



## NBS Bank Board Meeting

Bank governor Marián Jusko chaired the 4<sup>th</sup> meeting of the Bank Board of the NBS held on 22 February 2002.

- The Bank Board of the NBS approved the report on monetary development for January 2002. The fall in annual inflation in January was in accordance with the short-term forecast of the NBS of December 2001 and with its Monetary Programme.

In subsequent months, the development of consumer prices will be determined, to some extent, by lapsing of the effect of changes to regulated prices from February 2001. This should result in a significant reduction in headline inflation of up to the level of 5%. At the same time, the NBS forecasts a weakening in the effect of other cost factors, as demonstrated in a slow-down in the dynamics of industrial producer prices. This development should also result in a subsequent decrease in core inflation.

In drawing up its monetary policy, the Bank Board of NBS took into account the development of the current account of the balance of payments, the deficit of which, according to preliminary data, reached in 2001, an estimated 9.1% share of GDP. In 2001 there were some problems with re-financing of the foreign trade deficit. From the long-term point of view, however, it is not possible to consider such a development as sustainable. Based on predictions for the following months, the NBS does not expect an improvement in the development of the trade deficit. The fall in economic activity of our business partners, as well as inadequate flexibility in the microsphere, in connection with changing conditions in foreign markets and high import absorption of production, will continue to have a negative effect on exports. In the coming period a seasonal decline in domestic production and exports can be expected. With regard to the high import absorption of the Slovak economy, this will probably result in reduced import dynamics. The excess of growth in imports over exports, however, will continue to generate high deficits in the balance of trade.

The expected development in consumer prices suggests a relatively positive disinflationary trend (even where this is largely influenced by the slowdown in the deregulation process) and the development of monetary aggregates does not signal a change in trend in comparison with the mo-

netary programme for 2002. A high trade deficit however, poses a risk to future economic development. The forecast for the first quarter of 2002 does not foresee a change in this adverse development. In view of this, the Bank Board of the NBS decided to leave the official interest rates of the NBS unchanged.

The Bank Board of the NBS approved the draft act which amended and supplemented the Act of the National Council of the Slovak Republic no. 202/1995 Z.z. the Foreign Exchange Act and Act which Amends and Augments the Act of the Slovak National Council no. 372/1990 Zb. on Offences as amended, and Act no. 229/1991 Zb. on the Regulation of the Ownership to Land and other Agricultural Property as amended.

The approved amendment in essence brings to an end legislative regulation as a tool in the process of liberalising capital movement, whilst gradually cancelling individual regulatory provisions of the act.

The amendment to the act:

a) with effect from 1. 1. 2003:

- cancels provision § 16 of the act, i.e. it frees-up financial derivative operations,

b) with effect from 1. 1. 2004:

- cancels provision § 10 of the act, i.e. it cancels repatriation duty and enables Slovak citizens to open accounts abroad,

- enables Slovak citizens to purchase, sell or change financial resources abroad,

- cancels provision § 20 of the act, i.e. it enables Slovak citizens to purchase real estate abroad,

- cancels provision § 21 of the act, i.e. it enables Slovak citizens to invest abroad,

c) as of the date of accession to the EU:

- enables foreign citizens to acquire real estate in Slovakia with the exception of agricultural and woodland and except property, the acquisition of which is covered by specific regulations (e.g. mineral resources, water resources, etc); individual farmers from member states of the EU with temporary residence in Slovakia and who have been farming land in Slovakia for at least three years, may acquire such land as of the date of accession to the EU.

The amendment includes further changes that however are of a legislative-technical nature.

**Press Department of OVI NBS**

## Memorandum of Understanding

On February 7, 2002 the Financial Markets Authority signed a Memorandum of Understanding concerning co-operation in the field of regulation of the insurance industry with the supervisory body for the insurance industry of Austria, the Bundesministerium für Finanzen (BfF).

