

1999

Tatra Bank Annual Report



1999

Tatra Bank **Annual Report**





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Statement by the General Manager

To our shareholders and business partners

It is our pleasure to submit Tatra Bank's 1999 Annual Report.

The Bank concluded the 9th year of activity after its refounding in solid shape, consolidating its position as the 3rd largest commercial bank in Slovakia (and the largest fully private one).

The economic situation in 1999 was difficult. The full impact of the government's restrictive macro-economic policy was painfully felt. Although we believe these measures were needed for the long-term health of the economy, they did have an adverse impact on the corporate sector in general and also on our corporate clients. In spite of this, our credit division managed to keep the overall quality of the Bank's loan portfolio at internationally acceptable levels.

Sadly, although the government enjoyed a better image abroad, and much-needed reforms were at last started, foreign direct investments barely increased.

The banking market continued to suffer from a lack of transparency. Conditions for comparable financial services offered by certain bank and non-banking institutions varied significantly from those offered in the interbank markets.

In spite of the very difficult economic and market conditions, Tatra Bank continued to expand its branch network (to 50 branches) and its primary deposits (to 39.1 billion SKK), underlining its growth strategy. The economic situation forced us to keep the credit portfolio relatively stable at 23.1 billion SKK; therefore, the Bank became even more liquid than usual. The ratio of primary deposits to loans reached 169.3%, demonstrating the capability of the bank to fund loans from its own resources. The excess liquidity was mainly invested in state securities (16.8 billion SKK, or 27.9% of the balance sheet), underlining our commitment to absolute safety of our clients' deposits (capital adequacy, at 18.3%, largely exceeds the 8% norm). Net profit, after tax and provisions, increased to 1.5 billion SKK. The largest portion of that amount will be re-invested in order to reinforce and further strengthen the capital base of the Bank and to allow it to contribute to the development of the Slovak economy.

Our solid financial standing, together with the world-class level of services provided to our clients, both private and corporate, enabled us - again - to win numerous awards for excellence. Euromoney awarded us "Best Bank in Slovakia" for the 5th time in a row; Central European proclaimed us "Best Slovak Bank of the Decade"; the local Trend magazine voted us "Bank of the Year" for the second time in the 2 years existence of the award. We were also happy to win an international award for technology "Best banking online service of the year" for our product b-mail (magazine Banking Technology) and a national prize "Golden Nail" for our advertising (Advertising Agencies Club).

Technology plays an important part in the quality of our financial services. Last year, we again invested heavily in this area, and saw strong growth in internet and GSM banking. We also introduced a call-center based service (Dialog), which received overwhelming customer response. In all, approximately 10% of our clients subscribe to one or more direct banking channels.

However, technology is useless without qualified and motivated staff. Our investments in training new employees, continuous development of existing staff, and management development - including the establishment of 4 new training centers across Slovakia - account for more than 8% of personnel expenses and are the best and most objective proof of our long-term commitment to build the strongest possible bank in Slovakia.

The bank's successful results could only be achieved due to the support of its shareholders and business partners, and the commitment of its staff. We would like to take this opportunity to offer all of them our sincere thanks for their trust and confidence.



Rainer Franz
Chairman of the Board of Directors
and General Manager

Financial highlights

in SKK million
in USD million

	1995	1996	1997	1998	1999
Tier one capital	1,025.6	1,268.9	1,660.6	2,461.7	3,583.8
*	34.7	39.8	47.7	66.7	84.8
General loan loss reserve	86.2	187.4	514.6	1,095.7	1,872.0
*	2.9	5.9	14.8	29.7	44.3
Net profit	346.0	471.5	906.6	1,276.3	1,549.1
*	11.7	14.8	26.1	34.6	36.7
Subordinated loan	-	512.9	485.0	552.0	542.7
*	-	16.1	13.9	14.9	12.8
Total	1,457.8	2,440.6	3,566.7	5,385.7	7,547.6
*	49.3	76.5	102.6	145.9	178.6
% change	50.5	67.4	46.1	51.0	40.1
*	59.2	55.2	34.0	42.3	22.4
BIS ratio (%)	12.9	12.4	12.9	14.7	18.3
Total assets	20,590.6	32,439.6	39,668.4	45,758.1	60,035.1
*	696.4	1,017.1	1,140.5	1,239.6	1,420.4
% change	79.4	57.5	22.3	15.3	31.2
*	89.8	46.1	12.1	8.7	14.6
Primary deposits	13,919.0	23,537.9	26,536.0	28,685.3	39,143.0
*	470.7	738.0	762.9	792.6	926.1
Loan	9,901.0	15,024.2	16,018.3	21,745.0	23,126.3
*	334.8	471.1	460.5	600.8	547.2
Primary deposits / Loan (%)	140.6	156.7	165.7	131.9	169.3
Net profit after tax	346.0	471.5	906.6	1,276.3	1,549.1
*	11.7	14.8	26.1	34.6	36.7
% change	31.1	36.2	92.3	40.8	21.4
*	38.7	26.3	76.3	32.7	6.1
Net profit / Net worth (%)	25.2	27.1	35.3	34.1	30.2
Net profit / Total assets (%)	1.7	1.5	2.3	2.8	2.6
*Exchange rates 1 USD/SKK	29.569	31.895	34.782	36.913	42.266
Employees	460	593	748	1,062	1,454
Branches	14	22	28	36	50

The largest shareholders

Raiffeisen Zentralbank Österreich	72.26%
Tatra Holding	14.11%
Other	13.63%

The Slovak economy in 1999

Austerity measures stabilised the economy

The European Union invited Slovakia in December, 1999, to start full membership negotiations. The European Commission's assessment report singled out Slovakia's strong progress with political reform.

1999 was the beginning of the stabilisation of the unbalanced development in the Slovak economy. The key factor, which determined the economy as whole, was the austerity package implemented by the government in June. Large cuts in state capital expenditures, as well as other austerity measures, reduced the fiscal deficit to 3.6% of GDP from over 4.4% of GDP in 1998. The foreign trade deficit was halved from alarming levels of over 10% in all three previous years. The improving macroeconomic picture led both Moody's and Standard & Poor's to change their outlook for Slovakia's sovereign rating to stable from negative. Both agencies singled out the government's commitment to fiscal consolidation and structural reforms, in particular beginning with the banking sector restructuring. The positive political and economic developments left their mark on the capital markets. The spread for sovereign eurobonds has fallen from 5% in December 1998 to about 2.2% at the end of 1999. Also the yields of domestic government bonds have fallen from 19.5% to 13.5%. In addition, the Slovak crown (SKK) was able to regain all the ground lost against the Euro during the first half of the year.

The price paid for the stabilisation of the economy was a slowdown of GDP growth, a further rise of unemployment, and an increase of CPI inflation back into two-digit territory.

Slowdown of economical growth

According to the preliminary data released by the Slovak Statistical Office, real GDP growth slowed to 1.9% in 1999 from 4.4% in 1998. This was mainly caused by the sharp contraction of investment demand by 15.8% y/y accompanied by stagnation or modest decline of all other components of domestic demand. In 3Q99 we reported a decline in household consumption by 3% y/y for the first time since 1995, which was due to a decline in real wages coupled with growing unemployment.

Export performance was the only growth driving force in the economy, widely benefiting from growth recovery in EU countries and consolidation of Slovakia's key commodity prices.

Inflation rate back to two digits

In past years, Slovakia had been recognised as the least inflationary economy in the Central European region. This was attained largely thanks to postponing price deregulation, which unfortunately opened room for future inflationary risks. The austerity package implemented by the government in June, 1999, comprised large-scale price deregulation that was intensified by increasing indirect taxes. Together these measures pushed CPI inflation up 5.8% m/m in July 1999.

Leaving price deregulation aside, the massive increase in oil prices accompanied with the strengthening of the USD exchange rate was the second most influential inflationary factor. December CPI inflation reached 14.2% with a yearly average of 10.6%.

