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J&T BANK, a. s.  
Branch of foreign bank  
Public information  
as at 31.12.2008

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**1.1 INFORMATION ABOUT ACTIVITY OF J&T BANK, A.S., BRANCH OF FOREIGN BANK**

**Total number of employees according to state in records as at 31.12.2008 :** 90

**Number of head employees according to state in records as at 31.12.2008:** 8

**Date of incorporation:** 23.11.2005

**Date when banking permit was granted:** Notice of the National Bank of Slovakia on the conditions of operations of the branch in the territory of the Slovak Republic on the basis of single banking permit in compliance with Article 12 Act No. 483/2001 Cill. on Banks and on Modification and Amendment of Central Laws was issued on 4.11.2005.

**Date of 1st extension of the banking permit:** Notice of the National Bank of Slovakia pursuant to Article 26 Directive 2006/48/ES concerning extension of authorisation to perform banking activities through branch of foreign bank in the territory of the Slovak Republic as of 24.7.2007.

**Date of 2nd extension of the banking permit:** Notice of the National Bank of Slovakia pursuant to Article 26 Directive 2006/48/ES concerning extension of authorisation to perform banking activities through branch of foreign bank in the territory of Slovak Republic as of 22.2.2008

**Date of commencement of performance of permitted banking activities::** 06.03.2006

**List of activities being performed according to the granted permit**

As at 31.12.2008, J&T BANKA, a.s., branch of foreign bank, was performing the following activities:

- a) accepting deposits from the public,
- b) granting loans,
- c) payment transaction and clearance,
- d) granting guarantees,
- e) issuance and administration of means of payment,
- f) trading on own account or on account of client in cash in foreign currencies, namely in the extent of trading on own account,
- g) providing information,
- h) trading in transferable securities on account of client,
- i) custody and administration of securities.

**List of permitted activities not being performed**

As at 31.12.2008, J&T Banka, a.s., branch of foreign bank, did not perform the following permitted activities:

- a) financial leasing),
- b) trading on own account or on account of client:
  - 1. in money market instruments,
  - 2. in the area of futures,
  - 3. in transferable securities; namely in the extent of trading on own account,
- c) custody of valuables,
- d) trading on account of client in instruments of money market,
- e) trading on account of client in foreign exchange.

**List of activities performance of which was limited, temporarily suspended or cancelled the relevant authority**

J&T BANK, a.s., branch of foreign bank does not have limited, suspended or cancelled activities.

**Citation of statement part of valid decision, which imposed remedial measure during the calendar quarter-year**

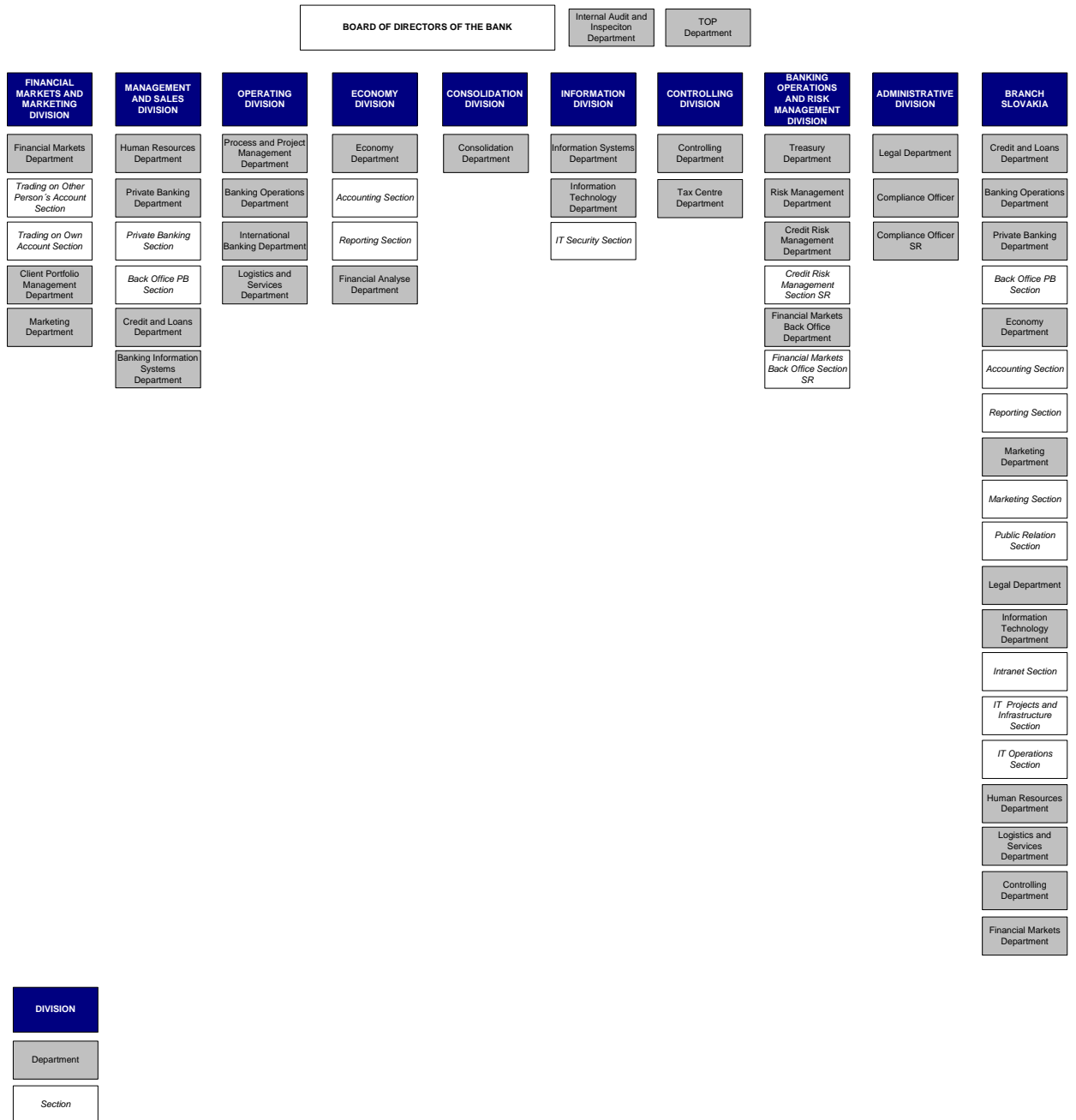
No valid decision, which would impose remedial measure, was imposed on the J&T BANK, a.s., branch of foreign bank.

**Citation of statement part of valid decision, which imposed fine during the calendar quarter-year**

No valid decision, which would impose fine, was imposed on the J&T BANK, a.s., branch of foreign bank.

1.2 ORGANIZATIONAL STRUCTURE OF THE BANK

Valid as at 31.12.2008



**FOR THE FOUNDER AND MANAGEMENT OF J&T BANK, A.S., BRANCH OF FOREIGN BANK:**

We have audited the accompanying financial statements of the company J&T BANKA, a. s., branch of foreign bank ("branch"), which comprises the balance sheet as at 31st December 2007, profit and loss statement and statement of accounted revenues and costs and cash flow statement for the year ended on 31st December 2007 and explanatory notes.

**Responsibility of the management of the branch**

The management of the branch is responsible for preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards ("IFRS") in wording accepted by the European Union. This responsibility includes proposal, establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and methods; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. These Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies and methods used and the reasonableness of accounting estimates made by the management of the branch, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements are giving true and fair view, in all material aspects, of the financial position of the branch as at 31st December 2006, results of its economy and financial flows for the year ended on 31st December 2007 in accordance with the International Financial Reporting Standards in wording accepted by the European Union.

20st March 2009

Auditing company

KPMG Slovensko spol. s r. o.  
SKAU licence No.. 96

Dagmar Lukovičová  
SKAU licence No. . 754

## BALANCE SHEET

For the year ended on 31st december 2008

## ASSETS

TSKK	notes	2008	2007
Cash and cash equivalents	7.5	4 092 173	697 139
Receivables from banks	7.7	4 114 466	169 309
Receivables from clients	7.8	17 359 427	12 712 477
Property and equipment	7.9	17 019	22 388
Other assets	7.11	578	520
Prepayments and accrued incomes		100	514
Total		25 583 763	13 602 347

## LIABILITIES

TS, SKK	notes	2008	2007
Liabilities towards clients	7.12	7 622 313	8 493 509
Bills of exchange		10 004	-
Derivative financial instruments	7.13	-	34
Other liabilities	7.14	20 199	26 380
Corporate income tax	7.15	37 379	36 261
Deferred tax liability	7.16	3	41
Prepayments and accrued incomes		50	36
Total		7 689 948	8 556 261

## LIABILITIES TOWARDS HEAD OFFICE

TSKK	notes	2008	2007
Liabilities towards Head Office	7.17	17 893 815	5 046 086
		17 893 815	5 046 086
		25 583 763	13 602 347

The financial statement, which comprises also notes on pages 10 through 44, was approved on 20<sup>th</sup> March 2009.

Ing. Monika Céreová

Head of J&T Banka, branch Bratislava and organizational unit manager

Ing. Zdenka Labašová

Economic division director

Ing. Mária Rybárová

Responsible for book-keeping

**PROFIT AND LOSS STATEMENT**  
For the year ended on 31st december 2008

TS.KK	notes	2008	2007
Interest income	7.19	1 135 186	711 818
Interest expense	7.20	(614 997)	(413 350)
<b>Net interest income</b>		<b>520 189</b>	<b>298 468</b>
Fee and commission income	7.21	8 195	2 992
Fee and commission expense	7.22	(1 267)	(13 909)
Net trading income / expense	7.23	22 693	(1 034)
Other income	7.24	768	456
<b>Operating income</b>		<b>550 578</b>	<b>286 973</b>
General operating expense	7.25	(157 263)	(84 923)
Depreciation	7.9	(7 619)	(6 492)
<b>Operating expense</b>		<b>(164 882)</b>	<b>(91 415)</b>
Reduction of the value of receivables towards clients	7.8	(184 785)	-
<b>Profit before tax</b>		<b>200 911</b>	<b>195 558</b>
Tax	7.26	(74 919)	(37 599)
<b>Profit after tax</b>		<b>125 992</b>	<b>157 959</b>

Notes enlisted on pages 10 to 44 are a part of this financial statement.

**ACCOUNTED INCOMES AND EXPENSES**  
For the year ended on 31st december 2008

TS KK	2008	2007
Profit for the period	125 992	157 959
Total accounted incomes for the period	125 992	157 959

Notes enlisted on pages 10 to 44 are a part of this financial statement.

## CASH FLOW STATEMENT

For the year ended on 31st december 2008

TSKK	notes	2008	2007
<b>Cash flows from operating activities</b>			
Profit before tax		200 911	195 558
Adjustments for non-cash operations:			
Depreciation		7 619	6 492
Reduction of the value of receivables towards clients		184 785	-
<b>Total</b>		<b>393 315</b>	<b>202 050</b>
Increase of the state of receivables towards banks		(3 945 157)	(49 261)
Increase of the state of receivables towards clients		(4 831 735)	(5 709 457)
Increase of the state of other assets		(58)	(89)
Decrease/ Increase of the state of deferred costs and incomes		414	(333)
Decrease/ Increase of the state of payables towards clients		(871 196)	4 107 640
Decrease/ Increase of the state of payables from bills of exchange		10 004	-
Decrease/ Increase of the state of derivative financial instruments		(34)	34
Decrease/ Increase of the state of other payables		(6 181)	10 566
Decrease/increase of the state of deferred revenues and expenses		14	(215)
Paid income tax		(73 839)	(2 633)
<b>Net cash flow from operatin activity</b>		<b>(9 324 453)</b>	<b>(1 441 698)</b>
<b>Cash flow from investment activities</b>			
Purchase of property and equipment		(2 250)	(4231)
<b>Net cash flow from investment activities</b>		<b>(2 250)</b>	<b>(4 231)</b>
<b>Cash flow from financial activities</b>			
Funds provided by the Head Office		12 721 737	2 112 964
<b>Net cash flow from financial activities</b>		<b>12 721 737</b>	<b>2 112 964</b>
<b>Net increase of cash and cash equivalents</b>		<b>3 395 034</b>	<b>667 035</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>697 139</b>	<b>30 104</b>
<b>Cash and cash equivalents at the end of the year</b>	7.5	<b>4 092 173</b>	<b>697 139</b>

## NET CASH FLOW FROM OPERATING ACTIVITY INCLUDES

TSKK	2007	2008
Interests received	934 700	468 910
Interests paid	(609 992)	(391 004)
<b>Total</b>	<b>324 708</b>	<b>77 906</b>

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

For the year ended on 31st december 2008

**7.1 GENERAL INFORMATION**

J & T BANKA, a.s. Branch Office of a Foreign Bank ("Branch Office") is a branch established in Slovak Republic. The Branch Office is seated Lamačská cesta 3, Bratislava; Company ID: 35,964,693; VAT Number: SK202,209,2710.