This is already the third memorandum signed in the history of the Financial Market Authority, the first became a si-

milar agreement concluded with the Czech Commission for Securities on co-operation of both supervisory bodies in the field of capital market, then followed by a memorandum of understanding with the supervisory body for the insurance industry field of the Federal Republic of Germany, the Bundesaufsichtsamt für das Versicherungswesen (BAV). The purpose of this agreement on the co-operation and exchange of information between the Financial Market Authority and BAV is, in general, to protect the insurance market and

insured clients, support the integrity, stability and efficiency of the insurance sector at a time of continuing internationalisation and globalisation of financial markets.

The memorandum of understanding concerning co-operation in the field of regulation of the insurance industry between the Financial Market Authority and BfF sets the fra-

mework for such co-operation of the two supervisory bodies, including the communication channels, increasing mutual understanding and the exchange of information and assistance within the extent allowed by laws and legal regulations.

**M. Kačmár**

### Financial results of ČSOB for 2001

During 2001 ČSOB (the Czechoslovak Commercial Bank) held fourth place in the Slovak banking market in terms of its share of deposits, balance sheet total and profit. Deposits grew by 18% to SKK 49.577 billion and the volume of (net) loans grew by 47% to SKK 11.052 billion. Dramatic growth was recorded in the number of clients, which has increased by almost 39%. To this contributed

also the introduction of a new product – consumer loans from May 2001. These are quickly accessible financial resources in the amount from SKK 20 000 to 750 000, which ČSOB provides only on the basis of two documents of identity and income confirmation. In October 2001 ČSOB also gained a licence for providing mortgage loans, which it is planning to introduce into their product range in the course of 2002. The bank's net profit in Slovakia after taxation in 2001 reached SKK 522.6 million. –pol–

### Transformation Process of Slovenská Sporiteľňa, a. s. (SLSP)

The aim of the process is the transformation of SLSP to international standards, in particular in the field of the quality of the service provision to clients and the integration of the bank into the financial group Erste Bank. The process is being realised through 11 key projects: retail banking, business centres, restructuring the headquarters, human resources, credit risk management, controlling, corporate identity, strategy acquisition, building and property administration, information technology and asset management. The projects asset management and central purchasing were completed in December last year.

#### Main milestones of the transformation in 2001:

- through the consistent adherence to the rules of central purchasing savings of 23% have been achieved from the total volume of purchases, which represents SKK 275 million,
- establishing of the subsidiary Sporo Asset Management a.s. (SAM) and the introduction of the sale of share certificates in SAM in the SLSP business network,
- in the framework of improving of sales skills and approach to clients, 3 500 front-office employees were re-trained in November and December,
- approval of the organisational structure of the bank headquarters, through which the bank's management has been made more efficient,
- establishing a risk management division, which monitors the overall risk position of the bank in respect of non-bank clients,
- introduction of a new competency code for approving of loans, which will bring more control and toughen rules and at the same time is crucial for shortening the time needed for approving loans and lowering the number of classified loans. The transformation process in Slovenská sporiteľňa a.s.



(SLSP) started in January 2001, immediately after concluding the purchase contract with the new majority owners, Erste Bank der oesterreichischen Sparkassen AG. In June 2001, following thorough analysis and definition of strategy and objectives, the transformation programme entered its implementation stage. The process is to be completed by February 2003.

#### Slovenská sporiteľňa, a. s., has its ombudsman

As of January 2002 an ombudsman team started work in SLSP, the first in a Slovak bank. Clients may take the option of talking openly about their ideas, suggestions and complaints. The basic task of the ombudsman team is to take care of the level of client satisfaction, actively work with their proposals and ideas and to try to find the best possible solution for them.

“As the largest retail bank we feel the need to know the opinions of our clients on the services and products we provide. The ideas of our clients are for us a precious resource for improving the quality of our services,” said at a press conference Regina Ovesny-Straka, the chairperson of the board of directors and general director of Slovenská sporiteľňa.

**Prepared by: Soňa Babincová**

**Photo: SLSP archives**