

Tatra Bank

Annual Report 2001

s l o v a k i a



Tatra Bank from the other side



Annual Report 2001



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Statement

by the Chairman of the Board of Directors and General Manager



Dear shareholders, business partners and customers,

Tatra Bank has entered the new millennium with firm resolve, proudly aware of its position built during the 11 years of its existence, owed in particular to your support, trust, and co-operation. The Bank's sound economic growth, yet another improvement in key financial indicators, and continued faith of its old and new customers, are a result of hard, responsible work and commitment of all staff. With respect to customer demands and expectations, the Bank's main objective has been to provide both corporate and retail clientele with a full range of financial services reflecting its universal nature.

For several years, Tatra Bank has ranked among the leading and best-known financial institutions in Slovakia pursuing a pro-active business policy and establishing long-term partner-like relationships, it has attained a leading position in a number of areas, as indicated by market shares. Its nation-wide sales network as well as the capabilities of its modern electronic distribution channels have developed rapidly. In terms of size, the Bank is clearly the third-largest bank in Slovakia. Its activities and long-term performance receive high recognition from banking professionals and public both at home and abroad. The banking market developments in 2001, including completed privatisation of the largest state-held banks, the closure of certain banks, and the subsequent stabilisation and consolidation of the macroeconomic and competitive environment, have called for increased sales activity, a more efficient use of information technology and branch network in order to gain market share before the new management at privatised banks could begin to operate effectively.

Tatra Bank has continued its strategy to establish itself as a strong universal bank. In the retail area, our ambitions have been further advanced, in particular with regards to mortgage banking and new modifications of consumer loans. Major headways both in terms of quality and quantity has been made in the payment card business. The Bank has consolidated its position in loans to small and medium-sized enterprises due to the application of a new concept focused on decentralisation. A new Information Technologies Centre, now nearing completion, will further strengthen our IT-capabilities. Tatra Bank Group has recorded a considerable rise in supplementary pension insurance sales, as Pokoj DDP – once the smallest supplementary pension fund on the market and our strategic partner – has posted a 160% increase in the number of insurance policies. In sharp competition, Tatra Asset Management has managed to hold on to its leading position in the asset management market, administrating assets worth over SKK 3 billion, and successfully completed the restructuring of its Tatra Kupón Fond. Our leasing subsidiary, Tatra Leasing, saw its turnover grow by 141% in acquisition prices.

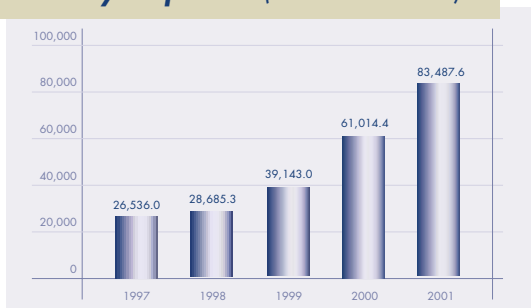
With total assets growing by SKK 33 billion, i.e. 42.7%, to SKK 111.9 billion, Tatra Bank overcame its projections by SKK 10 billion. By now, its assets account for 12% of the total Slovak banking assets. This expansion was fuelled mainly by yet another upswing in customer deposits, up 36.8% to SKK 83.5 billion. Total outstanding loans at the end of 2001 were at SKK 44.1 billion, almost double the 1999 level. It was this loan portfolio growth, whilst maintaining high quality, which earned Tatra Bank a leading position in the Slovak banking market, after the portfolios of main competitors had declined in size due to the transfer of non-performing loans to Slovenská konsolidačná, a.s. This robust

lending performance paved the way to the "Best Debt House" award received from Euromoney magazine in 2001.

Total Assets (in millions of SKK)



Primary Deposits (in millions of SKK)



Loans (in millions of SKK)



Investments in securities have doubled the portfolio size from a year ago to SKK 35.9 billion. Virtually the entire portfolio is composed of risk-free assets, such as government bonds and eurobonds. Tatra Bank's capital adequacy improved to 13.4%, as capital before distribution of profits amounted to SKK 7.2 billion and net profit reached SKK 3.1 billion. The expansion can also be illustrated by the rise in the number of customer accounts, which doubled over the past two years and have already passed the 470.000 mark.

At the end of 2001, the Bank managed a total of 88 branches deployed across Slovakia and had a staff of 2,462. Tatra Bank won prestigious professional awards as the "Best Bank 2001 in Slovakia" from the internationally renowned periodicals

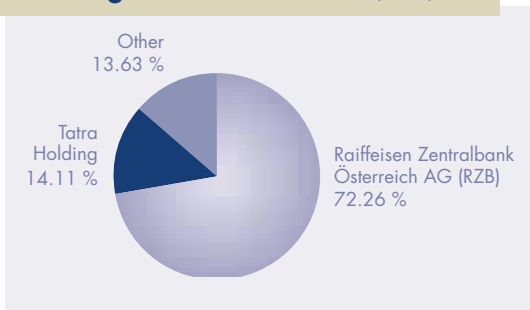
The Banker and Euromoney as well as the "Bank of the Year" by weekly TREND for the fourth time running.

All these results and success, however, would not have been possible without the all-out effort of the Bank's staff, the support of its shareholders, and the confidence of its business partners. I would like to thank all who have contributed to bring the Bank into a position where it has the chance to continue setting trends in the Slovak banking sector to the benefit of its shareholders and the satisfaction of its business partners.

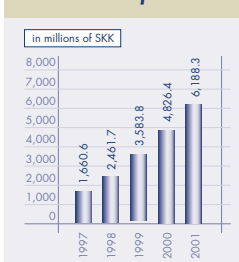
Dkfm. Rainer Franz

Chairman of the Board of Directors and General Director

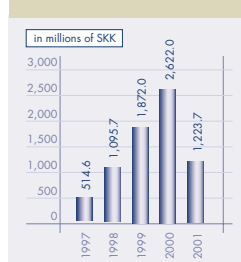
The Largest Shareholders (in %)



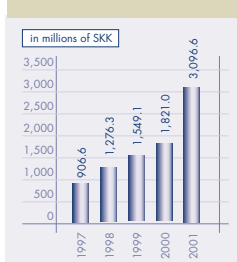
Tier One Capital



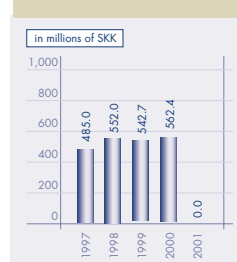
General Loan Loss Reserve



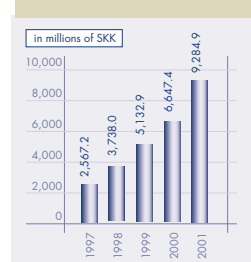
Net Profit After Tax



Subordinated Loan



Net Worth



(in %)	1997	1998	1999	2000	2001
Capital Adequacy	12,9	14,7	18,3	10,8	13,4
Net Profit / Net Worth	35,3	34,1	30,2	27,4	33,4
ROA	2,3	2,8	2,6	2,3	2,8
(as of December 31)					
Employees	748	1062	1454	1881	2462
Branches	28	36	50	69	88
Exchange rate 1EUR/SKK	—	—	42.458	43.996	42.760



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The Slovak Economy in 2001

In the course of 2001 the Slovak Republic successfully advanced in the integration process. In the accession negotiations with the European Union 22 out of 30 chapters of European legislation were successfully completed. Also the regular annual assessment by the European Commission was in most aspects positive, with Slovakia for the first time marked as a functioning market economy with a capacity to withstand competitive forces within the European Union in the near term. The strengthening of Slovakia's economic credibility has been reflected also in an increase of the ratings of Slovakia's foreign exchange commitments back to the investment grade level by the two main world rating agencies Moody's and Standard and Poor's. The overall economic development together with the change in the rating was reflected in a reduction of the risk premium on Slovak eurobonds, which in the longest maturities decreased from a level of approximately 2.5 % at the beginning of the year, to the level of 1 % at the year-end. The development in the real economy was characterised by a continued acceleration of economic growth, pulled primarily by domestic demand, while on the other hand accompanied by deepening of the foreign trade imbalance. The development of inflation recorded positive course during the year, which at the end of 2001 fell to the lowest level for last three years.

A significant event of 2001 in the Slovak economy was the successful completion of the restructuring and privatisation of a crucial part of the banking sector. The process of transforming former state-owned banks shall continue for some time. By loosening the credit channel together with an overall declining trend in interest rates one of the basic requirements for long-term sustainable economic growth is being met.

GDP Growth (in %)



Economic growth picks up

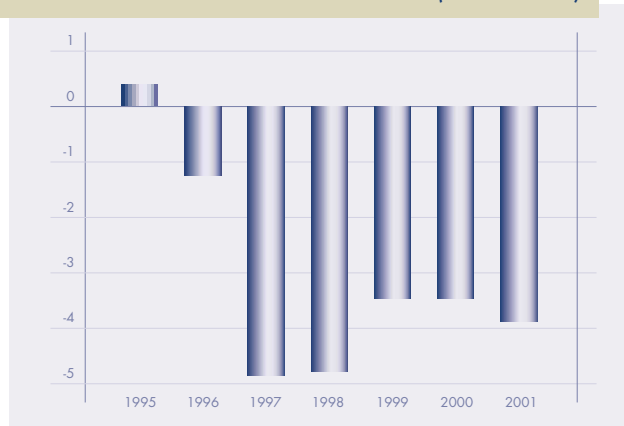
The year 2001 saw a recovery in domestic demand, which became the main source of economic growth. Gross domestic product (GDP) growth accelerated from 2.2 % in 2000 to a level of approximately 3 % in 2001. On the side of domestic demand a recovery in corporate investment activity played an important role. Given its high share in the GDP consumption, the growth in household consumption also had an important effect. Domestic supply however did not manage to react in a sufficient rate to the growth in domestic demand. This basic imbalance was apparent in an accelerated growth in imports. In

view of the slowdown in the economic growth in the countries of our main export partners, the growth of imports exceeded the rate of growth of exports. The consequence was a significant rise in the balance of trade deficit, which for the whole of 2001 reached in absolute terms the record level of SKK 103.2 billion. In relative terms, as a share of the GDP, this amount represents approximately 10.6 % of the GDP, which is slightly lower than the average level in the years 1996 - 1998, when this share reached 10.9 % of the GDP. A major difference in 2001 compared to the period 1996-1998 was the way in which the deficit was covered, with a predominating share of non-debt capital formed mainly by the inflow of foreign direct investment. This is the reason why last year pressure for a devaluation of the koruna exchange rate against the reference currency, the euro, did not materialise.

Despite an accelerated economic growth, there was no change last year in the development of the disposable unemployment rate. This to certain extent merely copied the trend from the year 2000, standing on average for the whole of 2001 at the same level of 18.2 %.

The state budget for last year ended in an accounting deficit of SKK 44.4 billion, of which SKK 8.0 billion comprised expenditures connected with the restructuring of the banking sector. After their deduction, the state budget deficit was SKK 36.4 billion (3.8 % of the GDP). State budget revenues exceeded the planned level by more than 13 %, although the majority of these were used for covering additional expenditures, due to which the reported deficit was only slightly lower than the level planned.

Balance of the Public Finance (in % of GDP)



Stable development of the Slovak koruna exchange rate

In 2001, exchange rate of the Slovak koruna against the reference currency, the euro, hovered in a relatively narrow range of 42 – 44 SKK/1EUR. The low volatility of the exchange rate was characteristic especially for the first quarter of the year, when the exchange rate of the koruna against the euro moved in a range of 43.50 - 44.00 SKK/1EUR. In the second quarter of the year, the exchange rate started to reflect expectations of the inflow of foreign exchange from privatisation, which was concentrated in the second half-year. The appreciating trend reached its peak at the end of June, when the koruna reached the limit of 42 SKK/1EUR. Immediately at the beginning of July however, under the effect of the financial crisis in Argentina and Turkey, as well as having an illiquid market, koruna suffered a relatively abrupt weakening, which stopped just above the level of 43 SKK/1EUR. The rate of the Slovak koruna's weakening in this period nevertheless was significantly less than that of the zloty and forint. The koruna exchange rate was affected negatively during the summer also by reports from the domestic political scene. Subsequently, the events of September 11th in the USA, added to this development.

