
J&T BANKA, a. s.
Branch of foreign bank
Information disclosed
as at 30.6.2008



J&T BANKA
SLOVAK REPUBLIC
BRATISLAVA

CONTENTS

1. INFORMATION ABOUT THE BANK	2	6. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS	9
1.1 INFORMATION ABOUT ACTIVITY OF J&T BANKA, a.s., BRANCH OF FOREIGN BANK	2	6.1 GENERAL INFORMATION	9
1.2 ORGANISATIONAL STRUCTURE OF THE BANK	4	6.2 BASIS FOR ELABORATION OF THE FINANCIAL STATEMENTS	10
2. BALANCE SHEET	5	6.3 SIGNIFICANT ACCOUNTING PROCEDURES	11
3. PROFIT AND LOSS STATEMENT	6	6.4 APPLICATION OF ESTIMATES AND JUDGEMENTS	16
4. STATEMENT ON ACCOUNTED REVENUES AND COSTS	7	6.5 CASH AND CASH EQUIVALENTS	17
5. CASH FLOW STATEMENT	8	6.6 CASH IN HAND AND ACCOUNTS IN CENTRAL BANK	17
		6.7 RECEIVABLES FROM BANKS	17
		6.8 RECEIVABLES FROM CLIENTS	18
		6.9 PROPERTY AND EQUIPMENT	20
		6.10 OPERATIVE LEASING	20
		6.11 OTHER ASSETS	20
		6.12 LIABILITIES TOWARDS CLIENTS	21
		6.13 BILLS OF EXCHANGE	21
		6.14 NEGATIVE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	21
		6.15 OTHER LIABILITIES	21
		6.16 LEGAL ENTITIES INCOME TAX	22
		6.17 DEFERRED TAX LIABILITY	22
		6.18 LIABILITIES TOWARDS HEAD OFFICE	22
		6.19 OFF-BALANCE SHEET ITEMS	23
		6.20 VALUES ACCEPTED FOR CUSTODY	23
		6.21 INTEREST INCOME	23
		6.22 INTEREST EXPENSE	23
		6.23 FEE AND COMMISSION INCOME	24
		6.24 FEE AND COMMISSION EXPENSE	24
		6.25 NET TRADING INCOME / EXPENSE	25
		6.26 OTHER INCOME	25
		6.27 GENERAL OPERATING EXPENSE	26
		6.28 TAX	26
		6.29 TRANSACTIONS WITH RELATED PARTIES - GENERAL	27
		6.30.A TRANSACTIONS WITH RELATED PARTIES - PERSONS WITH SPECIAL RELATIONSHIP	29
		6.30.B TRANSACTIONS WITH RELATED PARTIES - MANAGEMENT	30
		6.31 TRANSACTIONS WITH PARTIES, WHICH BECAME OR CEASED TO BE RELATED PARTIES IN THE COURSE OF 2008	30
		6.32 RISK MANAGEMENT	31
		6.33 FAIR VALUES	35
		7. SUMMARY AMOUNT OF CREDIT EXPOSURES	36
		8. DIFFERENCE OF MONTHLY ASSETS AND MONTHLY LIABILITIES ACCORDING TO THE ESTIMATED MATURITY	37

1.1 INFORMATION ABOUT ACTIVITY OF J&T BANKA, a.s., BRANCH OF FOREIGN BANK

Total number of employees according to state in records as at 30.6.2008: 93

Number of head employees according to state in records as at 30.6.2008: 9

Date of incorporation: 23.11.2005

Date when banking permit was granted: Notice of the National Bank of Slovakia on the conditions of operation 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 Coll. on Banks and on Modification and Amendment of Certain 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 the Slovak Republic as of 22.2.2008.

Date of commencement of performance of permitted banking activities: 6.3.2006

List of activities being performed according to the granted permit

As at 30.6.2008, 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 bank 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 31.03.2008, 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 by the relevant authority
J&T BANKA, 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 BANKA, 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 BANKA, a.s., branch of foreign bank.

1.2 ORGANISATIONAL STRUCTURE OF THE BANK

Valid as at 30.6.2008

BOARD OF DIRECTORS OF THE BANK								Internal Audit and Inspection Department	TOP Department
FINANCIAL MARKETS AND MARKETING DIVISION	MANAGEMENT AND SALES DIVISION	ECONOMY DIVISION	INFORMATION DIVISION	CONTROLLING DIVISION	BANKING OPERATIONS AND RISKS MANAGEMENT DIVISION	ADMINISTRATIVE DIVISION	BANK'S BRANCH IN THE SR		
Financial Markets Department	Process and Project Management Department	Consolidation Department	Information Systems Department	Controlling Department	Treasury Department	Legal Department	Credit and Loans Department		
Trading on Other Person's Account Section	Human Resources Department		Information Technology Department		Risks Management Department		Banking Operations Department		
Trading on Own Account Section	Private Banking Department		IT Security Section		Credit Risks Management Department		Private Banking Department		
Marketing Department	Private Banking Section				Credit Risk Management Section SR		Back Office PB Section		
	Back Office PB Section				Financial Markets Back Office Department		Economy Department		
	Client Portfolio Management Section				Financial Markets Back Office Section SR		Accounting Section		
	Logistics and Services Department						Reporting Section		
	Credit and Loans Department						Marketing Department		
	Banking Operations Department						Marketing Section		
	Banking Operations and Payment Cards Section						Public Relation Section		
	Int. Payments and Correspondent Banking Section						Legal Department		
	Banking Information Systems Department						Information Technology Department		
	Economy Department						Intranet Section		
	Accounting Section						IT Projects and infrastructure Section		
	Reporting Section						IT Operations Section		
							Human Resources Department		
							Logistics and Services Department		
							Controlling Department		
							Financial Markets Department		

BALANCE SHEET
As at 30th June 2008

ASSETS

TSKK	notes	as at 30.6.2008	as at 31.12.2007
Cash and cash equivalents	5	26,942	697,139
Receivables from banks	7	192,917	169,309
Receivables from clients	8	16,492,662	12,712,477
Property and equipment	9	20,175	22,388
Other assets	11	673	520
Prepayments and accrued incomes		2	514
Total		16,733,371	13,602,347

LIABILITIES

TSKK	notes	as at 30.6.2008	as at 31.12.2007
Liabilities towards clients	12	10,468,325	8,493,509
Bills of exchange	13	70,304	-
Derivative financial instruments	14	15	34
Other liabilities	15	232,305	26,380
Corporate income tax	16	8,907	36,261
Deferred tax liability	17	41	41
Prepayments and accrued incomes		-	36
Total		10,779,897	8,556,261
Payables towards Head Office	18	5,953,474	5,046,086
Total payables		16,733,371	13,602,347

Financial statements, which contain explanatory notes on pages 9 through 35.