Exchange rate

The abolition of the SKK fluctuation band in October, 1998, was naturally followed by increased volatility. The development of the SKK exchange rate in the first five months of 1999 was predominantly determined by a prevailing high current account deficit and peaking volumes of foreign debt servicing. As a result of this, the National Bank's (NBS) foreign exchange reserves dropped in May to the lowest levels over the last four years, and the SKK dramatically eased to its all time lows vs. both the EUR (48.30) and USD (45.30).

The first positive signs of the austerity measures began to appear in the second half of the year, in particular a significantly reduced foreign trade deficit. The SKK has gradually erased all of its losses suffered in May and finally - after the series of positive news in November and December (invitation to negotiate EU entry and rating outlook upgrade) - reached its best levels of the year. At that level the NBS had to enter the market to intervene against the crown strengthening further for the first time ever.

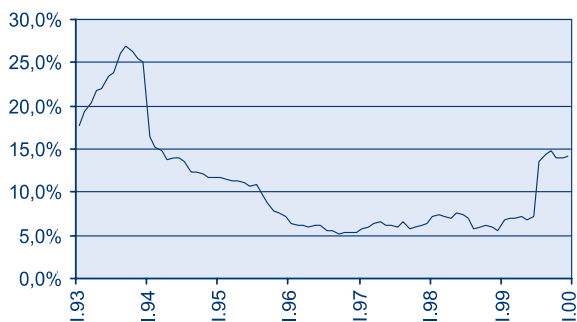
Monetary policy and interest rates

The NBS continued conducting a moderately relaxed policy in 1999, which led to a further decrease of the whole yield curve. Short-term rates (1-month BRIBOR) had fallen to 12% in December, 1999, from 18.4% y/y. On the long end, the average yields of 3-year government bonds have fallen to 13.5% from 19.5%. We saw an acceleration

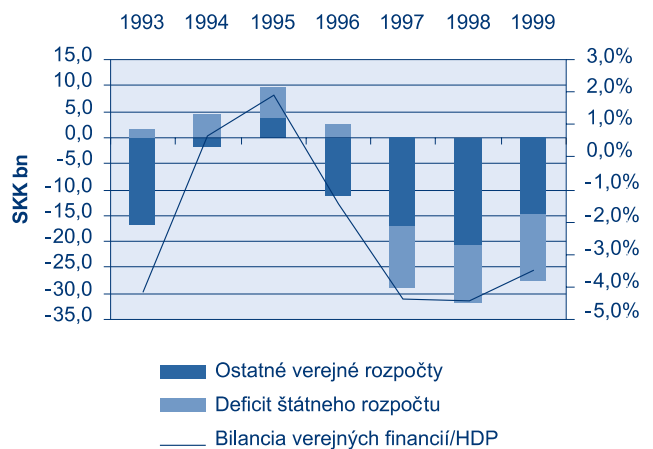
of M2 growth to 12.3% in December, 1999, from 2.9% seen in the previous year. Despite the favourable development of the monetary environment, the volume of corporate loans grew only moderately (+5.6% y/y), mainly due to the deteriorating profitability of the corporate sector, which worsened its access to external financing.

At the end of 1999, the National Bank introduced its monetary program for the year 2000. The first key change is that the NBS is switching from monetary aggregate to core inflation targeting, and the second one is that the NBS is introducing a standard 1-day REPO rate, as the main tool for executing monetary policy from February 1st, 2000.

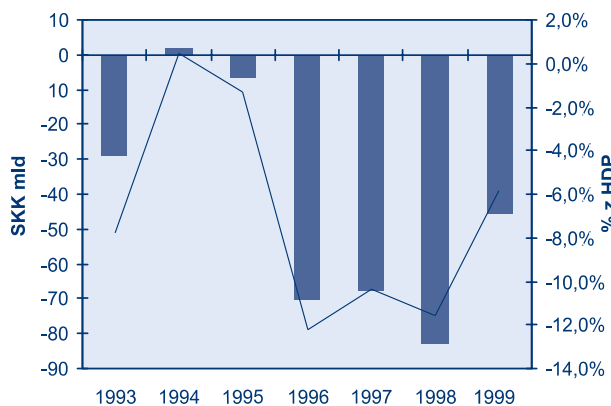
CPI inflation (y/y)



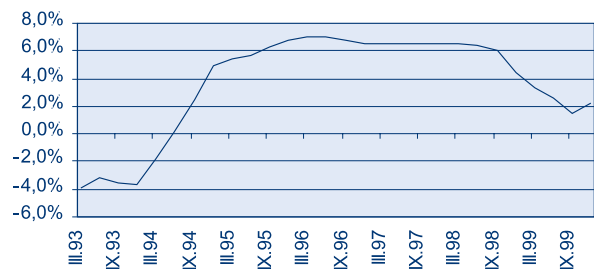
Consolidated fiscal balance



Foreign trade balance



GDP growth



1999 Management report

Corporate banking

The activities of the Corporate Finance Division were influenced in 1999 mainly by significant changes in Slovakia's political orientation and the deep economic crisis.

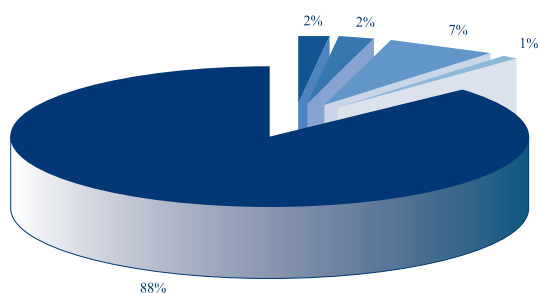
The crisis has brought about reduced liquidity, large interest rate fluctuations, worsening financial standing of the corporate sector including state monopolies, and limited access to foreign funding.

The main goal was to retain the existing big clients and concentrate on the settlement of problem loans as well as to choose a prudent approach to new loans. This resulted in stagnation of the loan portfolio.

Notwithstanding the above facts, Tatra Bank has retained a high-quality loan portfolio and, thanks to the extensive retail basis and sufficient stock of advanced SKK funding, continued to provide new loans especially to subjects with limited risk.

Stabilization of the interest rates and the currency helped the recovery of our acquisition activities. Existing foreign clients and companies considering operations in Slovakia, ready to cooperate with our bank in all fields of bank services, have remained the main target group. Local companies with good financial standing are another important group.

Funding sources of loan portfolio in%



- PHARE
- EIB
- EXIM BANK OF JAPAN
- EBRD
- TATRA BANK

Maturity structure of loan portfolio

(in SKK million)

	1995	1996	1997	1998	1999
Overdraft	1,366	3,303	5,700	4,067	3,888
Short - term	3,439	3,774	4,113	9,079	11,319
Medium - term	3,322	5,446	3,528	4,046	3,533
Long - term	800	1,202	1,871	4,023	4,320
Total	8,927	13,725	15,212	21,215	23,059

Retail banking

Tatra bank's branch expansion continued with the opening of 11 new branches and 4 sub-branches in the year 1999. Our clients could make use of 50 branches and sub-branches at the end of the year. The branch network extension was reflected in the increased volume of deposits. These increased by SKK 10.5 billion and amounted to SKK 39.1 billion as of December 31, 1999. Equally dynamic was the increase in the number of accounts (41.2%) and electronic payment cards (65%).

The year 1999 compared to the year 1998 was more successful in the number of installed POS terminals. There were 191 terminals installed in the year 1998; in the year 1999 it was 301 terminals (63% increase). 16 new ATM's were installed during the year 1999, totaling 52 ATM's.

Tatra Bank branches started selling the investment funds of our Tatra Asset Management daughter company.

Tatra Bank also expanded its offer of electronic client services. To the already existing Internet banking services was added a new service b-mail - information on customer account balances and movements through SMS messages sent directly to the cell phone.

The newly established Dialog (call center) service also contributed to the improvement of Tatra bank services.

Treasury and investment banking

Tatra Bank kept its position on the interbank market and was among the most active participants on the money market with a 10% market share and FX markets in the year 1999.

