



## Meetings of the NBS Bank Board

The 16th Meeting of the Bank Board of the National Bank of Slovakia was held on 9 August 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS pursuant to Article 12 para 3 of the Deposit Protection Act granted the Deposit Protection Fund a prior approval of the “General Terms of Payment of Compensations for Inaccessible Bank Deposits Protected by the Law”.

The General Terms of Payment of Compensations for Inaccessible Bank Deposits Protected by the Law, in connection with the Deposit Protection Act, provide in detail mainly bank deposits protected by the law and bank deposits excluded from the legal protection; the right to compensation; compensation amounts; the payment of compensations for inaccessible deposits protected by the law; the monitoring of compensation payment; as well as the procedure of claiming the right to compensation; and the means of documenting the right to compensation for inaccessible bank deposits protected by the law.

The 17th Meeting of the Bank Board of the National Bank of Slovakia was held on 23 August 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS analysed and considered the Situation Report on Monetary Development in Slovakia in July 2002. The consumer prices development over the last two subsequent months was characterized by the month-on-month decrease, mainly due to the continued decrease in seasonally volatile prices of foodstuffs. The year-on-year headline inflation development, compared to the National Bank of Slovakia expectations, was characterized by a significant slowdown, with core inflation at the previous month's level. The stabilized development of net inflation without fuels, with no changes in its pace over the last four months, also reflects the absence of any significant inflationary triggers.

Following the high foreign trade deficit in May, its development got back to the trajectory from the first four months again. Along with the decrease in imports, the exports showed a relatively high year-on-year growth.

In the light of the fact that the current trend towards mitigation in the foreign trade balance deficit has not been explicitly confirmed so far, and also in the light of the risks remaining in the area of the public finance and in the area of wage development, which implicates disparity of growth between the labour productivity and the inflation rate, the Bank Board of the NBS considers the current interest rates, even at the low inflation rate, as adequate. The Bank Board therefore decided on leaving the current interest rates at unchanged levels, i.e. for the overnight sterilization rate at

6.5%, for the overnight refinancing rate at 9.5%, and for the two-week REPO tender limit rate at 8.25%.

Over the months to come the National Bank of Slovakia expects that the foodstuff prices will no longer decrease, but may increase slightly. In the light of a more significant decrease of the prices in this segment of the consumer basket in a year-on-year comparison, this development should be reflected in the accelerated growth in both the core and headline inflations on a year-on-year basis. At the same time, the headline inflation development in August should be influenced by the increase in regulated prices, based on the changed structure of telecommunication services charges.

- The Bank Board of the NBS approved the 2002 issue of the coin sets with the motif of Ice Hockey World Championship 2002. The National Bank of Slovakia, in this way, would like to present the remarkable success of the Slovak hockey team at the Ice Hockey World Championship in Sweden in the year 2002. The motif of ice hockey and the win of the Slovak ice hockey team at the World Championship will be depicted on the set cover and on the counter.

- The Bank Board of the NBS discussed and approved the Decree of the National Bank of Slovakia on the safe operational rules of banks and branch offices of foreign banks when providing loans.

This Decree provides organization, management and procedures of banks and branch offices of foreign banks when providing loans, as well as certain requirements for internal regulations and information flow when carrying out this banking activity.

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

The 18th Meeting of the Bank Board of the National Bank of Slovakia was held on 6 September 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the National Bank of Slovakia discussed the Report on the Result of Operation of the NBS for January to June 2002.

The result of operation was the profit in the amount of SKK 1.58 billion. The development of the NBS's economic performance within the assessed period was influenced particularly by the weakening of the Slovak koruna exchange rate against its referential currency EUR. As of 28 June 2002, as compared to 31 December 2001, the EUR/SKK rate weakened by 3.61%, which equalled the exchange rate profit of SKK 4.75 billion.

It is expected that in the forthcoming period the EUR/SKK exchange rate development will significantly influence the result of operation of the NBS.

**Press Department of OVI NBS**

### Price for the Sale of the Interest of the MoF SR in the VÚB, a. s.

The concluding price for the sale of the 68.58 percent interest of the Ministry of Finance of the SR (MoF) in Všeobecná úverová banka, a.s. (VÚB), which was gained by the IntesaBci of Italy, is SKK 223.4 million lower compared to the preliminary price. This was confirmed to the SITA Press Agency by Tatjana Lesajová, the spokesperson of the National Property Fund (NPF).