Ing. Monika Céreová
Head of organisational unit

Ing. Zdenka Labašová
Economic Section Director

Ing. Mária Rybárová
Responsible for bookkeeping

PROFIT AND LOSS STATEMENT FOR PERIOD OF 6 MONTHS
Ending on 30th June 2008

TSKK	notes	as at 30.6.2008	as at 30.6.2007
Interest income	21	477,113	288,533
Interest expense	22	(276,569)	(172,302)
Net interest income		200,544	116,231
Fee and commission income	23	3,792	1,365
Fee and commission expense	24	(503)	(8,718)
Net trading income / expense	25	9,632	(3,675)
Other income	26	232	215
Operating income		213,697	105,418
General operating expense	27	(66,611)	(35,052)
Depreciation	9	(3,630)	(3,210)
Operating expense		(70,241)	(38,262)
Profit before tax		143,456	67,156
Tax	28	(27,696)	(11,697)
Profit after tax		115,760	55,459

Explanatory notes provided on pages 9 through 35 constitute a part of the present financial statements.

PROFIT AND LOSS STATEMENT FOR PERIOD OF 3 MONTHS
from 1st April 2008 to 30th June 2008, for 2nd quarter 2008

TSKK	notes	3 months 1.4. - 30.6.2008	3 months 1.4. - 30.6.2008
Interest income	21	248,455	157,720
Interest expense	22	(146,515)	(88,347)
Net interest income		101,940	69,373
Fee and commission income	23	2,313	707
Fee and commission expense	24	(204)	(4,354)
Net trading income / expense	25	5,372	(4,889)
Other income	26	92	144
Operating income		109,513	60,981
General operating expense	27	(42,043)	(20,511)
Depreciation	9	(1,951)	(1,607)
Operating expense		(43,994)	(22,118)
Profit before tax		65,519	38,863
Tax		(12,585)	(6,289)
Profit after tax		52,934	32,574

STATEMENT ON ACCOUNTED REVENUES AND COSTS FOR THE PERIOD OF 6 MONTHS
Ended on 30th June 2008

TSKK	3 months by 30.6.2008	3 months by 30.6.2007
Profit for the period	115,760	55,459
Total revenues accounted for the period	115,760	55,459

Explanatory notes provided on pages 9 through 35 constitute a part of the present financial statements.

CASH FLOW STATEMENT FOR THE PERIOD OF 6 MONTHS
Ending on 30th June 2008

TSKK	For the period from 1.1. to 30.6 2008	For the period from 1.1. to 30.6 2007
Cash flow from operating activity		
Profit before tax	143,456	67,156
Adjustments for non-cash operations:		
Deprecations	3,630	3,210
Total	147,086	70,366
Increase of receivables from banks	(23,608)	(5,003)
Increase of receivables from clients	(3,780,185)	(3,147,210)
Increase of other assets	(153)	(2,340)
Increase / decrease of prepayments and accrued incomes	512	(1,515)
Increase of liabilities towards customers	1,974,816	2,650,395
Increase of liabilities from bills of exchange	70,304	
Decrease / increase of derivative financial instruments with negative real value	(18)	54,448
Increase of other liabilities	205,924	21,072
Decrease of prepayments and accrued incomes	(36)	(251)
Paid income tax	(27,354)	(1,975)
Net cash flow from operating activities	(1,432,712)	(362,013)
Cash flow from investment activities		
Purchase of property and equipment	(1,416)	(1,011)
Net cash flows used in investing activities	(1,416)	(1,011)
Net cash flows used in investing activities	(1,416)	(1,011)
Cash flows used in financing activities		
Cash provided by Head Office - decrease	763,931	1,811,827
Net cash flows from financing activities	763,931	1,811,827
Net increase / decrease of cash and cash equivalents	(670,197)	1,448,803
Cash and cash equivalents at the beginning of the period	697,139	30,104
Cash and cash equivalents at the end of the period	26,942	1,478,907

NET CASH FLOW FROM OPERATING ACTIVITY INCLUDES

TSKK	For the period from 1.1. to 30.6. 2008	For the period from 1.1. to 30.6. 2007
Interests received	353,601	159,272
Interests paid	(280,637)	(169,132)
Total	72,964	(9,860)

Explanatory notes provided on pages 9 through 35 constitute a part of the present financial statements.

EXPLANATORY NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS

For the period of 3 months, which ended on 31st March 2008

6.1 GENERAL INFORMATION

J&T BANKA, a.s. branch of foreign bank ("branch") is a branch established in the Slovak Republic. Registered seat of the branch is at Lamačská cesta 3, Bratislava; IČO (Corporate Identification No.): 35 964 693; IČ DPH (VAT Identification No.): SK202 209 2710.

Founding

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 being performed according to the granted permit:

- receiving deposits from the public,
- providing loans,
- payments and clearance,
- providing guarantees,
- issuance and administration of means of payments,
- trading on own its account or on a 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 Céreeová

Founder (hereinafter referred to as the "Head Office" or the "bank")

J&T BANKA, a.s., Pobřežní 297 /14, 186 00 Prague 8, Czech Republic.

Board of Directors of the Bank

Chairman: Ing. Patrik Tkáč

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

Members of the Supervisory Board

Chairman: Ing. Jozef Tkáč

Members: Ing. Ivan Jakabovič, Ing. Peter Korbačka, Ing. Dušan Palcr, Mgr. Milan Jordán, Ing. Petr Suk

J&T BANKA, a.s. - Head Office has recorded registered capital in the amount of CZK 1,838,127,000.

Consolidating unit of accounts: J&T BANKA, a.s., with its seat at Pobřežní 297 /14, 186 00 Prague 8, Czech Republic.

The Bank is included in consolidated financial statement of the J&T FINANCE GROUP, a.s., Company, seated Lamačská cesta 3 in Bratislava. Consolidated financial statement for the whole group is being composed by the TECHNO PLUS Company, Public Limited Company seated Donnerova 15, Bratislava. Consolidated financial statements may be acquired directly at the residence of 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 of acceptance of the Company J & T BANKA, a.s., Branch Office of a Foreign Bank, for a proper member of the Bratislava Stock Exchange, transferring the proper membership from the Company J&T SECURITIES (SLOVAKIA), o. c. p., a. s.

Proper membership became efficient on 1.2.2008, in compliance with Article 11, Section 11.1 of the Membership Rules.

The Branch started to provide trade services in securities on Slovak market and services of member of the Central Securities Depository on 1.2.2008.

Since 4.3.2008, services were extended by deposit of paper securities and administration of foreign securities.

