

# **Tatra Bank**

## **Annual Report**

### **1997**



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Member of the Austrian Raiffeisen Banking Group



# **Achievements of Tatra Bank**

## **in 1997**

### ***Innovation in technology***

The bank uses one of the most modern telecommunication networks. It is at the forefront of **automation**. **Customer-tailored electronic** clearing solutions handle large volumes of domestic and international payments. The bank was first in Slovakia to **introduce TELEPHONE and INTERNET BANKING**.

### ***Leadership***

Only bank in Slovakia to have access to all international refinancing programmes (**EBRD, EIB, PHARE, EXIM Bank of Japan, USAID-backed loan facilities**)

First bank to obtain **EBRD subordinated debt**

One of the major participants on the **Slovak interbank market**

One of the reference banks fixing the **BRIBOR rate**

### ***Ratings and awards***

Tatra Bank received

the best ratings among Slovak banks from various rating agencies  
(**Standard and Poor's, Thomson BankWatch**)

awards for excellence bestowed by international publications  
(**Euromoney, Central European, Global Finance**)

# Principal Services

## For corporate clients

To meet special requirements of the increasing number of corporate customers, Tatra Bank offers a wide range of wholesale banking services.

In addition to traditional corporate banking products, branch network and subsidiary companies provide also specialized financial services.

## For private customers

Tatra Bank provides its private customers with comprehensive retail banking services in already 28 branches with on-line connection across Slovakia. To meet personal banking needs, a wide range of high-technology products enables Tatra Bank customers to be serviced speedily according to international standards.

## Corporate banking

### Account services

- Current accounts in SKK and in foreign currencies
- **INTERNET banking**
- **ELECTRONIC TELEBANKING** for domestic and international payments
- Postal cheques/payment processing
- Night safes with cash administration

### Financing

- **SKK and foreign currency** facilities
  - short-, medium- and long-term loans
  - overdrafts
- **Special credit programmes** are based on funding obtained from European Investment Bank, EXIM Bank of Japan and European Bank for Reconstruction and Development as well as under the PHARE-programme
- Export/Import financing in SKK and foreign currency
- Discounting of bills of exchange
- Purchase of receivables with and without recourse (Forfaiting)

### Trade

International Finance specialists provide a wide range of services both for domestic and cross-border business, in close cooperation with our increasing network of correspondent banks.

- Documentary collection and letters of credit
- Guarantees and stand-by letters of credit
- International payments

### Treasury and investment banking

Skilled specialists cover a wide range of treasury products:

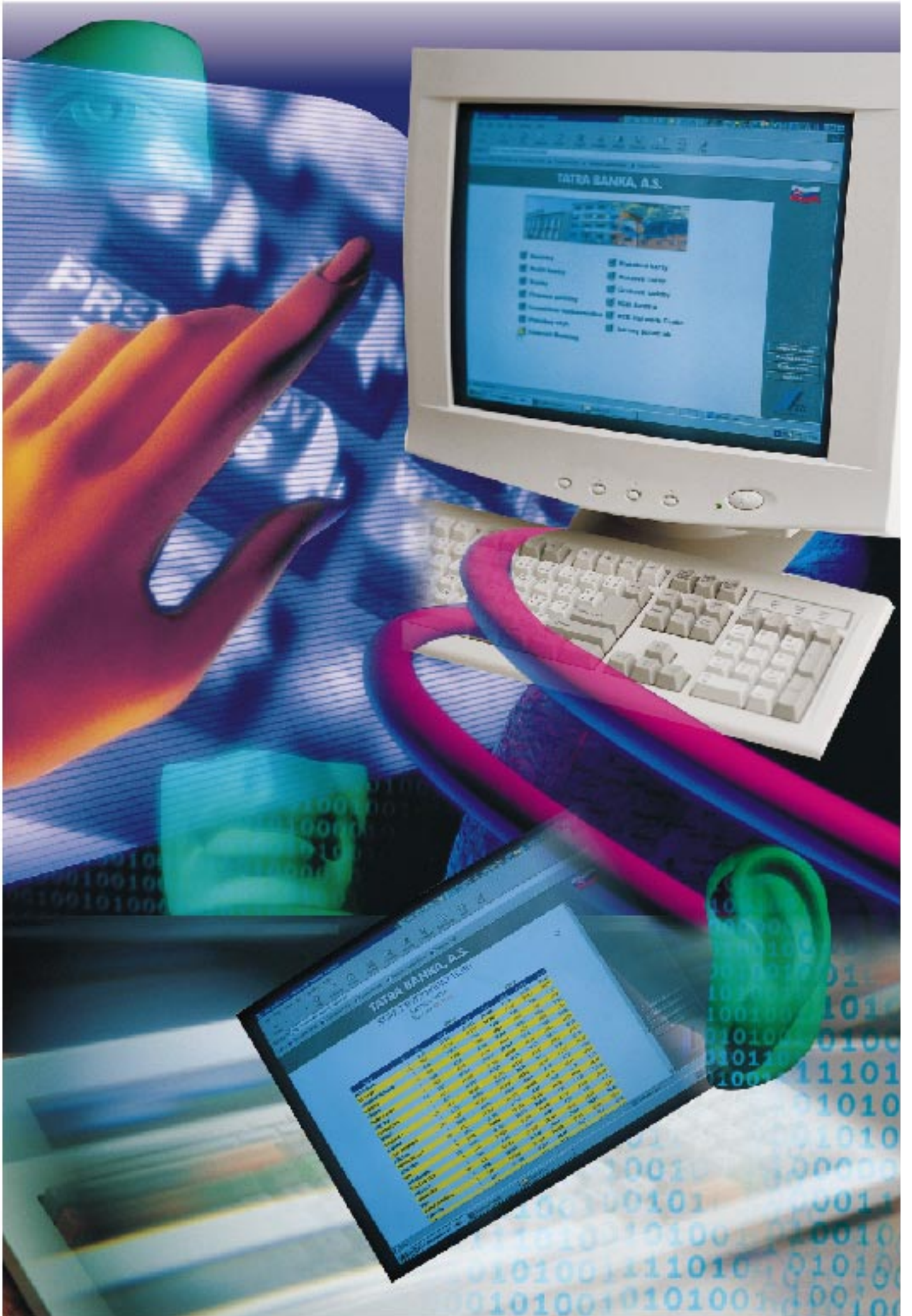
SKK-time deposits, FX spot and forward transactions, swaps, non-deliverable forward options, forward-forwards and forward rate agreements (FRA), government and corporate securities, portfolio management.

## Retail banking

- Current accounts, time deposits and savings pass-books in SKK and in foreign currencies
- **Debit and Credit Cards:**
  - TATRA Card** – domestic SKK-debit card
  - VISA and AMERICAN EXPRESS CARDS** – foreign credit cards for international use
  - EUROCARD/MASTERCARD** – international debit card for SKK-account holder
- **WESTERN UNION/MONEY TRANSFER** – fastest way to send money worldwide, cash in 10 minutes
- **TATRAPHONE** – high-technology telephone communication of the Tatra Bank account holder with the bank computer to inquire the available balance of the account, domestic payment
- **Cheques** – purchase of Eurocheques, purchase and sale of THOMAS COOK Travellers Cheques and AMERICAN EXPRESS Cheques, collection of all types of cheques
- **Other services** – Exchange services, rental of safes and night safes. Arranging of building society contracts

## Special services

Special services like leasing and corporate advisory services offered by our subsidiary companies – Tatra Leasing, spol. s r. o., Tatra Raiffeisen Capital, spol. s r. o. Our newly founded subsidiary company Tatra Asset Management, i. spol., provides management of unit trusts, investment funds and collective investments.



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# Chairman's statement

## To our shareholders and business partners

It is our pleasure to submit the 1997 Annual Report of Tatra Bank.

Tatra Bank entered the 8th year with good operating results maintaining its leading position among private commercial banks offering top quality banking services and products.

However, tough economic conditions, restrictive policy of the National Bank of Slovakia, high interest rates and tight liquidity on the interbank market had an impact on the banking environment.

In spite of this extremely difficult situation, the bank showed a strong increase in all business areas. A customer-oriented marketing and business strategy based on thorough knowledge of customer needs enabled the surpassing of the 1997 objectives. Investment in banking technology accompanied by excellent know-how enabled Tatra Bank customers to be serviced speedily at international standards.

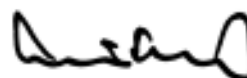
As a modern bank, Tatra Bank is at the forefront of automation evidenced by the fact that more than one-third of all outgoing payments are received from customers electronically. As the first bank in Slovakia, Tatra Bank began to offer its banking services through Internet, most comfortable and high-technology service to meet the increasing demands of customers. The bank is also one of the major participants on the Slovak interbank market in terms of money market turnover and accounts for roughly one-quarter of all trading with T-bills.

The balance sheet total for 1997 amounted to SKK 39.7 billion, an increase of 23 % compared to SKK 32.4 billion in 1996. Almost one-quarter of the bank's balance sheet is held in state securities guaranteeing the bank's liquidity. Loan portfolio totalled SKK 16.0 billion maintaining its high quality. The bank also maintained the high ratio of primary deposits to loans reaching 150 % which demonstrates the capability of the bank to cover loans from its own resources.

The bank's good performance in 1997 was also reflected in its profitability. Net profit after tax increased by 90 % to SKK 906.6 million. After payment of dividends, the bank's capital base will be substantially strengthened totalling approximately SKK 2.9 billion. The bank's strategy is to reinvest its profit in order to reinforce the capital base for further extension of loans to contribute to the development of the Slovak economy and to solidify the bank's position on the market.

We are very pleased to learn that the bank has gained international awareness and has earned recognition by number of international publications, e. g. *Euromoney*, *Central European* and *Global Finance*.

The bank's successful results could only be achieved owing to high productivity and superior know-how of its employees as well as to the support of its shareholders and business partners. We would like to take this opportunity to offer them our sincere thanks for their confidence and trust.