In this period the koruna again approached the level of 44 SKK/1EUR. The gradual calming of the international political situation as well as the upgrade in the rating of the Slovak Republic's commitments back to investment grade at the end of October led again to a strengthening trend in the koruna. At the end of the year, its exchange rate hovered at a level below 43 SKK/1EUR.

Decline in the rate of inflation

The development of the inflation was favourable for most of the year. Overall consumer price inflation was 6.5 % at the end of 2001 and 7.3 % on average for the year. Due to slower price deregulation compared to the year 2000, a significant decline was recorded against average inflation of 12.2 % for the year 2000. Besides the effect of the change of regulated prices, the development of inflation was attributable to prices of food and fuel. Their adverse development in the first half of the year was followed by their significant fall in the second half-year. The rest of the consumer basket was characterised by a favourable and stable development without pressures from the domestic demand.

Overall Inflation Rate (in %)



Stabilisation of interest rates

The development of short-term interest rates was to a decisive extent influenced by the interest rate policy of the National Bank of Slovakia (NBS). NBS during 2001 made only one reduction in its key interest rates, by 0.25 % at the end of March. Through this step the limit rate of the NBS for two-week repo tenders reached the level of 7.75 %. In the following period however, a temporary growth in inflation and fears of a growing balance of trade deficit caused an approximately half-year trend of the slight growth in money market rates. In September annual interest rates climbed slightly above 8.0 %. A significant decline in inflation in the last quarter and renewed speculation on a possible lowering of NBS rates in the year 2002 caused a correction to the previous trend, and thereby annual interest rates fell to the level of just under 7.75 %.

The shift of long-term interest rates was, besides the link to the course of short-term rates, influenced by yields achieved in primary auctions of government bonds. The primary market was marked by a relatively low refinancing need of the Ministry of Finance and its unwillingness to accept yields above the level of 7.75 %, which from the second quarter led to a significant predominance of annual state bond auctions. At the low liquidity of the secondary market the yield curve thus copied to a certain extent the movement of short-term rates. The longest yields recorded the most significant decline at the end of the year. Besides the shift of the short-term rates, they were influenced also by the expected successful continuation of nominal convergence towards the Maastricht criteria in the following years.

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2001 Management Report

Corporate finance

The operation of corporate finance in 2001 was influenced by the positive economic development. The level of the loan portfolio increased compared to the year 2000 by SKK 9.2 billion, or 26%. Such a high volume of loans granted gave Tatra Bank top rating, with a market share of over 20%. Loans with state guarantees as well as a continuing growth in loans provided to prime corporate clients contributed substantially to maintaining the quality of the loan portfolio. The substantial decline in SKK-interest rate generated further demand for the conversion of Foreign Exchange-denominated loans into SKK-denominated ones.

In developing corporate finance Tatra Bank focused on existing clientele by expanding the branch network as well as by an active approach to acquisition. Tatra Bank also continued to focus on further development of municipal finance.

Structure of the loans

(in millions of SKK)	1997	1998	1999	2000	2001
Overdrafts	5,700	4,067	3,888	2,908	4,025
Up to 12 months	4,113	9,079	11,319	17,823	17,891
Up to 5 years	3,528	4,046	3,533	10,674	14,127
Over 5 years	1,871	4,023	4,320	3,470	8,033
TOTAL	15,212	21,215	23,060	34,875	44,076

Small and medium-sized entrepreneurs' loans

In 2001, Tatra Bank has staged a major expansion of its lending to small and medium-sized enterprises. The entire lending process had been adapted to fit the typical features and capabilities of this particular sector. The time it takes to go from processing a loan request to actual drawing is shorter than before, and the whole system has been successfully streamlined. In 2001, the Bank made loans of up to SKK 10 million to more than 300 small and medium-sized businesses, adding up to over SKK 700 million in new loans to the sector.

To focus on services to small and medium-sized enterprises, new credit teams were set up at regional branches in Košice, Banská Bystrica, Žilina and Trnava, which now process loan requests directly in the region.

During 2001, Tatra Bank introduced as a new product – micro-loans – i.e. loans between SKK 0.3 million and SKK 1 million to this sector notable for their speedy processing.

Trade finance

Trade finance has continued its expansion as customers increasingly turned to documentary transactions and other security instruments, in particular certain types of bank guarantees, to cover trading risks.

Factoring (both national and foreign) has taken off as a special and frequently used form of financing of small and medium-sized enterprises. The number of factoring transactions has almost doubled. As part of structured forms of financing, small and medium-sized, as well as large customers stand to benefit from new tailor-made products offering greater financing flexibility at comparable risk. In structured finance, 2001 was the best year ever with revenues rising by over 50%. In close co-operation with the Slovak Export-Import Bank, Tatra Bank has introduced refinancing loans as a very attractive source of SKK financing for exporters. Loans of the structured finance type shot up by 72% from 2000 to close 2001 at SKK 1.4 billion.

In agriculture financing, Tatra Bank's ascending trend in warehouse receipts financing further indicates the Bank's firm position. In this particular area, turnover rose by 84%. New products were developed to eliminate underlying risks, such as discounting of bills and other agriculture-supportive schemes handled in cooperation with the Slovak Guarantee and Development Bank.



Domestic and foreign payments

In 2001, the number of domestic payments increased by 37%, with the aggregate amount of transactions processed through the Slovak Bank Settlement Centre (BZCS) edging up 5%. Tatra Bank has also recorded a significant increase in the



number of foreign payment orders placed through Internet banking. The number of outgoing foreign payments rose by 23% from 2000, while incoming foreign payments ended 36% higher.

Teaming up with Prague-based Raiffeisenbank a.s., Czech Republic, Tatra Bank began to offer cheaper and faster CZK payments in 2001. Following the decision of free convertibility of the Hungarian forint by the Hungarian government, Tatra Bank started executing foreign payments in HUF with effect from June 16, 2001.

Compared with 2000, the number of domestic telebanking payments rose by 39%, that of foreign telebanking payments by 27% in 2001.

Electronic distribution channels

The DIALOG call centre expanded its activity in 2001 - information on consumer loans, supplementary pension insurance fund Pokoj DDP, Diners Club and Tatra Bank – Aura payment cards, loans to small and medium-sized enterprises, and Mobil banking to cell network users.

Slovakia's first internet bank, ELIOT, has attracted 4,638 new active customers in 2001. In mid-March 2001, ELIOT opened its services to mass corporate as well. All ELIOT accounts were administered free of charge in 2001.

Increased service quality was shown by faster processing of internet applications cut to 3 business days.

Retail banking

The expansion of Tatra Bank's branch network continued in 2001 as 10 new branches and 9 subbranches opened for business. As a result, at the end of the year, customers had an array of 88 branches and subbranches to choose from. The number of accounts has grown at a similar pace, up by 40%.

Branches offer all products - including supplementary pension insurance under a strategic co-operation arrangement with the Pokoj DDP supplementary pension insurance fund.

In connection with the introduction of the new single European currency on January 1, 2002, Tatra Bank ensured smooth conversion of accounts denominated in currencies of the European Monetary Union member states into Euro, giving its customers the opportunity already in 2001 to request individual settlement of their accounts in in-currencies. All account conversions (current accounts and time deposits) were handled for our customers free of charge.



In 2001 Tatra Bank extended its range of consumer loans to households to finance deliveries and installation of materials for home improvement, in response to increased interest in mutual lending co-operation. Customers have a wide range of consumer loans to choose from.

Following the liberalisation of trade terms and conditions applying to bank overdrafts for households, customers have made greater use of this type of all-purpose credit provided in the form of authorised current account overdrafts. The Bank has extended overdraft credits to nearly 9,200 customers.

As Tatra Bank started offering mortgage loans only in late 2000, 2001 was in fact the first year the product was actually presented to customers. Due to attractive conditions and service Tatra Bank was able to gain a significant position in the mortgage market during that first year. The Bank approved 1,645 mortgage loans worth over SKK 1.3 billion in 2001. The amount actually drawn by customers by the end of 2001 exceeded SKK 970 million. With these results, Tatra Bank is a clear runner-up in the mortgage business in the Slovak banking sector.

Payment cards

Tatra Bank maintained strong growth in payment cards. The number of cards issued has almost doubled from a year ago to a total of over 280,000. A share of this success is due to Home Credit Slovakia, a.s., with more than 65,000 Maestro YES cards issued by Tatra Bank in line with its co-operation agreement. The Bank has retained its long-standing leading position in the higher-quality cards segment, boosted by the success of its VISA credit card. Tatra Bank is the only bank in Slovakia to offer its credit card holders on-line information access on all executed transactions via its Credit Cards On-line Info service provided as part of the Internet banking service. The broad offer

of payment cards was enriched in 2001 with the charge card of the prestigious Diners Club, one of the world's oldest card trademarks. Co-operation with the financing company Cetelem Slovensko was extended to mediate the issue of the Tatra Bank – Aura credit card.

The year 2001 has also yielded positive results in payment card acceptance. Tatra Bank is now ranked first among all banks operating in Slovakia in terms of payment card acceptance. Total transactions made through contractual merchants surpassed SKK 3.7 billion, accounting for almost one third of the market. The number of POS terminals has risen by two-thirds to close to 2,400 devices. Tatra Bank has also recorded most new ATM installations, gaining substantial additional share in cash withdrawal machines deployed in shopping centres. The total number of Tatra Bank ATMs has passed 100.

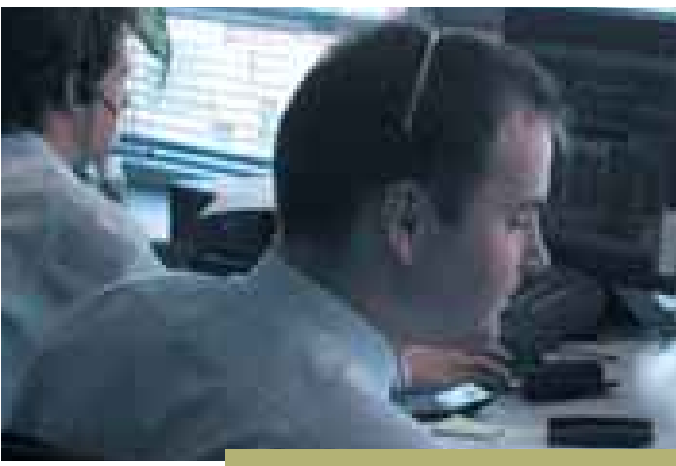
The number of transfers made through the Western Union international money transfer service was up by 62% from a year ago. In order to improve and accelerate this popular service, a new service centre was set up in 2001 with on-line access to the Western Union system, along with a terminal at the DIALOG call centre to offer the service at certain evening and weekend times.

Treasury and investment banking

Tatra Bank has played a major role in interbank foreign exchange transactions. In 2001, it led the Slovak forward market with a 38.8% share, was the runner-up in spot transactions with 15.8%, and finished sixth in swaps with 3.3% of total volume. Considering total volume of foreign exchange transactions Tatra Bank reached 5.1% share in 2001.

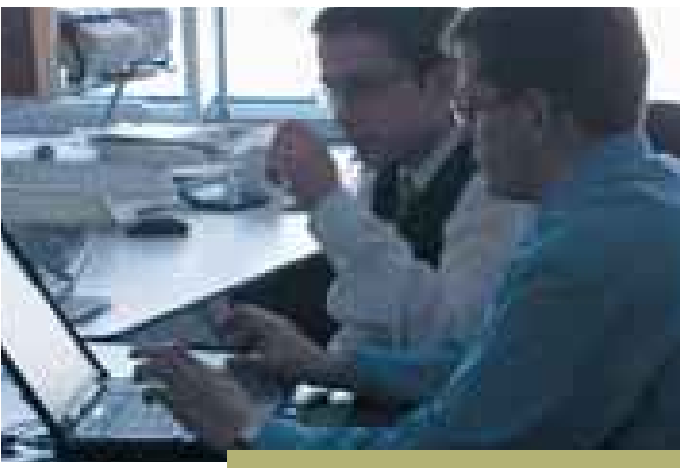
The derivatives market experienced increased trading in Forward Rate Agreements (FRAs), with Tatra Bank being the market's most active trader in SKK FRAs.