6.2 BASIS FOR ELABORATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

The financial statements have been elaborated in compliance with the International Standard for Financial Reporting IAS 34 in wording adopted by the European Union.

(b) Basis for valuation

The financial statements have been elaborated on the basis of historical prices, except for financial derivatives, which are disclosed in fair value.

(c) Functional and presentation currency

The present financial statements have been elaborated in Slovak Crowns, which are functional currency of the branch. Sums in Slovak Crowns are expressed in thousands except where provided otherwise.

(d) Application of estimates and judgements

Preparation of the financial statements requires the management to make judgements, estimates and assumptions influencing application of accounting procedures and the amount of recorded assets, liabilities, revenues and costs. Actual results can differ from these estimates.

Estimates and related assumptions are being continuously re-assessed. Adjustments of accounting estimates are recorded in the period when the estimate is corrected and in all the future influenced periods.

Information on material areas of uncertainty of estimates and material judgements in used accounting procedures, which have significant influence on the sums disclosed in the financial statements, are described in paragraph 4 and 33 of the explanatory notes.

6.3 SIGNIFICANT ACCOUNTING PROCEDURES

Accounting procedures provided below were applied consistently for both periods disclosed in the financial statements.

(a) Transactions in foreign currency

Transactions in foreign currency are translated to the Slovak currency by using exchange rate determined in the exchange list of the National Bank of Slovakia, valid on the date of transaction. Cash assets and liabilities in foreign currency are translated by using exchange rate valid as at the date of compilation of the financial statements. Exchange rate differences are accounted for in the Profit and Loss Statement in the item Net trading profit.

(b) Interest revenues and costs

Interest revenues and costs are reported in the Profit and Loss Statement by using the method of effective interest rate. Effective interest rate is rate, which exactly discounts estimated future cash payments and incomes during life of financial asset or liability (possibly shorter period of time) to the book value of financial asset or liability. The effective interest rate is determined as at first reporting of financial asset and liability and is not reviewed later.

Calculation of the effective interest rate includes all paid or received fees, transaction costs and discounts or bonuses, which constitutes an inseparable part of the effective interest rate. Transaction costs are incremental costs, which are directly attributable to the acquisition, issuance or exclusion of financial asset or liability.

(c) Revenues from and costs on fees and commissions

Revenues from and costs on fees and commissions, which constitute an inseparable part of the effective interest rate of the financial assets and liabilities, are included in the calculation of the effective interest rate.

Other revenues from fees and commissions, including fees for servicing the account, are reported when related services are performed.

Other costs on fees and commission relate mainly to transaction costs and fees for services, which are accounted when services are received.

(d) Net trading profit

The net trading profit includes profits reduced by losses connected with assets and liabilities for trading and includes all executed and not executed changes of the fair value, interest, dividends and exchange rate differences.

(e) Paid rent

Made payments in operative leasing are proportionally reported in the Profit and Loss Statements during period of duration of the leasing.

(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 provisions. In such case, these are reported in provisions.

Payable tax is expected tax payable based on taxable incomes for the period 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**

The branch primarily reports receivables and payables towards clients as at the date when they arose.

(ii) Termination of reporting

The branch will terminate reporting of financial assets when contractual rights for cash flows from financial assets are terminated or it will transfer contractual rights to cash flows from financial assets by transfer of a substantial part of risks and rewards arising from ownership of financial assets.

The branch will terminate reporting of financial liability, if the contractual liability is fulfilled, cancelled or its validity terminates.

The branch will also terminate reporting of a certain asset when it depreciates balances pertaining to the asset, which is deemed as irrecoverable.

(iii) Compensation

Financial assets and liabilities are mutually set-off and their net value is reported in the Balance Sheet when and only when the branch has the right to compensate such balances and intends to pay, on net basis, or to sell assets and pay the liability at the same time.

Revenues and costs are reported on net basis only if allowed by accounting standards, or in case of profits and losses resulting from a group of similar transactions, as for example in business activity of the branch.

(iv) Valuation in amortization value

Amortization value of financial asset or liability is a sum in which the asset or liability is valued as at the primary reporting, reduced by instalments of principal, reduced or increased by cumulated amortization value of difference between the primarily reported value and value as at maturity while using the effective interest rate and reduced by losses from value reduction.

(v) Valuation in fair value

Fair values of financial assets and financial liabilities are determined on the basis of quoted market prices or determined prices from dealer for financial instruments being traded on active markets. For all the other financial instruments, the fair value is determined by using valuation methods. Valuation methods include the method of discounted cash flows, comparison with similar instrument for which there exists market price, and valuation models. The branch is using accepted valuation models for determination of fair value of common financial instruments such as options, interest and currency swaps. For these financial instruments, inputs for models are being established on the market.

(vi) Identification and valuation of decrease in value

As at the date of compilation of the financial statements, the branch is establishing whether there exists an objective evidence of decrease in value of financial asset not reported in the fair value through the Profit and Loss Statement. Financial asset shows signs of reduction in value when there exists objective evidence of loss event, which occurred after the primary reporting of asset, and such loss has impact on the future cash flow from assets and such impact can be reliably estimated.

The branch takes into account an evidence of reduction in value at the level of individual asset, as well as at the level of groups of assets. For every individually significant financial asset, there is considered loss from reduction of value at case-by-case basis.

Objective evidence of reduction of value of financial asset (including shares) can include significant financial problems or breach of contract by debtor; economic or legal reasons concerning financial difficulties of the debtor; discount of the creditor granted to the debtor which the creditor would not consider otherwise; probability that the debtor or issuer declares bankruptcy; cessation of active market for the relevant security or other data relating to a group of assets, such

as unfavourable changes in payment condition of debtors or issuers in the group, or unfavourable changes of economic conditions, which are connected with significant financial problems in the group.

Losses from reduction of value of assets reported in amortisation value are calculated as a difference between book value of financial asset and the current value of estimated future cash flows discounted by the original effective interest rate of the relevant asset. Losses from reduction of value are reported in the Profit and Loss Statement and they decrease the value of receivables. Interest on asset with reduced value is still reported via cancellation of discount.

If future event causes that the loss from reduction of value decreases, such decrease is re-accounted through the Profit and Loss Statement.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, free funds on accounts in the National Bank of Slovakia and current accounts in other banks, which are not exposed to significant risk of change of their fair value and which are used by the branch in short-term payables management.

Cash and cash equivalents are reported in the Balance Sheet in amortisation value.

(i) Derivative financial instruments

Derivative financial instruments, which include currency forwards and options, are primarily reported in the Balance Sheet in purchase cost (including transaction costs). Subsequently, they are valued at 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 asset and negative fair value is reported as liability.