Its capital market activities were concentrated on trading with government securities. The Bank reached a 18% market share on the primary market and slightly less on the secondary market. As an active trader of foreign stocks Tatra banka participated in the primary issues of Eurobonds of the Slovak Republic, Slovenský plynárenský priemysel, Vodohospodárska výstavba, and Štátny fond cestovného hospodárstva. Listed eurobonds issuances were traded also on the secondary market. Tatra Bank acted as a lead manager in the SKK 500 million eurobond issue of the Nordic Investment Bank.

Basic services offered in 1999 included brokerage services on Slovak and foreign markets, underwriting and primary issues, Repo transactions, market research, custody services, and depositary services.



Personnel

At the end of 1999, Tatra Bank had 1,454 employees, i.e. an increase of 392 compared to 1998.

In that period the key task centred on training all new employees as well as raising the qualification of our managerial and professional banking staff.

Outlook for the year 2000

We do not expect the economic situation to improve markedly in the year 2000. The positive long-term impact of the reforms initiated by the government will in our opinion still be overshadowed by the short-term effects of the austerity measures.

The banking sector will see the entrance of new, strong investors with foreign capital. This will put further pressure on margins, and intensify competition in all segments of the banking market. In particular, in such a competitive environment market forces could contribute to a further rationalization of the industry. Due to its strong capital base and its high liquidity Tatra Bank is, however, well positioned to face such a market rationalization.

In spite of this difficult situation management believes that the huge investment in human resources, technology and infrastructure made in the previous years will pay off and we expect the Bank to be able to maintain its leading position. We look at future prospects with confidence and expect the year 2000 results to be comparable to those of 1999.




TB
TATRA BANKA

Financial statements as of 31 December 1999

Balance sheets as of 31 December 1999 and 1998

ASSETS (in SKK thousand)	1999		1998
Cash in hand and cash equivalents			
a) cash in hand	1,166,633		470,051
b) balances with central bank	5,272,219		1,816,448
c) current accounts with other banks	1,273,423	7,712,275	597,735
Loans and advances to credit institutions			
Term deposits		7,984,643	12,313,042
Loans and advances to customers			
Loans	22,387,065		20,235,631
Bills of exchange	739,283	23,126,348	1,509,324
Treasury bills		2,200,000	0
		1,700,000	0
State bonds and other fixed interest-bearing securities		14,707,649	5,986,875
Share and other variable interest-bearing securities		90,367	10,848
Assets sold with repurchase agreement (REPO)		0	1,104,050
Investment securities		311,038	200,961
Intangible assets		189,139	57,170
Tangible fixed assets			
a) land and buildings	485,056		405,512
b) other	548,725	1,033,781	341,307
Other assets		375,537	303,639
Deferred income and prepaid expenses		604,304	405,512
TOTAL ASSETS		60,035,081	45,758,105

LIABILITIES (in SKK thousand)	1999	1998
Amounts owed to credit institutions		
due to central bank	1,911,106	2,164,763
due to other banks	10,552,472	
thereof a) demand deposits	293,676	104,668
b) term deposits	10,258,796	8,620,480
Subordinated debt	542,700	552,025
Loans and advances owed to customers		
Saving deposits	2,368,032	3,672,401
Other deposits	36,774,922	39,142,954
Other liabilities	282,271	326,070
Deferred revenues and accrued expenditures	598,666	471,022
Total liabilities	53,030,169	40,924,347
General reserve for risk assets	1,871,964	1,095,718
Shareholders' equity		
Share capital	1,044,320	522,160
Share premium	115,792	107,575
Reserves		
Statutory reserves	104,432	104,432
Foreign currency translation reserve fund	47,613	47,613
Retained earnings from previous years	2,271,684	1,679,933
Annual profit for the year	1,549,107	1,276,327
Total shareholders' equity	5,132,948	3,738,040
TOTAL LIABILITIES	60,035,081	45,758,105

Selected items from off - Balance sheets as of 31 December 1999 and 1998

(in SKK thousand)	1999	1998
Commitments given:		
- Guarantees	6,191,313	3,919,256
- Classified guarantees	392,509	282,596
- Letters of credit	225,943	437,342
Commitments received:		
- Guarantees	3,859,007	3,803,893
- Letters of credit	0	0

Profit and Loss Accounts for the Years ended as of 31 December 1999 and 1998

(in SKK thousand)	1999	1998
Interest income	3,858,452	4,746,185
Interest expense	(3,104,442)	(3,345,612)
Net interest income	754,010	1,400,573
Fees and commissions, net	324,466	276,102
Net securities income	1,524,562	1,256,839
Foreign exchange gains, net	1,034,062	1,046,922
	27,148	0
Other income	61,430	5,605
Other income	2,971,668	2,585,468
Salaries and employment benefits	(487,608)	(351,520)
Administratives expenses	(704,510)	(451,638)
Depreciation and amortisation	(373,865)	(224,382)
Other provisions and amortisation	(161,806)	(111,909)
Other expenses	(1,727,789)	(1,139,449)
Profit before provision and reserves and taxation	1 997 889	2 846 592
Provisions and reserves for loan losses	(310,756)	(1,081,044)
Provision for equity shares	44 021	(48,007)
Provisions for fixed interest and variable yield securities	17 007	(42,843)
Other provisions	(14,229)	(5,706)
Reserves and provisions	(263,957)	(1,177,600)
Profit before taxation	1 733 932	1 668 992
Taxation - for the current period	(184,825)	(392,665)
Taxation - for the prior period		0
Profit for the year	1 549 107	1 276 327

Cashflow Statements for the Years ended as of December 1999 and 1998

(in SKK thousand)	1999	1998
Operating activities		
Operating profit before taxation and dividends	1,720,270	1,668,992
Reserves and provisions	263,957	1,177,600
Other amortisation	21,071	66,113
Depreciation and amortisation	373,865	224,382
Change in accrued income	(115,002)	(48,217)
Change in accrued expense	84,772	(129,370)
Operating cashflow before change in operating assets	2,348,933	2,959,500
Loans and advances to credit institutions	4,328,399	(5,073,862)
Loans to customers	(649,295)	(6,292,624)
State treasury bills	(3,900,000)	4,988,476
Trading securities	(8,783,286)	1,000,637
Assets sold with repurchase agreement	816,371	(1,104,050)
Other assets and prepayments	(169,917)	(237,686)
Amounts owed to credit institutions	1,564,342	2,827,185
Amounts owed to customers	10,457,635	2,149,336
Other liabilities	(927)	(509,409)
Net cashflow from operating activities before income taxes	6,012,255	707,503
Income taxes	(184,825)	(392,665)
Net cashflow from operating activities	5,827,430	314,838
Investing activities		
Investment securities	(66,056)	(104,326)
Dividends received	13,662	4,249
Net additions to fixed assets	(792,796)	(382,431)
Net cashflow from investing activities	(845,190)	(482,508)
Financing activities		
Share capital issue	-	-
Bonds	-	-
Dividends paid and others	(154,199)	(109,739)
Net cashflow from financing activities	(154,199)	(109,739)
Cash inflow / (outflow) for the year	4,828,041	(277,409)
Cash and cash equivalents, at beginning of the year	2,884,234	3,161,643
Cash and cash equivalents, at end of the year	7,712,275	2,884,234
Change in cash and cash equivalents	4,828,041	(277,409)

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 1999 AND 1998

(All amounts in thousands of Slovak Crowns)

(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 from 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,
- participation in issuing securities and providing services connected therewith;
- financial brokerage;
- providing consultancy services in business;
- managing client's securities on the client's account including consultancy service (portfolio management);
- depositing and managing securities or other valuables;
- acting as a depository according to a special regulation;
- exchange services (purchase of foreign exchange);
- providing banking information;
- leasing safes.

