



NATIONAL BANK OF SLOVAKIA

**THE ESTABLISHMENT OF THE MORTGAGE BOND
MARKET**

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Bratislava 1998

The establishment of the Mortgage Bond Market

**Paper prepared for the second international conference
"Central European Mortgage Bond Market"**

held in Budapest, on November 12 -13, 1998

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How to establish a Slovak Mortgage Bonds Market? (Mortgage Products in Slovakia)

Introduction

A significant aspect to be taken into account during the valuation of banking system is the formation of a market for bank products with respect to the specific conditions under which banking institutions offer their products. The "reintroduction" of mortgage loans (ML) and mortgage bonds (MB) to the Slovak financial market must be viewed from two aspects. Firstly, the offer of bank products is extended by a new product, secondly mortgage ones are expected to contribute to the revival of investment activities.

In advanced economies, there are various models of mortgage financing in use: the **deposit system**, an alternative of which is **the system of mortgage bonds** (or mortgage banks). In contrast to the classical deposit-based model, the mortgage bonds system uses a modified method for increasing the resources of banks: the issue and sale of special bank bonds - mortgage bonds (MB) on the capital market. The **secondary mortgage market** has been set up for the sale of mortgage loans or mortgage securities secured by special pools of mortgages - the process of securitisation of mortgage loans. A significant impetus for the establishment of the secondary market specialised institutions was the effort to extend the offer of mortgage loans, granted primarily for housing purposes. In some countries, there are so-called **government or government-backed institutions**, playing an intermediary role in the movement of financial resources on the primary market (they issue mortgage-backed securities).

In continental Europe, the German mortgage banking model is regarded as one of the most secure, most liquid and most sophisticated. In some Central European reform economies - the Czech Republic, Slovakia, Hungary and Poland - the legal framework of mortgage banking is based on the German system, adjusted to national conditions.¹ A generally valid and empirically confirmed fact is that the effective development of the market for mortgage loans and mortgage bonds is conditional upon the existence of an adequately functioning capital market, the removal of legislative barriers, and an equally important role is paid by economic factors, such as the structure of interest rates, the size and structure of financial markets for the placement and saturation of mortgage bonds...

1. The Slovak mortgage loans and mortgage bonds² - basic features

In Slovak legislation³, a **mortgage loan** is defined as a long-term credit with maturity of at least five years, covered by a lien on domestic real estate, and provided by a bank to legal entities and private individuals for the purchase, construction, reconstruction, and maintenance of domestic real estate; mortgage loans are financed (refinanced) **namely** by the issue and sale of mortgage bonds pursuant to separate regulations⁴. The maximum volume of a mortgage loan may not exceed 60% of the value of real estate (lending value) determined by the mortgage bank itself on the basis of an overall assessment of a property. Only the property's permanent features and the continuous return it represents are taken into account when assessing the lending value. (Over 60% limit only up to an amount not exceeding 15% of the total amount of provided mortgage loans).

¹ See Table 2.

² See Table 1.

³ The Banking Act, No. 21/1992 coll., with subsequent amendments.

⁴ Act on Bonds, No.530/1990 coll., with subsequent amendments.

Mortgage bond (Slovak equivalent-hypotekárny záložný list) is a special type of bonds, publicly tradeable, its name is protected by law, its par value (including yields) is covered by mortgage loans, the funds obtained by its sale are earmarked for the refinancing of mortgage loans. Furthermore, a bank engaged in mortgage business may deposit its free financial resources from mortgage transactions with a bank in Slovakia, or may use these funds for the purchase of mortgage bonds issued by other banks, Treasury bills issued by the National Bank of Slovakia, State Treasury bills and Government bonds.

Mortgage bonds are ordinary or substitute covered. Maximum limit for ordinary coverage is set up to 60% of real estate value; substitute coverage limit is 10% of the total par value of issued mortgage bonds (deposits with the banks based in Slovakia, governments bonds, treasury bills...)

