Tatra Bank
Annual Report 2002

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TATRA BANKA

RZB Group

Annual Report 2002

TATRA BANKA

RZB Group

Nitra branch, Podzámska street

contents and statement

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Statement

by the Chairman of the Board of Managing Directors and General Manager

Dear shareholders, dear business partners,

the year 2002 marked an important milestone to Tatra Bank in its need to adapt to rapidly changing market conditions and a more distinct orientation to specific target areas in order to further increase efficiency and satisfy customer trust. The Bank proceeded to make quality and process changes, defining the start of a new era in Tatra Bank's operation in the Slovak banking market. We decided to implement changes, especially in customer care, in the further development and improvement in the quality of broading range of banking service products offered via our branch network and alternative distribution channels. Over the 12 years of its existence, Tatra Bank has earned the significant position of a banking institution with universal nature, now ranks as a leading financial institution in Slovakia and, moreover, is now the market leader in many fields. This is the result of an active and aggressive business policy, effective use of modern information technologies and not least our individual approach to the client.

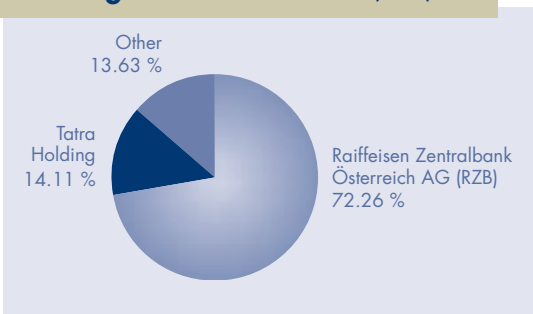
Based on Slovak Accounting Standards, Tatra Bank increased its balance sheet by SKK 8.2 billion, i.e. up 7.3 %, to SKK 120.1 billion, further strengthening its position as third largest bank in the market. The above figure accounted for nearly 11.8 % of overall assets in the banking industry, where its further growth has been enabled primarily by increasing customer deposits, these rising by 16.7 % to SKK 97.4 billion. Consequently, at the end of 2002 Tatra Bank held a 14.3 % market share in customer deposits. Total loans at the end of 2002 were at SKK 51.7 billion, which represents a leading position in the Slovak banking market. Bank's capital adequacy improved to 17 % and net profit after tax almost amounted to SKK 2.6 billion.

In order to meet the international criteria Tatra Bank has introduced an accounting and financial reporting system complying with International Financial Reporting Standards. A comparison of the financial results shows the steady quality performance of the whole Tatra Bank Group, alongside clear growth confirming the Bank's continually improving position.

Once again in 2002, the quality of banking services provided to large, medium-sized and small enterprises, combined with the Bank's universal focus, were key attributes earning the Bank yet more professional awards from leading foreign and domestic magazines such as Euromoney, Global Finance, or Trend. As regards strategy, the Bank has worked unstintingly to further build on its position in the corporate, treasury operations, private banking and the retail business.

In 2002, Tatra Bank intensified attention paid to retail banking in particular, as shown by the further expansion of the business outlet network (15 branches and sub-branches opened in 2002) and new additions to our product range, especially in electronic banking, retail loans and financial investment opportunities. Tatra Bank adapted its organisational structure to its clearly defined retail strategy and set up business centres serving corporate clients. One of our objectives has been to more precisely identify the needs of this client segment, for which we have prepared a new range of products and services both attractive to the client and profitable to the Bank. We wish to set a certain standard and to constantly increase the quality of services provided via our teams of financial advisors and branch managers, while stressing the importance of establishing and maintaining client relationships in the long term.

The Largest Shareholders *(in %)*



The Bank recognises fully that it would have been impossible to implement such extensive changes and maintain excellent performance without the personal commitment and professional approach of the Bank's staff, the trust and satisfaction of its clients and business partners, as well as

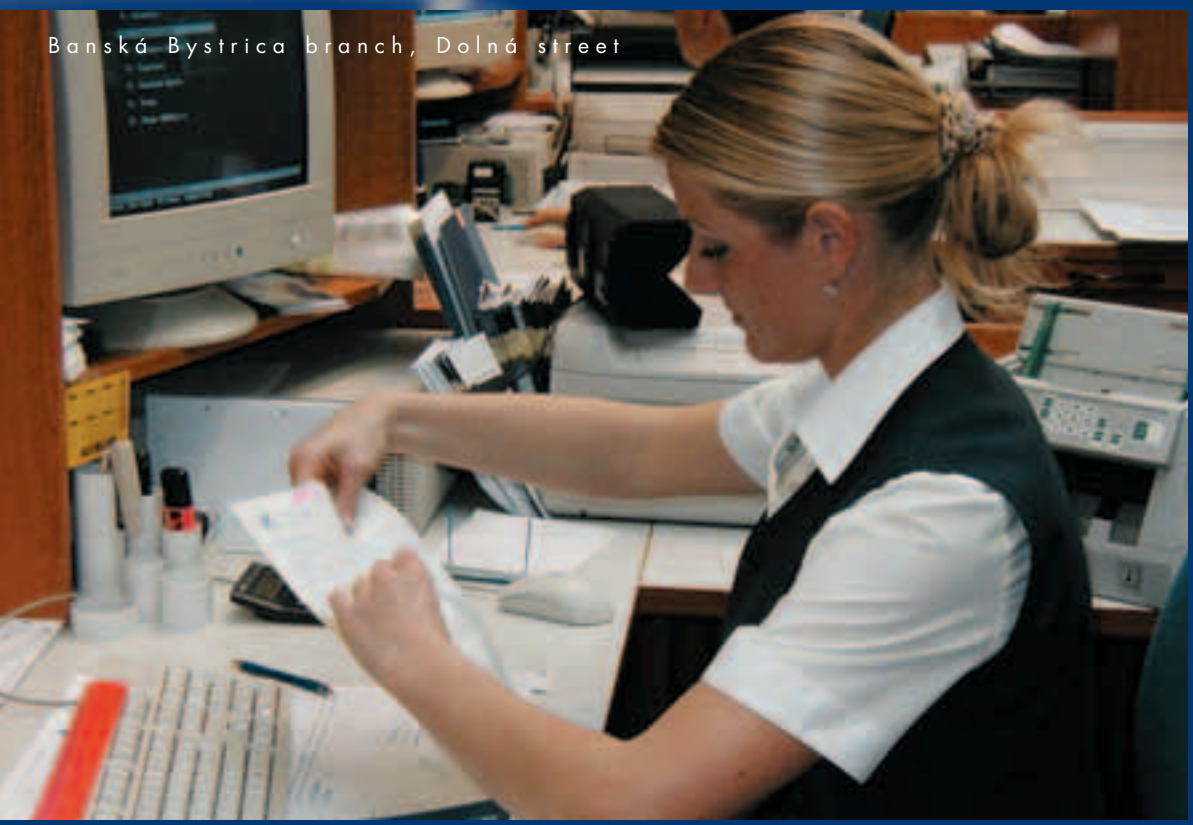
without the support and understanding of its shareholders. The quality human potential of the Bank's staff at all levels has always been and will remain the Bank's greatest and most important asset. Satisfying our clients and business partners is the fundamental goal of our efforts to which our staff are deployed, bringing a bond of mutual trust. Shareholders' support has provided the necessary room for constructive and creative activity. Well-functioning relationships between employees, clients and shareholders are essential for lasting success and general satisfaction. I am glad that we have regularly been able to attain this situation at Tatra Bank, and I would like to take this opportunity to truly thank everyone who has contributed to the Bank's continued growth and its record of success, and at the same time express my desire to continue along this path.

Rainer Franz
Chairman of the Board of Managing Directors and General Manager

Selected figures according to International Financial Reporting Standards - consolidated	2001 (unaudited)	2002
(in millions of SKK)		
Total assets	107,202	121,594
Primary deposits	82,754	95,585
Loans and advances to customers	43,465	51,482
Net profit after tax	2,047	2,358
(in %)		
ROE (before tax)	27.6	28.0
ROA	2.3	2.2

Selected figures according to Slovak Accounting Standards	1998	1999	2000	2001	2002
(in millions of SKK)					
Total assets	45,758	60,035	78,366	111,858	120,063
Customer deposits	28,685	39,143	61,014	83,488	97,410
Loans and advances to customers	21,745	23,126	34,875	44,076	51,732
Net profit after tax	1,276	1,549	1,821	3,097	2,566
(in %)					
Capital adequacy	14.7	18.3	10.8	13.4	17.0
Net profit/net worth	34.1	30.2	27.4	33.4	28.1
Net profit/assets	2.8	2.6	2.3	2.8	2.1
(as of December 31)					
Employees	1,062	1,454	1,881	2,462	2,720
Branches	36	50	69	88	94
Exchange rate 1EUR/SKK	—	42.458	43.996	42.760	41.722

slovak economy



Banská Bystrica branch, Dolná street

The Slovak Economy
in 2002

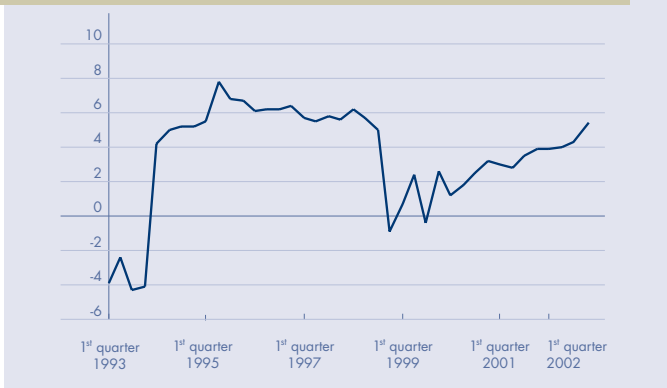
A year of integration success

The Slovak Republic 2002 progressed successfully towards integration in Euroatlantic structures. Slovakia, together with nine other candidate countries, has successfully completed negotiations with the European Union and is now set to become a fully-fledged member in May 2004. The September parliamentary elections were very important for the future economic growth and for financial markets in particular. Their outcome paved the way for a continuation in the integration process and at the same time considerably bolstered confidence among foreign investors. Among other things, this development prompted the world's major rating agencies to upgrade the Slovak Republic's rating for foreign currency debt late in the year. The US rating agency Moody's Investors Services significantly upgraded Slovakia's long-term foreign currency debt to A3. The outcome of the parliamentary elections and the quick formation of the new government created good conditions for implementing long-overdue public sector reform. The privatisation process continued, dominated by the sale of a 49 % stake in SPP, a.s., to an international consortium for USD 2.7 billion. A large part of the proceeds was set aside for paying off public debt and launching pension system reform.

Economic growth accelerates

In 2003, economic growth continued to accelerate. GDP growth recorded 4.4 % last year, the highest since 1998. Once again, it was driven mainly by domestic demand and, in particular, household consumption which took advantage of the fastest real wage growth since 1998 and a slight decline in the rate of unemployment. A significant portion of domestic demand was again covered by imports last year. As a result, although exports exceeded imports last year, the foreign trade deficit fell only marginally from SKK 102.7 billion in 2001 to SKK 96.6 billion in 2002. Nevertheless, last year again, the foreign trade deficit was compensated greatly by a surplus on the capital and financial account, which passed the USD 4 billion mark in 2002. Higher economic growth in 2002 also brought about a small fall in the unemployment rate, notably in the second half of the year, which fell from 18.2 % to 17.8 % on a yearly average. The total state budget deficit in 2003 amounted to SKK 51.6 billion (4.9 % of GDP), with the cost of banking sector restructuring forming SKK 14.6 billion of that amount.

GDP growth *(in %)*



Slovak koruna exchange rate marked by higher volatility

Developments in several economic indicators, as well as the political situation amplified by parliamentary elections, led to higher exchange rate volatility against previous years. In the first quarter, the Slovak koruna exchange rate against the euro, as its benchmark currency, was pushed up primarily due to the expected privatisation of SPP. Consequently, in mid-April the SKK/EUR rate approached 41.500. This, however, was not in line with the view held by the National Bank of Slovakia (NBS) which was afraid of adverse impacts on the competitiveness of Slovak exports. At the same time, the market echoed concerns about a loosening of fiscal policy ahead of the upcoming parliamentary elections, as well as uncertainty over the election outcome. These factors combined to push down the SKK/EUR rate by over 7 % in two months to near 45 SKK/EUR. However, the summer months before the parliamentary elections already saw a growing consensus that, whatever the outcome of the elections, it would not disrupt progress in the integration process, which again sent the SKK exchange rising. Eventually, the actual outcome of the elections, which allowed the creation of a reform minded government consistent in its programme even beat the financial market's expectations. In the foreign exchange market this optimistic sentiment clearly prevailed, exerting strong upward pressure on the SKK exchange rate, which gradually rose to verge on 41 SKK/EUR, a limit it would have broken had it not been for strong NBS interventions followed by a sharp drop in key interest rates.

Development of SKK exchange rate in 2002

Inflation rate drops to an all-time low

In recent years, the development of headline inflation in Slovakia has been determined largely by the pace of price deregulation. Growth in regulated prices in 2002 fell well short of the pace recorded in earlier years which, together with other factors, resulted in a clear fall in inflation. Besides the impact of modest growth in regulated prices, inflation was also kept aloft by food and fuel prices in particular. These factors combined to drive inflation right down

to 2.0 % in July last year, and then picked up slightly to 3.4 % by the end of 2002, though was still a long way from the 6.4 % recorded at the end of 2001. Core inflation, the sum of effects of regulated prices and changes in indirect taxes, closed the year at 1.9 %, well below the bottom of the NBS target range of 3.2 % - 4.7 %.

Headline inflation development *(in %)*

Interest rate growth gives way to a sharp fall at the end of the year

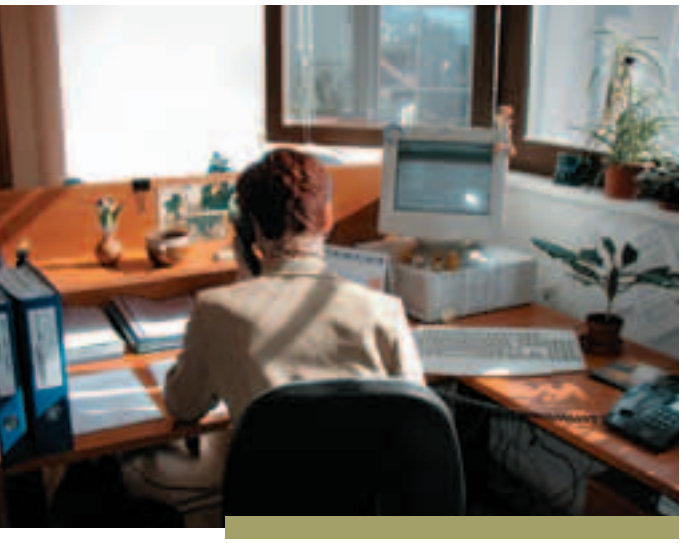
Interest rates and yields on government bonds during the year were most affected by the setting of key interest rates by the NBS and the outcome of parliamentary elections. The key NBS interest rate limit on standard 2-week repo tenders remained at 8 % from the beginning of the year until the end of April. The NBS's disagreement with government's budgetary policy, as well as the persistently high foreign trade deficit, prompted the central bank to raise key rates by 0.25 %. Other money market and bond market rates followed suit, with longer maturities temporarily registering a slightly higher rate of growth amid expectations of possible further increases in NBS rates. The parliamentary elections sparked a major turnaround in interest rate developments. Their outcome alone bodes well for the successful accomplishment of the integration process and the implementation of necessary economic reforms. Amid these beliefs and expectations of the gradual convergence of Slovak rates towards normal European Union levels, interest rates and yields began to fall. The coinciding appreciation of the SKK exchange rate led the NBS to cut its rates. In its first move in late October, the NBS trimmed the key limit interest rate on 2-week repo tenders by 0.25 % back to the level at the start of the year. However, since the SKK exchange rate continued to rise despite this intervention, the NBS cut rates by another 1.5 % in mid-November. The money and bond market was quick to respond, as the yield curve shifted to around 5 %. As a result, yields on government bonds slumped by 3 - 3.5 % in a matter of just three months. The rate of nominal convergence of interest rates thus picked up at an unprecedented rate at the end of the year.

Banská Bystrica branch, Dolná street

management report

As at December 31, 2002, a 2,720-strong staff served to meet the needs of Tatra Bank's more than 460,000 clients. The number of employees increased by 10 % (258 employees), with women forming 73 % of total staff numbers. Their presence in management remained 55 %. The average age of employees was 28 years, with university graduates representing nearly one-half. In line with its objectives for 2002, Tatra Bank developed specialized staff training focused on individual banking activities.