Option trading was at first marked by caution, stemming both from low liquidity and the lack of interest on the part of banks to get involved in this type of transactions. The best-trading items were options with shorter maturities up to 1 month. Tatra Bank was one of two banks in Slovakia to take up active trading in the interbank option market, promoting the development and a wider use of this particular instrument.



Providing the lowest yields since 1996 the government in contrast to previous years easily refinanced its public debt and its policy helped to mitigate volatility of the market. At the end of the first quarter 2001 the National Bank of Slovakia cut its key 2-week repo rate from 8.00% to 7.75%. The standard trading volumes in interbank deposits increased to SKK 200 million. The Bank sustained its leading position in the market throughout the year with an overall stake of 10.6%.

Tatra Bank's share in Stock Exchange trading in bonds and shares reached 9%, making it the fifth largest trader among all market participants. Tatra Bank is one of the founding members of a group of stock market makers. Its line of basic services offered last year included brokering of securities transactions on both the Slovak and foreign markets. In the primary domestic bond market, Tatra Bank ranked among the leading investors, regularly purchasing in issues placed by the Ministry of Finance of the Slovak Republic. It has also cemented its position in the secondary market. In foreign exchange-denominated bonds carrying a Slovak credit risk, Tatra Bank was one of the major market makers.



Along with Morgan Stanley, Tatra Bank was joint-lead manager of SKK 850 million eurobond issue for DEPFA – Deutsche Pfandbrief Bank. The issue was successfully placed.

In December 2001 Tatra Bank has issued the first own SKK 600 million issue of mortgage bonds on the domestic market with coupon of 7.5%, paid annually, and maturity of 5 years. It was placed on the market in two tranches at an average cost of 7.42% - the lowest interest cost for mortgage bonds at then prevailing market conditions.

Tatra Bank successfully managed several SKK exchange rate hedging operations with maturities over 1 year. The hedging transactions involved both assets and liabilities of customers, marking a new quality milestone in customer interest rate risk management.

Employees

As of December 31, 2001, the Bank had a staff of 2,462, up by 581 from the end of 2000, of which 1,791 were women, holding 55% of management positions. The average age of Tatra Bank employees was 28.

The main task in personnel management was to ensure quality training for new employees and develop the professional expertise and communication skills.

Tatra Bank has developed a new customer orientation code to retrain all employees. It has also continued and improved its training system focusing even more on selling skills. Basic and advanced management training courses for managers and senior staff have played an important part in the training program.

Outlook for the year 2002

The Bank is ready to take advantage of its past results and its position in the Slovak banking sector to carry on its strategy. In corporate business, the Bank will pay increased attention to specific areas to retain its lead in the sector and expand its market share.

With the bank privatisation virtually completed, it will be crucial to further develop the branch network and its productivity, focusing in particular on product sales. Electronic distribution channels will be offering most routine operations and provide more flexible and simple means of communication with customers. To further that end, special training oriented at individual banking activities will need to be developed.

The development of retail banking has come to play an increasingly important role, and the Bank is designing new tailor-made products for various customer segments. Even though personal loan represent a minor part in the loan portfolio at the moment, there is an apparent rebound in demand for this type of lending and the market potential is large. Given the universal nature of our bank, it is vital that the Bank be able to offer services in all banking areas, including loans, investments, savings and insurance.

The relocation of all head office staff to our new building has made communication easier and accelerated a number of processes and operations. As past investments in infrastructure, information technologies and pro-active marketing start paying off, the Bank should be able to extend its leading position. The Bank expects considerable benefits from the utilization of its own card management and the establishment of its new EDP centre, which will also provide services to other RZB Group banks.

Financial Statements

as of December 31, 2001

Assets as of December 31, 2001 and 2000

ASSETS (in thousands of SKK and EUR)	2001		2000	
	SKK	EUR	SKK	EUR
Cash and cash equivalents	16,205,751	378,993	8,746,003	198,791
Cash in hand	2,629,776	61,501	1,585,376	36,035
Balances with Central Bank	12,400,705	290,007	6,117,549	139,048
Current accounts with other banks	1,175,270	27,485	1,043,078	23,708
Loans and advances to credit institutions	12,147,636	284,089	12,705,854	288,796
Loans and advances to customers	44,075,949	1,030,775	34,874,612	792,677
Owerdrafts	3,756,444	87,849	2,572,757	58,477
Loans, net	40,319,505	942,926	32,301,855	734,200
Fixed income and variable-yield securities	35,939,031	840,482	18,720,389	425,502
State treasury bills and NBS bills	8,902,912	208,206	986,076	22,413
State bonds	18,295,753	427,871	12,291,241	279,372
Corporate bonds	412,444	9,645	479,994	10,910
Eurobonds and Euronotes	8,234,500	192,575	4,672,288	106,198
Other securities	93,422	2,185	290,790	6,609
Equity shares	288,119	6,738	383,427	8,715
Tangible fixed assets	1,902,166	44,485	1,271,355	28,897
Intangible fixed assets	233,500	5,461	470,757	10,700
Prepayments and other assets	1,065,668	24,922	1,193,426	27,126
TOTAL ASSETS	111,857,820	2,615,945	78,365,823	1,781,204

Liabilities as of December 31, 2001 and 2000

LIABILITIES (in thousands of SKK and EUR)	2001		2000	
	SKK	EUR	SKK	EUR
Amounts owed to Central Bank	624,398	14,602	1,992,744	45,294
Amounts owed to other banks	11,278,876	263,772	4,855,395	110,360
Subordinated debt	0	0	562,375	12,782
Loans and advances owed to customers	83,487,560	1,952,468	61,014,429	1,386,818
Current accounts	36,112,063	844,529	25,302,177	575,102
Term deposit accounts	41,032,418	959,598	31,795,578	722,692
Savings accounts	5,103,824	119,360	3,276,139	74,465
Deposit certificates	534,755	12,506	640,535	14,559
Loans received from clients	200,000	4,677		
Bonds issued	504,500	11,798	0	0
Other liabilities	5,958,326	139,344	671,595	15,265
Legal reserves	326,015	7,624	326,015	7,410
Other reserves	897,710	20,994	2,295,938	52,185
Share capital	1,044,320	24,423	1,044,320	23,737
Share premium	158,188	3,699	131,524	2,990
Reserves and retained earnings from previous years	4,985,815	116,600	3,650,523	82,974
Profit for the year	3,096,612	72,419	1,820,965	41,389
LIABILITIES - TOTAL	111,857,820	2,615,945	78,365,823	1,781,204

Selected items from off-Balance sheets as of December 31, 2001 and 2000

(in thousands of SKK and EUR)	2001		2000	
	SKK	EUR	SKK	EUR
Commitments given:	5,650,686	132,149	7,240,725	164,577
Guarantees	5,094,791	119,149	6,851,927	155,740
Classified guarantees	205,680	4,810	164,948	3,749
Letters of credit	350,215	8,190	160,273	3,643
Classified letters of credit	0	0	63,577	1,445
Commitments received:	20,397,405	477,021	15,053,238	342,150
Guarantees	20,397,405	477,021	15,053,238	342,150
Letters of credit	0	0	0	0

Profit and Loss accounts for the years ended as of December 31, 2001 and 2000

(in thousands of SKK and EUR)	2001		2000	
	SKK	EUR	SKK	EUR
Interest income	4,316,096	100,938	3,516,274	79,923
Interest expense	(3,487,474)	(81,559)	(3,184,992)	(72,393)
Net interest income	828,622	19,379	331,282	7,530
Fees and commissions, net	567,283	13,267	417,166	9,482
Net securities income	2,665,423	62,334	2,803,692	63,726
Foreign exchange gains, net	1,135,660	26,559	988,816	22,475
Option premium, net	(727)	(17)	20,940	476
Other income	37,175	869	28,404	646
Other income	4,404,814	103,012	4,259,018	96,805
Salaries and employment benefits	(974,529)	(22,791)	(705,351)	(16,032)
Administrative expenses	(1,136,069)	(26,568)	(879,169)	(19,983)
Depreciation and amortisation	(530,253)	(12,401)	(464,450)	(10,557)
Other expenses	(296,452)	(6,933)	(147,921)	(3,362)
Other expenses	(2,937,303)	(68,693)	(2,196,891)	(49,934)
Profit before provision and reserves and taxation	2,296,133	53,698	2,393,409	54,401
Reserves for loan losses	(505,091)	(11,812)	177,812	4,042
Legal and other reserves	1,393,778	32,595	(742,598)	(16,879)
Provision/ Recovery for equity shares	(81,281)	(1,901)	18,315	416
Provision/ Recovery for trading securities	(21,061)	(493)	(13,108)	(298)
Other provisions	14,134	331	(10,941)	(249)
Reserves and provisions	800,479	18,720	(570,520)	(12,968)
Profit before taxation	3,096,612	72,418	1,822,889	41,433
Taxation - for the prior period	0	0	(1,924)	(44)
Taxation - for the current period	0	0	0	0
Profit for the year	3,096,612	72,418	1,820,965	41,389

Cashflow Statements for the years ended as of December 31, 2001 and 2000

(in thousands of SKK)	2001	2000
Operating activities:		
Operating profit before taxation and dividends received	3,081,200	1,815,181
Reserves and provisions	(800,479)	570,520
Other amortisation	(17,956)	23,085
Depreciation and amortisation	530,253	464,450
Change in accrued income	15,424	(210,778)
Change in accrued expense	237,799	15,927
Operating cashflow before change in operating assets	3,046,241	2,678,385
Assets purchased with reverse repurchase agreement (reverse repo)	(4,933,350)	—
Loans and advances to credit institutions	558,218	(4,721,211)
Loans to customers	(9,692,922)	(11,873,825)
State treasury bills	(2,983,486)	2,913,924
Trading securities	(9,322,867)	(2,949,405)
Assets sold with repurchase agreement	—	287,679
Other assets and prepayments	111,644	(13,748)
Amounts owed to credit institutions	4,492,760	(5,595,764)
Amounts owed to customers	21,968,631	21,871,475
Other liabilities	115,582	(225,269)
Net cashflow from operating activities before income taxes	3,360,451	2,372,241
Income taxes	—	(1,924)
Net cashflow from operating activities	3,360,451	2,370,317
Investing activities:		
Investment securities	14,027	(54,074)
Dividends received	15,412	7,708
Net additions to fixed assets	(908,982)	(983,642)
Net cashflow from investing activities	(879,543)	(1,030,008)
Financing activities:		
Sale of employee shares	26,664	15,732
Mortgage bonds issued	504,500	—
Dividends paid and others	(485,673)	(322,313)
Net cashflow from financing activities	45,491	(306,581)
Cash inflow / (outflow) for the year	2,526,398	1,033,728
Cash and cash equivalents at the beginning of the year	8,746,003	7,712,275
Cash and cash equivalents at the end of the year	11,272,401	8,746,003
Change in cash and cash equivalents	2,526,398	1,033,728



human resources division / 13:10

notes to the financial statements and auditors' report

Notes to the Financial Statements

As of December 31, 2001 and December 31, 2000

(Translation of a report and financial statements originally issued in Slovak and prepared in accordance with generally accepted accounting principles in the Slovak Republic)

(1) CORPORATE PURPOSE

Tatra banka, a. s., Bratislava („the Bank“) is a joint stock company, having its legal seat in Bratislava, Vajanského nábr. 5. It was founded on 17 September 1990 and incorporated on 1 November 1990. The Bank has a general banking licence issued by the National Bank of Slovakia.