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

(j) Receivables

Receivables are non-derivative financial asset with fixed or determinable instalments, the price of which is not determined by active market, and the branch does not intend to sell them immediately or in short time.

Receivables are primarily reported in fair value together with incremental direct transaction costs and subsequently valued at their amortization value while using the method of effective interest rate.

(k) Property and equipment**(i) Reporting and valuation**

Items of property and equipment are valued at prices of cost reduced by depreciations and losses from loss of value.

Purchase cost includes expenses, which are directly attributable to acquisition of the relevant asset. Bought software, which creates an inseparable part of value in use of related equipment, is reported as a part of the relevant equipment.

If parts of items of asset have different periods of usability, they are accounted separately as main parts of property and equipment.

(ii) Follow-up costs

Item of property and equipment is reported in reproduction purchase cost if it is probable that future economic benefits connected with the relevant item of property will flow to the branch and costs can be reliably measured. Costs connected with common maintenance of property and equipment are reported in the Profit and Loss Statement at the time of their origin.

(iii) Depreciation

Depreciations are reported in the Profit and Loss Statement on even basis during the estimated period of usability of every item of property and equipment.

Estimated periods of usability for current and comparison accounting period are as follows:

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

Depreciation methods, period of usability and residual values are revaluated as at the date of compilation of the financial statements.

(l) Reduction in value of non-financial assets

Book value of non-financial assets of the branch, other than the deferred tax receivable, is revaluated as at the date of compilation of the financial statements in order to establish whether there exists any sign of reduction in value of assets. If there is detected sign of reduction in value of assets, there is subsequently estimated the sum, which can be obtained from the relevant asset.

Loss from reduction of value is reported, if book value of asset or unit creating cash exceeds its value, which can be obtained. Unit creating cash funds is the smallest identifiable group of assets, which creates cash incomes, which largely depend on other asset or groups of assets.

Losses from reduction of value are reported directly in the Profit and Loss Statement. Losses from reduction of value reported in connection with units creating cash are primarily accounted for as reduction of book value of goodwill falling on these units and thereafter they are accounted for as reduction of book value of other assets in the unit (group of units) on proportional basis.

The sum, which can be obtained from the relevant asset or unit and which creates cash, is either net selling price or usable value of unit, whichever is higher. In case of usable value of asset, the estimate of future cash flow is discounted to their current value by using discount rate before taxation, which reflects current market valuation of time value of cash and risks specified for the relevant asset.

Losses from reduction of value reported in previous periods are revaluated as at the date of compilation of the financial statements, if there is a sign of reduction of loss or that the loss not longer exists. Losses from reduction of value can be debited from account, when occurred change in the estimate used for determination of the sum, which can be obtained from the relevant asset. Reduction of value can be debited from account only up to the sum of net book value, which the asset would have if reduction of value is not reported.

(m) Payables towards clients and payables towards the Head Office

Payables towards clients and payables towards the Head Office are the main sources of financing of the branch.

Payables towards clients and payables towards the Head Office are primarily valuated at fair value increased by transaction costs and subsequently valuated at amortization value, including time accruals and deferrals of interest, while using the effective interest rate.

(n) Provisions

Provision is created if there exists legal or objective duty for the branch to fulfil an obligation, which results from past event and impact of which can be reliably estimated and it is probable that the obligation will be fulfilled and will require spending of resources providing economic benefits. Provisions are calculated by discounting of expected cash flows by using discount rate before taxation, which reflects the current market valuation of time value of cash and, if necessary, of risks specific for the relevant asset.

Provision for unfavourable contracts is reported, if necessary costs on fulfilment of obligations according to the contract exceed economic benefits, which, according to expectation, will be received on the basis of such contract. Provision is valuated at lower sum of costs on fulfilment of the contract and any compensations or penalties arising from failure to comply with the contract. Before creation of the provision, the branch reports reduction in value of asset connected with the unfavourable contract.

(o) Employee benefits**Short-term employee benefits**

Payables from short-term employee benefits are valued at not discounted base and they are accounted for in costs in the time when the related service is provided.

Provision is reported in the value, which is expected to be paid as short-term money bonus or within the schemes of profit sharing, when the branch has current contractual or off-contract obligation to pay such sum as a result of service provided in the past by employees and such service can be reliably valued.

(p) New standards and interpretations, which are not in effect yet and have not been applied

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

- IFRS 8 Operating Segments, the standard will require disclosure of information about operating segments of the company, which the management monitors during operational decisions. Operating segments are parts of the company about which there is available financial information, which is being regularly evaluated by persons with decision-making competence within the framework of deciding on distribution of resources and determination of performance. IFRS 8 will be in effect from 1st January 2009 and the branch does not expect that the new standard will be relevant for its activities.
- Revised IAS 1 Presentation of Financial Statements will require aggregation of information in the financial statements according to common characteristics and implementation of statement of aggregate trading income. Items of revenues and costs and components of the aggregate trading income can be presented either in one statement of aggregate trading income with subtotals, or in two separate statements (separate Profit and Loss Statement followed by statement of aggregate trading income). The revised IAS 1 will be in effect from 1st January 2009. The branch is currently assessing the impact of the relevant standard.
- Revised IAS 23 Borrowing costs. The revised standard will require capitalization of borrowing costs, which are connected with assets, which requires longer time for putting into use or sale. The revised IAS 23 will be in effect from 1st January 2009 and it is not relevant for activities of the branch since the branch has no assets for which borrowing costs can be capitalized.
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions will require accounting of payment transactions on the basis of shares in which units of account accept goods or services as a consideration for issue of own property securities, as payments derived from shares, without regard to how the required property securities are acquired. It also guides accounting of payment transactions on the basis of shares in which suppliers of goods or services of the unit of accounts will receive property instruments of the parent company of the unit of accounts, which should be reported in the financial statements as settled in cash or by property securities. Interpretation will be valid for the financial statements of the branch for the year 2008 and it is not expected that it will have influence on the financial statements.
- IFRIC 13 Customer Loyalty Programmes. Interpretation explains how companies, which provide loyalty bonuses for customers who are buying some goods or services, should account for their obligation to provide for free or for preferred price goods or services ("bonuses") to customers, who are using their loyalty bonuses. Such companies are obliged to allocate a part of funds from the original sale to loyalty bonuses and report these funds as revenues when there are met their obligations. Interpretation will be in effect from 1st July 2008 and the branch does not expect that the interpretation will have influence on the financial statements.

6.4 APPLICATION OF ESTIMATES AND JUDGEMENTS

These statements complement comments to financial risk management provided in paragraph 32 of the explanatory notes.

Key sources of uncertainty in estimates

Asset accounted for at amortisation value is valued in connection with possible reduction of value on the basis of accounting procedures 3 (g) (vi).

