

# GE Money Bank

LOANS • MORTGAGES • ACCOUNTS • CARDS

## Annual Report 2007



imagination at work

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# Introductory Speech

## Dear shareholders, clients, commercial partners and colleagues,

The year 2007 was a period of dynamic growth and stiffening of competition for Czech banks. Yet even in this sort of environment GE Money Bank, a. s., proved that it is a strong player on the Czech banking market.

Many facts are testament to the fact that we have been able to fulfil our strategy over the long term. The number of clients who put their trust in us is constantly growing and as of the end of 2007 had already reached the level of 910,961 (a growth of 5.7%). We administer a total of 975,935 deposit accounts (a growth of 2.7%) and the volume of loans grew to CZK 80.4 billion (a growth of 24.2%). Despite the continuing loan expansion, GE Money Bank, a. s., is maintaining a high capital adequacy ratio, which as of the end of 2007 amounted to 21.6%.

The balance of GE Money Bank, a.s., in 2007 reached a level of almost CZK 84.9 billion (a growth of 16.6%), above all thanks to personal loans and mortgages, as well as loans provided to SMEs.

The volume of newly provided consumer loans by GE Money Bank, a.s., reached a level last year of CZK 17.8 billion, which is the highest in our history. Compared to 2006 we registered an improvement of 32%. Last year we provided a total of more than 178 thousand loans with an average value of CZK 100 thousand. The volume of the consumer loan portfolio registered a year-over-year growth of 23.2% to almost CZK 30 billion. It was both the general purpose "Express Loan" and the ever popular "Loan Consolidation" which ensured this monumental figure.

Our mortgages grew at an even more notable speed last year. This reflects the strong demand on the part of clients, the increasing competitiveness of our products and their availability. Over the course of 2007, we provided new mortgages at the level of CZK 8.9 billion. This represents a growth of 57% in comparison with 2006. At the same time, there was a year-over-year growth of 50% in the number of loans, to 5,575. The volume of our mortgage portfolio as of the end of 2007 reached almost CZK 22 billion. In a year-over-year comparison, this represents an increase of 50.6%. Number of active contracts in the Bank's portfolio has increased by 4,708 compared to 2006, which represents 31.6% and approached the level of 20 thousand.

At GE Money Bank, a. s., we also place great emphasis on the offer for SMEs. Apart from the fact that we hold on to number one on the market for financing agricultural entities, we also prepare made-to-measure products for entrepreneurs from other sectors – light industry, eco-energy and apartment buildings. We also provide a more advantageous offer to doctors, chemists, vets,

lawyers, notaries, tax consultants and other selected professions. A new product in our portfolio is "EU Service" – complete consultancy and aid when drawing on grants from EU funds. The volume of loans we provided to SMEs as of the end of 2007, came to CZK 25.4 billion.

In the field of deposit products interest on the part of clients was especially focused on the Genius Active account. The total volume of client deposits saw a year-over-year growth of 17.8% to CZK 61 billion. From this figure, CZK 42 billion constituted funds in current accounts (a year-over-year growth of 11.8%). The number of current accounts administered rose to almost 826,705, which represents a growth of 16.9%.

Our clients can use our services at anytime, anywhere and in any way they want. This is why we continued to strengthen access to these using a wide range of communication channels. The greatest increase in popularity was registered by internet banking. As of the end of 2007 we recorded 343 thousand users of the Internet Bank (27.8% growth compared to 2006). The share of transactions submitted via the Internet Bank constituted 31% of all transactions. Overall, direct banking contributed towards the number of transactions at a level of 89%.

In terms of increasing the availability of our products and services, over the course of the year we again increased the number of branches and ATMs. As of 31 December 2007, our clients were able to use 214 branches (5 more than in 2006) and the number of ATMs increased compared to 2006 by 54 to a total of 537. We also increased the capacity of the customer centre in Ostrava by a further 296 employees.

Just like every year, in 2007 we introduced a range of new products. Without a doubt the most important of these was the flat-

rate Genius Active account, which we introduced onto the market in February – the first of the large banks to do so. Clients with this account do not pay any fees for individual transactions and services. For an advantageously priced monthly flat-rate fee, they can perform unlimited transactions and use services free of charge.

As of 31 December 2007, more than 135 thousand satisfied customers used these accounts, thanks to which they saved millions of Crowns in fees. Over the course of the year, we also prepared a version of the account for sole traders and corporate entities. Another revolutionary new product is Refinancing of Mortgages. Those interested can make financial savings by refinancing their existing mortgage loan with a new loan subject to more advantageous conditions and moreover with a simplified procedure for gaining this.

Among the other steps leading towards the bank's answering the needs of our clients is introduction of a new method of communication via secure internet chat or expansion of the Internet Bank to include a card service. The recently introduced Regular Savings Account has also already found many supporters. We are the first to offer this form of savings account to clients. This provides a more accessible, although just as secure savings alternative to time deposits. It does not however require deposit of a minimum amount so really anybody can start saving using this product.

A new product for sole traders is the Optimal Business Loan. Sole traders and specific groups of professions can gain a loan of up to CZK 200 thousand without having to provide any guarantee or visiting the bank. All costs relating to administration of the account are also tax deductible for sole traders.

We are proud of the fact that in 2007, we also won several prestigious awards. The greatest success was our placing in the competition for the best financial product of the year – the Golden Crown. GE Money Bank took away the highest award – the Golden Crown – for the Genius Business Active business account. The flat-rate Genius Active account won bronze in the Universal banking product category, Consolidation of loans won the Silver Crown in the loan category, and the MoneyCard Business company card won bronze in the Business loans category. Refinancing of mortgage loans won two awards – silver in the mortgage category and bronze for New

product of the year.

Apart from this, we were also successful in the 6th year of the MasterCard Bank of the Year awards where we managed to defend the superb second place in the Most Dynamic Bank of the Year 2007 category. The specialist panel placed us among the leaders in innovation and the ability to constantly improve our products and services to the benefit of the clients for the fifth time in the history of the competition and the third time in a row.

In the eleventh year of the prestigious awards for most effective advertising in the Czech Republic - EFFIE 2007 – our advertising campaign “Change over to us and things will be better for you – revolution on the market for current accounts”, created by the MARK BBDO advertising agency, was awarded gold in the financial services category.

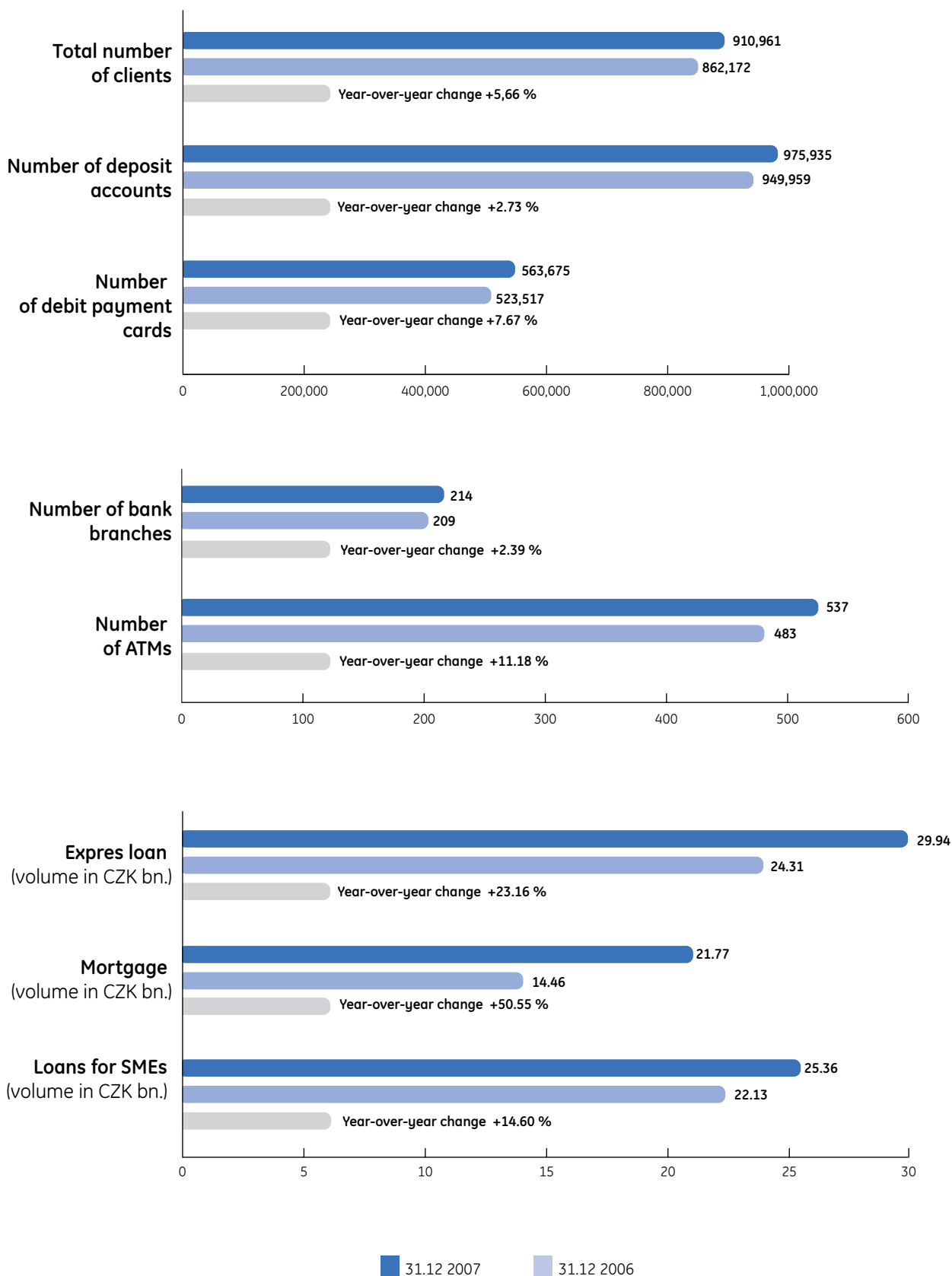
**Dear shareholders, commercial partners, clients, and colleagues. Thank you for the support you have shown us over the past year and thanks to which we were able to achieve these superb results! I wish you a successful year in 2008 and firmly believe that the best is still ahead of us!**