The main activities of the Company stated in the Commercial Register:

- receiving deposits;
- providing loan facilities;
- investing into securities on its own account;
- financial leasing;
- system of payments and clearing;
- issuing and managing media of payment e.g. credit cards, traveller's cheques;
- providing guarantees;
- opening Letters of Credit;
- collecting money;
- dealing on its own account or on the client's account with the following:
 1. foreign - exchange values,
 2. in futures and options, including exchange rate and interest deals,
 3. transferable securities,
 4. golden and silver coins, commemorative coins, banknotes and groups of circulating coins
- participation in issuing securities and providing services connected therewith;
- providing consulting services in business;
- managing client's securities on the client's account including consulting service (portfolio management);
- depositing and managing securities or other valuables;
- acting as a depositary according to a special regulation;
- exchange services (purchase of foreign exchange);
- providing banking information;
- leasing safes;
- performing mortgage trades;
- mediation activities in the areas of banking and insurance related to banking activities and building savings.

The members of the statutory and supervisory bodies of the Bank as of December 31, 2001:

SUPERVISORY BOARD

Chairman:	Ing. Milan VRŠKOVÝ
Vice-chairman:	Dr. Herbert STEPIC
Members:	Prof. Ing. Peter BALÁŽ, CSc.
	JUDr. Tomáš BOREC
	Mag. Walter GRÜN
	Ing. Vratko KAŠŠOVIC, CSc.
	Mag. Renate KATTINGER
	Ing. Ján NEUBAUER
	Ing. Štefan TESÁK

BOARD OF DIRECTORS

Chairman:	Dkfm. Rainer FRANZ
First vice-chairman:	Ing. Miroslav ULIČNÝ
Vice-chairman:	Ing. Igor VIDA
Members:	Dr. Christian MASSER
	H. Ir. Philippe MOREELS
	Ing. Ivan ŠRAMKO

(2) BASIS OF PRESENTATION AND GOING CONCERN

The individual financial statements of the Bank consisting of the balance sheet as of 31 December 2001, the related statements of the profit and loss account, and notes including the cash-flow statement, for the year then ended, are presented in accordance with the Act on Accounting and accounting procedures for banks in the Slovak Republic.

The Board of Directors of the Bank has prepared these financial statements and they will be proposed for the approval of the Ordinary General Meeting of Shareholders following the current Slovak legislation about ordinary financial statements.

These financial statements are presented following the assumption that the Bank will continue as a going concern.

In order to approximate to the International Accounting Standards, the Bank has changed the method of creating provisions and reserves, compared to the previous accounting period. The general reserves, created in the past, were allocated to specific risks related to the exposure of individual clients in the balance sheet and off-balance sheet of the Bank. The effect of the change in the method of creating reserves brings about a partial release of general reserves and an increase of the Bank's net result approximately by SKK 847 million.

In 2001 the Bank changed the depreciation method of tangible fixed assets. Assets put into use by 2001 are depreciated using the accelerated method under Sections 28 - 33 of Act No. 366/1999 Zb. based on the estimated useful life. Assets put into use from 2001 are depreciated using the straight-line method under Sections 28 - 33 of Act No. 366/1999 Zb. based on the estimated useful life.

The Bank has changed the method of recognising securities in the balance sheet. In the previous accounting period, securities were recognised together with the amortised discount and premium under Securities. From 2001, the amortised discount and premium are recognised under Accruals in Other Assets and Other liabilities of the Bank and securities are showed at the cost of acquisition.

The previous year's financial statements were approved by the General Meeting of Shareholders held on 31 May 2001.

(3) MAIN ACCOUNTING POLICIES

A summary of the Bank's main accounting policies, all of which have been applied consistently throughout the year, is set out below:

a) Cash and cash equivalents

Cash and cash equivalents consist primarily of debit balances on nostro and loro accounts with other banks. In addition, they include the obligatory reserve with the National Bank of Slovakia.

The obligatory reserve with the National Bank of Slovakia is a required reserve held by any commercial bank with the National Bank.

b) Loans and advances

Loans and advances to customers and other banks are stated at the unpaid principal balance net of specific provisions for possible loan losses. Specific provisions are assessed with reference to the credit standing and performance of the borrower and take into account the value of any collateral representing state, bank guarantees and term deposits. The Bank creates provisions based on internal rules over the limit of provisions required under the measures of the National Bank of Slovakia. Interest on non-performing loans is accrued and is allocated to the non-performing principal, where provisions at 100% are created to these amounts.

The Bank creates reserves for standard loans with exception and retail loans and non-performing and off-balance sheet liabilities, which are further described under note 18.

Creation and release of provisions and reserves made during the year are charged against profit of the current year.

According to a valid decision on quitting recovery of claims, issued by the court or Board of Directors, the Bank writes-off its receivables. The receivables written off based on the decision of the Bank's Board are recorded in the off-balance sheet.

c) Shares and variable yield securities

Shares and variable yield securities purchased for trading purposes are stated at the lower of cost or market. In the absence of a liquid market for the securities, the Board of Directors determines the market value.

Shares and variable yield securities held for investment purposes are stated at cost less any provision for diminution in value.

d) Fixed income securities

Treasury bills are carried at cost. Discounts are amortised on a straight-line basis through the profit and loss account over the period the security is held by the Bank.

Other fixed income securities held for investment purposes are carried at cost, which is adjusted in case of impairment by the created provision. The premium or discounts arising on purchase of fixed income securities are amortised evenly over the term to maturity, where amortisation is recorded on the accounts of accruals under other assets and other liabilities with a corresponding entry of interest expenses and interest income.

e) Repurchase and reverse repurchase agreements (Repo and reverse repo)

Repurchase and reverse repurchase agreements are utilised by the Bank as an element of its treasury management and trading business.

Repo transactions performed under frame agreements on providing loans with a transfer of securities from the debtor to the creditor as defined by the NBS decision are recorded as a loan provided under Announcement of the Slovak Ministry of Finance No. 72/2000. As financing transactions, the related securities are recorded on the Bank's accounts. The related receivable or payable is included in loans and advances to credit institutions or customers, or as an amount due to credit institutions or customers, respectively. Any related income or expense arising from the pricing spreads for underlying securities is recognised as interest income or expense during the period that the related transactions are open.

f) Derivatives

In the ordinary course of business the Bank enters into derivative financial instruments for both trading and hedging purposes. At 31 December 2001 the Bank had outstanding forward and swap contracts tied to underlying assets, which include foreign currency and interest rates.

The agreements open at year-end are stated at their nominal value and the unrealised gain or loss related to financial instruments with foreign currency has been included in the profit and loss account according to the nature of each contract (foreign exchange gain/loss). The Bank does not account for unrealised gain or loss related to financial instruments with interest rates. Interest expense or income related to these financial instruments are included in net result evenly over the life of the derivative through accruals, recognised under other assets and other liabilities.

g) Equity shares

Equity investments represent the Bank's long-term participating interests and shares in affiliated and subsidiary undertakings. Strategic equity investments are stated at cost, less any provision for diminution in value.

h) Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Upkeep, maintenance and repair expenses are expensed as incurred.

Small value tangible assets with a cost of less than SKK 20 thousand are recorded and fully expensed in the year of acquisition.

In 2001 the Bank changed the depreciation method of tangible fixed assets. Assets put into use by 2001 are depreciated using the accelerated method under Sections 28 - 33 of Act No. 366/1999 Zb. based on the estimated useful life. Assets put into use from 2001 are depreciated using the straight-line method under Sections 28 - 33 of Act No. 366/1999 Zb. based on the estimated useful life. Tangibles in progress, land and art work are not depreciated.

The estimated useful life of the assets is as follows:

Category	Years
Buildings and constructions	40
Means of transport & computers	4
Furniture and fixtures and office equipment	4 to 15

Rights on leased assets

The Bank records leased assets in the form of operational and financial leases. Operational lease is recorded directly to costs of the Bank. Finance leases are recorded as follows: The down payment is accrued and expensed linearly through the life of the lease contract. The periodical payments under the lease agreement are charged to expenses when invoiced. The residual value of the leased assets is capitalised when the lease contract expires.

i) Intangible fixed assets

Intangible fixed assets are recorded at cost less accumulated amortisation.

Small value tangible assets with a cost of less than SKK 40 thousand are recorded and fully expensed in the year of acquisition.

Amortisation of intangible assets is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset.

The estimated useful lives of the assets are as follows:

Category	Years
Software	4

j) Amounts owed to customers and banks

Amounts owed to customers and banks represent all term deposits, current accounts and savings deposits, loans and mortgage debentures. Interest payable on these balances is accrued, with the accrual being included as interest expense.

k) Foreign currency transactions

Transactions denominated in foreign currencies are recorded in local currency (SKK) at actual exchange rates of the Bank as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange of NBS prevailing at the balance sheet date. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction is included as a translation gain or loss under income from foreign exchange in the profit and loss account.

Unmatured spot foreign exchange transactions are translated into local currency in the off-balance sheet using the NBS spot exchange rate prevailing on the date of preparing the financial statements.

Unmatured forward foreign exchange rate transactions are translated into local currency in the off-balance sheet using the NBS spot exchange rate prevailing on balance sheet date. Unrealised gain or loss from forward transactions is computed using the estimated forward exchange rate calculated from the standard formula, which includes the NBS spot rates and the interest rates prevailing on the date of preparing the financial statements.

l) Interest, fees and commissions

Interest, fees and commissions are recognised on an accrual basis, in the period, which they relate to.

m) Taxation

The taxation charge is calculated in accordance with Slovak regulations and is based on the profits reported in the profit and loss account prepared under Slovak accounting regulations after adjustments for tax purposes.

Following the accounting legislation, the Company did not record any deferred taxes since no temporary differences existed between depreciation charges of fixed assets applied for tax and accounting purposes.

n) Regulatory requirements

The Bank is subject to the regulatory requirements of the National Bank of Slovakia. These requirements involve capital adequacy, liquidity, asset concentration and foreign currency position.

The most significant limits are as follows:

- Capital adequacy to be at least 8%,
- Concentration of the Bank's assets towards one entity or a group of economically joined entities can not exceed 25% of the capital and reserves of the Bank
- Concentration of the Bank's assets towards an entity that controls the Bank, or is controlled by the Bank, or a group of economically joined entities, if the Bank is the controlling entity or is one of the controlled entities, can not exceed 20% of the capital and reserves of the Bank
- Overall daily foreign currency exposure has a limit of 25% of the Bank's capital
- Monthly liquidity of the Bank must not be lower than 0.9
- Ratio of the sum of fixed assets and non-liquid assets to own sources and reserves of the Bank must not be higher than 1.

The Bank's capital defined for the purpose of these requirements includes mainly the Bank's equity, retained earnings, reserve and share premium fund and legal and other reserves of the Bank.

o) Recognition of revenues and expenses

Revenues and expenses are accounted for, on an accrual basis. In accordance with the accounting principle of prudence, the Bank does not record contingent gains at year-end, except for the unrealised foreign currency gains, whereas foreseeable contingencies, including potential losses, are recorded as soon as they become known.

p) Health, social security and pension schemes

Contributions are made to the Government's health, retirement and medical benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of social security payments is charged to profit and loss in the same period as the related salary cost. The Bank contributes to the supplementary pension insurance of its employees in accordance under special rules, which does not give rise to any unrecorded liabilities of the Bank.

(4) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise (in thousands of Slovak crowns):

	2001	2000
Cash and cash equivalents	2,629,776	1,585,376
Current accounts with other banks	1,175,270	1,043,078
Obligatory reserve with NBS	568,521	4,303,215
Other accounts with NBS	6,898,834	1,814,334
Total	11,272,401	8,746,003

Other accounts with the NBS as of 31 December 2001 represent mainly a one-day term deposit (overnight) of SKK 6,000,000 thousand with a 6% interest rate.

Insurance coverage

The Bank takes out insurance on cash against theft and robbery in all its branches and sub-branches on the Slovak territory. The insurance limits are defined individually for each branch or sub-branch.

Obligatory reserve with the National Bank of Slovakia

Following the regulations of the National Bank of Slovakia, the average amount of the obligatory reserve in 2001 should be SKK 3,529,564 thousand. The actual average amount deposited by the Bank in the NBS amounted to SKK 3,554,871 thousand (in 2000: SKK 3,383,125 thousand).