The members of the statutory bodies of the Bank as of 31 December 1999 were:

Supervisory Board	Chairman:	Ing. Milan Vrškový
	Vice-chairman:	Dr. Herbert Stepic
	Members:	Prof. Ing. Peter Baláž CSc.
		Dr. Reinhard Böck
		Mag. Walter Grün
		Mag. Renate Kattfinger
		Ing. Ján Neubauer
	Ing. Jolana Petrášová	
	Ing. Štefan Tesák	
Board of Directors	Chairman:	Dkfm. Rainer Franz
	First vice-chairman:	Ing. Miroslav Uličný
	Vice-chairman:	Ing. Igor Vida
	Members:	H.lr. Philippe Marc Moreels
		Dr. Christian Masser

(2) BASIS OF PRESENTATION AND GOING CONCERN

The individual financial statements of the Bank consisting of the balance sheet as of 31 December 1999, 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 Company will continue as a going concern.

There were no changes in the main accounting policies, methods of valuation, depreciation and classification applied in the preparation of these financial statements, compared to the previous accounting period.

The General Meeting of Shareholders held on 13 May 1999 approved the previous year's financial statements.

(3) 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 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.

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 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 permanent diminution in value.

d) Fixed income securities -

Treasury bills are carried at nominal value with related unamortized discount or premium recorded in 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 plus accrued interest and amortised discount less amortised premium and provision for diminution in value. The premium or discounts arising on purchase of fixed income securities are amortised over the term to maturity.

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. These agreements are accounted for as financing transactions. As financing transactions, the related securities are recorded in the Bank's accounts and 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.

Repo transactions with the bills of the National bank are accounted as independent purchase and subsequent sale of securities due to regulation of the National bank. At 31 December 1999 the Bank owned bills in the amount of SKK 500 million and SKK 1,200 million (Note 12) with an agreement to sell them back on 5 January 2000 and 7 January 2000, respectively. The impact of this treatment to the profit and loss account of the bank is immaterial.

f) Derivatives -

In the ordinary course of business the Bank enters into derivative financial instruments for both trading and hedging purposes. At 31 December 1999 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 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/loss).

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 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.

The Bank depreciates the tangible fixed assets by the accelerated method as defined by the Act on Income taxes no. 286/1992 Zb, Sections 28 - 33 at rates based on the years of estimated useful life. Assets under construction and land 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.

An operational lease is recorded directly to costs of the Bank.

Finance leases are recorded as follows: The downpayment 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 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 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 made by customers and other banks. Interest payable on these balances is accrued, with the accrual being included as interest expense.

k) Foreign currency transaction -

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 at the NBS spot exchange rate prevailing on balance sheet date.

Unmatured forward foreign exchange rate transactions are translated to local currency at the forward exchange rates computed using standard formula with spot rates of NBS and prevailing interest rates.

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, only deferred taxes arising from the adjustments made for the temporary difference of the fixed assets depreciation rates applied for accounting and tax purposes should be recorded.

There were no temporary differences between the financial accounting and tax accounting for depreciation of fixed assets that would result in recording of deferred assets or liabilities.

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 the bank's capital
- Credit exposure against one bank cannot exceed 80% of the bank's capital
- Credit exposure to a related party cannot exceed 25% of the equity
- Overall daily foreign currency exposure has a limit of 25% of the bank's capital.

The bank's capital defined for the purpose of these requirements includes mainly the bank's equity (less the current year profit), 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 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 has no obligation to contribute to these schemes beyond the statutory rates in force nor to any other private scheme.

(4) NET INTEREST INCOME

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

	1999	1998
Interest income:		
- on loans receivable	2,810,342	2,826,375
- on accounts and placements with other banks	947,147	1,360,895
- on state treasury bills	100,963	558,915
Interest expense:		
- on current and deposit accounts of the public	(1,850,887)	(1,886,900)
- on accounts and deposits of other banks	(1,253,555)	(1,458,712)
Net interest income	754,010	1,400,573

(5) NET SECURITIES INCOME

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

	1999	1998
Securities income:		
Fixed income securities	1,541,561	1,292,046
Shares and variable yield securities	13,662	11,787
Securities expenses:		
Fees and premium amortised	(30,661)	(46,994)
Net securities income	1,524,562	1,256,839

(6) OPTION PREMIUM

The Bank dealt with currency options this year.
The position of the Bank was fully hedged during the whole year.

	1999	1998
Option premium received	739,148	-
Option premium paid	(712,000)	-
Other income	27,148	-

(7) OTHER INCOME

Other income comprises (in thousands of Slovak Crowns):

	1999	1998
Released contingencies	53,236	-
Other income	7,594	5,258
Gain from sale of fixed assets	600	347
Other income	61,430	5,605

Released contingencies relate mainly to the tax contingencies created in the past. The presence of these contingencies is not needed anymore.

(8) PAYROLL EXPENSES

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

	1999	1998
Wages & salaries	382,508	275,681
Social security and health insurance	105,100	75,839
Bonuses to the statutory representatives	-	-
Total	487,608	351,520

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

	1999	1998
Management	5	4
Others	1,288	896
Total	1,293	900

The bank had 9 members of the Supervisory Board (1998: 9 members) during the period.

(9) PROVISIONS AND RESERVES FOR LOAN LOSSES

The movements in 1999 in the accounts adjusting the value of loans, were as follows (in thousands of Slovak Crowns):

	Specific	Legal	Other	Total
Balance at 1 January	1,169,839	194,491	901,227	2,265,557
Creation	958,673	51,435	1,154,516	2,164,624
Released to profit	(1,417,804)	-	(436,064)	(1,853,868)
Exchange rate difference	14,712	-	6,359	21,071
Balance at 31 December	725,420	245,926	1,626,038	2,597,384

The Bank creates the legal reserve in accordance with Act No. 610/1992.

In addition to this, the bank created other reserve in amount of 5,5% of all credit exposure uncovered by specific reserve. The purpose of this reserve is to cover potential losses not specifically identified but which experience indicates are present in the portfolio of loans and off-balance sheet. Total general reserve for risk assets amounts to SKK 1,871,964 thousand as of 31 December 1999.

Out of that amount, SKK 311,064 thousand (SKK 181,200 thousand as of 31 December 1998) relates to specific risks in off-balance sheet and the rest, SKK 1,560,900 thousand, relates to potential losses not specifically identified but which experience indicates are present in the portfolio.

The movements in 1998 in the accounts adjusting the value of loans, were as follows (in thousands of Slovak Crowns):

	Specific	Legal	Other	Total
Balance at 1 January	603,825	164,517	350,058	1,118,400
Creation	893,786	30,526	724,401	1,648,713
Released to profit	(379,143)	(552)	(187,974)	(567,669)
Exchange rate difference	51,371	-	14,742	66,113
Balance at 31 December	1,169,839	194,491	901,227	2,265,557

(10) 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):

	1999	1998
Profit for the year	1,733,932	1,668,992
Permanent differences:		
Non-taxable income from state bonds	(1,417,695)	(1,576,061)
Non deductible expenses	150,775	118,740
Other deductions	(217,472)	(377,635)
Tax base	249,540	(165,964)
Temporary differences:		
Net creation of provisions and reserves	212,522	1,147,626
Taxable income	462,062	981,662

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.

(11) CASH IN HAND AND CASH EQUIVALENTS

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

	1999	1998
Cash and cash equivalents	1,166,633	470,051
Current accounts with other banks	1,273,423	597,735
Obligatory reserve with NBS	4,680,396	1,460,299
Other accounts with NBS	591,823	356,149
Total	7,712,275	2,884,234

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 1999 should be SKK 2,536,195 thousand. The actual average amount deposited by the Bank in the NBS amounted to SKK 2,580,953 thousand (SKK 2,210,876 thousand in 1998).

(12) LOANS AND ADVANCES TO BANKS

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

	1999	1998
Maturity - contractual:		
- up to 3 months	4,609,924	11,117,705
- 3 months to one year	3,299,719	1,201,043
- one to five years	75,000	-
Less: provision	-	(5,706)
Total	7,984,643	12,313,042

(13) LOANS TO CUSTOMERS

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

	1999	1998
Gross loans and advances	19,722,688	19,248,066
Overdrafts	3,841,401	3,666,728
Less - provisions for loan losses	(725,420)	(1,169,839)
Total loans and advances	22,838,669	21,744,955

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 739,283 thousand as of 31 December 1999 (SKK 1,509,324 thousand as of 31 December 1998). The related unamortized discount is included in the caption "Other liabilities" (SKK 16,404 thousand and SKK 66,653 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. The Bank was a lead manager in two syndicated loans to customers. The total amount of such loans as of 31 December 1999 was SKK 1,000 million and CHF 17,500 thousand (1998: two loans in total of USD 33.5 million). The portion of the Bank amounted to SKK 595 million and CHF 9,800 thousand, respectively (1998: USD 10.5 million).

