research

NBS research in 2022

- The Bank contributed to high-quality economic research at home and abroad with new professional publications and events
- According to the [RePEc ranking](#), the Bank was the most influential institution in Slovakia in the field of economic research
- Four members of the Bank's staff were ranked by RePEc among the [ten most influential economic authors](#) in Slovakia
- The Bank adopted a new research strategy that defines new objectives, approaches and priorities

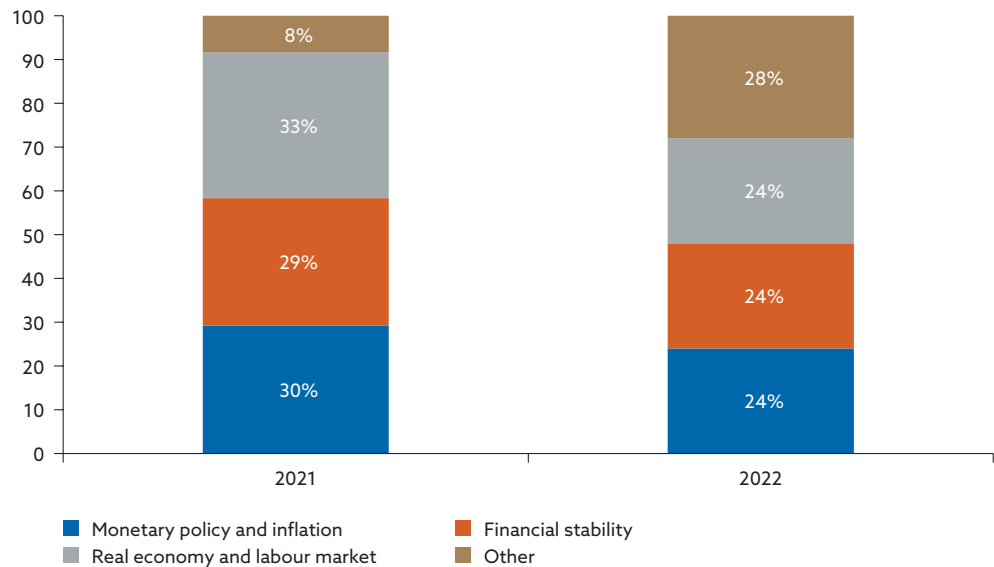
New thematic priorities for research

- Monetary policy transmission and inflation pass-through
- Macroprudential policy and real estate
- Structural developments with emphasis on microdata-based analyses
- Economic and financial effects of climate change and policy actions to mitigate it

New papers by publisher

- [NBS](#) (5)
- [Oesterreichische Nationalbank](#)
- [Suomen Pankki/Finlands Bank](#)
- [International Labour Organization](#)

Chart 34: Research publications by topic
Source: NBS.



Thanks partly to climate change-focused publications, the 'Other' category had the largest share

Increasing share of outputs published in academic journals



New articles in the following journals

- Journal of Money, Credit and Banking
- Economics Letters
- Economic Modelling
- Structural Change and Economic Dynamics
- Review of International Political Economy
- Scottish Journal of Political Economy
- Indian Economic Review
- Journal of Economics (Ekonomický časopis)



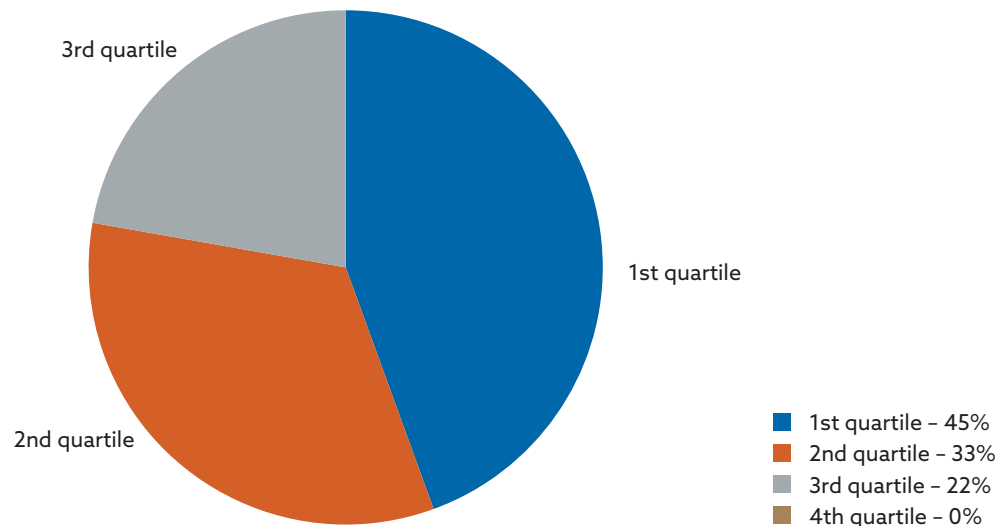
Continuation and deepening of cooperation

- in research networks
 - HFCN ([Household Finance and Consumption Network](#))
 - CompNet ([Competitiveness Research Network](#))
- in ECB/ESCB working groups
- through seminars and workshops
- through bilateral contacts with a visiting researcher, interns, and external researchers and analysts



Chart 35:
Articles published in foreign academic journals broken down by journal ranking (percentages)

Source: SCImago Journal & Country Rank.



As in previous years, the largest share of publications were in highly ranked academic journals

B

8

Communication, and social and environmental responsibility

16 million
website views and
10 million
unique visitors

74
press releases

NBS Foundation
grants for 22 projects
with a total value of
€271,500

14%
annual reduction
in energy
consumption

B8 Communication, and social and environmental responsibility


NBS – an open and modern institution

- actively engages in areas that have a social and environmental impact
- participates in public benefit activities
- strives to ensure the sustainability and greening of its operations
- uses different means of communication

8.1 Communication and corporate social responsibility

•••

New website geared to users and the issues they care about


NBS online in 2022

- 16 million** website page views
- 10 million** unique visitors
- 74** press releases
- 5,600** views of press conference live streams
- 31 thousand** views of the Bank's YouTube channel
- 17%** increase in Facebook fans
- 40%** increase in Instagram followers


NBS website revamp in 2022

- technical improvements and modern design
- content made more engaging and interesting
- accessible and open communication
- user-focused
- 32%** increase in time spent on the website


Corporate social responsibility

Events and campaigns in 2022

- Participation in **Bike2Work**, a campaign promoting non-motorised transport in cities
- Participation in **European Mobility Week**, a campaign supporting clean transport
- Giving Tuesday** – the Bank's initiative to collect warm clothing and hygiene products for homeless people
- Donation of computer equipment and furniture with an acquisition value of **€819,723.41** to ten organisations
- Participation in the **Naše Mesto** (Our Town) volunteering event, with NBS staff helping to enhance the environment in five localities in Bratislava
- Organisation of a **charity Christmas market** for the sale of products made by disabled people at sheltered workshops

Assistance to Ukraine

- €20,115** raised for Ukraine from NBS staff
- Provision of accommodation to war refugees, plus NBS staff doing a total of **120** shifts of volunteer work for refugees
- Donation of vehicles to Ukraine



Activities for the public in 2022

- Supporting the **Biela noc** (White Night) contemporary art festival with a light and sound display on the NBS building
- Hosting exhibitions of artworks by talented young artists at the **NBS Gallery** in cooperation with the Academy of Fine Arts and Design in Bratislava
- Hosting two sculpture exhibitions and the impressive *Korunovačná cesta* (Coronation Route) exhibition at the NBS building's central atrium
- Projecting light displays on the NBS building to mark the issuance of collector coins and the Velvet Revolution anniversary
- Cooperating in the production of programmes broadcast by public Slovak Radio and Slovak Television and by the private news channel TA3
- Holding cultural events and exhibitions at the [NBS Museum of Coins and Medals in Kremnica](#)



The NBS Museum of Coins and Medals in Kremnica taking part in the Night of Museums and Galleries event

Source: NBS.

The Museum's new website was launched on 26 May 2022



The NBS Museum of Coins and Medals in Kremnica

47,000 visitors in 2022
107,000 items in the Museum's collections

Permanent and long-term exhibitions

- *Two Faces of Money: Money and Medal-Making in the History of Slovakia* (a permanent numismatic history exhibition)
- *The Town Castle* (permanent exhibitions at a complex of historic buildings)
- *Dead on Target! The Kremnica Burgher Shooting Society and Its Shooting Targets* (a long-term exhibition including a virtual tour)
- Art exhibitions at the Museum's gallery

Occasional exhibitions

- Viliam Pirchala: *GRAFIKA*
- Mia Čopíková: *UNGROUP, GROUP*
- *TOTO! sú poklady slovenskej ilustrácie* (TOTO! (THIS!) is a treasure house of Slovak illustration)
- Exhibition accompanying the event Kremnické gagy 2022 Karikaturisti (Kremnica Gags 2022 - Caricaturists)
- Exhibition accompanying the 28th International Symposium of Jewellery Art
- *Potulky starou Kremnicou* (Wandering through old Kremnica) – a retrospective of work by the notable Kremnica engraver Ján Allerám
- *Pod betlehenskou hviezdou* (Under the Star of Bethlehem) – an exhibition of nativity scenes made in Slovakia



The NBS Foundation

Established on 1 February 2022, the [NBS Foundation](#):

- runs five grant programmes that support projects to develop:
 - financial literacy and education
 - R&D in the fields of economics and finance
- creates an environment of effective cooperation between public, private and non-governmental sectors
- last year established [FinQ Centrum](#) in cooperation with the SLSP Foundation

8.2 Environmental policy

The Bank took part in Earth Hour on 26 March 2022 by switching off the lights for 60 minutes at its headquarters in Bratislava and at the Town Castle in Kremnica

Greening at the Bank in 2022



Carbon neutral institution

- Annual consumption of electricity and gas at the NBS headquarters building:
 - **16.6 MWh per employee**
- **14%** year-on-year reduction in energy consumption
- First partial carbon footprint analysis carried out in cooperation with an external organisation
- **2°C** reduction in the minimum office temperature, to **21°C**
- Shortening of time interval for automatic switching-off of lighting
- Reduction in intensity of the NBS building's night lighting
- Introduction of energy-saving LED lighting