(5) LOANS AND ADVANCES TO CENTRAL BANKS

The Bank provided loans to the National Bank of Slovakia by purchasing T-bills with an agreement for resale. The Bank accounts for this transaction as a loan and at the same time, in accordance with the measure of the Finance Ministry the securities are recognised in the captions of securities and payables arising from securities with the total value of SKK 4,933,350 thousand (see notes 8 and 16). The market value of these T-bills was SKK 4,939,309 thousand as of 31 December 2001.

The breakdown of the loans provided as of 31 December 2001 is as follows:

	Securities purchase date	Securities resale date	Loan in TSKK	Interest rate in %
Loan 1	19/12/01	07/01/02	996,126	7.8
Loan 2	27/12/01	13/03/02	3,937,224	7.7
Total	—	—	4,933,350	—

(6) LOANS AND ADVANCES TO OTHER BANKS

Loans and advances to credit institutions are repayable, according to contractual maturity, as follows (in thousands of Slovak crowns):

	2001	2000
Maturity - contractual:		
– up to 3 months	7,977,306	6,305,540
– 3 months to one year	3,827,473	5,950,314
– one to five years	342,857	450,000
Less: provision	—	—
Total	12,147,636	12,705,854

As of 31 December 2001, these Slovak currency deposits and foreign currency deposits bear an interest rate ranging from 6.8% to 8.8% and 0.75% to 4.76%, respectively.

Loans and advances to other banks include SKK 93,652 thousand, which represents an amount receivable from purchased documentary letters of credit to banks.

(7) LOANS TO CUSTOMERS

Loans and advances to customers comprise (in thousands of Slovak crowns):

	2001	2000
Gross loans and advances	41,374,390	32,865,157
Overdrafts	3,756,444	2,572,757
Less - provisions for loan losses	(1,054,885)	(563,302)
Total loans and advances	44,075,949	34,874,612

Loans and advances to customers are repayable, according to the contract, as follows (in thousands of Slovak crowns):

	2001	2000
Repayable within:		
– up to one year	19,970,070	19,702,971
– one to five years	13,296,955	10,536,885
– more than five years	7,654,545	2,842,415
Non-specified and classified	4,072,646	2,175,665
Other	136,618	179,978
Less: provision for loan losses	(1,054,885)	(563,302)
Total	44,075,949	34,874,612

As of 31 December 2001, the interest rates to Slovak currency loans to customers and foreign currency loans to customers were ranging from 8.35% to 19.0% and from 2.21% to 3.47%, respectively.

The breakdown of non-specified and non-performing loans, as defined in the regulations of the Ministry of Finance of the Slovak Republic, is as follows (in thousands of Slovak crowns):

	2001	2000
Standard loans with exception	2,535,563	1,477,703
Non-standard loans	100,114	123,215
Doubtful receivables	884,915	72,176
Lost receivables	552,054	502,571
Total	4,072,646	2,175,665

The breakdown of provisions for loan losses is as follows (in thousands of Slovak crowns):

	2001	2000
Provision for non-standard loans	20,319	24,643
Provision for doubtful receivables	482,512	36,088
Provision for lost receivables	552,054	502,571
Total	1,054,885	563,302

The breakdown of the synthetic accounts Nos. 231, 241, 242, 243, and 249 according to the analytical evidence mentioned in the specific decrees No. 65/355/1996 of the Ministry of Finance of the Slovak Republic dated 11 November 1996 is as follows (in thousands SKK):

	Loan	Provision
Standard loans with exception	2,535,563	—
– SKK residents	1,673,595	—
– SKK non-residents	—	—
– FX residents	693,899	—
– FX non-residents	168,069	—
Non-standard loans	100,114	20,319
– SKK residents	67,997	13,896
– SKK non-residents	—	—
– FX residents	32,117	6,423
– FX non-residents	—	—
Doubtful receivables	884,915	482,512
– SKK residents	256,891	137,453
– SKK non-residents	—	—
– FX residents	419,489	230,741
– FX non-residents	208,535	114,318
Lost receivables	552,054	552,054
– SKK residents	135,113	135,113
– SKK non-residents	4,456	4,456
– FX residents	290,618	290,618
– FX non-residents	121,867	121,867
Total	4,072,646	1,054,885

Movements on the accounts of provisions to loans (in thousands of Slovak crowns):

	2001	2000
Balance as of 1 January	563,302	725,420
Creation	724,280	519,650
Release to profit	(219,189)	(697,462)
Exchange rate difference	(13,508)	15,694
Balance as of 31 December	1,054,885	563,302

The Bank creates reserves for standard loans with exception and retail loans, non-performing and off-balance sheet liabilities, which are further described under note 18. Loans and advances to customers are secured by the following types of guarantees (in thousands of Slovak crowns):

	2001	2000
Letters of guarantee from banks	7,032,528	5,935,645
Letters of guarantee from the state	8,740,765	5,060,835
Letters of guarantee from companies	4,624,112	4,056,758
Total	20,397,405	15,053,238

The Bank acted as a guarantor of two syndicated loans to customers totalling EUR 25,396 thousand and SKK 3,000,000 thousand, the Bank's share in these loans was 80.6% and 33.33%, respectively. The interest rate was ranging from 6.93% to 9.14% as of 31 December 2001.

(8) TRADING SECURITIES

Trading securities comprise (in thousands of Slovak crowns):

	2001	2000
Fixed income securities		
Shares	17,951	17,690
Mutual funds certificates	110,255	294,358
Less: provision	(34,784)	(21,258)
Variable yield securities		
State treasury bills	1,022,699	—
NBS bills	2,946,863	986,076
NBS bills - reverse repo	4,933,350	—
State bonds	18,310,201	12,291,241
Corporate bonds	424,904	505,856
Eurobonds	4,398,973	1,315,703
Euro notes	3,845,287	3,359,799
Less: provision	(36,668)	(29,076)
Total	35,939,031	18,720,389

Mutual fund certificates are the certificates of mutual funds of the company Tatra Asset Management, správcovská spoločnosť a. s.

The breakdowns of trading securities were as follows (in thousands of Slovak crowns):

	2001		2000	
	Listed	Unlisted	Listed	Unlisted
Issued by financial institutions	9,552,054	78,931	2,243,926	277,723
Issued by governmental sector	25,600,638	—	15,468,956	—
Other	707,302	106	660,218	69,566
Total	35,859,994	79,037	18,373,100	347,289

The market value of the shares as of 31 December 2001 amounted to SKK 20,667 thousand (31 December 2000: SKK 13,385 thousand). This represents unrealised loss of SKK 3,460 thousand (31 December 2000: SKK 4,497 thousand) and unrealised gain of SKK 6,176 thousand (31 December 2000: SKK 192 thousand).

The breakdown of securities by the NBS sectors as of 31 December 2001 is as follows:

(in thousands of Slovak crowns)	
Non-finance organisations	
Public	688,492
Private	18,274
Financial corporations	
NBS	7,880,213
Other banks	
Private banks	303,683
Investment funds and companies	
Private	80,191
State administration	
Central	25,600,638
Foreign	1,367,540
Total	35,939,031

The movements in provisions were as follows (in thousands of Slovak crowns):

	2001	2000
As of 1 January	50,334	37,226
Creation	43,874	33,971
Release	(22,813)	(20,863)
Exchange rate difference	57	—
As of 31 December	71,452	50,334

(9) EQUITY SHARES

The Bank keeps the following investments in affiliated companies in the book value (in thousands of Slovak crowns):

Company	Percentage owned	Voting rights	2001	2000
Affiliates with controlling interest			187,039	279,203
Tatra Group Servis, s. r. o.	100%	100%	270,005	270,005
Less - provision			(132,966)	(40,802)
Tatra Asset Management, správ. spol. a. s.	96.15%	100%	50,000	50,000
Affiliates with substantial interest			96,000	87,542
Tatra Leasing, s. r. o.	48%	48%	96,000	98,425
Less - provision				(10,883)
Sub-total			283,039	366,745

Company - continued	Percentage owned	2001	2000
Other investments		5,080	16,682
Autorizačné centrum Slovenska, a. s.	0%	0	11,550
Bankové zúčtovacie centrum, a. s.	0.99%	3,000	3,000
Burza cenných papierov Bratislava, a. s.	0.26%	300	300
SWIFT, s. c. Belgicko	29 shares	1,780	1,832
Total		288,119	383,427

The basic data about the affiliates from the audited financial statements were as follows:

Company name	Address	Activity	Auditor
Tatra Group Servis, s. r. o.	Vajanského 5, Bratislava	Services	BMB Partners
Tatra Asset Management, správ. spol. a. s.	Vajanského 5, Bratislava	Administration company	Arthur Andersen
Tatra Leasing, s. r. o.	Vajanského 5, Bratislava	Leasing	Arthur Andersen

(in thousands of Slovak crowns)

As of 31 December 2001	Share capital	Capital and reserve funds	Prior-year net result	Current Year net result	Total Equity
Affiliates with controlling interest					
Tatra Group Servis, s. r. o.	270,000	5	(41,649)	(91,425)	136,931
Tatra Asset Management, správ. spol. a. s.	52,000	481	1,096	1,759	55,336
Affiliates with substantial interest					
Tatra Leasing, s. r. o.	200,000	—	(71,030)	119,520	248,490

The movements in provisions for equity shares were as follows (in thousands of Slovak crowns):

	2001	2000
As of 1 January	51,685	70,000
Creation	92,164	20,802
Release	(10,883)	(39,117)
As of 31 December	132,966	51,685

(10) TANGIBLE FIXED ASSETS

The movements of tangible fixed assets during the year 2000 were as follows (in thousands of Slovak crowns):

	Land and buildings	Machinery & equip.	Other fixed assets	Means of transport	Construction in progress and advances	Total
Cost						
31 December 2000	746,555	1,233,832	398,400	46,151	146,263	2,571,201
Additions	—	—	—	—	1,239,683	1,239,683
Disposals	(24,605)	(19,323)	(7,171)	(6,506)	(179,891)	(237,496)
Additions of leased assets	—	—	—	11,719	—	11,719
Transfers from tangibles in progress	80,849	571,651	159,019	42,893	(854,412)	—
31 December 2001	802,799	1,786,160	550,248	94,257	351,643	3,585,107
Accumulated depreciation						
31 December 2000	(133,667)	(898,503)	(233,152)	(34,524)	—	(1,299,846)
Additions	(32,238)	(275,840)	(96,597)	(12,033)	—	(416,708)
Disposals	924	19,130	5,790	4,663	—	30,507
Additions of leased assets	—	—	—	(11,719)	—	(11,719)
Transfers	—	—	—	—	—	—
Adjustments	14,825	—	—	—	—	14,825
31 December 2001	(150,156)	(1,155,213)	(323,959)	(53,613)	—	(1,682,941)
Net book value 2001	652,643	630,947	226,289	40,644	351,643	1,902,166
Net book value 2000	612,888	335,329	165,248	11,627	146,263	1,271,355

The main variations in this caption of the accompanying balance sheet in 2001 occurred in connection with the opening of 19 branches.

Insurance coverage

Tangible fixed assets are insured covering a maximum risk of SKK 1,726,357 thousand against natural disaster, SKK 1,594,558 thousand against water damage, SKK 404,934 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 Slovak crowns)
Buildings - reconstruction, acquisition	207,538
Office equipment	196,604
Cars	15,200
Telecommunication system	82,278
Hardware, software	472,362
Total	973,982

Movements of provisions for tangible fixed assets (in thousands of Slovak crowns):

	2001	2000
As of 1 January	14,825	14,825
Creation	—	—
Release	(14,825)	—
Exchange rate difference	—	—
As of 31 December	—	14,825

(11) INTANGIBLE FIXED ASSETS

The movements in this caption during the year 2000 were as follows (in thousands of Slovak crowns):

	Software	Intangibles in progress	Total
Cost			
31 December 2000	509,463	311,512	820,975
Additions		309,512	309,512
Transfers from intangibles in progress	106,843	(106,843)	—
Disposals		(429,608)	(429,608)
31 December 2001	616,306	84,573	700,879
Accumulated depreciation			
31 December 2000	(350,218)	—	(350,218)
Charge for the year	(117,161)	—	(117,161)
31 December 2001	(467,379)	—	(467,379)
Net book value 2001	148,927	84,573	233,500
Net book value 2000	159,245	311,512	470,757

The main variations in this caption of the accompanying balance sheet in 2001 occurred in connection with an inclusion of software and sale of intangibles in progress related to the implementation of Globus banking software within the whole group.