Adjusting items for reduction of value of receivables

The branch management assesses receivables in connection with reduction of value on the case-by-case basis on the basis of the best estimate of the current value of cash flows, which the branch expects. When estimating these cash flows, management makes judgements on the financial situation of the party to contract and on net selling price of security. Every reduction of value of assets is assessed according to own measures, recovery strategy, and estimate of recoverable cash flows is approved by member of the Board of Directors of the bank responsible for credit risk management.

Determination of fair value

Determination of fair value of financial assets and liabilities, for which market price is not know, requires application of valuation techniques, which are described in paragraph 3 (g) (v) of the explanatory notes. For financial instruments, which are traded rarely and which are not transparent with regard to the price, the fair value is less objective and requires several levels of considerations based on liquidity, concentration, uncertainty of market factors, price assumptions and other risks influencing the relevant instrument.

6.5 CASH AND CASH EQUIVALENTS

TSKK	as at 30.6.2008	as at 31.12.2007
Cash in hand and accounts in the Central Bank (paragraph 6 of explanatory notes)	26,906	17,743
Receivables towards banks with contractual maturity up to 3 months (paragraph 7 of explanatory notes)	36	679,396
Total	26,942	697,139

6.6 CASH IN HAND AND ACCOUNTS IN CENTRAL BANK

TSKK	as at 30.6.2008	as at 31.12.2007
Receivables towards the National Bank of Slovakia		
Compulsory minimum provisions	192,917	169,309
Other	35	35
Total	192,952	169,344
Cash in hand	26,872	17,708
Total	219,824	187,052
Minus compulsory minimum provisions (paragraph 7 of explanatory notes)	(192,917)	(169,309)
Total	26,906	17,743

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

6.7 RECEIVABLES FROM BANKS

TSKK	as at 30.6.2008	as at 31.12.2007
Mature on demand	36	679,396
Other loans and receivables according to residual period of maturity: up to 3 months	192,917	169,309
Obligatory minimum reserves (Point 6 of the Notes)	192,953	848,705
Less receivables with contractual maturity period up to 3 months (Point 5 of the Notes)	(36)	(679,396)
Total	192,917	169,309

6.8 RECEIVABLES FROM CLIENTS

TSKK	as at 30.6.2008	as at 31.12.2007
Other loans and receivables towards clients		
With residual period of maturity:		
- up to 3 months	4,712,294	1,692,035
- from 3 months up to 1 year	10,586,573	10,141,787
- from 1 year up to 5 years	885,461	878,655
- above 5 years	308,334	
Total	16,492,662	12,712,477

The branch has receivables in the following categories:

TSKK	as at 30.6.2008	as at 31.12.2007
Legal entities – non-residents	6,525,061	5,276,959
Community, social and personal services	146,287	3,978,494
Activities in the field of real estates and business activities	2,211,751	1,287,309
Commerce and services	7,183,658	1,256,679
Health care and social help	156,017	499,973
Households and population	269,888	413,063
Total	16,492,662	12,712,477

Receivables towards clients according to countries:

TSKK	as at 30.6.2008	as at 31.12.2007
Slovak Republic	9,959,843	7,435,518
Cyprus	6,269,752	4,452,796
British Virgin Islands	212,014	579,534
Nederland	-	145,775
Great Britain	43,295	98,854
Austria	7,758	-
Total	16,492,662	12,712,477

Security to receivables towards clients is as follows:

TSKK	as at 30.6.2008	as at 31.12.2007
Bills of exchange	7,408,714	9,574,536
Real estates	5,010,208	2,361,036
Securities	3,232,300	206,757
Third person guarantee	178,172	102,916
Money deposits	6,285	6,867
Other	361,393	303,205
Total	16,197,072	12,555,317

Credit exposure concerning financial assets, which are not after maturity date and do not record signs of loss of value

TSKK	as at 30.6.2008	as at 31.12.2007
Receivables from banks	192,917	169,309
Receivables from clients	16,201,698	12,711,429
Total	16,394,615	12,880,738

Age structure of un-depreciated financial assets after maturity period as at 30th June 2008

TSKK	within maturity	up to 1 month after maturity	Total
Receivables towards banks	192,917	-	192,917
Receivables towards clients	16,201,698	290,964	16,492,662
Total	16,394,615	290,964	16,685,579

Age structure of un-depreciated financial assets after maturity period as at 31st December 2007

TSKK	within maturity	up to 1 month after maturity	Total
Receivables towards banks	169,309	-	169,309
Receivables towards clients	12,711,429	1,048	12,712,477
Total	12,880,738	1,048	12,881,786

Receivables towards banks are kept until maturity.

Security received for financial assets after maturity

TSKK	as at 30.6.2008		as at 31.12.2007	
	Book value	Fair value	Book value	Fair value
Pledge for real estate	25,366	28,000	1,048	2,040
Accepted security – securities	291,164	627,011	-	1,300
Other pledge rights	-	-	-	2,413
Total	316,530	655,011	1,048	5,753

6.9 PROPERTY AND EQUIPMENT

TSKK	Facilities and equipment	Software	Non-operatin Tangible assets	Acquisition of property	Total
Purchase price					
As at 31st December 2007	5,684	24,625	-	2,390	32,699
Accruals	350	3,088	368	-	3,806
Outflows	-	-	-	(2,390)	(2,390)
As at 30th June 2008	6,034	27,713	368	0	34,115
Depreciations					
As at 31st December 2007	(1,889)	(8,421)	-	-	(10,310)
Amortization for 6 months	(766)	(2,858)	(6)	-	(3,630)
Outflows	-	-	-	-	-
As at 30th June 2008	(2,655)	(11,279)	(6)	-	(13,940)
Residual value					
As at 30th June 2008	3,379	16,434	362	-	20,175
As at 31st December 2007	3,795	16,204	-	2,390	22,388

Property and equipment are insured against theft and natural disasters. Contract was concluded with the Head Office J&T Banka a.s., in Prague, and includes the branch.