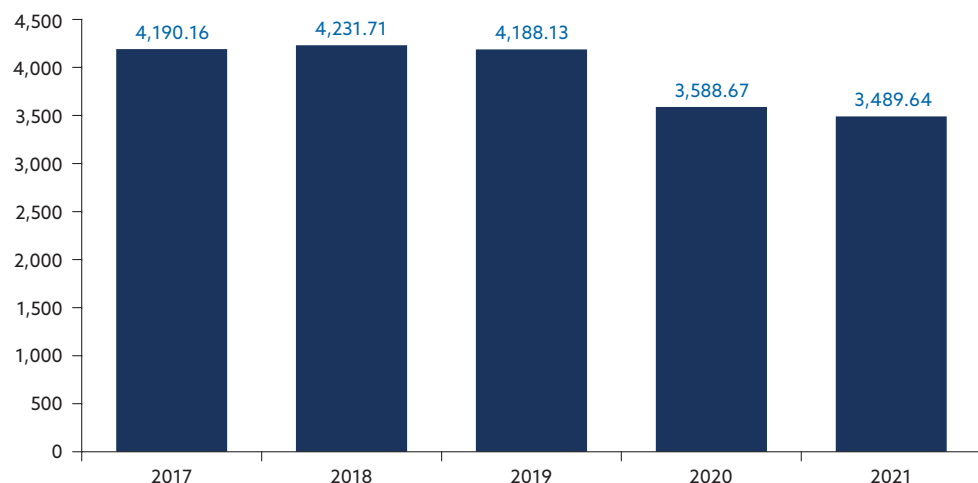
Operating on circular economy principles

- Green public procurement worth **€430,023.80** (excluding VAT)
- Purchase of **two** electric cars
- NBS Green Office initiative – educational seminars on waste prevention and green public procurement
- Electronic signature certificates for **79** staff members
- Electronic lunch ordering system removes the need for more than **70,000** paper meal vouchers per year
- **175 tonnes** of waste sent for environmentally sound disposal, and **29 tonnes** of unfit banknotes sent for energy recovery



Chart 36:
Total net greenhouse gas emissions (in tCO₂e)¹⁴

Source: ARPenviro.



¹⁴ Representation of the NBS headquarters building's carbon footprint for the years 2017 to 2021 in tonnes of CO₂ equivalent (tCO₂e). The measurement was made according to the Greenhouse Gas Protocol Corporate Standard. The measurement covered direct emissions (combustion in cogeneration units, gas boilers and diesel generators; fuel combustion in service automobiles; and leakage from air-conditioning and refrigeration equipment) and indirect emissions (emissions associated with the purchase of selected goods and services; emissions from disposal of both solid waste and wastewater, fuels and other energy; and emissions from the generation of purchased electricity).

B

9

Institutional developments

49.2%
of NBS
employees
are women

2,729
participants
across training
activities

2,332
visits to the
NBS Library

more than
6 thousand
linear metres of
archival fonds and
collections

B9 Institutional developments

Organisation and governance



The Bank Board of Národná banka Slovenska

The Bank's highest governing body – the Bank Board – had the following five members¹⁵ throughout 2022:

- Peter Kažimír, Governor
- Ľudovít Ódor, Deputy Governor¹⁶
- 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
- Ľuboš Pástor, external member



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

Net income of NBS Bank Board members for 2022 (EUR)

Peter Kažimír	232,942
Ľudovít Ódor	200,766
Karol Mrva	185,754
Vladimír Dvořáček	164,844
Ľuboš Pástor	55,991

Net income includes allowances, benefits, bonuses, contributions, and other emoluments.

¹⁵ With effect from 15 June 2023, the Slovak Government appointed Mr Dušan Jurčák as a member of the NBS Bank Board.

¹⁶ Mr Ódor resigned as Deputy Governor as of 14 May 2023 after being invited by the Slovak President to lead an interim technocratic government.



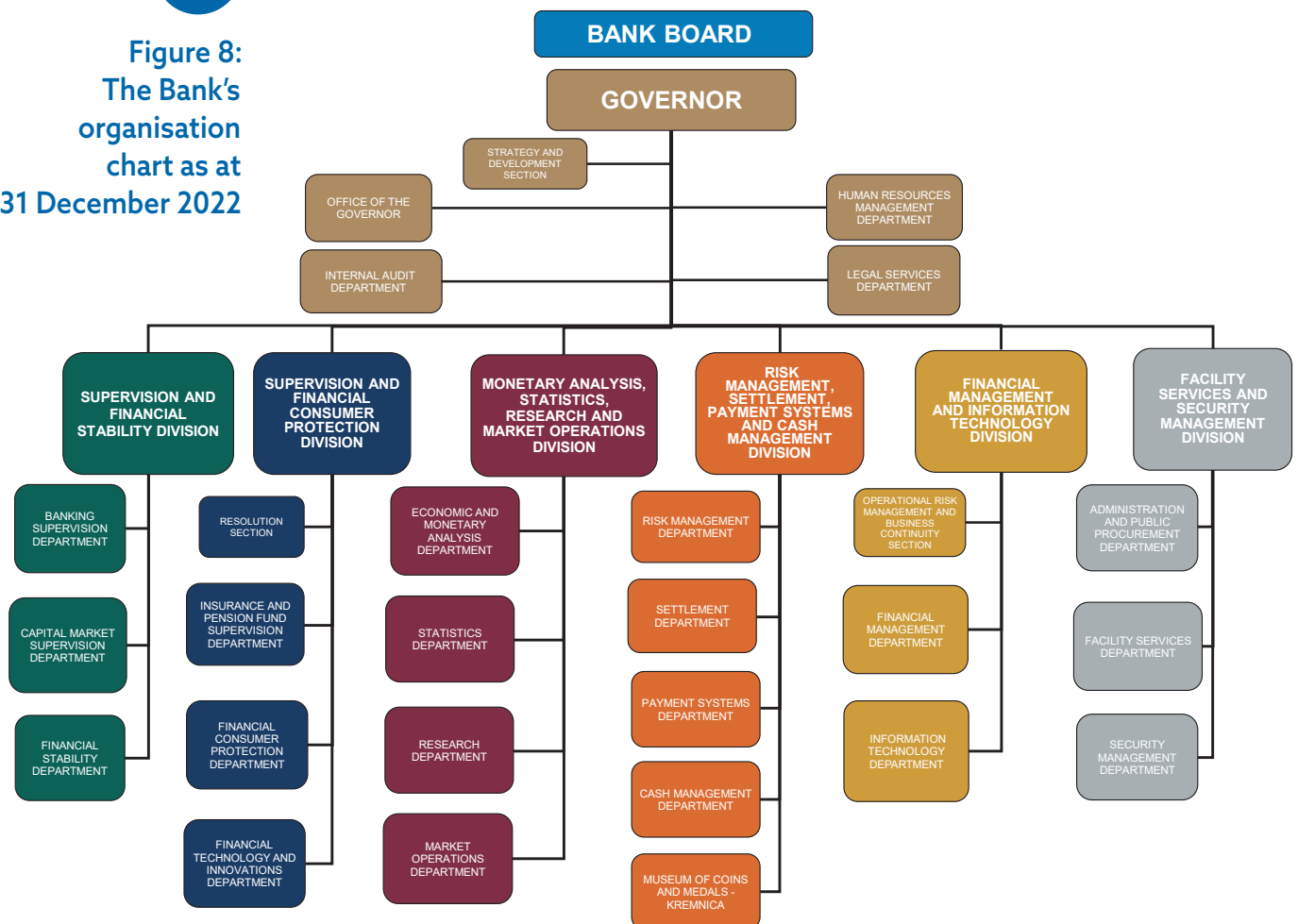
The Executive Board of Národná banka Slovenska

The Executive Board is the Bank's managing, executive and coordination authority. Its members in 2022 were:





- 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 (until 31 January 2022)
- Martin Lipovský, Director of the Legal Services Department
- Michal Horváth, Chief Economist and Director of the Economic and Monetary Analysis Department





