

Institutional Developments



11 Institutional Developments

The Audit of Management Processes and Activities conducted in Národná banka Slovenska during 2006 produced a comprehensive report and a recommendation proposal for organizational structure optimization. Its gradual implementation over the course of 2007 initiated the process of organizational structure optimization aimed at achieving maximum effectiveness of internal management system. This process also entailed necessary staff reductions.

11.1 Organization and management

In line with the conclusions of the Audit, the new Bank's Organizational Rules were approved. They came into effect on 1 February 2007, and brought about major changes to the management of Národná banka Slovenska, which are as follows:

- Introduction of a new system of management of Bank's divisions and units with 9 management areas headed by the members of the Bank Board,
- Streamlined management processes by elimination of one management level (division chief executive directors) and by a reduction of the number of managers from 132 to 109,
- Streamlined position plan of NBS.

Three amendments to the Organizational Rules adopted in 2007 brought about certain improvements in the organizational structure and regrouped activities performed in the individual management areas, primarily as a result of the appointment of a new Vice Governor.

Bank Board of Národná banka Slovenska

The Bank Board of Národná banka Slovenska is the supreme management body of Národná banka Slovenska; pursuant to NBS Act it consists of 11 members. The scope of its powers is laid down by the NBS Act, other generally binding regulations, and the NBS Organizational Rules.

With effect from 10 January 2007, RNDr. Karol Mrva, whose previous tenure ended on 30 November 2006, was reappointed as a Bank Board member. Ing. Viliam Ostrožlík, MBA, became a new member

of the NBS Bank Board on 1 March 2007; he was appointed a Vice Governor of NBS on 11 July 2007. With effect from 1 June 2007, Ing. Gabriela Sedláková was appointed an external member of the NBS Bank Board.

As at 31 December 2007, members of the NBS Bank Board were:

- Ing. Ivan Šramko, Governor
- Ing. Viliam Ostrožlík, MBA, Vice Governor, responsible for the coordination of the euro introduction policy and for the Financial Management Department, Human Resources Management Department and International Relations and Communication Department
- Ing. Martin Barto, CSc., Vice Governor, responsible for integrated financial market supervision
- Ing. Milena Koreňová, responsible for the management of payment systems and currency circulation
- Ing. Peter Ševčovič, responsible for the management of the monetary policy area
- RNDr. Karol Mrva, responsible for the management of financial markets operations
- Ing. Slavomír Šťastný, responsible for the management of financial education and information technology
- doc. Ing. Jozef Makúch, PhD., responsible for the management of security and premises areas
- Mgr. Ľudovít Ódor, responsible for the management of research
- Ing. Gabriela Sedláková, external member of the NBS Bank Board

11.2 Human resources

11.2.1 Personnel

During the course of 2007, the number of planned positions and thereby the number of employees was substantially reduced as a result of an organizational change effective from 1 February 2007.

The number of planned positions in NBS fell by 75 as at 1 February 2007, from 1,221 to 1,146, by further 16 as at 1 July, and by 12 as at 31 December, to a total of 1,118. In 2007, the number of planned positions decreased in total by 103 positions, i.e. by almost 8.5% against 2006.



NBS organizational structure as at 31 December 2007





NBS Bank Board¹⁹

Front row: Viliam Ostrožlík – Vice Governor
(left to right) Ivan Šramko – Governor
 Martin Barto – Vice Governor

Back row: Peter Ševčovic – Member of the NBS Bank Board, Executive Director, Monetary Area
(left to right) Ľudovít Ódor – Member of the NBS Bank Board, Executive Director, Research
 Milena Koreňová – Member of the NBS Bank Board, Executive Director, Payments System and Currency Circulation
 Slavomír Šťastný – Member of the NBS Bank Board, Executive Director, Banking Education and Information Technology
 Karol Mrva – Member of the NBS Bank Board, Executive Director, Financial Market Operations
 Gabriela Sedláková – Member of the NBS Bank Board
 Jozef Makúch – Member of the NBS Bank Board, Executive Director, Security and Premises

As at 31 December 2007, NBS had 1,075 employees (99 employees less than in 2006), which represents a reduction of some 8.5%, similar to the fall in the number of planned positions.