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

	1999	1998
Repayable within:		
- up to one year	15,195,900	13,751,894
- one to five years	3,303,508	3,441,299
- longer than five years	4,038,412	3,638,258
Non-specified and classified	1,026,269	2,083,343
Less - provisions for loan losses	(725,420)	(1,169,839)
Total	22,838,669	21,744,955

The breakdown of non-performing loans, as defined in the regulations of the national Bank of Slovakia, is as follows (in thousands of Slovak Crowns):

	1999	1998
Standard loans with exception	188,287	318,889
Non-standard loans	80,707	449,800
Doubtful receivables	95,992	519,233
Lost receivables	661,283	795,421
Total	1,026,269	2,083,343

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

	1999	1998
Provision for non-standard loans	16,141	89,960
Provision for doubtful receivables	47,996	284,458
Provision for lost receivables	661,283	795,421
Total	725,420	1,169,839

A breakdown of the synthetic accounts no. 241, 242, 243, 249 and 712 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	188,287	-
- SKK residents	132,430	-
- SKK non-residents	-	-
- FX residents	-	-
- FX non-residents	55,857	-
Non-standard loans	80,707	16,141
- SKK residents	22,848	4,569
- SKK non-residents	-	-
- FX residents	57,859	11,572
- FX non-residents	-	-
Doubtful receivables	95,992	47,996
- SKK residents	17,402	8,701
- SKK non-residents	-	-
- FX residents	1,900	950
- FX non-residents	76,690	38,345
Lost receivables	661,283	661,283
- SKK residents	457,271	457,271
- SKK non-residents	4,400	4,400
- FX residents	198,423	198,423
- FX non-residents	1,189	1,189

Income - operations with clients (712)	1999	1998
Interest from loans	2,200,785	1,700,930
Interest from overdrafts	609,557	1,125,445
Fees and commissions	248,123	232,919
Total	3,058,465	3,059,294

Loans and advances to customers are secured by the following types of guarantees (in thousands of Slovak Crowns):

	1999	1998
Letters of guarantee from banks	1,223,170	1,172,111
Letters of guarantee from companies	2,635,837	2,631,782
Total	3,859,007	3,803,893

(14) FIXED INCOME AND VARIABLE-YIELD SECURITIES

Trading securities comprise (in thousands of Slovak Crowns):

	1999	1998
Shares	17,617	12,344
Mutual fund certificates	76,350	-
Less: provision	(3,600)	(1,496)
State treasury bills	2,200,000	-
NBS bills	1,700,000	-
State bonds	12,858,977	4,460,491
Corporate bonds	522,861	784,685
Eurobonds	269,070	790,977
Euronotes	1,090,367	-
Less: provision	(33,626)	(49,278)
Total	18,698,016	5,997,723

Mutual fund certificates are certificates of open mutual funds under Tatra Asset Management, i. s. a. s., which were reclassified from other investment securities comparing to prior year.

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

	1999		1998	
	Listed	Unlisted	Listed	Unlisted
Issued by financial institutions	810,024	77,714	371,225	197,725
Issued by governmental sector	17,328,539	-	5,026,496	-
Other	278,407	203,332	280,908	121,369
Total	18,416,970	281,046	5,678,629	319,094

The market value of the shares as of December 31, 1999, amounted to SKK 14,143 thousand (SKK 11,092 thousand as of December 31, 1998). This represents an unrealised loss of SKK 3,600 thousand (SKK 1,496 thousand as of December 1998) and unrealised gain of SKK 126 thousand (SKK 244 thousand as of December 1998).

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

	1999	1998
1 January	50,774	7,931
Creation	15,194	43,959
Released to profit	(32,201)	(1,116)
Exchange rate difference	3,459	-
31 December	37,226	50,774

(15) ASSETS SOLD WITH REPURCHASE AGREEMENT (REPO)

The Bank provided a loan to National Property Fund by purchasing shares of Nafta, a. s., on 21 October 1999 with an agreement to sell them back on 15 February 2000. The loan has the value of SKK 287,679 thousand. This transaction is booked as a loan with shares as collateral in off-balance sheet. The market value of these shares is SKK 336,298 thousand.

(16) EQUITY SHARES

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

Company name	Percent owned	1999	1998
Affiliates with controlling interest		247,047	120,552
Tatra Invest, s. r. o. - liquidated (1)		-	1,100
Less - provision		-	(1,100)
Tatra Group Servis, s. r. o. (2)	100.00%	70,005	20,000
Less - provision		(20,000)	(20,000)
Tatra Asset Management, i. s. a. s.	100.00%	20,000	20,000
Tatra Kupón fond, i. f. a. s. (3)	58.32%	177,042	146,473
Less - provision		-	(45,921)
Affiliates with substantial interest		47,925	452
Tatra Leasing, s. r. o.	47.75%	97,925	47,000
Less - provision		(50,000)	(47,000)
Tatra Raiffeisen Capital, s. r. o. (4)	0.00%	-	452
Sub-total		294,972	121,004

Main variations in the caption of equity shares are:

1. Tatra Invest, s. r. o., was liquidated in September 1999.
2. Tatra Group Service, s. r. o., increased its basic capital to SKK 70,000 thousand. The Bank subscribed the whole amount.
3. The Bank obtained controlling interest in Tatra Kupón fond, i. f. a. s., purchasing new shares. Tatra Kupón fond, i. f. a. s. was an affiliate with substantial interest as of 31 December 1998.
4. The Bank sold its share in Tatra Raiffeisen Capital, s. r. o., in December 1999.

Company name	Percent owned	1999	1998
Other companies		16,066	79,957
Autorizačné centrum Slovenska, a. s.	14.50%	11,550	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. Belgium	0.02%	1,216	1,236
Other		-	63,871
Total		311,038	200,961

Other financial investments in 1998 included fund certificates of open mutual funds under Tatra Asset Management, i. s. a. s., which were transferred to trading shares.

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 nábr. 5, Bratislava	Services	Arthur Andersen Košice
Tatra Asset Management, i. s. a. s.	Vajanského nábr. 5, Bratislava	Investment Company	Arthur Andersen Košice
Tatra Kupón fond, i. f. a. s.	Vajanského nábr. 5, Bratislava	Investment Company	Arthur Andersen Košice
Tatra Leasing, s. r. o.	Mostová 8, Bratislava	Leasing	Arthur Andersen Košice

Thousands of Slovak Crowns

31 December 1999	Capital & Reserves	Current Year Profit	Total Equity
Affiliates with controlling interest			
Tatra Group Servis, s. r. o.	49,599	(4,160)	45,439
Tatra Asset Management, i. s. a. s.	21,071	(134)	20,937
Tatra Kupón fond, i. f. a. s.	350,630	6,888	357,518
Affiliates with substantial interest			
Tatra Leasing, s. r. o.	57,785	5,928	63,713
Total	479,085	8,522	487,607

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

	1999	1998
Beginning of the period	114,021	66,014
Creation	50,000	112,921
Released to profit	(94,021)	(64,914)
31 December	70,000	114,021

(17) TANGIBLE FIXED ASSETS

The movements of tangible fixed assets during the year 1999 were as follows (in thousands of Slovak Crowns):