**Christoph Glaser,**  
acting CEO and Member of the  
Board of Directors  
GE Money Bank, a. s.



## Business results of GE Money Bank, a.s., in 2007





# Basic information about the Bank

## Key Data on GE Money Bank, a.s.

as at 31 December 2007

<b>Company name:</b>	GE Money Bank, a.s.
<b>Registered office:</b>	Vyskočilova 1422/1a, Praha 4 - Michle
<b>Company No. [IČO]:</b>	25 67 27 20
<b>Legal form:</b>	public limited company
<b>Date of incorporation:</b>	9 June 1998
<b>Date of last change:</b>	20 December 2007 (change in the Board of Directors)
<b>Registered capital:</b>	CZK 510,000,000
<b>Paid up:</b>	100 %

### Class, type, form, and nominal value of issued shares:

510 registered ordinary certificated shares with a nominal value of CZK 1,000,000.

### Own shares, interim certificates and other securities held, which carry the right to be exchanged for shares:

GE Money Bank, a.s. does not hold any own shares or similar securities.

### Registered capital increase:

On 25 March 2003 the company's registered capital was increased by CZK 10,000,000.

**Supervisory Board**

James Desmond O'Shea  
Susan Elizabeth Crichton  
Pavel Zídek

**Office**

Chairman  
Member  
Member elected by employees

**In office since**

20 December 2007  
22 June 2004  
29 November 2005

**Board of Directors**

Christoph Glaser  
Jan Rollo  
Brett Matthew Belcher

**Office**

Member  
Member  
Member

**In office since**

5 May 2005  
29 October 2003  
20 December 2007

**Number of employees, FTE (as at 31 December 2007):**

Head Office	759 employees
Branches	1,540 employees
Total	2,299 employees

**Number of branches of the bank (as at 31 December 2007): 214**

## Information about the shareholders of the Bank

### Information about the Bank's shareholders with a qualified participation:

GE Capital International Holdings Corporation  
Corporation Trust, 1209 Orange Street, Wilmington, Delaware  
The United States of America

**100% share of voting rights**

**100% direct share of the bank's registered capital**

### Line of business:

Establishment of subsidiaries with registered offices outside The United States of America, exercise of rights related to the existence of the respective equity interests, and provision of funds to these companies in the form of credit or otherwise.

# Overview of the Bank's activities

## Activities that the bank is authorised to carry out under its licence:

1. Accept deposits from the public
2. Provide loans
3. Invest in securities on its own account
4. Financial leasing
5. Payments and clearing
6. Issue and administer means of payment
7. Provide guarantees
8. Open letters of credit
9. Arrange for direct debit
10. Provide investment services, including:
  - Supplementary investment service under Section 4(3)(d) of Act No. 256/2004 on Business on the Capital Market – advice on capital structure, industrial strategy, and the related issues, and advice and services concerning the transformation and/or transfer of companies
11. Financial brokerage
12. Act as a depository
13. Bureau de change activities (foreign currency purchase)
14. Provide banking information
15. Trading in FX values and gold on its own account or on the client's account to the following extent
  - Trading in FX values and gold on its own account
  - Trading in FX values and gold on the client's account:
16. Renting safe deposit boxes
17. Activities directly related to those set out in GE Money Bank, a.s. banking licence

## Basic activities and services that the bank actually carries out:

### Business in the Czech currency

1. Opening and keeping Czech currency current, term and savings accounts and the related services
2. Cheque services
3. Savings books
4. Domestic documentary letters of credit, and collection
5. Lending and commercial services (business, consumer and mortgage loans)
6. Bill of exchange services
7. Bank guarantees
8. Factoring

### Business in foreign currencies

1. Opening and keeping foreign currency current and term accounts
2. Bureau de change services
3. Foreign documentary letters of credit, and collections
4. Clean payments
5. Cheque services
6. Bank guarantees
7. Bill of exchange services
8. Lending
9. Factoring, forfaiting

### Other products and services

1. Card services (depending on card type)
2. Information and advisory services
3. Provision of banking information
4. Exchange of banknotes and coins

**Activities the performance or provision of which has been restricted, suspended or terminated by the relevant authority:** None





# Information on Bank Management

# Supervisory Board, Board of Directors and Management of GE Money Bank, a.s

## Supervisory Board

### James Desmond O'Shea

Chairman

Position held since 20 December 2007

### Susan Elizabeth Crichton

Member

Position held since 22 June 2004

### Pavel Zídek

Member elected by the employees

Position held since 29 November 2005

## Board of Directors

### Christoph Glaser

Member

Position held since 5 May 2005

### Jan Rollo

Member

Position held since 29 October 2003

### Brett Matthew Belcher

Member

Position held since 20 December 2007

## Bank Management

Division	Head	Position	Position held since
Human Resources	<b>Niamh Hegarty</b>	Chief Human Resources Officer	1 July 2005
Risk Management	<b>Brett Matthew Belcher</b>	Chief Risk Officer	1 September 2007
Legal	<b>Tomáš Černý</b>	Chief Legal Counsel	1 April 2005
Retail Banking	<b>Jan Rollo</b>	Chief Retail Banking Officer	1 November 2003
Commercial Banking	<b>Radomil Štumpa</b>	Chief Commercial Banking Officer	1 November 2003
Marketing	<b>Ian Forrest</b>	Chief Marketing Officer	1 May 2007
Information Systems	<b>Petr Beneš</b>	Chief Information Officer	1 May 2006
Financial	<b>Lenka Hušková</b>	acting Chief Financial Officer	6 December 2007
Operations	<b>Jonas Hasselrot</b>	Chief Operations Officer	1 May 2003
Compliance	<b>Petr Karel</b>	Chief Compliance Officer	1 July 2002
Internal Audit	<b>Thomas B. Dodd</b>	Senior Internal Audit Manager	1 May 2007

## Information about Supervisory Board Members

### James Desmond O'Shea

graduated with distinction from University College Cork, Ireland, in 1977. After graduation he joined Arthur Andersen & Co; in 1981 he qualified as a chartered accountant.

In 1981 he joined Ulster Investment Bank Limited, a Natwest Bank subsidiary. He held various positions there, including in corporate banking, supplemental financing, and international structured financing. In 1988 he was appointed a Director. In 1991 he joined Cambridge Finance Ltd., and in 1992 transferred to Woodchester Investments Ltd., where he worked in various positions in risk management, operations, and finance. In 1998 the company became a part of GE Consumer Finance, and O'Shea was appointed Risk Officer for GECF Europe. In 2001 he moved to his present position, managing business development and growth in GECF Europe.

### Susan Elizabeth Crichton

graduated from LCB (Language and Culture for Business), Birmingham University. She started her professional career in 1979 in the Forward Trust Group, where she worked in the legal department until 1987. In 1987 she was appointed to the position of European Legal Counsel at Avco Trust Ltd. She joined GE Consumer Finance in the United Kingdom in 1999; first, as a Senior Legal Advisor, and from 2001 as General Counsel for all of GE Consumer Finance in Europe. In 2004 she also became a member of the Supervisory Board of GE Money Bank, a.s.

### Pavel Zídek

graduated from the Czech Technical University in Prague and then spent several years at different companies as IT manager. In 1991 he joined Agrobanka, where he worked in various positions in the IT department. After the acquisition of Agrobanka by GE he became Senior IT Manager and, later, also a member of the Supervisory Board of GE Money Bank, a.s. elected by the employees (employees elected him in 2001 and 2005).