A total of 167 employees ceased to be employed by NBS in 2007. Out of these employees, 106 were made redundant due to the organizational change.

Since NBS underwent restructuring, new employment contracts were concluded, and 69 employees were recruited. Employees from outside NBS were taken on only if no NBS employee showed interest in the position within one of 68 internal recruitment campaigns organized over the course of the year.

11.2.2 Personnel development

The organizational change and associated personnel changes in 2007 did not influence the employee structure to a significant extent.

The age structure of employees is almost identical with that of 2006. The share of employees up to 30 years fell by 1% and that of employees in the age group from 31 to 40 grew by 1%. The largest group consisted of employees aged 31-40, numbering 344 (32%) as at 31 December 2007.

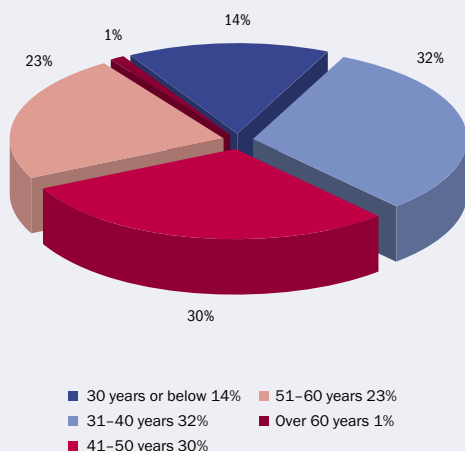
The balanced and almost unchanged age structure of the staff corresponds with the structure of staff in terms of length of service at NBS, where no changes occurred as compared to 2006. The largest group (610) includes employees with a length of service between 11 and 20 years, and the second largest group is represented by employees with a length of service of less than 5 years (240 employees).

The structure of employees according to the educational background is also comparable to that of 2006. The number of employees with elementary and vocational education decreased by 0.5%. The shares of employees with secondary-school education (school leaving certificate) and with university education are

¹⁹ As at 31 December 2007.

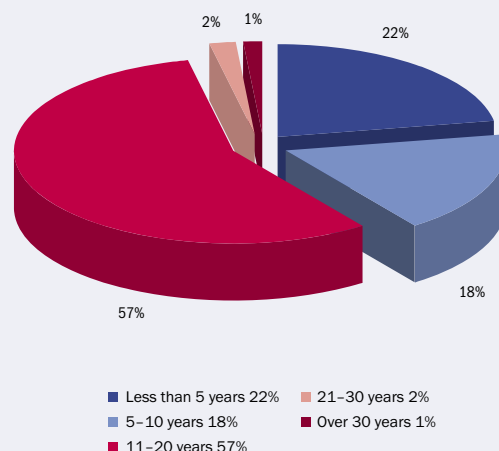


Chart 55 NBS staff by age



Source: NBS.

Chart 56 NBS staff by length of service at the Bank



Source: NBS.

the same as in 2006, 30% and 50%, respectively. A positive trend is the increase in the number of employees with a degree in sciences, which constituted about 2% of the total staff in 2007.

As a result of the organizational changes in 2007, the total number of employees decreased by 8.5% in 2007, with the number of managers falling by as much as 18%.

The percentage shares of male and female employees did not change in 2007 against 2006 and stood at 47% and 53%, respectively.

11.2.3 Employee remuneration

The principles and rules of remuneration at NBS are regulated by NBS internal regulation No. 20/2002 on remuneration of NBS employees as amended. An amendment to that regulation was adopted in 2007 as a result of an amendment to the Labour Code in force from 1 September 2007.

The average wage at the Bank in 2007 was SKK 43,420 with an index of 107.8 in comparison with 2006. Statutory premium contributions for 2007 amounted to SKK 174,147,000.