Corporate banking



Despite growing competition and economic developments in Slovakia in 2002, Tatra Bank managed to achieve further positive growth in the area of corporate finance. Tatra Bank's share in primary corporate funds in the Slovak banking sector rose from 24.7 % in 2001 to 26.7 %. The Bank's corporate loan portfolio grew to SKK 47.8 billion, up 11 % from 2001. This result meant retaining a 20 % market share and the leading position in corporate lending. The loan portfolio amount includes normal credit facilities provided to corporates and syndicated loans, with varying loan structures and security for credit facilities. State guarantees were one of the major forms of security pledged for credit facilities extended to Slovak firms. Tatra Bank participated in syndicated loans in the amount of SKK 2.7 billion (out of a total SKK 14.9 billion) and, in many cases, acted as the arranger or co-arranger. These were mainly loans extended to large Slovak firms. As at December 31, 2002, primary deposits in corporate accounts amounted to SKK 46.5 billion, which was 49.1 % of the Bank's total primary funds and as much as 82.0 % of primary funds of the Bank's corporate customers.

In 2002, the Bank also registered favourable development in real estate leasing and project financing, without falling behind in other forms of financing, as lending volumes demonstrate. Project financing formed SKK 1.9 billion of the total loan portfolio, consisting of loans financing projects implemented by Slovak companies. In corporate finance, the Bank concentrated on maintaining the quality of services provided to existing clients, while focusing intensively on the segment of new potential clients, foreign investors and companies considering starting business in Slovakia with the possibility of co-operation

in the area of banking services. With its pro-active attitude, an international team of employees operating at the Bank was able to satisfy even the most demanding requirements made by clients in the field of tailor-made financing.

In the first half of 2002, the Bank initiated a launch of business centres, distinguished from the rest of the branch network by special activities, to serve the needs of some 7,305 corporate clients – mostly medium-sized and large enterprises – as at December 31, 2002. The rise of business centres was accompanied by a new segmentation of corporate clients, with business centres taking over care for about 11 % of clients falling within this category. The objective was to improve contact and service through a competent and stable team of corporate advisors, as well as specialised consultancy on corporate products, loans and news. The newly established business centres, in co-operation with the existing branch network oriented at retail clients, also greatly contributed to value added and the quality of service provided to corporate clients.

Small and medium-sized enterpreneurs' loans

Tatra Bank recorded extraordinary success in 2002 in the small and medium-sized enterprise segment. More than two years of active co-operation with small and medium-sized enterprises has enabled the Bank to learn their needs, demands, distinctive features and opportunities, and adapt the whole financing process and products offered accordingly.

Tatra Bank served 535 new borrowers with loans of up to SKK 15 million, which amounted to over SKK 1 billion worth of new loans. In sum, Tatra Bank was financing nearly 1,000 small and medium-sized enterprises as at December 31, 2002, with annual sales of up to SKK 400 million. The business centres brought the Bank even closer to clients in different regions and allowed it to respond to their requirements as flexibly as possible. Regional business centres have complete in-house credit teams, which focus specifically on financing small and medium-sized enterprises. They offer professional consulting and have the authority to process applications and approve loans directly in the region. Clients appreciate most the possibility to receive loans of up to SKK 1 million – micro loans – at every business centre on good terms. Both sides benefit from the speed of the lending process, simple requirements for supporting documentation and, in particular, the fact that no collateral is required. In 2002, Tatra Bank granted more than 240 micro loans totalling SKK 152 million.

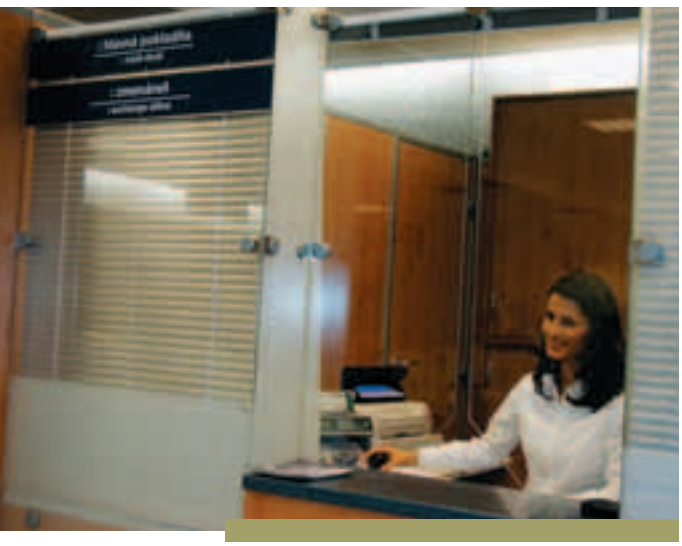
Trade finance

In 2002, Tatra Bank registered a sharp increase in the volume of documentary letters of credit in real estate purchases and sales. Real estate documentary credits accounted for approximately 33 % of total letters of credit issued. In co-operation with Eximbanka SR, Tatra Bank also recorded a major increase in the volume of refinancing loans, which jumped fully 150 % against the previous year. Receivables financing and export pre-financing products have become highly attractive financing alternatives especially for trade-oriented companies.

Tatra Bank has successfully launched new trade financing products based on European Union pre-accession aid. The purpose of co-operation between the Slovak government and the European Commission is to bring Slovakia's infrastructure, politics, environment, and national ethnic coexistence closer to European standards. Thanks to some positive headway made in this direction, the Bank was able to finance and pre-finance projects related to EU assistance funds, such as PHARE, ISPA or SAPARD. In factoring, the Bank posted a 30 % turnover increase from year ago in 2002, which took its market share to the current 20 %. On January 1, 2002, Tatra Bank became a member of the International Factors Group (IFG) based in Brussels, which ranks among the largest factoring associations with members from countries around the world.

Services to personal clients

The Bank continued the expansion of its branch network in 2002 by opening 15 new business locations. The existing structure's efficiency has been improved by closing some less effective branches. The number of branches and sub-branches across Slovakia totalled 94. The new marketing solution and design of these business outlets, combined with application of the latest technology, helps satisfy ever increasing customer demands. Formerly universal branches which had been focused, alongside corporate client care, mainly on service, were transformed into a sales-and-service network, with specialists focused on personal care for retail clients. This is the beginning of an important trend for the Bank, marking a landmark in the provision of retail services at a qualitatively higher level. On the one hand, it reflects the Bank's efforts to effectively cut the cost of retail product distribution. On the other hand, it creates the room and impetus to increase the level of services provided to clients, differentiated for individual segments, also via personal relationship managers.



The implementation of a new customer care concept for target segments of retail clientele entailed not only the need to change and set up specialised positions at branches and sub-branches, train personal relationship managers but also to offer at business outlets those products and services, which have top-quality ambitions in the retail market. Growing interest among clients in establishing a relationship and in using the services of, in particular, a personal relationship manager, also resulted in the number of Tatra Bank's affluent retail clients rising by 10 % in the second half of 2002, while their assets deposited with the Bank rose by 12 %.

In July 2002, Tatra Bank began to market **service packages** for SKK-denominated current accounts for personal and corporate clients. Thanks to this individualised approach, clients were given the opportunity to choose a service package best suiting their needs and requirements. A single step – signing the contract – is all it takes to receive a whole set of attractive banking services, raising convenience for clients, and saving time and money, since the client pays less in banking transaction fees. Various service package combinations feature electronic banking, overdraft facilities, savings accounts aligned with a current account, etc. The combination of an integrated and convenient service package design and a well-functioning branch network resulted in the sale of over 133,000 service packages in 6 months. In connection with the service package offer, the Bank also changed the overall philosophy behind the **"permitted current account overdraft"** product, which now comes integrated in a current account service package. Besides the basic line of payment cards, when buying a service package, the client is automatically granted, subject to meeting the general business conditions, an overdraft facility limit, which means the client no longer has to apply for the overdraft product separately, deliver evidence of income, enter into a separate overdraft facility contract and, after that, request its extension. Instead, the client is served completely by purchasing a single service package. The change in the method of sale of overdraft facilities has thereby raised the level of convenience for the client and, at the same time, had an effect on the Bank's results, as at the end of 2002 over 42,100 retail clients were granted overdraft facilities, a 4.5-fold jump on 2001. As a result, overdraft facilities permitted on personal accounts totalled SKK 645.5 million at year-end, with actual drawdown of SKK 118.2 million as at December 31, 2002.

In **purpose-specific consumer loans**, the Bank was less active in 2002 than in 2001 as regards acquiring new companies to its portfolio. The total volume of loans approved in 2002 reached SKK 80 million, with the average consumer loan target sum being SKK 80,000.

The Bank's performance in **mortgage lending** in 2002 once again helped strengthen Tatra Bank's position in this market. Increasing customer demand for mortgage loans was in part due to improved conditions and the Bank's moves to make mortgage loans more attractive. In 2002, Tatra Bank extended mortgage loans worth SKK 2 billion. Approved applications numbered 3,100, with over 33 % applications submitted in the last quarter of 2002. This result even surpassed Tatra Bank's flying start in 2001, soaring by 188 % over the year. Since November 2000, when Tatra Bank began selling mortgage loans, it has approved over SKK 4 billion worth of mortgage loans to satisfy the needs of its personal clients. With this set of results, Tatra Bank has been able to maintain its no. 2 leading position in terms of lending volume in Slovakia's mortgage loan market despite relentlessly rising competition.

The year 2002 was again highly successful as regards the **issuance and acceptance of payment** cards. Continued expansion enabled the Bank to build up its market share in terms of the number of cards issued to above 20 %, strengthening its no. 3 position in payment card issuance, with nearly 500,000 payment cards. With 220,000 new cards issued, it recorded the highest annual growth of all Slovak banks. The total number of cards issued increased by 75 % against the previous year. This increase was driven primarily by VISA Electron, the sales of which were boosted greatly by the new service packages. Some of the success can be attributed to the pro-active sale of payment cards through direct campaigns and sales outlets. In 2002, Tatra Bank also doubled its credit card portfolio to retain its lead in the premium payment card segment. These achievements can also be credited to our ongoing productive collaboration in the issuance of representative Diners Club and American Express debit cards, as well as Maestro YES credit cards. In late 2002, Tatra Bank began exclusive co-operation with the company Metro Cash & Carry Slovakia. In customer service for cardholders, the Bank uses the latest communication technologies to give its clients added value in form of high-quality extra services.

In **payment card acceptance**, Tatra Bank has greatly contributed to extending the network of retail outlets accepting card payments via payment terminals. Extending co-operation in payment card acceptance to card companies Diners Club and JCB, and to the firm Celetem, gave the Bank the widest range of cards accepted by merchants via payment terminals. The number of payment terminals installed by Tatra Bank increased by 43 % in 2002 to more than 3,700. The volume of POS terminal payments reached SKK 6.7 billion, representing an 83 % rise on the previous year. The Bank has also continued in installation of ATM machines, mainly in branches and shopping malls in all regions of Slovakia. Altogether, some 145 ATM machines were installed in 2002. In terms of card payments made at contracted merchants, Tatra Bank kept its lead ahead of other Slovak banks with a 38 % market share. In co-operation with the company Orange, Tatra Bank prepared an upgrade to its telephone payments service, Orange Teleplatba, to pay for goods and services at contracted merchants, and was launched commercially in June 2002. At present, the project involves several major companies to whom cardholders can make payments from their mobile phone. This method of payment is unique in the Slovak banking market.

The Bank's wide portfolio of **electronic distribution channels** saw new innovations. In July 2002, a new service was added to the current account Internet banking service – i:deposit. In October, we introduced a new type of identification, authorisation and authentication tool – i:key – which is based on e-signature technology and enhances electronic payments security. DIALOG, our 24-hour call centre, expanded its range of services in 2002, and the Bank began telemarketing for offering and selling its services. In the second half of 2002, the Bank mounted a pilot campaign to sell VISA credit cards through active telemarketing. By the end of the year, the telemarketing channel was selling, besides credit cards, i:key, supplementary pension insurance in the Pokoj DDP, and Tatra Bank's investment packages. Slovakia's first and still one and only internet bank ELIOT recorded 3,893 new clients in 2002, both personal clients and small entrepreneurs.

Services to private clients

Private banking experienced rapid growth during the business year under review in both key indicators – in the number of customers and in the net assets worth. Clients thus receive effective management of their private finances based on a high degree of expertise confidentiality, trust and strictly individual approach. The principal aim pursued by this particular service is to achieve higher returns on customer funds than those paid by regular bank deposit products. A manifold increase both in the number of clients and in the volume of assets managed can be attributed to growing customer demand for individual care and to the attractiveness of private banking products and services offered. At a time when interest rates on time deposits fell to record lows, clients owning sizeable financial assets realised more clearly the need for professional management of their assets based on opportunities offered by financial markets, while strictly regarding individual preferences. For private banking clients, Tatra Bank and its asset management company designed special investment products that optimised the net gain to the client after taking tax and legislative conditions into account. Besides its team of private bankers, the Bank ensures professional management of its clients' assets through an investment committee, supported by analytical backup from the relevant expert departments. The Bank tailors individual solutions to each client, which are unique both in terms of their composition and the degree of care.

Treasury and investment banking

In the course of 2002, Tatra Bank's trading and the Slovak financial and capital markets were affected by several key events. These were, in particular, the decisions of the National Bank of Slovakia (NBS) to change key interest rates in April and November 2002, Slovakia's success in its efforts towards accession to the European Union and NATO, as well as the outcome of the parliamentary elections in September 2002. These were important factors leading to a gradual strengthening of the Slovak koruna exchange rate late in the year and increased foreign and domestic demand for Slovak assets which, in turn, fuelled the growth in Slovak government bond prices and the Slovak stock index SAX.

The year 2002 also saw an increasing liquidity in financial market trading of the Slovak koruna and SKK-denominated assets in general, as local dealers were joined by a number of large foreign banks. Tatra Bank was once again one of the leaders and market makers, in particular in interest rate swaps, forward rate agreements and SKK currency options. On the Slovak capital market, Tatra Bank has traditionally been one of the major players. In the turnover statistics of the Bratislava Stock Exchange, we ranked 3rd with a 12.4 % market share. Together with JP Morgan, Tatra Bank was the lead manager in a SKK 6.84 billion eurobond issue for Slovak Republic Railways, split into two tranches. The first tranche of SKK 4.54 billion carried a floating coupon at 6M BRIBOR + 0.47 %. The second tranche of SKK 2.3 billion paid a fixed coupon of 8.6 %. This was the first SKK-denominated eurobond issue by an issuer from the Slovak Republic and the largest SKK-denominated eurobond issue in 2002. In December 2002, Tatra Bank floated a 2nd issue of mortgage bonds totalling SKK 1 billion with 10-year maturity and yielding a coupon of 5.5 %. The entire issue was successfully placed on the institutional and private investor market.

In 2002, Tatra Bank again successfully offered clients products designed to actively manage their cash flow and eliminate exchange rate and interest rate risk. It innovated and improved the convenience and functionality of the **i:deal** service, with the number of its users soaring by 140 % in 2002. Tatra Bank's i:deal service enables clients to execute foreign exchange and money market transactions with the Bank through the internet. The service went into live operation in 1999 and Tatra Bank is the only bank in Slovakia offering this kind of service.

One of the important tasks of the treasury division is to manage the Bank's short-term and strategic liquidity and ensure its compliance with the required minimum reserves. For a long time in 2002 the Bank held a liquidity surplus, which was invested mainly in Slovak government bonds and interbank time deposits.

Domestic and foreign payments

As a major positive change to payment systems in 2002, the Bank adjusted the time for submitting/transmitting domestic and foreign payment orders to be processed on the submission/transmission date. In 2002, the number of outgoing foreign payments increased by 16.0 % from 2001, while the number of incoming foreign payments grew by 22.4 % from 2001. In 2002, Tatra Bank also recorded significant growth in the number of foreign payment orders entered through the Internet Banking portal. The number of domestic payments executed via Telebanking rose by 12.3 % in 2002, while the number of foreign payments made via Telebanking increased by 32.2 % over the same period. In March 2002, the Bank introduced a new product – Telebanking Light – which is a modified version of Telebanking intended for small and medium-sized enterprises.

The number of transactions processed via Slovak Bank Clearing Centre (BZCS) in 2002 increased by 12.6 %, with their value growing by 28.3 % on 2001. Implementation of the SIPS new payment system was accomplished successfully. The system, operated by the National Bank of Slovakia, is expected to fully replace clearing via the BZCS in 2003.

Risk management

Corporate clients credit risk

Credit risk management conforms to the general principles applied across the entire RZB Group, of which Tatra Bank is a part. These principles set primarily the standard policy and procedures to be applied in lending. In formulating the criteria of its lending policy, Tatra Bank places especial emphasis on the efficiency of projects financed and loan recovery. Lending decisions are based on an exceptionally reliable system of financial analyses assessing the financial

situation and strategic objectives. Thanks to its careful lending policy, focus on major clients, and prudent approach, the Bank has managed to maintain the high quality of its loan portfolio, with negligible amount of non-performing loans.