Mortgage business, i.e. the mortgage loans providing and the issuance of mortgage bonds, may only be conducted by **banks licensed** for such activities. The minimum own capital requirement is 1 billion SKK (or an equivalent amount in fully convertible currency). The licence application must contain:

- general terms and conditions of providing ML
- the method of keeping a mortgage (coverage) register
- the proposal for appointment of the mortgage controller (mortgage trustee) and his deputy
- the real estate assessment methods
- the method of keeping a separate analytical record of mortgage activities within the bank's accounting system

The purpose of a mortgage register is to keep a record, in a unified and simple manner, of mortgage loans (volume, maturity, characteristics of real estate based on an extract from the public land register; the value of the collateral calculated by the use of various methods, will create a basis for determining the mortgage loan value), which will serve for the mortgage bonds coverage. The controller's task is to provide up-to-date information on the security and quality of MB coverage. He/she must ensure that the mortgage bonds are adequately covered and the assets used for their coverage are registered in the mortgage register.⁵

Remarks

Despite the adoption of a basic legal framework, directly or indirectly connected with the implementation of mortgage products, we are aware of the existence of potential obstacles (legal and economic as well) hindering the effective development of such banking activities. It is not enough to enact laws - the first practical experiences in mortgage activities confirm this thesis - they must also be enforced as effectively as possible. In this connection, we may emphasize fact that the legal barriers may be removed by amending and harmonising the existing system of legal regulations. The group of experts (representatives of ministries, NBS and bankers) is intensively working on banking act amendment and others (Civic Code, Income Tax Act, Investment Companies and Investment funds Act;... Decree No...of NBS on minimum reserves requirement,...). One of the crucial aims is to create not only the clear mortgage transaction rules, but to prepare the adequate conditions to attract mortgage products, of course in connection with economic and social environment in Slovakia. For clients (borrowers of mortgage loans on the one hand, buyers, holders of mortgage bonds on the other hand), the most

⁵ The regulations for keeping the register of mortgages, the mortgage controller's role, tasks and duties are determined by the National Bank of Slovakia and the Ministry of Finance Decree No.16/1997.

important are the terms and conditions under which a mortgage products are offered. For a bank, acting as an intermediary, vital thing is to obtain funds, namely through an issue and sale of mortgage bonds at a price attractive enough in comparison with other forms of investment activities (government bonds, corporate, and bank bonds, or mortgage bonds offered by competitors); naturally with respect to the level of market interest rates and risks, potential or actual as well. Lower MB's yields should be compensated for by their safety and liquidity, which is conditional upon the quality of ML's, rights of lien, character, the quality and saleability of property pledged as collateral. Only in this case will investors be willing to purchase such bonds. The solution finding in this way could mean to create conditions for mortgage bonds market.

Now, let me turn to the question: how to establish mortgage bonds market in Slovakia. Up to now no Slovak banks have issued mortgage bonds. That is why I am not able to exhaust all mortgage business problems. I will try to pay attention the most important ones in connection with the first experiences.

2. Financial market development or how to establish mortgage bonds market in the SR?

Security, quality, liquidity, and the level of demand for extensive issues of mortgage bonds will depend on the gradual formation (generation) of the so called coverage bloc as well as on the development of the capital market, existence and interest of institutional investors with long-term financial resources (insurance companies, pension funds, investment companies and funds), domestic and foreign as well.

That is why it is necessary (as early as possible) to develop such intensive schemes for potential investors so that they will be willing to use their free financial resources for the purchase of mortgage bonds, while the long term use of these funds should be considered in the schemes. The overall demand can be promoted by the rules of secure investments practised by institutional investors, especially insurance companies and pension funds. For example, some EU countries has adopted a rule whereby insurance companies and pension funds have to safely put 70% of their reserves into safe securities-government and mortgage bonds.

2.1 Institutional framework

2.1.1 Banking sector development⁶ - number of mortgage banks

Although three residents banks - Vseobecna uverova banka, a.s., (General Credit Bank, joint stock company), Slovenska sporitelna, a.s., (Slovak Savings Bank, joint stock company) and Hypo-Bank Slovakia, a.s. (Vereins-Hypo, joint stock company; 100% German capital participation) was granted by licence last year, only one bank has started to provide mortgage loans - the mortgage loans portfolio creation; at the same time the bank is preparing for the first mortgage bonds issue (at the end of this year).