Figure 8:
The Bank's
organisation
chart as at
31 December 2022

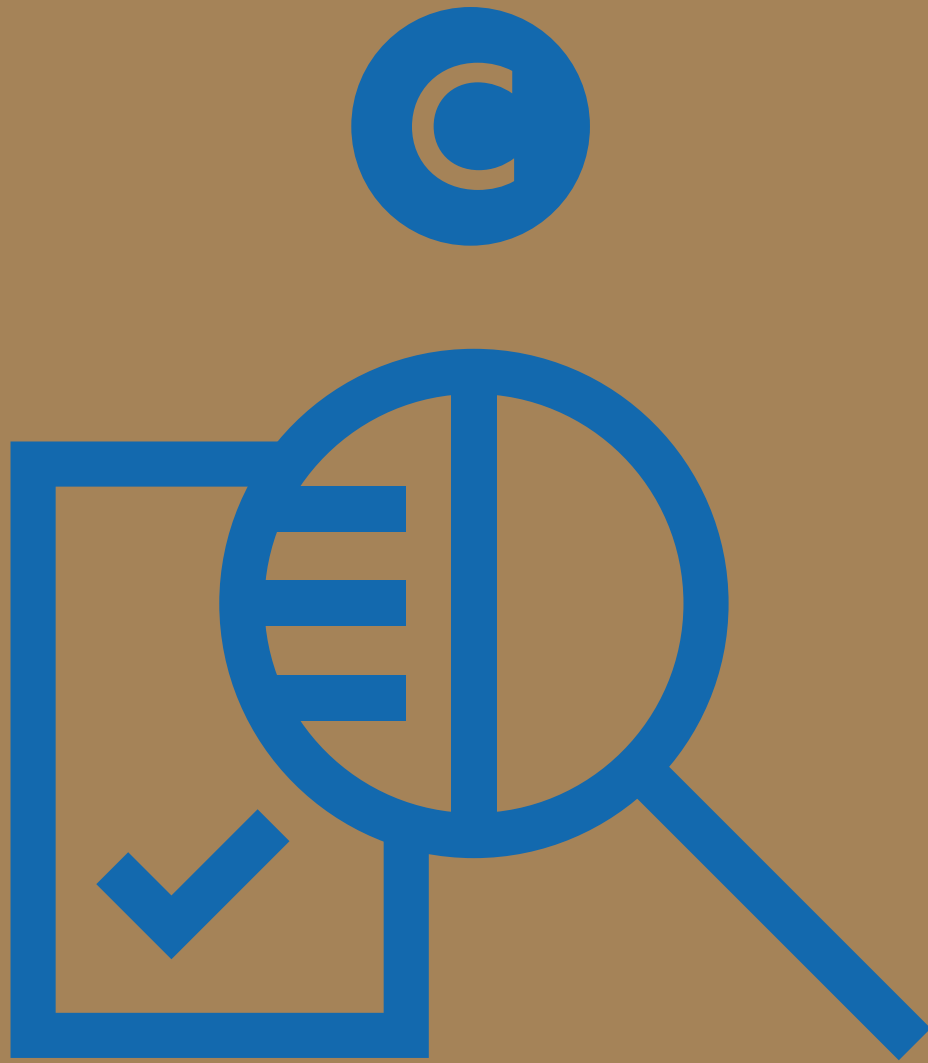


Human resources

 <h3>Employment in 2022</h3> <ul style="list-style-type: none"> • The number of employees fell to 1,070 as at 31 December • 59 people joined the Bank • 79 people ended their employment, including 29 owing to retirement • The average monthly salary was €3,373.22 	 <h3>Gender equality in 2022</h3> <ul style="list-style-type: none"> • The number of women employed by the Bank was 526 (49.2%) • The number of women in management positions was 45 (37.8%) of which 8 (26.7%) were in senior management positions, and 37 (41.6%) in other management positions
 <h3>Staff mobility in 2022</h3> <p>21 staff were on secondment at:</p> <ul style="list-style-type: none"> • the European Central Bank • the Central Bank of Malta • the International Monetary Fund • Suomen Pankki/Finlands Bank • the Vienna University of Economics and Business 	 <h3>Staff training and development in 2022</h3> <ul style="list-style-type: none"> • 7 monitored areas • 715 training activities • 938 staff participants • 2,729 participants across activities

The Bank's Registry, Archives and Library

 <h3>The Registry and Archives in 2022</h3> <ul style="list-style-type: none"> • Progress in eOffice functionality development projects: <ul style="list-style-type: none"> - expansion of the electronic filing office - sealing of e-documents with the NBS electronic seal - digitalisation of several departmental workflows • Implementation of several phases of the project entitled <i>Document Digitalisation – Document Management System</i> • The linear meterage of the Archives' fonds and collections increased to 6,094 • The updated and supplemented Research Archive Portal made available 1,714 digitised archival documents • Cooperation with public broadcaster RTVS by providing documents and information used in programmes such as: <ul style="list-style-type: none"> - An interview about Bratislava's first savings bank – Prešporská sporiteľňa - Lost in Time – about Jozef Fundárek, deputy governor of the former Slovak National Bank (from 1939 to 1945) 	 <h3>The Library in 2022</h3> <ul style="list-style-type: none"> • 2,332 in-person visits August recorded the highest number: 297 • 1,863 in-person loans May recorded the highest number: 210 • 1,346 circulations of periodicals March recorded the highest number: 168 • 165 requests for advice • 174,221 catalogued items (books, periodicals, articles) • 3,744 new items catalogued • 499 new book acquisitions, including 131 eBooks • 608 documents downloaded from online catalogue
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**Independent
auditor's report
and NBS financial
statements
as at 31 December 2022**

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 2022, 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 2022, 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank Board of the NBS.
- Conclude on the appropriateness of the Bank Board of the NBS's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

As at the issuance date of the auditor's report on the audit of the separate financial statements, the annual report was not available to us.

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 2022 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, 14 March 2023



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

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

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.

Financial Statements of Národná banka Slovenska as at 31 December 2022

BALANCE SHEET
of Národná banka Slovenska

ASSETS	Note	31.12.2022	31.12.2021
		EUR' 000	EUR' 000
A1 Gold and gold receivables	1	1,738,257	1,639,839
A2 Claims on non-euro area residents denominated in a foreign currency	2	7,539,983	7,222,508
A3 Claims on euro area residents denominated in a foreign currency	3	549,944	375,177
A4 Claims on non-euro area residents denominated in euro	4	1,324,579	1,908,066
A5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	6,760,260	10,234,260
A6 Other claims on euro area credit institutions denominated in euro	6	10,187	12,701
A7 Securities of euro area residents denominated in euro	7	43,615,607	40,024,462
A8 General government debt denominated in euro		0	0
A9 Intra-Eurosystem claims	8	757,198	24,700,013
A10 Items in course of settlement		0	0
A11 Other assets	9	5,300,590	5,074,074
A12 Loss	35	156,448	0
TOTAL ASSETS		67,753,055	91,191,099
LIABILITIES			
L1 Banknotes in circulation	10	16,561,368	16,270,107
L2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	12,435,920	11,678,462
L3 Other liabilities to euro area credit institutions denominated in euro	12	705,537	1,046,911
L4 Debt certificates issued		0	0
L5 Liabilities to other euro area residents denominated in euro	13	1,698,775	5,635,539
L6 Liabilities to non-euro area residents denominated in euro	14	5,362,759	47,126,612
L7 Liabilities to euro area residents denominated in a foreign currency	15	4,059,995	1,944,836
L8 Liabilities to non-euro area residents denominated in a foreign currency	16	618,540	440,308
L9 Counterpart of special drawing rights allocated by the IMF	17	1,627,080	1,606,529
L10 Intra-Eurosystem liabilities	18	21,043,250	2,251,035
L11 Items in course of settlement		0	0
L12 Other liabilities	19	901,835	588,314
L13 Provisions	20	918,685	922,058
L14 Revaluation accounts	21	1,460,128	1,259,587
L15 Capital and reserves	22	359,183	357,797
L16 Profit	35	0	63,004
TOTAL LIABILITIES		67,753,055	91,191,099

Note: Subtotals and totals may not correspond due to the effect of rounding. This applies to the entire document.

PROFIT AND LOSS ACCOUNT
of Národná banka Slovenska

	Note	31.12.2022 EUR' 000	31.12.2021 EUR' 000
1.1 Interest income		603,305	368,846
1.2 Interest expense		(470,535)	(144,790)
1 Net interest income	24	132,770	224,056
2.1 Realised gains/(losses) arising from financial operations		13,008	67,150
2.2 Write-downs on financial assets and positions		(290,663)	(30,213)
2.3 Transfer to/from provisions for financial risks		0	(100,000)
2 Net result of financial operations, write-downs and risk provisions	25	(277,654)	(63,063)
3.1 Fee and commission income		3,261	2,926
3.2 Fee and commission expense		(2,112)	(1,921)
3 Net income/(expense) from fees and commissions	26	1,149	1,004
4 Income from equity shares and participating interests	27	9,703	14,714
5 Net result of pooling of monetary income	28	120,886	29,363
6 Other income	29	23,220	14,315
Total net income		10,073	220,390
7 Staff costs	30	(63,183)	(69,539)
8 Administrative expenses	31	(25,670)	(24,339)
9 Depreciation/amortisation of tangible and intangible fixed assets	32	(9,265)	(9,408)
10 Banknote production services	33	(3,545)	(1,796)
11 Other expenses	29	(6,302)	(5,037)
12 Income tax and other government charges on income	34	(58,556)	(47,267)
Profit / (Loss)	35	(156,448)	63,004

Note: 1. Subtotals and totals may not correspond due to the effect of rounding. This applies to the entire document.

2. A change in presentation was made to the 2021 data.

NOTES

to the Financial Statements as at 31 December 2022

Bratislava, 14 March 2023

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 2022, the Bank Board had the following structure:

Name	Term of Office on the Bank Board		Current Position
	From	Until	
Ing. Peter Kažimír	01.06.2019	01.06.2025	Governor
Mgr. Ľudovít Ódor	20.02.2018	20.02.2024	Deputy Governor
RNDr. Karol Mrva	01.06.2012	02.06.2023	Member
Ing. Vladimír Dvořáček	02.04.2014	03.04.2025	Member
prof. Mgr. Ľuboš Pástor, M.A. PhD.	15.03.2015	11.03.2027	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”), securities issued by international organisations and multilateral development banks acquired under the public sector purchase programme on the secondary market (“PSPP”), corporate sector’s securities, covered bonds and securities issued by international organisations and multilateral development banks acquired under the pandemic emergency purchase programme of assets (“PEPP”) 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 and PEPP programmes (see Note 7).

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

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 2022, were as follows:

Currency	31.12.2022	31.12.2021	Change
GBP	0.88693	0.84028	0.04665
USD	1.06660	1.13260	(0.06600)
JPY	140.66000	130.38000	10.28000
XDR	0.79891	0.80913	(0.01022)
CNY	7.35820	7.19470	0.16350
EUR/ozs*	1,706.075	1,609.483	96.59200

* 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 recognised on off-balance sheet accounts at the spot rate of the transaction on the trade date and are included in the net currency positions for calculating the average acquisition cost of currencies and foreign exchange gains and losses. 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.

For interest rate swaps, the nominal value of an underlying asset is recorded in the off-balance sheet accounts from the trade date until the settlement date. Each transaction is valued individually based on generally accepted valuation models using appropriate 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% as of 1 February 2020. 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

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.

Assets classified as 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 designated 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 contract
7. Fixtures and fittings	4 - 12
8. Intangible fixed assets - purchased software	2 - 10
9. Other intangible fixed assets	4 or as per 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 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.