In accordance with the requirements set out in Basel II, credit risk management is strictly separated from lending activities, both in risk management and control, and falls within the competence of the Bank's senior management. The Bank's credit ceilings (amount and validity depends on the type of loan security) are approved by the supervisory board each year.

Credit risk management covers three main areas:

Corporate analysis – involves a comprehensive analysis of new borrowers, establishment of credit limits and their structure for individual clients, economically connected groups and industries. This includes an assessment of the value of a security (using a strictly conservative approach, with emphasis on the realisation value in case of default and the possibility of legal enforcement), client rating and rating updates (in line with Basel II), and a quarterly monitoring of existing borrowers (review of the financial situation, monitoring macroeconomic indicators, trends in individual industries, monitoring publicly available information, checks as regards compliance with financial and other terms and conditions defined in loan agreements).

Risk management – means the approval of credit limits (for individual clients and connected groups), the development of portfolio management with respect to the rating, type of transactions, maturity, security, territorial and industrial structure, and responsibility for development of new working procedures and updating of existing procedures in credit risk management.

Credit control and reporting – concerns responsibility for the execution of lending transactions in accordance with approved credit limits (the size of approved limits, fulfilment of all terms and conditions arising from contracts and applicable and binding procedures, collateral registration and examinations, etc.), preparation of internal reports for monitoring client credit discipline, portfolio

monitoring and evaluation with regard to prudent banking, checks of compliance with procedures of the entire lending process not only at the head office, but also at branches and business centres.

Risk management in retail credit products

As regards credit risk, credit products for retail clients are treated in 2 ways. For smaller loans, credit scoring is the main tool used both for individuals and corporates. For larger loans (mortgage, corporate loans), credit scoring is used simply to pre-select clients. The final decision on these loans is made by credit committees. We believe this separation is optimal for unbiased decision-making and gives due consideration to the client's individual situation. The credit risk management process, however, continues also after a loan has been granted. The Bank makes active use of available instruments to monitor the client portfolio on a regular basis, noting changes in the behaviour of both individual products and individual clients. The Bank's lending policy in the retail sector is directed by product departments working together with departments managing credit risks, right from the design of new products to changes to existing ones, to ensure not only that products are attractive to clients, but also that individual product portfolios are healthy and that the Bank achieves the expected return on individual products.

Management of market risks and liquidity risk

For risk management purposes, market risk is the risk of potential losses that the Bank may suffer as a consequence of adverse developments in market rates and prices. Market risks are managed using a system of limits imposed on individual positions and portfolios. The system of limits incorporates RZB Group limits and Tatra Bank's internal limits. The structure of limits for the RZB Group is set at the level of the RZB banking group in Central and Eastern Europe. The actual limits are approved by RZB Vienna. The structure of internal limits corresponds to the structure and scope of business conducted by Tatra Bank, as well as the Bank's risk strategy and its ability to cover risks accepted using equity capital. The methods and procedures applied at Tatra Bank to monitor and manage market risks are consistent with the standards applied in the RZB Group. In addition to internal methods and limits, the Bank adheres

to all prudent banking regulations issued by the National Bank of Slovakia. Given the structure of its business, Tatra Bank faces primarily interest rate and currency risks.

Interest rate risk – The Bank controls interest rate risk both for all transactions and separately for the banking book and trading book, monitoring and evaluating it on a daily basis. Interest rate risk is monitored using gap analysis methods (GAP) and the method of sensitivity to yield curve shifts (BPV). In the banking book, interest rate risk limits are set in the form of exposure limits for each time band of a credit gap for each currency included in the banking book. In the trading book, interest rate risk limits refer to the sensitivity of the overall position to yield curve shifts (BPV). The limits are set for individual currencies included in the trading book. Interest rate risk data is presented weekly to the Assets and Liabilities Management Committee. Information on interest rate positions and adherence to limits is sent weekly to RZB Vienna. In the case of overshoots, interest rate positions are closed through derivative transactions.

Currency risk – The Bank controls currency risk for all banking transactions (trading and banking book). Open foreign exchange positions are monitored in real time in the banking information system. The Bank's foreign exchange position is monitored separately for each currency, as well as for 3 currency categories grouped according to the degree of liquidity of the respective markets. Limits on these positions are defined according to RZB Group standards. Information on the Bank's foreign exchange positions and adherence to limits imposed by RZB is reported on a weekly basis.

Equity risk, commodity risk – The Bank is not active in the field of equity and commodity trading.

Liquidity risk – Daily and strategic liquidity is subject to stringent control. On a daily basis, liquidity management involves monitoring and directing movements and balances in nostro accounts denominated in individual foreign currencies and in the required minimum reserves account for the Slovak koruna. As regards strategic liquidity management, the Bank controls the long-term structure of assets and liabilities and, if necessary, submits proposals to the Assets and Liabilities Management Committee. At the same time, the Bank tracks emergency liquidity – an estimate of the Bank's liquid assets and

refinancing possibilities in the case of an emergency is submitted to the Assets and Liabilities Management Committee. Liquidity management is also subject to limits set in accordance with RZB Group methodology. Adherence to these limits, as well as information on operating liquidity, is reported on a weekly basis.

Outlook for the year 2003

Until the actual joining of the European Union next year important steps must be taken by the SR to be prepared for an open market of more than 455 million consumers. This is not only a challenge for the Slovak banking industry in general, but also for Tatra Bank. While we believe that our ongoing projects to keep cost efficiency and productivity high are on target, competitive pressure to not only service our existing clients, but also gain additional market shares has substantially increased.

The Bank will continue to pursue its conservative risk policy, which has served it so well in the past. Nevertheless, a more dynamic marketing approach using the full array of our distribution channels will be necessary and applied to ensure continuing growth.


Žilina branch, Mariánske square

auditor's report

to consolidated financial statements

in accordance with international

financial reporting standards

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tatra banka, a.s.:

We have audited the accompanying consolidated balance sheet of Tatra banka, a.s., and its subsidiaries ("the Group") as of 31 December 2002 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial information on year 2001 is shown in the accompanying financial statements for comparative purposes as required by International Financial Reporting Standards (IFRS). The Group did not prepare financial statements in accordance with IFRS for the year ended 31 December 2001, as this is the first time that the Group is preparing such financial statements. Therefore the financial information for year 2001 included in the accompanying financial statements is not audited.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2002, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with International Financial Reporting Standards.

Bratislava, 24 March 2003

Deloitte & Touche Slovakia spol. s r.o.

Deloitte
Touche
Tohmatsu

Bratislava branch, Vysoká street

consolidated financial statements in accordance with international financial reporting standards

Consolidated Financial Statements
in accordance with International Financial Reporting Standards

Consolidated Income Statements
Year ended December 31, 2002 and December 31, 2001

(in thousands of SKK)	Notes	December 31, 2002	December 31, 2001 (unaudited)
Interest income		7,831,910	6,737,198
Interest expense		(3,716,414	(3,495,999)
NET INTEREST INCOME	**3**	**4,115,496**	**3,241,199**
Net fees and commissions income	4	1,380,664	1,001,973
Net profit/loss on financial operations	5	960,897	822,958
OPERATING INCOME		**2,341,561**	**1,824,931**
Salaries and employment benefits	6	(1,399,801)	(1,061,633)
Administrative expenses	7	(1,556,883)	(1,256,296)
Depreciation of tangible fixed assets	17	(567,321)	(462,265)
Amortisation of intangible fixed assets	18	(100,460)	(126,700)
Other operating expenses, net	8	(256,168)	(84,778)
OPERATING EXPENSE		**(3,880,633)**	**(2,991,672)**
PROFIT (LOSS) BEFORE PROVISIONS FOR LOAN AND INVESTMENT LOSSES AND TAXES		**2,576,424**	**2,074,458**
PROVISIONS FOR LOAN AND INVESTMENT LOSSES	**9**	**(36,024)**	**8,134**
NOMINAL VALUE OF ASSETS WRITTEN OFF		**(62,540)**	**(16,731)**
PROFIT BEFORE SHARE OF PROFIT OF ASSOCIATE AND INCOME TAXES		**2,477,860**	**2,065,861**
Share of profit of associate	16	17,225	31,964
PROFIT BEFORE INCOME TAXES		**2,495,085**	**2,097,825**
Taxation	10	(137,410)	(51,148)
NET PROFIT FOR THE PERIOD		**2,357,675**	**2,046,677**

The accompanying notes are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Managing Directors on March 24, 2003.

Consolidated Balance Sheets

As of December 31, 2002 and December 31, 2001

(in thousands of SKK)	Notes	December 31, 2002	December 31, 2001 (unaudited)
Assets			
Cash and balances with the central bank	11	9,172,337	11,273,569
Amounts due from banks	12	7,812,455	17,169,010
Securities held for trading	13	48,225,242	31,496,571
Receivables on financial derivative transactions	28	1,257,269	375,450
Originated loans and advances to customers, net	14	51,482,459	43,465,529
Securities available for sale	15	3,596	5,080
Tax assets	10	2,184	19,628
Investments in associates	16	224,924	207,699
Tangible fixed assets	17	2,717,629	2,601,953
Intangible fixed assets	18	291,338	251,168
Prepayments, accrued income and other assets	19	404,947	336,443
Total assets		**121,594,380**	**107,202,100**
Liabilities			
Amounts owed to central bank		122,101	616,711
Amounts owed to banks	20	10,021, 804	11,762,240
Payables on financial derivative transactions	28	1,916,292	644,573
Amounts owed to customers	21	95,812,632	82,448,758
Certificated debts	22	1,567,398	1,059,622
Tax liabilities	10	273,836	259,113
Provisions for off balance sheet and other risks	9	635,608	624,024
Accruals, deferred income and other liabilities	23	493,955	373,730
Total liabilities		**110,843,626**	**97,788,771**
Shareholders' equity			
Share capital	24	1,004,320	1,004,320
Share premium and reserves	25	9,746,434	8,409,009
Total shareholders' equity		**10,750,754**	**9,413,329**
Total liabilities and shareholders' equity		**121,594,380**	**107,202,100**
Financial commitments and contingencies	**27**	**26,200,718**	**17,978,207**

The accompanying notes are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Managing Directors on March 24, 2003.

Consolidated Statements of Changes in Shareholders' Equity

Year ended December 31, 2002 and December 31, 2001

(in thousands of SKK)	Share capital	Share premium	Reserve and other funds	Retained earnings	Income of the year	Total
Balance at January 1, 2001 (unaudited)	**1,004,320**	**100,430**	**256,583**	**4,281,699**	**2,180,903**	**7,823,935**
Transfer to retained earnings and funds	—	—	610	1,723,010	(1,723,620)	—
Dividends paid out	—	—	—	—	(457,283)	(457,283)
Net profit for the period	—	—	—	—	2,046,677	2,046,677
Balance at December 31, 2001 (unaudited)	**1,004,320**	**100,430**	**257,193**	**6,004,709**	**2,046,677**	**9,413,329**
Transfer to retained earnings and funds	—	—	2,147	1,024,280	(1,026,427)	—
Dividends paid out	—	—	—	—	(1,020,250)	(1,020,250)
Net profit for the period	—	—	—	—	2,357,675	2,357,675
Balance at December 31, 2002	**1,004,320**	**100,430**	**259,340**	**7,028,989**	**2,357,675**	**10,750,754**

The accompanying notes are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Managing Directors on March 24, 2003.

Consolidated Cash flow statements

For the Year ended December 31, 2002 and December 31, 2001

(in thousands of SKK)	Notes	December 31, 2002	December 31, 2001 (unaudited)
Cash flows from operating activities			
Profit (loss) from operating activities before changes in operating assets and liabilities	26	(415,192)	(222,097)
(Increase) decrease in operating assets			
Obligatory reserve with National Bank of Slovakia		(2,384,957)	3,734,694
Amounts due from banks		9,393,377	(4,375,132)
Securities held for trading and available for sale		(16,562,417)	(12,246,846)
Originated loans and advances to customers		(8,090,085)	(10,035,225)
Other assets		(36,839)	112,636
Increase (decrease) in operating liabilities			
Amounts owed to banks		(1,680,153)	6,559,730
Amounts owed to central bank		(482,758)	(1,255,239)
Amounts owed to customers		13,381,914	22,115,830
Other liabilities		253,013	263,513
Cash generated from operations		**(6,624,097)**	**4,651,864**
Interest paid		(3,784,538)	(3,520,098)
Interest received		7,613,695	6,909,329
Profit taxes received (paid)		(111,821)	175,672
Net cash flows from operating activities		**(2,906,761)**	**8,216,767**
Cash flows from investing activities			
Fixed assets sold		44,350	432,707
Fixed assets purchased		(1,010,073)	(1,758,078)
Net cash flows from investing activities		**(965,723)**	**(1,325,371)**
Cash flows from financing activities			
Subordinate loan		—	(562,375)
Certificated debts		485,724	398,719
Dividends paid		(1,020,250)	(457,283)
Net cash flows from financing activities		**(534,526)**	**(620,939)**
Effects of exchange rate changes on cash and cash equivalents		(79,179)	(9,266)
Change in cash and cash equivalents	**26**	**(4,486,189)**	**6,261,191**
Cash and cash equivalents, beginning of the year	**26**	**10,705,048**	**4,443,857**
Cash and cash equivalents, end of the year	**26**	**6,218,859**	**10,705,048**

The accompanying notes are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Managing Directors on March 24, 2003.

Notes to the Consolidated Financial Statements

Year ended December 31, 2002 and December 31, 2001

(in thousands of Slovak crowns)

1. General information

(a) Principal activities of parent company

The consolidated group of Tatra Bank, a. s. (the Group) consists of parent company Tatra Bank, a. s. (the Bank) and 14 subsidiaries and associated undertakings. Tatra Bank, a.s. is incorporated in the Slovak republic as a joint-stock company. The principal activities of the Bank are as follows:

I. Providing loans, advances and guarantees;
II. Acceptance and placement of deposits;
III. Providing current and term deposit accounts;
IV. Providing banking services through an extensive branch network in the Slovak Republic;
V. Treasury operations in the interbank market;
VI. Servicing foreign trade transactions; and
VII. Investment banking.

The shareholders owned the following percentages of the outstanding shares:

	December 31, 2002	December 31, 2001
Raiffeisen Zentralbank (RZB)	72.26 %	72.26 %
Tatra Holding	14.11 %	14.11 %
Other	13.63 %	13.63 %

The registered office address of the Bank is Hodžovo nám. 3, Bratislava. The Bank has 94 branches and sub-agencies in the Slovak Republic.

Operating income was substantially generated from the provision of banking services in the Slovak Republic. The Group considers that its products and services arise from one segment of business, that is the provision of banking and related services.

The Bank's ordinary shares are publicly traded on the Bratislava Stock Exchange.

(b) Definition of the consolidated group:
As of December 31, 2002 the Group consisted of the Bank and the following companies (consolidated companies):

Company name	Direct holding %	Group holding %	Principal activity	Audited by	Method of Consolidation	Registered office
Tatra Group Servis, s.r.o.	99,5 %	100 %	Holding company	BMB Partners	Full consolidation	Bratislava
Tatra Asset Management, správ. spol., a.s.	100 %	100 %	Asset Management	Deloitte & Touche Slovakia	Full consolidation	Bratislava
Axen, s.r.o.	0,5 %	100 %	Operating leasing	BMB Partners	Full consolidation	Bratislava
TG Strom, s.r.o.	0 %	100 %	Operating leasing	BMB Partners	Full consolidation	Bratislava
Tatra Group Finance, s.r.o.	0 %	100 %	Administration of pension fund	BMB Partners	Full consolidation	Bratislava
eliot, s.r.o.	100 %	100 %	Services	BMB Partners	Not consolidated as immaterial	Bratislava
TL Leasing, s.r.o.	0 %	100 %	Leasing	BMB Partners	Full consolidation	Bratislava
Return, s.r.o.	0 %	100 %	Operating leasing	BMB Partners	Full consolidation	Bratislava
CTH Real, s.r.o.	0 %	100 %	Operating leasing	BMB Partners	Full consolidation	Bratislava
Tatra Leasing, s.r.o.	48 %	48 %	Leasing	Deloitte & Touche Slovakia	Equity method	Bratislava
K.A.X., s.r.o.	0 %	40 %	Operating leasing	BMB Partners	Equity method	Bratislava

(c) The principal developments in the Group during 2002:
As of July 1, 2002 the Group increased basic capital of the company Tatra Group Finance, s.r.o. by SKK 100 000 thousand (actual basic capital is SKK 300,200 thousand).

Based on the contract on transfer of business share dated August 19, 2002 the Tatra Group Servis, s.r.o. sold 100 % business share in the company Tatra Group Consult, s.r.o. to a third party. As of this date the deconsolidation of the company was performed.