Milan Vrškový  
Chairman of the Board of Directors  
and General Manager

## Financial highlights

	in SKK Million				
	* in USD Million				
	1993	1994	1995	1996	1997
Tier one capital	605.9	630.1	1,025.6	1,268.9	1,660.6
	<b>18.2</b>	<b>20.1</b>	<b>34.7</b>	<b>39.8</b>	<b>47.7</b>
General loan loss reserve	58.8	74.4	86.2	187.4	514.6
	<b>1.8</b>	<b>2.4</b>	<b>2.9</b>	<b>5.9</b>	<b>14.8</b>
Net profit	88.2	263.8	346.0	471.5	906.6
	<b>2.7</b>	<b>8.4</b>	<b>11.7</b>	<b>14.8</b>	<b>26.1</b>
Subordinated loan	–	–	–	512.9	485.0
	–	–	–	<b>16.1</b>	<b>13.9</b>
TOTAL	752.9	968.4	1,457.8	2,440.6	3,566.7
	<b>22.7</b>	<b>31.0</b>	<b>49.3</b>	<b>76.5</b>	<b>102.5</b>
% change	–	28.6	50.5	67.4	46.1
	–	<b>36.6</b>	<b>59.2</b>	<b>55.2</b>	<b>34.0</b>
BIS ratio %	11.6	10.8	12.9	12.4	12.9

	1993	1994	1995	1996	1997
Total assets	7,217.1	11,476.5	20,590.6	32,439.6	39,668.4
	<b>217.3</b>	<b>366.9</b>	<b>696.4</b>	<b>1,017.1</b>	<b>1,140.5</b>
% change	–	59.0	79.4	57.5	22.3
	–	<b>68.9</b>	<b>89.8</b>	<b>46.1</b>	<b>12.1</b>
Primary deposits	4,441.6	7,386.1	13,919.0	23,537.9	26,536.0
	<b>133.7</b>	<b>236.2</b>	<b>470.7</b>	<b>738.0</b>	<b>762.9</b>
Loans	3,806.8	6,161.7	9,901.0	15,024.2	16,018.3
	<b>114.6</b>	<b>197.0</b>	<b>334.8</b>	<b>471.1</b>	<b>460.5</b>
Primary deposits / Loans %	116.7	119.9	140.9	156.7	165.7

	1993	1994	1995	1996	1997
Net profit after tax	88.2	263.8	346.0	471.5	906.6
	<b>2.7</b>	<b>8.4</b>	<b>11.7</b>	<b>14.8</b>	<b>26.1</b>
% change	–	199.0	31.2	36.2	92.3
	–	<b>217.5</b>	<b>38.7</b>	<b>26.3</b>	<b>76.3</b>
Net profit / Net worth %	12.7	29.5	25.2	27.1	35.3
Net profit / Total assets %	1.2	2.3	1.7	1.5	2.3

*Exchange rates 1 USD/SKK	33.212	31.277	29.569	31.895	34.782
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	1993	1994	1995	1996	1997
Employees	234	342	460	593	748
Branches	6	9	14	22	28

## The largest shareholders

Raiffeisen Banking Group	52.6 %
Všeobecná úverová banka	11.5 %
Tatra Holding	10.3 %



# The Tatra Bank

## Art Prize



Tatra Bank supports the future growth of art in Slovakia by awarding the **TATRA BANK ART PRIZE**. Three best works in categories for literature, film, theatre, music, fine arts, television and radio, and the best début have been receiving this Prize since 1996. The award ceremony is held in November of each year at a gala evening in the Slovak National Theatre in Bratislava. By offering a financial support, the bank is also trying to promote new works in all forms of art.

### *In 1996 The Tatra Bank Art Prize was won by:*

**Ondrej Lenárd** – *Chief Conductor of the Slovak Philharmonic Orchestra and Director of the Slovak National Theatre Opera, for Symphony No. 8 by Gustav Mahler.*

**Jozef Bednárík** – *theatre director, for directing several outstanding theatre plays and musicals staged in Bratislava and Prague.*

**Rudolf Sloboda** – *writer, for his lifelong contribution – In Memoriam.*

### *In 1997 The Tatra Bank Art Prize was won by:*

**Jozef Jankovič** – *sculptor, for his retrospective exhibition at the Slovak National Gallery (SNG).*

**Dušan Hanák** – *film director, for one of the most successful films of the decade “Paper heads”.*

**Peter Michalica** – *violin virtuoso, for his performing excellence and promotion of the Slovak music at home and abroad.*

**Albín Brunovský** – *painter, graphic artist and illustrator, for his lifelong contribution to the fine arts – In Memoriam.*

# Development of the Slovak economy in 1997

- Slovak economy continued to grow in 1997
- Consumer inflation remains low
- Foreign trade deficit reached 7.6 % of gross domestic product (GDP)
- Accounting government budget deficit amounted to 5.7 % of GDP
- Foreign debt of the Slovak Republic reached USD 2,023 per capita
- Unemployment rate remains high
- National Bank of Slovakia (NBS) tightened its belt

## **Slovak economy continued to grow in 1997**

A robust Slovak economic growth in 1995 and 1996 slowed a little since the beginning of 1997, but still remains high in comparison to the other reforming Central European countries. Year-end GDP reached SKK 654 billion, which represents 6.5 % real annual growth. A moderate slowdown in GDP growth compared to the year 1996 and 1995 was due to a persistent imbalance in the external economy and a further deepening imbalance in the internal economy.

Economic growth continues to be fuelled predominantly by domestic demand and, especially, by investments. Household consumption rose by 6.3 % in the third quarter caused mainly by the gradually improving purchasing power of citizens, accompanied by a moderate decline in savings. Government consumption rose only moderately by 0.1 % (a 24.2 % growth in 3Q 1996).

Investment remains the most dynamically rising component of GDP, increasing by a real 14.5 % by the end of the year. The decline in the overall growth rate compared to previous years was due to a tight monetary policy conducted by the National Bank of Slovakia, subsequently followed by high interest rates. In 1997, there was also a significant shift within the structure of investments. An expansive government policy consumed almost 75 % of all loan sources in the economy and literally crowded-out private investment.

## **Consumer inflation remains low**

Year-on-year consumer inflation reached 6.4 % in December, 1997. Although it saw a moderate increase from a level of 5.7 % in 1996, Slovakia still remains one of the least inflationary economies within all reforming Central European countries. The largest month-on-month increase in inflation was recorded in August due to extensive administrative adjustments to regulated prices for households. Maximum allowable prices were increased for drinking and service water, heat energy, gasoline and diesel fuels, and domestic railway fares. However, food prices continued in a seasonal downtrend and simultaneously acted as a brake on overall inflation. In September and October, annual consumer inflation dropped to a surprisingly low level of 5.7 % and 5.9 %. The main reason for this was a relatively high month-on-month increase in September, 1996, and subsequently a higher calculation base for both year-on-year comparisons. Hence, PPI monthly rose by 1.6 % which was the highest increase in the last 2 years.

## **Foreign trade deficit reached 7.6 % of GDP**

The current Slovak economy is highly internationalised with a significant portion of GDP dependent on foreign trade. Total Slovak exports reached SKK 295.6 billion in 1997 (up 9.2 % year-on-year). There was no significant change in the territorial structure of Slovak exports. The main target markets for Slovak products remain the Czech Republic, Germany and Austria, which together account for 57 % of total exports. The dominant export commodities are flat rolled steel products, automobiles and gasolines. Total Slovak imports reached SKK 345.1 billion in 1997. Imports from the Czech Republic, Russia and Germany accounted for 54 % of total imports. The largest import commodities are natural gas and crude oil.

Throughout the entire year, foreign trade showed a negative balance. The deficit reached SKK 32.6 billion for the first half of 1997, which represented roughly 65 % of the deficit projected for the full year. In reaction to this, the government introduced a 7% import surcharge, covering approximately 75 % of all Slovak imports. In contrast to previous years, when the foreign trade deficit was boosted by car imports in the last quarter of the year, the import surcharge in combination with the tight monetary restrictions effectively curbed a further widening of the deficit in the last quarter of 1997. By year-end, Slovak foreign trade saw a deficit worth SKK 49.5 billion which represents 7.6 % of GDP.

In 1997, several external and internal factors contributed to the negative balance of foreign trade. Among the external reasons, the most serious was the appreciation of the Slovak crown against currencies of the countries which are main target export markets (the Czech Republic, Germany and Austria). This made Slovak exports less competitive against foreign substitutes and many Slovak exporters temporarily faced strong pressure on margins. Another negative external factor is the general economic slowdown followed by reduced demand for all products, including those of Slovak origin. The most influential internal factor was a significant 6.6% real growth of average wages, exceeding the real growth in labour productivity. Higher disposable income and improved purchasing power led to a strong demand for imported products.

Following the recommendation of the World Trade Organisation, the government reduced the import surcharge from 7 % to 5 % as of January 1998. This was further reduced to 3 % in April. The import surcharge is expected to be fully cancelled in October, 1998.

## Accounting government budget deficit amounted to 5.7 % of GDP

The Slovak government ended last year with a budget deficit worth SKK 36.9 billion, in line with their expectations. Not only did the budget deficit increase due to their planning, but also due to lower than expected business tax collections. This yawning deficit – resulting in a huge government appetite for cash – pushed up yields on one year state bond auctions to record levels (over 30 %). The government reacted by reducing capital expenditures for long-term projects (namely, highway construction and railway network modernisation) by roughly SKK 10 billion and by pressing the state-run banks to decrease the offered yields in the auctions. Following this, interest rates on long T-bills auctions stabilised between 20–24% p. a.

Over the first eleven months of 1997, the Slovak government drew new debt worth SKK 25.4 billion, of which SKK 3.8 billion was covered by the National Bank of Slovakia. Total government debt vis-a-vis the domestic banking sector reached SKK 87.3 billion.

In December, 1997, Parliament approved the 1998 government budget with revenues of SKK 179.8 billion, expenditures SKK 184.8 billion and fiscal deficit of SKK 5 billion (since January, 1998, the budget balance has been reporting in fiscal form). In comparison to 1997, the 1998 budget has more realistic revenues assumptions. Expenditures of most of the chapters declined, with the substantial hike only seen in expenditures of interest paid as the result of expensive deficit funding in 1997.

	1994	1995	1996	1997
CPI Inflation	11.7 %	7.2 %	5.3 %	6.4 %
Balance of foreign trade (SKK Billion)	2.56	1.79	-63.84	-49.5
Balance of foreign trade (% from GDP)	0.6 %	0.3 %	-11.0 %	-7.6 %
State budget balance (SKK Billion)	-22.85	-8.30	-25.56	-36.9
State budget balance (% from GDP)	-5.2 %	-1.6 %	-4.4 %	-5.7 %
Real GDP growth	4.9 %	6.8 %	6.9 %	6.5 % p
GDP in current prices (SKK Billion)	441.3	518.0	581.3	653.9 p

## **Foreign debt of Slovak Republic reached USD 2,023 per capita**

An unfavourable outcome of the macroeconomic development in 1997 was a substantial increase in the gross foreign debt of the Slovak Republic. This amounted to USD 10,724 million by November, 66 % higher than last year. This represents USD 2,023 per capita. The increase was caused by the commercial sector which preferred funding its investments in foreign exchange because of high interest rates for Slovak crowns.

## **Unemployment rate remains high**

The unemployment rate in Slovakia did not record any large changes last year and ranged between 12.3 % (in June) and 13.7 % (in February).