Further bank institutions - Istrobanka, a.s. obtained the licence in November 1998; Prva komunalna banka,a.s., (First Municipal Bank) is waiting for permission.

Remark

⁶ Basic data on Slovak banking sector development are contained in Tables 3, 4, 5 (excl.specialized banks). Table 6 - in the mortgage banks collum is included the potential mortgage business licence holder as well. (First Municipal Bank).

The licence does not have the nature of a single one, since the bank must apply for a licence for each issue of mortgage bonds. The relevant provisions of the Act on Bonds specify the prescribed forms of bonds, licence applications, the method of issue, bond yields, repayment, etc., while decision in the matter of an application is made by the Ministry of Finance within two months. As a result, the entire system becomes more time-consuming, less flexible and more expensive. A possible solution for the future is the introduction of a single licence (to achieve status of a permanent issuer-the question is under discussion).

Legal framework for prudential regulation of banking activities

The legal framework for prudential sector activities is formed by the banking act, provisions of the NBS on-licensing requirements, capital adequacy, large credit exposure, liquidity ratio, open foreign exchange position; on rules of evaluating banks' claims and off-balance sheet liabilities according to the risk contained therein and of reserving funds in order to provide against those risks; Act on the protection of bank deposits. We will concentrate on decisive regulations.

Solvency ratio (Capital to risk-weighted assets)

The purpose of the Decree No.5/1997 of the NBS on capital adequacy of banks is to establish the minimum ratio of capital risk weighted assets of a bank; this limit was set up at the international standard of 8%. According to this Decree, mortgage loans if the claimed value does not exceed 60% of the collateralized assessed property value have **risk weight 50%**.

Credit risk exposure

Banks are obliged to limit their net credit risk exposure so that: the net credit risk exposure towards a specific customer or economically linked group of customers shall not exceed 25% of the bank's capital; towards a bank operating in the SR, a bank located in a Zone A country, ... shall not exceed 80% of the bank's capital; towards a person having a special relationship with the bank, and legal entities (except banks) in which the bank has an equity participation of 10% or more, or which are under the bank's control, shall not exceed 25% of the bank's core capital; the aggregate amount of all credit risk exposures that exceed 15% of reporting bank's capital shall not exceed 800% of the capital of the banks concerned.

NBS Provision No. 3/1995

The purpose of this provision is set uniform rules of correct reporting and evaluating banks' claims and off-balance sheet liabilities. The risk of non-payment, contained in claims, is identified by analysing the client and the claim according to two main criteria: results of a financial analysis of the client and assessment of his economic situation or moral standing; the clients' delays in repaying his obligation towards the bank. Claims are classified into five categories: 1. standard claims, 2. special mention claims, 3. substandard claims, 4. doubtful, and 5. loss claims. In compliance with the rules of prudential banking the bank reserves funds for providing against contingent losses that could result from risks contained in claims or from off-balance sheet liabilities. These funds have a form of provisions or reserves, in exceptional cases the form of specific reserves funds in the minimal amount of: 5 % of the nominal value for special mention claims, 20% for substandard claims, 50% for doubtful claims, 100% for loss claims.

Minimum reserves requirement

Under the Decree No.1/1995 on minimum reserves requirement of the NBS - minimum reserves requirement of the banks which realized mortgage business is set up to 3% from the issued mortgage bonds.

According to the amended Decree, the mortgage bonds will be excluded from this calculation (Decree is prepared, we are expecting the Bank Board of the NBS confirmation-at the end of November).

2.1.2 Potential (institutional) investors

The current development of investment activities is determined by two major resources - deposits of the population and entrepreneurial sector in banking institutions⁷ and insurance premium acquired by insurance companies. Although in 1997 the ratio of premium written to GDP in current prices reached the value of 2,59% (in 1996 2,37%), in comparison with other advanced countries there is a lot to do. From the point of view of long-term financial resources we may consider pension insurance-the non-commercial and the commercial pension insurance supplement in particular. Higher volumes of resources will be generated by pension funds in two-three years.