The structure of the Group changed during 2002 in order to comply with specific statutory rules in the Slovak Republic related to the consolidated companies. The changes did not have material impact on the presented financial statements.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of presentation

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) effective for the year ended December 31, 2002. These financial statements are presented for the first time for the period ended December 31, 2002. The balances of 2001 are included here for comparison purposes.

The consolidated financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and they are reported in the consolidated financial statements of the period to which they relate, and on the going concern assumption.

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities held for trading and all derivative contracts.

The Group maintains its books of accounts and prepares financial statements for regulatory purposes in accordance with Slovak accounting principles and those of other jurisdictions in which the Group operates. The accompanying financial statements are based on the accounting records of the Group, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS. A reconciliation of consolidated reserves and profit for the year reported under Slovak accounting principles to reserves and profit for the year reported under IFRS is shown in Note 25 to these financial statements.

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as of the date of the consolidated financial statements and actual results could differ from those estimates.

The reporting currency used in the consolidated financial statements is the Slovak crowns (SKK) with accuracy to SKK thousand (unless otherwise indicated).

(b) Consolidation principles

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal. All material intercompany transactions, balances and unrealised surpluses and deficits on transactions between consolidated companies have been eliminated.

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings in which the Group has between 20 percent and 50 percent of the voting rights, and over which the Group exercises significant influence, but which it does not control. Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the period.

The consolidated financial statements were prepared using uniform accounting policies for like transactions.

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into SKK and reported in the consolidated financial statements at the exchange rate declared by the National bank of Slovakia prevailing as of the balance sheet date. Income and expenses denominated in foreign currencies are recorded in Slovak Crowns in the underlying accounting system of the Group and are reported in the consolidated financial statements at the actual exchange rate of the National Bank prevailing as of the date of the transaction. Gains and losses arising from movements in exchange rates after the date of the transaction are recognised in "Net profit/loss on financial operations".

(d) Cash and balances with the central bank
Cash and balances with the central bank comprise cash held, current accounts with other banks, cash balances with the National bank of Slovakia, including the compulsory minimum reserve with the National bank of Slovakia.

The compulsory minimum reserve with the National bank of Slovakia is a required reserve to be held by all commercial banks licensed in the Slovak Republic.

(e) Originated loans and provisions for loan impairment
Loans are stated at the amortised cost less provision for impairment as presented in Note 9. Each period, the provision for loans impairment in the income statement results from the combination of a) an estimate by the management of the Bank of loan impairment that occurred during the current period and b) the ongoing adjustment of prior estimates of impairment occurring in prior periods.

All loans and advances are recognised when cash is advanced to borrowers.

The loan provision is calculated to reduce loans to their recoverable amount representing expected future cash flows discounted to the present value using the original effective interest rate implicit in the loan at inception or the fair value of the related collateral. Collaterals deducted represent only state guarantees, bank guarantees, other banks` participations and term deposits. Specific provisions are assessed with the reference to the credit standing and financial performance of borrower.

The provision for loans impairment is a valuation account that is netted against loans on the balance sheet.

According to a valid decision on ceasing recovery of claims, issued by the court or the Board of Directors, the Bank writes off its receivables directly through the profit and loss account with the release of the relevant loan loss provision. The receivables written off are recorded in the off-balance sheet.

If, after a writedown, the Bank is able to collect additional amounts from the customer or obtain control of collateral worth more than earlier estimated, a recovery is recorded through the profit and loss account in the caption "Nominal value of assets written off".

The Bank stops accruing the interest on the loans that are classified as a loss due to the bankruptcy of the customer or due to default of the loan agreement.The carrying amount of non-accruing loans represents the amount of the receivable decreased by the provision for expected losses. The provision is determined usually as 100 % of the receivable value decreased by the amount that the Bank expects to recover from bankruptcy proceedings.

The Group charges penalty interest to borrowers when a portion of the loan falls overdue. Penalty interest is accounted for on a cash received basis in the caption "Interest income".

(f) Securities
Securities held by the Group are categorised into portfolios in accordance with the Group's intent on the acquisition of the securities and pursuant to the Group's security investment strategy. The Group developed security investment strategies reflecting the intent of the acquisition and allocated securities to "Securities held for trading" and "Available for sale" portfolio. The principal difference among the portfolios relates to the measurement approach of securities and the recognition of their fair values in the financial statements.

All securities held by the Group are recognised using settlement date accounting and initially measured at their cost including transaction costs.

Securities held for trading
Securities held for trading are financial assets (equity and debt securities, treasury bills, participation certificates) acquired by the Group for the purpose of generating a profit from short-term fluctuations in prices. Subsequent to the initial recognition these securities are accounted for and stated at fair value, which approximates the price quoted on recognised stock exchanges or acceptable valuation models.

The Group includes unrealised gains and losses in "Net profit/loss on financial operations." Interest earned on trading securities is accrued on a daily basis and reported as "Interest income" in the income statement. Dividends on trading securities are recorded when declared and included as a receivable in the balance sheet line "Prepayments, accrued income and other assets" and in "Net profit/loss on financial operations" in the profit and loss statement.

All purchases and sales of securities held for trading that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised as spot transactions. Transactions that do not meet the "regular way" settlement criterion are treated as financial derivatives.

Available for sale securities
This portfolio represents the Group's long-term participating interests and shares in other companies where the Group does not have a significant influence or other participations. The Group considers these unquoted investments as financial assets available for sale, stated at cost less any permanent impairment, as their fair value cannot be reliably measured.

Where the impairment of securities available for sale associated with credit risk is other than temporary, the carrying amount of the security is immediately written down to its recoverable value. This writedown is included in the profit and loss statement line "Nominal value of assets written off".

(g) Sale and repurchase agreements
Securities sold under sale and repurchase agreements (repos) are recorded as assets in the balance sheet lines "Securities held for trading" and "Securities available for sale" and the counterparty liability is included in "Amounts owed to banks" or "Amounts owed to customers" as appropriate. Securities purchased under agreements to purchase and resell (reverse repos) are recorded as assets in the balance sheet line "Due from banks" or "Loans and advances to customers" as appropriate, with the corresponding decrease in cash being included in "Cash and balances with the central bank". The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

(h) Derivative financial instruments
The Group enters into derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value.

Fair values are obtained from market foreign exchange and interest rates using discounted cash flow models and options pricing models as appropriate.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in the income statement line "Net profit/(loss) from financial operations".

Changes in the fair value of derivatives held for trading are included in the line "Net profit/(loss) on financial operations".

The fair value of derivative instruments held for trading is disclosed in Note 28.

(i) Tangible and intangible fixed assets
Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation/amortisation together with accumulated impairment losses. Fixed assets are depreciated through the accumulated depreciation charge. Fixed assets are depreciated using the accelerated or straight-line method based on the estimated useful life. Tangibles in progress, land and art work are not depreciated.

The estimated useful economic lives in years are set out below:

Machinery and equipment, computers, vehicles	4
Software	4
Goodwill	5
Fixtures, fittings and equipment	8
Energy machinery and equipment	15
Optical network	30
Buildings and structures	40

The Group periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where assets are identified as being surplus to the Group's requirements management have assessed the recoverable value by reference to a net selling price based on third party valuation reports adjusted downwards for an estimate of associated sale costs.

Repairs and renewals are charged directly to the profit and loss statement when the expenditure is incurred.

(j) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

In accordance with IAS 17, the present value of future lease payments and any residual values were recorded in the lessor's accounts.

Payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(k) Certificated debts

Certificated debts issued by the Group are stated at amortised costs using the effective interest rate method. Interest expense arising on the issue of certificated debts is included in the income statement line "Interest expense".

(l) Guarantees issued

The Group records the obligations arising from guarantees issued in the off balance sheet. The provision to cover the future outflow from guarantees is recorded in liabilities at the moment when these future outflows arising from these obligations become probable. Group's estimate of the obligation is performed through assessing the credit risk of the customer on behalf of which the guarantee was issued. The assessment of the credit risk is performed similarly as an assessment of the credit risk resulting in the provision for contingencies and other risks (see Note 27). The amount of these obligations is recorded in the income statement at the moment when the future outflow from guarantees issued becomes probable.

(m) Recognition of income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate. Interest income includes coupons earned on fixed income securities and accrued discount and premium on treasury bills and other discounted instruments. Penalty interest is accounted for on a cash basis. Fees and commissions are recognised as income in the profit and loss statement on accrual basis as earned. Non-interest expenses are recognised at the time when the transaction occurs.

(n) Taxation and deferred taxation
Taxation is calculated in accordance with the provisions of the relevant legislation of the Slovak Republic and other jurisdictions in which the Group operates, based on the profit or loss recognised in the income statement prepared pursuant to Slovak accounting standards and accounting standards of other jurisdictions.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

The Group is subject to various indirect operating taxes. These are included as component of administrative expenses.

Tax effect associated with consolidation of subsidiaries and associates:
The deferred tax liability associated with investments in subsidiaries was not recognised in the accompanying consolidated financial statements since the Bank is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in foreseeable future as it is planned that the earnings will be used as self-financing resources at each consolidated subsidiary or associate.

(o) Regulatory requirements
The Group is subject to the regulatory requirements of the National Bank of Slovakia. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments and provisioning to cover credit risk, liquidity, interest rate and foreign currency position.

Similarly, consolidated companies are subject to regulatory requirements specifically in relation to pension funds and collective investment schemes.

3. Net interest income

(in thousands of SKK)	December 31, 2002	December 31, 2001
Interest income		
– Amounts due from banks	789,035	846,095
– Originated loans and advances to customers	3,967,788	3,440,857
– Bonds, treasury bills and other fixed income securities	3,075,087	2,450,246
Total interest income	**7,831,910**	**6,737,198**
Interest expense		
– Amounts owed to banks and central bank	(502,864)	(483,799)
– Amounts owed to customers	(3,166,928)	(3,010,518)
– Certificated debts	(46,622)	(1,682)
Total interest expense	**(3,716,414)**	**(3,495,999)**
Net interest income	**4,115,496**	**3,241,199**

4. Net fees and commissions income

(in thousands of SKK)	December 31, 2002	December 31, 2001
Settlements of operations and other	765,811	453,192
Gains from commissions from cash conversions	422,544	374,672
Originated loans and guarantees issued	192,309	174,109
Total net fees and commissions	**1,380,664**	**1,001,973**

5. Net profit (loss) on financial operations

(in thousands of SKK)	December 31, 2002	December 31, 2001
Trading and available for sale securities	761,752	226,125
Foreign exchange differences and derivatives	200,257	581,421
Profit (loss) from sale of subsidiaries	(3,050)	—
Dividend income on securities held for trading and available for sale	1,938	15,412
Net profit on financial operations	**960,897**	**822,958**

6. Salaries and employment benefits

(in thousands of SKK)	December 31, 2002	December 31, 2001
Wages, salaries and bonuses	1,099,084	836,458
Social security costs	300,717	225,175
Total salaries and employments benefits	**1,399,801**	**1,061,633**

The aggregate remuneration and other benefits paid to members of the Supervisory Board and Statutory Bodies in 2002 was SKK 35,524 thousand (in 2001 SKK 28,230 thousand). The Bank does not have pension arrangements separate from the State pension system of the Slovak Republic. This system requires that current contributions by the employer be calculated as a percentage of current gross salary payments; these expenses are charged to the profit and loss statement in the period the related compensation is earned by the employee.

The Bank contributes to a supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No liabilities arise to the Bank from the payment of pensions to employees in the future. Supplementary retirement insurance costs amounted to SKK 7,557 thousand in 2002 (in 2001 SKK 3,337 thousand).

The Group had an average of 2,676 employees during 2002 and 2,819 at December 31, 2002 (2001: 2,774 and 3,112).

7. Administrative expenses

(in thousands of SKK)	December 31, 2002	December 31, 2001
Services	553,437	480,408
Material	137,946	126,768
Rental charges	313,590	211,751
Promotion expenses	115,504	176,695
Other expenses	278,480	141,832
VAT not claimed	157,926	118,842
Total administrative expenses	**1,556,883**	**1,256,296**

8. Other operating expenses, net

(in thousands of SKK)	December 31, 2002	December 31, 2001
Statutory contribution to the Fund for protection of deposits	(294,223)	(80,140)
Loss from sale of tangibles	(1,879)	(23,999)
Revenues from sale of receivables	—	159
Other operating income	117,516	89,835
Other operating expense	(77,582)	(70,633)
Total other operating expense	**(256,168)**	**(84,778)**

9. Provisions for loan and investment losses

The movement in the provisions for loan and investment losses during 2002 was:

(in thousands of SKK)	Provisions for loans	Provisions for retail loans	Provision for other assets	Provision for fixed assets	Provision for securities available for sale	Total
December 31, 2001	1,632,993	22,292	43,458	687	69,965	1,769,395
Provisions (recoveries)						
charged to profit, net	(32,144)	71,664	(17,393)	(687)	3,000	24,440
December 31, 2002	**1,600,849**	**93,956**	**26,065**		**72,965**	**1,793,835**

The movement in the provisions for off-balance sheet and other risks during 2002 was:

(in thousands of SKK)	Guarantees	Legal disputes	Undrawn loan facilities	Other	Total reserves
December 31, 2001	162,186	353,747	107,391	700	624,024
Provisions (recoveries) charged					
to profit, net	7,656	8,422	(4,611)	117	11,584
December 31, 2002	**169,842**	**362,169**	**102,780**	**817**	**635,608**

Provision for loan and investment losses are deducted from the related asset. Provision for off-balance sheet items and other risks are recorded in liabilities.

10. Taxation

(in thousands of SKK)	December 31, 2002	December 31, 2001
Current tax charge	115,141	33,693
Deferred taxation	22,269	17,455
Total tax expense	**137,410**	**51,148**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. The tax rate for profits other than on state securities in 2002 was 25 % (2001: 29 %). The tax rate for profits on state securities denominated in SKK and interest on fixed income securities was 15 % in both periods.

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Profit before tax (current tax rate 25 %, 2001: 29 %)	1,758,657	1,907,805
Profit before tax (special tax rate 15 %)	736,428	190,020
Profit before tax	**2,495,085**	**2,097,825**
Theoretical tax calculated at a tax rate of 25 % and 15 %,		
respectively (2001: 29 % and 15 %)	550,128	581,767
Income not taxable, primarily interest	(530,582)	(600,810)
Tax non deductible expenses	47,042	67,200
Provisions and reserves, net	9,187	(53,178)
IFRS adjustments	34,143	18,202
Non taxable losses	7,685	29,898
Other	(2,462)	(9,386)
Movement of deferred tax	22,269	17,455
Provision for income taxes	**137,410**	**51,148**

The Group's tax liability is calculated based upon the accounting profit/(loss) taking into account tax non-deductible expenses and tax exempt income or income subject to the final tax rate.

Slovak tax legislation and practice has changed significantly in recent years. Many parts of the legislation remain untested and there is uncertainty about the interpretation that the tax authorities may apply in a number of areas. Management of the Bank has applied revised tax legislation on a prudent basis. Tax positions taken by the Bank are subject to examination and could be challenged by the tax authorities. As a result there is uncertainty about the potential impacts should the interpretation of the tax authorities differ from that applied by the Bank.

However, the Bank's Executive considers that the tax liability which might arise in connection with this would not be material.

Tax liabilities comprise:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Witholding tax on interest paid to physical persons	(61,413)	(76,052)
Deferred tax	(201,389)	(179,120)
Income tax	(1,855)	(1,806)
VAT	(7,649)	(1,966)
Other	(1,530)	(169)
Tax liabilities	**(273,836)**	**(259,113)**

Tax assets comprise:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Other witholding tax	17	3,920
VAT	99	10,370
Income tax	2,068	5,338
Tax assets	**2,184**	**19,628**

The rollforward of the deferred tax balance is as follows:

(in thousands of SKK)	2002	2001
Deferred tax liability as of January 1	179,120	161,665
Deferred tax expense	22,269	17,455
Deferred tax liability as of December 31	**201,389**	**179,120**

Deferred income tax liability of SKK 201,389 thousand (2001: 179,120 thousand) arises mainly due to specific tax rate (15 %) withheld on income from securities in total amount of SKK 1,342,593 thousand (2001: SKK 1,194,133 thousand).

11. Cash and balances with the central bank

(in thousands of SKK)	December 31, 2002	December 31, 2001
Cash and cash equivalents	1,761,048	2,629,784
Balances with the central banks	—	—
Obligatory minimum reserves	2,953,478	568,521
Deposits repayable on demand	982,006	898,834
Overnight with National Bank of Slovakia	2,600,361	6,001,000
Current accounts with other banks	875,444	1,175,430
Total cash and balances with the central bank	**9,172,337**	**11,273,569**

The obligatory reserve is maintained as an interest bearing deposit under the regulations of the National Bank of Slovakia (1.5 % p.a.). The amount of the reserve depends on the level of deposits accepted by the Group. The Group's ability to withdraw the reserve is restricted by statutory legislation.