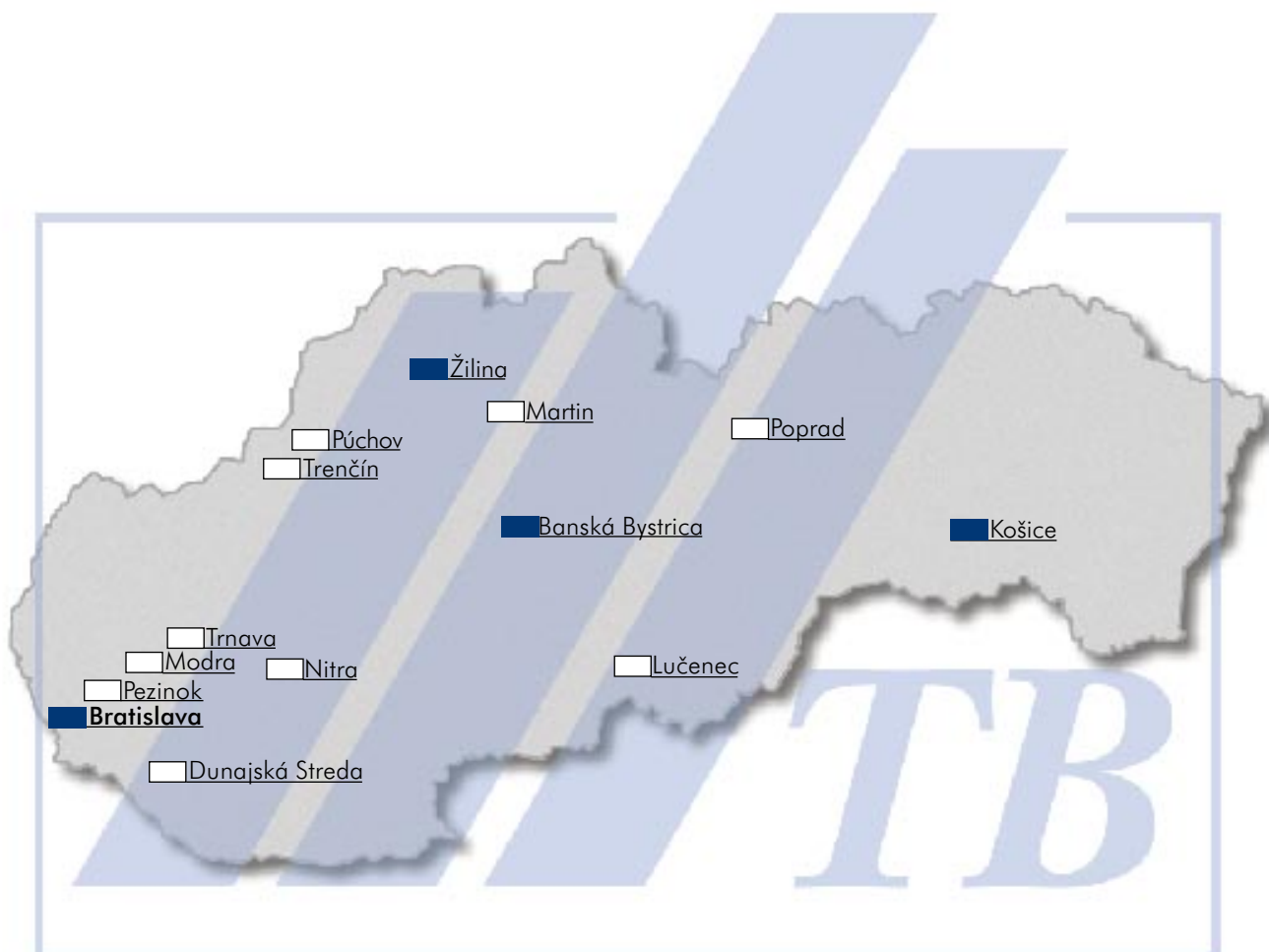
## **National Bank of Slovakia tightened its belt**

In reaction to strong growth of M2 and net foreign assets in the two previous years, the NBS has been tightening its monetary policy since the beginning of 1997. This has been conducted through limited refinancing of the banking sector and draining excess funds through repo operations resulting in the increase of interest rates as the price of short-term money grew from 16 % to 24 % in January. After the May attack on the Slovak crown, the National Bank of Slovakia drained liquidity from the market which resulted in sky-rocketing interest rates to historically high levels of 185 %, while commercial banks stopped all BRIBOR quotations. The National Bank of Slovakia updated its monetary program with even stricter target growth of money supply aggregates. A turn for better occurred at the end of October, when interest rates began to fall steeply and obligatory BRIBOR quotations were renewed.

At the end of December, the National Bank of Slovakia announced its highly anticipated 1998 monetary program. The main goals for this year are to keep inflation between 5.6–5.9 % and to maintain the Slovak crown rate of exchange within its fluctuation band (+/- 7 %). Growth in the key money supply aggregate M2 is targeted to slow

to 9.4 % which should be in line with nominal growth of GDP. These monetary goals indicate a continuation of a tight monetary policy.

# Branches and sub-branches of Tatra Bank



■ **Bratislava:** head-office, 6 branches and 6 sub-branches

■ **Banská Bystrica:** 1 branch and 1 sub-branch

■ **Košice:** 1 branch and 1 sub-branch

■ **Žilina:** 1 branch and 2 sub-branches

□ **other cities:** 1 branch or 1 sub-branch

# 1997 Management report

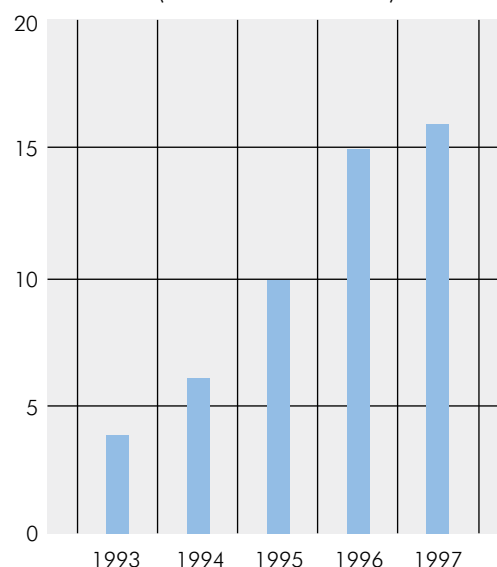
## Corporate banking

The corporate banking business activities of Tatra Bank in 1997 were influenced by tight liquidity with steep increase in interest rates, measures of the National Bank of Slovakia aiming at a lowering of credits in foreign currency and countering expectations for a devaluation of the Slovak crown. The effect of the above-mentioned factors on Tatra Bank was a sharp reduction of credit disbursement in foreign currency hand in hand with a strong increase in off-balance sheet business – guarantees rose by 128 %. This negative impact was offset by the decision of numerous corporate treasuries to convert existing foreign currency denominated loans into SKK.

Due to its favourable SKK-funding situation coupled with strong working efforts, Tatra Bank was able to take advantage of that situation and acquire a significant number of new corporate customers.

At the end of 1997, the bank's loan portfolio amounted to SKK 16.0 billion, an increase of 6.6 % compared to 1996. The total risk portfolio, however, increased by 18 % in the same period due to the above-mentioned significant rise in off-balance sheet business. Lower corporate demand for loans caused by high interest rates and bank's cautious approach in line with its intention to maintain the high quality of its credit portfolio also justifies this comparably lower increase in loans in 1997. The structure of loans as of December 31, 1997 was as follows:

Portfolio growth by years  
(incl. bills discounted)



SKK 3.8 billion as of 31. 12. 1993

SKK 6.2 billion as of 31. 12. 1994

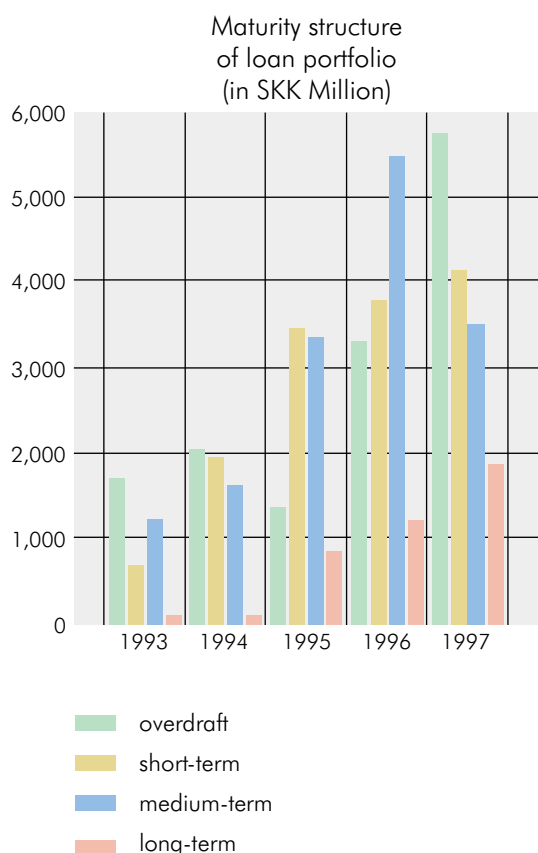
SKK 9.9 billion as of 31. 12. 1995

SKK 15.0 billion as of 31. 12. 1996

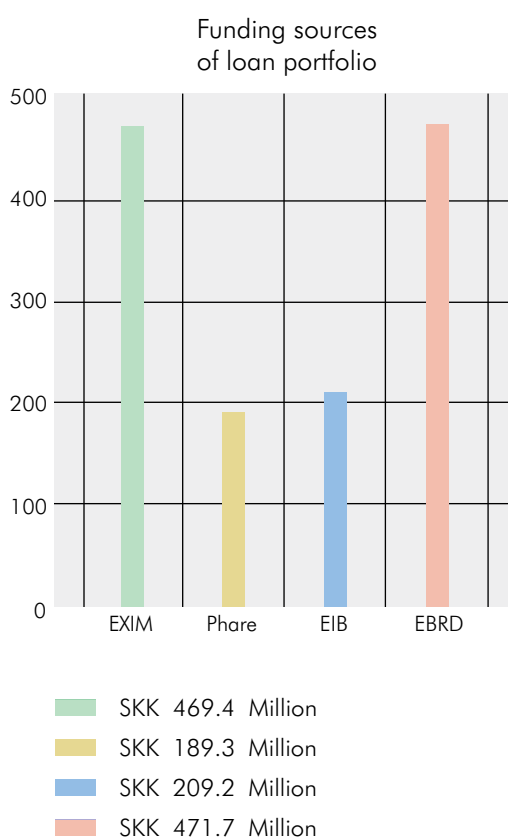
SKK 16.0 billion as of 31. 12. 1997

### Maturity structure of loan portfolio (in SKK Million)

	1993	1994	1995	1996	1997
Overdraft	1,704	2,030	1,366	3,303	5,700
Short-term	691	1,949	3,439	3,774	4,113
Medium-term	1,202	1,589	3,322	5,446	3,528
Long-term	92	101	800	1,202	1,871



As of December 31, 1997, loans extended from Phare funds totalled SKK 189.3 million, from EIB funds 209.2 million and EBRD funds SKK 471.7 million.