## Information about the Bank's management



Christoph  
Glaser

graduated from Chinese University in Hong Kong, and then read economics at the Freie Universität in Berlin and linguistics at Humboldt University in Berlin. He joined GE under the European Manager Development Programme in 1997. From 1999 he worked as Executive Audit Manager in GE Corporate Audit. During his career of more than ten years at GE, he has acquired much experience on many world markets – he served, for example, in Germany, the US, Russia, the UK and Japan. Since December 2004 he has been Chief Financial Officer at GE Money Bank, a.s., and since 2005 has also served on the Board of Directors. After the departure of Pieter van Groos, since 4 December 2007 he has been acting Chief Executive Officer of GE Money Bank, a.s.



Petr  
Karel

graduated with a Master's degree from Charles University's Faculty of Law, and with a Ph.D. from the University of Economics in Prague. From 1995 he worked in a consortium of international consultancies that provided advice to the Czech Government. From 1999 he worked for GE Money Bank, a.s. as a lawyer. Then he spent two years at Komerční banka as a regional manager for special deals. In 2002 he accepted GE's offer and currently serves as Chief Compliance Officer. Since September 2006 he has also been responsible for business development and identifying new opportunities for GE Money Bank, a.s. At the same time he holds the position of President of GE Volunteers Elfun, a volunteer and charitable society. In 2002, he accepted GE's offer of the position of the Director of the Compliance Division.



Jan  
Rollo

graduated from the Czech Technical University in Prague with a Master's degree in engineering. From 1989 he worked as a specialist in the IT department of Swissair in Switzerland. Then he worked as a PHARE project manager at the Delegation of the European Commission in Prague. He has been in the banking sector since 1994. First he joined Bank Austria, where he was responsible for relationships with key accounts, marketing and direct banking, and then Citibank where he headed product management and participated in the management of the small and medium-sized enterprises section. He joined GE Money Bank, a.s. in the position of head of commercial sales. From 2000 he managed commercial banking and joined the senior management; since 2003 he has been Chief Retail Banking Officer and on the Board of Directors. He does not concurrently serve on any other juristic person's bodies.



Jonas  
Hasselrot

(BA) earlier headed the American Express Corporate Travel centre in Stockholm. He managed more than 100 travel agents and was directly responsible for the results of the centre, which holds a 40% share of the whole Scandinavian market. He then worked as Director of Customer Services of this company for the Benelux and Nordic Region, and was responsible for the complete series of processes ranging from customer services, customer retention, new product cross-selling to current customers, and loan approval, to collection of overdue payments. Since 1 May 2003 he has been Chief Operations Officer at GE Money Bank, a.s. He does not concurrently serve in any other juristic person's bodies.



Brett  
Mathew  
Belcher

holds a Bachelor of Science degree in transition economies and has an MBA from Pittsburgh University. He launched his career in the US, where he spent seven years working at the Business Supervision Office. He arrived in the Czech Republic in 1997 as Citigroup's Vice-President for risk analysis and management. He was later promoted to the position of risk manager for retail banking in the Czech Republic. Before joining GE Money he spent two years at Raiffeisenbank as risk manager for the Czech Republic. He also assisted Raiffeisen in implementing risk management in retail banking in Ukraine. In 2006 he joined GE Money as risk manager for retail banking in Central and Eastern Europe. Since 1 September 2007 he has been Chief Risk Officer at GE Money Bank, a.s. He does not concurrently serve on any other juristic person's bodies.



Radomil  
Štumpa

graduated with a Master's degree from the Faculty of Law of Masaryk University in Brno. In over ten years of legal practice he acquired experience working in a Brno court and a Prague public prosecutor's office. In 1994 he joined the Czech Bar Association. As a barrister, he worked for London-based international law firms McKenna & Co and Allen & Overy. In 1997 he joined Citibank as a Vice-President in the position of head of its legal division; in this role he was responsible for all legal matters concerning the Citicorp Group in the Czech Republic. After the acquisition of Agrobanka he commenced work, in 1998, as head of the legal division of GE Money Bank, a.s., and at the same time worked as shareholder GE's official representative. In 2000 he joined the management of GE Money Auto, a.s., and became

Chairman and CEO of this company. Since 1 November 2003 he has been Chief Commercial Banking Officer at GE Money Bank, a.s.



Tomáš Černý

Is a graduate of Charles University's Faculty of Law and has also made a number of study visits to the UK. Before joining GE Money Bank, a.s., Tomáš Černý spent five years at the Prague offices of the international law firm Weil, Gotshal & Manges. There he focused on commercial law, banking, and mergers & acquisitions. Before joining Weil, Gotshal & Manges, Černý worked at the Deloitte & Touche consultancy for two years and also at the international law firm Clifford Chance. Since April 2005 he has been Chief Legal Counsel at GE Money Bank, a.s. He does not concurrently serve on any other juristic person's bodies.

responsible for implementing new banking systems. From 2004 he worked as IT project manager at GE Money Bank in Thailand. Since May 2006 he has worked as Chief Information Officer at GE Money Bank, a.s. At the same time he serves in a municipal assembly.



Lenka Hušková

graduated from the University of Economics in Prague, Faculty of Finance and Accounting. She joined GE Money Bank, a.s. in 1999 and held various positions in the finance division. In 2005 she was promoted to the position of a financial controller and since 6 December 2007 has been an acting head of the Finance Division of GE Money Bank, a.s.



Niamh Hegarty

graduated with a Bachelor's degree in 1989, majoring in foreign languages, from University College in Dublin. In 1995 she received her MBA from Trinity College in Dublin. Before joining GE she worked in various positions at Dunnes Stores and for Ann O'Brien Personnel Consultants and Quaestus Management Consultants in Ireland, mainly in marketing and human resources. In 1996 she started to work for GE Plastics and progressively held various positions in human resources. In 2004 she was appointed human resource manager at GE Advanced Materials – Americas. Since July 2005 she has been Chief Human Resources Officer at GE Money Bank, a.s. She does not concurrently serve on any other juristic person's bodies.



Ian Forest

graduated in Economics from University of California, Los Angeles and he has an MBA from the P. F. Drucker Graduate School of Management, Claremont Graduate University. He has been involved in marketing for 12 years; his experience covers mainly product marketing and product management at major companies such as Johnson & Johnson, Newell Rubbermaid and Verizon. Since May 2007 he has served as Chief Marketing Officer at GE Money Bank, a.s. He does not currently serve in any other juristic person's bodies.



Petr Beneš

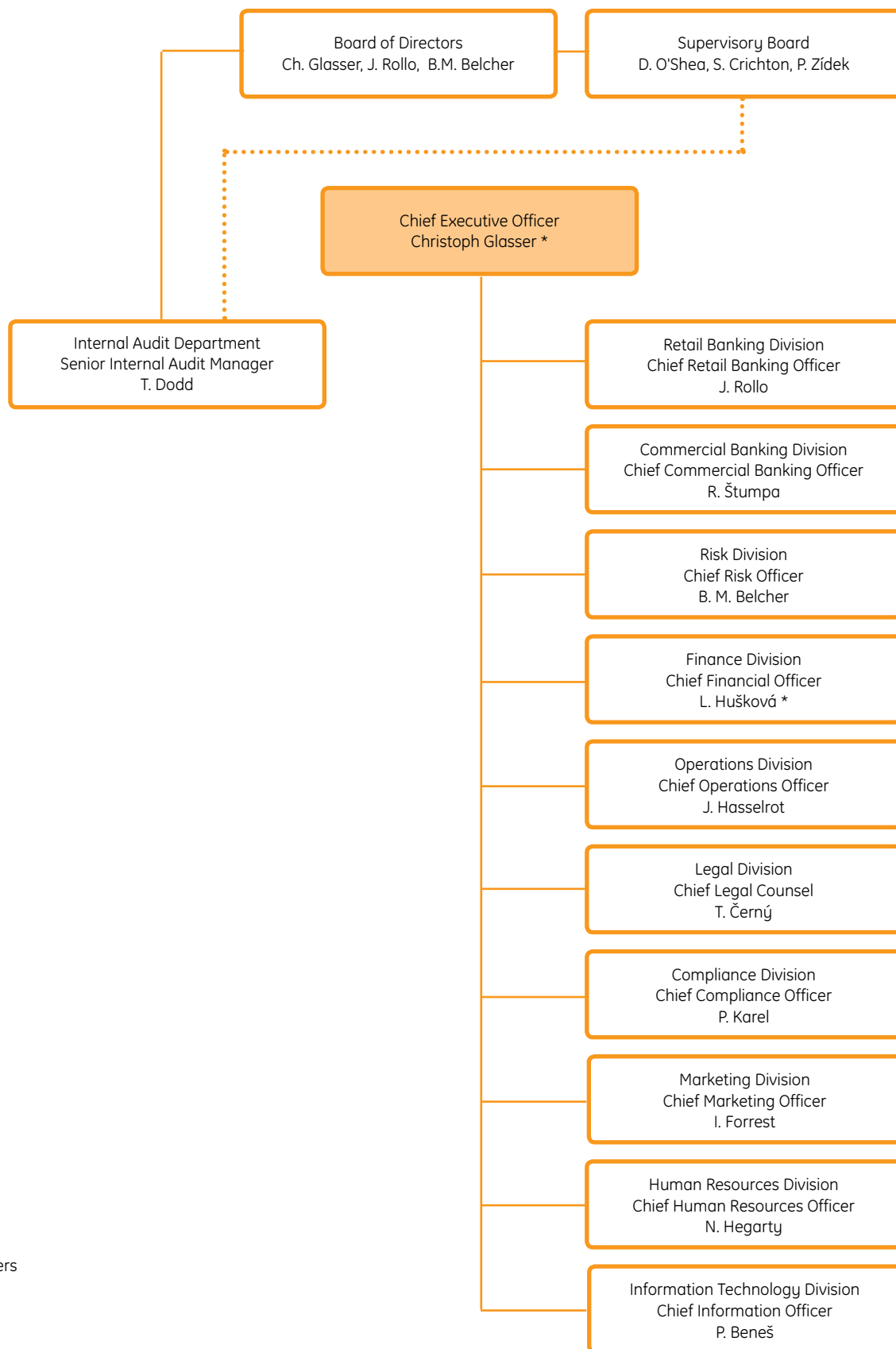
is a graduate with a Master's degree from the University of Economics in Prague, a major in international trade. He also studied at Charles University's Faculty of Law. Before joining GE he spent three years at DHL and seven years at Accenture, where he focused on various banking projects in Central Europe. He joined GE in 2002 as a project manager



