

MEETINGS OF THE NBS BANK BOARD

The 4th Meeting of the Bank Board of the National Bank of Slovakia was held on 8 February 2005, chaired by Ivan Šramko, Governor.

- The Bank Board of the National Bank of Slovakia reviewed the current situation on the financial market and decided to reject all the bids in the regular two-week repo tender. The NBS keeps on expressing its dissatisfaction with the development of the Slovak koruna exchange rate, which since the beginning of the year has strengthened vis-à-vis the reference Euro currency by 1.9%. This development has been particularly influenced by the short-term capital and expectations of further strengthening of the SKK exchange rate. The considerable part of the short-term capital is realized through the monetary operations in particular in the sterilization tenders of the National Bank of Slovakia.

The Bank Board of the NBS considers the current appreciation of the Slovak currency excessive, and as it has declared several times already, it is determined, in case of further excessive appreciation of the Slovak currency exchange rate, to use the accessible instruments also in the future. One of these instruments is also the rejection of sterilization bids.

The 5th Meeting of the Bank Board of the National Bank of Slovakia was held on 11 February 2005 chaired by Ivan Šramko, Governor.

- The Bank Board of the NBS approved the Decree on the issue of a commemorative silver coin in denomination of SKK 500, with the theme of the Protection of Nature and Environment and motif of Národný park Slovenský kras (the Slovak Karst National Park).

The commemorative coin is the fifth silver coin in an

occasional series with this theme. The coin is minted from alloy containing 925 parts of silver and 75 parts of copper. The weight of coin is 33.63 g and its diameter is 40 mm. The silver commemorative coin, designed by the sculptor Maria Poldaufova, was minted by the Bizuterie, Ceska mincovna, a.s. in a series of 8 500 pieces in mint quality and 3 600 pieces in proof quality. The coin will be on sale at the beginning of March 2005.

The 7th Meeting of the Bank Board of the National Bank of Slovakia was held on 28 February 2005, chaired by Ivan Šramko, Governor.

- The Bank Board of the NBS discussed the Situation Report on the Monetary Development of Slovakia in January 2005 and decided on the changes in interest rates as follows: the overnight sterilization rate to 2.00%, the overnight refinancing rate to 4.00%, and limit rate for two-week REPO tenders with commercial banks to 3.00%, effective as of 1st March 2005.

The Bank Board of the NBS approved mintage of coins in denomination of 50 haliers II (1996 pattern) in the number of 17 million pieces and coins in denomination of 1 SKK in the number of 10 million pieces.

The 8th Meeting of the Bank Board of the NBS was held on 1st March 2005, chaired by Ivan Šramko, Governor.

- Following its yesterday's decision on decreasing the interest rates, the Bank Board of the NBS has today decided to accept a part of bids in the regular two-week repo tender.

The Bank Board also concluded that they continue to consider the strengthening of the Slovak koruna exchange rate as inadequately fast.

Rationale behind the decision of the Bank Board of the NBS on interest rates

The Bank Board of the NBS at its 7th Meeting held on 28 February 2005 discussed the Situation Report on the Monetary Development of Slovakia in January 2005. Within the scope of the current inflation development assessment, the Bank Board of the NBS concluded that the development of consumer prices in January was more favourable when compared with the NBS_s expectations. The slower growth of prices was influenced by a decline in prices of tradable goods, in particular owing to a decrease in fuel prices and exchange rate appreciation vis-à-vis the euro currency. On the year-on-year basis, the inflation rate in January decreased more markedly as a result of a lower extent in administrative price

adjustments. The NBS's updated short-term predictions suggest that the year-end inflation development is below the midpoint of the target interval for 2005, and the price level in February should be affected by the continuing price growth in the housing sector, as well as the seasonal growth of foodstuff prices. The month-on-month dynamics of consumer prices, should however, be slower against January.

The development of real economy indicators in December keeps corresponding with their longer-term development and supports the expected growth tendency of the domestic demand both in the area of investment demand and final consumption. The external balance development observes also the several-month trend of deepening the cumulative trade balance deficit with an expected impact on increasing the share of



negative growth of net export in the created GDP in 2004.

When deciding on interest rates, the Bank Board of the NBS took also into account the current development on the foreign-exchange market.

The influence of various factors affecting the dynamic appreciation of the Slovak koruna vis-à-vis euro persisted also in February. The rate of nominal appreciation as well as the tendency towards the ongoing strengthening are not in line with the balanced development of the exchange rate of the Slovak koruna and its excessive appreciation could cause the undue and unreasonable decrease of inflation, which would be reached to the detriment of the economic growth. Simultaneously, such development would mean a risk for the continuation both the real and the nominal convergence of the Slovak economy. Considering the fact that the latest information on the macroeconomic development does not constitute the additional impulse for such a dynamic appreciation of the exchange rate, it is evident that it is a short-term capital effect, motivated by the expectations of the further strengthening of the Slovak koruna exchange rate vis-à-vis the euro as well as the positive interest differential. This is manifested even by the fact that in the sterilization position of domestic commercial banks, part of the short-term capital is realized also in the standard NBS's monetary-policy operations.

In February, the NBS intervened with the interventions in the foreign-exchange market with the aim to prevent the

exchange rate of the Slovak koruna from its further inappropriate appreciation. At the same time, the Bank Board of the NBS at its regular meetings, where it decides on the monetary-policy operations in the financial market, decided on rejecting all the bids of commercial banks within the NBS sterilization tender. On the grounds of unacceptable development in the forex market, the Bank Board of the NBS utilized the non-sterilized interventions.