11.2.4 Social expenses

Social expenses in 2007 included severance payments (and compensatory provision) of 70,558,000 SKK in connection with termination of employment

due to organizational changes. Social expenses also included payments made on the termination of employment contracts (including compensations) due to retirement, disability and early retirement of 66 employees, in the total amount of SKK 7,238,000. NBS social expenses in 2007 included contributions to supplementary pension saving and pension insurance, totalling SKK 21,875,000.

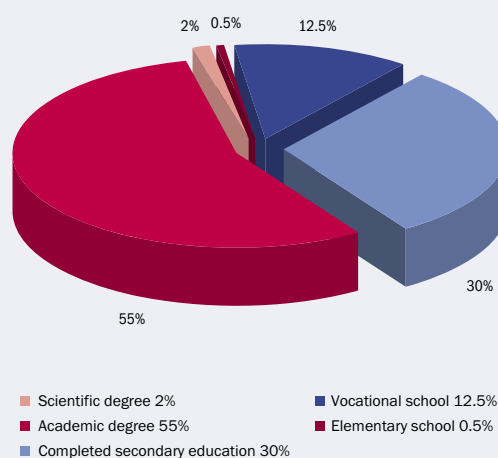
11.3 Training and Education

By joining the European Union and adopting the Lisbon Strategy, Slovakia has set out on the road towards a competitive knowledge-based society and economy. In harmony with this strategy NBS considers training and education one of the most important aspects of furthering the professional and personal development of its employees and thus of improving the quality of their work. NBS training and educational activities are organized by the Institute of Banking Education (IBE) and they are provided not only for NBS staff, but also for the banking sector and other financial institutions employees. The quality management system implemented in the IBE complies with the International Standard of Quality Management System ISO 90012000, which the Institute is certified for.

The prevailing training form is classroom training which is supplemented, to a lesser extent, by distance learning programmes. One of the most interesting distance learning projects is "The Preparatory Course for the European Foundation Certificate in Banking (EFCB)". In the capacity of the only provider of the course in Slovakia accredited by the European Bank-

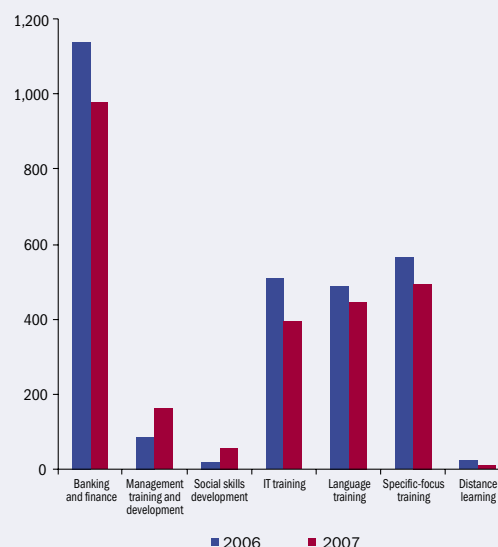
Chart 57 NBS staff by education (%)

(%)



Source: NBS.

Chart 58 Number of NBS participants



Source: NBS.

ing & Financial Services Training Association (EBTN) to hold the exams and to award internationally valid and recognized EFCB certificates, the IBE has been running this course since 2005.

11.3.1 Training and education of NBS employees

In 2007 NBS employees attended 553 training and educational events at which they spent 49,312 hours. The total number of NBS employees who took part at the events was 2,543. In comparison with 2006 both the number of training and educational events and participants decreased slightly which was due to extensive organizational changes and a reduction of the total number of employees of NBS. The ratio of training and education related expenses to wage costs rose slightly year-on-year, reaching 4.33%. Altogether NBS staff spent 2.27% of their total usable working time in training and education.

As in the previous years, the main focus of NBS staff training and education in 2007 was on technical issues of professional training in banking and finance. Other significant areas included specific-focus training, language training, and IT training. The total NBS employee participation by training category, as compared to 2006, is shown in Chart 58.