Thomas B. Dodd

graduated from Manchester Metropolitan University and he has an MBA from Warwick University in the UK. He is also qualified as a financial adviser. He has extensive experience primarily in international banking and audit. Before joining GE Money Bank, a.s. he was responsible for bank inspections for the central bank of the United Arab Emirates. In May 2007 he joined GE Money Bank, a.s. in the position of Senior Internal Audit Manager. He is also member of the Czech Club of Internal Audit Managers.

## Structure of GE Money Bank, a.s



\* acting officers



# Board of directors' report

# Report by the Board of Directors on Commercial Activity and State of Assets

The commercial strategy of GE Money Bank, a. s., in 2007 was again to provide complex financial services to individuals and to SMEs.

In 2007 GE Money Bank, a.s. focused on four pillars: customer centrality, product and service innovation, distribution enhancement and simplification. This allowed us to grow in the spirit of exceptionally straightforward company based on easier, clearer, and more rewarding approach to customer.

GE Money Bank, a. s., registered a significant growth of interest in its loan products – both in the field of consumer loans and mortgages as well as in the field of loans for SMEs. Testament to this is the year-over-year growth in volume of loans provided of 24.2%. As of the end of 2007, the volume of loans provided to clients was CZK 80.4 billion, whereas as of 31 December 2006, the figure was CZK 64.7 billion. This trend had a positive impact on incomes from interest. The quality of the loan portfolio remains on a very good level.

In 2007, GE Money Bank reached gross profit from operations amounting CZK 4.7 billion, which represents increase of 1.2% comparing to the year 2006. Following the recording of a specific provision at the end of the year, the company reported a net profit amounts to CZK 2.4 billion.

Despite the continuing loan expansion, GE Money Bank, a. s., is maintaining a high capital adequacy ratio, which as of the end of 2007 amounted to 21.6% and GE Money Bank, a.s., is thus one of the most stable financial institutions on the Czech market.

In 2007 GE Money Bank, a. s., invested in the establishment and opening of five new branches and acquisition of 54 new ATMs. The growth in the number of employees went hand in hand with the bank's growth, from 2,156 (31 December 2006) to 2,299 (1 December 2007).

As of 31 December 2007, GE Money Bank, a. s., had 910,961 clients (a year-over-year growth of 5.7%), for which it administered 975,935 deposit accounts (a year-over-year growth of 2.7%). The volume of deposits accepted from clients experienced a year-over-year growth of 17.8% to CZK 61.1 billion. Deposits in the same period for 2006 came to CZK 51.9 billion.

As of 31 December 2007, GE Money Bank, a. s., registered a balance of almost CZK 84.9 billion. The year-over-year growth represents a change of 16.6%. As of the end of last year (2007), the return on assets (ROA) reached a level of almost 3.1%. In 2006 this index reached a level of almost 4.5% – thus showing a year-over-year drop of 31%. As of 31 December 2007, the return on equity (ROE) came to 13.1%, dropping compared to 2006 by 34.7%.

The Board of Directors of GE Money Bank, a. s., is satisfied with the bank's results for 2007 and would like to thank all employees for their efforts.

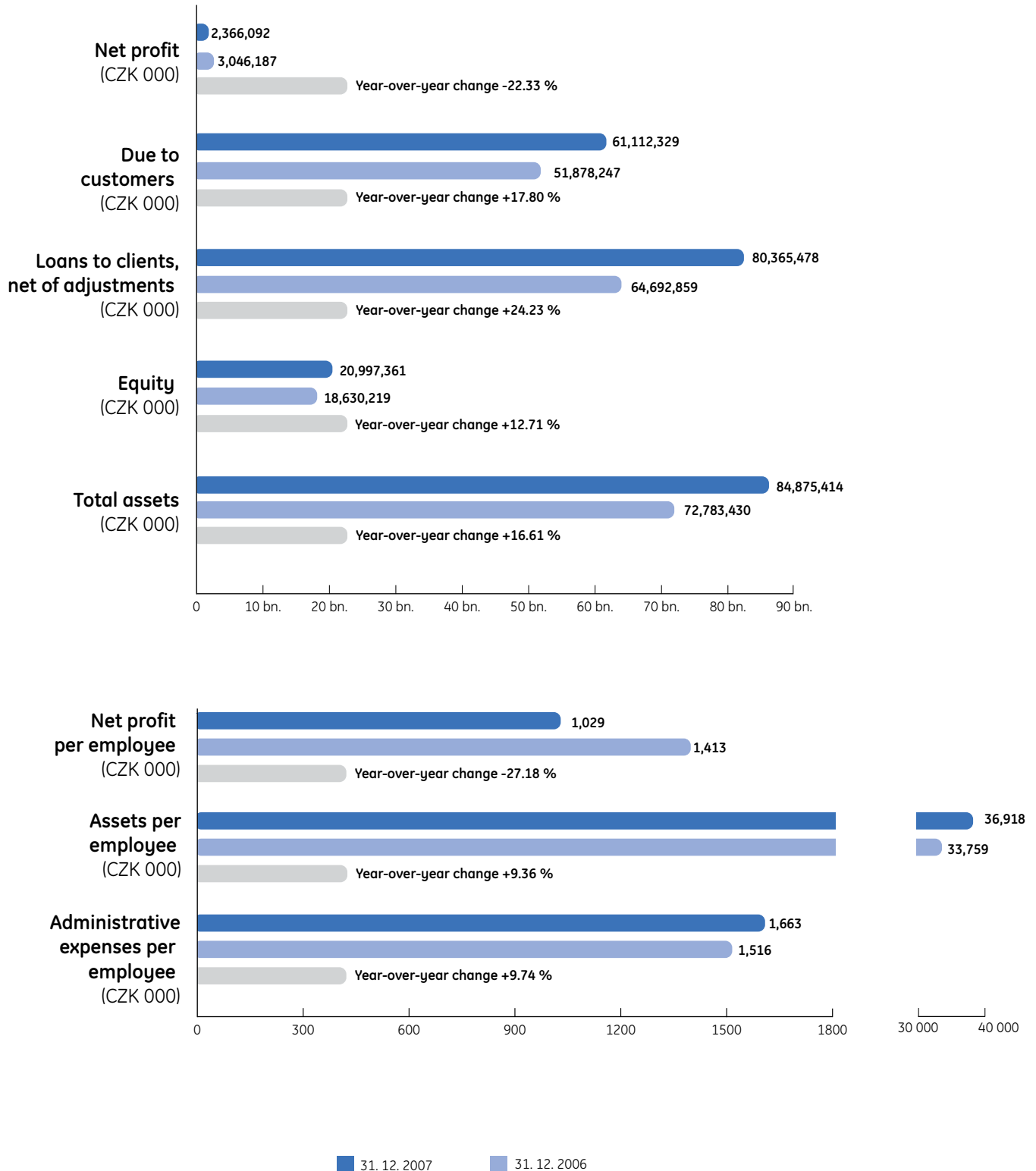
**Christoph Glaser,**  
Member of the Board of Directors