12. Amounts due from banks

(in thousands of SKK)	December 31, 2002	December 31, 2001
Loans and advances to banks	11,346	100,672
Advances due from the central banks (repo transactions)	—	4,933,350
Term placements with other banks	7,801,109	12,134,988
Total due from banks	**7,812,455**	**17,169,010**

Advances due from the central banks are collateralised by treasury bills issued by the National Bank of Slovakia.

13. Securities held for trading

(in thousands of SKK)	December 31, 2002 Fair value	December 31, 2002 Cost	December 31, 2001 Fair value	December 31, 2001 Cost
Shares and participation certificates	100,321	150,861	99,992	128,206
Fixed income debt securities	30,230,751	29,834,475	27,387,949	27,025,551
Treasury bills	17,894,170	17,888,774	4,008,630	4,008,630
Total debt securities	**48,124,921**	**47,723,249**	**31,396,579**	**31,034,181**
Total securities held for trading	**48,225,242**	**47,874,110**	**31,496,571**	**31,162,387**

As of December 31, 2002, the portfolio of securities held for trading includes securities at a fair value of SKK 29,314,277 thousand (2001: SKK 26,384,240 thousand) that are listed on stock exchanges and securities at a fair value of SKK 18,910,965 thousand (2001: SKK 5,112,331 thousand) that are not listed.

Shares and participation certificates held for trading at fair value, allocated by issuer, comprise:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Shares and participation certificates held for trading issued by:		
– Financial institutions in the Slovak Republic	90,987	81,611
– Other entities in the Slovak Republic	9,334	18,381
Total shares and participation certificates held for trading	**100,321**	**99,992**

Debt securities held for trading at fair value, allocated by issuer, comprise:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Debt securities held for trading issued by:		
– State institutions in the Slovak Republic	27,500,011	23,028,203
– National bank of Slovakia	16,819,501	2,969,494
– Foreign central banks	127,283	158,209
– Financial institutions in the Slovak Republic	642,728	304,018
– Foreign financial institutions	1,383,822	1,220,340
– Other entities in the Slovak Republic	1,651,576	3,716,315
Total debt securities held for trading	**48,124,921**	**31,396,579**

14. Originated loans and advances to customers, net

(in thousands of SKK)	December 31, 2002	December 31, 2001
Overdrafts	4,616,598	3,718,024
Bill of exchange loans	861,262	901,300
Short term loans	17,499,848	15,449,746
Middle term loans	12,379,561	12,796,189
Long term loans	11,573,222	7,679,170
Loans to municipalities	394,559	367,121
Other receivables from clients	279,262	136,618
Standard loans subtotal	*47,604,312*	*41,048,168*
Watch	*2,813,930*	*2,535,563*
Substandard	*1,643,498*	*100,114*
Doubtful	*223,896*	*884,915*
Lost loans	*891,628*	*552,054*
Less provision for loan losses (Note 9)	*(1,694,805)*	*(1,655,285)*
Total originated loans to customers	**51,482,459**	**43,465,529**

Loans to customers are made principally within the Slovak Republic and comprise:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Manufacturing	21,731,896	21,537,938
Mining	72,012	130,213
Agriculture	394,608	179,363
Trading enterprises	11,851,052	8,506,808
Real estate construction	435,532	273,226
Transportation	5,200,495	4,076,491
Financial services	3,551,428	3,445,464
Other services	4,367,181	3,265,939
Healthcare and public services	750,385	243,732
Other	4,434,753	3,121,761
Less – provisions and reserve for loan losses	(1,694,805)	(1,655,285)
Accrued interest	387,922	339,879
Total originated loans to customers	**51,482,459**	**43,465,529**

The Group's loan portfolio consists of loans extended to the following types of enterprises:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Private companies	33,780,468	29,577,647
State companies	14,281,189	11,473,539
State budget or local authorities	394,559	367,121
Other	14,684	1,351,062
Physical persons	4,318,442	2,011,566
Less – Provisions and reserves for loan losses	(1,694,805)	(1,655,285)
Accrued interest	387,922	339,879
Total loans to customers	**51,482,459**	**43,465,529**

15. Securities available for sale

(in thousands of SKK)	December 31, 2002	December 31, 2001
Other investments	76,561	75,045
Less – provision for impairment (Note 9)	(72,965)	(69,965)
Total securities available for sale	**3,596**	**5,080**

The Group had shares and other participations in the following companies as at December 31, 2002:

Name	Group holding (%)	Investment cost	Provision	Net investments
DDP Pokoj	n/a	68,533	(68,533)	—
Slovakia Industries, a.s.	n/a	1,432	(1,432)	—
Bankove zuctovacie centrum, a.s.	0.99	3,000	(3,000)	—
eliot, s.r.o.	100	200	—	200
DTCA, a.s.	10	1,100	—	1,100
Int. Factors Group, s.c.	10 shares	259	—	259
Burza cennych papierov Bratislava, a.s.	0.26	300	—	300
SWIFT, s.c. Belgicko	29 shares	1,737	—	1,737
Securities available for sale		**76,561**	**(72,965)**	**3,596**

The investment in DDP Pokoj represents a contribution provided for special purposes to the supplementary pension fund. The Group will also carry out particular activities for Pokoj dôchodková doplnková poisťovňa according to the agreement. The company was not consolidated as its activities are restricted by the legislation and only insured clients have right for share of the profit. This special purpose deposit was provided for fully due to losses generated by the company in the past.

16. Investments in associates

(in thousands of SKK)	
December 31, 2001	**207,699**
Share of profit of associates	17,225
December 31, 2002	**224,924**

17. Tangible fixed assets

(in thousands of SKK)	Land and buildings	Machinery & equip.	Other fixed assets	Means of transport	Construction in progress and advances	Total
Cost						
January 1, 2002	1,325,935	1,846,778	575,130	119,371	530,899	4,398,113
Additions	—	—	8,338	6,393	869,443	884,174
Disposals	(34,290)	(50,412)	(9,582)	(17,576)	(140,217)	(252,077)
Transfers from tangibles in progress	322,943	437,041	334,833	37,437	(1,132,254)	—
December 31, 2002	1,614,588	2,233,407	908,719	145,625	127,871	5,030,210
Accumulated depreciation						
January 1, 2002	(197,541)	(1,186,676)	(348,404)	(63,539)	—	(1,796,160)
Additions	(57,597)	(333,349)	(149,185)	(27,190)	—	(567,321)
Disposals	1,714	40,034	179	8,973	—	50,900
December 31, 2002	(253,424)	(1,479,991)	(497,410)	(81,756)	—	(2,312,581)
Net book value 2001	**1,128,394**	**660,102**	**226,726**	**55,832**	**530,899**	**2,601,953**
Net book value 2002	**1,361,164**	**753,416**	**411,309**	**63,869**	**127,871**	**2,717,629**

The principal additions arose in connection with the opening of fifteen new branches.

Insurance coverage
Tangible fixed assets are insured covering a maximum risk of SKK 2,913,216 thousand against natural disaster, SKK 1,109,093 thousand against water damage, SKK 2,706,469 thousand against theft and vandalism. Electronic equipment is insured covering a maximum risk of SKK 238,759 thousand.

Future investment plans
The bodies of the Bank have approved the following major investments for the future accounting periods:

(in thousands of SKK)	December 31, 2002
Buildings - reconstruction, acquisition	86,999
Office equipment	80,920
Cars	13,670
Telecommunication system	75,615
Hardware, software	616,151
Total	**873,355**

As of December 31, 2002, the Group had contracted capital commitments of SKK 14,659 thousand in respect of current capital investment projects.

18. Intangible fixed assets

(in thousands of SKK)	Intangibles Software	Goodwill	Others	in progress	Total
Cost					
January 1, 2002	**626,296**	**33,194**	**1,705**	**84,573**	**745,768**
Additions	—	—	—	140,630	140,630
Disposals	—	—	(1,018)	—	(1,018)
Transfer from tangibles in progress	52,203	—	87	(52,290)	—
December 31, 2002	678,499	33,194	774	172,913	885,380
Accumulated depreciation					
January 1, 2002	(471,650)	(21,245)	(1,705)	—	(494,600)
Charge for the year	(94,398)	(5,975)	(87)	—	(100,460)
Disposal	—	—	1,018	—	1,018
December 31, 2002	(566,048)	(27,220)	(774)	—	(594,042)
Net book value 2001	**154,646**	**11,949**	**—**	**84,573**	**251,168**
Net book value 2002	**112,451**	**5,974**	**—**	**172,913**	**291,338**

The principal additions arose in connection with the acquisition of software related to the implementation of banking software within the whole Raiffeisen group.

19. Prepayments, accrued income and other assets

(in thousands of SKK)	December 31, 2002	December 31, 2001
Prepayments and accrued income	144,056	101,290
Inventories	16,431	15,511
Sundry debtors	113,579	128,469
Finance lease receivables	41,631	29,927
Advances granted	53,899	59,384
Estimated receivables	17,476	9,175
Other	43,940	36,145
Provision for losses (Note 9)	(26,065)	(43,458)
Total prepayments, accrued income and other assets	**404,947**	**336,443**

20. Amounts owed to banks

(in thousands of SKK)	December 31, 2002	December 31, 2001
Current accounts	2,427,177	3,613,393
Amounts owed to banks	7,594,627	8,148,847
Total amounts owed to banks	**10,021,804**	**11,762,240**

21. Amounts owed to customers

(in thousands of SKK)	December 31, 2002	December 31, 2001
Current accounts	37,476,213	31,781,648
Savings accounts	7,525,551	5,103,824
Term deposits	45,922,465	41,100,573
Deposits from budget of public sector	3,926,586	4,014,660
Loans from customers	602,854	200,031
Other payables	358,963	248,022
Total amounts owed to customers	**95,812,632**	**82,448,758**

Amounts owed to customers, by type of customer, comprise:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Private companies	45,729,067	39,136,076
Other financial institutions	2,473,324	997,000
Insurance companies	2,100,039	1,973,721
Public administration	3,926,586	4,014,662
Individuals	37,481,598	33,071,482
Non-residents	1,657,385	1,175,783
Private entrepreneurs	2,249,299	1,847,138
Other	27,673	44,816
Accrued interest	167,661	188,080
Total amounts owed to customers	**95,812,632**	**82,448,758**

22. Certificated debts

(in thousands of SKK)	December 31, 2002	December 31, 2001
Deposit certificates	131,509	553,440
Mortgage bonds	1,435,889	506,182
Total certificated debts	**1,567,398**	**1,059,622**

Publicly traded mortgage bonds are issued to fund the Group's mortgage activities.

The mortgage bonds were issued by the Group with the following terms as of the date of issuance:

Name	Interest rate	Issue date	Maturity date	December 31, 2002	December 31, 2001
Mortgage bonds	7.50 %	14.12.2001	14.12.2006	603,538	506,182
Mortgage bonds	5.50 %	16.12.2002	16.12.2012	832,351	—
Total mortgage bonds				**1,435,889**	**506,182**

The Group issued deposit certificates in total amount of SKK 131,509 thousand. Deposit certificates bears average interest rates of 6.2 % for the year 2002 (6.76 % for the year 2001).

Certificated debts are repayable, according to their remaining maturity, as follows:

(in thousands of SKK)	December 31, 2002	December 31, 2001
In less than one year	135,098	555,122
In one to two years	—	—
In two to three years	—	—
In three to four years	601,538	—
Five years and thereafter	830,762	504,500
Total certificated debts	**1,567,398**	**1,059,622**

23. Accruals, deferred income and other liabilities

(in thousands of SKK)	December 31, 2002	December 31, 2001
Accruals and deferred income	12,431	13,068
Liabilities to employees from employee shares	187,820	127,030
Different creditors	70,743	75,565
Estimated payables	216,184	138,780
Other	6,777	19,287
Total other liabilities	**493,955**	**373,730**

Further to the Articles of Association, the Bank sells own shares to its employees as part of its employee compensation programme. Upon the employee request, the Bank is obliged to re-purchase these shares. Bank calculates full liability from this scheme based on the conditions approved in the Articles of Association.

The total liability of the Bank in respect of employee shares represents SKK 187,820 thousand as of December 31, 2002 (2001: SKK 127,030 thousand). The value of the liability was stated based on the number of the shares held by employees as of the end of the period and redemption price of these shares. Calculation of redemption price is defined in the Articles of Association.

Due to changes in the Slovak legislation employee shares will be cancelled by the end of 2003.

24. Share capital

Share capital of the Bank comprises 50,216 registered ordinary shares with a nominal value of SKK 20,000 thousand.

25. Share premium and reserves

The Group's distributable and non-distributable reserves are determined by the amount of its reserves as disclosed in its accounts prepared in accordance with Slovak accounting legislation. As at December 31, 2002, the statutory accounts of the Bank disclosed non-distributable reserves of SKK 208,864 thousand (SKK 208,864 thousand as of December 31, 2001).

Information on the consolidation of the group

Share premium and reserves

(in thousands of SKK)	December 31, 2002	December 31, 2001
Parent company	7,513,812	6,368,807
Companies consolidated by full method:	(235,905)	(85,363)
Companies consolidated by equity method:	110,852	78,888
Total share premium and reserves	**7,388,759**	**6,362,332**

Income for the year

(in thousands of SKK)	December 31, 2002	December 31, 2001
Parent company	2,471,192	2,164,808
Companies consolidated by full method:	(130,742)	(150,095)
Companies consolidated by equity method:	17,225	31,964
Total net income for the year	**2,357,675**	**2,046,677**

Distribution of net profit for the year ended December 31, 2002 will be approved by the General meetings of the Group companies.

Shareholders' funds (equity) and profit (loss) are reconciled between Slovak accounting legislation and IFRS as follows:

	December 31, 2002		December 31, 2001	
(in thousands of SKK)	Equity	Profit (Loss)	Equity	Profit (Loss)
Slovak Accounting Legislation (Bank Only)	10,848,234	2,566,330	9,284,935	3,096,612
IFRS consolidation effect	137,519	11,464	126,055	17,771
Revaluation of financial instruments IAS 39	(14,897)	(178,308)	163,411	(178,032)
Social fund and royalties	(23,701)	(23,701)	(22,371)	(22,371)
Reserves for loan losses	—	—	—	(846,886)
Elimination of employee shares	(137,349)	—	(97,759)	—
Reserve for own shares	(59,052)	(18,110)	(40,942)	(20,417)
International Financial Reporting Standards	**10,750,754**	**2,357,675**	**9,413,329**	**2,046,677**

26. Information for Cash flow statement

Profit from operating activities before changes in operating assets and liabilities:

(in thousands of SKK)	2002	2001
Profit before current income tax	2,472,816	2,080,370
Adjusted for:		
Interest expense	3,716,414	3,495,999
Interest income	(7,831,910)	(6,737,198)
Provisions for losses and write off of assets, net	98,564	8,597
Deferred tax	22,269	17,455
Gain/loss on sale and other disposals of fixed assets	1,879	23,999
Other changes in associate	—	2,425
Undistributed profits of associate	(17,225)	(31,964)
Gain on sale of financial investments	—	—
Revaluation of trading and available for sale securities and derivatives	374,621	319,932
Depreciation and amortization	667,781	588,965
Dividends received	—	—
Changes in accrued income and expense	420	867
Other non monetary items	—	(811)
Foreign exchange gain/loss on cash and cash equivalents	79,179	9,267
Profit from operating activities before changes in operating assets and liabilities	**(415,192)**	**(222,097)**

Analysis of cash and cash equivalents:

(in thousands of SKK)	December 31, 2002	December 31, 2001	Change in the year
Cash and balances with central banks	5,343,415	9,529,618	(4,186,203)
Current accounts with other banks	875,444	1,175,430	(299,986)
Total	**6,218,859**	**10,705,048**	**(4,486,189)**

27. Commitments and contingent liabilities

Commitments arising from the issuance of guarantees, letters of credit and undrawn credit facilities

(in thousands of SKK)	December 31, 2002	December 31, 2001
Commitments made:		
– Guarantees	5,658,648	4,760,249
– Classified guarantees	205,660	205,680
– Letters of credit	667,660	350,215
Undrawn credit facilities	19,668,750	12,662,063
Total	**26,200,718**	**17,978,207**

Commitments from guarantees represent irrevocable obligations that the Group will make payments in the event that a customer cannot fulfill its obligations against the third parties. These obligations carry the same credit risk as loans and therefore the Group makes provisions against these instruments on the same basis as is applicable to loans.

Documentary credit is an irrevocable undertaking of the issuing bank acting at the request of a customer (buyer) to make payment to the beneficiary (seller), or to pay or accept bills of exchange drawn by the beneficiary against stipulated documents, provided all terms and conditions of the letter of credit are complied with. The documentary credits are collateralised depending on creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit issued by the Group represent issued loan commitments and undrawn portions of approved overdraft loans.