**Foundation**

J & T BANKA, a.s., Branch Office of a Foreign Bank was founded by decision of J & T BANKA, a.s. of 14.11.2005 and was incorporated in the Companies Register on 23.11.2005 as organizational unit of a foreign entity company.

List of activities executed according to granted permission:

- receiving deposits from the public,
- providing loans
- payments and clearance,
- providing guarantees,
- issuance and administration of means of payments,
- trading on own is account or on client`s account with cash in foreign currencies, particularly to the extent of trading on its own account,
- providing banking information,
- depositing and administration of securities,
- trading with negotiable instruments on a client`s account.

List of permitted activities, which are not being executed:

- financial leasing,
- trading on its own account or on a client`s account:
  1. In money market instruments,
  2. In the field of futures,
  3. In negotiable instruments;  
particularly to the extent of trading on its own account,
- Depositing valuables,
- Trading on a client`s account in money market instruments,  
Trading on a client`s account in foreign exchange,

**Organizational unit manager**

Ing. Monika Céreoová

**Founder (hereinafter referred to as "Head Office" or "Bank")**

J & T BANKA, a.s., Pobřežní 297/14, 186 00 Praha 8, Česká republika

**Board of Directors of the Bank**

Chairman: Ing. Patrik Tkáč

Members: JUDr. Ing. Jozef Spišiak, Ing. Kamil Bendák, Štěpán Ašer, MBA

**Members of Supervisory Board**

Chairman Ing. Jozef Tkáč

Deputy chairman: Ing. Ivan Jakobovič

Members: Jozef Šepetka, Ing. Dušan Palcr, Ing. Miloslav Čomaj, Ing. Eva Šagátová, Ing. Miroslav Minařík, IIng. Ingrida Láslopová, Ing. Mgr. Ondřej Popelka

J & T BANKA, a.s. – Head Office, has registered fixed assets of CZK 1,838,127,000.-.

The financial statement as of 31<sup>st</sup> December 2007 was approved on 31<sup>st</sup> March 2008 by statutory representative. The Bank is included in the consolidated financial statement of the company J&T FINANCE GROUP, a.s., with its seat at Lamačská cesta 3 in Bratislava. The consolidated financial statement for the entire group is being compiled by the company TECHNO PLUS, a.s. (originally TECHNO PLUS, verejná obchodná spoločnosť), the final parent company, with its seat at Donnerova 15, Bratislava. Consolidated financial statements can be obtained directly in the seat of the company J&T FINANCE GROUP, a.s.

The Board of Directors of the Bratislava Stock Exchange, at its regular meeting held on 20.12.2007, decided on acceptance of the company J & T BANKA, a.s., branch of foreign bank, as a due member of the Bratislava Stock Exchange, via withdrawal from the due membership by the company J&T SECURITIES (SLOVAKIA), o. c. p., a. s. The due membership came into force on 1.2.2008 in compliance with Article 11 paragraph 11.1 of Membership Rules.

On 4.3.2008, services were extended by custody of paper securities and custody of foreign securities.

## **7.2 BASIS FOR FINANCIAL STATEMENT ELABORATION**

### **(a) Declaration of compliance**

Financial statement was elaborated in compliance with International standard for financial reporting IAS 34 in wording adopted by European Union.

The financial statement was elaborated as regular financial statement pursuant to Article 17(a) Act No. 431/2002 Coll. on Accounting as amended.

### **(b) Basis for pricing**

Financial statement was elaborated on the basis of historic prices, except for financial derivatives, which are enlisted in their fair value.

### **(c) Functional and Presentation Currency**

This financial statement was elaborated in Slovak Crowns, which are the functional currency of the Branch Office. Amounts in Slovak Crowns are expressed in thousands, unless stated otherwise.

### **(d) Usage of Estimates and Opinions**

Preparation of financial statement requires from the management to form judgments, estimates and anticipations, influencing application of accounting procedures and amount of the reported assets, liabilities, incomes and expenses. Real results may differ from these estimates.

Estimates and connected anticipations are continuously revaluated. Adjustments of accounting estimates are reported in the period, the estimate is corrected and in all other future influenced periods.

Information on important fields of uncertainty of estimates and important opinions used in accounting procedures, having important influence on amounts reported in the financial statement, are described in Points 4 and 32 of Notes.

### 7.3 IMPORTANT ACCOUNTING PROCEDURES

Accounting procedures enlisted below were applied consistently for both periods enlisted in the financial statement.

#### **(a) Foreign Currency Transactions**

Foreign currency transactions are converted to Slovak Crowns by the exchange rate determined in the list of exchange of the National Bank of Slovakia, valid on the day of the given transaction execution. Financial assets and liabilities in foreign currency shall be converted by the exchange rate valid on the day of the financial statement conclusion. Exchange differences are cleared in the profit and loss statement, in the item Net trading profit/loss.

#### **(b) Interest Income and Expense**

Interest income and expense are reported in the profit and loss statement using the method of effective interest rate. The effective interest rate is the rate accurately discounting the estimated future financial payments and incomes in the course of life of the financial asset or liability (or shorter period, eventually), to the book value of financial asset or liability. The effective interest rate is determined at primary reporting of financial asset and liability and is not reviewed later.

Calculation of effective interest rate includes all paid or received fees, transaction costs and discounts or premium, which are inseparable part of the effective interest rate. Transaction costs are incremental costs, which may be directly assigned to acquisition, issue or retirement of financial asset or liability.

#### **(c) Fee and Commission incomes and expenses**

Fee and commission incomes and expenses, which are an inseparable part of the effective interest rate of financial assets and liabilities, are included in the effective interest rate calculation.

Other fee and commission incomes, including fees for account administration, are reported when the connected services are executed.

Other fee and commission expenses are concerning especially transaction costs and fees for services posted into accounts when the services are accepted.

#### **(d) Net Trading Profit**

Net trading profit shall not include incomes decreased by losses connected with trading assets and liabilities and shall include all executed and non-executed changes of the fair value, interest, dividends and exchange differences.

#### **(e) Paid Rent**

Paid payments in operative leasing are steadily reported in the profit and loss statement in the course of leasing duration.

#### **(f) Income Tax**

Income tax includes payable and deferred tax. The income tax is reported in the Profit and Loss Statement, except for items, which are reported directly in pricing differences within payables towards the Head Office. In this case, they are reported in pricing differences within payables towards the Head Office.

Payable tax is expected tax payable based on taxable incomes for the year recalculated by using the valid tax rate as at the date of compilation of the financial statements, adjusted for sums connected with previous periods.

Deferred tax is calculated by using balance sheet method, when there arises temporary difference between book value of assets and liabilities for the purposes of reporting and values for tax purposes. The deferred tax is calculated by using tax rates at which there is expected that they will be applied to temporary differences in the time of their deduction, on the basis of laws, which were valid or re-enacted on the date as at which financial statements are compiled.

Deferred tax receivable is accounted for only up to the amount of expected tax profits towards which there can be applied not used tax losses and temporary differences. Deferred tax receivables are revaluated as at the date of compilation of the financial statement and reduced in the extent for which it is probable that it will be possible to realize tax profit to which it relates.

**(g) Financial Assets and Liabilities****(i) Reporting**

Branch Office is primarily reporting receivables and liabilities towards clients as of the date of their occurrence.

**(ii) Reporting Termination**

The Branch Office shall finish reporting of financial assets at the time of termination of contractual rights for cash flows from financial assets or shall transfer contractual rights for cash flows from financial assets transferring a substantial part of risks and rewards resulting from the financial assets ownership.

The Branch Office shall finish reporting of financial liability, in case the contractual liability is fulfilled, cancelled or its validity is terminated.

The Branch Office shall also finish reporting of some assets, when writing off balances corresponding with assets considered as unrecoverable.

**(iii) Compensation**

Financial assets and liabilities are mutually set off and their net values are reported in balance sheet only in case the Branch Office has the entitlement for compensation of these balances and proposes to pay on net basis or to sold assets and repay the liability at the same time.

Incomes and expenses are reported on net basis only in cases allowed by accounting standards or in case of profits and losses originating from the group of similar transactions, for example in the Branch Office business activity.

**(iv) Evaluation in Depreciated Value**

Depreciated value of financial asset or liability is the amount of evaluation of an asset or liability at the primary reporting, decreased by principal installments, decreased or increased by the accrued depreciated value of difference between the primarily reported value and the value at maturity using effective interest rate and decreased by losses from value decrease.

**(v) Evaluation in Fair Value**

Real values of financial assets and financial liabilities are determined on the basis of quoted market prices or assessed values from a dealer, for financial instruments traded on active markets. For all other financial instruments, the real value is determined according to appraisal methods. Appraisal methods shall include the method of discounted cash flows, comparing with similar instrument having an existing market price and appraisal models. The Branch Office is utilizing accepted appraisal models for determination of fair value of the common financial instruments, as options and interest and currency swaps. For these financial instruments, entries into models are found out on market.

**(vi) Identification and Appraisal of Value Decrease**

As of the date of financial statement composition, the Branch Office shall find out, whether there is an objective proof for value decrease of financial assets not reported in fair value by means of profit and loss statement. Financial assets shall report indicators of value decrease in case there is an objective proof on loss event occurring upon the primary reporting of assets and this loss has impact on the future cash flow from asset, which may be reliably appraised.

The Branch Office is taking into consideration the proof of value decrease at the level of individual asset as well as asset groups. For each individually important financial asset, the loss from value decrease is considered at individual level.

Objective proof of financial asset value decrease (including shares), may include important financial problems or breach of contract from the debtor's part, easement granted to the debtor by creditors due to economic or legal reason connected with financial difficulties of the debtor, the creditor would not consider under different circumstances, probability that the debtor or issuer shall declare bankruptcy, decrease of active market for the given security or other data connected with the asset group, as unfavorable changes in payment status of debtors or issuers in the group or unfavorable changes of economic conditions connected with important financial problems in the group.

Losses from value decrease of assets reported in depreciated value are calculated as difference between book value of financial asset and current value of estimated future cash flows discounted by the original effective interest rate of the given asset. Losses from value decrease are reported in the profit and loss statement and shall decrease the value of receivables. Interest from asset with decreased value is further reported by solution of the discount.

In case a future event shall cause a drop of loss due to value decrease, this decrease is repeatedly placed to accounts via profit and loss statement.

#### **(h) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, free funds on accounts in National Bank of Slovakia and current accounts in other banks not subject to important risk in change of their fair value and are utilized by the Branch Office in short-term liabilities management.

Cash and cash equivalents are reported in balance sheet in depreciated value.

#### **(i) Derivative Financial Instruments**

Derivative financial instruments including currency forwards and options are primarily reported in balance sheet in their purchase price (including transaction expenses). Subsequently, they are evaluated by fair values. Fair values are determined on the basis of quoted market prices or on the basis of discounted cash flows. Positive fair value of derivatives is reported as assets and negative fair value is reported as liability.