**Jan Rollo,**  
Member of the Board of Directors

**Brett Matthew Belcher,**  
Member of the Board of Directors

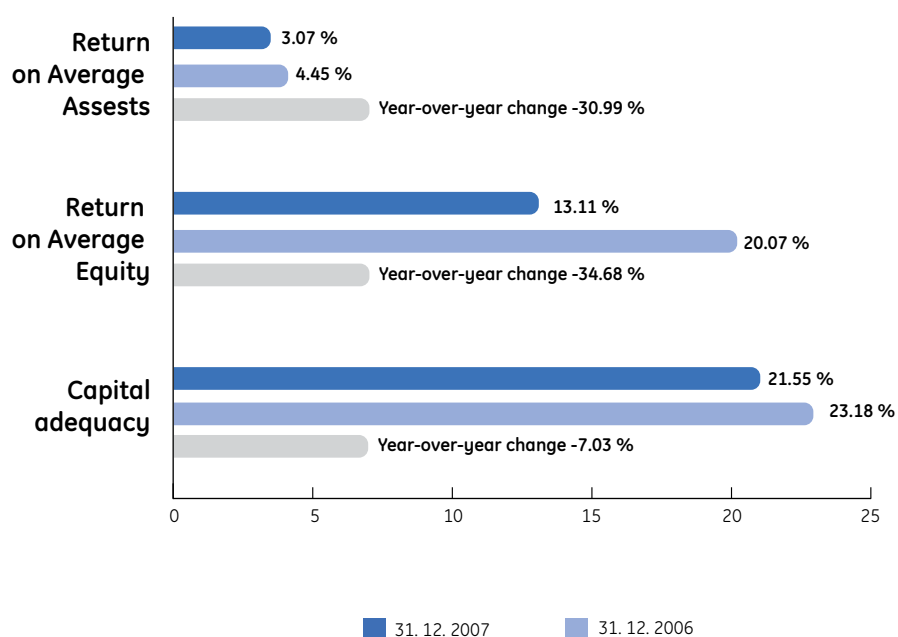
# Economic results of GE Money Bank, a. s.

(According to Czech Accounting Standards)



# Results and Key Financial Ratios, GE Money Bank, a.s.

(Under Czech Accounting Standards)  
(continued)



	31 December 2007	31 December 2006	Year-over-year change
Aggregated amount of original capital (tier 1) (CZK 000)	18,051,590	15,179,967	+18.92 %
Positive items:			
Registered paid up capital stock in the Commercial Register (CZK 000)	510,000	510,000	0.00 %
Required reserve funds (CZK 000)	102,000	102,000	0.00 %
Share premium (CZK 000)	4,701,979	4,701,979	0.00 %
Retained earnings from previous periods (CZK 000)	13,302,889	10,256,702	+29.70 %
Deductible items:			
Intangible fixed assets other than goodwill (CZK 000)	-565,278	-390,714	+44.68 %
Aggregated amount of supplementary capital (tier 2)	0	0	n/a
Aggregated amount of capital to cover the market risk (tier 3)	0	0	n/a
Aggregated amount of deductible items (CZK 000)	-240	-240	0.00 %
Total capital net of deductible items and after setting limits on supplementary capital (CZK 000)	18,051,350	15,179,727	+18.92 %
Capital requirements under separate regulations:			
Capital requirement for credit risk of the banking portfolio (CZK 000)	6,662,010	5,231,291	+27.35 %
Capital requirement for the credit risk of the trading portfolio (CZK 000)	412	49	+740.82 %
Capital requirement for the general interest rate risk (CZK 000)	37,415	4,709	+694.54 %
Capital requirement for the foreign exchange risk (CZK 000)	1,628	3,496	-53.43 %



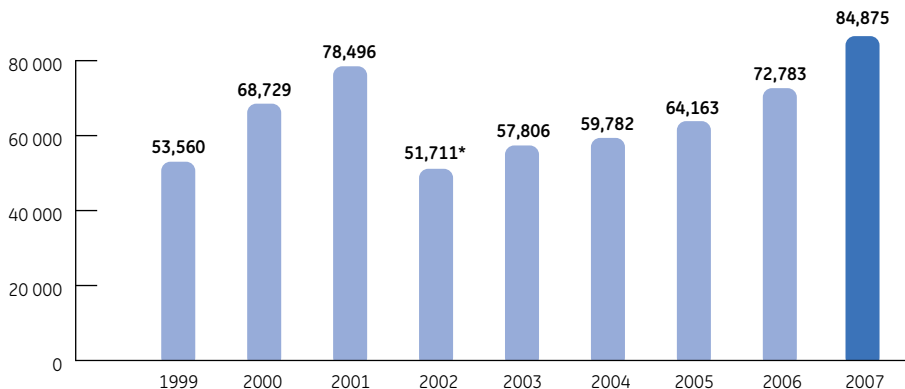
# Sophisticated Economic Indices of the Bank

# Main Financial Indicators of GE Money Bank, a.s.

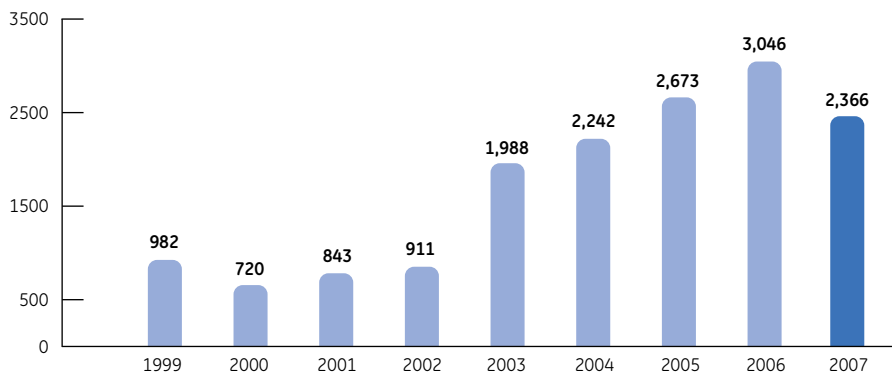
(according to Czech accounting standards):

## Total assets (CZK bn.)

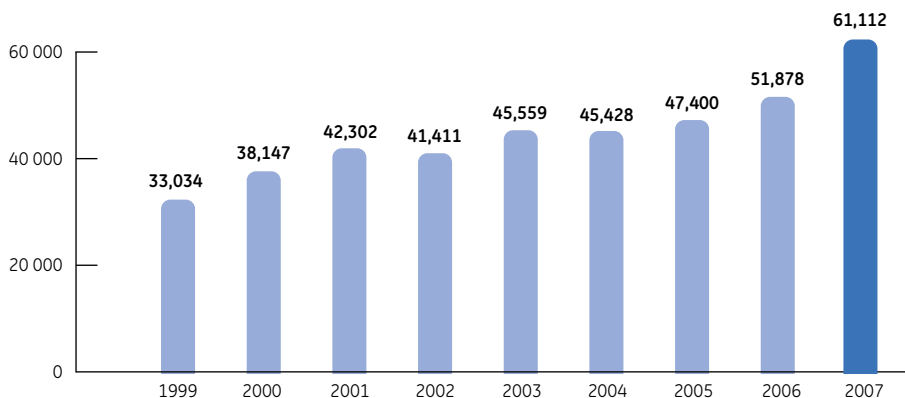
\* The decline from 2001 figures was caused by a change in the applicable Czech National Bank accounting methodology



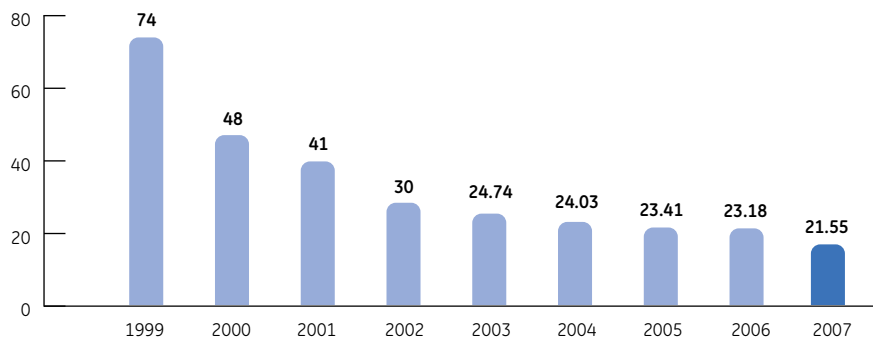
## Net profit (CZK bn.)