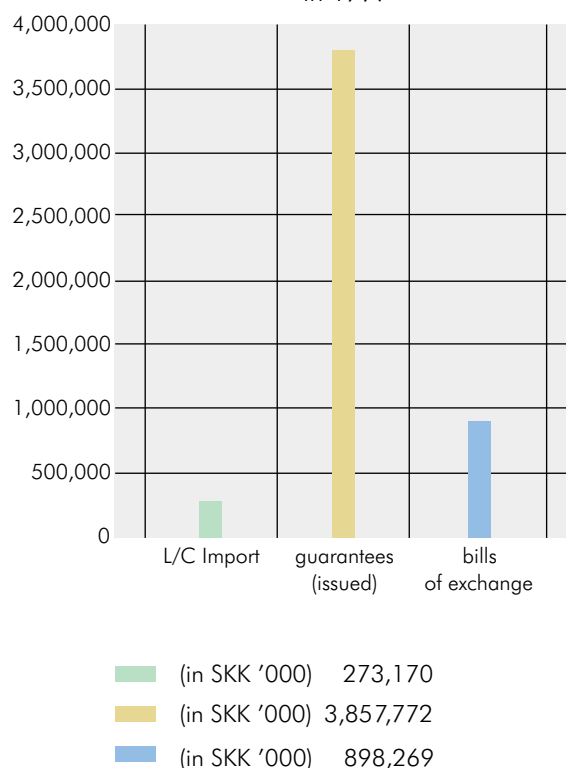
In the year under review, Tatra Bank continued to have access to all third-party credit programmes (Phare, EXIM Bank of Japan, EBRD and EIB) as the only bank in Slovakia. Funds from the EXIM Bank of Japan were directed at supporting small and middle-sized entrepreneurs. Total volume of these loans extended as of December 31, 1997, amounted to SKK 469.4 million. As the only joint-venture bank funds were allocated to Tatra Bank under a Japanese Exim Bank/the National Bank of Slovakia-support programme for medium-sized companies, which found strong interest from existing and newly acquired customers. Although disbursements under this programme will only be during spring 1998, the bank bridge-financed a significant part of the overall cca SKK 1 billion allocated to Tatra Bank.

## Syndicated credits

Tatra Bank together with Raiffeisen Zentralbank Österreich AG successfully arranged syndicated facilities to international and Slovak companies. In January, 1997, USD 13.5 million syndicated facility for JSC-ANACO, Khazachstan, daughter company of NAFTA GBELY, a. s., was completed. It was the first time, that a Slovak bank extended a Euro-currency syndicated loan to a non-resident borrower. In October, 1997, Tatra Bank and Raiffeisen Zentralbank Österreich celebrated in London the successful completion of a USD 200 million syndicated promissory note facility which was arranged on behalf of the borrower – Železnice Slovenskej republiky (ŽSR). 29 international banks and financial institutions took part in that transaction introducing the company to Euro-markets. Tatra Bank as the only Slovak bank also participated in the USD 135 million club-term-loan facility with the guarantee of the Slovak Republic for ŽSR.

Due to the increasing risk portfolio together with generally rising interest rates, interest as well as fee income grew significantly (by 61 % and 28 %, respectively). Extremely high interest rates and the devaluation of the Czech crown (the Czech Republic being the major trading partner) obviously put a strong strain on corporates to which Tatra Bank reacted by generally tightening credit standards, consolidating its credit portfolio by reducing exposure to sectors most vulnerable to the above-mentioned factors, while expanding very selectively with first-class borrowers. Stronger on-going monitoring was required introducing internal ratings, reporting procedures for deteriorating credit risks and reinforcing internal control mechanisms. Loan loss provisions were increased by applying extremely conservative provisioning policy.

International finance business  
in 1997





## Retail banking

After opening six new branches, altogether 28 branches were in operation across Slovakia. The development of primary deposits was adversely affected by severe economic conditions and tight monetary policy. By the end of 1997 they amounted to SKK 26.5 billion, an increase of 12.7 % as compared to 1996. Deposits in SKK grew more rapidly compared to those in foreign currency.

The bank further strengthened its aim – to offer modern banking services using high technology communication systems in order to meet demands of the growing number of customers. Electronic Telebanking or Tatrphone belong to standard services. Further improvement in electronic services resulted in introducing new products to the market. In July, 1997, Tatra Bank as the first bank in Slovakia, introduced Internet statements, i.e. sending of account statements through Internet. Already within the first half of 1997 this new product was successfully used by 1,000 customers. Another innovation in statement production enabled Tatra Bank customers to decide in which form or structure should their account statement be provided to fully satisfy their specific needs and requirements.

Card business activities in 1997 gained popularity. Customers were offered a large scale of domestic and international cards. The bank increased its network of ATMs which were connected to VISA International. Thus, Tatra Bank ATMs were first to offer universal ATMs for cash disbursement in Slovakia. As the number of merchants accepting cards for direct payment substantially increased, Tatra Bank gained a very important position on the Slovak market. The bank installed the largest number of POS terminals which handled more than one third of card turnover in Slovakia. Also Western Union services became extremely popular within the last year. The number of transfers doubled as compared to those in 1996.

## Domestic clearing transactions

Year	Incoming payments		Outgoing payments	
	Number	SKK Million	Number	SKK Million
1993	188,584	95,248	174,175	59,833
1994	376,172	122,647	385,527	120,156
1995	719,083	198,935	801,290	196,630
1996	1,765,866	619,776	1,408,786	597,894
1997	3,207,153	880,304	2,555,857	882,065

## Electronic data processing (EDP)

Activities in this field were directed mostly towards supporting branch activities and transaction processing. Yearly growth of transaction processing in 1997 doubled compared to the same period of 1996. Primary and back-up computer systems were upgraded to handle these larger volumes.

Tatra Bank installed its own web server <http://www.tatrabanka.sk> giving information on the bank's products, services offered, branch network etc.

## Settlement

A new department Electronic Settlements Processing (ESP) was formed to take over the execution of all electronically received domestic and foreign payments. This move has influenced the change in cut-off times for domestic and foreign payments.

## **Treasury and investment banking**

Treasury business achieved robust profitability in spite of turbulent market conditions. The money market desk again witnessed high volumes. Turnover on the clearing account through December reached 145 % of the total volume for 1996. This accounted for 12 % of all market turnover, ranking Tatra Bank as the third most active. The bank also plays a significant role in the Treasury security market, accounting for approximately one-quarter of all primary and secondary trading in T-bills. On the foreign exchange market, Tatra Bank continued to be a major player and, according to the NBS, ranks as the second most active bank through December. The Customer Sales Desk focused to meet client needs and offered an unparalleled set of products to assist clients in managing risks and cash flows.

The level of trading on the capital market dropped in 1997 as foreign investors turned away and domestic interest faded. Tatra Bank traded SKK 31 billion in securities (including repo transactions) during the year, a 70 % increase over 1996. Of this SKK 8.5 billion was in equities and SKK 22 billion in bonds. This represents a 7 % share of the total amount of trading carried out on the Bratislava Stock Exchange. Basic services offered in 1997 included brokerage services, repo trading, portfolio management, market research and safe custody. The bank also expanded its underwriting and placement capabilities to better position itself in the market.

## **Personnel**

As of December, 1997, Tatra Bank had 748 employees, an increase of 155 compared to the previous year. Special attention was devoted to the staff training and further education as the key investment for securing success in the future. Specialized staff education included internal, external and both domestic and foreign training modules in order to improve employees' professional skills and their personal profile.

We would like to express our sincere appreciation and thanks to all our employees who contributed to the successful business year 1997.

## **Outlook for 1998**

Difficult development of the economy and banking environment is expected to continue also in 1998. Credit quality will become a serious concern for the whole banking sector, as the adverse economic conditions have their full impact on the corporate sector. Management is aware of the difficulties ahead, and is taking the necessary measures to cope with the situation and to emerge unscathed and stronger. The bank is considered to be well positioned for the longer term future and will continue to perform at the highest level, ensuring the satisfaction of its shareholders and customers.

# Financial statements

## as of December 31, 1997

### Balance sheets as of December 31, 1997 and 1996

Assets (in SKK '000)	1997	1996
<b>Cash in hand and cash equivalents</b>		
a) cash in hand	518,645	450,159
b) balances with central bank	2,387,937	2,264,987
c) current accounts with other banks	255,061	234,667
	3,161,643	
<b>Loans and advances to credit institutions</b>		
Term deposits	7,244,886	9,039,446
<b>Loans and advances to customers</b>		
Loans	15,120,076	13,823,364
Bills of exchange	898,269	1,200,868
Treasury bills		3,600,000
State bonds and other fixed interest-bearing securities	5,573,188	882,274
Share and other variable interest-bearing securities	6,491	104,292
Investment securities	144,642	89,654
Intangible assets	49,146	9,768
Tangible fixed assets		
a) land and buildings	376,697	367,699
b) other	220,097	147,010
Other assets	110,444	44,740
Interest receivable and prepayments	312,804	180,654
<b>TOTAL ASSETS</b>	<b>39,668,383</b>	<b>32,439,582</b>

<b>Liabilities (in SKK '000)</b>	<b>1997</b>	<b>1996</b>
<b>Amounts owed to credit institutions</b>		
due to central bank	491,500	116,500
due to other banks,	7,638,300	
thereof a) demand deposits	1,070,279	77,509
b) term deposits	6,568,021	5,449,082
Subordinated debt	484,950	512,850
<b>Loans and advances owed to customers</b>		
Savings deposits	4,544,033	4,493,061
Other deposits	21,991,950	26,535,983
Bonds issued	–	150,000
Other liabilities	336,554	142,784
Interest payable and deferred revenues	1,099,318	525,213
<b>Total liabilities</b>	<b>36,586,605</b>	<b>30,511,834</b>
<b>General reserve for risk assets</b>	514,575	187,360
<b>Shareholders' equity</b>		
Share capital	522,160	502,160
Share premium	103,335	100,430
<b>Reserves</b>		
Statutory reserves	99,657	76,083
Foreign currency translation reserve fund	47,613	47,613
Retained earnings from previous years	887,847	1,035,117
<b>Annual profit for the year</b>	906,591	471,476
<b>Total shareholders' equity</b>	<b>2,567,203</b>	<b>1,740,388</b>
<b>TOTAL LIABILITIES</b>	<b>39,668,383</b>	<b>32,439,582</b>

### ***Selected items from off balance sheet items as of December 31, 1997 and 1996***

<b>(in SKK '000)</b>	<b>1997</b>	<b>1996</b>
<b>Commitments given:</b>		
– Guarantees	3,857,772	1,687,433
– Letters of credit	273,170	548,556
<b>Commitments received:</b>		
– Guarantees	2,944,721	2,409,807
– Letters of credit	–	6,616