Insurance companies

Basic framework of the Slovak insurance market is laid down by the Act No. 24/1991, coll., on insurance, with subsequent amendments. For investments in the mortgage bonds is very important the Decree of Ministry of Finance No. 136/1996 on the creation, use and ways of placing the reserves of company. The main criterion for the reserves placing are security, liquidity, profitability, reserves diversification. According to this Decree the insurance companies may use the reserves for the mortgage bonds purchase up to the amount 20% (of their reserves). Is it enough or not? The answer on this question is opened. (Movement of financial flows of institutional investors, see Diagram No.1).

Insurance market development-short overview

Increase of the number of insurance companies:

	1993	1994	1995	1996	1997
Number	8	11	16	21	23

Of all insurance companies in the SR ten companies have 100% Slovak capital, seven companies 100% foreign capital and the rest-six insurance companies were founded on the basis of mixed capital. The growth of share capital achieved, when compared the year 1996 and 1997, 22%. Share capital value, by 1 January 1998, was SKK 4,662 billion. Together with increased competition more important becomes also the quality of the products and services offered where the positive shift is noticeable as well. More than 200 insurance products constitute a wide range of offers for the potential clients.

Despite the fact that total reserves decreased by 7,1%, i.e. from SKK 32 428 billion in 1996 to SKK 30 129 billion in 1997 the creation of reserves in life insurance recoded the rise of more than 10%, from SKK 21 468 billion in 1996 to SKK 23 685 billion in 1997.

In 1997 the Slovak insurance market continued to grow with marked dynamics. Total value of premium written stood at SKK 16,968 billion which represents the rise of 23,1%. The share of the insurance companies in total premium written was 72% and of life insurance 28%.

⁷ In comparison with other financial intermediaries the substantial part of savings (short-term, intermediate-term and long-term) are deposited within the banks. High interest rates volatility on the financial (banking) market influences the investors decisions.

In this year two insurance companies has started their activities- Life insurance company- Wustenrot (equity capital-80 mil SKK; foreign capital participation - 45% Austrian, 45% German, 10% VUB-Wustenrot-building society); non-life Ins. company AIG Slovakia (equity capital 70 mil SKK; 100% American capital participation).

2.2 Capital Primary Market

Government Bonds

There were 39 issues of government bonds in 1998 (January-September). Total outstanding government bonds reached Sk 92 048 392 000 billion. Most of them had a short redemption period-1year, only 5 issues 2 year. Given their short maturity, the government bonds offered in the primary market were exposed to developments in the money market (e.g. six month deposit interest rates have been increased over 30%), which explains why yields have climbed up (e.g. in the 3Q yields to maturity moved as following: min. from 17,45% to 27,90%; average from 17,62% to 28,85%; max. from 17,95% to 29,45%; the investors requirements for yields to maturity were more higher). Government bonds ownership structure: banks-84%, legal entities-7%, individual investors-1%, non-residents-8%.

Publicly Negotiable Non-Government Bonds

In this period total issues of publicly negotiable non-government bonds reached Sk 1, 924 million (in 1997 Sk 7,284 million; in 1996 Sk 22,260 million). The main reason of the decrease is the high attractiveness of government bonds. That is why, the issuers of the non-government bonds are not able to compete with government bonds.

Conclusions (remark)

Although a lot of problems we will have to overcome (macro and micro as well), one of the crucial aspect is to work out such instruments system, the introduction of which could increase the mortgage products attractiveness . What measures are prepared?

- legal framework - Trade Code, Civic Courte Order, Execution Act, Act on investment companies and investment funds, Act on income tax, Act on State Housing Development Fund; the critical problem-recodification of the Civic Code
- stimulative mechanismus - mortgage loans interests subsidies and mortgage bonds tax-deductability

We realize fact that all proposals will be depending on our new government economic programme, harmonizing financial and monetary policies, banking sector restructuring...