Insurance coverage

Intangible fixed assets are not insured.

(12) PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets comprise (in thousands of Slovak crowns):

	2001	2000
Interest receivable accruals	583,317	653,261
Amortised discount on securities	54,520	—
Tax receivable	—	147,992
Operating advances	59,154	27,980
Own shares for sale (see note 19)	11,670	13,953
Prepayments	147,920	145,753
Other	241,200	235,909
Less: provision	(32,113)	(31,422)
Total	1,065,668	1,193,426

The movements in provisions were as follows (in thousands of Slovak crowns):

	2001	2000
As of 1J January	31,422	20,877
Creation	704	13,819
Released to profit	(13)	(3,274)
Exchange rate difference	—	—
As of 31 December	32,113	31,422

As of 31 December 2001, overdue receivables amount to SKK 34,474 thousand.

(13) AMOUNTS OWED TO OTHER BANKS

Amounts owed to banks are represented by deposits by banks and loans received from financial institutions.

a) Deposits banks were repayable, according to initial maturity, as follows (in thousands of Slovak crowns):

	2001	2000
Repayable within:		
– less than 3 months	4,183,891	2,322,721
– 3 months to one year	4,309,563	458,169
– one to five years	—	100,000
– more than five years	—	—
Total	8,493,454	2,880,890

As of 31 December 2001, Slovak currency deposits and foreign currency deposits bear interest rates ranging from 6.3% to 7.95% and 2.02% to 5.25%, respectively.

b) Loans received are granted by following foreign financial institutions (in thousands of Slovak crowns):

	2001	2000
EXIM Japan	447,725	1,370,760
European Investment Bank	154,810	487,014
European Bank Reconstruction & Development	21,863	134,970
Total	624,398	1,992,744

c) As of 31 December 2001, interbank transfers amounted to SKK 2,785,422 thousand (31 December 2000: 1,974,505 thousand).

(14) SUBORDINATED LIABILITIES

The Bank obtained in 1996 a long-term loan from the European Bank for Reconstruction & Development (EBRD) of DEM 25 million, repayable in five equal annual instalments from 6 November 2002 to 6 November 2006. The Bank repaid this loan before maturity on 6 November 2001 given changes in the NBS measures on prudence and the arising possibility of including the subordinated loan in the Bank's capital.

(15) CUSTOMER DEPOSITS

Customer deposits comprised (in thousands of Slovak crowns):

	2001	2000
Current accounts	36,112,063	25,302,177
Term deposit accounts	41,032,418	31,795,578
Savings accounts	5,103,824	3,276,139
Deposit certificates	534,755	640,535
Other payables to customers	200,000	—
Issuance of mortgage bonds	504,500	—
Total	83,487,560	61,014,429

On 14 December 2001 the Bank issued mortgage bonds with a nominal value of SKK 100 thousand to refinance mortgage loans. Yield on mortgage bonds represents 7.5% and is paid annually. Mortgage bonds are due on 14 December 2006. Customer deposits, according to contractual maturity, are as follows (in thousands of Slovak crowns):

	2001	2000
Repayable within:		
– up to three months	77,060,416	55,810,335
– up to one year	5,589,200	4,856,355
– one to five years	820,231	311,835
– more than five years	17,713	35,904
Total	83,487,560	61,014,429

As of 31 December 2001, Slovak currency deposits of customers and foreign currency deposits of customers bear interest rates from 1.5% to 6.2% and 0.3% to 2.95%, respectively.

(16) OTHER LIABILITIES

Other liabilities comprised (in thousands of Slovak crowns):

	2001	2000
Accrued interest payable	587,167	496,818
Amortised premium on securities	147,450	—
Deferred revenues	31,113	24,202
Estimated liabilities	114,427	115,927
Tax payables	70,390	—
Payables arising from securities- repo	4,933,350	—
Other	74,429	34,648
Total	5,958,326	671,595

Overdue payables amount to SKK 4,883 thousand as of 31 December 2001.

(17) SOCIAL FUND

Movements of social fund (in thousands of Slovak crowns):

	2001	2000
Balance as of 1 January	13,610	8,799
Creation	18,658	19,278
Use	(16,912)	(14,467)
Balance as of 31 December	15,356	13,610

Social fund was created charging it to expenses of the bank (2001: SKK 5,767 thousand, 2000: SKK 2,888 thousand) a from profit (2001: SKK 12,891 thousand, 2000: SKK 16,390 thousand). Social fund was used for catering of the employees (2001: SKK 4,568 thousand, 2000: SKK 1,973 thousand), healthcare (2001: SKK 4,360 thousand, 2000: SKK 4,037 thousand) and other social benefits (2001: SKK 7,984 thousand, 2000: SKK 8,457 thousand).

Social fund is recorded under Other liabilities (see note 16).

(18) LEGAL AND OTHER RESERVES

The movements in 2001 on the accounts of legal and other reserves were as follows (in thousands of Slovak crowns):

	Legal reserve	Other reserves	Total
Balance as of 1 January	326,015	2,295,938	2,621,953
Creation	—	720	720
Release to profit	—	(1,394,498)	(1,394,498)
Exchange rate difference	—	(4,450)	(4,450)
Balance as of 31 December	326,015	897,710	1,223,725

The Bank creates the legal reserve in accordance with Act No. 368/1999 Coll. The balances of the reserve has not changed compared to the previous year.

In order to approximate to the International Accounting Standards, the Bank has changed the method of creating reserves. The general reserves, created in the past, were allocated to specific risks related to the exposure of individual clients in the balance sheet and off-balance sheet of the Bank. The effect of the change in the method of creating reserves is specified in note 2.

Under the new methodology valid as of 31 December 2001, the legal reserve and other reserves of the Bank cover mainly

1. Risks connected with standard loans with exception. The Bank creates a reserve up to 20% of the arising receivables net of collateral in the form of state and bank guarantees and term deposits,
2. Risks connected with retail loans, where the Bank creates a reserve up to 2% of the related credit exposure;
3. Off-balance sheet risks connected with issued guarantees, unused loan limits and letters of credit, and other contingent liabilities of the Bank.

Breakdown of the Bank's reserves as of 31 December 2001:

(in thousands of Slovak crowns)	
Reserve for standard loans with exception	507,113
Reserve for retail loans	22,293
Off-balance sheet risks and contingent liabilities	623,324
Other	70,995
Total	1,223,725

The Bank wrote-off SKK 3,606 thousand of receivables from customers in 2001 (SKK 2,575 thousand in 2000).

(19) SHAREHOLDER'S EQUITY

The variations in 2001 in this caption of the accompanying balance sheets are summarised as follows (in thousands of Slovak crowns):

	Basic capital	Share premium	Reserves	Retained earnings	Profit for the year	Total
1 January	1,044,320	131,524	256,477	3,394,046	1,820,965	6,647,332
Employee shares	—	26,664	—	—	—	26,664
Unpaid dividends	—	—	—	103	—	103
Profit distribution:	—	—	—	—	—	—
– dividends and emoluments	—	—	—	—	(469,386)	(469,386)
– retained earnings	—	—	—	1,335,189	(1,335,189)	—
– social fund	—	—	—	—	(16,390)	(16,390)
Profit for the year	—	—	—	—	3,096,612	3,096,612
31 December 2001	1,044,320	158,188	256,477	4,729,338	3,096,612	9,284,935

Share capital

The major shareholders of the Bank (in percentage) as of 31 December 2001 and 2000 were as follows):

Shareholder	2001		2000	
	Share in share capital	Voting rights	Share in share capital	Voting rights
Raiffeisen Zentralbank (RZB)	69.49%	72.26%	69.49%	72.26%
Tatra Holding	13.57%	14.11%	13.57%	14.11%
Employee shares	3.83%	—	3.83%	—
Other	13.11%	13.63%	13.11%	13.63%
Total	100%	100%	100%	100%

Share capital comprises 50,216 registered ordinary shares with a nominal value of SKK 20,000 thousand and 20,000 registered employee shares with a nominal value of SKK 2,000 thousand.

Other parts of restricted shareholder's equity

Other parts of restricted shareholder's equity, such as the legal reserve, amount to SKK 208,864 thousand (31 December 2000: SKK 208,864 thousand). The use of this reserve is regulated by the Commercial Code of the Slovak Republic.

Employee shares

Further to the Articles of Association, the Bank sells own shares to its employees as a form of motivation programme. Upon the employees' request, the Bank is obliged to re-purchase these shares. It is possible to apply the right for redemption after a 3-year period of holding the shares.

The difference between nominal value of shares and sale price is recorded in the Bank's share premium.

The total Bank's commitment in respect of redeemable sale of shares by employees amounts to SKK 72,488 for the year 2002.

The balance of unsold employee shares as of 31 December 2001 is specified in note 12.

	2001
Transfer to legal reserve fund	—
Dividends - ordinary shares	1,004,320
Dividends - employee shares	16,660
Social fund creation	12,891
Emoluments	12,000
Transfer to retained earnings	2,050,741
Total	3,096,612

(20) ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Bank's balance sheet includes assets and liabilities denominated in foreign currencies. The aggregate of these amounts translated into thousand of Slovak crowns were as follows (in thousands of Slovak crowns):

31 December 2001							
Assets	SKK	USD	EUR	DEM	ATS	Other	Total
Cash and cash equivalents	8,871,964	259,372	821,828	444,648	215,064	659,525	11,272,401
Loans to central banks	4,933,350	—	—	—	—	—	4,933,350
Loans to other banks	2,884,580	6,507,148	2,286,743	—	—	469,165	12,147,636
Loans to customers	32,302,794	1,520,814	9,741,612	110,168	26	400,535	44,075,949
Trading securities	30,060,095	1,828,804	4,050,132	—	—	—	35,939,031
Equity shares	286,339	—	1,780	—	—	—	288,119
Tangible fixed assets	1902,166	—	—	—	—	—	1,902,166
Intangible fixed assets	233,500	—	—	—	—	—	233,500
Prepayments and other assets	895,659	97,554	70,185	147	6	2,117	1,065,668
Liabilities and shareholders' funds							
Amounts due to banks	6,325,743	3,454,725	1,612,877	—	—	509,929	11,903,274
Subordinated loan	—	—	—	—	—	—	—
Amounts due to clients	61,174,554	8,652,425	9,963,122	2,026,893	617,110	1,053,456	83,487,560
Reserves	1,076,781	2,181	144,763	—	—	—	1,223,725
Other liabilities	5,733,573	91,752	124,591	3,280	1,045	4,085	5,958,326
Shareholders' equity	9,284,935	—	—	—	—	—	9,284,935
Balance sheet currency position	(1,225,139)	(1,987,391)	5,126,927	(1,475,210)	(403,059)	(36,128)	—

The balance sheet currency position does not include the off-balance sheet items, therefore the table above does not present the net currency position.

(21) OFF-BALANCE SHEET FINANCIAL COMMITMENTS AND CONTINGENCIES

The off-balance sheet financial commitments and contingencies held by the Bank as of 31 December 2001 and 2000 comprised:

a) Guarantees and letters of credit

(in thousands of Slovak crowns)	2001	2000
Commitments made:		
– Guarantees	5,094,791	6,851,927
– Classified guarantees	205,680	164,948
– Letters of credit	350,215	160,273
– Classified letters of credit	—	63,577
Commitments received:		
– Guarantees	20,397,405	15,053,238

b) Undrawn loan facilities

As of 31 December 2001, the Bank had SKK 12,772,427 thousand in undrawn loan facilities (SKK 9,288,139 thousand as of 31 December 2000).

c) Other values in evidence

In the normal course of business the Bank entered into lease agreements for vehicles, office equipment and branch facilities. Payments under these leases extend in most of the cases over a 3-year period.

