

FOR SUPPORT AND EFFICIENCY

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It is now over two years ago that the Slovenská záručná a rozvojová banka, a. s. (Slovak Guarantee and Development Bank), was transformed into a joint-stock company. The change of this formerly state financial institution into a joint-stock company was necessitated by the needs of the time to make the bank's activity more economic.

Support banks of our type in member states of the European Union are run as joint-stock companies – banks – whose activity is governed by the law on banks of the given country. Their main task is to correct certain market fluctuations and to positively influence the development of the economy alongside the concurrent realisation of the economic and political intentions of the government. The support activity of the bank must be targeted, efficient, neutral and in every case cannot contain any features of competition. SZRB, too, has adopted these principles and endeavours to apply them in practice. For more than two years we have been changing the bank's organisational structure significantly so that it is in line with the law on banks, but also so that it is better able to satisfy the needs of its clients.

We are fully aware that only organisational changes will not bring us towards the aims set. Therefore we place great emphasis on the change in working procedures and that of the approach to our clients. As regards our clients, we serve not only small and medium sized enterprises (SMEs), but also partner banks and, in the broader meaning of the word, also individual industries.

The first positive results are already apparent. We have succeeded in shortening the average period for handling applications and introduced some new products. Above all else, I would pinpoint the new guarantee scheme in the framework of which we are willing to co-participate in up to 70% of the risk to a partner bank. This product allows us to significantly expand cooperation with commercial banks, since we do not require any direct security from our clients. The drawing of our guarantees is to a certain degree determined by the interest on the part of commercial banks. A specific guarantee product is SOLVENT BIZNIS KARTA provided by OTP Bank Slovensko and where SZRB provides a 50% guarantee. This form of cooperation with commercial banks appears



to be very efficient, since it creates the opportunity to exploit the distribution channels and know-how of a commercial bank for the performing our supporting mission. We are striving for this form of cooperation to be expanded and implemented also in relation to other partner banks.

In the coming future we are to establish a similar product with another bank – Tatra banka. In order to fulfil our main mission, that is the promotion of SMEs, we offer our products also directly. A totally new product is micro-credit which we provide up to the amount of SKK 1.5 million under advantageous interest conditions. In the near future we are planning to introduce also other products such as a credit programme for the support of female-run businesses, financing of agricultural regions, etc.

With a view to fulfilling our development function we provide guarantees to towns and municipalities for drawing credit from the State Housing Development Fund, and we have also contributed significantly to the financing of water supply companies. In financing environmental projects we offer a credit line to the Nordic Investment Bank with an interest rate of 5% p.a. As we are a bank owned by the state we have the obligation to also cooperate with individual departments, where we put high hopes in our products which could assist in the introduction of repayable financial aid.

We have expanded the network of regional offices so that our support is available to a broader layer of entrepreneurs. In 2004 we opened offices in Trnava, Trenčín and Liptovský Mikuláš.

For the two years of the bank's existence we have always achieved a profit. I will give a few figures: at the end of the first half-year of 2004 the bank's capitalisation was 24.62%, where as at 31.12.2003 the average for the sector was 8.97%. On the same date the ROA reached 3.70 – while for the sector 1.14, and the ROE indicator stood at 14.28 – for the sec-



tor 12.32. The begun reorganisation of the bank also brought fruit in 2004. The bank provided 506 direct loans, 99 indirect loans and 412 guarantees. With regard to these numbers it can be said that SZRB is a sound bank, able to achieve profit alongside performing its supporting role.

The primary external tasks of the bank include expansion of cooperation with commercial banks both in the field of providing guarantees as well as in co-financing large projects with a link to the use of eu-rofunds. I would mention, too, the efforts to expand

cooperation with NARMSP (National Agency for the Development of Small and Medium Sized Enterprises) where we see room for the provision of guarantees for their credit programmes.

We are also trying to cooperate more closely with professional organisations, e.g. with the Slovak Free-Traders' Association, the Slovak Chamber of Commerce and Industry and others with the aim of using also these distribution channels for selling products of the Slovak Guarantee and Development Bank.