	Land and buildings	Machinery & equipm.	Other fixed assets	Means of transport	Construct. in progress	Total
Cost						
1 January 1999	491,853	687,911	209,116	17,479	14,773	1,421,132
Additions	-	-	-	-	567,002	567,002
Disposals	(4,394)	(1,501)	(1,439)	(1,182)	-	(8,516)
Additions of leased assets	-	41,178	-	5,689	-	46,867
Transfers	104,950	309,880	93,564	6,219	(514,613)	-
31 December 1999	592,409	1,037,468	301,241	28,205	67,162	2,026,485
Accumulated depreciation						
1 January 1999	(86,341)	(453,098)	(117,450)	(17,424)	-	(674,313)
Charge for the year	(21,894)	(201,566)	(48,653)	(932)	-	(273,045)
Disposals	882	(485)	594	527	-	1,518
Additions of leased assets	-	(41,178)	-	(5,689)	-	(46,867)
Adjustments	-	-	3	-	-	3
31 December 1999	(107,353)	(696,327)	(165,506)	(23,518)	-	(992,704)
Net Book Value 1999	485,056	341,141	135,735	4,687	67,162	1,033,781
Net Book Value 1998	405,512	234,813	91,666	55	14,773	746,819

(18) INTANGIBLE FIXED ASSETS

The movements in this caption during the year 1999 were as follows (in thousands of Slovak Crowns):

	Software	Assets in progress	Total
Cost			
1 January 1999	203,563	-	203,563
Additions	-	232,789	232,789
Transfers	232,789	(232,789)	-
31 December 1999	436,352	-	436,352
Accumulated depreciation			
1 January 1999	(146,393)	-	(146,393)
Charge for the year	(100,820)	-	(100,820)
31 December 1999	(247,213)	-	(247,213)
Net Book Value 1999	189,139	-	189,139
Net Book Value 1998	57,170	-	57,170

(19) PREPAYMENTS AND OTHER ASSETS

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

	1999	1998
Interest receivable accruals	442,483	327,481
Tax receivable	123,395	-
Operating advances	173,919	217,512
Own shares for sale	15,739	17,093
Prepayments	161,821	78,031
Other	83,361	69,129
Less: provision	(20,877)	(95)
Total	979,841	709,151

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

	1999	1998
1 January	5,801	95
Creation	20,781	5,706
Released to profit	(6,552)	-
Exchange rate difference	847	-
31 December	20,877	5,801

(20) AMOUNTS OWED TO BANKS

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

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

	1999	1998
Repayable within:		
- less than 3 months	6,891,976	6,618,604
- 3 months to one year	3,105,000	1,568,824
- one year to 5 years	295,000	102,000
Total	10,291,976	8,289,428

b) Loans received are granted by following foreign financial institutions:

	1999	1998
EXIM Japan	1,395,369	1,738,014
European Investment Bank	515,737	400,662
European Bank Reconstruction & Development	260,496	397,458
Others	-	64,349
Total	2,171,602	2,600,483

(21) SUBORDINATED LIABILITY

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 6 November 2002 to 6 November 2006.

The outstanding balance of this debt amounted to SKK 542,700 thousand as of 31 December 1999 (SKK 552,025 thousand as of 31 December 1998). The loan is subordinated to the claims of all other creditors.

The subordinated liability is included in the supplementary capital of the Bank for NBS regulatory purposes according to present regulations.

(22) CUSTOMER DEPOSITS

Customer deposits comprised (in thousands of Slovak Crowns):

	1999	1998
Current accounts	18,584,880	15,082,869
Term deposit accounts	17,873,587	11,631,100
Savings accounts	2,368,032	1,971,350
Deposit certificates	316,455	-
Total	39,142,954	28,685,319

Customer deposits, according to contractual maturity, are as follows (in thousands of Slovak Crowns):

	1999	1998
Repayable within:		
- up to three months	36,000,944	28,077,518
- up to one year	2,949,363	465,184
- one to five years	192,260	142,568
- more than five years	387	49
Total	39,142,954	28,685,319

(23) OTHER LIABILITIES

Other liabilities comprised (in thousands of Slovak Crowns):

	1999	1998
Accrued interest payable	480,891	396,119
Deferred revenues	117,775	74,903
Estimated liabilities	97,551	137,962
Tax liabilities	-	166,369
FX Swap revaluation	132,141	-
Other	52,579	21,739
Total	880,937	797,092

(24) SHAREHOLDERS' EQUITY

The variations in 1999 in this caption of the accompanying balance sheets are summarised as follows (in thousands of Slovak Crowns):

1999	Basic capital	Share premium	Reserves	Retained earnings	Profit for the year	Total
1 January	522,160	107,575	152,045	1,679,933	1,276,327	3,738,040
Increase of basic capital	522,160	-	-	(522,160)	-	-
Employee shares, unpaid dividends	-	8,217	-	18	-	8,235
Profit distribution:						
- dividends and emoluments	-	-	-	-	(154,480)	(154,480)
- transfer to retained earnings	-	-	-	1,113,893	(1,113,893)	-
- social fund	-	-	-	-	(7,954)	(7,954)
Profit for the year	-	-	-	-	1,549,107	1,549,107
31 December 1999	1,044,320	115,792	152,045	2,271,684	1,549,107	5,132,948

Basic Capital -

During 1999 the basic share capital of the Bank increased by doubling the nominal value of existing shares from retained earnings. As of 31 December 1999 it comprised 50,216 nominative shares with a nominal value of SKK 20 thousand for one share and 20,000 employees' shares with a nominal value of SKK 2 thousand each. The employees' shares do not carry voting rights. The Bank keeps SKK 15,739 thousand of unsold employee's shares in its portfolio. The major shareholders of the Bank (in percentages) as of 31 December 1999 and 1998 were as follows (excluding employees' share):

The major shareholders of the Bank (in percentages) as of 31 December 1999 and 1998 were as follows (excluding employees' share):

Shareholder	1999	1998
Raiffeisen Zentralbank (RZB)	72.26%	76.07%
Tatra Holding	14.11%	10.30%
Others	13.63%	13.63%
Total	100%	100%

Other parts of restricted shareholder's equity -

Other parts of restricted shareholder's equity, such as the legal reserve, amount to SKK 104,432 thousand (SKK 104,432 thousand as of 31 December 1998). The use of this reserve is regulated by the Commercial Code of the Slovak Republic.

Proposal for 1999 profit distribution-

	1999
Transfer to legal reserve fund	104,432
Dividends ordinary shares	301,296
Dividends employees' shares	2,557
Social fund creation	11,472
Emoluments	7,000
Transfer to retained earnings	1,122,350
Total	1,549,107

(25) SOCIAL FUND

The variations in the Social Fund were as follows (in thousands of Slovak Crowns):

	1999	1998
Balance as of 1 January	5,265	2,237
Creation	13,512	9,365
Usage	(9,978)	(6,337)
Balance as of 31 December	8,799	5,265

The social fund was created by charging it to expenses of the year (1999: SKK 2,040 thousand, 1998: SKK 1,411 thousand) and from distribution of profit (1999: SKK 11,472 thousand, 1998: SKK 7,954 thousand). It is used for catering of employees (1999: SKK 622 thousand, 1998: SKK 427 thousand), healthcare (1999: SKK 2,236 thousand, 1998: SKK 1,400 thousand) and other social benefit (1999: SKK 7,120 thousand, 1998: SKK 4,509 thousand).