(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

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Gold in repo transactions	1,731,674	1,633,188	98,487
Gold stored in banks	3,903	4,123	(221)
Gold in stock	2,680	2,528	152
Total	1,738,257	1,639,839	98,418

As at 31 December 2022, gold totalled 1,019 thousand t oz. (1,019 thousand t oz. as at 31 December 2021), of which 1,015 thousand t oz. were used in repo transactions, 2 thousand t oz. deposited with correspondent banks and 2 thousand t oz. deposited with the Bank.

As at 31 December 2022, the market price of gold was EUR 1,706.075 per t oz. (EUR 1,609.483 per t oz. as at 31 December 2021). 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

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Receivables from/Payables to the IMF	1,981,351	1,955,003	26,348
Balances with banks and security investments, external loans and other external assets	5,558,632	5,267,505	291,127
Total	7,539,983	7,222,508	317,476

Receivables from/Payables to the International Monetary Fund

	31.12.2022	31.12.2022	31.12.2021	31.12.2021	
	Equivalent in XDR mil.	EUR '000	Equivalent in XDR mil.	EUR '000	Change EUR '000
Receivables from the IMF:	2,306	2,889,065	2,315	2,862,675	26,390
1) Member's quota	1,001	1,253,838	1,001	1,238,302	15,536
a) Member's contribution	724	907,717	733	907,675	42
b) Reserve position	276	346,121	268	330,627	15,494
- Foreign exchange part of Member's quota	138	172,704	138	170,523	2,181
- Reserve position of FTP	138	173,418	130	160,104	13,314
2) Nostro account in the IMF	1,305	1,635,227	1,314	1,624,373	10,854
Liabilities to the IMF:	724	907,713	734	907,672	41
1) Loro accounts with the IMF	737	923,934	704	870,755	53,179
	(13)	(16,220)	30	36,917	(53,137)
2) Currency valuation adjustment account					
Total (net)	1,581	1,981,351	1,581	1,955,003	26,348

Under the Financial Transaction Plan (hereinafter the "FTP"), the NBS provided a loan in the amount of XDR 9 million, which increased the FTP reserve position. As a result of the above transaction, 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 882,051 thousand (EUR 821,957 thousand as at 31 December 2021).

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

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Debt securities	5,515,279	4,439,408	1,075,871
Other	43,353	828,097	(784,744)
Total	5,558,632	5,267,505	291,127

The caption "Debt securities" consists of securities denominated in GBP, USD, CNY, AUD, JPY and CHF. As at 31 December 2022, the Bank primarily records securities issued by monetary financial institutions. Purchases of securities primarily in USD and AUD contributed to the increase in the caption.

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

3. Claims on euro area residents denominated in foreign currency

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Debt securities	544,856	374,540	170,316
Current accounts	5,088	636	4,452
Total	549,944	375,177	174,767

The caption "Debt securities" consists of securities denominated in GBP, USD, CHF and AUD. As at 31 December 2022, the Bank mainly recorded securities issued by monetary financial institutions.

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Debt securities	1,324,579	1,907,260	(582,680)
Current accounts	0	806	(806)
Total	1,324,579	1,908,066	(583,486)

As at 31 December 2022, the Bank primarily recorded securities issued by monetary financial institutions. The year-on-year decrease was caused, in equal measure, by the sale and maturity of securities.

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Main refinancing operations (MRO)	276,000	0	276,000
Long-term refinancing operations (LTRO)	450,000	0	450,000
Targeted longer-term refinancing operations (TLTRO III)	6,034,260	10,234,260	(4,200,000)
Total	6,760,260	10,234,260	(3,474,000)

The Eurosystem provided loans as at 31 December 2022 totalling EUR 1,324,347,071 thousand (EUR 2,201,881,761 thousand as at 31 December 2021), of which the NBS's share amounts to EUR 6,760,260 thousand (31 December 2021: EUR 10,234,260 thousand).

The main refinancing operations ("MRO") are regular liquidity-providing reverse transactions with a frequency and common maturity of one week. The Bank records two operations with a maturity in January 2023.

Longer-term refinancing operations (LTRO) are regular liquidity-providing reverse transactions for a longer period, with a maturity of 2 to 48 months. The Bank records two operations with a maturity in February and March 2023.

In 2019, as part of long-term refinancing operations, the Governing Council introduced a series of ten quarterly targeted longer-term refinancing operations (TLTRO III), with a maturity of three years and an earlier repayment option. As regards remuneration, the operations are divided into 3 periods, i.e. a special interest rate period (24 June 2020 – 23 June 2022), a period until 22 November 2022, and a period from 23 November 2022 until maturity. During the special interest rate period, an average interest rate 50 basis points lower than the average rate of main refinancing operations is applied to all outstanding loans. When the lending performance threshold (lending benchmark) is reached, this rate may be reduced by up to 50 basis points below the average deposit facility rate. During this period, the NBS applied the lowest possible rate for interest accrual recognition in line with the prudence principle, i.e. a rate of 1.00% p.a., which also became the final rate after the evaluation. For other interest rate periods, the average deposit facility rate is applied and is calculated separately for the period until 22 November and from 23 November 2022.

For interest accrual recognition for the period from 23 November 2022 until the end of 2022, the interest rate was indexed to the average deposit facility rate effective during this period. Final interest rates for TLTRO III will be known upon maturity or early repayment.

As at 31 December 2022, the Bank records ten TLTRO III operations with maturity in 2023 and 2024 in the amount of EUR 6,034,260 thousand (EUR 10,234,260 thousand as at 31 December 2021). The

year-on-year decrease is attributable to early repayments totalling EUR 4,200,000 thousand made on 23 November 2022 and 21 December 2022.

In accordance with Article 32 (4) of the Statute, the risks arising from monetary policy operations are subject to sharing with the central banks in proportion to their capital key.

6. Other claims on euro area credit institutions denominated in euro

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Redistribution loan	6,532	8,516	(1,984)
Current accounts	702	696	5
Deposits provided for repo transactions	2,954	3,488	(535)
Total	10,187	12,701	(2,513)

A redistribution loan provided to finance comprehensive housing construction was delimited following the separation of the balance sheet of the State Bank of Czechoslovakia. The interest rate applicable to a redistribution loan effective from December 2022 is 1.00% p.a. (0.50% p.a. as at 31 December 2021).

As at 31 December 2022, the NBS recorded a state guarantee for the provided redistribution loan in the amount of EUR 6,820 thousand on the off-balance sheet (EUR 8,734 thousand as at 31 December 2021). 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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Debt securities held for monetary policy purposes	43,535,880	39,840,772	3,695,108
Other securities	79,728	183,690	(103,962)
Total	43,615,607	40,024,462	3,591,145

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 31.12.2022
SMP	May 2010	September 2012	ECB/2010/5	debt securities issued by euro area governments
CBPP3	October 2014	ongoing	ECB/2020/8 (revised version) as amended	covered bonds issued by euro area residents
PSPP	March 2015	ongoing	ECB/2020/9 (revised version)	debt securities issued by euro area governments, international organisations and multilateral development banks based in euro area
PEPP	March 2020	ongoing	ECB/2020/17 as amended	all securities permitted under APP

Net purchases of securities under the asset purchase programmes (“APP”), which include the CBPP3, PSPP, ABSPP and CSPP programmes, continued until the end of June. Based on the June decision of the Governing Council, net asset purchases under the APP programme were discontinued as of 1 July 2022.

The Governing Council intends to fully reinvest the principal amount from redeemed securities purchased under the APP programme by the end of February 2023. Subsequently, the amount of the APP portfolio will be decreased at a gradual and foreseeable pace, as the principal amount from redeemed securities will not be reinvested in full. The portfolio reduction will amount to EUR 15 billion per month on average until the end of the second quarter of 2023, and its subsequent pace will be determined at a later date.

Net asset purchases under the PEPP programme were discontinued at the end of March 2022. The Governing Council intends to reinvest the principal amount from redeemed securities under the PEPP programme at least until the end of 2024. The future PEPP portfolio reduction will be carried out in a controlled manner to avoid interference with the appropriate set-up of the monetary policy.

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):

	31.12.2022		31.12.2021		Change	
	EUR' 000		EUR' 000		EUR' 000	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
CBPP3	2,422,149	2,246,109	2,086,140	2,112,629	336,009	133,480
SMP	58,132	60,864	58,196	68,072	(64)	(7,208)
PSPP gov.	14,494,320	12,223,956	13,164,457	13,768,530	1,329,863	(1,544,574)
PSPP supr.	12,647,107	10,907,899	11,856,936	12,060,279	790,171	(1,152,380)
PEPP gov.	6,053,799	4,780,942	5,717,564	5,699,205	336,235	(918,263)
PEPP supr.	7,818,433	6,062,588	6,915,513	6,641,824	902,920	(579,236)
PEPP covered by debt sec.	41,940	36,235	41,966	41,837	(26)	(5,602)
Total	43,535,880	36,318,593	39,840,772	40,392,376	3,695,108	(4,073,783)

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

Other securities

Under this caption, as at 31 December 2022, the Bank primarily recognised securities for trading issued by euro area monetary financial institutions.

8. Intra-Eurosystem claims

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Participating interest in the ECB	295,167	288,180	6,987
Claims equivalent to the transfer of foreign reserves	462,031	462,031	0
Other Intra-Eurosystem claims (net)	0	23,949,802	(23,949,802)
Total	757,198	24,700,013	(23,942,815)

Participating interest in the ECB

As at 31 December 2022, the Bank recorded a participating interest in the ECB's subscribed capital of EUR 100,824 thousand (EUR 93,837 thousand as at 31 December 2021) and a claim of EUR 40,129 thousand from the changes to the NBS's participating interest in the ECB's net equity (EUR 40,129 thousand as at 31 December 2021).

An increase of EUR 6,987 thousand in the NBS's participating interest in the ECB's subscribed capital was due to the withdrawal of the Bank of England from the European System of Central Banks ("ESCB") as a result of the UK's exit from the European Union in January 2020. ECB's subscribed capital remained unchanged, i.e. in the amount of EUR 10.8 billion. The participating interest of the Bank of England in the ECB's subscribed capital was distributed among all national central banks of EU countries. Under a decision of the ECB's Governing Council, national central banks of euro area countries repaid their increased participating interests in three instalments with the final instalment paid in December 2022.