Changes in fair value of derivatives are included in Net trading profit/loss.

#### **(j) Receivables**

Receivables are a non-derivative financial asset with fixed or ratable installments, the price of which is not determined by active market and the Branch Office is not intending to sell them immediately or in a short time.

Receivables are primarily reported in real value together with incremental direct transaction expenses and subsequently evaluated in their depreciated value, using the method of effective interest rate.

#### **(k) Property and Equipment**

##### **(i) Reporting and Evaluation**

Elements of property and equipment are evaluated in prices of expenses decreased by depreciations and losses from amor-

tization.

Purchase price includes expenses, which are directly assignable to purchase of the given asset. Purchased software, which is an inseparable part of value of the connected equipment is reported as a part of the given equipment.

In case the parts of asset item have different usable life, they are placed into accounts separately as the main parts of property and equipment.

**(ii) Subsequent Expenses**

Item of property and equipment is reported in reproduction purchase price, in case it is probable that future economic benefits connected with the given property item will accrue to the Branch Office and it will be possible to measure expenses reliably. Expenses connected with common maintenance of property and equipment are reported in profit and loss statement in the time of their occurrence.

**(iii) Depreciation**

Depreciations are reported in profit and loss statement on a balanced basis in the course of estimated usable life of each property and equipment item.

Estimated usable life for current and comparative accounting period are the following:

Furniture, equipment and facilities	5 - 10 years
Software and other intangible assets	3 - 5 years

Depreciation methods, usable life and residual values are revaluated as of the date of financial statement composition.

**(I) Decrease of Non-financial Assets Value**

Book value of non-financial assets of the Branch Office, other than deferred tax receivable, shall be revaluated as of the date of financial statement composition aimed at detection, whether there is a suggestion of asset value decrease. In case there is a suggestion of asset value decrease detected, subsequently the amount possible to be acquired from such asset shall be estimated.

Loss from value decrease shall be reported in case the book value of asset or unit generating the cash exceeds its acquirable value. Unit generating cash is the smallest identifiable group of assets generating cash incomes, which are to a large extent dependent from other assets or groups of assets.

Losses from value decrease are reported directly in the profit and loss statement. Losses from value decrease reported in connection with units generating cash are reported primarily as decrease of book value of goodwill falling on these units and are placed into accounts thereafter as decrease of book value of other assets in the unit (group of units) on a relative basis.

Amount, which may be acquired from the given asset or unit and which is generating cash, is either the net selling price or usable unit value, considering the higher one. At the usable asset value, estimate of future cash flows is discounted to their present value by means of discounted rate before taxes, reflecting the current market evaluation of the time value of money and risks specific for the given asset.

Losses from value decrease reported in previous periods are revaluated as of the date of financial statement composition, considering whether there is an indication of loss decrease or proof that a loss is no longer existing. Loss from value decrease is cleared, when change occurs in the estimate used at determination of amount, which is possible to be acquired from the given asset. Value decrease shall be cleared only up to the amount of net book value the asset would have, if the value decrease would not be reported.

**(m) Liabilities towards Clients and Liabilities towards Head Office**

Liabilities towards clients and liabilities towards Head Office are the main sources of the Branch Office financing.

Liabilities towards clients and liabilities towards Head Office are primarily evaluated in fair value increased by transaction expenses and subsequently evaluated in depreciated value, including accrual of interests using effective interest rate.

**(n) Reserves**

Reserve shall be created in case there is a legal or objective obligation for the Branch Office to fulfill liability resulting from a past event, and impact of which may be reliably estimated and it is probable that the liability will be fulfilled and will require spending resources bringing economic benefits. Reserves are calculated discounting the expected cash flows by means of discount rate before taxes, reflecting the current market evaluation of the time value of money, and risks specific for the given asset if necessary.

Reserve for unprofitable contracts is reported, when the necessary expenses for fulfillment of liabilities according to a contract exceed the economic benefits acquired on the basis of this contract according to expectations. Reserve is evaluated by the lower one of the two amounts, either for fulfillment of contract and any compensations or sanctions originating from failure to fulfill it. Prior to reserve creation, the Branch Office shall report decrease of value of asset connected with the unprofitable contract.

**(o) Employee Benefits**

Short-term Employee Benefits

Liabilities from short-term employee benefits are evaluated on a non-discounted basis and are placed into expenses in the time of provision of the connected service.

Reserve is reported in the value expected to be paid as a short-term financial reward or within plans of share in the profits, when the Branch Office has a contractual or non-contractual obligation to pay this amount as a result of service provided in the past by employees and this service may be reliably evaluated.

**(p) New Standards and Interpretations, which are not effective yet and were not applied**

Several new standards, amendments to standards and interpretations are not effective yet as at 30<sup>th</sup> June 2008 and were not applied at this financial statement composition:

- IFRS 8 Operating Segments, the standard will require publishing information on operating segments of the company, the management is taking into consideration at operating decisions. Operating segments are the parts of the company, providing financial information, which are regularly assessed by persons with decisive competence, at decisioning on distribution of resources and at determination of performance levels. IFRS 8 will be effective from 1<sup>st</sup> January 2009 and the Branch Office shall not expect it to be relevant for its activities.
- Amended IAS 1 Presentation of Financial Statements will require grouping of information in the financial statement according to common characteristics and implementation of a report of summary economic result. Incomes and expenses items and components of other summary economic result may be presented either in a single report of summary economic result with intermediate totals or in two separate reports (separate profit and loss statement followed by summary economic result statement). Amended IAS 1 will be effective from 1<sup>st</sup> January 2009. Presently, the Branch Office is evaluating influence of the given standard.
- Amended IAS 23 Borrowing Costs. Amended standard will require capitalization of borrowing costs connected with assets requiring longer time for engagement into usage or sale. Amended IAS 23 will be effective from 1<sup>st</sup> January 2009 and is not relevant for the Branch Office activities, as the Branch Office has no assets, for which it would be possible to capitalize borrowing costs.

- Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments (*Financial Instruments. Presentation – Instrument containing the right to sell and obligations arising on liquidation*) require that instruments containing the right to sell and instruments, which only in case of liquidation impose on a company the obligation to deliver to a third company an aliquot part of net assets of the company, were classified as shareholder's equity if certain conditions are met. It is not expected that the amendments, which will become compulsory for financial statement of the Branch Office for the year 2009 and which will be retrospectively applicable, will have any influence on the financial statement.
- The International Accounting Standards Board has issued certain amendments to the existing standards as a part of their first project of annual improvements. Effective dates of these amendments differ depending on the standard and majority of them will be applicable to the financial statement of the Branch Office for the year 2009. The Branch Office does not expect that the amendments will have significant influence on its financial statement.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies application of the existing principles, which determine whether specific risks or portions of cash flows are eligible for designation of hedging relationship. The amendments will become compulsory for the financial statement of the Branch Office for the year 2010 with retrospective validity. The Branch Office does not expect that the amendments will have any influence on the financial statement.
- Amendment to IAS 40 Investment Property includes in the definition "investment property" property under construction or development for future use. This property, which used to belong to the scope of application of IAS 16, now falls under IAS 40. The amendment is effective from 1<sup>st</sup> January 2009. The Branch Office does not expect that the amendment to IAS 40 will have any influence on the financial statement.
- IFRIC 13 *Customer Loyalty Programmes* deals with accounting in companies, which provide loyalty programmes to customers, where the customer can draw credits in a form of goods and services free of charge or with discount. IFRIC 13 will be compulsory for the financial statement of the Branch Office for the year 2009 and will be retrospectively applicable. The Branch Office does not expect that this new interpretation will be relevant for its activities.

## 7.4 UTILIZATION OF ESTIMATES AND OPINIONS

These statements shall amend the comment on financial risk management in Point 30 of the Notes.

### **Key sources of uncertainty in estimates**

Assets posted in depreciated value shall be evaluated in connection with eventual value decrease on the basis of accounting procedures 3 (g) (vi).

### **Adjusting Entries for Receivables Value Decrease**

The Branch Office management shall evaluate receivables in connection with value decrease individually, on the basis of the best estimate of current value of cash flows, expected by the Branch Office. Estimating these cash flows, management is making judgments on financial situation of a contracting party and on net selling price of security. Each value decrease of assets shall be evaluated according to individual measures, recovery strategy and the estimate of recoverable cash flows shall be approved by a member of the Board of Directors of the bank in charge for credit risk management.

### **Fair Value Determination**

Determination of fair value of financial assets and liabilities, for which the market value is unknown, shall require utilization of evaluation techniques described in Point 3 (g) (v) of Notes. For financial instruments rarely traded, the fair value is less objective and shall require several levels of consideration based on liquidity, concentration, uncertainty of market factors, price assumptions and other risks influencing the given instrument.

## 7.5 CASH AND CASH EQUIVALENTS

TSKK	as at 31.12.2008	as at 31.12.2007
Cash on hand and accounts in the central bank (Point 7.6 of the notes)	29 675	17 743
Receivables from banks with contractual maturity period up to 3 months (Point 7.7 of the Notes)	4 062 498	679 396
<b>Total</b>	<b>4 092 173</b>	<b>697 139</b>

Receivables towards banks with contractual maturity period up to 3 months include time deposit in the National Bank of Slovakia, which is security for frontloading of the euro cash, namely in the amount of TSKK 11,293.

Receivables towards banks with contractual maturity period up to 3 months include time deposit in the National Bank of Slovakia, which is security for frontloading of the euro cash, namely in the amount of TSKK 11,293.

## 7.6 CASH ON HAND AND ACCOUNTS IN THE CENTRAL BANK

TSKK	as at 31.12.2008	as at 31.12.2007
Receivables from the National Bank of Slovakia:		
Obligatory minimum reserves	4 114 466	169 309
Time deposits in the National Bank of Slovakia	11 293	-
Other	40	35
<b>Total</b>	<b>4 125 799</b>	<b>169 344</b>
Cash on hand	29 635	17 708
<b>Total</b>	<b>4 155 434</b>	<b>187 052</b>
Less obligatory minimum reserves (Point 7.7 of the Notes)	(4 125 759)	(169 309)
<b>Total</b>	<b>29 675</b>	<b>17 743</b>

Obligatory minimum reserves are kept in the amount determined by the provision of National Bank of Slovakia and are not intended for everyday use.

## 7.7 RECEIVABLES FROM BANK

TSKK	as at 31.12.2008	as at 31.12.2007
Mature on demand	4 051 205	679 396
Obligatory minimum reserves (Point 7.6. of the notes)	4 114 466	169 309
Time deposit in the National Bank of Slovakia payable within 3 months (Point 7.6 of the Notes)	11 293	-
<b>Total</b>	<b>8 176 964</b>	<b>848 705</b>
Minus receivables with contractual maturity period up to 3 months (Point 7.5 of the Notes)	(4 062 498)	(679 396)
<b>Total</b>	<b>4 114 466</b>	<b>169 309</b>

The Branch Office does not have receivables towards banks after maturity period.

