Meetings of the NBS Bank Board

The 14th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Marián Jusko, Governor, was held on 12 July 2002.

• The Bank Board of the National Bank of Slovakia approved the Decree of the National Bank of Slovakia on the safe operational rules of banks and branch offices of foreign banks when trading in foreign currencies, gold and financial instruments. This Decree provides certain requirements for management, organizational structure, internal regulations and procedures in banks when carrying out these trades.

The new Decree has been prepared on a basis of the new Banking Act (Act No. 483/2001 Z. z.).

The 15th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Marián Jusko, Governor, was held on 26 July 2002.

• The Bank Board of the NBS approved the Situation Report on Monetary Development in Slovakia in June 2002. The ongoing decrease in the year-on-year headline and core inflations in June corresponded with the NBS expectations. This development was influenced mostly by a more significant slowdown in the growth pace of seasonally volatile prices of foodstuffs and fuels. Consumer prices have continuously been defined by non-inflationary influence of consumer demand. Depreciation of the exchange rate of the Slovak koruna to the euro was not reflected in the development of inflation in June, on the other hand, depreciation of U.S. dollar to euro and thus to the Slovak koruna represented a dampening factor in the price development through strategic commodity prices.

Development of foreign trade in May was characterized by a significant growth in the balance deficit, due primarily to a large fall in exports, at the slight slowdown in the year-on-year growth of imports, which had continued to be relatively high in absolute terms.

Based on the continued growth in the trade balance deficit, and also current sustaining risks generated from the influence of public finance on domestic demand, the Bank Board of the National Bank of Slovakia decided on leaving its key interest rates unchanged, in spite of a more significant slowdown in the year-on-year pace of consumer prices; the limit rate for standard repo tenders at 8.25%, overnight sterilization rate at 6.5% and overnight refinancing rate at 9.5%.

Over the months to come, the NBS expects continued favourable price development owing to the non-inflationary influence of consumer demand. Although the pace of core inflation should show a slight acceleration in July, this, however, would not be a result of overall acceleration in price growth but a result of different development of some consumer basket items compared with the same period last year. This trend should also continue in the second half-year. As the adjustments of last July related to regulated prices will no longer have any effect, the headline inflation should keep its decreasing trend in July. Its development should follow the core inflation over the period to come.

Based on the final results, the Bank Board of the NBS approved the Report on Development of the Banking Sector and the Assessment of Prudential Undertaking for the Banking Sector as of 31 December 2001. Over the above-mentioned period the restructuring and privatization of the banks with a decisive volume of assets in the Slovak banking sector was completed. The results for 2001 confirmed stabilization of the SR banking sector development, which was reflected in the improved structure of assets, rise in the capital adequacy for the banking sector as a whole, and in lower ratio of classified loans. Financial indicators and prudential banking ratios also improved. A transfer of loss loans equalling SKK 105bn to the Konsolidačná banka, š.p.ú. and to the Slovenská konsolidačná, a.s. had a significant influence on the economic result of the banking sector. The total income from the privatization of banks (VÚB, a.s., SLSP, a.s., and IRB, a.s. amounted to SKK 42.7bn). The gradual privatization was also reflected in the increasing capital interest of foreign investors in the total subscribed registered capital of banks. In 2001, crucial changes were made to the Slovak legislation that significantly strengthened the position of the banking supervision. The amendment to Article 56 of the Constitution of the Slovak Republic carried out by the constitutional Act, stipulated independence of the NBS with its independent legislative initiative. Over the given period the banks pursued conservative lending policy and new lending products were targeted predominantly at households.

Banking Sector Development

1. As of 31 December 2001, the banking sector comprised twenty-one banking entities (thereof nineteen banks and two branch offices of foreign banks) and ten representative offices of foreign banks.
2. As of 31 December 2001, the banking sector was in net profit of SKK 9.1bn, which means a year-on-year increase of SKK 4.7bn.
3. Total capital adequacy was 19.75 % (without Konsolidačná banka, š.p.ú.)
4. Registered equity in the banking sector was SKK 53.2bn.
5. Total assets stood at SKK 929bn.
6. Total loans were SKK 338.7bn.
7. Classified loans amounted to SKK 74.5bn (a decrease of SKK 14.1bn on a year-on-year basis) and their ratio without Konsolidačná banka š.p.ú. was 14 %.