## Client deposits (CZK bn.)

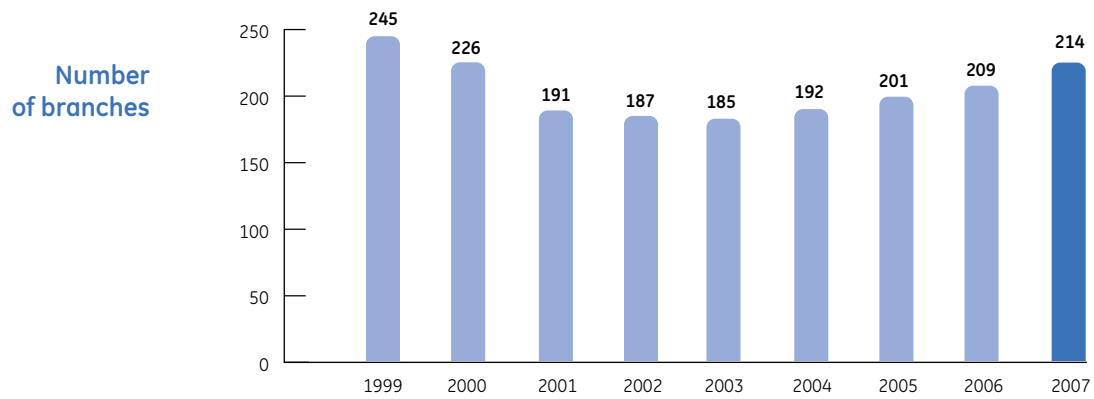
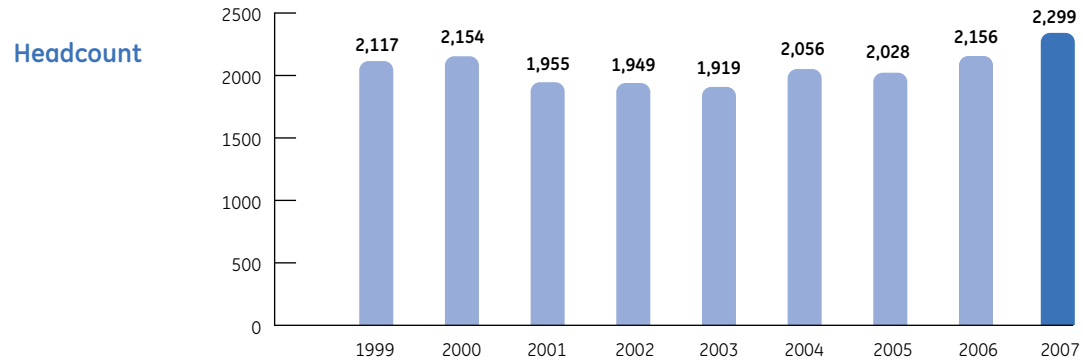


## Capital adequacy (%)



# Main Financial Indicators of GE Money Bank, a.s.

(according to Czech accounting standards):  
(continued)







# Outlook for 2008

## Outlook for 2008

We expect that 2008 will again be a year of growth for the Czech banking market. Although there will be a slight slowing down of the dynamics, we do not anticipate any fundamental changes in the trend compared to 2007. Thanks to intense competition, clients can and will choose from an abundant range of products and services. As their experience in the field of personal finance grows, so do their demands. On a market such as this, it is factors such as quality, speed, specialization and availability of services, which are far more decisive. We have these areas well covered and for this reason I have no doubt that we will be successful in 2008!

In order for us not only to maintain our position, but also to continue to strengthen it, we will be concentrating to a greater extent on cementing good relations with our clients, on a dynamic growth in their number and also on a targeted enlargement of our portfolio of products and services. This requires all of our employees to focus on the needs of our existing and new clients and to thoroughly accommodate their requirements. How? By advocating and implementing product innovation, simplifying processes and at the same time being able to guarantee a high level of quality. Our strategy, focused on speeding up growth and further strengthening of our position on the Czech banking market, is based on the following principles:

- **Lender of Choice**

We will be continuing to strengthen our significant position in the provision of loan products. We want to offer our clients the highest level of value and be representatives of responsible lending.

- **Preferred Main Bank**

Our aim is to reinforce and develop relations with our clients; we want to be the bank they prefer and which satisfies their financial needs. In order to achieve this, we will continue to enrich the offer of products and improve the quality of customer services.

- **Promotion of Synergy**

We will continue to support the synergy effect of the products on offer by all companies in the GE Money Group in the Czech Republic so that we can fully utilize the opportunities for distribution and the capacities, which we have established.

- **Customer Centricity**

We will continue to strive to ensure that it is easy for our clients to contact us wherever they want, whenever they want and how they want and ensure that this does not represent any excessive burden for them.

The driving force behind this strategy is our employees, who I regard as the best team on the market. This is why it is with confidence that I look forward to a successful 2008 and future years!

**Christoph Glaser,**  
acting CEO and Member of the Board of Directors  
GE Money Bank, a.s.



# Auditor's Report to the Shareholders of Bank

## Report of the Supervisory Board

The Supervisory Board has carried out its tasks in accordance with the laws of the Czech Republic, and the bank's Articles of Association and Rules of Procedure. The Board of Directors of GE Money Bank, a.s. has provided the Supervisory Board with all documents and information as required for its supervisory tasks.

The Supervisory Board has discussed the bank's results for 2007 as shown in the financial statements, including the notes thereto, reviewed by the auditor, and has adopted a conclusion which it presents to the General Meeting of the company:

The Supervisory Board recommends to the General Meeting to approve the financial statements for 2007.

**James Desmond O'Shea,**  
Supervisory Board Chairman

**Susan Elizabeth Crichton,**  
Supervisory Board Member

**Pavel Zídek,**  
Supervisory Board Member elected by the employees

# Auditor's report



KPMG Česká republika Audit, s.r.o.  
Pobřežní 648/1a  
186 00 Praha 8  
Česká republika

Telephone +420 222 123 111  
Fax +420 222 123 100  
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This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

## Auditor's report to the shareholders of GE Money Bank, a.s.

### Financial statements

On the basis of our audit, on 28 April 2008 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of GE Money Bank, a.s., which comprise the balance sheet as of 31 December 2007, and the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of GE Money Bank, a.s. in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with 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 the auditor's judgment, 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 used and the reasonableness of accounting estimates made by management, 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 present fairly in all material respects the assets, liabilities and the financial position of GE Money Bank, a.s. as of 31 December 2007, and its expenses, revenues and financial performance for the year then ended in accordance with Czech accounting legislation."

KPMG Česká republika Audit, s.r.o., a Czech limited liability company incorporated under the Czech Commercial Code, is a member firm of KPMG International, a Swiss cooperative.

Obchodní rejstřík vedený  
Městským soudem v Praze  
oddíl C, vložka 24185.

IČ 49619187  
DIČ CZ49619187

Živnostenská banka  
Praha 1  
č.ú./account no.  
466016004/0400

## Auditor's report



### Report on relations between related parties

We have also reviewed the factual accuracy of the information disclosed in the report on relations between related parties of GE Money Bank, a.s. for the period ended 31 December 2007. This report on relations between the related parties is the responsibility of the Company's management. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance that the report on relations is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not conducted an audit of the report on relations and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information disclosed in the report on relations between related parties of GE Money Bank, a.s. for the period ended 31 December 2007 contains material factual misstatements.

### Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of Company's management. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that all also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that our audit provides a reasonable basis for the auditor's opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague 28 April 2008

*KPMG Česko republika Audit*

KPMG Česká republika Audit, s.r.o.  
Osvědčení číslo 71

Ing. Vladimír Dvořáček  
Partner

Ing. Pavel Závítkovský  
Partner



# Charity and sponsorship

## Volunteers – GE Money employees help the needy

In line with GE's worldwide strategy, GE Money Bank a.s. in the Czech Republic adopted its Programme for Supporting those in Need, which is focused primarily on helping disadvantaged children and adults as well as supporting education and environmental causes. The recipients of our aid are primarily legal entities, but there are individuals as well. The most common ones are children's homes, centres for substitute family care, non-profit organisations focused on the above areas, primary schools, vocational schools, high schools and universities, libraries, training centres etc.

### Financial support for the needy in areas where GE is active

Financial support is provided on the basis of applications for GE grants, which the applicants submit to GE's grant committee through their guarantors. The guarantors are usually GE employees working near the applicant organisation (for example the head of GE Money Bank, a.s., branch in the municipality where the organisation is located).

Last year, more than 80 projects worth a total of almost CZK 2.2 million were implemented on the basis of approved GE grants (see the table on the next page). Aside from financial support, GE Money Bank, a.s. helps significantly with material donations. For example, it donates repaired PCs and other information technology equipment to schools and non-profit organisations.