**Profit & loss accounts  
for the years ended as of December 31, 1997 and 1996**

<b>Caption (in SKK '000)</b>	<b>1997</b>	<b>1996</b>
Interest income	3,974,770	2,156,988
Interest expense	(2,610,095)	(1,474,411)
<b>Net interest income</b>	<b>1,364,675</b>	<b>682,577</b>
Fees and commissions, net	192,318	277,480
Net securities income	310,985	129,119
Foreign exchange gains, net	774,529	341,660
Other income	17,747	11,430
<b>Other income</b>	<b>1,295,579</b>	<b>759,689</b>
Salaries and employment benefits	(233,105)	(158,745)
Administrative expenses	(349,288)	(293,685)
Depreciation and amortisation	(131,423)	(82,280)
Other provisions and amortisation	(59,035)	(13,127)
<b>Other expense</b>	<b>(772,851)</b>	<b>(547,837)</b>
<b>Profit before provisions and taxation</b>	<b>1,887,403</b>	<b>894,429</b>
Provision for loan losses	(660,290)	(288,889)
Provision for investment securities	(64,914)	–
Provision for trading securities	2,749	(3,648)
Other provisions	(1,100)	–
<b>Reserves and provisions</b>	<b>(723,555)</b>	<b>(292,537)</b>
<b>Profit before taxation</b>	<b>1,163,848</b>	<b>601,892</b>
Taxation – for the current period	(256,019)	(127,901)
Taxation – for the prior period	(1,238)	(2,515)
<b>Profit for the year</b>	<b>906,591</b>	<b>471,476</b>

## Cashflow statements for the years ended as of December 31, 1997 and 1996

(in SKK '000)	1997	1996
<b>Cashflows from operating activities</b>		
Operating profit before taxation	1,151,755	601,207
Provisions for losses	723,555	292,537
Depreciation and amortisation	131,423	82,280
Change in accrued income	(108,850)	189,784
Change in accrued expense	340,320	(23,272)
<b>Operating cashflow before change in operating assets</b>	<b>2,238,203</b>	<b>1,142,536</b>
Loans and advances to credit institutions	1,794,560	(5,831,565)
Loans to customers	(1,327,188)	(5,310,965)
State treasury bills	(2,850,000)	(100,000)
Trading securities	(4,590,364)	1,068,635
Other assets and prepayments	(89,004)	(27,724)
Amounts owed to credit institutions	2,458,809	1,616,826
Amounts owed to customers	2,998,087	9,618,862
Other liabilities	427,556	(46,440)
<b>Net cashflow from operating activities before profit taxes</b>	<b>1,060,659</b>	<b>2,130,165</b>
Income taxes	(257,257)	(130,416)
<b>Net cashflow from operating activities</b>	<b>803,402</b>	<b>1,999,749</b>
<b>Cashflows from investing activities</b>		
Investment securities	(119,902)	(27,815)
Dividends received	12,093	685
Fixed assets purchases	(253,987)	(132,298)
<b>Net cashflow from investing activities</b>	<b>(361,796)</b>	<b>(159,428)</b>
<b>Cashflows from financing activities</b>		
Share capital issue	22,905	–
Bonds	(150,000)	–
Dividends paid	(102,681)	(102,682)
<b>Net cashflow from financing activities</b>	<b>(229,776)</b>	<b>(102,682)</b>
<b>Cash inflow for the year</b>	<b>211,830</b>	<b>1,737,639</b>
Cash and cash equivalents, at beginning of the year	2,949,813	1,212,174
Cash and cash equivalents, at end of the year	3,161,643	2,949,813
<b>Change in cash and cash equivalents</b>	<b>211,830</b>	<b>1,737,639</b>

# Notes to the financial statements as of December 31, 1997

## (1) Corporate purpose

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

### *The principal activities of the bank since its foundation are as follows:*

- acceptance of deposits,
- granting of loans,
- investing in securities on own account,
- financing of leases,
- operations in the capital and inter-bank money market and clearing,
- issue and administration of cards such as credit cards and traveller cheques,
- providing collateral,
- providing letters of credit,
- handling of collections,
- dealing on own account or clients' accounts:
  - foreign exchange dealing,
  - term deals such as futures and options including foreign currency and interest rate deals,
  - with transferable securities,
  - with gold and silver coins,
- shares issue and providing related services,
- financial dealing,
- entrepreneur consulting,
- portfolio management,
- custodian services,
- custodian services for investments funds,
- foreign exchange transactions,
- providing of bank information,
- rental of safes.

### *The members of the statutory bodies of the bank as of December 31, 1997*

Supervisory Board	
Chairman:	Herbert Stepic
Members:	Peter Baláž Ivan Benda (till Dec. 12, 1997) Reinhard Böck Renate Kattinger Robert Kaukal Peter Kohout Ján Neubauer Ľuboš Vražda

Board of Managing Directors	
Chairman:	Milan Vrškový
Members:	Rainer Franz Miroslav Uličný

## (2) Accounting policies

The accompanying financial statements of the bank, consisting of the balance sheet as of December 31, 1997 and 1996 and the related statements of income, cash-flow statements and the notes to the financial statements for the years ended as of those dates are presented in accordance with Slovak Accounting Standards and, accordingly, give a true and fair view of bank's net worth, financial position and results, based on those standards.

### **a) Cash and cash equivalents**

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

#### **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 National Bank.

### **b) Loans and advances**

Loans and advances to customers and credit institutions 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 or third party guarantees. Interest on non-performing loans is accrued with appropriate provisions against these amounts being included in the specific provision or reserve.

General reserve for loan losses is included in the caption of "General reserve for risk assets" on the liability side of the balance sheet.

The aggregate of provisions and reserves made during the year, less amounts released and recoveries of loans previously written-off, are charged against profit of the current year.

### **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 market value is determined by the Board of Directors. Shares and variable yield securities held for investment purposes are stated at cost less any provision for permanent diminution in value.

### **d) Fixed income securities**

Treasury bills are carried at nominal value with related purchased discounts included in the caption "Other liabilities". Discounts and premiums 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 less provision for permanent diminution in value. The premium or discounts arising on purchase of fixed income securities are amortised over the term to maturity with the amortisation being included within interest income.



#### **e) Repurchase and reverse repurchase agreements (Repo)**

Repurchase and reverse repurchase agreements are utilised by the bank as an element of its treasury management and trading business. The repurchase agreements are recorded as two independent transactions.

Reverse repurchase agreements are recorded as a purchase and forward sale of the same securities. Any related income or expense arising from the pricing spreads for the 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 December 31, 1997, the bank had outstanding forward and swaps 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 has been included in the profit and loss account according to the nature of each contract (interest income, interest expense, dealing profit or foreign exchange gain).

#### **g) Investment securities**

Equity investments represent the bank's long-term participating interests and shares in affiliated and subsidiary undertakings. Equity investments are stated at cost, less any provision for permanent 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 10 thousand are recorded and fully expensed in the year of acquisition.

#### **Depreciation plan**

Depreciation of tangible fixed assets is provided to write-off the cost or valuation on an accelerated basis over the estimated useful economic life of the asset. Assets under construction and land are not depreciated.

#### **The estimated useful life of the tangible assets**

Category	Years
Buildings and reconstruction	40
Motor vehicles	4
Computers	4
Fixtures, fittings and office equipment	4 to 8

#### **i) Intangible fixed assets**

Intangible fixed assets are capitalised on the balance sheet at cost less accumulated amortisation.

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

Amortisation of intangible assets is provided to write off the cost on an accelerated basis over the estimated useful economic life of the asset.

#### **The estimated useful lives of the intangible assets**

Category	Years
Software	4

## **Rights on leased assets**

The bank records leased assets in the form of operational and financial leases. Operational leases are recorded directly to cost of the bank. Financial leases are charging to expense the period lease payments and capitalising the residual value of the leased assets at the acquisition price when the lease contract expires.

### ***j) Amounts owed to customers and credit institutions***

Amounts owed to customers and credit institutions represent all term deposits, current accounts and passbook deposits made by customers and other banks. Interest payable on these balances is accrued, with the accrual being included as interest expense.

### ***k) Foreign currency translation***

Transactions denominated in foreign currencies are recorded in local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange 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 at the National Bank of Slovakia spot exchange rate prevailing on balance sheet date.

Unmatured forward foreign exchange rate transactions are translated to local currency at forward exchange rate prevailing at balance sheet date.

### ***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.

Deferred assets and liabilities resulting from temporary differences between the financial accounting and tax accounting are not provided because the recovery of the deferred tax balances is uncertain. Temporary differences primarily arise from the provision for loan losses.

### ***n) Regulatory requirements***

The bank is subject to the regulatory requirements of the National Bank of Slovakia. These requirements involve capital adequacy, liquidity, credit exposure and foreign currency position. The bank is limited as to the amounts of loans, which it may advance to customers by regulations of the National Bank of Slovakia.

### ***The most significant limits are as follows:***

- Capital adequacy to be at least 8 %
- Credit exposure against one customer cannot exceed 25 % of bank's capital
- Credit exposure against one bank cannot exceed 80 % of bank's capital
- Credit exposure to the related party cannot exceed 25 % of bank's capital
- Overall daily foreign currency exposure has limit of 25 % of bank's capital

The bank's capital defined for the purpose of these requirements includes capital and reserves, subordinated debt and general reserve for risk assets.

### ***o) Recognition of revenues and expenses***

Revenues and expenses are accounted for, on an accrual basis, in the period to which they relate by time or physical presence.

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) Social security and pension schemes***

Contributions are made to the Government's health, retirement 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 has no obligation to contribute to these schemes beyond the statutory rates in force nor to any other private scheme.

### **(3) Net interest income**

*Net interest income (in SKK '000)*

	1997	1996
<b>Interest income:</b>		
– on loans receivable	2,192,408	1,287,893
– on accounts and placements with other banks	805,279	440,016
– on state treasury bills	977,083	429,079
<b>Interest expense:</b>		
– on current and deposit accounts of the public	(1,784,638)	(854,096)
– on accounts and deposits of other banks	(825,457)	(620,315)
<b>Net interest income</b>	<b>1,364,675</b>	<b>682,577</b>

### **(4) Net securities income**

*Net securities income (in SKK '000)*

	1997	1996
<b>Securities income:</b>		
Fixed income securities	342,645	196,044
Shares and variable yield securities	12,093	685
<b>Securities expenses:</b>		
Bonds issued	(10,911)	(25,064)
Securities	(32,842)	(42,546)
<b>Net securities income</b>	<b>310,985</b>	<b>129,119</b>

## **(5) Other income**

### *Other income (in SKK '000)*

	1997	1996
Other operating income	3,039	1,971
Income from sale of fixed assets	327	4,641
Extraordinary income	14,381	4,818
<b>Other income</b>	<b>17,747</b>	<b>11,430</b>

## **(6) Payroll expenses**

### *The breakdowns of the payroll expenses (in SKK '000)*

	1997	1996
Wages & salaries	181,314	116,662
Social security	47,462	38,908
Benefits paid to the management	4,329	3,175
<b>Total</b>	<b>233,105</b>	<b>158,745</b>

### *The average number of employees during the periods*

	1997	1996
Management	3	3
Others	656	565
<b>Total</b>	<b>659</b>	<b>568</b>

## (7) Provisions and reserves for loan losses

*The movements in 1997 in the accounts adjusting the value of loans (in SKK '000)*

	Specific	General	Other	Total
Balance at January 1, 1997	276,081	136,707	50,653	463,441
Creation	464,378	27,810	300,000	792,188
Released to profit	(131,898)	–	–	(131,898)
Exchange rate difference	(4,736)	–	(595)	(5,331)
<b>Balance at December 31, 1997</b>	<b>603,825</b>	<b>164,517</b>	<b>350,058</b>	<b>1,118,400</b>

The bank creates the general reserve in accordance with the Act No. 610/1992. In addition to this the bank created under other reserve in amount of 2 % of all credit portfolio uncovered by Specific or general reserve to cover general risks of the banking business.