Basic characteristics of a mortgage loan and MB

Table 1

Mortgage Loan	Mortgage Bonds
<p>A mortgage loan is:</p> <ul style="list-style-type: none"> - a long-term credit with a maturity of at least 5 years. - really secured by a lien to real estate within the state frontiers. - financed or refinanced namely by means of the issue and sale of MB. 	<p>A mortgage bond (MB):</p> <ul style="list-style-type: none"> - is a special, publicly tradable bond - its name is protected by law, this bond must have the designation “mortgage bond” (in Slovak “hypotekárny záložný list”). - the nominal value, including yields is covered by mortgage loans. - resources obtained for the (re)financing of mortgage loans.
<p>A mortgage loan (re)financed in the above mentioned way may be granted only by banks which have obtained a licence to do this.</p> <p>The coefficient of the level of security covering a mortgage loan by real estate is legally determined at 0.6 (or the proportion of credit to the value (price) of the real estate is 60%).</p> <p>The licensed bank will determine the value of the immovable on the basis of a general assessment of the real estate.</p> <p>A mortgage loans may not be secured by a lien on real estate on which lien already exist, in favour of a third party or for the purpose of limiting the transfer of such real estate (excluding building saving banks,SHF..)</p> <p>A bank which performs mortgage transactions may temporarily deposit free financial resources obtained from mortgages in a bank or branch of a foreign bank with its headquarters in the Slovak Republic, use them for purchase of MB, commercial obligations issued by another bank, NBA bills, treasury bills.</p> <p>A list with the extent of mortgage loans, which cover MB must be recorded by a bank in its register of mortgages.</p> <p>The NBS, after agreement with the Ministry of Finance and on the proposal of the bank, will appoint the mortgage trustee and his deputy, whose role is to supervise mortgage transactions.</p>	<p>MB can be issued by banks which have obtained a licence for performing mortgage transactions.</p> <p>The principle coverage, so-called ordinary coverage, for coverage of issued MB can use only mortgage loans, which do not exceed 60% of the value of real estate; so-called substitutive coverage is limited to amounts of 10% of the total nominal value of the issued MB, and only for precisely specified assets (deposits in the NBS, NBS bills, deposits in bank, cash, state bonds, treasury bills, MB, municipal bonds issued by other banks).</p> <p>Temporary (mortgage) bonds may be issued by the bank up to six months after obtaining a legally valid licence to perform mortgage transactions on the basic of a decision of the general meeting, up to a level of 50% of the equity of the bank, with the condition that it is obliged to exchange them for MB as defined above within 2 year from their issue.</p>

Table 2

	Germany	Czech Republic	Slovakia	Hungary	Poland
1. Legal norms (minimum framework)	Law on Mortgage Banks (separate law)	<ul style="list-style-type: none"> • Act 530/1990 on Bonds Collection of Laws, in the wording of subsequent guidelines • Act on Banks No 21/1992, Collection of Laws, in the wording of subsequent guidelines • Commercial Code Act No 513/1991 Collection of Laws, in the wording of subsequent guidelines • Bankruptcy and Settlement Act No. 328/1991, Collection of Laws, in the wording of subsequent guidelines 	<ul style="list-style-type: none"> • Act on Banks No 21/1992, Collection of Laws, in the wording of subsequent guidelines • Act 530/1990 on Bonds Collection of Laws, in the wording of subsequent guidelines • Bankruptcy and Settlement Act No. 328/1991, Collection of Laws, in the wording of subsequent guidelines • Commercial Code Act No 513/1991 Collection of Laws, in the wording of subsequent guidelines 	Act on Mortgage Credit Companies and Mortgage Bonds (separate law)	Act on Mortgage Bonds and Mortgage Banks (separate law)
2. Minimum Size of Founding Capital	-	500.0 million CZK (set by a directive of the CNB)	1.0 billion SKK (set by a directive of the NBS)	3 billion HUF	will be set by the bank supervisory commission
3. Ratio of the mortgage loan to the value of real estate	60 percent over this limit only up to an amount not exceeding 20 percent of the total amount of provided mortgage loan	70 percent	60 percent over this limit only up to an amount not exceeding 15 percent of the total amount of provided mortgage loan	70 percent (including bank guarantees)	60 percent