(26) 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:

31 December 1999	SKK	USD	EUR	DEM	ATS	Other	Total
Assets							60,035,081
Cash and cash equivalents	6,109,579	580,413	350,814	135,277	107,025	429,167	7,712,275
Loans to banks	5,753,250	1,352,512	878,881	-	-	-	7,984,643
Loans to customers	13,283,101	2,317,798	1,428,269	4,592,190	773,027	731,963	23,126,348
Trading securities	17,391,692	74,882	698,396	12,638	-	520,408	18,698,016
Equity shares	309,822	-	-	-	-	1,216	311,038
Tangible fixed assets	1,033,781	-	-	-	-	-	1,033,781
Intangible assets	189,139	-	-	-	-	-	189,139
Other assets	876,948	31,284	9,297	53,607	3,941	4,764	979,841
Liabilities and shareholders funds							60,035,081
Deposits by banks	(11,068,680)	(556,067)	(146,687)	(260,496)	(1,127)	(430,521)	(12,463,578)
Subordinated liabilities	-	-	-	(542,700)	-	-	(542,700)
Customer deposits	(26,058,601)	(5,367,882)	(1,434,601)	(4,250,174)	(1,213,136)	(818,560)	(39,142,954)
General reserve	(1,678,472)	-	-	(193,492)	-	-	(1,871,964)
Other liabilities	(825,843)	(20,577)	(4,455)	(25,349)	(1,143)	(3,570)	(880,937)
Shareholders' equity	(5,132,948)	-	-	-	-	-	(5,132,948)
Balance sheet currency position	182,768	(1,587,637)	1,779,914	(478,499)	(331,413)	434,867	-

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

(27) OFF-BALANCE SHEET FINANCIAL COMMITMENTS AND CONTINGENCIES

The off-balance sheet financial commitments and contingencies held by the Bank as of 31 December 1999 and 1998 comprised:

a) Guarantees and letters of credit

Thousands of Slovak crowns	1999	1998
Commitments given:		
- Guarantees	6,191,313	3,919,256
- Classified guarantees	392,509	282,596
- Letters of credit	225,943	437,342
Commitment received:		
- Guarantees	3,859,007	3,803,893

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

b) Undrawn loan facilities

As of 31 December 1999 the Bank had SKK 8,278,603 thousand in undrawn loan facilities (SKK 6,212,113 thousand as of 31 December 1998).

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 in most of the cases over a 3-year period.

The cost of these assets used by the Bank as of 31 December 1999 amounted to SKK 38,431 thousand (SKK 80,128 thousand as of 31 December 1998).

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.

(28) DERIVATIVE FINANCIAL INSTRUMENTS

The outstanding derivative transactions as of 31 December 1999 and 1998 entered into by the Bank were as follows:

Thousands of Slovak crowns	1999	1998
Interest rate contracts (Forward, and swap)		
Assets	1,085,664	2,250,313
Liabilities	(912,364)	(1,985,494)
Foreign exchange contracts (Forward and swap)		
Assets	7,944,896	7,799,183
Liabilities	(8,046,309)	(7,735,362)
Spot transactions		
Assets	1,334,635	5,685,178
Liabilities	(1,333,356)	(5,684,099)
Option transactions		
Assets	1,999,580	-
Liabilities	(1,999,580)	-
Total derivatives	73,166	329,719

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

The maturity of derivative financial instruments as of 31 December 1999 was as follows:

	Up to and including 3 months	Over and up to 3 months	Over 1 year	Total
Interest rate contracts				
Assets	203,300	882,364	-	1,085,664
Liabilities	(542,700)	(369,664)	-	(912,364)
Foreign exchange contracts				
Assets	7,255,218	594,709	94,969	7,944,896
Liabilities	(7,303,716)	(641,822)	(100,771)	(8,046,309)
Options				
Assets	1,999,580	-	-	1,999,580
Liabilities	(1,999,580)	-	-	(1,999,580)

(29) 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 and listed 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 31 December 1999 in thousands of Slovak Crowns was as follows:

31 December 1999	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	47,094,473	5,399,426	5,291,988	359,814	1,889,380	60,035,081
Cash and cash equivalents	7,712,275	-	-	-	-	7,712,275
Loans to banks	6,764,643	1,220,000	-	-	-	7,984,643
Loans to customers	13,611,381	3,957,406	5,110,726	334,273	112,562	23,126,348
Trading securities	18,667,097	4,066	24,000	-	2,853	18,698,016
Equity shares	177,042	-	-	-	133,996	311,038
Fixed assets	-	-	-	-	1,222,920	1,222,920
Prepayments and other assets	162,035	217,954	157,262	25,541	417,049	979,841
Liabilities and shareholders funds	46,209,934	5,336,600	1,925,580	711,988	5,850,979	60,035,081
Amounts owed to banks	(9,131,609)	(1,470,566)	(1,367,403)	(494,000)	-	(12,463,578)
Subordinated liabilities	-	-	(325,620)	(217,080)	-	(542,700)
Customer deposits	(36,631,058)	(2,262,404)	(232,557)	(908)	(16,027)	(39,142,954)
Other liabilities	(447,267)	(54,523)	-	-	(379,147)	(880,937)
General reserve	-	-	-	-	(1,871,964)	(1,871,964)
Shareholders' equity	-	(1,549,107)	-	-	(3,583,841)	(5,132,948)
Liquidity position as of 31/12/99	884,539	62,826	3,366,408	(352,174)	(3,961,599)	-
Off balance sheet assets	19,599,835	3,835,944	358,635	1,266,640	392,509	25,453,563
Off balance sheet liabilities	(9,809,157)	(1,882,617)	(979,265)	(1,479,997)	-	(14,151,036)
Off balance sheet position as of 31/12/99	9,790,678	1,953,327	(620,630)	(213,357)	392,509	11,302,527
Total cumulative liquidity position	10,675,217	2,016,153	2,745,778	(565,531)	(3,569,090)	11,302,527

(30) ESTIMATED REALISABLE VALUE INFORMATION

It is 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 31 December 1999 and 1998.

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.

(31) 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 credit exposure to related parties as of 31 December 1999 was SKK 452,783 thousand (1998: SKK 380,346 thousand). All these transactions are granted at arms length and through normal lending conditions of the Bank.

(32) SUBSEQUENT EVENTS

The Bank obtained from the National Bank the licence for mortgage banking effective from 24 January 2000 for an unlimited period. From 31 December 1999 until the date of issuing these financial statements, the Bank has not suffered any material disruption in its operations as a result of any failure by the Bank's information technology infrastructure in compliance with the Year 2000 issue. The Bank has also not received any information concerning any material disruption in the operations of its suppliers and customers due to the Year 2000 compliance. Based on the current information, the Board of Directors does not expect that the Bank's business or operations could be adversely affected for the coming periods.

(33) 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. These do not differ significantly from International Accounting Standards. The main differences affecting the Capital and

Reserves and the Profit and Loss account in thousands of Slovak Crowns are as follows:

	1999		1998	
	Capital & reserves	Profit for the period	Capital & reserves	Profit for the period
Under Slovak GAAP	3,583,841	1,549,107	2,461,713	1,276,327
Consolidation effect:				
- Tatra Leasing, s. r. o.	21,976	93,294	(20,217)	42,193
- Tatra Group Servis, s. r. o.	(9,854)	-	-	(9,854)
Taxation	867,557	61,631	408,507	459,050
Under IAS	4,463,520	1,704,032	2,850,003	1,767,716

In the consolidation effect, Tatra leasing, s. r. o., Bratislava was consolidated based on its individual financial statements prepared according to international accounting standards. Tatra leasing financial statements do not include TL Leasing, s. r. o., (its subsidiary), however the impact of non-inclusion do not have a material impact on this disclosure.

AUDITORS' REPORT

To the shareholders of TATRA BANKA, a. s. Bratislava:

We have audited the accompanying individual financial statements of TATRA BANKA, a. s., ("The Bank"), comprising the balance sheet as of 31 December 1999 and 31 December 1998 and the related profit and loss accounts and notes including the cash flows statements, for the years 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.

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

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 1999 and 31 December 1998, and the results of its operations for the years then ended in accordance with Act No. 563/1991 Zb. on Accounting and other relevant accounting legislation in the Slovak Republic.

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. The main differences affecting the shareholders equity and the profit & loss account are stated in Note 33 to the accompanying financial statements.



ARTHUR ANDERSEN
Košice, spol. s r. o.
License No. 146



Ján HOLÍČKA
License No. 715



14. February 2000
Panská 14
Bratislava, Slovak Republic

Proposal for the distribution of the profit for year 1999

in SKK thousand	
Profit before change of reserves	1 549 107
Dividens	303 853
Remunerations	7 000
Transfer to social fund	11 472
Transfer to legal reserve fund	104 432
Transfer to retained earnings from previous years	1 122 350



 TB
TATRA BANKA

RZB Österreich AG

- a short introduction



The Austrian Raiffeisen Banking Group

The Austrian Raiffeisen Banking Group with a consolidated balance sheet total exceeding 1,100 billion ATS (1998) is the largest fully privately owned banking group in Austria. Its share of the Austrian banking market equals about one quarter. With some 2,400 offices the Raiffeisen Banking Group has the densest banking network in Austria.