## Supporting the needy in 2007

The recipient	Amount in CZK
The city of Prachatice	40,000
The children's home in Ostrov	20,000
The special elementary school	10,000
The home of hallowed of Bronislava	20,000
The school for children with hearing impairments	50,000
Usvit – association for assistance to intellectually disabled	20,000
The centre for everyone	10,000
The association for the living and environment of disabled	material
Children's home and canteen Zvíkovské podhradí	20,000
Kaňka association	60,000
The children's home in Horní Planá	30,000
SONS	10,000
Foundation of Olga Havlová	20,000
The elementary school in Velké Meziříčí	15,000
Hospice movement Vysočina	20,000
The elementary school and special school in Kujov	40,000
Charity Bučovice	10,000
The children's psychiatric ward	60,000
Sport union Sokol Knežice	15,000
The nursery Kujov	20,000
The Czech association AIDS help	20,000
Madree promotion	10,000
The car club of the deaf	20,000
The secondary school Nymburk	10,000
Arcadia Praha	10,000
Centre for respiration care Volno	30,000
Association Lodi	20,000
Sports Club EWSC LITA SPORT Praha	10,000
IV publishing house – partner of the European Police Association	20,000
The handcraft workshops	55,000
BTT – sheltered workshop	50,000
The sports club of the disabled	50,000
The house of saint Karel Boromejský	20,000
The club of the disabled - Petyrkova	20,000
The children's House in Mirovice	20,000
ASK Elna Počeradý	50,000
The special elementary school in Liberec	25,000
The children's rehabilitation healthcare unit	15,000
The non-profit organization of the friends of Children's home in Chomutov	20,000
The institute of social care for the youth	15,000
The centre for leisure time	5,000
The maternity school of Ostrava - Poruba	20,000
Elementary school Poměňka	20,000
The children's home in Hamr na Jizeři	material
Children's choir Domino	20,000
The babies institute in Opava	50,000
Radovan Civiš	20,000
Chateaux Nová Horka	30,000
Hope for horses	20,000
Hope for horses	15,000
Foundation Mateřinka	40,000
Vincentinum – provider of social services in Štenberk	20,000
Elementary school and kindergarten Motýlek	20,000
Sports club Ostrava	60,000
The babies institute in Valašské Meziříčí	45,000
The children's home and canteen Slezská Ostrava	40,000
Home of children and youth Kamarád	20,000
Litomyšl Hospital	20,000
Elementary and practical school Daneta	20,000
Elementary school Bernartice	13,500
The institute of social care Skřivany	90,000
The children's club	20,000
The institute of social care Žampach	20,000
The babies institute and children's home in Svitavy	45,000
Parish charity Litomyšl	20,000
A – centrum, daily support for the disabled	20,000
Kamarád – the daily support for disabled	40,000
Blind Sport	15,000
The agency for personal assistance and social consultancy	15,000
The friends of the children's home in Chomutov	25,000
SONS	20,000
The children's in Karlovy Vary	30,000
Sports club Spastic Tricykl	40,000
SONS	15,000
Children's social welfare institution Zvonek	45,000
The physiotherapeutic institution in Kladruby	20,000
Slovakia – Various non-profit organizations' support	130,000
Domov pod lipami in Smečno	material
The elementary school and kindergarten in Bolatice	material
Association Neratov	material
Association for deaf and impaired hearing	material
Sports club OA in Janské Lázně	material
Caritas Erzdiözese Wien	30,000

## GE VOLUNTEERS ELFUN

A key force in GE's charity activities, the GE Volunteers Elfun movement gathers volunteers from among the employees, through whom it helps in various fields and areas worldwide. An important part of GE Volunteers Elfun's activities is voluntary work for the benefit of the environment in areas where GE is active.

GE Volunteers Elfun in the Czech Republic was founded way back in 2000 and today it helps with dozens of projects in three areas: education, helping children and the disabled and environmental conservation. More than 350 employees from the Czech-based GE Money logged 1,700 volunteer work hours in 40 projects in 2007. The long-term projects that GE Volunteers Elfun has participated in within the Czech Republic include, for example, Klokánek – a project run by Fond ohrožených dětí, cooperation with Charlotta Masaryková Children's Home in Zbraslav, Kindergarten in Velká

Bíteš, Na Líše Primary School and Children's Homes in Ostrava-Hrabová and Slezká Ostrava.

Supporting the Earth Day in Moravský Krumlov has become a tradition: an afternoon of competitions for children focusing on education for environmental conservation. Regular employee activities also include blood donating and "Baking With Joy". Last year, 162 employees donated a total of 73 litres of blood and raised CZK 42,000 in selling their homemade baked goods. We donated the amount to the Special School for the Hearing-Impaired in Ivančice. The total value of support provided by GE Volunteers Elfun in the Czech Republic reached CZK 1.4 million last year.

For more information on GE Volunteers Elfun and GE's charitable and sponsorship activities in the Czech Republic, visit [www.gemoney.cz](http://www.gemoney.cz) section Sponzorství a charita, or [www.ge.com/volunteers/](http://www.ge.com/volunteers/).



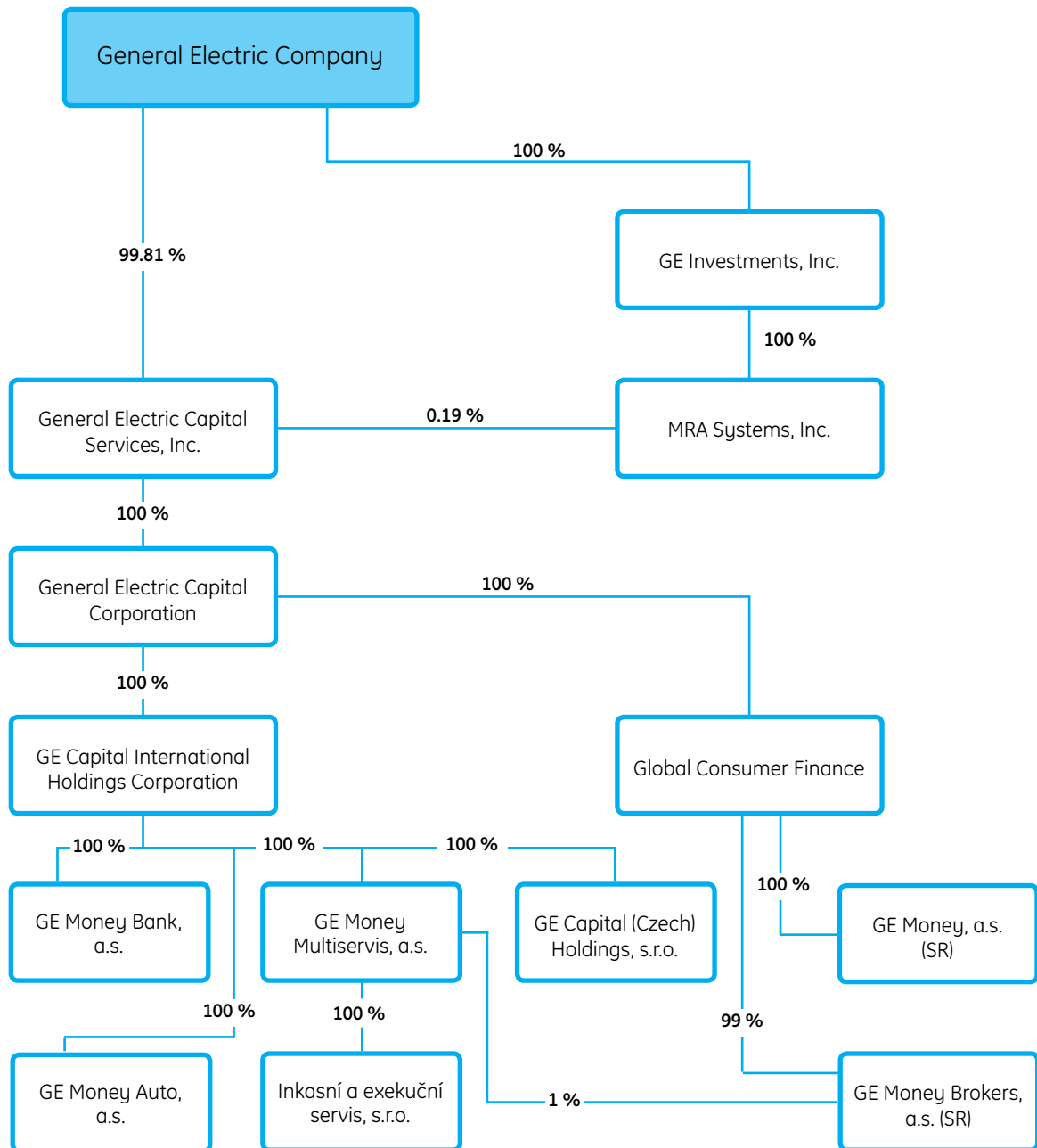
# Report on Relations between Related Parties

## Report on relations between related parties

In accordance with paragraph 9 of Section 66 (a) of Act No. 513/1991 Coll., the Commercial Code, as amended, a report was compiled on relations between the company GE Capital International Holdings Corporation, (hereinafter referred to as the “Controlling Party”) as the Controlling Party and the company GE Money Bank, a.s., (hereinafter referred to as the “ Controlled Party” or “Bank”) as the Controlled Party and between the Controlled Party and other parties controlled by the Controlling Party for the accounting period from 1.1.2007 – 31.12.2007.

This report was compiled in order to meet the information duty under paragraph 9 of Section 66 (a) of Act No. 513/1991 Coll., the Commercial Code, as amended.

## Structure of GE



Since December 15, 2004, GE Money Multiservis, a.s. has exercised certain shareholder rights related to the shares of GE Money Auto, a.s.