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 (EUR 154,214 thousand as at 31 December 2021) 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

As at 31 December 2022, the Bank records a claim from the transfer of foreign reserves to the ECB of EUR 462,031 thousand (31 December 2021: EUR 462,031 thousand) in accordance with Article 30 (1) of the Statute. The claim bears interest at 85% of the rate for the main refinancing operations. As at 31 December 2022, the Bank records interest income arising from a claim from the transfer of foreign reserves of EUR 2,305 thousand (31 December 2021: no interest income was recorded).

As of 28 December 2022, the shares of the central banks of the European Union in the ECB's capital are 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	320,744,959.47	3.6432
Eesti Pank	0.2291	24,800,091.20	24,800,091.20	0.2817
Deutsche Bundesbank	21.4394	2,320,816,565.68	2,320,816,565.68	26.3615
Central Bank and Financial Services Authority of Ireland	1.3772	149,081,997.36	149,081,997.36	1.6934
Bank of Greece	2.0117	217,766,667.22	217,766,667.22	2.4735
Banco de España	9.6981	1,049,820,010.62	1,049,820,010.62	11.9246
Banque de France	16.6108	1,798,120,274.32	1,798,120,274.32	20.4243
Banca d'Italia	13.8165	1,495,637,101.77	1,495,637,101.77	16.9885
Central Bank of Cyprus	0.1750	18,943,762.37	18,943,762.37	0.2152
Latvijas Banka	0.3169	34,304,447.40	34,304,447.40	0.3897
Lietuvos bankas	0.4707	50,953,308.28	50,953,308.28	0.5788
Banque centrale du Luxembourg	0.2679	29,000,193.94	29,000,193.94	0.3294
Central Bank of Malta	0.0853	9,233,731.03	9,233,731.03	0.1049
De Nederlandsche Bank	4.7662	515,941,486.95	515,941,486.95	5.8604
Oesterreichische Nationalbank	2.3804	257,678,468.28	257,678,468.28	2.9269
Banco de Portugal	1.9035	206,054,009.57	206,054,009.57	2.3405
Banka Slovenije	0.3916	42,390,727.68	42,390,727.68	0.4815
Národná banka Slovenska	0.9314	100,824,115.85	100,824,115.85	1.1452
Suomen Pankki – Finlands Bank	1.4939	161,714,780.61	161,714,780.61	1.8369
<i>Subtotal euro area national central banks</i>	<i>81.3286</i>	<i>8,803,826,699.60</i>	<i>8,803,826,699.60</i>	<i>100.0000</i>
Българска народна банка (Bulgarian National Bank)	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 Națională 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	
<i>Subtotal non-euro area national central banks</i>	<i>18.6714</i>	<i>2,021,180,369.98</i>	<i>75,794,263.89</i>	
Total	100.00	10,825,007,069.61	8,879,620,963.49	

9. Other assets

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Tangible and intangible fixed assets	98,717	102,059	(3,342)
Other financial assets	442,116	459,417	(17,302)
Off-balance sheet instruments revaluation differences	35,848	12,486	23,362
Accruals and prepaid expenses	367,647	296,714	70,933
Accumulated losses from previous years	4,062,818	4,123,823	(61,004)
Other	293,444	79,575	213,869
Total	5,300,590	5,074,074	226,516

Tangible and intangible fixed assets

This caption comprises fixed assets of the NBS as at 31 December 2022:

	Tangible Assets, Advances and Assets under Construction EUR' 000	Intangible Assets, Advances and Assets under Construction EUR' 000	TOTAL EUR' 000
Acquisition cost as at 1 Jan 2022	247,964	44,691	292,655
Additions	4,695	5,353	10,048
Disposal	5,744	2,598	8,341
Acquisition cost as at 31 Dec 2022	246,913	47,446	294,360
Accumulated depreciation as at 1 Jan 2022	153,402	37,194	190,596
Additions	7,248	2,017	9,265
Disposal	4,210	8	4,218
Accumulated depreciation and provisions as at 31 Dec 2022	156,439	39,203	195,643
Carrying amount of tangible and intangible assets as at 1 Jan 2022	94,562	7,497	102,059
Carrying amount of tangible and intangible assets as at 31 Dec 2022	90,474	8,243	98,717

As at 31 December 2022, no fixed assets held for sale are recognised.

Other financial assets

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Participating interests in ETF funds	434,597	397,885	36,712
Shares of BIS	7,387	7,294	93
Shares of SWIFT	92	92	0
Inštitút bankového vzdelávania, n.o.	33	33	0
Nadácia NBS	7	0	7
Participating interests in BISIP fund	0	54,113	(54,113)
Total	442,116	459,417	(17,302)

The Bank has shares in Exchange Traded Funds (“ETFs”) denominated in USD, which are in the form of marketable securities and are traded as common shares on a stock exchange. Dividends from the ETFs are paid in USD (see Note 27). A year-on-year increase in ETFs primarily resulted from an increased volume of the purchase of shares.

The Bank's share in the BIS capital represents 0.51% (0.51% as at 31 December 2021). 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 (see Note 27).

The Bank holds shares of SWIFT, representing a 0.0249% capital share (0.0248% capital share as at 31 December 2021).

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.

As at 1 February 2022, the Bank established Nadácia NBS (the NBS Foundation) to promote public benefit activities. Nadácia NBS is funded from its own fund created from NBS profit. The Bank holds a 100% share in the foundation's registered capital.

Under a decision of the Bank Board, in line with the fulfilment of the original goals of the investment, BISIP shares were sold in January 2022.

Off-balance sheet instruments revaluation differences

As at 31 December 2022, off-balance sheet instrument revaluation differences are in the amount of EUR 35,848 thousand (EUR 12,486 thousand as at 31 December 2021). The most significant effect on the total balance had the foreign exchange gain from open cross currency swaps in JPY (EUR 17,810 thousand) and the foreign exchange gain from the valuation of open foreign exchange swaps in USD (EUR 15,010 thousand).

Accruals and prepaid expenses

This caption primarily includes accrued bond coupons in the amount of EUR 317,636 thousand (EUR 271,489 thousand as at 31 December 2021).

Sundry

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Deposits - collateral to derivatives	900	20,895	(19,995)
Fair value of interest rate swaps - gains	255,728	46,306	209,422
Fair value of cross currency swaps - gains	4,848	1,301	3,547
Interest rate futures	16,494	1,565	14,929
Investment loans granted to employees	9,553	3,833	5,719
Other	5,921	5,675	246
Total	293,444	79,575	213,869

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 decrease in the volume of deposits is connected with the increase of the fair value of swap transactions on the part of the NBS.

10. Banknotes in circulation

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Euro banknotes in circulation issued by the NBS	22,810,533	18,521,141	4,289,392
Adjustment to euro banknotes in circulation	(6,249,166)	(2,251,035)	(3,998,131)
Total volume of euro banknotes in line with the NBS	16,561,368	16,270,107	291,261

Banknote Allocation Key

As at 31 December 2022, the Bank issued banknotes amounting to EUR 22,810,533 thousand (EUR 18,521,141 thousand as at 31 December 2021), which is an increase of EUR 6,249,166 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).

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

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Current accounts covering the minimum reserve system	599,516	11,428,462	(10,828,946)
Deposit facilities	11,836,404	250,000	11,586,404
Total	12,435,920	11,678,462	757,458

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.

With effect from 30 October 2019, the Governing Council introduced a two-tier system for the minimum reserve remuneration. An interest rate of 0% was applied to a portion of excess reserves up to the amount of the MRS multiple set using a multiplier approved by the Governing Council. The remaining portion of excess reserves continued to be remunerated at the lower of 0% or the deposit facility rate. After the increase of the deposit facility rate above zero as of 14 September 2022, the Governing Council decided to discontinue the two-tier system of remuneration by setting the multiplier to zero.

Until 20 December 2022, the MRS bore interest at the average rate of the Eurosystem's main refinancing operations valid over the given maintenance period. In October 2022, the Governing Council decided that as of 21 December 2022, balances will be remunerated at the deposit facility rate of the Eurosystem's operations.

As at 31 December 2022, net interest income from MRS amounted to EUR 20,072 thousand (EUR 36,565 thousand as at 31 December 2021, see Note 24).

Deposit facilities comprise overnight deposits at a prespecified interest rate announced by the ECB. The purpose of such deposits is to provide counterparties with the option to deposit short-term surpluses of liquidity.

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Tri-party repo transactions	700,000	983,000	(283,000)
Liabilities from repo transactions	0	63,870	(63,870)
Deposits received to repo transactions	5,500	0	5,500
Interbank clearing in Slovakia (SIPS)	37	41	(4)
Total	705,537	1,046,911	(341,374)

The interest rate applicable to tri-party repo transactions is 1.90% p.a. (-0.49% p.a. as at 31 December 2021).

13. Liabilities to other euro area residents denominated in euro

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
General government	1,626,631	5,548,969	(3,922,338)
Other liabilities	72,144	86,571	(14,426)
Total	1,698,775	5,635,539	(3,936,764)

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Client current accounts	24,384	39,983	(15,599)
Client term deposits	47,760	46,588	1,173
Total	72,144	86,571	(14,426)

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Client current accounts	252,566	40,498,540	(40,245,974)
Liabilities from received term deposits	3,397,268	5,043,240	(1,645,973)
Deposits received to repo transactions	1,300	0	1,300
Liabilities from repo transactions with gold	1,711,625	1,584,832	126,793
Total	5,362,759	47,126,612	(41,763,853)

“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 2.00% p.a. as at 31 December 2022 (see Note 24).

“Liabilities from received term deposits” comprise national central banks’ deposits with a maturity of 6 to 49 days and interest rate of 2.00% p.a. (- 0.50 to - 0.56% p.a. as 31 December 2021).