The Bank Board of the NBS considers the situation in the foreign-exchange market unsatisfactory, since the continuation in such a dynamic imbalanced appreciation from the beginning of the year may jeopardize the fulfilling of the inflation target in the medium term. The acceptance of the current development would be demonstrated in the considerable diversion of the current rate development from the balanced one and this, in other words, would mean a risk in future in the form of depreciation of the Slovak koruna with the undesired impacts on the price development and economic stability. To this end, the NBS is, in accordance with its strategy, prepared to operatively use any tool available in order to reverse the undesirable development in the exchange rate area.

Having considered all these factors, the Bank Board of the NBS decided on decreasing the interest rates as follows: two-week repo tender limit rate set at 3%, overnight refinancing rate set at 4%, and overnight sterilisation rate set at 2%.

Press Department of the OVI NBS

PRESS REPORTS

New Payment Terminals

The VÚB, the bank with the largest network of payment terminals in the Slovak Republic – more than 5,800, has concluded an agreement with the company Transacty Slovakia, on the implementation and operation of an integrated solution to the connection of the payment terminals in a newly opened Bratislava department store.

It involves the first installation of 32 bit payment terminals of the Ingenico type, equipped with the Ethernet interface and connected by means of the local LAN net and the TCP/IP protocol through the GPRS network. Software for the whole solution was developed by the company Transacty Slovakia.

An advantage for the operator of the department store is effective acceptance of payment cards with optimized operating costs, and for the final customer the high speed of carrying out transactions.

The solution uses modern communication technologies, which enable the creation of an effective infrastruc-

ture for an integrated solution without the need for implementation of special elements of infrastructure only for the payment terminals. It involves especially use of the local Ethernet network with structured cabling and data transfer by means of the GPRS network through the air.

The VÚB bank has 207 retail and 26 company branches in Slovakia. It is a member of the international banking group Gruppo Banca Intesa. The VÚB has won the prestigious „Award for Excellence 2004“ from the magazine Euromoney as the best bank in Slovakia, and the prize „Bank of the Year 2004 in Slovakia“ from The Banker magazine.

Transacty Slovakia a.s., a member of the EPI group, secures the uninterrupted authorization and processing of electronic transactions on-line in the network of bankomats and payment terminals. For more than ten years, it has provided its services to financial institutions and it now employs 130 people.

Patricia Packová, Transacty Slovakia, a. s

The Office for the Financial Market has published a list of well-known rating agencies

On 24th February 2005, the Office for the Financial Market published a list of well-known agencies specializing in evaluation of investment risks (rating agencies) on its Internet site www.uft.sk. This list will also be published in the gazette of the Office for the Financial Market.

The first seven rating agencies were placed in a list in harmony with the provisions of § 87 paragraph 5 of Act

no. 43/2004 Z.z. on old age pension saving and on amending and supplementing legislation in accordance with later legal norms, according to which the office will include in the list rating agencies, which are included in a similar list or approved to perform this activity by the appropriate institutions of member states of the EU or OECD. Only ratings assigned by these rating agencies can be taken into account by companies managing pension funds, when deciding on investment of the pension funds.

M. Kačmár, ÚFT

List of well-known agencies specializing in rating of investment risks

No.	Name	Address	Date of registration
1.	CRA RATING AGENCY	Washingtonova 17, Praha, 110 00 Czech Republic	24. 2. 2005
2.	Dominion Bond Rating Service	200 King Street West, Toronto, ON M5H 3T4 Canada	24. 2. 2005
3.	Evropská ratingová agentura	Na Příkopě 392/393, Praha, 110 00, Czech Republic	24. 2. 2005
4.	Fitch Ratings	One State Street Plaza, New York NY 10004, USA	24. 2. 2005
5.	Mikuni & Co.	Toranomon 45 MT Building, Tokyo 105-0001, Japan	24. 2. 2005
6.	Moody's Investors Service	99 Church Street, New York NY 10007, USA	24. 2. 2005
7.	Standard & Poo's	55 Water Street, New York NY 10041, USA	24. 2. 2005

PRESS REPORTS FROM THE ECB

Report on the International Position of the Euro

The European Central Bank has published its annual Report on the International Position of the Euro on its Internet page. It is the fourth report of its type. Like the previous

reports, it reflects the continuing effort of the ECB to monitor and analyse the use of the euro by people outside the Eurozone.

The report can be found on the ECB page in the Publications sections. The printed version can be ordered in writing from the address: Press and Information Division, ECB.

Report on the State of Development of the TARGET2 System

The board of governors of the ECB has approved the creation of a Single Shared Platform for the TARGET2 system on the basis of a joint proposal by three central banks: the Banca d'Italia, Banque de France and Deutsche Bundesbank.

The report on the state of development of the TARGET2 system is concerned with three main questions – the provision of services, price policy and the transition to

the new TARGET2 system. The board of governors decided on these questions on 16th December 2004. All the central banks of the Eurozone confirmed their participation in the TARGET2 system. Eurosystem will continue to inform the public about the state of development of the TARGET2 system.

The full text of the report can be found on the Internet page of the European Central Bank:

<http://www.ecb.int/pub/pdf/other/target2progressreport200502sk.pdf>

Source: ECB, Press and Information Division