The cost of these assets used by the Bank as of 31 December 2001 amounted to SKK 16,453 thousand (SKK 28,172 thousand as of 31 December 2000).

Other values in evidence represent securities issued abroad and acquired for clients. These securities acquired in the name of the Bank on clients' account represent SKK 5,843,016 as of 31 December 2001 (SKK 2,332,202 thousand as of 31 December 2000).

d) Legal actions

In the ordinary course of business, the Bank is subject to legal actions and complaints. The Board of Directors 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.

e) Values in custody

As of 31 December 2001 the Bank shows the sum of SKK 70,010 thousand (SKK 144,000 thousand as of 31 December 2000) representing deposit certificates in custody for clients. The value of securities in the Bank's custody as of 31 December 2001 is SKK 8,087,486 thousand (SKK 3,123,259 thousand as of 31 December 2000).

f) Undrawn commitments for granting a loan

As of 31 December 2001, the amount of 6,525,730 thousand represents a loan commitment from the parent company Raiffeisen Zentralbank (RZB).

g) Collateral in the form of transfer of title

In the off-balance sheet, the Bank discloses the amount of SKK 721,143 thousand (SKK 355,470 thousand as of 31 December 2000) representing assets in the form of received collateral embodying the transfer of title to loans granted.

(22) DERIVATIVES

The outstanding balances from derivative transactions as of 31 December 2001 and 2000 entered into by the Bank were as follows (in thousands of Slovak crowns):

(in thousands of Slovak crowns)	2001	2000
Interest rate contracts		
Assets	8,283,442	7,364,514
Liabilities	(8,817,374)	(5,951,115)
Foreign exchange contracts		
Assets	19,219,195	18,840,133
Liabilities	(19,141,442)	(18,692,634)
Spot transactions		
Assets	4,275,613	2,162,008
Liabilities	(4,274,465)	(2,161,423)
Option transactions		
Assets	300,880	—
Liabilities	(301,590)	—
Total derivatives	(455,741)	1,561,483

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

The maturity of derivatives as of 31 December 2001 was as follows (in thousands of Slovak crowns):

	Up to and including 3 months	Over 3 months and up to 1 year	Over 1 year	Total
Interest rate contracts				
Assets	2,735,543	1,496,070	4,051,829	8,283,442
Liabilities	(3,092,140)	(1,768,405)	(3,956,829)	(8,817,374)
Foreign exchange contracts				
Assets	13,245,509	5,973,686	—	19,219,195
Liabilities	(13,109,402)	(6,032,040)	—	(19,141,442)
Total	(220,490)	(330,689)	95,000	(456,179)

(23) NET INTEREST INCOME

Net interest income comprises (in thousands of Slovak crowns):

	2001	2000
Interest income:		
– on loans receivable	3,438,592	2,781,046
– on accounts and placements with other banks	877,504	735,228
Interest expense:		
– on current and deposit accounts of the customers	(3,012,201)	(2,381,808)
– on accounts and deposits of other banks	(475,273)	(803,184)
Net interest income	828,622	331,282

A detailed breakdown of the synthetic account No. 712 - „Income from transactions with customers“ in accordance with the regulatory requirements of the Slovak Ministry of Finance as follows (in thousands of Slovak crowns):

Income - transactions with clients (712)	2001	2000
Interest from loans	3,086,341	2,387,768
Interest from overdrafts	352,251	393,278
Fees and commissions	455,127	322,157
Total	3,893,719	3,103,203

(24) NET SECURITIES INCOME

Net securities income comprises (in thousands of Slovak crowns):

	2001	2000
Securities income:		
Fixed income securities	2,792,666	3,124,551
Shares and variable yield securities	65,494	12,120
Fees and commissions	11,344	14,715
Securities expenses:		
Costs of securities sold	5,800	346,572
Fees and premium amortised	198,281	1,122
Net securities income	2,665,423	2,803,692

(25) OPTION PREMIUM

The Bank dealt with currency options this year. The position of the Bank was fully hedged during the whole year (in thousands of Slovak crowns):

(in thousands of Slovak crowns)	2001	2000
Option premium received	14,841	532,008
Option premium paid	(15,568)	(511,068)
Total	(727)	20,940

(26) OTHER INCOME

Other income comprises (in thousands of Slovak crowns):

	2001	2000
Extraordinary income	4,942	18,590
Other income	13,696	3,552
Proceeds from sale of fixed assets	3,187	6,262
Proceeds from transfer of equity shares	15,350	—
Other income	37,175	28,404

(27) PAYROLL EXPENSES

The breakdowns of the payroll expenses are as follows (in thousands of Slovak crowns):

	2001	2000
Wages & salaries	754,813	544,660
Social security and health insurance	209,242	152,647
Bonuses to the statutory representatives	10,474	8,044
Total	974,529	705,351

The average number of employees during the periods was as follows:

	2001	2000
Management	6	6
Other employees	2,169	1,671
Total	2,175	1,677

The Bank's Supervisory Board had 9 members during the year (2000: 9 members).

(28) ADMINISTRATIVE EXPENSES

The breakdown of administrative expenses is as follows (in thousands of Slovak crowns):

	2001	2000
Services	442,764	323,877
Material	106,346	85,127
Rental charges	206,789	175,666
Promotion expenses	170,517	118,963
Other expenses	209,653	175,536
Total	1,136,069	879,169

(29) OTHER EXPENSES

The breakdown of other expenses is as follows (in thousands of Slovak crowns):

	2001	2000
VAT payable due to ratio	118,842	—
Contribution to the deposits protection fund	80,140	98,929
Cost associated with fixed assets sold	30,786	11,597
Sponsorship	23,145	8,356
Insurance of assets	10,090	7,547
Other	33,449	21,492
Total	296,452	147,921

(30) TAX SITUATION

The reconciliation between the accounting profit and the taxable base of the Corporate Income Tax was as follows (in thousands of Slovak crowns):

	2001	2000
Profit for the year	3,096,612	1,820,965
Permanent differences:		
Non-taxable income securities	(2,215,558)	(1,882,650)
Non deductible expenses	129,364	125,977
Other deductions and allowances	(13,304)	(376,317)
Temporary differences:		
Net creation of provisions and reserves	(1,070,219)	272,535
Taxable income	(73,105)	(39,490)

The varying interpretations that can be made of the tax regulations applicable to the Bank's operations might give rise to tax contingencies which are not susceptible to objective quantification. The Board of Directors of the Bank is not aware of any such estimated liabilities that would be material for the financial statements taken as a whole.

(31) LIQUIDITY RISK

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments.

The table below provides an analysis of assets, liabilities and shareholders' equity by relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity dates. It is presented under the most prudent consideration of maturity dates where options or repayment patterns allow for early repayment possibilities. Therefore, in the case of liabilities the earliest possible repayment date is shown while for assets it is the latest possible collection date. Based on the regulation of NBS the Bank included all state securities and listed securities into category „up to and including 1 month“ regardless of their actual maturity. Those assets and liabilities that do not have contractual maturity date are grouped together in the „maturity undefined“ category.

The liquidity position as of 31 December 2001 in thousands of Slovak crowns was as follows:

31 December 2001	Up to and including 3 months	Over 3 months and up to 1 year	Over 1 and up to and incl. 5 years	Over 5 years	Maturity undefined or loans classified	Total
Assets:	76,236,316	11,283,222	16,269,673	3,104,161	4,964,448	111,857,820
Cash and cash equivalents	11,272,401	—	—	—	—	11,272,401
Loans to central banks	4,933,350	—	—	—	—	4,933,350
Loans to other banks	10,296,754	1,508,025	342,857	—	—	12,147,636
Loans to customers	19,580,012	6,828,245	14,225,712	2,888,257	553,723	44,075,949
Trading securities	29,938,647	2,763,646	1,661,020	207,381	1,368,337	35,939,031
Equity shares	—	—	—	—	288,119	288,119
Tangible fixed assets	—	—	—	—	1,902,166	1,902,166
Intangible fixed assets	—	—	—	—	233,500	233,500
Prepayments and other assets	215,152	183,306	40,084	8,523	618,603	1,065,668
Liabilities and shareholders' funds:	96,660,714	6,062,001	822,699	142,734	8,169,672	111,857,820
Amounts owed to banks	9,274,948	2,140,916	275,239	135,750	76,421	11,903,274
Customer deposits	79,325,637	3,583,261	547,460	6,984	24,218	83,487,560
Other liabilities	4,963,517	337,824	—	—	656,985	5,958,326
Reserves	—	—	—	—	1,223,725	1,223,725
Shareholders' equity	3,096,612	—	—	—	6,188,323	9,284,935
Off-balance sheet position						
as of 31/12/01	(20,424,398)	5,221,221	15,446,974	2,961,427	(3,205,224)	—
Off-balance sheet assets	28,229,282	9,125,448	6,924,309	1,057,469	—	45,336,508
Off-balance sheet liabilities	33,569,516	9,209,336	5,092,936	2,578,926	205,680	50,656,394
Liquidity position as of 31/12/01	(25,764,632)	5,137,333	17,278,347	1,439,970	(3,410,904)	(5,319,886)
Total cumulative liquidity position	(25,764,632)	(20,627,299)	(3,348,952)	(1,908,982)	(5,319,886)	—

(32) ESTIMATED REALISABLE VALUE INFORMATION

It is the opinion of the Management that unless otherwise stated the estimated realisable value of the Bank's financial assets and liabilities are not materially different from the amounts stated in the balance sheets at 31 December 2001 and 2000.

The balance sheet value of loans stated net of provisions is deemed to approximate their realisable value, while it is assumed that the fair value of liabilities and of near maturity yield assets, other assets and prepayments, and accrued income is equivalent to their book value. Shares and other variable yield securities and traded fixed income securities, together with any related off-balance sheet instruments, are stated at the lower of cost or market value in the balance sheet.

(33) RELATED PARTIES

Related parties include shareholders, members of the Board of Directors and Supervisory Board, companies within the Group and shareholders of the companies within the Group, joint ventures and associates, natural persons that can, by exercising their voting rights, directly or indirectly significantly influence the Financial Statements of the Bank, as well as persons with close relationship to the aforementioned persons, persons that are responsible for planning, managing and controlling the activities of the Bank.

Summary of individual related parties balance sheet items as of 31 December 2001:

(in thousands of Slovak crowns)	
Loans, prepayments, shares - assets	
Statutory bodies	486
Supervisory Board	0
Subsidiaries	1,143,043
Raiffeisen Zentral Bank	1,885,085
Other related parties	809,085
Total	3,837,699
Loans and prepayments - liabilities	
Raiffeisen Zentral Bank	104
Subsidiaries	268,585
Other related parties	3,291
Total	271,980

Emoluments paid to the members of the Supervisory Board in 2001 amounted to SKK 12,000 thousand. The interest associated with loans granted to the members of the statutory bodies amounted to SKK 74 thousand in 2001.

AUDITORS' REPORT

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

1. We have audited the accompanying financial statements of Tatra banka, a. s., ("the Bank") comprising the balance sheet as of 31 December 2001 and the related profit and loss account and notes including the cash flow statement, for the year then ended. These financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Standards on Auditing issued by the Slovak Chamber of Auditors (SKAU). These 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 their compliance with the accounting legislation, as well as assessing significant estimates made by the Bank's Board of Directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tatra banka, a. s., as of 31 December 2001, and the results of its operations for the year then ended in accordance with Act No. 563/1991 Coll., on Accounting and other relevant accounting legislation in the Slovak Republic.
4. Without qualifying our opinion, we draw attention to the change in the methodology used by the Bank to assess the risk inherent to the loan portfolio as described in the Note 2 to the accompanying financial statements. In order to approximate to IAS, the Bank has allocated the general reserve as calculated in previous years, to specific exposures to clients identifying the general banking risk to every particular caption of the accompanying balance sheet. The effect of this change in the methodology, with which we agree, is disclosed in the Note 2 to the accompanying financial statements.