15. Liabilities to euro area residents denominated in foreign currency

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Tri-party repo transactions	1,689,067	1,083,567	605,500
Liabilities from repo transactions	2,370,926	861,267	1,509,659
State Treasury current accounts in a foreign currency	2	2	0
Total	4,059,995	1,944,836	2,115,159

The interest rate applicable to repo transactions in USD ranges from 4.38% to 4.62% p.a. (from 0.21% to 0.29% p.a. as at 31 December 2021), to repo transactions in GBP from 3.45% to 3.55% p.a. and from 3.25% to 3.40% p.a. to repo transactions in AUD. The interest rate applicable to tri-party repo transactions in GBP is 3.49% p.a. (0.24% p.a. as 31 December 2021) and 3.10% p.a. to tri-party repo transactions in AUD.

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Liabilities from received deposits	0	44,146	(44,146)
Liabilities from repo transactions	618,540	396,162	222,378
Total	618,540	440,308	178,232

The interest rate applicable to repo transactions in USD ranges from 4.62% to 4.63% p.a. (0.25% p.a. as at 31 December 2021), to repo transactions in GBP at 3.60% (from 0.20% to 0.26% p.a. as at 31 December 2021) and at 3.29% p.a. to repo transactions in AUD.

17. Counterpart of special drawing rights allocated by the IMF

As at 31 December 2022, the Bank recorded a liability to the IMF from the allocation of EUR 1,627,080 thousand (EUR 1,606,529 thousand as at 31 December 2021). The liability from the allocation is denominated in XDR. As part of the general allocation and special allocation, the IMF allocated XDR 1,224 million and XDR 75 million, respectively, to the Slovak Republic.

18. Intra-Eurosystem liabilities

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Net liabilities related to the allocation of euro banknotes	6,249,166	2,251,035	3,998,131
Other liabilities within the Eurosystem	14,794,084	0	14,794,084
Total	21,043,250	2,251,035	18,792,215

This position is a net liability from the intra-Eurosystem allocation of euro banknotes in the amount of EUR 6,249,166 thousand (EUR 2,251,035 thousand as at 31 December 2021) bearing interest at the rate of the main refinancing operations. As at 31 December 2022, the Bank records interest expense resulting from a liability from the allocation of euro banknotes in the amount of EUR 33,122 thousand.

Other intra-Eurosystem liabilities represent, primarily, the NBS's position towards other members of the European System of Central Banks ("ESCB") arising from cross-border transactions. This caption comprises the NBS's liability to other central banks and the ECB arising from operations

within TARGET 2 amounting to EUR 14,914,969 thousand (a claim of EUR 23,918,721 thousand as at 31 December 2021). The interest rate on this position is the same as for the main refinancing operations. As at 31 December 2022, the Bank records interest expense in the amount of EUR 84,033 thousand.

The caption also comprises a claim from monetary income of EUR 120,886 thousand (EUR 29,363 thousand as at 31 December 2021, see Note 28).

19. Other liabilities

	31.12.2022	31.12.2021	Change
	v tis. EUR	v tis. EUR	EUR' 000
Off-balance sheet instruments revaluation differences	7,077	37,407	(30,330)
Accruals and income collected in advance	185,641	102,853	82,788
Other	709,117	448,054	261,063
Total	901,835	588,314	313,521

Off-balance sheet instruments revaluation differences

As at 31 December 2022, the caption in the amount of EUR 7,077 thousand (EUR 37,407 thousand as at 31 December 2021) comprises a foreign exchange loss from the valuation of open cross currency swaps in CHF.

Accruals and income collected in advance

As at 31 December 2022, the bulk of accruals comprises interest from targeted longer-term refinancing monetary policy operations TLTRO III in the amount of EUR 86,021 thousand (EUR 91,224 thousand as at 31 December 2021) and interest from remuneration of TARGET2 and euro banknotes in the amount of EUR 54,943 thousand.

Sundry

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Euro coins in circulation	236,722	223,986	12,735
SKK banknotes in circulation	69,117	69,695	(578)
SKK coins in circulation	23,182	23,182	0
Deposits - collateral to derivatives	247,770	39,160	208,610
Fair value of interest rate swaps - losses	63,667	34,894	28,773
Fair value of cross currency swaps - losses	1,447	1,370	77
Other	67,212	55,766	11,446
Total	709,117	448,054	261,063

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 increase in the volume of deposits is connected with the decrease of the market value of swap transactions on the part of the counterparty.

The value of interest rate swaps as at 31 December 2022 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).

20. Provisions

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
General provision for financial risks	900,000	900,000	0
Provisions for liabilities to employees	14,351	17,094	(2,742)
Provisions for litigation	2,805	2,992	(187)
Provision for unbilled supplies	1,529	1,973	(444)
Total	918,685	922,058	(3,373)

In accordance with the Bank Board's decision, the general provision for financial risks remained unchanged as at 31 December 2022. This is due to compensation of losses recognised in the profit and loss account by unrealised gains from derivative transactions recognised in the Bank's equity (see Notes 21, 25 and section B, (I)).

21. Revaluation accounts

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Revaluation accounts of gold	1,105,018	1,006,607	98,412
Revaluation accounts of securities	4,280	31,293	(27,014)
Revaluation accounts of derivatives	260,576	47,607	212,969
Revaluation accounts of foreign currency	66,632	60,551	6,081
Revaluation accounts of share securities (BISIP, ETF)	23,621	113,529	(89,908)
Total	1,460,128	1,259,587	200,541

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 2022, the closing balance of the NBS's general reserves amounted to EUR 340,874 thousand (EUR 340,874 thousand as at 31 December 2021). The general reserves consist of contributions from profits of EUR 337,411 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 2022, the closing balance of the NBS's capital reserves was EUR 882 thousand (EUR 882 thousand as at 31 December 2021).

Based on a decision of the Bank Board, Nadácia NBS was founded on 1 February 2022. The foundation is active in financial education, the promotion of science and research, and the development of financial literacy focusing on the coordination of public and private sector activities. The fund to finance Nadácia NBS was created under the Bank Board's decision by a transfer of EUR 2 million from NBS profit for 2021. The balance of the fund amounts to EUR 1,386 thousand as at 31 December 2022.

Summary of changes in equity and accumulated losses

EUR' 000									
	Statutory Fund	Capital Reserves	General Reserves	Fund to finance the Nadácia NBS	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 2021	16,041	882	340,874	0	900,000	1,259,587	(4,123,823)	63,004	(1,543,435)
2. Transfer of profit for 2021 to accumulated loss from prev. years							61,004	(61,004)	0
3. Transfer to statutory fund									0
4. Transfer to general reserves									0
5. Transfer to the fund to finance Nadácia NBS from the 2021 profit				2,000				(2,000)	0
6. Transfer of funds from the fund to finance Nadácia NBS				(614)					(614)
7. Change in the general provision for financial risks									0
8. Change in revaluation accounts of securities						(27,014)			(27,014)
9. Change in revaluation accounts of derivatives						212,969			212,969
10. Change in revaluation accounts of gold						98,412			98,412
11. Change in revaluation accounts of foreign currencies						6,081			6,081
12. Change in revaluation accounts of equity shares in BISIP and ETF funds						(89,908)			(89,908)
13. (Loss)/Profit for the current reporting period								(156,448)	(156,448)
14. Change for the reporting period	0	0	0	1,386	0	200,540	61,004	(219,452)	43,478
15. Balance as at 31 Dec 2022	16,041	882	340,874	1,386	900,000	1,460,128	(4,062,818)	(156,448)	(1,499,955)

23. Off-balance sheet instruments

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Interest rate swaps in EUR	2,831,000	2,211,500	619,500
Interest rate swaps in USD	1,629,271	1,010,507	618,765
Interest rate swaps in GBP	1,306,746	1,588,290	(281,544)
Interest rate swaps in AUD	983,472	218,220	765,252
	6,750,489	5,028,516	1,721,973

	31.12.2022 EUR' 000		31.12.2021 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange swaps in EUR	677,454	0	3,141,044	0	(2,463,590)	0
Foreign exchange swaps in USD	0	381,586	0	287,699	0	93,887
Foreign exchange swaps in CNY	0	40,907	0	38,918	0	1,989
Foreign exchange swaps in GBP	0	92,454	0	1,464,274	0	(1,371,820)
Foreign exchange swaps in JPY	0	27,577	0	29,751	0	(2,174)
Foreign exchange swaps in CHF	0	22,342	0	87,504	0	(65,162)
Foreign exchange swaps in CZK	0	0	0	804,570	0	(804,570)
Foreign exchange swaps in AUD	0	99,407	0	458,854	0	(359,447)
	677,454	664,273	3,141,044	3,171,569	(2,463,590)	(2,507,297)

	31.12.2022 EUR' 000		31.12.2021 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Foreign exchange forwards in EUR	37,014	0	13,524	0	23,490	0
Foreign exchange forwards in CNY	0	0	0	2,899	0	(2,899)
Foreign exchange forwards in GBP	0	26,453	0	0	0	26,453
Foreign exchange forwards in USD	0	10,274	0	10,573	0	(299)
	37,014	36,727	13,524	13,472	23,490	23,255

	31.12.2022 EUR' 000		31.12.2021 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Cross currency swaps in EUR	483,718	170,092	527,008	40,885	(43,290)	129,207
Cross currency swaps in JPY	85,312	206,171	0	154,932	85,312	51,239
Cross currency swaps in USD	0	42,190	0	118,312	0	(76,122)
Cross currency swaps in CHF	92,414	227,678	43,558	250,063	48,856	(22,385)
	661,444	646,131	570,566	564,191	90,878	81,939

	31.12.2022 EUR' 000		31.12.2021 EUR' 000		Change EUR' 000	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Interest rate futures in AUD	0	17,396	0	0	0	17,396
Interest rate futures in EUR	0	119,500	0	0	0	119,500
Interest rate futures in GBP	420,552	0	779,502	0	(358,950)	0
Interest rate futures in CHF	0	174,672	0	0	0	174,672
Interest rate futures in USD	167,260	0	0	0	167,260	0
	587,812	311,568	779,502	0	(191,690)	311,568

24. Net interest income

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Investments in EUR, of which:	138,129	147,277	(9,148)
Net income from current accounts and term deposits	133,398	160,059	(26,661)
Net expense/income from repo transactions	(254)	9,964	(10,218)
Net income from securities	6,951	1,268	5,683
Net expense from derivatives	(2,006)	(24,062)	22,056
Other	40	48	(8)
Investments in a foreign currency, of which:	58,797	30,807	27,990
Net income from securities	118,393	56,325	62,068
Net expense from repo transactions	(70,685)	(5,213)	(65,472)
Net expense/income from derivatives	6,689	(21,163)	27,852
Net expense from current accounts and term deposits	(49)	(170)	121
Compensation from the MF SR	4,449	1,029	3,420
Monetary policy operations, of which:	50,694	45,972	4,723
Net income from securities	122,254	84,634	37,620
Net expense from deposits and loans	(91,632)	(75,227)	(16,405)
Net income from MRS	20,072	36,565	(16,493)
Remuneration of claims equivalent to the transfer of foreign reserves	2,305	0	2,305
Remuneration of euro banknotes	(33,122)	0	(33,122)
Remuneration of TARGET2	(84,033)	0	(84,033)
Total	132,770	224,056	(91,286)

The resulting decrease in net interest income is related to a gradual increase of the ECB's interest rate for main refinancing operations during 2022. It was most significantly affected by an increase in interest expense from the remuneration of euro banknotes and NBS position in TARGET2.