**7.8. RECEIVABLES FROM CLIENTS**

TSKK	as at 31.12.2008	as at 31.12.2007
Receivables from Clients	17 544 212	12 712 477
Adjusting entries for reduction of value	[184 785]	-
<b>Total</b>	<b>17 359 427</b>	<b>12 712 477</b>

TSKK	as at 31.12.2008	as at 31.12.2007
Other loans and receivables from clients with residual maturity period:		
- Up to 3 months	3 979 253	1 692 035
- From 3 months to 1 year	10 489 729	10 141 787
- From 1 year to 5 years	1 924 153	878 655
- Above 5 years	966 292	-
<b>Total</b>	<b>17 359 427</b>	<b>12 712 477</b>

**THE BRANCH OFFICE HAS RECEIVABLES IN THE FOLLOWING CATEGORIES**

TSKK	as at 31.12.2008	as at 31.12.2007
Real Estate	9 895 501	6 954 779
Production concern	2 481 228	1 667 183
Hotels and tourism	2 252 211	1 019 628
Health Service	798 986	213 227
Other services	605 643	2 023 259
Activity in retransmission and signal broadening	601 628	-
Energetics	261 689	-
Financial services	172 000	414 297
Retail	168 061	-
Population	122 458	413 048
Warehouse	22	7 056
<b>Total</b>	<b>17 359 427</b>	<b>12 712 477</b>

**RECEIVABLES FROM CLIENTS BY COUNTRIES**

TSKK	as at 31.12.2008	as at 31.12.2007
Slovak Republic	10 828 247	7 435 518
Cyprus	5 605 581	4 452 796
Great Britain	646 553	98 854
British Virgin Island	220 032	579 534
Czech Republic	59 014	-
Nederland	-	145 775
<b>Total</b>	<b>17 359 427</b>	<b>12 712 477</b>

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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### SECURITY TO RECEIVABLES FROM CLIENTS IS THE FOLLOWING

TSKK	as at 31.12.2008	as at 31.12.2007
Real estates	6 858 548	2 361 036
Securities	3 763 440	206 757
Money deposits	60 252	6 867
Third person guarantee	8 654	102 916
Bill of exchange	3 380	9 574 536
Other	359 614	303 205
<b>Total</b>	<b>11 053 888</b>	<b>12 555 317</b>

### CREDIT EXPOSURE CONCERNING FINANCIAL ASSETS BEFORE MATURITY PERIOD AND NOT REPORTING DEPRECIATION SINGS

TSKK	as at 31.12.2008	as at 31.12.2007
Receivables from clients	15 652 320	12 711 429
<b>Total</b>	<b>15 652 320</b>	<b>12 711 429</b>

### AGE STRUCTURE OF UN - DEPRECIATED FINANCIAL ASSETS AFTER MATURITY PERIOD AS AT 31TH DECEMBER 2008

TSKK	In maturity period	Up to 1 Month after maturity period	Total
Receivables from clients	15 652 320	-	15 652 320
<b>Total</b>	<b>15 652 320</b>	<b>-</b>	<b>15 652 320</b>

### AGE STRUCTURE OF UN - DEPRECIATED FINANCIAL ASSETS AFTER MATURITY PERIOD AS AT 31TH DECEMBER 2007

TSKK	In maturity period	Up to 1 Month after maturity period	Total
Receivables from clients	12 711 429	1 048	12 712 477
<b>Total</b>	<b>12 711 429</b>	<b>1 048</b>	<b>12 712 477</b>

### AGE STRUCTURE OF RECEIVABLES TOWARDS CLIENTS WITH REDUCED VALUE AS AT 31.12.2008

TSKK	In maturity period	Adjusting entry	Reduced value
Receivables from clients	1 891 892	(184 785)	1 707 107
<b>Total</b>	<b>1 891 892</b>	<b>(184 785)</b>	<b>1 707 107</b>

### ADJUSTING ENTRIES ARE CREATED TO RECEIVABLES TOWARDS CLIENTS FROM THE FOLLOWING COUNTRIES:

TSKK	as at 31.12.2008	as at 31.12.2007
Slovak republic	(173 863)	-
Cyprus	(10 922)	-
<b>Total</b>	<b>(184 785)</b>	<b>-</b>

ADJUSTING ENTRIES ARE CREATED TO RECEIVABLES TOWARDS CLIENTS FROM THE FOLLOWING SECTORS:

TSKK	As at 31.12.2008	As at 31.12.2007
Real estates	(87 887)	
Production companies	(52 002)	
Financial services	(28 458)	
Hotels and tourism	(16 438)	
<b>Total</b>	<b>(184 785)</b>	

SECURITY RECEIVED FOR RECEIVABLES TOWARDS CLIENTS AFTER MATURITY PERIOD

TSKK	2008		2007	
	Book value	Real value	Book value	Real value
Power of pledge to real estate	-	-	1 048	2 040
Received security - securities	-	-	-	1 300
Other powers of pledge	-	-	-	2 413
	-	-	<b>1 048</b>	<b>5 753</b>

SECURITY RECEIVED FOR RECEIVABLES TOWARDS CLIENTS WITH REDUCED VALUE

TSKK	2008		2007	
	Book value	Real value	Book value	Real value
Power of pledge to real estate	473 643	473 643	1 048	2 040
Received security - securities	922 826	898 417	-	1 300
Other powers of pledge	58 075	190 553	-	2 413
<b>Total</b>	<b>1 454 544</b>	<b>1 562 613</b>	<b>1 048</b>	<b>5 753</b>

Real value of security received for receivables towards clients with reduced value is reported up to the amount of loan.

REDUCTION OF VALUE OF RECEIVABLES TOWARDS CLIENTS

Changes in the state on accounts of adjusting entries in order to reduce the value of receivables towards clients were as follows:

TSKK	2008	2007
As at 1 <sup>st</sup> January	-	-
Creation of adjusting entries for losses from loans	(211 362)	-
Dissolution of adjusting entries for losses from loans	26 577	-
As at 31 <sup>st</sup> December	<b>(184 785)</b>	-

As at 31.12.2008, there were created only individual adjusting entries.

## 7.9 PROPERTY AND EQUIPMENT

TSKK	Non-operating Tangible assets	Facilities and equip- ment	Softwarer	Assets purchase	Total
<b>Purchase price</b>					
As at 31.12.2008	-	4 400	24 067	-	28 467
Accruals	-	1 284	557	2 390	4 231
Transfers	-	-	-	-	-
As at 31.12.2007	-	<b>5 684</b>	<b>24 624</b>	<b>2 390</b>	<b>32 698</b>
As at 1.1.2008	-	5 684	24 624	2 390	32 698
Accruals	368	973	909	-	2 250
Transfers	-	-	2390	(2 390)	-
As at 31.12.2008	<b>368</b>	<b>6 657</b>	<b>27 923</b>	-	<b>34 948</b>
<b>Depreciations</b>					
As at 1.1.2007	-	(493)	(3 325)	-	(3 818)
Depreciation for current year	-	(1 396)	(5 096)	-	(6 492)
As at 31.12.2007	-	<b>(1 889)</b>	<b>(8 421)</b>	-	<b>(10 310)</b>
As at 1.1.2008	-	(1 889)	(8 421)	-	(10 310)
Depreciation for current year	(25)	(1 594)	(6 000)	-	(7 619)
As at 31.12.2008	<b>(25)</b>	<b>(3 483)</b>	<b>(14 421)</b>	-	<b>(17 929)</b>
<b>Residual value</b>					
As at 31.12.2008	<b>343</b>	<b>3 174</b>	<b>13 502</b>	-	<b>17 019</b>
As at 31.12.2007	-	<b>3 795</b>	<b>16 203</b>	<b>2 390</b>	<b>22 388</b>

Property and equipment is insured against theft and disasters. Contract was concluded by the J & T BANKA a.s., Head Office in Prague and includes also the Branch Office.

## 7.10 OPERATIONAL LEASING

Branch Office has leasing contracts concluded with the following notice periods:

TSKK	Notice period	Installment in the course of Notice period in TSKK
Commercial lease of movable items (furniture)	1 mesiac	87
Tenancy of non-residential premises	3 mesiace	2 245
<b>Total</b>		<b>2 332</b>

## 7.11 OTHER ASSETS

TSKK	as at 31.12.2008	as at 31.12.2007
Provided advances	97	127
Other receivables	481	393
<b>Total</b>	<b>578</b>	<b>520</b>

### 7.12 LIABILITIES TOWARDS CLIENTS

TSKK	as at 31.12.2008	as at 31.12.2007
Mature on demand	627 357	3 286 074
Other liabilities towards clients with agreed Maturity period or notice period By to the residual maturity period:		
- up to 3 months	5 630 288	3 627 026
- from 3 months to 1 year	1 336 150	1 580 409
- to 5 year	28 518	-
<b>Total</b>	<b>7 622 313</b>	<b>8 493 509</b>

### 7.13 DERIVATE FINANCIAL INSTRUMENTS

TSKK	2008 Contractual/ nominal value	2008 Fair value payables	2007 Contractual/ nominal value	2007 Fair value payables <sub>y</sub>
Currency forwards	-	-	9 964	34
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9 964</b>	<b>34</b>

### 7.14 OTHER LIABILITIES

TSKK	as at 31.12.2008	as at 31.12.2007
Various creditors	7 230	16 579
Employees	7 883	6 239
Social fund	169	93
Other taxes	4 917	3 469
<b>Total</b>	<b>20 199</b>	<b>26 380</b>

Movements on social fund account were as follows:

TSKK	2008	2007
As at 1 <sup>st</sup> January	93	36
Creation	282	227
Drawing	(206)	(170)
<b>As at 31<sup>st</sup> december</b>	<b>169</b>	<b>93</b>

### 7.15 LEGAL ENTITIES INCOME TAX

TSKK	as at 31.12.2008	as at 31.12.2007
Mature income tax (POINT 7.26 of Notas)	74 957	37 636
Advance payments for income tax	(37 578)	(1 375)
<b>Total</b>	<b>37 379</b>	<b>36 261</b>

### 7.16 DEFERRED TAX LIABILITY

Deferred tax liability is concerning the following items:

TSKK	as at 31.12.2008	as at 31.12.2007
Property and equipment	3	41
<b>Total</b>	<b>3</b>	<b>41</b>

Deferred tax liability is calculated using the income tax rate for legal entities in amount of 19%. And during the year, it dropped by TSKK 38 (Point 7. 26 of the Notes). This drop was accounted for as revenue in the Profit and Loss Statement.

### 7.17 LIABILITIES TOWARDS HEAD OFFICE

tTSKK	Funds provided by Head office	Undistributed profit / Outstanding loss	Total
As at 1 <sup>st</sup> January 2007	2 769 980	5 183	2 775 163
Funds provided by Head Office	2 112 964	-	2 112 964
Transfers	5 183	(5 183)	-
Profit 2007	-	157 959	157 959
<b>As at 31<sup>st</sup>.december 2007</b>	<b>4 888 127</b>	<b>157 959</b>	<b>5 046 086</b>
Funds provided by Head Office	12 721 737	-	12 721 737
Transfers	157 959	(157 959)	-
Profit 2008	-	125 992	125 992
<b>As at 31<sup>st</sup>.december 2008</b>	<b>17 767 823</b>	<b>125 992</b>	<b>17 893 815</b>

The Head Office is providing funds to the Branch Office for the purposes of long-term financing of projects according to the current financial needs , namely in the required currency. Current interest rates are the following:

Currency	Interest rate p.a.
Swiss Franc	0,25%
Czech Crown	2,25%
Euro	2,50%
British Pound	2,00%
Russian Ruble	21,61%
Slovak Crown	2,50%
American Dollar	0,00%

The funds have no fixedly determined repayment date.

### 7.18 OFF - BALANCE SHEET ITEMS

TSKK	as at 31.12.2008	as at 31.12.2007
<b>Contingent liabilities</b>		
Guarantees	183 397	16 852
Off-balance sheet contractual liabilities		
Confirmed standby promises	660 294	768 107
<b>Total</b>	<b>843 691</b>	<b>784 959</b>

The Branch Office is not entitled to cancel confirmed standby credits unilaterally; cancellation of a confirmed standby credit must be preceded by an amendment to contract with the particular client.

### 7.19 INTEREST INCOME

TSKK	as at 31.12.2008	as at 31.12.2007
Receivables from clients	1 077 329	672 554
Penalty interest incomes	38 198	23 455
Head Office	15 246	12 583
National Bank of Slovakia	3 036	2 343
Other interest income	1 377	883
<b>Total</b>	<b>1 135 186</b>	<b>711 818</b>

Interest incomes also include time accruals and deferrals to loans, to which adjusting entries were created. They are accounted for in the interest incomes in the amount of TSKK 25,797 (2007: 0).