*The movements in 1996 in the accounts adjusting the value of loans (in SKK '000)*

	Specific	General	Other	Total
Balance at January 1, 1996	88,303	86,249	–	174,552
Creation	230,433	51,489	50,653	332,575
Released to profit	(42,655)	(1,031)	–	(43,686)
<b>Balance at December 31, 1996</b>	<b>276,081</b>	<b>136,707</b>	<b>50,653</b>	<b>463,441</b>

## (8) Tax situation

*The reconciliation between the accounting profit and the taxable base of the corporate income tax (in SKK '000)*

	1997	1996
<b>Profit for the year</b>	<b>1,162,609</b>	<b>599,377</b>
<b>Permanent differences:</b>		
Non-taxable income from state bonds (Note 12)	(1,271,394)	(568,120)
Non deductible expenses	96,430	51,840
Other deductions	(43,343)	(5,422)
<b>Tax base</b>	<b>(55,698)</b>	<b>77,675</b>
<b>Temporary differences:</b>		
Net creation of provisions and reserves	695,745	242,079
<b>Taxable income</b>	<b>640,047</b>	<b>319,754</b>

Tax regulations related to the income from the state bonds changed during the year of 1997. Previously tax exempted income from state treasury bills and bonds started to be taxable as of November 5, 1997.

**The bank has the following years open for review by the tax inspection authorities for the main taxes applicable to it:**

<b>Tax</b>	<b>Years</b>
Corporate income tax	1994–1997
Withholding tax	1994–1997
Other	1994–1997

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 such estimated liabilities, if any, that would be material for the financial statements taken as a whole.

## **(9) Cash in hand and cash equivalents**

### **Cash in hand and cash equivalents (in SKK '000)**

	<b>1997</b>	<b>1996</b>
Cash and cash equivalents	518,645	450,159
Current accounts with other banks	255,061	234,667
Obligatory reserve with NBS	1,617,401	1,774,572
Other accounts with NBS	770,536	490,415
<b>Total</b>	<b>3,161,643</b>	<b>2,949,813</b>

### **Obligatory reserve with the National Bank of Slovakia**

Following the regulations of the National Bank of Slovakia the average amount of the obligatory reserve for the period of 1997 should be SKK 1,804,973 thousand. The actual average amount deposited by the bank in the NBS amounted to SKK 1,816,884 thousand (SKK 997,902 thousand in 1996).

## **(10) Loans and advances to credit institutions**

*Loans and advances to credit institutions are repayable, according to initial maturity  
(in SKK '000)*

	1997	1996
<b>Repayable within:</b>		
– up to one year	7,244,886	9,039,446
– one to five years	–	–
– greater than five years	–	–
<b>Total</b>	<b>7,244,886</b>	<b>9,039,446</b>

## **(11) Loans and advances to customers**

*Loans and advances to customers (in SKK '000)*

	1997	1996
Gross loans and advances	10,958,312	12,049,537
Overdrafts	5,663,858	3,250,776
Less – provisions for loan losses	(603,825)	(276,081)
<b>Total loans and advances</b>	<b>16,018,345</b>	<b>15,024,232</b>

Included in the amount of “Gross loans and advances” are forfeiting loans to customers. These loans represent discounted bills of exchange from various customers held until maturity.

Forfeiting loans are carried at nominal value SKK 898,269 thousand as of December 31, 1997 and SKK 1,200,868 thousand as of December 31, 1996. The related discount is included in the caption “Other liabilities” (SKK 13,325 thousand and SKK 20,670 thousand, respectively).

The discounts are amortised on the straight-line basis to the profit and loss account over the period that the bills of exchange are held by the bank.

*Loans and advances to customers are repayable, according to initial maturity  
(in SKK '000)*

	1997	1996
<b>Repayable within:</b>		
– up to one year	10,771,068	8,372,030
– one to five years	3,077,275	5,235,842
– greater than five years	1,513,636	1,020,686
– non performing loans	1,260,191	671,755
Less – provisions for loan losses	(603,825)	(276,081)
<b>Total</b>	<b>16,018,345</b>	<b>15,024,232</b>

*The detailed breakdown of non-performing loans (in SKK '000)*

	1997	1996
Standard loans with exception	427,383	110,072
Non-standard loans	140,865	239,254
Doubtful receivables	232,582	188,397
Lost receivables	459,361	134,032
<b>Total</b>	<b>1,260,191</b>	<b>671,755</b>

*The detailed breakdown of provisions for loan losses (in SKK '000)*

	1997	1996
Provision for non-standard loans	28,173	47,850
Provision for doubtful receivables	116,291	94,199
Provision for lost receivables	459,361	134,032
<b>Total</b>	<b>603,825</b>	<b>276,081</b>

## **(12) Trading securities**

*Trading securities (in SKK '000)*

	1997	1996
Equity securities at nominal value	7,607	114,972
Less: provision	(1,116)	(10,680)
State treasury bills	6,450,000	3,600,000
State bonds	2,998,967	65,000
Corporate bonds	2,581,036	817,274
Less: provision	(6,815)	–
<b>Total</b>	<b>12,029,679</b>	<b>4,586,566</b>

*The breakdowns of trading securities (in SKK '000)*

	1997		1996	
	Listed	Unlisted	Listed	Unlisted
Issued by financial institutions	229,673	–	284,846	11,811
Issued by governmental sector	2,998,967	6,450,000	65,000	3,600,000
Other	183,111	2,167,928	195,916	428,983
<b>Total</b>	<b>3,411,751</b>	<b>8,617,928</b>	<b>545,762</b>	<b>4,040,794</b>

The market value of the equity securities as of December 31, 1997, amounted to SKK 6,600 thousand (SKK 119,110 thousand as of December 31, 1996). This represents an unrealised loss of SKK 1,116 thousand (SKK 10,680 thousand, in 1996) and unrealised gain of SKK 109 thousand (SKK 14,818 thousand, in 1996).



*The movements in provisions (in SKK '000)*

	1997	1996
Beginning of the period	10,680	7,032
Creation	18,980	10,680
Released to profit	(21,729)	(7,032)
<b>December 31</b>	<b>7,931</b>	<b>10,680</b>

### **(13) Investments securities**

*The following companies are defined as affiliated undertakings:*

Company name	Percent Owned	in SKK '000	
		1997	1996
<b>Affiliates with controlling interest</b>		<b>100</b>	<b>–</b>
Tatra Invest, s. r. o., Bratislava	55.00 %	1,100	1,100
Less – provision		(1,100)	(1,100)
Tatra Group Service, s. r. o., Bratislava	100.00 %	100	–
<b>Affiliates with substantial interest</b>		<b>128,606</b>	<b>74,366</b>
Tatra Leasing, s. r. o., Bratislava	47.00 %	47,000	47,000
Tatra Raiffeisen Capital, s. r. o., Bratislava	45.00 %	47	47
Tatra Kupón Fond, i. f. a. s., Bratislava	47.12 %	146,473	27,319
Less – provision		(64,914)	–
<b>Other companies</b>		<b>15,936</b>	<b>15,288</b>
Autorizačné centrum Slovenska, a. s., Bratislava	15.95 %	11,550	11,550
Bankové zúčtovacie centrum, a. s., Bratislava	0.99 %	3,000	3,000
SWIFT, s. c. Belgium	0.02 %	1,086	438
Burza cenných papierov, a. s., Bratislava	0.26 %	300	300
<b>Total</b>		<b>144,642</b>	<b>89,654</b>

*The basic data about the affiliates from the audited financial statements (in SKK '000)*

Company name	Address	Activity	Auditor
Tatra Invest, s. r. o.	Vajanského 5 – Bratislava	In liquidation	N/A
Tatra Group Service, s. r. o.	Vajanského 5 – Bratislava	Services	N/A
Tatra Leasing, s. r. o.	Pribinova 25 – Bratislava	Leasing	* Arthur Andersen
Tatra Raiffeisen Capital, s. r. o.	Vajanského 5 – Bratislava	Consulting	** Arthur Andersen
Tatra Kupón Fond, i. f. a. s.	Vajanského 5 – Bratislava	Investment Fund	*** Arthur Andersen

\* KPMG Slovensko in 1996. 1997 auditors' report is not yet available.

\*\* KPMG Slovensko in 1996.

\*\*\* SISA Auditing, Bratislava in 1996.

December 31, 1997	in SKK '000		
	Capital & reserves	Current year	Profit Total equity
<b>Affiliates with controlling interest</b>			
Tatra Invest, s. r. o., Bratislava	(23,215)	191	(23,024)
Tatra Group Service, s. r. o., Bratislava	100	1	101
<b>Affiliates with substantial interest</b>			
Tatra Leasing, s. r. o., Bratislava	45,415	1,453	46,868
Tatra Raiffeisen Capital, s. r. o., Bratislava	(197)	2,590	2,393
Tatra Kupón Fond, i. f. a. s., Bratislava	360,358	27,234	387,592
<b>Total</b>	<b>382,461</b>	<b>31,469</b>	<b>413,930</b>

The only subsidiary publicly traded is Tatra Kupón Fond, i. f. a. s. The market value of the portion held by the bank as of December 31, 1997 amounted to SKK 81,559 thousand.

Tatra Invest, s. r. o., and its subsidiary, Tatra Kupón Fond II, are in liquidation and the investment is fully provided. The Board of Directors of the bank does not expect additional losses arising from the liquidation process.

## (14) Tangible fixed assets

### The movements of tangible fixed assets during the year 1997 (in SKK '000)

	Land and buildings	Machinery & equip.	Other tangible	Motor vehicles	Construc. in progress	Total
<b>Cost</b>						
January 1, 1997	417,946	186,175	130,088	2,684	7,185	744,078
Additions	32,089	212,121	33,034	3,011	187,427	467,682
Disposals and transfers	(5,389)	(35,268)	5,331	(1,325)	(178,497)	(215,148)
<b>December 31, 1997</b>	<b>444,646</b>	<b>363,028</b>	<b>168,453</b>	<b>4,370</b>	<b>16,115</b>	<b>996,612</b>
<b>Accumulated depreciation</b>						
January 1, 1997	(50,247)	(121,957)	(54,515)	(2,650)	–	(229,369)
Charge for the year	(16,946)	(153,935)	(32,068)	(2,990)	–	(205,939)
Disposals and transfers	344	35,265	(344)	1,325	–	36,590
Provision	(1,100)	–	–	–	–	(1,100)
<b>December 31, 1997</b>	<b>(67,949)</b>	<b>(240,627)</b>	<b>(86,927)</b>	<b>(4,315)</b>	<b>–</b>	<b>(399,818)</b>
<b>Net book value 1997</b>	<b>376,697</b>	<b>122,401</b>	<b>81,526</b>	<b>55</b>	<b>16,115</b>	<b>596,794</b>
<b>Net book value 1996</b>	<b>367,699</b>	<b>64,218</b>	<b>75,573</b>	<b>34</b>	<b>7,185</b>	<b>514,709</b>

The total amount of assets acquired through financial leases amounts to SKK 95,301 thousand. The accumulated depreciation related to these assets, recorded in current period, was in the same amount.