An increase in interest expense from repo transactions also had a negative impact (see Notes 15 and 16).

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 2022:

Gross expense/income

	Balance Sheet Item	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Investments in EUR				
Gross interest income, of which:				
Current accounts and term deposits	L6	151,807	164,039	(12,231)
Repo transactions	L3, L6	148,687	162,131	(13,444)
		3,120	1,908	1,212
Gross interest expense, of which:				
Current accounts	A6	(56)	(21)	(34)
		(56)	(21)	(34)
Gross interest expense, of which:				
Current accounts	A2, A3	(34)	(11)	(23)
		(34)	(11)	(23)
Monetary policy operations				
Gross interest income, of which:				
MRS	L2	24,785	37,111	(12,326)
Deposit facilities	L2	23,870	36,565	(12,695)
		915	546	369
Gross interest expense, of which:				
Longer-term refinancing operations	A5	(51,471)	(75,772)	24,301
		(51,471)	(75,772)	24,301

Interest rates announced by the ECB:

With Effect From	Marginal Lending Facility	Main Refinancing Operations	Deposit Facility
21.12.2022	2.75% p.a.	2.50% p.a.	2.00% p.a.
02.11.2022	2.25% p.a.	2.00% p.a.	1.50% p.a.
14.09.2022	1.50% p.a.	1.25% p.a.	0.75% p.a.
27.07.2022	0.75% p.a.	0.50% p.a.	0.00% p.a.
18.09.2019	0.25% p.a.	0.00% p.a.	-0.50% p.a.

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Realised gains/losses from financial operations	13,008	67,150	(54,142)
Net gains from derivatives	20,516	35,761	(15,245)
Net losses/gains from sale of securities	(22,683)	26,106	(48,789)
Net gains from sale of equity shares and participating interests	11,214	0	11,214
Net foreign exchange gains	3,962	5,283	(1,321)
Write-downs on financial assets and positions	(290,663)	(30,213)	(260,450)
Losses from securities revaluation	(232,525)	(17,913)	(214,612)
Losses from foreign currency revaluation	(4,019)	(6,755)	2,736
Losses from derivatives revaluation	(48,013)	(5,544)	(42,469)
Losses from ETF funds revaluation	(6,105)	0	(6,105)
Transfer to/from provisions for financial risks	0	(100,000)	100,000
General provision for financial risks	0	(100,000)	100,000
Total	(277,654)	(63,063)	(214,592)

An increase in impairment loss on financial assets and positions is due to the decrease of market prices of financial instruments as at 31 December 2022 in response to an expected continued increase of key interest rates by central banks in the following period. Unrealised losses from the revaluation of securities are covered by unrealised gains from derivative transactions, which are recognised in equity (see Note 21).

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

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Fees and commissions from investment portfolio, of which:	(470)	(397)	(73)
Net profit from operations with clients	229	214	15
Net loss from operations with banks	(744)	(620)	(124)
Net profit from operations with securities	132	42	90
Net loss from derivatives	(45)	(5)	(40)
Other	(43)	(28)	(15)
Fees and commissions	1,544	1,336	208
Net profit from operations with securities	2,456	2,131	325
Net loss from operations with banks	(912)	(795)	(117)
Net profit from exchange of euro coins	75	66	9
Total	1,149	1,004	144

27. Income from equity shares and participating interests

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Interim distribution of the ECB's profit of the current year	0	1,718	(1,718)
Share in the ECB's profit of the previous year	478	4,387	(3,909)
Dividends from ETF funds	8,231	6,821	1,410
Dividends from BIS shares	994	1,788	(793)
Total	9,703	14,714	(5,011)

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.

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 (1.1452% since 1 February 2020).

For 2022, the NBS pooled negative monetary income of EUR 38,665 thousand, primarily due to interest rate payments on TLTRO III operations at a negative interest rate (see Note 5). Monetary income corresponding to the participating interest of the NBS in the ECB's paid-up capital amounted to EUR 81,724 thousand. The difference of EUR 120,389 thousand (EUR 27,745 thousand as at

31 December 2021) represents the net result of the pooling of monetary income. The NBS's income increased by EUR 496 thousand as a result of a revision of Eurosystem monetary income for the period from 2020 to 2021 (income increased by EUR 1,618 thousand as at 31 December 2021 as a result of a revision for the period from 2015 to 2020).

29. Other income and other expenses

As at 31 December 2022, the most significant portion of the Bank's "Other income" comprised income from fees and contributions from financial market entities of EUR 16,053 thousand (EUR 7,716 thousand as at 31 December 2021), received fees from participation in settlement systems of EUR 3,478 thousand (EUR 3,568 thousand as at 31 December 2021) and income from the sale of commemorative coins in the amount of EUR 3,153 thousand (EUR 2,614 thousand as at 31 December 2021).

As at 31 December 2022, the Bank's "Other expenses" mainly represented costs for minting circulation and collector coins, including costs for related services, of EUR 6,300 thousand (EUR 5,032 thousand as at 31 December 2021).

30. Staff costs

	31.12.2022	31.12.2021	Change
	EUR' 000	EUR' 000	EUR' 000
Wages and salaries	(44,455)	(43,076)	(1,380)
Social security costs	(15,821)	(15,438)	(383)
Other employee costs	(2,906)	(11,025)	8,119
Total	(63,183)	(69,539)	6,355

As at 31 December 2022, the average FTE number of employees was 1,072, of which 118 were managers.

The year-on-year decrease in staff costs is primarily due to a reduction in other employee costs in connection with a decrease of created provisions for retirement payments and lower employee healthcare expenses after the pandemic end.

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 2022, this caption mainly includes costs of technical support and IS maintenance, repairs and maintenance costs, energy consumption, corporate contributions (primarily to international oversight authorities) and costs of financial education in the total amount EUR 14,418 thousand (EUR 14,526 thousand as at 31 December 2021).

The cost of the statutory auditor for the audit of the financial statements amounted to EUR 70 thousand as at 31 December 2022 (EUR 61 thousand as at 31 December 2021). As at 31 December 2022, 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.

32. Depreciation of tangible and intangible fixed assets

	31.12.2022 EUR' 000	31.12.2021 EUR' 000	Change EUR' 000
Depreciation of tangible fixed assets	(7,248)	(7,318)	70
Amortisation of intangible fixed assets	(2,017)	(2,090)	72
Total	(9,265)	(9,408)	143

33. Banknote production services

As at 31 December 2022, the costs for printing euro banknotes were EUR 3,545 thousand (EUR 1,796 thousand as at 31 December 2021).

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 2022, the NBS paid a withholding tax of EUR 58,553 thousand (EUR 47,254 thousand as at 31 December 2021). The increase by EUR 11,299 thousand compared to the preceding period was due to increased coupon income with respect to an increase in the volume of securities (see Note 7).

35. Profit/loss for the year

As at 31 December 2022, the Bank reported a loss of EUR 156,448 thousand (profit of EUR 63,004 thousand as at 31 December 2021). The year-on-year decrease in the financial result is caused by increasing key interest rates of world central banks during 2022. Higher interest rates resulted in an increase of the Bank's refinancing expenses and lower market values of financial assets. Another factor that intensified the 2022 loss are the phased out monetary policy measures that were adopted to prevent negative impacts of the pandemic. This was reflected in continuing low income from the monetary policy portfolio.

36. Other Information

The ongoing military conflict in Ukraine and sanctions imposed on the Russian Federation and their economic impacts on Slovakia and worldwide may require revisions of assumptions and estimates used in the preparation of the financial statements. These may cause significant adjustments to the carrying amounts of assets and liabilities in the following financial year.

In 2022, the NBS did not perform any operations and, as at 31 December 2022, it does not recognise any open positions towards the Russian Federation and Ukraine, or any balances denominated in the currencies of these countries as at this date.

D. POST-BALANCE SHEET EVENTS

Eurosystem keys were adjusted for national central banks under Decision ECB/2022/51 in connection with Croatia's entry to the Eurosystem. As at 1 January 2023, the NBS's capital key was adjusted to 1.1360% (1.1452% until 31 December 2022). The banknote allocation key was changed to 1.0450% (1.0535% until 31 December 2022).

After 31 December 2022, there were no other significant events that would require additional adjustments to the 2022 financial statements.