### 7.20 INTEREST EXPENSE

TSKK	as at 31.12.2008	as at 31.12.2007
Liabilities towards clients	381 693	253 167
Liabilities towards Head Office	230 822	160 162
Bills of exchange	2 000	-
Notary custodies	482	21
<b>Total</b>	<b>614 997</b>	<b>413 350</b>

### 7.21 FEE AND COMMISSION INCOME

TSKK	as at 31.12.2008	as at 31.12.2007
Clients	7 150	2 492
Other	1 045	500
<b>Total</b>	<b>8 195</b>	<b>2 992</b>

### 7.22 FEE AND COMMISSION EXPENSE

TSKK	as at 31.12.2008	as at 31.12.2007
Fees for mediation of loans	-	13 246
Payment system	1215	663
Other	52	-
<b>Total</b>	<b>1 267</b>	<b>13 909</b>

### 7.23 NET TRADING INCOME / EXPENSE

TSKK	as at 31.12.2008	as at 31.12.2007
<b>Incomes from foreign currency operations</b>		
Spot operations	4 169	42 660
Exchange differences	59 947	267 956
Financial derivatives	3 554	248 774
<b>Total</b>	<b>67 670</b>	<b>559 390</b>
<b>Expenses for foreign currency operations</b>		
Spot operations	12 942	18 563
Exchange differences	28 007	281 591
Financial derivatives	4 028	260 270
<b>Total</b>	<b>44 977</b>	<b>560 424</b>
<b>Net trading profit/loss</b>	<b>22 693</b>	<b>(1 034)</b>

### 7.24 OTHER INCOME

TSKK	as at 31.12.2008	as at 31.12.2007
Revenues from assigned receivables	-	32
Other operating income	768	424
<b>Total</b>	<b>768</b>	<b>456</b>

### 7.25 GENERAL OPERATING EXPENSE

TSKK	as at 31.12.2008	as at 31.12.2007
<b>Personal costs:</b>		
Wage costs	52 693	43 116
Social security costs	14 763	11 484
Other personal costs	4 512	1 177
<b>Total</b>	<b>71 968</b>	<b>55 777</b>
Allocation of costs from the Head Office	34 688	-
Other operating expense	50 607	29 146
<b>Total</b>	<b>157 263</b>	<b>84 923</b>

Total average number of Branch Office employees as at 31<sup>st</sup>. december 2008 was 90 (2007: 71) including 8 management members (2007: 11).

Costs on audit of the financial statement for the year 2008 were in the amount of TSKK 3,094 (2007: TSKK 2,433).

### 7.26 TAX

TSKK	as at 31.12.2008	as at k 31.12.2007
<b>Reported in profit and loss statement:</b>		
Mature income tax (Point 7.15 of Notes)	74 957	37 636
Deferred tax (Point 7.16 of Notes)	(38)	(37)
<b>Total</b>	<b>74 919</b>	<b>37 599</b>

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## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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Book pre-tax profit multiplied by the tax rate is approved for the tax base as follows:

TSKK	2008	as at 31.12.2008	2007	as at 31.12.2007
	%		%	
<b>Pre-tax profit</b>		200 911		195 558
Income tax at the current tax rate	19,0	38 173	19,0	37 156
Revenues not subjected to tax	(2,5)	(5 050)	-	-
Tax-not recognised costs				
Adjusting entries	20,0	40 159	-	-
Other tax not recognised costs	0,8	1 637	0,2	443
Income tax	<b>37,3</b>	<b>74 919</b>	<b>19,2</b>	<b>37 599</b>

## 7.27 TRANSACTIONS WITH MAIN RELATED PARTIES

Related parties shall mean subjects controlling the Branch Office or controlled by the Branch Office, or if one party has decisive influence on the other party in decisioning of financial and operating activity. The Branch Office is controlled by J & T BANKA, a.s., Prague [company incorporated in Czech Republic].

The tables below are showing outstanding balances and summary of transactions of the Branch Office with general related parties and persons with special relationship (Point 30 of Notes). All transactions with these persons were executed under standard market conditions.

Companies identified as general related parties are the following:

- (a) Parent and affiliated companies. This category includes J&T FINANCE GROUP, a.s., shareholders of J&T FINANCE GROUP, a.s., and affiliated companies not included in consolidated reports due to majority ownership.
- (b) Management and companies owned by the company.

### [a] Parent and Affiliated Companies

Related parties, which belong to the category Parent and Affiliated Companies, are provided individually. Transactions exceeding MSKK 5 are provided individually, other transactions are contained in the item "Other". If a company met the criteria in the past period, it is also stated individually.

### RECEIVABLES

TSKK	2008	2007
J&T Private Equity B.V.	3	145 775
J&T REAL ESTATE, a.s.	-	186 001
KOLIBA REAL s.r.o.	-	42 142
Logistics development s.r.o.	-	120 587
ZST a.s.	-	6 435
Other	28	485
<b>Total</b>	<b>31</b>	<b>501 425</b>

Companies included in the item "Other":

Year 2008	Year 2007
Barton & Lloyd Investment spol. s.r.o.	J&T FACILITY MANAGEMENT, s.r.o.
IBI BANK, AG	J&T FINANCE GROUP a.s.
J&T ASSET MANAGEMENT	J&T SECURITIES (SLOVAKIA), o.c.p., a.s.
JT Concierge, s.r.o.	J&T SERVICES, s.r.o.
J&T FINANCE GROUP a.s.	Západoslovenské žriedla, a.s.
J&T FINANCE a.s., organizational unit	
J&T FINANCE, a.s.	
J&T FINANCIAL INVESTMENTS LIMITED	
TECHNO PLUS, a.s. (pôvodne: TECHNO PLUS, verejná obchodná spoločnosť)	

**LIABILITIES**

<b>TSKK</b>	<b>2008</b>	<b>2007</b>
J&T FINANCE GROUP, a.s.	133 904	24 555
J&T FINANCIAL SERVICES LIMITED	-	15 284
J&T Private Equity B.V.	471 203	1 537 641
J&T REAL ESTATE, a.s.	-	36 264
J&T Corporate Finance Slovakia, a.s. (initially: J&T SECURITIES (SLOVAKIA), o. c. p., a. s.)	-	17 030
KOLIBA REAL s.r.o.	20	14 604
Logistics development s.r.o.	-	11 576
Slovenský odpadový priemysel, a.s.	-	8 092
SUPPORT & REAL, a.s.	-	15 142
United Energy Trading, a.s., organization unit	24 338	-
Other	8 731	11 386
<b>Total</b>	<b>638 196</b>	<b>1 691 574</b>

Companies included in the item "Other":

<b>Year 2008</b>	<b>Year 2007</b>
Barton & Lloyd Investment, spol. s.r.o.	Barton & Lloyd Investment, spol. s.r.o.
J & T Securities, s.r.o.	J & T Securities, s.r.o.
J&T ASSET MANAGEMENT, a.s.	J&T ASSET MANAGEMENT, a.s.
J&T International Anstalt	J&T FACILITY MANAGEMENT, s.r.o.
J&T Investment Pool - I - SKK, a.s.	J&T Hotels Management, s.r.o.
J&T Finance a.s., organizačná zložka	J&T International Anstalt
J&T Sport Team	J&T Investment Pool - I - SKK, a.s.
Jakabovič, Ivan Ing.	Jakabovič, Ivan Ing.
TECHNO PLUS, a.s. (initially: TECHNO PLUS, public limited company)	TECHNO PLUS, public limited company
Tkáč, Jozef Ing.	Tkáč, Jozef Ing.
ZST a.s.	Západoslovenské žriedla, a.s.
	ZST a.s.

**EXPENSES**

<b>TSKK</b>	<b>2008</b>	<b>2007</b>
J&T FINANCE GROUP, a.s.	154	146 180
Logistics development s.r.o.	12 145	1 758
J&T REAL ESTATE, a.s.	14 887	1 975
Other	2 244	2 490
<b>Total</b>	<b>29 430</b>	<b>152 403</b>

Companies included in the item "Other":

Year 2008	Year 2007
Barton & Lloyd Investment, spol. s.r.o.	Barton & Lloyd Investment, spol. s.r.o.
J & T Securities, s.r.o.	J & T Securities, s.r.o.
J&T Private Equity B.V.	J&T FACILITY MANAGEMENT, s.r.o.
J&T ASSET MANAGEMENT, a.s.	J&T Private Equity B.V.
J&T Corporate Finance Slovakia, a.s.	J&T ASSET MANAGEMENT, a.s.
(pôvodne: J&T SECURITIES (SLOVAKIA), o. c. p., a. s.)	J&T FINANCIAL SERVICES LIMITED
J&T FACILITY MANAGEMENT, s.r.o.	J&T Hotels Management, s.r.o.
J&T FINANCE, a.s.	J&T International Anstalt
J&T FINANCIAL SERVICES LIMITED	J&T Investment Pool - I - SKK, a.s.
J&T Hotels Management, s.r.o.	J&T SECURITIES (SLOVAKIA), o. c. p., a. s.
J&T International Anstalt	Jakabovič, Ivan Ing.
J&T Investment Pool - I - SKK, a.s.	KOLIBA REAL s.r.o.
J&T Sport Team	Slovenský odpadový priemysel, a.s.
Jakabovič, Ivan Ing.	SUPPORT & REAL, a.s.
KOLIBA REAL s.r.o.	TECHNO PLUS, vpublic limited company
Slovenský odpadový priemysel, a.s.	Tkáč, Jozef Ing.
SUPPORT & REAL, a.s.	Západoslovenské žriedla, a.s.
TECHNO PLUS, a.s. (initially TECHNO PLUS, public limited company)	ZST a.s.
Západoslovenské žriedla, a.s.	
ZST a.s.	

#### EXPENSES

TSKK	2008	2007
J&T FINANCE GROUP, a.s.	2 480	191 842
J&T Private Equity B.V.	5 441	5 605
J&T REAL ESTATE, a.s.	549	13 603
Other	1 007	1 228
<b>Total</b>	<b>9 477</b>	<b>212 278</b>

Companies included in the item "Other":

Year 2008	Year 2007
Barton & Lloyd Investment, spol. s.r.o.	Barton & Lloyd Investment, spol. s.r.o.
J & T Securities, s.r.o.	J & T Securities, s.r.o.
J&T ASSET MANAGEMENT, a.s.	J&T ASSET MANAGEMENT, a.s.
J&T Concierge, s.r.o.	J&T FACILITY MANAGEMENT, s.r.o.
J&T Corporate Finance Slovakia, a.s.	J&T FINANCIAL SERVICES LIMITED
(pôvodne: J&T SECURITIES (SLOVAKIA), o. c. p., a. s.)	J&T Hotels Management, s.r.o.
J&T FACILITY MANAGEMENT, s.r.o.	J&T International Anstalt
J&T Hotels Management, s.r.o.	J&T Investment Pool - I - SKK, a.s.
J&T International Anstalt	J&T SECURITIES ( SLOVAKIA), o.c.p., a.s.
J&T Investment Pool - I - SKK, a.s.	J&T SERVICES, s.r.o.
J&T Sport Team	Jakabovič, Ivan Ing.
Jakabovič, Ivan Ing.	KOLIBA REAL s.r.o.
KOLIBA REAL s.r.o.	Logistics development s.r.o.
Logistics development s.r.o.	Slovenský odpadový priemysel, a.s.
Slovenský odpadový priemysel, a.s.	SUPPORT & REAL, a.s.
SUPPORT & REAL, a.s.	TECHNO PLUS, public limited company
TECHNO PLUS, a.s.	Tkáč, Jozef Ing.
(initially: TECHNO PLUS, vpublic limited company)	Západoslovenské žriedla, a.s.
Tkáč, Jozef Ing.	ZST a.s.
Západoslovenské žriedla, a.s.	
ZST a.s.	