## (15) Intangible fixed assets

*Intangible fixed assets includes only software. The movements in this caption during the year 1997 (in SKK '000)*

<b>Cost</b>	
January 1, 1997	91,350
Additions	60,163
Disposals and transfers	(78)
<b>December 31, 1997</b>	<b>151,435</b>
<b>Accumulated depreciation</b>	
January 1, 1997	(81,582)
Charge for the year	(20,785)
Disposals and transfers	78
<b>December 31, 1997</b>	<b>(102,289)</b>
<b>Net book value 1997</b>	<b>49,146</b>
<b>Net book value 1996</b>	<b>9,768</b>

## (16) Prepayments and other assets

*Prepayments and other assets (in SKK '000)*

	1997	1996
Interest receivable	279,264	170,414
Prepayments for financial investments	20,000	–
Own shares for sale	18,317	–
Prepayments	33,540	9,426
Other	72,127	45,554
<b>Total</b>	<b>423,248</b>	<b>225,394</b>

## **(17) Amounts owed to credit institutions**

*Amounts owed to credit institutions were repayable, according to initial maturity (in SKK '000)*

	1997	1996
<b>Repayable within:</b>		
– up to 3 months	7,660,300	5,526,591
– 3 months to one year	345,000	74,000
– one year to 5 years	124,500	42,500
<b>Total</b>	<b>8,129,800</b>	<b>5,643,091</b>

## **(18) Subordinated debt**

The bank obtained a long-term loan from the European Bank for Reconstruction & Development (EBRD) of DEM 25 million, repayable in five equal annual instalments from November 6, 2002 to November 6, 2006. The outstanding balance of this debt amounted to SKK 484,950 thousand as of December 31, 1997 (SKK 512,850 thousand as of December 31, 1996). The loan is subordinated to the claims of all other creditors until the year of 1999.

The subordinated debt is included in the supplementary capital of the bank for NBS regulatory purposes.

## **(19) Loans and advances owed to customers**

*Loans and advances owed to customers (in SKK '000)*

	1997	1996
Current accounts	13,834,171	13,277,470
Term deposit accounts	11,211,166	8,927,793
Passbook deposits	1,390,646	1,232,633
Loans received from customers	100,000	100,000
<b>Total</b>	<b>26,535,983</b>	<b>23,537,896</b>

*Loans and advances owed to customers are repayable, according to initial maturity  
(in SKK '000)*

	1997	1996
<b>Repayable within:</b>		
– up to one year	23,548,667	23,413,396
– one to five years	2,987,316	124,500
<b>Total</b>	<b>26,535,983</b>	<b>23,537,896</b>

## **(20) Other liabilities**

*Other liabilities (in SKK '000)*

	1997	1996
Interest payable	525,489	185,169
Deferred revenues	573,829	340,044
Estimated liabilities	95,622	37,735
Tax liabilities	144,130	11,787
Other	96,802	93,262
<b>Total</b>	<b>1,435,872</b>	<b>667,997</b>

## **(21) Shareholders' equity**

*The variations in 1997 in this caption of the accompanying balance sheets  
(in SKK '000)*

1997	Basic capital	Share premium	Reserves	Retained earnings	Profit for the year	Total
January 1, 1997	502,160	100,430	123,696	542,626	471,476	1,740,388
Issue of employees' shares	20,000	2,905	–	–	–	22,905
<b>Profit distribution:</b>						
– transfer to reserves	–	–	23,574	–	(23,574)	–
– dividends and other	–	–	–	–	(102,681)	(102,681)
– transfer to retained earnings	–	–	–	345,221	(345,221)	–
Profit for the year	–	–	–	–	906,591	906,591
<b>December 31, 1997</b>	<b>522,160</b>	<b>103,335</b>	<b>147,270</b>	<b>887,847</b>	<b>906,591</b>	<b>2,567,203</b>

## Basic capital

The basic share capital of the bank comprised 50,216 bearer shares with a nominal value of SKK 10 thousand and 20,000 employees' shares with a nominal value of SKK 1 thousand. The employees' shares do not carry voting rights.

### *The major shareholders of the bank excluding employees' shares (in percentage) as of December 31, 1997 and 1996*

Shareholder	1997	1996
Raiffeisen Zentralbank	52.59 %	52.59 %
Všeobecná úverová banka	11.54 %	11.54 %
Slovenská sporiteľňa	–	11.49 %
Tatra Holding	10.30 %	10.30 %
Others	25.57 %	14.08 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>

The bank applied to the Securities Register for the conversion from bearer to nominative shares at December 1997.

The increase of the basic capital of SKK 20,000 thousand through subscription of employees' shares was approved by the General Meeting of Shareholders held on May 15, 1997. The capital increase was registered on January 29, 1998.

## Restricted reserves

The caption "Reserves" includes restricted reserves, such as the legal reserve, amounting to SKK 99,657 thousand (SKK 76,083 thousand as of December 31, 1996).

The use of this reserve is regulated by the Commercial Code of the Slovak Republic.

## 1997 profit distribution proposal

### *The Board of Directors of the bank will propose the following distribution of the 1997 profit to the General Meeting of Shareholders (in SKK '000)*

	1997
Transfer to retained earnings	792,077
Dividends	100,769
Creation of social fund	5,770
Transfer to legal reserve	4,775
Remuneration of the Supervisory Board	3,200
<b>Total</b>	<b>906,591</b>

## (22) Social fund

The variations in the Social fund (in SKK '000)

	1997	1996
<b>January 1</b>	<b>456</b>	<b>313</b>
Creation	6,974	3,986
Usage	(5,193)	(3,843)
<b>December 31</b>	<b>2,237</b>	<b>456</b>

## (23) Assets and liabilities denominated in foreign currencies

The bank's balance sheet includes assets and liabilities denominated in foreign currencies. The aggregate of these translated into Slovak crowns were as follows (in '000):

December 31, 1997	SKK	USD	DEM	ATS	Other	Total
<b>Assets</b>						
Cash and cash equivalents	2,786,229	41,332	139,995	19,711	174,376	3,161,643
Loans and advances to credit institutions	3,876,953	2,365,176	353,043	466,929	182,785	7,244,886
Loans and advances to customers	11,580,784	723,583	2,897,736	381,329	434,913	16,018,345
Trading securities	10,432,073	1,597,606	–	–	–	12,029,679
Investment securities	143,556	–	–	–	1,086	144,642
Tangible fixed assets	596,794	–	–	–	–	596,794
Intangible assets	49,146	–	–	–	–	49,146
Prepayments and other assets	355,081	11,480	40,970	8,674	7,043	423,248
<b>Liabilities and shareholders funds</b>						
Amounts owed to credit institutions	4,543,352	1,584,207	1,227,262	526,148	248,831	8,129,800
Subordinated debt	–	–	484,950	–	–	484,950
Amounts owed to customers	22,095,966	1,728,598	1,665,390	653,426	392,603	26,535,983
General reserve for risk assets	504,517	–	–	–	10,058	514,575
Other liabilities	1,372,166	19,343	28,654	9,437	6,272	1,435,872
Shareholders funds	2,244,403	–	–	322,800	–	2,567,203
<b>Balance sheet currency position</b>	<b>(939,788)</b>	<b>1,407,029</b>	<b>25,488</b>	<b>(635,168)</b>	<b>142,439</b>	<b>–</b>

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

## **(24) Financial commitments and contingencies**

*The off-balance sheet financial commitments and contingencies held by the bank as of December 31, 1997 and 1996*

### **a) Guarantees and letters of credit**

<b>in SKK '000</b>	<b>1997</b>	<b>1996</b>
<b>Commitments given:</b>		
– Guarantees	3,857,772	1,687,433
– Letters of credit	273,170	548,556
<b>Commitment received:</b>		
– Guarantees	2,944,721	2,409,807
– Letters of credit	–	6,616

The guarantees given represent a credit exposure. The bank creates reserve for this exposure the same way as for the loan and advances to customers.

### **b) Undrawn loan facilities**

As of December 31, 1997 the bank held SKK 5,702,470 thousand in undrawn loan facilities (SKK 2,554,597 thousand as of December 31, 1996).

### **c) Lease obligations**

In the normal course of business the bank entered into lease agreements for vehicles, office equipment and branch facilities. Payments under these leases extend over a 3 years period.

The cost of these assets used by the bank as of December 31, 1997 amounted to SKK 158,973 thousand (SKK 234,476 thousand as of December 31, 1996).

### **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) Insurance**

The bank has obtained insurance coverage related to property owned.



## **(25) Derivative financial instruments**

*The outstanding derivative transactions as of December 31, 1997 and 1996 entered into by the bank were as follows:*

<b>in SKK '000</b>	<b>1997</b>	<b>1996</b>
<b>Interest rate contracts (forward, and swap)</b>		
Assets	2,974,880	408,842
Liabilities	(1,986,862)	(441,000)
<b>Foreign exchange contracts (forward and swap)</b>		
Assets	4,930,650	4,535,227
Liabilities	(4,912,313)	(4,494,629)
<b>Spot transactions</b>		
Assets	2,331,192	9,662,847
Liabilities	(2,332,120)	(9,663,565)

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

## **(26) Liquidity risk**

Liquidity risk is a measure of the extent to which 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 into 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 into category "up to and including 3 months" regardless of their actual maturity. Those assets and liabilities that do not have contractual maturity date are grouped together under the "maturity undefined" category.