As of December 31, 2002, the Group had SKK 19,668,750 thousand in undrawn loan facilities (SKK 12,662,063 thousand as of December 31, 2001).

The risk associated with off balance sheet credit commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Group issued the guarantee and taking into account the collateral obtained. As of December 31, 2002, the Group created provisions for these risks amounting to SKK 273,439 thousand (2001: SKK 270,277 thousand) (Note 9).

Legal disputes
In the ordinary course of business, the Group is subject to legal actions and complaints. The Board of Directors of the Bank believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial situation or the results of future operations of the Bank. As of December 31, 2002 the Group created provisions for these risks amounting to SKK 362,169 thousand (2001: SKK 353,747 thousand) (Note 9).

Capital commitments
As of December 31, 2002, the Group had contracted capital commitments of SKK 14,659 thousand (SKK 196,006 thousand in 2001) in respect of current capital investment projects. Management is confident that future net revenues and funding will be sufficient to cover this commitment.

28. Derivative financial instruments

The outstanding deals with derivative financial instruments as at December 31, 2002 and December 31, 2001 are as follows:

	December 31, 2002				December 31, 2001			
	Notional value		Fair value		Notional value		Fair value	
(in thousands of SKK)	Assets	Liabilities	Positive	Negative	Assets	Liabilities	Positive	Negative
Interest rate instruments								
Interest rate swaps (IRS)	13,000,290	13,000,290	189,402	484,599	5,177,899	5,177,899	29,138	315,588
Forward Rate Agreements (FRA)	79,100,000	79,100,000	193,362	350,501	4,554,475	4,554,475	1,456	3,180
Sub Total	**92,100,290**	**92,100,290**	**382,764**	**835,100**	**9,732,374**	**9,732,374**	**30,594**	**318,768**
Foreign currency instruments								
Currency swaps	23,782,449	23,754,848	610,130	637,092	13,022,775	13,035,595	134,032	146,423
Cross currency swaps	1,025,206	1,091,313	79,055	171,839	2,712,510	2,606,111	145,015	101,764
Forwards	12,913,509	13,006,675	163,318	227,977	3,483,910	3,499,736	61,890	77,618
Call options	2,218,936	2,225,545	19,273	5,676	128,280	130,550	—	—
Put options	1,898,774	1,901,097	2,729	38,608	172,600	171,040	3,918	—
Sub Total	**41,838,874**	**41,979,478**	**874,505**	**1,081,192**	**19,520,075**	**19,443,032**	**344,856**	**325,805**
Total	**—**	**—**	**1,257,269**	**1,916,292**	**—**	**—**	**375,450**	**644,573**

The fair value of these transactions reflects the credit risk and other types of economic risks for the Group.

The maturity of derivative financial instruments as at December 31, 2002 is as follows:

(in thousands of SKK)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
IRS				
Assets	5,902,742	5,428,668	1,668,880	**13,000,290**
Liabilities	(5,902,742)	(5,428,668)	(1,668,880)	**(13,000,290)**
FRA				
Assets	79,100,000	—	—	**79,100,000**
Liabilities	(79,100,000)	—	—	**(79,100,000)**
Foreign currency instruments				
Swaps				
Assets	23,782,449	—	—	**23,782,449**
Liabilities	(23,754,848)	—	—	**(23,754,848)**
Cross currency swaps				
Assets	—	1,025,206	—	**1,025,206**
Liabilities	—	(1,091,313)	—	**(1,091,313)**
Forwards				
Assets	12,913,509	—	—	**12,913,509**
Liabilities	(13,006,675)	—	—	**(13,006,675)**
Call options				
Assets	2,218,936	—	—	**2,218,936**
Liabilities	(2,225,545)	—	—	**(2,225,545)**
Put options				
Assets	1,898,774	—	—	**1,898,774**
Liabilities	(1,901,097)	—	—	**(1,901,097)**

Credit risk of financial derivatives

Credit exposure or replacement cost of financial derivative instruments represents the Group's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the Group in the event that counterparties fail to perform their obligations. It is usually a small fraction of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to generally applicable methodology using the current exposure method and involves the fair market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of nominal value, which indicates the potential change in fair market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The Bank assesses credit risks of all financial instruments on a daily basis.

As of December 31, 2002, the Group has a potential credit exposure of SKK 1,257,269 thousand (2001: SKK 375,450 thousand) in the event of non-performance by counterparties to its financial derivative instruments. This represents the gross replacement cost at market rates as of December 31, 2002 of all outstanding agreements in the event of all counterparties defaulting and does not allow for the effect of netting arrangements.

Bank is selective in its choice of counterparties. Interbank foreign exchange and money market transactions are subject to counterparty limits and limits on group of related entities.

In general non-bank customers, which enter into derivative transactions with bank are required to keep a collateral with the bank. The size of collateral is set by bank according to the risk profile of the customer's position and is regularly reviewed. A small portion of positions is covered by credit lines regularly reviewed by credit risk management.

29. Related Parties

Related parties, as defined by IAS 24, are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates - enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, and anyone expected to influence, or be influenced by, that person in their dealings with the Group;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

As at December 31, 2002 and December 31, 2001, balances outstanding with related parties comprised:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Cash and cash equivalents	**481,199**	**681,667**
– RZB	474,939	639,760
– RZB Group	6,260	41,907
Amounts due from banks and customers	**2,595,050**	**2,454,836**
– statutory bodies and supervisory board	3,552	486
– other related parties	96,766	284,686
– RZB	1,062,184	1,245,315
– RZB Group	1,071,311	482,492
– associates	361,237	441,857
Receivables from financial derivative transactions	**41,732**	**100,749**
– RZB	19,628	96,397
– RZB Group	1,105	4,352
– associates	20,999	—
Other receivables	**207**	**515**
– RZB Group	—	37
– associates	207	478
Assets total	**3,118,188**	**3,237,767**
Debts evidenced by paper	**—**	**50,167**
– RZB	—	50,167
Amounts owed to banks and customers	**151,432**	**102,805**
– statutory bodies and supervisory board	14,062	7,949
– RZB	37,161	104
– RZB Group	97,410	3,291
– associates	2,799	91,461
Payables on financial derivatives transactions	**209,025**	**322,577**
– RZB	205,073	322,263
– RZB Group	478	314
– associates	3,474	—
Liabilities total	**360,457**	**475,549**

As at December 31, 2002 and December 31, 2001, transactions outstanding with related parties comprised:

(in thousands of SKK)	December 31, 2002	December 31, 2001
Interest income	**133,287**	**158,847**
– RZB	112,895	132,327
– RZB Group	6,689	11,473
– associates	13,703	15,047
Fee income	**37,309**	**24,372**
– RZB	687	91
– RZB Group	5,058	1,927
– associates	31,564	22,354
Operating income	**7,836**	**7,437**
– RZB	111	—
– RZB Group	515	1,162
– associates	7,210	6,275
Income total	**178,432**	**190,656**

(in thousands of SKK)	December 31, 2002	December 31, 2001
Interest expenses	**(194,044)**	**(202,693)**
– statutory bodies and supervisory board	(115)	(74)
– RZB	(192,325)	(195,663)
– RZB Group	(828)	(5,709)
– associates	(776)	(1,247)
Fee expenses	**(68,625)**	**(48,530)**
– RZB	(66,706)	(48,393)
– RZB Group	(1,919)	(137)
Unrealised result from fin. derivatives transaction	**(162,899)**	**(221,828)**
– RZB	(180,817)	(225,866)
– RZB Group	1,105	4,038
– associates	16,813	—
Administrative expenses	**(103,602)**	**(103,068)**
– RZB	(41,789)	(40,825)
– RZB Group	(26,289)	(28,695)
– associates	—	(5,318)
– supervisory board – emoluments	(9,480)	(12,000)
– statutory bodies – emoluments	(26,044)	(16,230)
Operating expenses:	**—**	**(15)**
– associates	—	(15)
Expenses total	**(529,170)**	**(576,134)**

(in thousands of SKK)	December 31, 2002	December 31, 2001
Commitments and contingent liabilities		
Guarantees issued	1,272,951	1,426,057
– RZB	177,855	105,881
– RZB Group	848,671	1,134,088
– associates	246,425	186,088
Letters of credit	—	5,766
– RZB Group	—	5,766
Guarantees received	1,063,274	4,858,391
– RZB	1,063,029	4,853,260
– RZB Group	244	1,049
– associates	—	4,082
Derivatives		
Swaps		
– RZB		
– purchase	2,645,808	3,005,512
– sale	(2,646,041)	(2,949,173)
– RZB Group		
– purchase	228,356	106,148
– sale	(228,205)	(102,096)
IRS		
– RZB Group	2,087,258	2,180,079
– associates	472,835	455,000

All of the transactions stated above have been made under arms-length commercial and banking conditions.

30. Estimated fair value of assets and liabilities of the Group

It is the opinion of the management of the Bank that the fair value of the Group financial assets and liabilities are not materially different from the amounts stated in the balance sheets as at December 31, 2002 and December 31, 2001.

Financial assets

The amortised cost of amounts due from banks is estimated to approximate their fair value due to their short-term nature, interest rates reflecting current market conditions and not significant transaction costs.

The amortised cost of treasury securities was not materially different from their quoted prices.

Trading and available for sale securities are stated at fair value. The fair value of debt securities is determined using the generally accepted valuation methods. The quoted shares are stated at closing market prices.

The restated cost net of any reserve for impairment of equity investments that are not listed on the stock exchange is estimated to approximate their fair value.

The amortised cost of loans, net of allowances is estimated to approximate their fair value.

Financial liabilities

The amortised cost of customer deposits and funds borrowed is considered to approximate their respective fair values, since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

The following table summarises the carrying values and fair values of those financial assets and liabilities not presented on the Group's consolidated balance sheet at their fair value:

(in thousands of SKK)	December 31, 2002 Carrying value	December 31, 2002 Fair value	December 31, 2001 Carrying value	December 31, 2001 Fair value
Financial assets				
Cash and balances with the central bank	9,172,337	9,172,337	11,273,569	11,273,569
Amounts due from banks	7,812,455	7,812,455	17,169,010	17,177,753
Originated loans and advances to customers, net	51,482,459	51,948,391	43,465,529	43,603,807
Financial liabilities				
Amounts owed to banks	10,021,804	10,021,804	11,762,240	11,762,240
Amounts owed to customers	95,812,632	95,785,376	82,448,758	82,448,758
Certificated debts	1,567,398	1,567,398	1,059,622	1,059,622

31. Foreign exchange position

The Bank's assets and liabilities are denominated as follows:

(in thousands of SKK)	Slovak crowns	Foreign currencies	Total
Assets			
Cash and balances with the central bank	7,719,000	1,453,337	9,172,337
Amounts due from banks	6,671,620	1,140,835	7,812,455
Securities held for trading	41,863,998	6,361,244	48,225,242
Receivables on financial derivative transactions	1,207,810	49,459	1,257,269
Originated loans and advances to customers, net	39,457,765	12,024,694	51,482,459
Securities available for sale	1,600	1,996	3,596
Tax assets	2,184	—	2,184
Investments in associates	224,924	—	224,924
Tangible fixed assets	2,717,629	—	2,717,629
Intangible fixed assets	291,338	—	291,338
Prepayments, accrued income and other assets	381,317	23,630	404,947
Total assets	**100,539,185**	**21,055,195**	**121,594,380**
Liabilities			
Amounts owed to central bank	55,432	66,669	122,101
Amounts owed to banks	8,152,863	1,868,941	10,021,804
Payables on financial derivative transactions	1,787,337	128,955	1,916,292
Amounts owed to customers	70,568,987	25,243,645	95,812,632
Certificated debts	1,567,398	—	1,567,398
Tax liabilities	273,836	—	273,836
Provisions for off balance sheet	484,376	151,232	635,608
Accruals, deferred income and other liabilities	491,705	2,250	493,955
Share capital	1,004,320	—	1,004,320
Share premium and reserves	9,746,434	—	9,746,434
Total liabilities	**94,132,688**	**27,461,692**	**121,594,380**
Net FX position at December 31, 2002	**6,406,497**	**(6,406,497)**	**—**
Off balance sheet assets*	102,037,211	40,052,035	142,089,246
Off balance sheet liabilities *	124,960,356	30,639,593	155,599,949
Net off balance sheet FX position	**(22,923,145)**	**9,412,442**	**(13,510,703)**
Total net FX position at December 31, 2002	**(16,516,648)**	**3,005,945**	**(13,510,703)**
Total assets at December 31, 2001	77,262,410	29,939,690	107,202,100
Total liabilities at December 31, 2001	78,683,501	28,518,599	107,202,100
Net FX position at December 31, 2001	**(1,421,091)**	**1,421,091**	**—**
Off balance sheet net FX position at December 31, 2001	**(13,745,410)**	**(2,725,459)**	**(16,470,869)**
Total net FX position at December 31, 2001	**(15,166,501)**	**(1,304,368)**	**(16,470,869)**

**) Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

32. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have contractual maturity date or are not interest-bearing are grouped in "maturity undefined" category.

SKK (in thousands of SKK)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets						
Cash and balances with the central bank	7,719,000	—	—	—	—	**7,719,000**
Amounts due from banks	3,898,763	2,430,000	342,857	—	—	**6,671,620**
Securities held for trading	24,802,568	6,954,078	9,381,528	625,503	100,321	**41,863,998**
Receivables on financial derivative transactions	—	—	—	—	1,207,810	**1,207,810**
Originated loans and advances to customers, net	31,458,379	3,637,435	3,763,163	1,544,591	(945,803)	**39,457,765**
Securities available for sale	—	—	—	—	1,600	**1,600**
Tax assets	2,184	—	—	—	—	**2,184**
Investments in associates	—	—	—	—	224,924	**224,924**
Tangible fixed assets	—	—	—	—	2,717,629	**2,717,629**
Intangible fixed assets	—	—	—	—	291,338	**291,338**
Prepayments, accrued income and other assets	144,025	—	—	—	237,292	**381,317**
Total assets	**68,024,919**	**13,021,513**	**13,487,548**	**2,170,094**	**3,835,111**	**100,539,185**
Liabilities						
Amounts owed to central bank	55,432	—	—	—	—	**55,432**
Amounts owed to banks	7,222,863	930,000	—	—	—	**8,152,863**
Payables on financial derivative transactions	—	—	—	—	1,787,337	**1,787,337**
Amounts owed to customers	43,552,463	19,110,674	7,905,848	—	—	**70,568,985**
Certificated debts	—	—	671,742	895,656	—	**1,567,398**
Tax liabilities	273,836	—	—	—	—	**273,836**
Provisions for off balance sheet	484,376	—	—	—	—	**484,376**
Accruals, deferred income and other liabilities	11,460	—	—	—	480,245	**491,705**
Share capital	—	—	—	—	1,004,320	**1,004,320**
Share premium and reserves	—	—	—	—	9,746,434	**9,746,434**
Total liabilities	**51,600,430**	**20,040,674**	**8,577,590**	**895,656**	**13,018,336**	**94,132,686**
On balance sheet interest rate sensitivity gap						
at December 31, 2002	**16,424,489**	**(7,019,161)**	**4,909,958**	**1,274,438**	**(9,183,225)**	**6,406,499**
Off balance sheet interest rate assets*	37,268,265	60,684,297	599,891	—	3,484,758	**102,037,211**
Off balance sheet interest rate liabilities*	33,315,540	72,029,380	1,700,000	—	17,915,436	**124,960,356**
Net off balance sheet interest rate sensitivity gap						
at December 31, 2002	**3,952,725**	**(11,345,083)**	**(1,100,109)**	**—**	**(14,430,678)**	**(22,923,145)**
Cumulative interest rate sensitivity gap						
at December 31, 2002	**20,377,214**	**2,012,970**	**5,822,819**	**7,097,257**	**(16,516,646)**	**—**

**) Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

EUR (in thousands of SKK)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets						
Cash and balances with the central bank	809,161	—	—	—	—	**809,161**
Amount due from banks	629,203	—	—	—	—	**629,203**
Securities held for trading	—	137,406	2,013,444	2,193,303	—	**4,344,153**
Receivables on financial derivative transaction	—	—	—	—	39,539	**39,539**
Originated loans and advances to customers, net	9,578,113	596,397	1,974	—	(726,996)	**9,449,488**
Securities available for sale	—	—	—	—	1,996	**1,996**
Tax assets	—	—	—	—	—	**—**
Investments in associates	—	—	—	—	—	**—**
Tangible fixed assets	—	—	—	—	—	**—**
Intangible fixed assets	—	—	—	—	—	**—**
Prepayments, accrued income and other assets	31	—	—	—	1,900	**1,931**
Total assets	**11,016,508**	**733,803**	**2,015,418**	**2,193,303**	**(683,561)**	**15,275,471**
Liabilities						
Amounts owed to central bank	66,669	—	—	—	—	**66,669**
Amounts owed to banks	581,426	—	—	—	—	**581,426**
Payables on financial derivative transactions	—	—	—	—	103,358	**103,358**
Amounts owed to customers	9,398,120	3,611,508	1,713,866	—	—	**14,723,494**
Certificated debt	—	—	—	—	—	**—**
Tax liabilities	—	—	—	—	—	**—**
Provisions for off balance sheet and other risks	151,232	—	—	—	—	**151,232**
Accruals, deferred income and other liabilities	(17,136)	—	—	—	40	**(17,096)**
Share capital	—	—	—	—	—	**—**
Share premium and reserves	—	—	—	—	—	**—**
Total liabilities	**10,180,311**	**3,611,508**	**1,713,866**	—	**103,398**	**15,609,083**
On balance sheet interest rate sensitivity gap						
at December 31, 2002	**836,197**	**(2,877,705)**	**301,552**	**2,193,303**	**(786,959)**	**(313,612)**
Off balance sheet interest rate assets*	10,164,081	4,571,639	2,178,625	—	1,903,807	**18,818,152**
Off balance sheet interest rate liabilities*	6,519,336	5,468,741	1,299,813	1,668,880	1,804,732	**16,761,502**
Net off balance sheet interest rate sensitivity gap						
at December 31, 2002	**3,644,745**	**(897,102)**	**878,812**	**(1,668,880)**	**99,075**	**2,056,650**
Cumulative interest rate sensitivity gap						
at December 31, 2002	**4,480,942**	**706,135**	**1,886,499**	**2,410,922**	**1,723,038**	**—**

**) Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

USD (in thousands of SKK)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets						
Cash and balances with the central bank	280,729	—	—	—	—	**280,729**
Amount due from banks	200,676	1,895	—	—	—	**202,571**
Securities held for trading	321,079	922,875	773,137	—	—	**2,017,091**
Receivables on financial derivative transaction	—	—	—	—	9,920	**9,920**
Originated loans and advances to customers, net	923,488	11,675	1,198,499	133,607	(20,427)	**2,246,842**
Securities available for sale	—	—	—	—	—	**—**
Tax assets	—	—	—	—	—	**—**
Investments in associates	—	—	—	—	—	**—**
Tangible fixed assets	—	—	—	—	—	**—**
Intangible fixed assets	—	—	—	—	—	**—**
Prepayments, accrued income and other assets	—	—	—	—	21,453	**21,453**
Total assets	**1,725,972**	**936,445**	**1,971,636**	**133,607**	**10,946**	**4,778,606**
Liabilities						
Amounts owed to central bank	—	—	—	—	—	**—**
Amounts owed to banks	921,398	201,355	—	—	—	**1,122,753**
Payables on financial derivative transactions	—	—	—	—	25,597	**25,597**
Amounts owed to customers	6,160,534	2,076,942	872,107	—	—	**9,109,583**
Certificated debt	—	—	—	—	—	**—**
Tax liabilities	—	—	—	—	—	**—**
Provisions for off balance sheet and other risks	—	—	—	—	—	**—**
Accruals, deferred income and other liabilities	18,104	—	—	—	1,238	**19,342**
Share capital	—	—	—	—	—	**—**
Share premium and reserves	—	—	—	—	—	**—**
Total liabilities	**7,100,036**	**2,278,297**	**872,107**	**—**	**26,835**	**10,277,275**
On balance sheet interest rate sensitivity gap						
at December 31, 2002	**(5,374,064)**	**(1,341,852)**	**1,099,529**	**133,607**	**(15,889)**	**(5,498,669)**
Off balance sheet interest rate assets*	14,203,207	1,209,461	486,266	—	254,391	**16,153,325**
Off balance sheet interest rate liabilities*	7,826,009	2,071,338	220,198	—	104,211	**10,221,756**
Net off balance sheet interest rate sensitivity gap						
at December 31, 2002	**6,377,198**	**(861,877)**	**266,068**	**—**	**150,180**	**5,931,569**
Cumulative interest rate sensitivity gap						
at December 31, 2002	**1,003,134**	**(1,200,595)**	**165,002**	**298,609**	**432,900**	**—**

**) Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

Other FCY (in thousands of SKK)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets						
Cash and balances with the central bank	363,447	—	—	—	—	**363,447**
Amount due from banks	309,061	—	—	—	—	**309,061**
Securities held for trading	—	—	—	—	—	**—**
Receivables on financial derivative transaction	—	—	—	—	—	**—**
Originated loans and advances to customers, net	35,497	292,867	—	—	—	**328,364**
Securities available for sale	—	—	—	—	—	**—**
Tax assets	—	—	—	—	—	**—**
Investments in associates	—	—	—	—	—	**—**
Tangible fixed assets	—	—	—	—	—	**—**
Intangible fixed assets	—	—	—	—	—	**—**
Prepayments, accrued income and other assets	—	—	—	—	246	**246**
Total assets	**708,005**	**292,867**	**—**	**—**	**246**	**1,001,118**
Liabilities						
Amounts owed to central bank	—	—	—	—	—	**—**
Amounts owed to banks	164,762	—	—	—	—	**164,762**
Payables on financial derivative transactions	—	—	—	—	—	**—**
Amounts owed to customers	911,220	337,887	161,463	—	—	**1,410,570**
Certificated debt	—	—	—	—	—	**—**
Tax liabilities	—	—	—	—	—	**—**
Provisions for off balance sheet and other risks	—	—	—	—	—	**—**
Accruals, deferred income and other liabilities	4	—	—	—	—	**4**
Share capital	—	—	—	—	—	**—**
Share premium and reserves	—	—	—	—	—	**—**
Total liabilities	**1,075,986**	**337,887**	**161,463**	**—**	**—**	**1,575,336**
On balance sheet interest rate sensitivity gap						
at December 31, 2002	**(367,981)**	**(45,020)**	**(161,463)**	**—**	**246**	**(574,218)**
Off balance sheet interest rate assets*	3,538,676	652,871	—	—	889,011	**5,080,558**
Off balance sheet interest rate liabilities*	2,829,121	748,801	—	—	78,413	**3,656,335**
Net off balance sheet interest rate sensitivity gap						
at December 31, 2002	**709,555**	**(95,930)**	**—**	**—**	**810,598**	**1,424,223**
Cumulative interest rate sensitivity gap						
at December 31, 2002	**341,574**	**200,624**	**39,161**	**39,161**	**850,005**	**—**

**) Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

33. Average interest rates as of December 31, 2002

The average interest rates for December 2002 calculated as a weighted average for each asset and liability category.

Assets	SKK	FCY
Cash and balances with the central bank	5.780 %	—
Treasury bills and other bills eligible for refinancing	9.152 %	—
Amounts due from banks	6.582 %	3.231 %
Originated loans and advances to customers	9.652 %	5.322 %
Interest earning securities	9.261 %	6.548 %
Total assets	**6.946 %**	**4.822 %**
Total interest earning assets	**8.420 %**	**5.323 %**
Liabilities		
Amounts owed to central bank	5.242 %	—
Amounts owed to banks	6.962 %	2.673 %
Amounts owed to customers	4.311 %	1.346 %
Certificated debts	6.779 %	—
Total liabilities	**3.342 %**	**1.962 %**
Total interest bearing liabilities	**4.552 %**	**2.340 %**

34. Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations laid down by the National Bank of Slovakia and other national regulatory authorities. The table below provides an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "maturity undefined" category.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

(in thousands of SKK)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets						
Cash and balances with the central bank	9,172,337	—	—	—	—	**9,172,337**
Amounts due from banks	5,037,789	2,546,095	228,571	—	—	**7,812,455**
Securities held for trading	24,802,567	7,621,833	12,288,021	3,412,499	100,323	**48,225,242**
Receivables on financial derivative transactions	315,261	762,766	179,242	—	—	**1,257,269**
Originated loans and advances to customers, net	18,641,230	7,150,317	19,569,625	4,804,440	1,289,847	**51,482,459**
Securities available for sale	—	—	—	—	3,596	**3,596**
Tax assets	2,184	—	—	—	—	**2,184**
Investments in associates	—	—	—	—	224,924	**224,924**
Tangible fixed assets	—	—	—	—	2,717,629	**2,717,629**
Intangible fixed assets	—	—	—	—	291,338	**291,338**
Prepayments, accrued income and other assets	144,057	—	—	—	260,890	**404,947**
Total assets	**58,115,424**	**18,081,011**	**32,292,459**	**8,216,939**	**4,888,547**	**121,594,380**
Liabilities						
Amounts owed to central bank	19,771	17,447	74,055	10,828	—	**122,101**
Amounts owed to banks	7,577,938	2,061,446	382,420	—	—	**10,021,804**
Payables on financial derivative transactions	632,947	747,251	360,525	175,569	—	**1,916,292**
Amounts owed to customers	92,129,787	3,654,433	13,760	14,652	—	**95,812,632**
Certificated debts	94,988	40,110	601,538	830,762	—	**1,567,398**
Tax liabilities	273,836	—	—	—	—	**273,836**
Provisions for off balance sheet	—	—	—	—	635,608	**635,608**
Accruals, deferred income and other liabilities	12,431	—	—	—	481,524	**493,955**
Share capital	—	—	—	—	1,004,320	**1,004,320**
Share premium and reserves	—	—	—	—	9,746,434	**9,746,434**
Total liabilities	**100,741,698**	**6,520,687**	**1,432,298**	**1,031,811**	**11,867,886**	**121,594,380**
On balance sheet net liquidity gap						
at December 31, 2002	**(42,626,274)**	**11,560,324**	**30,860,161**	**7,185,128**	**(6,979,339)**	**—**
Off balance sheet assets*	117,021,021	11,028,695	6,506,342	1,668,880	5,864,308	**142,089,246**
Off balance sheet liabilities*	109,019,021	18,652,943	6,356,312	1,668,880	19,902,793	**155,599,949**
Off balance sheet net liquidity gap						
at December 31, 2002	**8,002,000**	**(7,624,248)**	**150,030**	**—**	**(14,038,485)**	**(13,510,703)**
Cumulative on and off balance sheet						
liquidity gap at December 31, 2002	**(34,624,274)**	**(30,688,198)**	**321,993**	**7,507,121**	**(13,510,703)**	**—**

** Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

35. Post balance sheet events

There were no significant subsequent events noted that would require disclosure or adjustment in the financial statements as at December 31, 2002.

36. Approval of the financial statements

The financial statements are signed and authorised for issue on March 24, 2003.

These financial statements were approved by the Board of Managing Directors on March 24, 2003.


Košice branch, Štúrova street

auditor's report to the simplified financial statements in accordance with slovak accounting standards

Deloitte & Touche Slovakia spol. s r.o.
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Deloitte & Touche

Tatra banka, a. s.

Auditor's Report

to the Shareholders and the Board of Directors of Tatra banka, a. s.:

We have audited the statutory financial statements of Tatra banka, a. s. ("the Bank") for the year ended 31 December 2002 prepared under the Slovak Accounting Standards. We have conducted our audit in accordance with Slovak Standards on Auditing. The simplified financial statements included in the Annual Report were derived from the audited financial statements.

In our report dated 17 February 2003 we expressed an opinion that the financial statements from which the simplified financial statements included in this Annual Report were derived, present fairly, in all material respects, the financial position of the Bank and the results of its operations.

In our opinion, the financial information included in the Annual Report is consistent with the financial statements referred to above, from which they were derived.

For a better understanding of the Bank's financial position, of the result of its operations for the year then ended, and the scope of our audit procedures the simplified financial statements included in the Annual Report should be read in conjunction with our auditor's report and the financial statements from which they were derived.

Bratislava, 24 March 2003

Deloitte & Touche Slovakia spol. s r.o.
Licence No. SKAU 149

Ing. Zuzana Letková
Responsible auditor
Decree No. SKAU 865

Deloitte
Touche
Tohmatsu


corporate centre Bratislava, Hodžovo square

simplified financial statements in accordance with slovak accounting standards

Simplified Financial Statements
in accordance with Slovak Accounting Standards

Balance sheets as of December 31, 2002 and 2001

Assets (in thousands of SKK)	2002	2001
Cash and cash equivalents	**9 171 944**	**16 205 751**
Cash in hand	1 761 016	2 629 776
Balances with Central Bank	6 535 484	12 400 705
Current accounts with other banks	875 444	1 175 270
Loans and advances to credit institutions	**7 687 429**	**12 147 636**
Loans and advances to customers	**51 732 053**	**44 075 949**
Overdrafts	4 637 879	3 756 444
Loans, net	47 094 174	40 319 505
Securities held for trading	**47 575 029**	**35 939 031**
State treasury bills and bills of Central Banks	17 935 260	8 902 912
State bonds	21 398 782	18 295 753
Corporate bonds	727 707	412 444
Eurobonds and Euronotes	7 447 902	8 234 500
Other securities	65 378	93 422
Equity shares	**320 469**	**288 119**
Tangible fixed assets	**2 008 143**	**1 902 166**
Intangible fixed assets	**280 316**	**233 500**
Prepayments and other assets	**1 287 344**	**1 065 668**
Total assets	**120 062 727**	**111 857 820**

Liabilities (in thousands of SKK)	2002	2001
Amounts owed to Central Bank	**119 777**	**624 398**
Amounts owed to other banks	**9 509 256**	**11 278 876**
Loans and advances owed to customers	**97 409 951**	**83 487 560**
Current accounts	41 763 564	36 112 063
Term deposit accounts	45 994 933	41 032 418
Savings accounts	7 526 774	5 103 824
Deposit certificates	124 980	534 755
Loans received from clients	599 700	200 000
Bonds issued	1 400 000	504 500
Other liabilities	**1 168 967**	**5 958 326**
Legal reserves	**0**	**326 015**
Other reserves	**1 006 542**	**897 710**
Share capital	**1 044 320**	**1 044 320**
Share premium	**197 778**	**158 188**
Reserves and retained earnings from previous years	**7 039 806**	**4 985 815**
Profit for the year	**2 566 330**	**3 096 612**
Liabilities - total	**120 062 727**	**111 857 820**

Selected items from off-Balance sheets as of December 31, 2002 and 2001

(in thousands of SKK)	2002	2001
Commitments given:	**6 988 620**	**5 650 686**
Guarantees	6 115 300	5 094 791
Classified guarantees	205 660	205 680
Letters of credit	667 660	350 215
Classified letters of credit	0	0
Commitments received:	**19 902 792**	**20 397 405**
Guarantees	19 902 792	20 397 405
Letters of credit	0	0

Profit and Loss accounts

for the years ended as of December 31, 2002 and 2001

(in thousands of SKK)	2002	2001
Interest income	4 768 945	4 316 096
Interest expense	– 3 690 838	– 3 487 474
Net interest income	**1 078 107**	**828 622**
Fees and commissions, net	802 784	567 283
Net securities income	3 777 685	2 665 423
Foreign exchange gains, net	885 715	1 135 660
Option premium, net	12 828	– 727
Other income	116 731	37 175
Other income	**5 595 743**	**4 404 814**
Payroll expenses	– 1 280 446	– 974 529
Administrative expenses	– 1 452 876	– 1 136 069
Depreciation and amortisation	– 610 332	– 530 253
Other expenses	– 608 910	– 296 452
Other expenses	**– 3 952 564**	**– 2 937 303**
Profit before provision and reserves and taxation	**2 721 286**	**2 296 133**
Reserves for loan losses	– 294 242	– 505 091
Legal and other reserves	213 340	1 393 778
Provision/ Recovery for equity shares	– 67 432	– 81 281
Provision/ Recovery for trading securities	– 24 540	– 21 061
Other provisions	17 918	14 134
Reserves and provisions	**– 154 956**	**800 479**
Profit before taxation	**2 566 330**	**3 096 612**
Taxation - current	0	0
Taxation - deferred	0	0
Profit for the year	**2 566 330**	**3 096 612**

Distribution of the Profit
for the Year 2002

(in thousands of SKK)	
Profit after tax	**2 566 330**
Ordinary dividends on ordinary shares	1 205 184
Ordinary dividends on employee shares	27 408
Remunerations	8 130
Transfer to Social Fund	14 221
Transfer to retained earnings from previous years	1 311 387

top management

Košice branch, Štúrova street

Top Management
as of December 31, 2002

Supervisory Board

Milan Vrškový
Chairman of the Supervisory Board

Herbert Stepic
Deputy Chairman of the Supervisory Board, Deputy General Manager, Raiffeisen Zentralbank Österreich AG, Vienna

Peter Baláž
Professor, Economic University, Bratislava

Tomáš Borec
Attorney of Law

Renate Kattinger
Senior Vice-President, Raiffeisen Zentralbank Österreich AG, Vienna

Ján Neubauer
Financial Director, FIT PLUS, s.r.o.