**CERTIFIED STANDBY CREDITS**

TSKK	2008	2007
Other	-	2 807
	-	<b>2 807</b>

Companies included in the item "Other":

Year 2008	Year 2007
-	J&T FACILITY MANAGEMENT, s.r.o.

**(b) Management and Companies owned by it**

Transactions with related parties interconnected via management, Branch Office and Group employees are listed summarily.

TSKK	2008	2007
<b>Receivables</b>	10 432 866	4 333 430
<b>Liabilities</b>	195 097	164 061
<b>Incomes</b>	224 207	273 517
<b>Expenses</b>	5 911	3 718
<b>Guarantees</b>	123 145	8 401
<b>Certified standby credits</b>	53 270	250 632

During the year 2008, the Branch Office recorded loss from loans towards related persons Tatranské lanové dráhy, a.s., SPRINGEL DEVELOPMENT LIMITED, Heli Hotel, s.r.o., VSS Trading s.r.o. and it created adjusting entries to losses from these loans in the amount of TSKK 106,378.

During the year 2007, the Branch Office did not record any losses from loans granted to related persons and did not create adjusting entries to losses from such loans.

**7.28 TRANSACTIONS WITH RELATED PARTIES - PERSONS WITH SPECIAL RELATIONSHIP**

Persons with special relationship include clients, the J&T FINANCE GROUP, a.s., has concluded contract with, concerning share in the profits from client's projects financed by the Branch Office. Nature of relations with these companies is described in the table enlisting summary of balances and their transactions.

Branch Office concluded transactions with persons concluding contracts on share in the profits with J&T FINANCE GROUP, a.s. According to these contracts, J&T FINANCE GROUP, a.s. is providing the companies with structured and project management. For these activities, a marked part of share in the profits executed by the client in project, flows to the company.

Even if J&T FINANCE GROUP, a.s. is not owning the given companies, these are included in the consolidated financial statements of J&T FINANCE GROUP, a.s., as the J&T FINANCE GROUP, a.s. is entitled to acquire a market part of profit flowing from activities of the given companies.

TSKK	2008	2007
<b>Receivables</b>	315 436	3 916 299
<b>Liabilities</b>	8	86 823
<b>Incomes</b>	476 204	206 828
<b>Expenses</b>	11 706	19 934
<b>Guarantees</b>	-	8 451
<b>Certified standby credits</b>	-	376 809

## 7.29 TRANSACTIONS WITH RELATED PARTIES - MANAGEMENT

### Management

During the years 2008 and 2007, the Branch Office did not record any losses from loans granted to related parties with special relationship, and it did not create adjusting entries to losses from such loans.

TSKK	as at 31.12.2008	as at 31.12.2007
<b>Assets</b>		
Receivables from clients	6 477	3 084
<b>Liabilities</b>		
Liabilities towards clients	7 757	1 667
Transaction during the year		
<b>Incomes</b>		
Interest income	553	136
<b>Expenses</b>		
Interest expense	185	137

### Rewards

Rewards paid to the management were as follows:

TSKK	2008	2007
Rewards and bonuses	8 178	11 980

### 7.30 RISK MANAGEMENT

As a Branch Office of J & T BANKA, a.s., a part of risks of the Branch Office is managed and controlled by the Head Office. Procedures described below include procedures and methods of J & T BANKA, a.s., connected with the Branch Office risk management.

Utilizing financial instruments, the Branch Office is exposed to the following risks:

- credit risk
- liquidity risk,
- market risk,
- operating risk.

Information on exposure to the particular risks, goals, approach and processes for risk measurement and management are enlisted below.

#### **(a) Credit Risk**

The Branch Office is exposed to credit risk, i.e. risk that the other contracting party will not be able to pay the debt amount in the time of its maturity. The Branch Office is managing credit risk by means of:

- a) Application of established clear rules of individual credit risk management,
- b) Credit portfolio risk management.

Furthermore, the Branch Office is determining procedure for evaluation of credit risk of counterparty or issued debt within the bank internal rating. The Branch Office may not utilize only credit assessment elaborated by renowned rating companies. These companies are namely evaluating only the more important companies, which applies more markedly for the territories of Czech and Slovak Republic, where the bank is operating. Therefore, the Branch is utilizing the internal rating system. This is proceeding from the credit scale of the S&P Company or Moody's, possibly Fitch and it is based on scoring.

The counterparties or issued debts, which are not carrying credit class from any of the renowned rating agencies (including Dun & Bradstreet and rating of Moody's Central Europe a.s.), are subject to business risk scoring of the client or credit risk of the bank. On the basis of its result, the counterparty or the issued debt is determined its credit evaluation in the bank internal rating in the extent of speculative classes of the S&P scale.

Bank rules for exposure to credit risk include:

- a) Determination of limits for the risk level accepted in connection with one debtor or group of debtors, based especially on legislation requirements;
- b) Strict crediting rules;
- c) Rules for credit providing and monitoring;
- d) Rules for recovery of loans after maturity.

Total exposure towards single client or group of clients includes all products with credit risk and the particular limits may be altered as a result of deterioration of financial or other position. Utilization of limits shall be watched monthly. For detailed information concerning credit risk, see Point 8 of Notes.

#### **Loan Security Evaluation**

In general, the Branch Office shall require securing of credit receivables of some debtors prior to loan providing. The bank shall consider the following types of security as acceptable:

- cash,
- securities,
- credible receivables,
- banker`s, guarantees,
- guarantee of a credible third party,
- real estates,
- machines and equipment.

At determination of the realizable security value, the Branch Office is proceeding from expert opinions or internal bank evaluations, eventually.

**Liabilities from Standby Credits and Contingent Liabilities**

Primary goal of the Branch Office at standby credits granting is to provide that a customer has the accessible finances in case of need. Contingent liabilities represent irrevocable guarantees that the Branch Office will execute payment, in case a customer is not able to fulfill its liabilities towards third party and represent the same credit risk as loans.

**(b) Liquidity Risk**

The Branch Office is exposed to everyday requirements for its accessible cash resources, particularly in terms of accepted one-day deposits, current accounts, mature time deposits in terms of drawing of loans and bank overdrafts, from provision of guarantees and from margin and other requirements, as for example for clearance of cash derivative transactions. As experiences show, it is possible to predict with high amount accuracy a certain minimum rate of repeated investments of funds, which will become mature, the branch is not keeping its cash resources necessary for repayment of all the enlisted requirements. The bank has a reliable historic database of withdrawals at its disposal, enabling it to execute a relatively accurate analysis of stability of the listed types of withdrawals.

The framework of bank liquidity risk management is determined by provisions of the Czech National Bank as well as by internal procedures elaborated by the bank concerning liquidity management.

In regular time intervals, a report on liquidity development is elaborated, including also appraisal of the determined liquidity indicators observance. Bank has an emergency plan prepared, for solving liquidity crisis and is regularly evaluating also an alternative scenario of liquidity development.

The table below is classifying assets and liabilities into individual zones of maturity according to the residual time from the date of financial statement composition until contractual maturity. Assets and liabilities without agreed maturity are reported as "unspecified." Expected flows of the Branch Office can significantly differ from this analysis. For instance, it is expected that cliential accounts of payables will remain stable with growing balance.

Important part of receivables from clients with agreed maturity period up to one year is connected with financing projects, termination of which exceeds one year. In case the Branch Office shall not decide to prolong the client's financing, maturity of such receivables in the agreed period shall depend from the client's ability to refinance the loan from other sources. These contracts are exposing the Branch Office liquidity to the refinancing risk from the clients' part.

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

# 7

Contractual maturity period of assets and liabilities as at 31<sup>st</sup> December 2008 was of following structure:

TSKK	Less than 1 year	1 – 5 years	Above 5 years	Unspecified	Total
<b>Assets</b>					
Cash and cash equivalents	4 092 173	-	-	-	4 092 173
Receivables from banks	-	-	-	4 114 466	4 114 466
Receivables from clients	14 468 982	1 924 153	966 292	-	17 359 427
Property and equipment	-	-	-	17 019	17 019
Other assets	-	-	-	578	578
Prepayments and Accrued incomes	-	-	-	100	100
<b>Total</b>	<b>18 561 155</b>	<b>1 924 153</b>	<b>966 292</b>	<b>4 132 163</b>	<b>25 583 763</b>
<b>Liabilities</b>					
Liabilities towards clients	7 593 795	28 518	-	-	7 622 313
Bills of exchange	10 004	-	-	-	10 004
Derivative financial instruments	-	-	-	-	-
Other liabilities	20 107	-	-	92	20 199
Legal entities income tax	37 379	-	-	-	37 379
Deferred tax liability	-	-	-	3	3
Deferred revenues and expenses	-	-	-	50	50
Liabilities towards Head Office	-	-	-	17 893 815	17 893 815
<b>Total</b>	<b>7 661 285</b>	<b>28 518</b>	<b>-</b>	<b>17 893 960</b>	<b>25 583 763</b>
Net position	10 899 870	1 895 635	966 292	(13 761 797)	-
Cumulative position	10 899 870	12 795 505	13 761 797	-	-

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

# 7

In case of stress scenario, payables towards clients are payable according to the contractual maturity period and all the receivables towards clients are financed by the Branch Office until completion of the project, without taking into account the possibilities of the client to use refinancing from other resources. In cases, where the refinancing process started, these loans are reported on the basis of expected date of refinancing. Net position and cumulative position of the Branch Office as at 31.12.2008 were as follows:

TSKK	Less than 1 year	1 - 5 years	Above 5years	Unspecified	Total
<b>Assets</b>					
Cash and cash equivalents	4 092 173	-	-	-	4 092 173
Receivables from banks	-	-	-	4 114 466	4 114 466
Receivables from clients	6 073 343	8 207 803	3 078 281	-	17 359 427
Property and equipment	-	-	-	17 019	17 019
Other assets	-	-	-	578	578
Deferred costs and incomes	-	-	-	100	100
<b>Total</b>	<b>10 165 516</b>	<b>8 207 803</b>	<b>3 078 281</b>	<b>4 132 163</b>	<b>25 583 763</b>
<b>Liabilities</b>					
Liabilities towards clients	7 593 795	28 518	-	-	7 622 313
Bills of exchange	10 004	-	-	-	10 004
Derivative financial instruments	-	-	-	-	-
Other liabilities	20 107	-	-	92	20 199
Legal entities income tax	37 379	-	-	-	37 379
Deferred tax liability	-	-	-	3	3
Deferred revenues and expenses	-	-	-	50	50
Liabilities towards Head Office	-	-	-	17 893 815	17 893 815
<b>Total</b>	<b>7 661 285</b>	<b>28 518</b>	<b>-</b>	<b>17 893 960</b>	<b>25 583 763</b>
Net position	2 504 231	8 179 285	3 078 281	(13 761 797)	-
Cumulative position	2 504 231	10 683 516	13 761 797	-	-

In case of this stress scenario, the very significant stable component of deposits of the Branch Office has not been taken into consideration at all.

Contractual maturity period of assets and liabilities as at 31<sup>st</sup> December 2008 was of following structure:

TSKK	Less than 1 year	1 – 5 years	Unspecified	Total
<b>Assets</b>				
Cash and cash equivalents	697 139	-	-	697 139
Receivables from banks	-	-	169 309	169 309
Receivables from clients	11 833 822	878 655	-	12 712 477
Property and equipment	-	-	22 388	22 388
Other assets	-	-	520	520
Prepayments and accrued incomes	-	-	514	514
<b>Total</b>	<b>12 530 961</b>	<b>878 655</b>	<b>192 731</b>	<b>13 602 347</b>
<b>Liabilities</b>				
Liabilities towards clients	8 493 509	-	-	8 493 509
Derivative financial instruments	34	-	-	34
Other liabilities	23 578	-	2 802	26 380
Legal entities income tax	36 261	-	-	36 261
Deferred tax liability	-	-	41	41
Deferred revenues and expenses	-	-	36	36
Liabilities towards Head Office	-	-	5 046 086	5 046 086
<b>Total</b>	<b>8 553 382</b>		<b>5 048 965</b>	<b>13 602 347</b>
Net position	3 977 579	878 655	(4 856 234)	-
Cumulative position	3 977 579	4 856 234	-	-

### (c) Market Risk

Under market risk, the Branch Office shall understand the risk of loss resulting from changes in prices, rates and charges on financial markets. It is a summary term for interest, currency, stock and other risks connected with movement of market prices. Trhové riziko je riadené a kontrolované centrálou.