**The liquidity position as of December 31, 1997 (in SKK '000)**

December 31, 1997	Up to and including 3 months	Over 3 months and up to 1 year	Over 1 year and up to and including 5 years	Over 5 years	Maturity undefined	Total
<b>Assets</b>						
Cash and cash equivalents	3,161,643	–	–	–	–	3,161,643
Loans and advances to credit institutions	6,625,540	619,346	–	–	–	7,244,886
Loans and advances to customers	9,961,018	3,282,881	2,139,180	321,063	314,203	16,018,345
Trading securities	9,448,967	1,968,979	555,844	49,398	6,491	12,029,679
Investments securities	–	–	–	–	144,642	144,642
Fixed assets	–	–	–	–	645,940	645,940
Prepayments and other assets	–	–	–	–	423,248	423,248
<b>Liabilities and shareholders funds</b>						
Amounts owed to credit institutions	5,927,988	1,247,624	686,189	267,999	–	8,129,800
Subordinated debt	–	–	–	484,950	–	484,950
Amounts owed to customers	22,413,137	2,156,278	275,346	–	1,691,222	26,535,983
General reserve for risk assets	–	–	–	–	514,575	514,575
Other liabilities	–	–	–	–	1,435,872	1,435,872
Shareholders funds	–	–	–	–	2,567,203	2,567,203
<b>Liquidity position as of 31.12.97</b>	<b>856,043</b>	<b>2,467,304</b>	<b>1,733,489</b>	<b>(382,488)</b>	<b>(4,674,348)</b>	<b>–</b>
<b>Cumulative liquidity position</b>	<b>856,043</b>	<b>3,323,347</b>	<b>5,056,836</b>	<b>4,674,348</b>	<b>–</b>	<b>–</b>

**(27) Estimated realisable value information**

It is of the opinion of the Management, based on the assumptions set out below, 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 December 31, 1997 and 1996.

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 lower of cost or market value in the balance sheet.

**(28) Related parties**

Related parties include shareholders, members of the Board of Directors, other employees and companies in which the bank's investment is in excess of 10 % of the shares. The total amount of loans granted to related parties as of December 31, 1997 was SKK 6,615 thousand.

## **(29) Subsequent events**

After the balance sheet date Tatra Group Service – a daughter company of the bank – entered into agreement with a related party, Tatra Leasing, s. r. o., Bratislava, to purchase a 100 % share of AXEN, s. r. o. for its nominal value of SKK 18,610 thousand. The net asset value of AXEN, s. r. o. as of December 31, 1997 amounted to SKK 5,235 thousand. No provision has been recorded in the accompanying financial statements to cover this difference.

During the period of preparation of these financial statements became known that the stake owned by Slovenská sporiteľňa in the capital of the bank had been transferred to Kapitál, a.s. o.c.p., Košice. This entity owns now 11.49 % of the shares of the bank.

## **(30) Reconciliation with international accounting standards**

As explained in Note 2, the bank prepares its financial statements in accordance with generally accepted accounting principles in the Slovak Republic which do not differ significantly from international accounting standards (that are based in the relevant Directives of the European Commission).

*The main differences affecting the capital and reserves and the profit and loss account in thousands of Slovak crowns are as follows:*

	1997		1996	
	Capital & reserves	Profit for the period	Capital & reserves	Profit for the period
<b>Under Slovak GAAP</b>	1,660,612	906,591	1,268,912	471,476
Consolidation effect	(15,470)	(31,258)	10,138	(25,608)
Taxation	130,209	278,298	33,377	96,832
<b>Under IAS</b>	<b>1,775,351</b>	<b>1,153,631</b>	<b>1,312,427</b>	<b>542,700</b>

In the consolidation effect, Tatra Leasing, s. r. o., Bratislava has been consolidated based on the financial statements of that company in accordance with Slovak GAAP. The accounting procedures generally accepted in the Slovak Republic applicable for leasing companies differ significantly from International Accounting Standards.

As of the date of these financial statements, the financial statements of Tatra Leasing, s. r. o., Bratislava in accordance with Slovak GAAP were not audited yet. The financial statements of this company in accordance with IAS were not available. Under normal conditions, the restatement of the financial statements of a leasing company into IAS would most probably lead to a positive adjustment to the equity.



## AUDITORS' REPORT

To the shareholders of  
TATRA BANKA, A.S., BRATISLAVA:

We have audited the financial statements of TATRA BANKA, A.S., BRATISLAVA, for the year ended 31 December 1997 in accordance with the Act of the Slovak National Council No. 73/1992 Zb. and subsequent amendments to it, on Auditors and the Slovak Chamber of Auditors, and the auditing guidelines issued by the Slovak Chamber of Auditors. Our audit included an examination of evidence supporting the financial statements. Our audit procedures were carried out on a test basis and with regard to the principle of materiality. We believe that our audit provides a reasonable basis for our opinion.

The Board of Directors of TATRA BANKA, A.S., BRATISLAVA, is responsible for the preparation of the financial statements and for maintaining complete, supportable and correct accounting. Our responsibility is to express an opinion on the financial statements taken as a whole, based on our audit performed in accordance with the quoted Act and the auditing guidelines.

In our opinion, the accompanying financial statements give a true and fair view of the assets, liabilities, equity and financial position of TATRA BANKA, A.S., BRATISLAVA, as of December 31, 1997, and the results of its operations for the year then ended in accordance with Act No. 563/1991 Zb. on Accounting and relevant legislation.

The prior year financial statements were audited by other auditors whose report dated 14 February 1997 expressed an unqualified opinion on those statements.

The accompanying financial statements are prepared in accordance with generally accepted accounting principles in the Slovak Republic which do not differ significantly from International Accounting Standards (that are based in the relevant Directives of the European Commission). The main differences affecting the shareholders equity and the profit & loss account are stated in Note 30 to the accompanying financial statements.

  
ARTHUR ANDERSEN, k.s.  
License No. 000 095



15. March 1998  
Bratislava, Slovak Republic

  
ALEXANDER KOPRDA  
Licence No. 000 223



# ***Proposal for the distribution of the profit for the year 1997***

	in SKK '000
<b>Profit before change of reserves</b>	<b>906,591</b>
Transfer to legal reserve	4,775
Dividends	100,769
Remunerations	3,200
Transfer to social fund	5,770
Transfer to retained earnings from previous years	792,077

# *The organs of the company*

## *as of January 1, 1998*

### **Supervisory Board**

**Herbert Stepic**  
**Chairman**

Deputy Chairman of the Managing Board  
of Directors  
Raiffeisen Zentralbank Österreich AG, Vienna

**Peter Baláž**

Professor  
Economic University, Bratislava

**Reinhard Böck**

Deputy Chairman of the Board of Directors  
and Deputy General Manager  
Poist'ovňa Otčina, Bratislava

**Renate Kattinger**

Vicepresident  
Network Banks Management  
Raiffeisen Zentralbank Österreich AG, Vienna

**Robert Kaukal**

Lawyer  
Raiffeisen Zentralbank Österreich AG, Vienna

**Peter Kohout**

Member of the Board of Directors  
Raiffeisenlandesbank Niederösterreich-Wien  
reg. Ges.m.b.H.

**Ján Neubauer**

Director  
Roche Slovakia, spol. s r. o., Bratislava

**Ľuboš Vražda**

General Manager  
Investment Banking Division  
Všeobecná úverová banka, a. s., Bratislava

### **Board of Managing Directors**

**Milan Vrškový**

General Manager

**Rainer Franz**

Deputy General Manager

**Miroslav Uličný**

Deputy General Manager

**Philippe Moreels**

Member of the Board of Managing Directors

**Igor Vida**

Member of the Board of Managing Directors

# RZB Österreich AG –



## *a short introduction*

### **The Austrian Raiffeisen Banking Group**

The Austrian Raiffeisen Banking Group has a three-tier structure: The first comprises some 680 local Raiffeisen banks with 1,750 branch offices, or more than 2,400 banking outlets in all. The second tier is made up of regional Raiffeisen banks – so-called Landesbanken – that operate at provincial level. They are among RZB's shareholders, holding a total of more than 80 % of its ordinary share capital.

The third tier consists of Raiffeisen Zentralbank Österreich AG (RZB-Austria) itself. Besides commercial business transacted on its own account, Raiffeisen Zentralbank Österreich AG is responsible for nationwide, foreign and international business transacted on behalf of the Raiffeisen Banking Group in Austria.

Due to the strong ties between the three tiers, the specialized subsidiaries and the associated companies, the local Raiffeisen banks are in a strong position to offer all-round financial services "under one roof".

The Raiffeisen Banking Group is Austria's biggest wholly private banking group, its consolidated balance sheet total amounts to more than AS 1,000 billion. It represents roughly a quarter of the domestic banking industry and boasts the country's densest network of banking outlets. In Austria, nearly 3 million Austrians are customers of Raiffeisen banks. These banks provides services for companies from all areas of Austrian business sectors, too.

### **Raiffeisen Zentralbank Österreich AG (RZB-Austria)**

Raiffeisen Zentralbank Österreich AG (RZB-Austria) is the central institution of the Raiffeisen Banking Group. As at 30 June 1997, the bank had a balance sheet total of AS 257 billion (RZB-Group AS 293 billion). RZB-Austria ranks among the biggest Austrian banks and belongs to the world's Top 500 banks.

RZB-Austria offers its commercial clients in Austria and abroad a comprehensive range of domestic and international banking services with a particular focus on corporate and investment banking. RZB-Austria's principal and other subsidiaries within Austria and its global network of business associates all contribute to that line of services.

RZB-Austria's corporate strategy is that of one of Central Europe's leading regional banks. In the pursuit of that strategy, the bank has in recent years taken a number of steps to deepen and broaden its presence in Europe. It is represented in Western Europe by a branch in London and representative offices in Brussels and Paris.

### **RZB network in Central and Eastern Europe**

RZB's Austrian location and its traditionally close trading relations with Central and Eastern Europe have helped the bank establish excellent relationships with companies and institutions in the region. With the onset of liberalization in Central and Eastern Europe and the transition from centrally planned to market economies, RZB significantly widened its international business activities to become one of the leading Central European banks specializing in the region's emerging markets.

Growing trade with Central and Eastern Europe and high volumes of investment in the region prompted RZB to set up an extensive banking network in the transformational economies. Thanks to its extensive operations in the region, RZB became the world's first credit institution to be awarded the title of Western Commercial Bank of the Year by a respected London financial magazine, namely as long ago as 1993.

Today, RZB-Austria offers the full range of commercial banking services in seven – soon nine – countries of Central and Eastern Europe through the following network banks:

- Tatra banka, a.s., Bratislava
- Raiffeisen Centrobank S.A., Warsaw
- Raiffeisen Unicbank Rt., Budapest
- Raiffeisenbank a.s., Prague
- Raiffeisenbank (Bulgaria) A.D., Sofia
- Raiffeisenbank Austria d.d., Zagreb
- OOO Raiffeisenbank Austria, Moscow
- Raiffeisenbank (Romania) S.A., Bucharest
- Raiffeisenbank Ukraine, Kiev

Furthermore, RZB representative offices in Moscow and Kiev as well as specialist companies provide access to manifold customer services.

### **RZB worldwide**

In America, RZB serves its customers with the RZB Finance LLC and a representative office in New York. In Asia, RZB-Austria has a branch office in Singapore as well as representative offices in Beijing, Hong Kong, Mumbai (Bombay), Ho Chi Minh City (formerly Saigon) and Tehran. Furthermore, RZB is a member of the international UNICO Banking Group comprising the central institutions of the cooperative banking organizations of Austria, Belgium, Germany, Finland, France, Italy and the Netherlands as well as Sweden, Switzerland and Spain (as associate members).