Professional training in the area of banking and finance centred on the issues directly relating to the performance of the tasks emerging from NBS membership in the European System of Central Banks (ESCB), from the planned entry into the Eurosystem

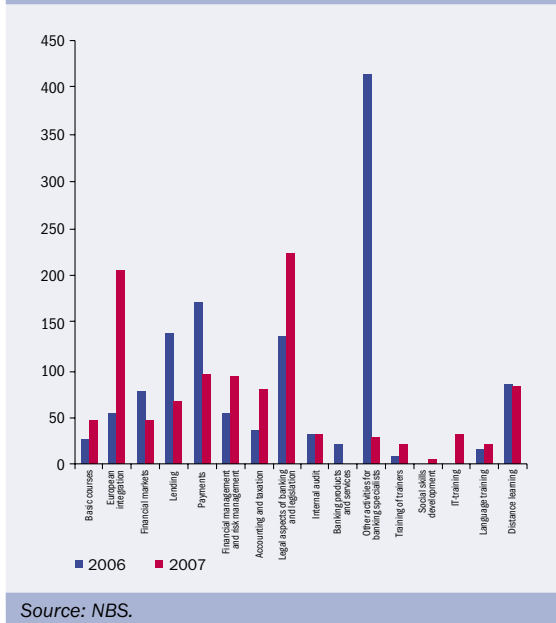
and from the introduction of the euro in Slovakia, as well as on enhancing the European dimension of NBS activities and, to a considerable extent, on financial market regulation and supervision issues, including risk management. To carry out specialized professional training activities organised within the framework of the foreign technical cooperation which are provided free-of-charge, for years NBS has been predominantly utilizing the offers of such institutions as the International Monetary Fund, the BIS Financial Stability Institute in Basel, as well as the national central banks of the EU and other countries (the United States, Switzerland). In 2007 such foreign training and educational events (numbering 141) were attended by 174 NBS employees.

NBS staff also took part in common training activities organized within the ESCB and in so-called Open Seminars offered by the ESCB central banks. For the first time NBS experts were involved as speakers in some of the ESCB common training activities.

In 2007 the IBE continued training new NBS employees by running a special course "Orientation Fundamentals for an NBS Employee", as well as so-called European integration education, mainly in the form of short, half-day and one-day seminars on current issues. In comparison with 2006, considerable growth was registered in the number of events and participants in the management training and development, above all in connection with instructing managers about creation of the cards of working positions. A quite considerable fall occurred in language training and a slighter decline in IT training.



Chart 59 Training and education for employees of financial institutions (in numbers of participants)



NBS supports also the employees who raise or enhance their qualifications for work purposes through external university study or certified educational programmes. Besides taking care of training and education of its own staff, NBS provided 8 students of secondary vocational schools with the opportunity to perform their practical training in NBS. Seven university students were given the opportunity to perform their diploma practical training or to take part in consultations on their diploma thesis topics in NBS. Moreover, NBS received 15 university students from the Instituto Tecnológico de Monterrey of Mexico for a one-day study visit.

11.3.2 Training and education for commercial banks and other financial institutions employees

In 2007, the Institute of Banking Education prepared and held 93 training and educational events attended

by a total of 1,076 employees of banks and other financial institutions. The structure and contents of these events emerged from the needs of target groups, in particular banks.

The core of the IBE programme comprised expert-oriented training and educational events on topical technical issues of banking and finance. Participation by training category, as compared to 2006, is shown in Chart 59.

The numbers reflect the current relevance of the issues dealt with to practical needs. The categories of training and educational events which attracted the most interest in 2007 were “European Integration” and „Legal Aspects of Banking and Legislation“. The interest in other categories remained relatively stable.

The training events were usually held in the form of interactive and practical seminars during which trainers used primarily participative teaching methods which facilitated active involvement of participants in the training process and the acquisition or development of practical knowledge and skills.

11.3.3 Internal trainers

Despite their demanding work duties, internal trainers – members of NBS staff – were able to make time to take active part in preparation and realization of training and educational events and to share their expertise and experience with their colleagues from NBS and with the employees of commercial banks and other financial institutions.

NBS experts also participate in teaching activities within the context of providing foreign technical cooperation and assistance and their presentations are performed at a high professional level.

In 2007 altogether 60 NBS experts were involved in teaching activities and made a total of 131 training presentations.