#### Methods of Risks Quantification

System of the bank risk management proceeds in the field of quantification and management of extent of the undergone risk mostly from the Value-At-Risk (VAR) method. The VAR value quantifies impacts of potential loss evoked by market risk of unexpected extent at an open bank position. Here at, it shall be proceeded from characteristics of relevant environment, therefore of interest rates in the particular currencies, exchange rates, prices of stocks as well as relation between them.

For evaluation of impacts of extremely unfavorable market conditions, the bank is executing stress testing. This is including prospective changes of values of open positions of the bank, which could occur as a result of less probable, however possible events.

Within the framework thereof, positions of the business book with foreign currency and commodity position of the bank are subject to historical scenarios, thus to scenarios of influence of impact of the greatest one-day change of risk factors for the historical period of the determined lengths on the current portfolio, whereas the corresponding potential change of value of the portfolio is being evaluated.

Interest positions of the bank book are subject to scenarios of standardised interest shock, thus immediate fall and growth of

interest rates in the extent of 200 bp.

**(d) Foreign Exchange Risk**

Assets and liabilities in foreign currencies, including off-balance sheet exposures, present open position of Branch Office towards currency risks. Executed as well as non-executed exchange profits and losses are posted directly in the profit and loss statement.

Foreign exchange risk results from changes of the value of financial assets and liabilities as a result of exchange rates changes.

Policy of the bank is to maintain the lowest possible open net foreign exchange position. Limits are determined individually per each currency. Branch Office is also utilizing forwards with foreign currency and currency swaps for providing of foreign exchange positions.

The main instrument of foreign exchange risk management is the Value-At-Risk methodology. At application of Value-At-Risk, the bank is utilizing a 99% reliability interval and horizon of 10 business days.

The Branch Office recorded the following structure of assets and liabilities in foreign currency as at 31. december 2008:

TSKK	EUR	USD	GBP	CZK	CHF	SKK	RUB	Total
<b>Assets</b>								
Cash and cash Equivalents	4 065 737	1 321	39	13 663	525	10 888	-	4 092 173
Receivables from banks	-	-	-	-	-	4 114 466	-	4 114 466
Receivables from clients	1 195 781	130 517	-	619 737	-	15 413 392	-	17 359 427
Property and equipment	-	-	-	-	-	17 019	-	17 019
Other assets	-	-	-	-	-	578	-	578
Prepayments and Accrued incomes	-	-	-	-	-	100	-	100
<b>Assets total</b>	<b>5 261 518</b>	<b>131 838</b>	<b>39</b>	<b>633 400</b>	<b>525</b>	<b>19 556 443</b>	<b>-</b>	<b>25 583 763</b>
<b>Liabilities</b>								
Liabilities towards clients	700 516	30 132	42	15 620	588	6 875 414	1	7 622 313
Bills of exchange	-	-	-	-	-	10 004	-	10 004
Derivative financial instruments	-	-	-	-	-	-	-	-
Other liabilities	5	-	-	37	-	20 157	-	20 199
Legal entities income tax	-	-	-	-	-	37 379	-	37 379
Deferred tax liability	-	-	-	-	-	3	-	3
Deferred revenues and expenses	-	-	-	-	-	50	-	50
Liabilities towards Head Office	4 583 532	103 735	2 295	620 238	4 015	12 566 057	13 943	17 893 815
<b>Liabilities total</b>	<b>5 284 053</b>	<b>133 867</b>	<b>2 337</b>	<b>635 895</b>	<b>4 603</b>	<b>19 509 064</b>	<b>13 944</b>	<b>25 583 763</b>
<b>Long positions in the off balance sheet</b>								
Derivative transactions	-	-	-	-	-	-	-	-
<b>Short positions in the off balance sheet</b>								
Derivative transactions	-	-	-	-	-	-	-	-
<b>Open position asset/(liability)</b>	<b>(22 535)</b>	<b>(2 029)</b>	<b>(2 298)</b>	<b>(2 495)</b>	<b>(4 078)</b>	<b>47 379</b>	<b>(13 944)</b>	<b>-</b>

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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The Branch Office recorded the following structure of assets and liabilities in foreign currency as at 31<sup>st</sup> December 2007:

TSKK	EUR	USD	GBP	CZK	CHF	SKK	RUB	Total
<b>Assets</b>								
Cash and cash Equivalents	147 186	104	268	537 700	99	11 782	-	697 139
Receivables from banks	-	-	-	-	-	169 309	-	169 309
Receivables from clients	302 350	316 439	-	147 873	-	11 945 815	-	12 712 477
Property and equipment	-	-	-	-	-	22 388	-	22 388
Other assets	8	-	-	197	-	315	-	520
Prepayments and Accrued incomes	-	-	-	-	-	514	-	514
<b>Asset total</b>	<b>449 544</b>	<b>316 543</b>	<b>268</b>	<b>685 770</b>	<b>99</b>	<b>12 150 123</b>	<b>-</b>	<b>13 602 347</b>
<b>Liabilities</b>								
Liabilities towards clients	463 775	42 337	-	688 876	41	7 298 378	102	8 493 509
Derivative financial instruments	-	-	-	-	-	34	-	34
Other liabilities	6	-	-	263	-	26 111	-	26 380
Legal entities income tax	-	-	-	-	-	36 261	-	36 261
Deferred tax liability	-	-	-	-	-	41	-	41
Deferred revenues and ex-penses	6	5	-	8	-	17	-	36
Liabilities towards Head Office	238	274 276	4 512	801	2 513	4 757 738	6 008	5 046 086
<b>Liabilities total</b>	<b>464 025</b>	<b>316 618</b>	<b>4 512</b>	<b>689 948</b>	<b>2 554</b>	<b>12 118 580</b>	<b>6 110</b>	<b>13 602 347</b>
<b>Long positions in the off balance sheet</b>	-	-	-	9 964	-	-	-	9 964
Derivative transactions	-	-	-	-	-	9 998	-	9 998
<b>Short positions in the off balance sheet</b>	-	-	-	-	-	-	-	-
Derivative transactions	-	-	-	-	-	-	-	-
<b>Open position asset/(liability)</b>	<b>(14 481)</b>	<b>(75)</b>	<b>(4 244)</b>	<b>5 786</b>	<b>(2 455)</b>	<b>21 545</b>	<b>(6 110)</b>	<b>(34)</b>

### (e) Interest Risk

The Branch Office is issued to risk that variations of decisive market interest rates will have unfavorable impact on its financial position and cash flows. As a result of interest rates changes, the interest margin may increase but also decrease or create loss in case of unexpected movements.

Interest risk of bank book is quantified on the basis of stress test results, in terms of which the bank book position is subject to scenario of standardized interest shock, therefore of immediate decrease/growth of interest rates of the bank book in the extent of 200 basic points.

In terms of credit risk quantification of the bank book, the bank is evaluating also by the VAR value for the reliability interval of 99% and horizon of 10 business days.

Interest sensitivity of interest `s asset as at 31<sup>st</sup> December 2008 were as follows:

TSKK	up to 3 months	from 3 months up to 1 year	1 – 5 years	Total
<b>Assets yielding interest</b>				
Receivables from banks	4 114 466	-	-	<b>4 114 466</b>
Receivables from clients	16 740 010	593 800	25 617	<b>17 359 427</b>
<b>Total</b>	<b>20 854 476</b>	<b>593 800</b>	<b>25 617</b>	<b>21 473 893</b>
<b>Liabilities yielding interest</b>				
Liabilities towards clients	6 257 645	1 336 150	28 518	<b>7 622 313</b>
Bills of exchange	10 004	-	-	<b>10 004</b>
Liabilities towards Head Office	17 893 815	-	-	<b>17 893 815</b>
<b>Total</b>	<b>24 161 464</b>	<b>1 336 150</b>	<b>28 518</b>	<b>25 526 132</b>
Net position	(3 306 988)	(742 350)	(2 901)	(4 052 239)
Cumulative position	(3 306 988)	(4 049 338)	(4 052 239)	-

Interest sensitivity of interest `s asset as at 31<sup>st</sup> December 2008 were as follows:

tis. Sk	up to 3 months	from 3 months up to 1 year	1 – 5 years	Total
<b>Assets yielding interest</b>				
Receivables from banks	169 309	-	-	<b>169 309</b>
Receivables from clients	11 840 717	871 760	-	<b>12 712 477</b>
<b>Total</b>	<b>12 010 026</b>	<b>871 760</b>	-	<b>12 881 786</b>
<b>Liabilities yielding interest</b>				
Liabilities towards clients	6 913 100	1 580 409	-	<b>8 493 509</b>
Bills of exchange	-	-	-	-
Liabilities towards Head Office	5 046 086	-	-	<b>5 046 086</b>
<b>Total</b>	<b>11 959 186</b>	<b>1 580 409</b>	-	<b>13 539 595</b>
Net position	50 840	(708 649)	-	(657 809)
Cumulative position	50 840	(657 809)	-	-

**(f) Operating Risk**

Under operating risk, the Branch Office shall understand the risk of loss influenced by deficiencies or failure of internal processes, human factor or system, as well as the risk of loss of the Branch Office due to internal events, including the risk of loss of the Branch Office as a result of breach or underflow of legal rule.

The bank provides for minimization of operational risk via control systems, which are applied within managing competencies by each manager of the bank. Within the control system, the managers of the bank shall provide for maximum control of all activities, while the decisive control systems shall be included into the plan of controls of the given bank organizational unit.

Basic element of active operational risks management of the bank is the database of reported losses from bank operational risk events, the output data of which are providing several levels of aggregate overview of the undergone bank operational risk extent, and also enable to specify directions of approach in the process of further limits to this risk.

**(g) Current economic conditions**

The Branch Office has analysed the recent development on international financial and capital markets and its possible impact on:

- business activities of the company, and that also in connection with the ability of the Branch Office to further continue in its activity (the so-called: going concern),
- single items reported in the presented financial statement, in particular in terms of adequacy of their valuation, considering uncertainty connected with estimates made and therefrom resulting possible significant error in this financial statement,
- significant risks (credit risk, liquidity risk and the like) and uncertainty connected with analysis of impact of change in assumptions influencing the impact of the above-mentioned risks.

On the basis of the above-mentioned analysis, the management of the Branch Office does not expect significant influence of unfavourable development of international financial and stock markets on the activities of the Branch Office.

Despite that expectation, the Branch Office introduced several preventive measures, which will support the current stable position of the Branch Office. There are considered, in particular:

- detailed monitoring of expected maturity dates on both active and passive side of the balance sheet and their considering in liquidity scenarios,
- temporary adjustment of credit limits towards some counterparties,
- introduction of new stress tests in case of market risk.

### 7.31 FAIR VALUES

Fair value is the sum of money, the Branch Office may exchange a particular kind of asset for, or for which the Branch Office shall pay liability towards the other party for a common price. Estimated fair values of financial assets and liabilities of the branch as at the end of the year were as follows:

TSKK	Book value 2008	Real value 2008	Book value 2007	Real value 2007
<b>Financial assets</b>				
Cash and cash Equivalents	4 092 173	4 092 173	697 139	697 139
Receivables from banks	4 114 466	4 114 466	169 309	169 309
Receivables from clients	17 359 427	16 796 114	12 712 477	12 269 358
<b>Financial liabilities</b>				
Liabilities towards clients	7 622 313	7 595 131	8 493 509	8 436 510
Bills of exchange	10 004	10 102	-	-
Derivative financial instruments	-	-	34	34

Estimating fair values of financial assets and liabilities of the Branch Office, the following methods and assumptions shall be used:

#### Receivables from Banks

Fair values of current accounts balances are approximately equalized to their book value. In case of accounts with residual maturity period shorter than three months, it shall be appropriate to consider their book value as the approximate fair value. Fair values of receivables towards banks are calculated by discounting future cash flows while using valid interbank rates.