ARTHUR ANDERSEN
Slovensko, spol. s r. o.
SKAU License No. 146



Zdenka KVASKOVÁ
SKAU License No. 427



14 February 2002
Zochova 6-8
Bratislava, Slovak Republic

d i s t r i b u t i o n o f t h e p r o f i t



Distribution of the Profit for the Year 2001

(in thousands of SKK)

Profit before change of reserves	3,096,612
Ordinary dividends on ordinary shares	1,004,320
Ordinary dividends on employees' shares	16,660
Remunerations	9,480
Transfer to Social Fund	12,891
Transfer to retained earnings from previous years	2,053,261

The Supervisory Board consents with the submitted report on the business year of 2001, the financial statements and the proposal for distribution of the profit.



secretariat of the board / 16:00

t o p
m a n a g e m e n t

Top Management in 2001

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 Baláz
Professor, Economic University, Bratislava

Reinhard Böck
Direct Business Division Head, Uniqua Insurance Company, Vienna (till September 26, 2001)

Tomáš Borec
Attorney of Law (as of September 26, 2001)

Walter Grün
Consultant of Raiffeisenlandesbank Niederösterreich – Wien, reg. Ges.m.b.H, Vienna

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

Ján Neubauer
Financial Director, Fit Plus, spol. s r.o., Bratislava

Jolana Petrášová
Deputy Chairman of the Board of Directors and Vice-President for Operations and Personnel, Slovnaft, a.s., Bratislava (till June 2, 2001)

Vratko Kaššovic
President, Slovnaft, a.s., Bratislava (as of June 2, 2001)

Štefan Tesák
General Manager, Slovalco, a. s., Žiar nad Hronom

Management

Board Of Directors:

Rainer Franz
General Manager

Miroslav Uličný
Deputy General Manager

Igor Vida
Deputy General Manager

Christian Masser

Philippe Moreels

Ivan Šramko

Procurists:

Ol'ga Džuppová

Pavol Feitscher

Pavel Karel

Marcel Kaščák

RZB-Austria and the RZB Group at a Glance as of March 2002

RZB-Austria (Raiffeisen Zentralbank Österreich AG) is the head institution of the Austrian Raiffeisen Banking Group, the second largest Austrian banking group in terms of consolidated total assets (EUR 97.5 billion as of December 31, 2000). The Raiffeisen Banking Group represents approximately of all domestic banking business and comprises the country's largest banking network with some 2,400 offices and 21,000 employees. Founded in 1927, RZB-Austria is the head institution of the Group and provides the full range of commercial and investment banking services.

RZB-Austria is regarded a pioneer in Central and Eastern Europe (CEE) and ranks among the leading banks in the region, covering the following countries with commercial and investment banking services, as well as retail banking products:

- since 1987 Hungary: Raiffeisen Bank Rt.
- since 1991 Slovakia: Tatra banka, 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: Raiffeisenbank (Romania) S.A.
- since 2000 Bosnia and Herzegovina: Raiffeisen Bank d.d. Bosna i Hercegovina
- since 2001 Bosnia and Herzegovina: Raiffeisen Bank HPB d.d.
- since 2001 Romania: Banca Agricola - Raiffeisen S.A.
- since 2001 Yugoslavia: Raiffeisenbank Jugoslavija a.d.

As in the previous years, RZB's expansion in its home market CEE continued at a decisive pace in 2001. The balance sheet-total of its Network Banks has grown by 47 per cent to approximately EUR 10.1 billion. Return on equity after tax is expected to reach a level of roughly 23 per cent (preliminary figures). The Group employs a staff of more than 11,000 in more than 500 banking outlets.

In 2001, RZB has expanded its commitment in CEE considerably by acquiring Hrvatska Postanska Banka in Bosnia and Herzegovina and Banca Agricola in Romania. With Raiffeisenbank Jugoslavija a.d., it was the first foreign banking group to enter the country after the political changes of 2000, servicing domestic and foreign corporate and private customers. Since November 2001, RZB owns 10 per cent of the shares of Kazakhstan's leading commercial and retail bank, OJSC Bank TuranAlem.

In addition to its banking operations - which are complemented by representative offices in Slovenia (Ljubljana) and Russia (Moscow) - RZB-Austria 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 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 (Bombay), Tehran and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

In 2001, the RZB Group expanded its balance sheet total once more significantly - the Group's balance sheet total expanded by 22.3 per cent to about EUR 44.6 billion. IAS-pre-tax profit increased by 28.4 per cent to EUR 232 million. RZB's Return on Equity before tax reached 13.3 per cent.

This result provides a solid basis for RZB-Austria's main targets

- to position itself as the leading Austrian commercial bank for Austrian Top-1,000 customers as well as multinational groups operating in CEE;
- to strengthen its standing as one of the top investment banks in Austria and CEE;
- to underline its market leadership in CEE and particularly in RZB-Austria's core market Central Europe.

RZB Network



RZB-Austria (Raiffeisen Zentralbank Österreich AG)

Am Stadtpark 9
A-1030 Vienna, Austria

Tel.: +43/1/71707-0
Fax: +43/1/71707-1715
www.rzb.at

In 2000, the CEE-subsiidiaries of the RZB Group received more than ten awards by different financial magazines. In May 2001, Global Finance selected RZB as „Best Bank in Central and Eastern Europe“ and in September 2001, The Banker awarded to RZB and its respective subsidiaries the titles „Bank of the Year 2001“ in Central and Eastern Europe, Austria, Bosnia and Herzegovina and Slovakia.

RZB-Austria currently shows the following ratings:

- A1 (short term/Standard & Poor's)
- P-1 (short term/Moody's)
- A1 (long term/Moody's)
- C+ (Financial Strength/Moody's)
- 2 (legal/BCA)

RZB-Austria is member of the Unico Banking Group, a co-operation platform of European cooperative banks. With a total equity of approx. EUR 130 billion and an aggregate balance-sheet total of approx. EUR 2,500 billion, Unico is by far the largest banking group in Europe. A staff of 400,000 in 40,000 banking outlets attends to 50 million customers. Market shares of 21 per cent in loans and 15 percent in deposits underline the group's importance.

network of business locations, products and services



Products and Services for Corporates



- **current and term deposit account administration**
in SKK and foreign currencies
- **current account – Social and Reserve fund**
in SKK and foreign currencies
- **certificates of deposit**
bearer, in SKK
- **domestic and international payments**
- **payment cards**
with international use, credit and debit cards (Eurocard/
Mastercard, VISA Electron, VISA, American Express)
- **acceptance of payment cards**
- **cheques**
travellers cheques American Express, Thomas Cook, VISA,
collection of all types of cheques
- **other services**
foreign exchange services, rental of safes, night safes,
mailing boxes

Electronic banking:

- **B-mail**
SMS / e-mail messages
- **Internet banking**
domestic and international payments, on-line information on credit card,
export of account movements to file via <http://www.tatrabanka.sk>
- **call-center DIALOG (phonebanking)**
active and passive operations
- **Telebanking (homebanking)**
domestic and international payments, account statements
- **Mobil banking**
account balance and active payments
- **TatraPay, Eliot.pay**
payments in virtual shops via Internet banking
- **CardPay**
payments in virtual shops with payment cards
- **MicroPay**
Internet micro payments for information content providers
- **I:DEAL**
Foreign Exchange and Money Markets trading via internet
- **ELIOT**
the first Slovak internet bank

Loan facilities / Corporate finance services:

- **short-, medium- and long-term loans**
in SKK and foreign currency to be used as overdraft facilities or fixed term
loan (working capital financing, investment activities)
- **real estate financing and project financing**

- **municipality financing**
- **branch loans**
instalment loans and overdrafts provided through our network of branches (amounts from SKK 50 ths. to SKK 25 mil.)
- **syndicated loans on domestic and international markets**
- **loans for small and medium-sized entrepreneurs**
instalment loans, overdrafts and investment loans up to SKK 10 mil.
- **microloans**
from SKK 300 ths. up to SKK 1 mil. without tangible security

Loan facilities / Trade finance services:

- **documentary credits**
including discounting of L/Cs and Standby L/Cs
- **documentary collections**
- **guarantees**
payment and advance payment guarantees, bid bonds, customs guarantees, performance bonds
- **factoring**
purchase of receivables against local and foreign debtors
- **financing of warehouse receipts, commodity financing**
- **discounting of bills of exchange**
for support of export, domestic trade and agriculture also in cooperation with Slovenská záručná a rozvojová banka (Slovak Guarantee and Development Bank)
- **forfaiting**
purchase of receivables due in the future
- **structured trade finance**
- **prefinancing of export activities**
- **middle and long-term financing**
in cooperation with EXIM bank of the Slovak republic and other ECA's
- **short-term trade financing**
with or without insurance of receivables
- **refinancing loans**
in cooperation with EXIM bank of the Slovak republic
- **financing of existing receivables**
- **rediscount of bills of exchange**
in cooperation with EXIM bank of the Slovak republic



Treasury and investment banking:

- **term deposits**
- **FX spot and forward transactions**
- **currency swaps and options**
- **REPO transactions**
buy / sell back transactions
- **syndication and securities issuance**
- **brokerage services**
on domestic and foreign markets
- **structured investing and financing**
- **Tatra Limit Forward**
instrument for hedging the currency risk
- **Tatra Premium Forward and Tatra Premium Deposit**
instruments for hedging the currency risk
- **custody services**
custody of securities issued abroad

Products and Services for Individuals

- **current and term deposit account and passbook administration**
in SKK and foreign currencies
- **certificates of deposit**
bearer, in SKK
- **domestic and international payments**
- **payment cards**
with international use, credit and debit cards (Eurocard/Mastercard, VISA Electron, VISA, Diners Club, American Express, joint card products MercedesCard, DunlopCard, YES and Aura)
- **cheques**
travellers cheques American Express, Thomas Cook, VISA, collection of all types of cheques
- **Western Union, Tatra Express money transfer services**
- **foreign exchange services**
- **rental of safes, night safes**

Electronic banking:

- **B-mail**
SMS / e-mail messages
- **Internet banking**
domestic and international payments, on-line information on credit card, export of account movements to file via <http://www.tatrabanka.sk>
 - **call-center DIALOG (phonebanking)**
active and passive operations
 - **Telebanking (homebanking)**
domestic and international payments, account statements
 - **Mobil banking**
account balance and active payments
 - **TatraPay, Eliot.pay**
payments in virtual shops via Internet banking
 - **CardPay**
payments in virtual shops with payment cards
 - **MicroPay**
Internet micro payments for information content providers
 - **ELIOT**
the first Slovak internet bank
 - **Self-service terminal**



Loan products:

- **overdraft and short-term facilities**
in SKK
- **mortgage loans**
- **consumer loans**

Treasury and investment banking:

- **term deposits**
- **FX spot and forward transactions**
- **currency swaps and options**
- **REPO transactions**
 - buy / sell back transactions
 - **brokerage services**
 - on domestic and foreign markets
 - **Tatra Premium Deposit**
 - combination of deposit and option
 - **custody services**
 - custody of securities issued abroad



Services Offered by Subsidiaries and Strategic Partners in the Tatra banka Group

- **Tatra Asset Management (TAM)**
 - manages open-end mutual funds and provides services allowing comfortable money cross-transfers between individual funds, regular savings, or investment appreciation. TAM is the leader on the Slovak asset management market.
- **Tatra Leasing**
 - offers its customers leasing of personal and utility vehicles, trucks, trailers, machines, technology and computer hardware. In 2001, Tatra Leasing introduced a new product designed for medical doctors – leasing of medical devices and equipment. The contracts may run for 36, 48 or 60 months, with instalments paid monthly or quarterly.
- **Pokoj DDP – Supplementary Pension Insurance Company**
 - offers collection of extra income in retirement or disability and an additional income to the heirs in case of policy holder's death. This type of insurance benefits from favourable tax treatment and is available to both employees and their employers, as well as other productive persons. In 2001 Pokoj DDP is the only supplementary pension insurance company in the Slovak Republic backed by a bank as a strategic partner.





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