Bratislava, 14 March 2023



Peter Kažimír

Governor



Albín Kotian

Executive Director
Financial Management
and Information
Technology Division



Jana Langerová

Director
Financial Management
Department

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:

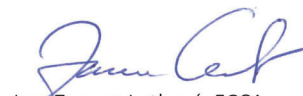
We have audited the financial statements of Národná banka Slovenska (hereinafter the "Bank" or "NBS") as at 31 December 2022 disclosed on pages 81 – 115 of the accompanying annual report of the Bank, on which we issued an independent auditor's report on 14 March 2023 that is disclosed on pages 82 – 83 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 2022 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, 20 June 2023



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

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

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

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Legislation

Legislation in 2022

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 the Bank, and all draft primary legislation concerning foreign exchange relations, payment systems, payment services, or the financial market (including the banking sector and the Bank's role and remit) must be submitted to the Government jointly by the Bank and the Slovak Finance Ministry. The Bank's authority to issue 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 2022 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 2022 by Act No 65/2022 and Act No 169/2022.

Act No 747/2004 on financial market supervision (and amending certain laws), as amended, was amended in 2022 by Act No 129/2022.

Act No 483/2001 on banks (and amending certain laws), as amended, was amended in 2022 by Act No 92/2022 and Act No 123/2022.

Act No 371/2014 on resolution in the financial market (and amending certain laws), as amended, was amended in 2022 by Act No 208/2022.

Act No 566/2001 on securities and investment services (and amending certain laws) (the Securities Act), as amended, was amended in 2022 by Act No 123/2022, Act No 151/2022 and Act No 208/2022.

Act No 530/1990 on bonds, as amended, was amended in 2022 by Act No 389/2022.

Act No 429/2002 on stock exchanges, as amended, was amended in 2022 by Act No 208/2022.

Act No 203/2011 on collective investment, as amended, was amended in 2022 by Act No 208/2022.

Act No 43/2004 on the old-age pension scheme (and amending certain laws), as amended, was amended in 2022 by Act No 101/2022, Act No 125/2022, Act No 352/2022 and Act No 399/2022.

Act No 650/2004 on the supplementary pension scheme (and amending certain laws), as amended, was amended in 2022 by Act No 101/2022 and Act No 410/2022.

Implementing legislation of general application issued by Národná banka Slovenska in 2022

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

Decree No 1/2022 of Národná banka Slovenska of 29 March 2022 on reporting by branches of foreign insurance undertakings and branches of foreign reinsurance undertakings.

Decree No 2/2022 of Národná banka Slovenska of 29 March 2022 amending Decree No 1/2016 of Národná banka Slovenska of 26 January 2016 on reporting by insurance undertakings not subject to a special regime and by reinsurance undertakings.

Decree No 3/2022 of Národná banka Slovenska of 20 June 2022 amending Decree No 6/2010 of Národná banka Slovenska of 11 May 2010 laying down the elements of applications for prior approval of Národná banka Slovenska made under Section 28(1) of the Banking Act, as amended by Decree No 2/2018 of 6 February 2018.

Decree No 4/2022 of Národná banka Slovenska of 23 August 2022 amending Decree No 10/2017 of Národná banka Slovenska of 14 November 2017 laying down detailed provisions on the assessment of borrowers' ability to repay consumer loans, as amended.

Decree No 5/2022 of Národná banka Slovenska of 23 August 2022 amending Decree No 10/2016 of Národná banka Slovenska of 13 December 2016 laying down detailed provisions on the assessment of borrowers' ability to repay housing loans, as amended.

Decree No 6/2022 of Národná banka Slovenska of 5 September 2022 amending Decree No 5/2018 of Národná banka Slovenska of 13 February 2018 on professional examinations and professional certification examinations for financial intermediation and financial advisory services, as amended by Decree No 1/2020 of 26 May 2020.

Decree No 7/2022 of Národná banka Slovenska of 5 September 2022 on reporting by investment firms for data collection purposes under other legislation.

Decree No 8/2022 of Národná banka Slovenska of 8 November 2022 amending Decree No 6/2015 of Národná banka Slovenska of 14 July 2015 on solvency in regard to insurance undertakings not subject to a special regime and in regard to reinsurance undertakings, branches of foreign insurance undertakings and branches of foreign reinsurance undertakings.

Decree No 9/2022 of Národná banka Slovenska of 6 December 2022 on reporting by banks, foreign bank branches and investment firms for data collection purposes under other legislation.

Decree No 10/2022 of Národná banka Slovenska of 19 December 2022 repealing Decree No 14/2011 of Národná banka Slovenska of 15 November 2011 laying down certain details concerning the authorisation of payment institutions and electronic money institutions.

Decree No 11/2022 of Národná banka Slovenska of 19 December 2022 on the provision of information to Národná banka Slovenska by providers of the pan-European personal pension product.

ABC

**Abbreviations
and glossary**

Abbreviations

A

AMF/CFT

anti-money laundering and combating the financing of terrorism

AIF

alternative investment fund

APP

asset purchase programme

ATM

automated teller machine

B

BACH

Bank for the Accounts of Companies Harmonized

bp

basis point(s)

C

CBPP3

third covered bond purchase programme

CCyB

countercyclical capital buffer

CDCP

Centrálny depozitár cenných papierov SR, a.s. (a central securities depository)

COREP

common reporting

CSD

central securities depository

CSDB

Centralised Securities Database

D

DGO

data governance organisation

E

EBA

European Banking Authority

ECB

European Central Bank

EFTPOS

electronic funds transfer at point of sale

EIOPA

European Insurance and Occupational Pensions Authority

ESAs

European Supervisory Authorities

ESCB

European System of Central Banks

ESEF

European Single Electronic Format

ESMA

European Securities and Markets Authority

EU

European Union

EUR

euro

F

FA MTS

medium-term strategy for quarterly financial accounts

FINREP

financial reporting

G

GDP

gross domestic product

GHG

greenhouse gas

GSBPM

Generic Statistical Business Process Model

H

HFCS

Household Finance and Consumption Survey

HICP

Harmonised Index of Consumer Prices

HWWI

Hamburg Institute of International Economics

I

IFRS

International Financial Reporting Standard

IOPS

International Organisation of Pension Supervisors

IReF

Integrated Reporting Framework

L

LTRO

longer-term refinancing operation

M

MP

maintenance period

MREL

minimum requirement for own funds and eligible liabilities

MTPL

motor third party liability (insurance)

N

NBS

Národná banka Slovenska (in this report also referred to as 'the Bank').

O

OECD

Organisation for Economic Co-operation and Development

OMT

Outright Monetary Transaction

P

PEPP

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

pp

percentage point(s)

PSPP

public sector purchase programme

R

RePEc

Research Papers in Economics

REGFAP

Register of Financial Agents and Financial Advisers / Register finančných agentov a finančných poradcov

S

SCP

Statistics Collection Portal

SCP-ESAs

ESAs module of the Statistics Collection Portal

SEPA

Single European Payments Area

SHSDB

Securities Holdings Database

SIPS

Slovak Interbank Payment System

SLSP

Slovenská sporiteľňa, a.s. (a commercial bank)

SO SR

Statistical Office of the Slovak Republic

SR

Slovak Republic

SRB

Single Resolution Board

SSM

Single Supervisory Mechanism

SSP

Single Shared Platform

T

T2S

TARGET2-Securities

TARGET

Trans-European Automated Real-time Gross settlement Express Transfer system

TARGET2

second-generation TARGET system

tCO₂e

tonnes of carbon dioxide equivalent

TIPS

TARGET instant payment settlement

TLTRO

targeted longer-term refinancing operation

TLTRO III

third series of TLTROs

TPI

Transmission Protection Instrument

U

UCITS

undertaking for collective investment in transferable securities

ÚPSVaR SR

Office of Labour, Social Affairs and Family of the Slovak Republic / Ústredie práce, sociálnych vecí a rodiny Slovenskej republiky

Glossary

B

bail-in tool

A key resolution tool provided for in the Bank Recovery and Resolution Directive (BRRD). Where a financial institution is failing or likely to fail, the bail-in tool allows its debts to be written down or converted into equity, thereby protecting taxpayers from having to provide funds to cover its liabilities.

D

data governance

The function that defines and implements the standards, controls, roles, responsibilities and best practices of the data management programme in alignment with data strategy.

(Source: Data Management Glossary of the Enterprise Data Management Council.)

data governance organisation

Also known as a data governance centre. A hybrid model is applied at the Bank, where a Data Governance Office is established within the Statistics Department and data domain stewards are assigned in other specialist departments. An important component of the Bank's set-up is the data warehouse competence centre in the Information Technology Department.

data management

This refers to the procedures and the architectural techniques and tools for ensuring consistency in data access and data delivery across the full spectrum of data domains needed to meet all data requirements.

E

e-commerce payments

Online payments made with a payment card.

ESG rating

An ESG rating expresses a qualitative assessment of an issuer in terms of the extent to which it applies environmental, social and

governance (ESG) principles in its activities. ESG ratings range from AAA (the best) to CCC (the worst).

ESG principles are applied in firms in order to address the following areas:

- environmental problems: global warming, energy and water use, climate change, pollution, etc.
- social problems: workforce diversity, labour laws, safety at work, etc.
- the way in which corporate governance is exercised: business ethics, management board composition and independence, accounting, etc.

Another way to look at these principles is that firms are currently exposed to environmental and social risks and that this exposure reflects the nature of their corporate governance and ability to mitigate these risks.

M

master data

Primary data that remain stable over time. Since these data are important for the organisation's operation, the organisation's different parts must communicate about them in the same way and have a common version of the truth. Master data are typically about customers or people in general, products, and financial instruments.

master data management (MDM)

A comprehensive data management solution featuring many resource-intensive processes. Because of this complexity, MDM implementation is recommended only for master data considered most critical to primary functions and processes - i.e. master data used in different business processes and residing in different systems, the inconsistency or poor quality of which could impair the organisation's performance.

microdata

Individual data on, for example, securities, market participants and credit products

P

pension system pillars

The pension system in Slovakia comprises three pillars: a state-run first pillar (pay-as-you-go); a private, defined-contribution second pillar (the quasi-mandatory old-age pension scheme); and a private, defined-contribution third pillar (the voluntary supplementary pension scheme).

R

regulatory sandbox

A platform where regulators allow fintech solutions to be tested in the market without having to fit into an existing regulatory framework. In Slovakia, the sandbox is operated by Národná banka Slovenska.



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