#### Receivables from clients

Receivables from clients are listed as net, therefore upon deduction of losses from value decrease. In case of accounts with residual maturity period shorter than three months, it shall be appropriate to consider their book value as the approximate fair value. Fair values of other receivables towards clients are calculated by discounting future cash flows while using common market rates.

#### Liabilities towards clients

Fair values of current accounts and time deposits with residual maturity period less than three months are approximately equalized to their book value.. Fair values of other payables towards clients are calculated by discounting future cash flows while using current rates on deposits.

#### Bills of exchange

Fair values of bills of exchange are calculated by discounting future cash flows while applying common market rates.

#### Derivative Financial Instruments

Fair value of derivative financial instruments is determined using quoted market prices or theoretical prices determined via discounting future cash flows by the reference inter-bank interest rate for the particular period until maturity.

**7.32 EVENTS, WHICH OCCURRED AFTER THE DATE OF COMPILATION OF THE FINANCIAL STATEMENT**

On 1<sup>st</sup> January 2009, the Slovak Republic joined the Eurozone and Slovak Koruna was replaced by a new valid currency – Euro. Therefore, with effect from the above-mentioned date, the Branch Office will compile financial statement and will keep its accounting records in Euros. Comparable data in the financial statement for the year 2009 will be recalculated by applying the conversion exchange rate SKK/EUR 30.1260.

## SUMMARY AMOUNT OF CREDIT EXPOSURES

# 8

### INCORRECT INFORMATIONS

#### SUMMARY AMOUNT OF CREDIT EXPOSURES WITHOUT IDENTIFIABLE LOSS OF VALUE

TSKK	12/08	12/07
Exposures towards states and central banks	0	0
Exposures towards institutions	0	0
Exposures towards trading companies, specialised exposures and bought corporate receivables	15 046 943	11 357 261
Retail exposures	116 772	396 617

#### SUMMARY AMOUNT OF CREDIT EXPOSURES WITH REDUCED VALUE

TSKK	12/08	12/07
Exposures towards states and central banks	0	0
Exposures towards institutions	0	0
Exposures towards trading companies, specialised exposures and bought corporate receivables	1 801 682	0
Retail exposures	0	0

#### SUMMARY AMOUNT OF BAD RECEIVABLES

TSKK	12/08	12/07
Exposures towards states and central banks	0	0
Exposures towards institutions	0	0
Exposures towards trading companies, specialised exposures and bought corporate receivables	0	0
Retail exposures	0	0

### CORRECT INFORMATIONS

#### SUMMARY AMOUNT OF CREDIT EXPOSURES WITHOUT IDENTIFIABLE LOSS OF VALUE

TSKK	12/08	12/07
Exposures towards states and central banks	0	0
Exposures towards institutions	0	0
Exposures towards trading companies, specialised exposures and bought corporate receivables	15 046 943	11 357 261
Retail exposures	116 772	396 617

#### SUMMARY AMOUNT OF CREDIT EXPOSURES WITH REDUCED VALUE

TSKK	12/08	12/07
Exposures towards states and central banks	0	0
Exposures towards institutions	0	0
Exposures towards trading companies, specialised exposures and bought corporate receivables	1 891 892	0
Retail exposures	0	0

#### SUMMARY AMOUNT OF BAD RECEIVABLES

TSKK	12/08	12/07
Exposures towards states and central banks	0	0
Exposures towards institutions	0	0
Exposures towards trading companies, specialised exposures and bought corporate receivables	0	0
Retail exposures	0	0

# DIFFERENCE OF MONTHLY ASSETS AND MONTHLY LIABILITIES ACCORDING TO THE ESTIMATED MATURITY

# 9

Indicator	I. No.	Maturity up to 7 days inclusive	Maturity from 7 days up to 1 month inclusive	Maturity from 1 month up to 3 months inclusive	Maturity from 3 months up to 6 months inclusive	Maturity from 6 months up to 9 months inclusive	Maturity from 9 months up to 12 months inclusive	Maturity from 12 months up to 24 months inclusive	Maturity from 24 months up to 60 months inclusive	Maturity over 60 months	Not specified items	Total (column 1 to 10)
a	b	1	2	3	4	5	6	7	8	9	10	11
<b>Part I. - BALANCE SHEET ACCOUNTS OF ASSETS AND LIABILITIES</b>												
<b>SUM OF BALANCE SHEET ACCOUNTS OF ASSETS</b>	1	<b>4 255 600</b>	<b>617 824</b>	<b>3 198 003</b>	<b>5 434 381</b>	<b>3 334 529</b>	<b>1 720 818</b>	<b>338 702</b>	<b>1 585 451</b>	<b>966 292</b>	<b>4 132 163</b>	<b>25 583 763</b>
cash values	2	29 634										29 634
accounts of central banks and cheque postal accounts	3	3 805	3 765	3 764							4 114 466	4 125 800
accounts of other banks	4	4 051 205										4 051 205
accounts of clients	5	170 956	614 059	3 194 239	5 434 381	3 334 529	1 720 818	338 702	1 585 451	966 292		17 359 427
deferred incomes	6											0
state treasury bills	7											0
government bonds	8											0
treasury bills and bonds of central banks	9											0
other debt securities	10											0
other securities for sale and securities in fair value against profit and loss	11											0
securities with created power of pledge	12											0
other financial investments	13											0
tangible and intangible fixed assets	14										17 019	17 019
other assets	15										678	678
<b>SUM OF BALANCE SHEET ACCOUNTS OF LIABILITIES</b>	16	<b>1 666 129</b>	<b>3 736 380</b>	<b>912 266</b>	<b>1 051 836</b>	<b>239 008</b>	<b>46 694</b>	<b>28 518</b>	<b>0</b>	<b>0</b>	<b>17 902 932</b>	<b>25 583 763</b>
accounts of central banks and cheque postal accounts	17											0
accounts of other banks	18											0
accounts of clients	19	1 666 078	3 716 710	874 887	1 051 836	239 008	45 306	28 518	0	0	0	7 622 343
Payables towards ARDAL	20											0
Liabilities towards physical entities	21	509 361	154 362	108 898	35 409	1 730	27 408	4 200				841 366
Liabilities towards legal entities and towards subjects public administration also ARDALu	22	1 156 717	3 562 348	765 989	1 016 427	237 278	17 898	24 318				6 780 975
issued short-term securities	23		10 004									10 004
deferred expenses	24											0
Deulosidies and similar resources	25											0
issue of bonds	26											0
emitované hypotekárne zložné listy	27											0
provisions and equity	28										17 896 932	17 896 932
other liabilities	29	51	9 666	37 379			1 388				6 000	54 484
<b>NET BALANCE SHEET LIQUIDITY POSITION (r.1-r.16)</b>	30	<b>2 589 471</b>	<b>-3 118 556</b>	<b>2 285 737</b>	<b>4 382 545</b>	<b>3 095 521</b>	<b>1 674 124</b>	<b>310 184</b>	<b>1 585 451</b>	<b>966 292</b>	<b>-13 770 769</b>	<b>0</b>
<b>CUMULATIVE NET BALANCE SHEET LIQUIDITY POSITION</b>	31	<b>2 589 471</b>	<b>-529 085</b>	<b>1 756 652</b>	<b>6 139 197</b>	<b>9 234 718</b>	<b>10 908 842</b>	<b>11 219 026</b>	<b>12 804 477</b>	<b>13 770 769</b>	<b>0</b>	<b>0</b>
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR SKK</b>	32	<b>-1 331 856</b>	<b>-2 713 751</b>	<b>2 128 720</b>	<b>3 557 372</b>	<b>2 644 824</b>	<b>1 674 124</b>	<b>334 501</b>	<b>1 585 451</b>	<b>589 839</b>	<b>-8 442 970</b>	<b>26 254</b>
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR CZK</b>	33	<b>2 681</b>	<b>60 439</b>		<b>543 062</b>	<b>11 597</b>					<b>-620 275</b>	<b>-2 496</b>
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR USD</b>	34	<b>-19 806</b>	<b>-9 005</b>	<b>130 516</b>							<b>-103 735</b>	<b>-2 030</b>
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR EUR</b>	35	<b>3 917 393</b>	<b>-456 239</b>	<b>26 501</b>	<b>282 111</b>	<b>439 100</b>		<b>-24 317</b>		<b>376 453</b>	<b>-4 583 537</b>	<b>-22 535</b>

# DIFFERENCE OF MONTHLY ASSETS AND MONTHLY LIABILITIES ACCORDING TO THE ESTIMATED MATURITY

# 9

Indicator	I. No.	Maturity up to 7 days inclusive	Maturity from 7 days up to 1 month inclusive	Maturity from 1 month up to 3 months inclusive	Maturity from 3 months up to 6 months inclusive	Maturity from 6 months up to 9 months inclusive	Maturity from 9 months up to 12 months inclusive	Maturity from 12 months up to 24 months inclusive	Maturity from 24 months up to 60 months inclusive	Maturity over 60 months	Not specified items	Total (column 1 to 10)
a	b	1	2	3	4	5	6	7	8	9	10	11
<b>PART II - SELECTED OFF-BALANCE SHEET ACCOUNTS OF ASSETS AND OFF-BALANCE SHEET ACCOUNTS OF LIABILITIES</b>												
<b>SUM OF OFF-BALANCE SHEET ACCOUNTS OF ASSETS</b>	36	0	0	0	0	0	0	0	0	0	11 053 888	11 053 888
promises for accepting loan	37											0
of that: irrevocable	38											0
other obligations from guarantees towards banks	39											0
of that: collaterals received in REPO transactions	40											0
other obligations from guarantees towards clients	41										11 053 888	11 053 888
of that: collaterals received in REPO transactions	42											0
received guarantees from letters of credit	43											0
receivables from spot operations	44											0
receivables from futures operations	45											0
receivables from operations with options	46											0
<b>SUM OF SELECTED OFF-BALANCE SHEET ACCOUNTS OF LIABILITIES</b>	47	10 349	16 731	3 212	158 097	145 683	7 536	24 101	58 843	419 139	0	843 691
promises for granting loan to banks	48											0
of that: irrevocable	49											0
promises for granting loan to clients	50	10 349	16 731	3 212	6 333	145 683	4		58 843	419 139		660 294
of that: irrevocable	51	10 349	16 731	3 212	6 333	145 683	4		58 843	419 139		660 294
other receivables from guarantees towards banks	52											0
other receivables from guarantees towards clients	53					151 764		7 532	24 101			183 397
granted guarantees from letters of credit	54											0
payables from spot operations	55											0
payables from futures operations	56											0
payables from operations with options	57											0
<b>ČISTÁ PODSÚVAHOVÁ POZÍCIA LIKVIDITY (r.36-r.47)</b>	58	-10 349	-16 731	-3 212	-158 097	-145 683	-7 536	-24 101	-58 843	-419 139	11 053 888	10 210 197
<b>CUMULATIVE NET BALANCE SHEET LIQUIDITY POSITION</b>	59	-10 349	-27 080	-30 292	-188 389	-334 072	-341 608	-365 709	-424 552	-843 691	10 210 197	0
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR SKK</b>	60	-10 318	-16 731	-3 212	-106 883	-145 683	-4		-58 843	-32 457	10 683 310	10 308 179
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR CZK</b>	61										310 326	310 326
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR USD</b>	62											0
<b>NET BALANCE SHEET LIQUIDITY POSITION FOR EUR</b>	63	-31			-51 214		-7 532	-24 101		-366 682	60 252	-408 308

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## **CONTACTS**

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