	Germany	Czech Republic	Slovakia	Hungary	<i>Poland</i>
4. Duration of mortgage loans	not specified by law	not specified by law	at least 5 years	the share of mortgage loans with a duration of 5 or more years cannot be lower than 80 percent from the total portfolio of mortgage loans of the credit company	
5. Property Assessment for the Needs of Mortgage Loans	Property value used as the basis for a mortgage loan cannot be higher than a conservatively set market price with respect to only permanent properties of the real estate and yield that may be achieved when properly managed. A mortgage bank will formulate instructions pertaining to property assessment, which must be approved by a supervisory authority.	The price of real estate shall be set by mortgage bank that provides the mortgage loan as the usual price.	The price of real estate shall be set by a mortgage bank on the basis of an overall assessment of the real estate. In the assessment, a mortgage bank may only take into account permanent properties and yield that the real estate may bring in the long run.	The methodological principles are defined in legal guidelines of the Hungarian Ministry of Agriculture and the Hungarian Ministry of Finance. In accordance with these guidelines, a mortgage credit company formulates its own guidelines for property assessment, which are subject to approval by a supervisory authority.	Property value assessment to determine its bank mortgage value is proposed with respect to only permanent properties and yields. Assessment rules formulated by a mortgage bank are subject to approval by a supervisory authority.

	Germany	Czech Republic	Slovakia	Hungary	Poland
6. Features of mortgage bonds	<ul style="list-style-type: none"> only a bank that has a license to perform mortgage transactions may issue mortgage bonds. mortgage bonds are a specific type of security the name of which is protected by law they are properly and alternatively covered: <ul style="list-style-type: none"> - the limit for proper coverage is 60 percent of the value of collateralized property - substitute coverage is limited to 10 percent of the cumulative par value of all mortgage bonds, only by precisely specified assets. 	<ul style="list-style-type: none"> only a bank that has a license to perform mortgage transactions may issue mortgage bonds. mortgage bonds are a specific type of security the name of which is protected by law they are properly and alternatively covered: <ul style="list-style-type: none"> - the limit for proper coverage is 70 percent of the value of collateralized property - substitute coverage is limited to 10 percent of the cumulative par value of all mortgage bonds, only by precisely specified assets. 	<ul style="list-style-type: none"> only a bank that has a license to perform mortgage transactions may issue mortgage bonds. mortgage bonds are a specific type of security the name of which is protected by law they are properly and alternatively covered: <ul style="list-style-type: none"> - the limit for proper coverage is 60 percent of the value of collateralized property - substitute coverage is limited to 10 percent of the cumulative par value of all mortgage bonds, only by precisely specified assets. 	<ul style="list-style-type: none"> only a bank that has a license to perform mortgage transactions may issue mortgage bonds. mortgage bonds are a specific type of security the name of which is protected by law they are properly and alternatively covered: <ul style="list-style-type: none"> - the limit for proper coverage is 60 percent of the value of collateralized property - substitute coverage is limited to 10 percent of the cumulative par value of all mortgage bonds, only by precisely specified assets. 	<ul style="list-style-type: none"> only a bank that has a license to perform mortgage transactions may issue mortgage bonds. mortgage bonds are a specific type of security the name of which is protected by law they are properly and alternatively covered: <ul style="list-style-type: none"> - the limit for proper coverage is 60 percent of the value of collateralized property - substitute coverage is limited to 10 percent of the cumulative par value of all mortgage bonds, only by precisely specified assets.
7. Coverage Register (mortgage register)	A bank must individually record mortgage loans and other assets serving to cover mortgage bonds in a register	A bank is obliged to keep a separate register of coverage of the par value of mortgage bonds.	Mortgage loans and other assets serving to cover mortgage bonds must be individually recorded in a register by the bank (Directive of the Finance Ministry and the NBS No. 16/1997, Collection of Laws)	A bank is obliged to keep a separate register of coverage of the par value of mortgage bonds.	A bank is obliged to keep a separate register of coverage of the par value of mortgage bonds. The bank supervisory commission will issue in the form of a directive the design of the coverage register
8. Supervision (inspection)	<ul style="list-style-type: none"> supervisory authority mortgage controller and his/her deputy 	<ul style="list-style-type: none"> supervisory authority 	<ul style="list-style-type: none"> supervisory authority mortgage controller and his/her deputy 	<ul style="list-style-type: none"> supervisory authority mortgage controller and his/her deputy 	<ul style="list-style-type: none"> supervisory authority mortgage controller and his/her deputy