6.10 OPERATIVE LEASING

The branch concluded leasing contracts with the following periods of notice:

TSKK	Výpovedná lehota	Výška splátky počas období a výpovednej lehoty v tis. Sk
Commercial lease of movable items (furniture)	1 month	31
Charter of motor vehicles	1 month	200
Charter of motor vehicle	2 months	22
Tenancy of non-residential premises	3 months	2,276
Tenancy of non-residential premises		2,529

6.11 OTHER ASSETS

TSKK	as at 30.6.2008	as at 31.12.2007
Provided advances	278	127
Other receivables	329	393
Clearance with state budget	66	-
Total	673	520

6.12 LIABILITIES TOWARDS CLIENTS

TSKK	as at 30.6.2008	as at 31.12.2007
Mature on demand	802,981	3,286,074
Other payables towards clients with agreed maturity or period of notice according to residual period of maturity:		
- up to 3 months	6,955,408	3,627,026
- from 3 months up to 1 year	2,709,936	1,580,409
Total	10,468,325	8,493,509

6.13 BILLS OF EXCHANGE

TSKK	as at 30.6.2008	as at 31.12.2007
Bills of exchange by residual maturity period		
- up to 3 months	10,007	-
- from 3 months up to 1 year	60,297	-
Total	70,304	-

6.14 NEGATIVE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

TSKK	as at 30.6.2008	as at 31.12.2007
Currency forwards	15	34
Total	15	34

6.15 OTHER LIABILITIES

TSKK	as at 30.6.2008	as at 31.12.2007
Various creditors	101	16,579
Employees	5,338	6,239
Social fund	131	93
Other taxes	5,814	3,469
Outgoing payments to clearing centre	220,770	-
Other liabilities	151	-
Total	232,305	26,380

Movements on the account of social fund were as follows:

TSKK	as at 30.6.2008	as at 31.12.2007
As at 1st January	93	36
Creation	138	227
Drawing	(100)	(170)
	130	93

6.16 LEGAL ENTITIES INCOME TAX

TSKK	as at 30.6.2008	as at 31.12.2007
Mature income tax (Point 28 of Notes)	27,696	37,636
Advance payments for income tax	(18,789)	(1,375)
Total	8,907	36,261

6.17 DEFERRED TAX LIABILITY

Deferred tax payable relates to the following items:

TSKK	as at 30.6.2008	as at 31.12.2007
Property and equipment	41	41
Total	41	41

The deferred tax payable is calculated by using the corporate income tax rate in the amount of 19%.

6.18 LIABILITIES TOWARDS HEAD OFFICE

TSKK	Funds granted by the Head Office	Retained profit/ cumulated loss	Total
As at 1st January 2007	2,769,980	5,183	2,775,163
Funds provided by Head Office	2,118,147	(5183)	2,112,964
Profit 2007	-	157,959	157,959
As at 31st December 2007	4,888,127	157,959	5,046,086
Funds provided by Head Office (decrease)	949,587	(157,959)	791,628
Profit 2008 (for 6 months)	-	115,760	115,760
As at 30th June 2008	5,837,714	115,760	5,953,474

The Head Office provides funds to the branch according to the current financial need in the required currency. Current interest rates are as follows:

Currency	Interest rate p.a.
Swiss Frank	0.25%
Czech Koruna	3.75%
Euro	4.00%
Pound Sterling	5.00%
Russian Rouble	5.83%
Slovak Koruna	4.25%
US Dollar	2.00%

Funds do not have fixed date of repayment.

6.19 OFF-BALANCE SHEET ITEMS

TSKK	as at 30.6.2008	as at 31.12.2007
Off-Balance Sheet liabilities		
Guarantees	223,481	16,852
Off-Balance Sheet contractual obligations		
Confirmed credit lines	511,090	768,107
Total	734,571	784,959

The branch does not have the right to cancel confirmed loan promises unilaterally; amendment to contract with relevant client must precede cancellation of confirmed loan promise.

6.20 VALUES ACCEPTED FOR CUSTODY

TSKK	as at 30.6.2008	as at 31.12.2007
Values accepted for custody – securities	1,465,871	-
Total	1,465,871	-

6.21 INTEREST INCOME

TSKK	as at 30.6.2008	as at 31.12.2007
Receivables from clients	461,109	269,044
National Bank of Slovakia	1,389	1,130
Other	14,615	18,359
Total	477,113	288,533

TSKK	1.4. - 30.6.2008	1.4. - 30.6.2007
Receivables from clients	241,319	145,310
National Bank of Slovakia	770	621
Other	6,366	11,789
Total	248,455	157,720

6.22 INTEREST EXPENSE

TSKK	as at 30.6.2008	as at 31.12.2007
Liabilities towards clients	185,874	114,501
Liabilities towards Head Office	89,375	57,796
Bills of exchange	857	-
Notary custodies	463	5
Total	276,569	172,302

TSKK	1.4. - 30.6.2008	1.4. - 30.6.2007
Liabilities towards clients	99,165	61,982
Liabilities towards Head Office	46,678	26,360
Bills of exchange	642	-
Notary custodies	30	5
Total	146,515	88,347

6.23 FEE AND COMMISSION INCOME

TSKK	as at 30.6.2008	as at 30.6.2007
Clients	3,701	400
Other	91	965
Total	3,792	1,365

TSKK	1.4. - 30.6.2008	1.4. - 30.6.2007
Clients	2,246	32
Other	67	675
Total	2,313	707

6.24 FEE AND COMMISSION EXPENSE

TSKK	as at 30.6.2008	as at 30.6.2007
Payment system	483	268
Other	20	8,450
Total	503	8,718

TSKK	1.4. - 30.6.2008	1.4. - 30.6.2007
Payment system	201	129
Other	3	4,225
Total	204	4,354

6.25 NET TRADING INCOME / EXPENSE

TSKK	as at 30.6.2008	as at 30.6.2007
Incomes from foreign currency operations		
Spot operations	1,345	23,877
Exchange differences	29,482	195,668
Financial derivatives	2,164	185,618
Total	32,991	405,163
Expenses for foreign currency operations		
Spot operations	8,613	17,805
Exchange differences	12,463	182,065
Financial derivatives	2,283	208,968
Total	23,359	408,838
Net trading profit/loss	9,632	(3,675)

TSKK	1.4. - 30.6.2008	1.4. - 30.6.2007
Incomes from foreign currency operations		
Spot operations	886	22,490
Exchange differences	12,172	162,204
Financial derivatives	735	146,028
Total	13,793	330,722
Expenses for foreign currency operations		
Spot operations	2,340	15,811
Exchange differences	4,972	148,032
Financial derivatives	1,109	171,768
Total	8,421	335,611
Net trading profit/loss	5,372	(4,889)

6.26 OTHER INCOME

TSKK	as at 30.6.2008	as at 30.6.2007
Other operating income	232	215
Total	232	215

TSKK	1.4. - 30.6.2008	1.4. - 30.6.2007
Other operating income	92	144
Total	92	144

6.27 GENERAL OPERATING EXPENSE

TSKK	as at 30.6.2008	as at 30.6.2007
Personal costs		
Wage costs	24,883	18,097
Social security costs	6,828	4,720
Other personnel costs	648	457
Total	32,359	23,274
Other operating costs	34,252	11,778
Total	66,611	35,052

Total average number of Branch Office employees as at 30th June 2008 was 85 (2007: 68) including 8 management members (2007: 11).