Banking Supervision Performance

The amendment to the NBS Act and the new Banking Act significantly influenced the regulatory and supervisory powers. These legal norms strengthen the position of the NBS in banking supervision. They provide for the independent proceedings and decision taking of the banking supervision in the first instance. These approximate the Slovak banking legislation to the relevant Directives of the European Union. The implementation of basic objectives stipulated in the Long-Term Supervisory Development Plan, approved in the context of meeting the conditions agreed with the international institutions, was the first step towards changes in the internal procedures of the banking supervision. Along with the implementation of the organisational changes in the Banking Supervision Division in 2001, the Mission Statement for Banking Supervision and the Code of Ethics of Banking Supervision, being a part of the Long-Term Supervisory Development Plan, were also important. In 2001, the Banking Supervision carried out six examinations in five banks. There were two full-scope and four targeted examinations carried out.

The Bank Board of the NBS approved the Report on Development of the Banking Sector and the Assessment of Prudential Undertaking for the Banking Sector as of 31 March 2002. The process of the banking sector restructuring continued by the winding-up of Konsolidačná banka and the process of the banking sector privatization continued by the IRB entering the final stage of privatization. The change of the ownership structure in Istrobanka was carried out.

The development of the assets structure of the banking sector has had an improving trend, mainly in the decrease of classified loans ratio, though their volume is still significant. Apart from the improvement of the financial indicators of the banking sector, also prudential limits (capital adequacy, credit exposure) have been met.

Banking Sector Development

1. As of 31 March 2002, the Slovak banking sector comprised twenty banking entities (thereof eighteen banks and two branch offices of foreign banks) and nine representative offices of foreign banks. Five banks and one branch office of a foreign bank had a licence to deal in mortgage instruments.
2. As of 31 March 2002 the net profit reported by the banking sector equalled SKK 3.2bn.
3. As of 31 March 2002 the capital adequacy for the banking sector reached 19.93%.
4. The subscribed registered capital in the banking sector reached SKK 38.8bn in the first quarter of 2002 (due to the winding-up of Konsolidačná banka it decreased by SKK 14.4bn). The foreign investors participation in the total subscribed registered capital of the banks represented 81.5%.
5. Total assets of the banking sector reached SKK 919bn in the first quarter.
6. The volume of loans of the banking sector rose moderately to SKK 316.4bn.
7. Classified loans reached SKK 42.6bn and their ratio on loans was 13.5%

Banking Supervision Performance

Over the given period the Banking Supervision performance was focused on the consistent monitoring and assessment of risks connected with banking activities. The identified facts have currently been proceeded pursuant to the Banking Act.

The Banking Supervision of the NBS has prepared memoranda of cooperation with supervisory authorities in Germany, Hungary, Austria and Italy to ensure the banking supervision performance within the international scope and to improve the work in licence policy.

The Bank Board of the NBS approved the Decree of the National Bank of Slovakia establishing liquidity rules for banks and branch offices of foreign banks, and herewith related rules on safe operation and reporting.

The Decree establishes a liquidity ratio for banks and branch offices of foreign banks for a week period (up to seven days inclusively) equalling at least 1.00. It establishes rules for safe operation and liquidity management and procedures for finding and reporting on liquidity of banks and foreign bank branches. The monthly periodicity for reporting has changed to the seven-day period. According to this Decree, the procedure that is used to determine the balance of sight deposits in order to calculate the liquidity ratio shall be used also for the demand passbooks.

The Decree of the National Bank of Slovakia No. 3/2000 on liquidity rules for banks and branch offices of foreign banks of 14 February 2000 (Notification No. 97/2000 Z.z.), as amended by the Decree of the National Bank of Slovakia No. 9/2001 of 25 May 2001 (Notification No. 212/2001 Z.z.), is hereby repealed.

The Bank Board of the NBS approved the draft of the Decree of the National Bank of Slovakia on prudential rules for banks and the related reporting.

Press Department of OVI NBS

IRB featuring the new name: OTP BANKA

Investičná a rozvovojá banka (IRB), which has been acquired by the Hungarian OTP Bank Rt. at the beginning of 2002, will start its operations in the Slovak banking market under the new name OTP Banka Slovensko, a. s. on 1 August. The bank's logo was changed as well, which will necessitate changes to company's nameplates placed on facades, to bank forms, etc. Apart from this, there will be adjustments in the bank's product portfolio. The strategic investor has acquired 90% of the shares of the IRB from the National Property Fund, the Ministry of Finance of the SR, and Slovenská poisťovňa, for Sk 700 million.

The OTP Bank is considered one of the most dynamically developing banks in Central Europe.

(TASR)