Table 3

Assets, Liabilities and Equity of Banks in the Slovak Republic (in SKK mil)

	Total Banks											
	12-93	%	12-94	%	12-95	%	12-96	%	12-97	%	06-98	%
<u>Total Assets</u>	445.445		505.329		597.933		716.596		718.134		752.835	
1. Loans	260.323	58,4	252.075	49,9	274.166	45,9	314.520	43,9	303.206	42,2	303.303	40,3
2. Interbank Assets	108.793	24,4	122.573	24,3	128.824	21,5	149.060	20,8	160.196	22,3	191.814	25,5
3. Securities	28.728	6,4	57.973	11,5	96.982	16,2	113.419	15,8	121.053	16,9	103.016	13,7
incl. T-bills	7.682	1,7	26.024	5,1	14.830	2,5	29.255	4,1	34.088	4,7	17.743	2,4
<u>Total Liabilities and Equity</u>	445.445		505.329		597.933		716.596		718.134		752.835	
1. Interbank Liabilities	90.328	20,3	97.823	19,4	108.449	18,1	139.797	19,5	156.605	21,8	180.038	23,9
2. Deposits	228.260	51,2	264.251	52,3	318.447	53,3	367.186	51,2	370.441	51,6	366.871	48,7
3. Securities	1.561	0,4	3.918	0,8	9.658	1,6	18.662	2,6	18.358	2,6	17.047	2,3
4. Central Bank Accounts	40.843	9,2	34.766	6,9	33.441	5,6	35.041	4,9	35.607	5,0	43.832	5,8
5. Equity	48.722	10,9	63.284	12,5	66.896	11,2	76.350	10,7	70.286	9,8	81.581	10,8
<u>Equity Composition</u>												
1. Registered Capital	13.221	27,1	17.673	27,9	24.036	35,9	30.040	39,3	28.062	39,9	29.910	36,7
2. Reserves and Reserve Funds	33.194	68,1	41.565	65,7	24.383	36,4	27.046	35,4	28.363	40,4	35.230	43,2
3. Other Funds Created from Profit	0	0,0	0	0,0	12.307	18,4	13.004	17,0	10.370	14,8	10.976	13,5
4. Capital Funds	0	0,0	0	0,0	1.620	2,4	1.962	2,6	2.095	3,0	4.252	5,2
5. Retained Earnings	4.398	9,0	4.046	6,4	4.550	6,8	4.298	5,6	1.441	2,1	-4.477	-5,5

Table 4

Assets, Liabilities and Equity of Banks in the Slovak Republic (in SKK mil)