The preliminary price for this interest was EUR 399.3 million, which at that time amounted to roughly SKK 17.2 billion.

The NPF received the first 80% of the price amounting to roughly SKK 13.7 billion as early as November last year, and the remaining 20% was earmarked for the settlement of the definitive purchasing price. In Lesajová's words, approximately SKK 3.3 billion should thus be disbursed to the NPF accounts.

In addition to the MoF interest, IntesaBci also acquired the 25.89 percent interest of Slovenská konsolidačná, a.s. (SKO) under the same terms and conditions as applied to the sale of the MoF interest. The preliminary amount to be paid for the SKO interest was EUR 150.7 million. The concluding price for this block of shares should be adjusted for the same rate as the price of the state interest. Upon conversion, the adjustment to the price should be approximately SKK 84 million. So far the SKO has not issued any comments on the definiti-

ve price for the interest in the VÚB sold. The concluding price for the VÚB shares sold depended on the calculation of the Bank's net asset value as of the end of June last year, as well as on the sales of the Bank's non-core property to which the Bank has committed itself.

IntesaBci signed a contract on the purchase of majority shareholding in the VÚB on July 4 last year.

In line with the terms and conditions of this contract on purchase and sale, the MoF applied for the repurchase of re-structuralization bonds in the amount of SKK 9.1 billion and the government disbursed them in the middle of this year. IntesaBci will have to own, either directly or indirectly, at least 50% of the VÚB registered capital for a minimum period of five years from the conclusion of the purchase contract.

Over the first half of this year, VÚB made a profit of SKK 1.437 billion. Although in the same period of the previous year it reached a profit of SKK 2.795 billion, the level of this profit was considerably influenced by the write-down of provisions on loans transferred to the SKO. As of the end of June, the Bank's balance sheet amount stood at SKK 184.602 billion, with a year-on-year increase of 3.5%. The total amount of loans increased by 13.7%, to SKK 43.122 billion. Deposits made by customers as of the end of June amounted to SKK 137.444 billion, 2.5% up compared to the same period of the previous year.

(Source: SITA)

#### NEW BOOKS

### Theory and Practice of Trading in Securities

#### Author:

**Doc. Ing. Oldřich Rejnuš, CSc. Published by Computer Press, Prague, 2001, 257 pages**

(Note: The publication is on sale in bookstores specializing in economic literature in the CR and the SR)

The publication deals with the subject matter of securities, theoretical and practical aspects of trading in securities, including the function and importance of securities from a broader perspective.

In his exposition, the author moved from general fundamentals of the financial theory through theoretical explanation of making investments in securities, the basics of investment decision-making, the ways in which securities are traded in developed countries to specific conditions in the capital market of the Czech Republic. In this way, he managed to cover the most relevant subtopics relating to the issue of securities trading.

The book is divided into four basic chapters. The first chapter contains a brief introduction to the theory of finance, and is logically linked to the second chapter. The latter is the largest chapter in the book and contains a theoretical analysis of individual problem areas. It also includes the investment theory and the issues relating to the selection, preparation and timing of investments. In his publication the author paid attention to investments in all basic types of securities. The solution of the issues and questions raised draws upon the principles of fundamental, technical and psychological analysis, where the analysis of alternative investment

strategies also covers the risk involved in investments. In the third chapter, the author discusses particular methods for trading on the today's world stock exchanges and respective specific features of exchange and off-exchange deals. Not only does the author present and characterize the current methods for trading in shares at stock-exchanges, he also devotes attention to trading in financial derivatives. In this chapter, he also describes in detail the stock-exchange system, including all its functions. The final chapter of the book deals with the specific issues of the Czech capital market.

In terms of its conception, the publication is a systemic work, which is of great relevance not only for Czech, but undoubtedly also for Slovak readers. It is primarily intended for those who come across securities as part of their professional practice in the financial sector, not only in the narrow area of the capital market, but also in such areas as the banking business, insurance business, collective investment, state supervision and the like. It can be recommended as a voluminous and specialized study material on finance to students of secondary schools and universities oriented towards economics and law, as well as others interested in this problem area.

**Ing. Radek Schmied, PhD**