TSKK	1.4. - 30.6.2008	1.4. - 30.6.2007
Personal costs		
Wage costs	14,428	10,455
Social security costs	3,865	2,558
Other personnel costs	286	282
Total	18,579	13,295
Other operating costs	23,464	7,216
Total	42,043	20,511

6.28 TAX

TSKK	as at 30.6.2008	as at 30.6.2007
Reported in Profit and Loss Statement:		
Payable income tax (paragraph 16 of explanatory notes)	27,696	11,697
Total	27,696	11,697

7.29 TRANSACTIONS WITH RELATED PARTIES – GENERAL

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 management.

(a) Parent and Affiliated Companies

Related parties belonging to the category of Parent and Affiliated Companies are listed summarily.

TSKK	as at 30.6.2008	as at 31.12.2007
Receivables	550,465	501,425
Liabilities	241,254	1,691,574
Guarantees	10,000	-
Certified standby credits	-	2,807

TSKK	as at 30.6.2008	as at 30.6.2007
Incomes	17,341	146,616
Expenses	6,279	177,747

List of related parties, which belong to the category "Parent and daughter companies" are provided in aggregate:

Year 2007	Year 2008
Barton & Lloyd Investment, spol. s.r.o.	Barton & Lloyd Investment, spol. s r.o.
J & T Securities, s.r.o.	IBI BANK AG
J&T ASSET MANAGEMENT, a.s.	J&T Securities, s.r.o.
J&T FACILITY MANAGEMENT, s.r.o.	J&T Private Equity B. V.
J&T FINANCE GROUP a.s.	J&T ASSET MANAGEMENT, a.s.
J&T FINANCIAL SERVICES LIMITED	J&T Bank, zao
J&T Hotels Management, s.r.o	J&T Corporate Finance Slovakia, a.s. (J&T SECURITIES (SLOVAKIA), o.c.p., a.s.)
J&T International Anstalt	J&T FACILITY MANAGEMENT, s.r.o.
J&T Investment Pool - I - SKK, a.s.	J&T FINANCE a.s. - organizational unit
J&T Private Equity B.V.	J&T FINANCE GROUP, a.s.
J&T REAL ESTATE, a.s.	J&T FINANCE, a.s.
J&T SECURITIES (SLOVAKIA), o. c. p., a. s.	J&T FINANCIAL SERVICES LILITED
J&T SERVICES, s.r.o.	J&T Hotels Management, s.r.o.
Jakabovič, Ivan Ing.	J&T International Anstalt
KOLIBA REAL s.r.o.	J&T Investment Pool - I - SKK, a.s.
Logistics development s.r.o.	J&T REAL ESTATE, a.s.
Slovenský odpadový priemysel, a.s.	J&T Securities, s. r. o.
SUPPORT & REAL, a.s.	Jakabovič, Ivan Ing.
TECHNO PLUS, public limited company	J&T ASSET MANAGEMENT, a.s.
Tkáč, Jozef Ing.	KOLIBA REAL s.r.o.
Západoslovenské žriedla, a.s.	Logistics development s.r.o.
ZST a.s.	Slovenský odpadový priemysel, a.s.
	SUPPORT & REAL, a.s.
	TECHNO PLUS, public limited company
	Tkáč, Jozef Ing.
	ZST, a.s.

(b) Management and Companies owned by it

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

TSKK	as at 30.6.2008	as at 31.12.2007
Receivables	4,594,925	4,333,430
Liabilities	122,751	164,061
Guarantees	7,578	8,401
Certified standby credits	8,470	250,632

TSKK	as at 30.6.2008	as at 30.6.2007
Incomes	137,924	121,013
Expenses	3,069	1,014

7.30.A 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	as at 30.6.2008	as at 31.12.2007
Receivables	6,281,560	3,916,299
Liabilities	175,272	86,823
Guarantees	129,313	8,451
Certified standby credits	20,102	376,809

TSKK	as at 30.6.2008	as at 30.6.2007
Incomes	154,201	94,162
Expenses	6,205	11,142

6.30.B TRANSACTIONS WITH RELATED PARTIES – MANAGEMENT

Management

Receivables and liabilities as at 30th June towards members of the management, their close relatives or companies having important influence in, are the following:

TSKK	as at 30.6.2008	as at 31.12.2007
Assets		
Receivables from clients	5,821	3,084
Liabilities		
Liabilities towards clients	3,548	1,667

TSKK	as at 30.6.2008	as at 30.6.2007
Incomes		
Interest income	285	-
Expenses		
Interest expense	43	59

In the course of 2008 and 2007, the Branch Office did not record any losses from loans provided to related persons, neither create adjusting entries to losses from such loans.

6.31 TRANSACTIONS WITH PARTIES, WHICH BECAME OR CEASED TO BE RELATED PARTIES IN THE COURSE OF 2008.

Transactions include expenses and incomes in the course of the period they were related parties:

tis. Sk	Became related parties	Ceased to be related parties
Expenses	11	9
Incomes	22,787	124
	Ditrio, s.r.o.	ABS Jets, a.s., organizačná zložka
	DNV Base, s.r.o.	InvestAge, a.s
	FEBOSEM LIMITED	InvestAge Services, s.r.o.
	FORAX PROPERTY LIMITED	Výskumný ústav papiera a celulózy, a.s.
	Karloveské rameno III, s.r.o.	
	Kolifaktor, s.r.o.	
	SIRKLEIN HOLDINGS LTD.	
	TP 2, s.r.o.	
	Verdan, s.r.o.	

6.32 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,
- operation 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, eventually.

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.

Management of Risks Resulting from Transactions with Clients

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

- business activities of the company, also in connection with ability of the Branch Office to continue further in its activity (so called going concern);
- particular items reported in the submitted financial statement, especially in terms of adequacy of their evaluation, consideration of uncertainty connected with executed estimates and eventual error in this financial statement resulting there from; and
- important risks (credit risk, liquidity risk etc.) and uncertainty connected with analysis of influence of change of assumptions influencing the impact of enlisted risks.

On the basis of the enlisted analysis, the Branch Office management shall not expect an important impact of unfavorable development of international finance and stock markets on the Branch Office activities.

(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."

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.