	Domestic Banks											
	12-93	%	12-94	%	12-95	%	12-96	%	12-97	%	06-98	%
<u>Total Assets</u>	403.291		456.313		536.470		639.622		637.582		657.282	
1. Loans	237.387	58,9	223.866	49,1	241.638	45,0	284.283	44,4	274.325	43,0	289.732	44,1
2. Interbank Assets	100.827	25,0	115.537	25,3	117.601	21,9	120.058	18,8	124.930	19,6	124.226	18,9
3. Securities	27.949	6,9	53.412	11,7	90.459	16,9	108.029	16,9	116.410	18,3	98.132	14,9
incl. T-bills	7.183	1,8	23.105	5,1	14.800	2,8	27.945	4,4	33.308	5,2	17.435	2,7
<u>Total Liabilities and Equity</u>	403.291		456.313		536.470		639.622		637.582		657.282	
1. Interbank Liabilities	77.648	19,3	81.725	17,9	89.711	16,7	104.647	16,4	114.425	17,9	121.416	18,5
2. Deposits	213.442	52,9	245.116	53,7	292.365	54,5	345.349	54,0	350.170	54,9	347.313	52,8
3. Securities	1.414	0,4	2.766	0,6	5.278	1,0	14.229	2,2	15.221	2,4	14.129	2,1
4. Central Bank Accounts	39.043	9,7	34.702	7,6	33.441	6,2	34.926	5,5	35.466	5,6	43.722	6,7
5. Equity	43.084	10,7	54.078	11,9	59.479	11,1	65.364	10,2	59.155	9,3	70.572	10,7
<u>Equity Composition</u>												
1. Registered Capital	12.650	29,4	16.886	31,2	20.231	34,0	23.469	35,9	23.007	38,9	25.593	36,3
2. Reserves and Reserve Funds	28.235	65,5	34.695	64,2	21.791	36,6	22.838	34,9	22.996	38,9	30.367	43,0
3. Other Funds Created from Profit	0	0,0	0	0,0	12.282	20,6	12.977	19,9	10.287	17,4	10.964	15,5
4. Capital Funds	0	0,0	0	0,0	1.620	2,7	1.962	3,0	2.095	3,5	4.252	6,0
5. Retained Earnings	2.199	5,1	2.497	4,6	3.555	6,0	4.119	6,3	1.320	2,2	-4.611	-6,5

Table 5

Assets, Liabilities and Equity of Banks in the Slovak Republic (in SKK mil)

	Foreign Banks Branches											
	12-93	%	12-94	%	12-95	%	12-96	%	12-97	%	06-98	%
<u>Total Assets</u>	42.154		49.016		61.463		76.974		80.552		95.554	
1. Loans	22.936	54,4	28.209	57,6	32.528	52,9	30.237	39,3	28.881	35,9	13.571	14,2
2. Interbank Assets	7.966	18,9	7.036	14,4	11.223	18,3	29.002	37,7	35.266	43,8	67.588	70,7
3. Securities	779	1,8	4.561	9,3	6.523	10,6	5.390	7,0	4.643	5,8	4.884	5,1
incl. T-bills	499	1,2	2.919	6,0	30	0,0	1.310	1,7	780	1,0	308	0,3
<u>Total Liabilities and Equity</u>	42.154		49.016		61.463		76.974		80.552		95.554	
1. Interbank Liabilities	12.680	30,1	16.098	32,8	18.738	30,5	35.150	45,7	42.180	52,4	58.622	61,3
2. Deposits	14.818	35,2	19.135	39,0	26.082	42,4	21.837	28,4	20.271	25,2	19.559	20,5
3. Securities	147	0,3	1.152	2,4	4.380	7,1	4.433	5,8	3.137	3,9	2.917	3,1
4. Central Bank Accounts	1.800	4,3	64	0,1	0	0,0	115	0,1	141	0,2	111	0,1
5. Equity	5.638	13,4	9.206	18,8	7.417	12,1	10.986	14,3	11.131	13,8	11.010	11,5
<u>Equity Composition</u>												
1. Registered Capital	571	10,1	787	8,5	3.805	51,3	6.571	59,8	5.055	45,4	4.317	39,2
2. Reserves and Reserve Funds	4.959	88,0	6.870	74,6	2.592	34,9	4.208	38,3	5.368	48,2	4.863	44,2
3. Other Funds Created from Profit	0	0,0	0	0,0	25	0,3	27	0,2	83	0,7	12	0,1
4. Capital Funds	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0
5. Retained Earnings	2.199	39,0	1.549	16,8	995	13,4	179	1,6	121	1,1	134	1,2

Diagram No. 1 Movement of financial flows of institutional investors