Peter Püspök
General Manager, Raiffeisenlandesbank Niederösterreich – Wien, reg. Ges.m.b.H, Vienna

Cessations of Membership in the Supervisory Board in the year 2002:

- **Štefan Tesák**
  cessation of membership in the Supervisory Board on 20.3.2002
- **Walter Grün**
  cessation of membership in the Supervisory Board on 5.4.2002
- **Vratko Kaššovic**
  cessation of membership in the Supervisory Board on 5.4.2002

Management

Board of Managing Directors:

Rainer Franz
General Manager

Miroslav Uličný
Deputy General Manager

Igor Vida
Deputy General Manager

Christian Masser

Pavel Karel

Marcel Kaščák

Cessations of Membership in the Board of Managing Directors in the year 2002:

- **Ivan Šramko**
  cessation of membership in the Board of Managing Directors on 10.1.2002
- **Philippe Marc Moreels**
  cessation of membership in the Board of Managing Directors on 20.2.2002

Procurists:

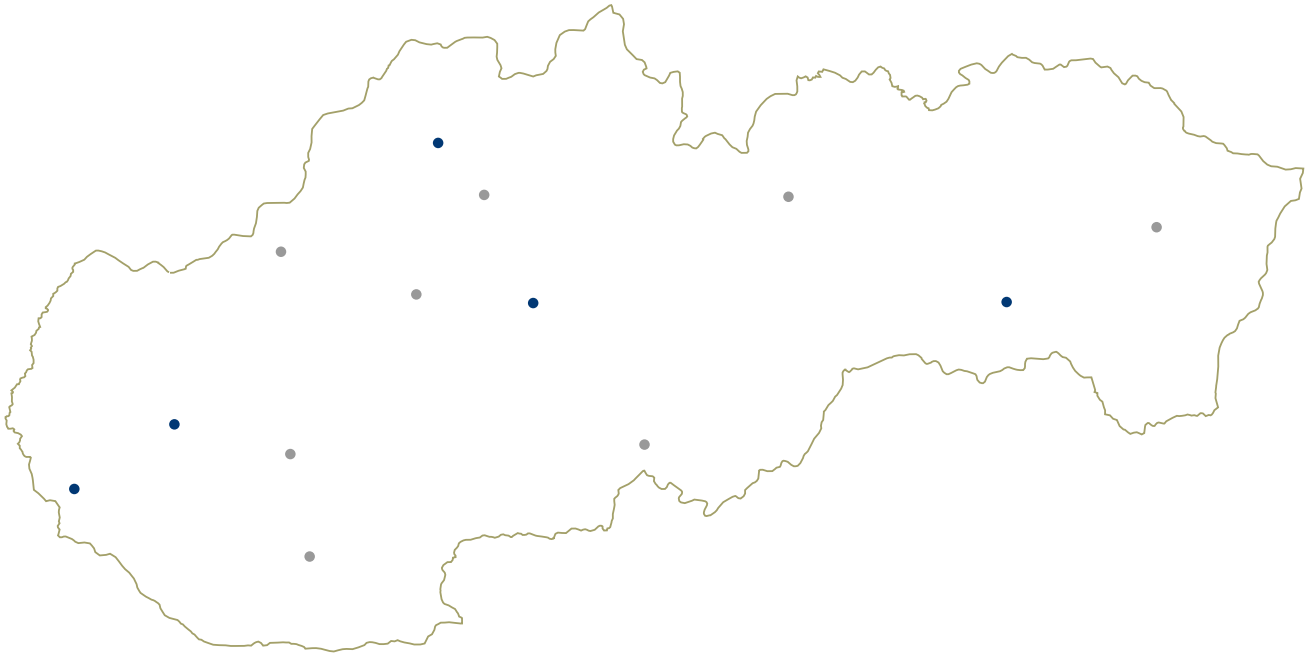
Oľga Džuppová

Pavol Feitscher

Eva Kollárová


Bratislava branch, Panónska road

business locations network



As of December 31, 2002, Tatra Bank provided services to corporate clients at 5 regional corporate centres and 10 corporate centres:

	corporate centres
•	1
• • •	3
•	1
•	1
•	1
•	1
•	1
•	1
•	1

	corporate centres
•	1
•	1
•	1
•	1
•	1

Business Locations Network
throughout Slovakia

As of December 31, 2002, Tatra Bank provided services to personal clients at 94 branches and sub-branches:

location	branches
Banská Bystrica	3
Bratislava	32
Čadca	1
Dunajská Streda	1
Hlohovec	1
Humenné	1
Komárno	1
Košice	9
Levice	1
Liptovský Mikuláš	1
Lučenec	1
Martin	2
Malacky	1
Michalovce	1
Modra	1
Nitra	2
Nové Mesto nad Váhom	1
Nové Zámky	2
Pezinok	2

location	branches
Piešťany	2
Poprad	2
Považská Bystrica	1
Prešov	3
Prievidza	2
Púchov	1
Ružomberok	1
Senec	1
Senica	1
Skalica	1
Spišská Nová Ves	1
Štúrovo	1
Topoľčany	1
Trenčín	3
Trnava	3
Zvolen	1
Žiar nad Hronom	1
Žilina	4

RZB-Austria and the RZB Group

RZB-Austria (Raiffeisen Zentralbank Österreich AG) is the central institution of the Austrian Raiffeisen Banking Group (RBG), the second largest Austrian banking group in terms of consolidated total assets. RBG represents approximately a quarter of all domestic banking business and comprises the country's largest banking network with more than 2,340 offices and 21,000 employees. The Austrian Raiffeisen Banking Group consists of Raiffeisen Banks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. Raiffeisen Banks are private cooperative credit institutions, operating as general service retail banks. Each province's Raiffeisen Banks are cooperative owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 88 % of RZB's ordinary shares.

Founded in 1927, RZB-Austria provides the full range of commercial and investment banking services in Austria and is regarded a pioneer in Central and Eastern Europe (CEE). It ranks among the region's leading banks, offering commercial, investment and retail banking services in the following countries:

° since 1987 Hungary:	Raiffeisen Bank Rt.
° since 1987 Hungary	Raiffeisen Bank Rt.
° since 1991 Slovakia	Tatra Bank, a.s.
° since 1991 Poland	Raiffeisen Bank Polska S.A.
° since 1993 Czech Republic	Raiffeisenbank a.s.
° since 1994 Bulgaria	Raiffeisenbank (Bulgaria) A.D.
° since 1995 Croatia	Raiffeisenbank Austria d.d.
° since 1997 Russia	ZAO Raiffeisenbank Austria
° since 1998 Ukraine	JSCB Raiffeisenbank Ukraine
° since 1998 Romania	Raiffeisen Bank S.A.
° since 2000 Bosnia and Herzegovina	Raiffeisen BANK d.d. Bosna i Hercegovina (formerly Market banka d.d.)
° since 2001 Bosnia and Herzegovina	Raiffeisen Bank HPB d.d. (formerly Hrvatska Postanska Banka d.d., Mostar, merged with Raiffeisen BANK in 2002)
° since 2001 Romania	Banca Agricola – Raiffeisen S.A. (merged with Raiffeisen-bank (Romania) S.A. to Raiffeisen Bank S.A. in 2002)
° since 2001 Yugoslavia	Raiffeisenbank Jugoslavija a.d.
° since 2002 Slovenia	Raiffeisen Krekova Banka d.d.
° since 2002 Yugoslavia/Kosovo	Raiffeisen Bank Kosovo a.d.
° since 2003 Belarus	Priorbank

In spring 2002, the public offer of RZB Group for the Slovenian Krekova banka d.d., Maribor, was accepted by almost all shareholders, representing 97 % of all issued ordinary shares. Continuing its operations under the name Raiffeisen Krekova Banka d.d., the newest member of RZB's banking network is the ninth largest bank in Slovenia and provides RZB with an outstanding basis for developing its retail banking activities in the country. By purchasing 76 % of the capital stock of American Bank of Kosovo in December 2002, RZB has become the first Western banking group with a strategic investment in Kosovo. The bank was renamed Raiffeisen Bank Kosovo in spring 2003.

Continuing in the same pace, RZB finalized the acquisition of the majority of Priorbank, the third largest bank in Belarus, in mid-January 2003. With this step, RZB is the first Western bank engaging in a strategic investment in Belarus, underpinning its pioneer role once again.

As in the previous years, RZB's expansion in its home market CEE continued at a decisive pace in 2002. Compared with year-end 2001, the balance sheet-total of its Network Banks has grown by 24.7 % to EUR 14.3 billion. Return on equity before tax reached a level of 19.0 %. At year-end 2002, the Group employed a staff of 16,700 worldwide; more than 600 banking outlets covered the CEE-region.

In addition to its banking operations – which are complemented by representative offices in Russia (Moscow) and Lithuania (Vilnius) – RZB runs several specialist companies in CEE offering solutions in the areas of M&A, real estate development, fund management, leasing, mortgage banking and trade.

In Western Europe and the USA, RZB-Austria's operations include a branch in London, representative offices in New York, Brussels, Milan and Paris as well as a finance company in New York (with a representative office in Houston) and a subsidiary bank in Malta. In Asia, RZB-Austria runs branches in Singapore and Beijing as well as representative offices in Hong Kong, Ho Chi Minh City, Mumbai, Tehran and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

RZB-Austria
(Raiffeisen Zentralbank Österreich AG)

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www.rzbgroup.com

For year-end 2002, RZB's balance sheet total amounted to EUR 46.4 billion, up 4.1 % on the figure for end-2001. Profit before tax to EUR 242.6 million, compared to last year (plus 4.7 %). Return on equity before tax is at 12.5 %.

As a provider of quality services, the RZB Group has received a multitude of awards by different financial magazines. In September 2001, The Banker awarded RZB and its respective subsidiaries the titles "Bank of the Year 2001" in Central and Eastern Europe, Austria, Bosnia and Herzegovina and Slovakia. In March 2002, Global Finance selected RZB as "Best Bank in Central and Eastern Europe and Central Asia" for the second consecutive time.

RZB-Austria is currently rated as follows:

° Standard & Poor's	Short-term	A1
° Moody's	Short-term	P-1
° Moody's	Long-term	A1
° Moody's	Financial Strength	C+

RZB-Austria is member of the Unico Banking Group, an association of European cooperative banks. With a total equity of more than EUR 116 billion and an aggregate balance-sheet total of some EUR 2,100 billion, Unico is by far the largest banking group in Europe. 430,000 employees in 36,000 banking outlets attend to 50 million customers. Average market shares of approximately 17 % in loans and 20 % in deposits underline the group's importance.

Subsidiaries and strategic partners

Tatra Asset Management

In 2002, Tatra Asset Management (TAM) targeted two market segments – retail clients and institutional clients. Retail sales were made via Tatra Bank branches, as the Bank is also TAM's depository, and through business partners. The institutional clients were served by TAM independently. A substantial share of institutional clients comprises insurance companies, with which TAM works together to develop investment life insurance products.

Net mutual fund sales in Slovakia totalled SKK 7.5 billion in 2002. With net sales of SKK 2.2 billion, i.e. 30 % of the market, TAM maintained its leading position in the mutual fund market in 2002.

In gross terms, TAM sold mutual fund units worth SKK 3.4 billion. Over 50 % of these were mutual fund units in money funds, followed by bond funds with 34 %, balanced funds with 8 %, and equity funds with 8 %.

TAM broadened its range of mutual funds and included a SKK Money Market Dividend Fund. The investment strategy of the TAM – SKK Money Market Dividend Fund is oriented primarily at investments in SKK-denominated money market instruments. In contrast to the growth-oriented TAM – SKK Money Market Fund, the new fund pays monthly dividends.

At the end of the year, TAM managed a series of 10 open-end mutual funds and one institutional fund.

As at December 31, 2002, the net value of assets managed by all asset management companies reached SKK 16 billion. Of this, TAM managed SKK 5.1 billion of net assets, representing a 32 % market share.

pokoj DDP
TATRA BANKA GROUP

Pokoj DDP – Supplementary Pension Insurance Company

Pokoj DDP is one of Tatra Bank's major business partners. Through its participation in the supplementary pension insurance scheme, Pokoj DDP gives its customers the opportunity to improve their financial situation in retirement or invalidity, or to secure income for their survivors.

The last year can be viewed as a breakthrough for Pokoj DDP and the best in its five-year history. In 2002, its strategic co-operation with Tatra Bank, acting as Pokoj DDP's depository, paid full dividends. Their close co-operation benefits both Pokoj DPP clients, who receive a quality and professional background for work with their finances, and Tatra Bank which, in turn, has the opportunity to offer a special insurance product through its branch network – supplementary pension insurance with tax benefits. The insurer provides the client with highly professional asset management – Tatra Bank is the sole manager of Pokoj DDP policyholders' assets. The independent auditor is Deloitte & Touche Slovakia, spol. s r.o.

The number of Pokoj DDP policyholders more than tripled in 2002, up from 26,505 to 80,147. The policyholder base comprises 77 % of employees with employer's contributions, 16 % employees without employer's contributions, and 7 % of self-employed persons and their partners. An increase was also notable in the number of employers signing up with Pokoj DDP to provide for the future of their employees by contributing to their supplementary pension insurance. While there were 897 such employers at the end of 2001, this figure swelled to 2,735 by the end of 2002. This tripling in the number of employers brought about a similar increase in the number of employees as potential Pokoj DDP policyholders, from 141,843 at the beginning of 2002 to 316,311 at year-end.

Indicator (as at December 31, 2002)	Pokoj DDP	All supplementary pension insurers in Slovakia	Share held by Pokoj DDP
Number of employer contracts	2,735	10,680	25.6 %
Number of policyholders	80,147	457,432	17.5%

Pokoj DDP's financial performance was extraordinarily successful in 2002. Its positive development is documented by effective co-operation with the administrator – Tatra Group Finance, s.r.o., a Tatra Bank subsidiary – which acquires policyholders and ensures the whole operation of Pokoj DDP. Post-tax profits increased from SKK 9,204 thousand in 2001 to SKK 36,247 thousand in 2002. In accordance with Article 29 of Act No. 123/1996 Z.z. on supplementary pension insurance, as amended, SKK 35,341 thousand of the profits were distributed to policyholders and beneficiaries and the remaining SKK 906 thousand, i.e. the prescribed 2.5 % of profits, was allocated to a reserve fund. Total assets rose from SKK 452,040 thousand as at December 31, 2001 to SKK 1,190,421 thousand as at December 31, 2002. The average net annual return on policyholder assets for the year reached 5.1 %.

TATRA LEASING
TATRA BANKA GROUP

Tatra Leasing, spol. s r.o.

The company Tatra Leasing has operated in the Slovak leasing market since 1992, when it was one of the founding members of the Association of Leasing Companies of the Slovak Republic. Ever since its establishment, it has ranked among the largest leasing companies. Tatra Leasing offers its clients leasing for personal and utility vehicles, trucks, trailers, technologies, machinery and equipment, medical apparatus and computer hardware.

In 2002, the company recorded a historic success by taking 3rd place among Slovakia's leasing companies with total turnover of SKK 5.3 billion (excl. VAT), up 59.7 % from 2001. For comparison, total nationwide leasing sales amounted to nearly SKK 40.3 billion in 2002 after rising 14.9 % on 2001. In 2001, Tatra Leasing was still down in 5th position with sales of SKK 3.3 billion (excl. VAT), yet representing a 141 % growth from 2000. It thus became the fastest growing company in Slovakia's leasing industry for the second year running. Its market share grew 3.6 % from 9.5 % in 2001 to reach 13.2 % in 2002. The volume of business in 2002 was 3.85 times that of the year 2000 (turnover for 2000 was SKK 1.4 billion, excl. VAT).

The bulk of sales in Tatra Leasing's portfolio comprised car leasing with SKK 2.0 billion, accounting for 38 %, followed by vans, trucks and trailers with SKK 1.3 billion, (24.8 %), machinery and production equipment with SKK 0.8 billion, (15.7 %), utility automobiles with SKK 0.6 billion, (10.7 %), and other leased items with 10.8 % (all figures quoted exclusive of VAT).

In the individual leasing segments the company's largest market share was in trucks, trailers and vans, holding 2nd place and an 18.0 % market share (up from 13.3 % in 2001). In the utility automobile segment, Tatra Leasing achieved 4th place with a market share of 12.3 % (as compared to 15.5 % in 2001). In the car segment, its market share increased to 11.3 % in 2002 (up from 7.3 % in 2001) to move into 4th place. In technology and machinery leasing, the company took 5th position with a 9.7 % market share (up from 3.5 % in 2001). It was in the technology and machinery segment however that Tatra Leasing reported the largest market share gain – its share increasing 2.77-fold in 2002.

Tatra Leasing aims to strengthen its position in the Slovak leasing market by more targeted customer care. It plans to set up a telephone contact service to increase convenience for clients in resolving their problems, and to strengthen and expand business activities through telemarketing. The company's goal is to gradually shift the focus from automotive business to technologies.

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