Residual maturity period of assets and liabilities as at 30th June 2008 was of following structure:

TSKK	less than 1 year	1 – 5 years	Above 5 years	not specified	Total
Assets					
Cash and cash Equivalents	26,942	-	-	-	26,942
Receivables from banks	-	-	-	192,917	192,917
Receivables from clients	15,298,867	885,461	308,334	-	16,492,662
Property and equipment	-	-	-	20,175	20,175
Other assets	-	-	-	673	673
Prepayments and Accrued incomes	-	-	-	2	2
Deferred costs and incomes	-	-	-	1	1
Total	15,325,809	885,461	308,334	213,767	16,733,371
Liabilities					
Liabilities towards clients	10,538,629	-	-	-	10,538,629
Derivative financial instruments	15	-	-	-	15
Other liabilities	232,174	-	-	131	232,305
Legal entities income tax	8,907	-	-	-	8,907
Deferred tax liability	-	-	-	41	41
Liabilities towards Head Office	-	-	-	5,953,474	5,953,474
Total	10,779,725	-	-	5,953,646	16,733,371
Net position	4,546,084	885,461	308,334	(5,739,879)	-
Cumulative position	4,546,084	5,431,545	5,739,879	-	-

Residual maturity period of assets and liabilities as at 31st December 2007 was of following structure:

TSKK	less than 1 year	1 – 5 years	not specified	Total
Assets				
Cash and cast 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
Total	12,530,961	878,655	192,731	13,602,347
Liabilities				
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
Prepayments and accrued incomes	-	-	36	36
Liabilities towards Head Office	-	-	5,046,086	5,046,086
Total	8,553,382	-	5,048,965	13,602,347
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.

Methods of risk 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.

(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.

(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.

(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.

6.33 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.

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.

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.

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.

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.

Summary amount of credit exposures without identifiable loss of value

TSKK	06/08	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	16,223,273	11,357,261
Retail exposures	264,630	396,617

Summary amount of credit exposures with reduced value

TSKK	06/08	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

Summary amount of bad receivables

TSKK	06/08	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

8

REPORT ON THE CURRENT RESIDUAL PERIOD OF MATURITY OF ASSETS AND LIABILITIES AND ON THE ESTIMATED PERIOD OF MATURITY OF ASSETS AND LIABILITIES

Part B: Report on the estimated period of maturity of assets and liabilities

Part I. – BALANCE SHEET ACCOUNTS OF ASSETS AND LIABILITIES

I. Indicator 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)
b a		1	2	3	4	5	6	7	8	9	10	11
1	Sum of balance sheet accounts of assets	441,119	803,193	3,494,990	3,492,002	2,640,371	4,454,200	34,572	850,889	308,334	213,701	16,733,371
2	Cash values	26,871										26,871
3	Accounts of central banks and cheque postal accounts	35									192,917	192,952
4	Accounts of other banks	36										,36
5	Accounts of clients	414,177	803,127	3,494,990	3,492,002	2,640,371	4,454,200	34,572	850,889	308,334		16,492,662
6	Deferred incomes											
7	State treasury bills											
8	Government bonds											
9	Treasury bills and bonds of central banks											
10	Other debt securities											
11	Other securities for sale and securities in fair value against profit and loss											
12	Securities with created power of pledge											
13	Other financial investments											
14	Tangible and intangible fixed assets										20,175	20,175
15	Other assets		66								609	675
16	Sum of Balance Sheet accounts of liabilities	4,780,221	2,333,513	885,784	1,226,236	1,036,641	517,079			5,953,897		16,733,371
17	Accounts of central banks and cheque postal accounts											
18	Accounts of other banks											
19	Accounts of clients	4,559,451	2,313,154	885,784	1,165,123	1,027,734	517,079					10,468,325
20	Issued short-term securities		10,007		60,297							70,304
21	Deferred expenses											
22	Subsidies and similar resources											
23	Issue of bonds											
24	Provisions and equity										5,953,474	5,953,474
25	Other liabilities	220,770	10,352		816	8,907					423	241,268
26	Net Balance Sheet liquidity position (line 1 – line 12 – line 16)	-4,339,102	-1,530,320	2,609,206	2,265,766	1,603,730	3,937,121	34,572	850,889	308,334	-5,740,196	
27	Cumulative net Balance Sheet liquidity position	-4,339,102	-5,869,422	-3,260,216	-994,450	609,280	4,546,401	4,580,973	5,431,862	5,740,196		
28	Net Balance Sheet liquidity position for SKK	-4,532,008	-1,615,789	2,361,179	2,086,874	1,466,198	3,937,121	34,572	850,889		-4,558,660	30,376
29	Net Balance Sheet liquidity position for CZK	-8,137	65,763		157,179	5,252					-246,894	-26,837
30	Net Balance Sheet liquidity position for USD	-15,124	-2,982			113,986					-94,250	1,630
31	Net Balance Sheet liquidity position for EUR	215,916	22,688	248,027	21,713	18,294				308,334	-831,170	3,802

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

8

Part II. – SELECTED OFF-BALANCE SHEET ACCOUNTS OF ASSETS AND OFF-BALANCE SHEET ACCOUNTS OF LIABILITIES

I. Indicator 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)	
b a	1	2	3	4	5	6	7	8	9	10	11	
32	Sum of off-balance sheet accounts of assets			4,988						16,197,072	16,202,060	
33	Promises for accepting loan											
34	Of that: irrevocable											
35	Other obligations from guarantees towards banks											
36	Of that: collaterals received in REPO transactions											
37	Other obligations from guarantees towards clients											
38	Of that: collaterals received in REPO transactions											
39	Received guarantees from letters of credit											
40	Receivables from spot operations											
41	Receivables from futures operations											
42	Receivables from operations with options											
43	Sum of selected off-balance sheet accounts of liabilities			23,473	123,522	99,338	25,915	29,919	8,049		429,355	739,571
44	Promises for granting loan to banks											
45	Of that: irrevocable											
46	Promises for granting loan to clients											
47	Of that: irrevocable											
48	Other receivables from guarantees towards banks											
49	Other receivables from guarantees towards clients											
50	Granted guarantees from letters of credit											
51	Payables from spot operations											
52	Payables from futures operations											
53	Payables from operations with options											
54	-23,473	-123,522	-99,338	-20,927	-29,919	-8,049			-429,355	16,197,072	15,462,489	
55	Cumulative net Off-Balance Sheet liquidity position											
	-23,473	-146,995	-246,333	-267,260	-297,179	-305,228	-305,228	-305,228	-734,583	15,462,489		
56	Net Off-Balance Sheet liquidity position for SKK											
	-23,469	-123,522	-6,985	-18,337	-29,919	-8,049			14,858,939	14,648,658		
57	Net Off-Balance Sheet liquidity position for CZK											
				4,988						228,133	233,121	
58	Net Off-Balance Sheet liquidity position for USD											
										113,987	113,987	
59	Net Off-Balance Sheet liquidity position for EUR											
	-4		-28,763	-7,578					-429,355	932,423	466,723	