The Group operates on three levels:

- The local level consists of over 630 local Raiffeisen banks with more than 1,700 branches on the first level.
- The second level comprises the Raiffeisen regional banks operating on a regional level in the Austrian provinces.
- At the national level Raiffeisen Zentralbank Österreich AG (RZB) acts as the central banking institution.

RZB acts as a national and international representative of the Raiffeisen Banking Group. Due to the close links between these three levels and the specialized subsidiaries - such as Raiffeisen Bausparkasse Ges.m.b.H (building society), Raiffeisen Leasing Ges.m.b.H., Raiffeisen Kapitalanlage-Ges.m.b.H (investment fund company) etc. the Raiffeisen banks provide a complete range of services "under one umbrella".

Raiffeisen Zentralbank Österreich AG

Raiffeisen Zentralbank Österreich AG is the central institution of the Austrian Raiffeisen Banking Group. With a consolidated balance sheet total of ATS 373,3 billion as of June 30, 1999, RZB is listed among the largest Austrian banks.

RZB is a Central European commercial and investment bank and considers itself as an "East-West turntable". It is an international bank and an expert in export- and project finance as well as in asset management. The bank offers domestic and foreign corporate customers, multinational groups and institutional investors a comprehensive range of financial services which is substantially enlarged by the services of numerous specialized subsidiaries.

Central and Eastern Europe's countries of transition are RZB's main geographical focus with the following subsidiaries:

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

In addition, it has representative offices in Moscow and Ljubljana. The companies of the RZB Group form one of the densest banking networks in the countries of transition of Central and Eastern Europe.

Due to the high quality standards of RZB-Group banks some of

them already won several awards of international financial magazines.

In the European Union RZB-Austria operates a branch in London as well as representative offices in Brussels and Paris.

Apart from Central and Eastern Europe RZB focuses on the Asian Emerging Markets, too. Those markets are penetrated with branches in Singapore and Beijing (in preparation) and representative offices in Mumbai (Bombay), Beijing, Hong Kong, Ho Chi Minh City and Tehran.

The customers in North America are attended to with a financing company, a investment banking subsidiary and a representative office in New York, N.Y.

As a member of the UNICO Banking Group, which consist of the central institutions of the cooperative banking organizations of Germany, Finland, France, Italy, the Netherlands, Austria, Switzerland and Spain (the last two as associate members) RZB can cooperate with an organization with around 40,000 banking outlets as well as branches in every major European financial centre.

The organs of the company as of 31 December 1999

Supervisory Board

Milan Vrškový

Chairman of the Supervisory Board

Herbert Štepic

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

Peter Baláž

Professor
Economic University
Bratislava

Reinhard Böck

Deputy Chairman of the Board of Directors
Poist'ovňa Otčina, a. s.
Bratislava

Walter Grün

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

Renate Kattinger

Vice - President
Raiffeisen Zentralbank Österreich AG
Vienna

Ján Neubauer

Director
Intes Poprad, s. r. o., Division of Roche Slovakia
Bratislava

Jolana Petrášová

Deputy Chairman of the Board of Directors and
Vice - President for Operations and Personnel
Slovnaft, a. s.
Bratislava

Štefan Tesák

General Manager
Slovalco, a. s.
Žiar nad Hronom

Management:

Rainer Franz

General Manager

Miroslav Uličný

Deputy General Manager

Igor Vida

Deputy General Manager

Philippe Moreels

Christian Masser

Ivan Šramko

Map of branches as of 31 March 2000



Total number of branches: 56

Bratislava:	head office, 4 regional branches, 34 branches
Košice (East of Slovakia):	regional branch, 8 branches
Banská Bystrica (Middle of Slovakia):	regional branch, 6 branches
Žilina (North of Slovakia):	regional branch, 8 branches

Branches of Tatra Bank as of 31 March 2000

Bratislava - Centre

Františkánske nám. 3
Dunajská 4
Kopčianska 90
Na vřšku 12
Nám. M. Benku
Prievozská 6/A
Továrenská 10
Tupolevova 3/a
ul. 29. augusta 2
Vajanského nábr. 5
Viedenská cesta 85
Jarovce

Bratislava - East

Galvániho 2/A
Herlianska 9
Kaštielska 1/A
Letisko M. R. Štefánika
Miletičova 42
Staviteľská 7
Tomášikova 14
Dunajská Streda, Galantská cesta 866/4
Štúrovo, Hlavná 54

Košice (East of Slovakia)

Rooseveltova 1
Štúrova 28
Tr. KVP 1
Trolejbusová 1
Košice - Šaca, Železiarenská 49
Humenné, Nám. Slobody 54
Poprad, Nám. sv. Egídia 95
Prešov, Nám. legionárov 1

Banská Bystrica (Middle of Slovakia)

Dolná 4
Nám. slobody 4
Lučenec, Kubínyho nám. 10
Prievidza, Nám. Slobody 1
Liptovský Mikuláš, Garbiarska 2583
Ružomberok, A. Bernoláka 6

Bratislava - West

Karloveská 1
Saratovská 2/A
Stromová 9
Štefánikova 17
Štefánikova 22

Bratislava - North

Račianska 62/B
Modra, Nám. Ľ. Štúra 78
Nitra, Štefánikova 61
Nové mesto n./Váhom, ul. ČSL armády 18
Pezinok, Bratislavská 83
Piešťany, A. Hlinku 46
Trenčín, Palackého 6
Trnava, Hlavná 5

Žilina (North of Slovakia)

Mariánske nám. 196/6
Obchodná 15
PT, Celulóžka 1374
ul. Jána Milca 9
Čadca, Staničná 191
Martín, Kollárova 85
Púchov, Svätoplukova 3
Púchov, ul. 1. mája 1655

Principal services

In addition to traditional corporate banking products, Tatra Bank provides also specialized financial services on high-technology standard according to international standards. The products and services are available in our branch network (55 branches) with on-line connection across Slovakia, in the head office and in our subsidiary companies. List of our products and services are available also on Internet and through telephone - Dialog (call centre).

Corporate banking

Account services

- Current accounts in SKK and in foreign currencies
- Current accounts - Social fund in SKK and Reserve fund in SKK
- Term deposits in SKK and in foreign currencies
- Teleshopping for domestic and international payments
- Postal cheques/payment processing
- Night safes and cash administration

Payments

- domestic
- international

Financing

- SKK and foreign currency facilities: short -, medium - and long - term loans, overdrafts
- special credit programmes based on funding obtained from the 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
- Forfaiting - purchase of receivables with and without recourse
- Real estate and project financing
- Structured financing
- Syndicated loans in domestic and international markets
- Documentary collections and letters of credit
- Guarantees and stand - by letters of credit

Treasury and investment banking

- SKK and foreign currency - time deposits
- FX spot, forward and swaps transactions
- Government and corporate securities
- Portfolio management

Retail banking

- Current accounts, term accounts and savings passbooks in SKK and foreign currencies

- Cards:

Visa Electron and Eurocard/Mastercard - international debit cards

Visa and American Express - international credit cards

- Western Union
- Internet banking
- b-mail - information on customer account balances and movements through the SMS messages sent directly to the cell phone or e-mail address
- Dialog (call center) - domestic payments, information about account balances and movements, information about products and services, 24 hours/day, 7 days/week
- Certificates of deposit
- Overdrafts
- Cheques - purchase of Eurocheques, purchase and sale of Thomas Cook Travellers Cheques and American Express Traveller Cheques, collection of all types of cheques
- Other services - exchange services, rental of safes and night safes, arranging of building society contracts, rental of mailing boxes, agent for sale and purchase of investment found certificates

Special services

Leasing of cars, machines and equipment is offered by our subsidiary company - Tatra Leasing, s. r. o.

The subsidiary company Tatra Asset Management, i. s. a. s., manages and sells unit trust and investment funds.