## 1. INTERCONNECTION OF PARTIES

GE Money Bank, a.s., is part of the GE Capital group, a multinational GE corporation, which focuses on providing financial services, mainly to retail and medium-sized clients. The Bank co-operates most closely with its sister companies within the GE group of companies, which use each other's distribution networks to provide their products at arms-length business conditions.

## 2. LIST OF OTHER CONTRACTS AND LEGAL ACTS

### a) List of contracts

Contracts for consideration - receivables/liabilities

The Bank concluded the contracts listed below with companies in the GE group, under which liabilities ensue to it. These are namely mandate contracts with companies having their registered offices in the Czech Republic and the Slovak Republic, on the basis of which the company invoiced a proportional part of the costs to the Bank.

The Bank also co-operates with GE Money Multiservis, a.s., (hereinafter referred to as "Multiservis") as part of the deal whereby the Bank's distribution channels would be used by the clients of

Multiservis. Multiservis clients, who hold an OK card, may make cash withdrawals at the Bank's counters. In return, Multiservis pays the Bank a fixed fee per transaction made.

The Bank also co-operates with Multiservis in the area of maintenance, distribution and processing of transactions made on the GE Credit Card Maestro/MasterCard credit card. The Bank provides administration services with respect to individual credit cards. It administers and manages the whole portfolio in its Vision Plus system. Multiservis pays the Bank a fixed fee per credit card issued and evidenced for these services and also for individual transactions made on these credit cards. The costs per card are revalued once a year on the basis of the actual costs and the Bank's profit margin.

The Bank concluded a contract with companies in the GE group pertaining to the realisation of transaction on the money market according to the Bank's instructions and on the Bank's account. Another type of contract, from which liabilities ensue, is the contract on the use of GE's logo and trademark.

The Bank has also concluded contracts on receiving support services from GE in Dublin and Stamford, which they provide to the departments at the headquarters and management of the Bank.

### Contracts with subsidiary companies of GE

GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Mandate contract
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Business co-operation contract - No financial settlement ensuing
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Mandate contract
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the provision
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the provision of services -operation of and supervision over IBS90 and SWIFT
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the provision of IT -in connection with AS 400
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on a bank overdraft loan
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on a bank overdraft loan
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on Cooperation – hypo referral
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on Cooperation and processing personal data - hypo processing

## Contracts with other companies within the GE group

GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Brokers, a.s. Bottova 7, Bratislava, Post Code 811 09, Slovak Republic	Mandate contract
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money, a.s. Bottova 7, Bratislava, Post Code 811 09, Slovak Republic	Mandate contract
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Inkasní a exekuční servis s.r.o. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on a bank overdraft loan
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Inkasní a exekuční servis s.r.o. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Mandate contract claiming of debtors' receivables SB0000967
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Austria GmbH, Donaucity Strasse 6/8th Floor, A-1220 Vienna, Austria	Service arrangement contract
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital Corporation, 260, Long Ridge 260, Long Ridge Road, Stamford, USA	Contract on treasury services
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital Corporation, 260, Long Ridge Road, Stamford, USA-GI. Cons. Finance a GE International Incorporated, 777 Long Ridge Road, Stamford, USA	Use of GE networks
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital Registry, Inc., 260 Long Ridge Road, Stamford, USA	Use of trademarks
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Corporate Computer Services Limited - Europe Station Road, Kingswood, Bristol, England	Fees for mediation of services V+
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Global Consumer Finance Summer Street 1600, Stamford U.S.A	Contract on the provision of support to HQ GEMB
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Global Consumer Finance Summer Street 1600, Stamford U.S.A	Contract on the provision of support to HQ GEMB - IT services
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital International Services GE Towers, Sector Road, Sector 53 Gurgaon-122002, India	Contract on SW consulting services signed 12.5.2004
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital International Services GE Towers, Sector Road, Sector 53 Gurgaon-122002, India	Contract on SW consulting services signed 14.5.2004
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	General Electric Company 3135 Easton Turnpike, Fairfield Connecticut 06431, USA	E-mail services
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital Global Financial Restructuring 201 High Ridge Road, Stamford CT 06927	Contract on the use of SW (licensing fee)
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	General Electric Capital Corporation, 201 High Ridge Rd, Stamford, USA a INDUS Software Private Limited 8 Chinar Heights,359+Model Colony, India	Global contract between GE and INDUS Contract on software use- INDUS
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	General Electric Company, Summer Street 1600, Stamford, USA a Telindus, B.V., Utrecht, Holansko	Global contract between GE and Telindus
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Consumer Finance, Summer Street 1600, Stamford, USA a Global eXchange Services, Inc (Telindus) Savannahweg 19, Utrecht, Netherlands	Contract on the maintenance of telecommunication and security equipment for data transmission
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	General Electric Copany, Fairfield, USA, CT06828 a Chubb Insurance Company of Europe S.A.	Global contract between GE a Chubb Insurance Company (Insurance for people travelling abroad)
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	General Electric Capital Corporation Summer Street 1600, Stamford, USA a i-flex solutions, ltd. Sdf1,United Nos.10811,SEEPZ,Andheri,Numbai 400096, India	Implementace Flexcube@connect SB0000696
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	General Electric Capital Corporation Summer Street 1600, Stamford, USA a i-flex solutions, ltd. Sdf1,United Nos.10811,SEEPZ,Andheri,Numbai 400096, India	Implementace Flexcube WORKFLOW management SW SB0000695
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital International Holdings Corp. 120 Long Ridge Road, Stamford, USA	Revolving Credit Agreement

## Lease contracts – receivables

The Bank concluded lease contracts with companies in the GE group, which have their headquarters in the BB Centre building in Vyskočilova Street. The Bank reinvoices the costs associated with the lease at the BB Centre building proportionally to these companies on a monthly basis.

The Bank concluded lease contracts with GE Money Auto, a.s., which uses part of the Bank's premises located in regional cities for the sale of its products. As consideration it pays the Bank arms-length rent including proportional associated costs for the operation of the commercial locations.

GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – in the BB Centre building, Vyskočilova 1422/1a, Prague 4
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – in the BB Centre building, Vyskočilova 1422/1a, Prague 4
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Capital (Czech) Holdings, s.r.o. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – in the BB Centre building, Vyskočilova 1422/1a, Prague 4
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Medical Systems Czech Republic, s.r.o. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – in the BB Centre building, Vyskočilova 1422/1a, Prague 4
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Amersham Health (Central East Europe) – branch office, Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – in the BB Centre building, Vyskočilova 1422/1a, Prague 4
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – Olomouc, Opletalova 2
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – Hradec Králové, Karla IV. 502
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – Brno, Lidická 31
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – Jaroměř, Ve Sladovnách 37
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – České Budějovice, Jírovцова 1863/1
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract – in The Park building no.2294/2, Prague 4-Chodov
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract - in The Park building no. 2294/2, Prague 4-Chodov
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Inkasní a exekuční servis s.r.o. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Lease contract - in the in the BB Centre building, valid from 01.05.2007 for an indefinite period

### Mandate contracts and other receivables ensuing from contracts

The Bank also provided services in the non-retail area to GE companies in the Czech Republic and the Slovak Republic. These services were rendered at arms-length business conditions. The Bank has also concluded a contract with Global Consumer Finance Ltd.

on the provision of services in the area of IT project management (Information technology). The Bank also provides traditional banking services to its sister companies at arms-length conditions, e.g. keeping of current accounts and overdraft accounts.

GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Co-operation agreement (as of 01.01.2006) - for credit cards/loans/ OK cards - cash withdrawals
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money, a.s. Bottova 7, Bratislava Post Code 811 09, SR	Co-operation agreement (as of 01.01.2006) - management of credit cards (cash withdrawals)
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Co-operation agreement (as of 01.01.2006) - lease of telephone exchange /services (direct/indirect costs) for training purposes in Ostrava
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Mandate contract as of 10.11.1999 OPS Services
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Mandate contract as of 01.07.2000 OPS Services
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Brokers, a.s. Bottova 7, Bratislava, Post Code 811 09, SR	Mandate contract as of 10.01.2001 OPS Services
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money, a.s. Bottova 7, Bratislava, Post Code 811 09, SR	Mandate contract as of 10.01.2001 OPS Services
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Co-operation agreement (as of 28.05.2007) Internetbank for clients GEMM, who have only a credit card
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract of custody and technical Certificates as of 15.03.2007 Performance from 1.01.2007
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Budapest Bank Nyrt. Váci út 188 H-1138 Budapest	SW licence&cost sharing agreement single contract for the 50% share the cost of UFO as of 2.4.2007
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Multiservis, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Mandate contract as of 10.11.1999 - credit card transactions fee
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the lease of corporeal chattels 2A4 5976 as of 01.06.2007
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the lease of corporeal chattels 7A0 3962 as of 30.06.2007 (terminated as of 31.12.2007)
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the lease of corporeal chattels Notebook DELL D620 - 89KXK2J as of 30.06.2007 (for an indefinite period)
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the lease of corporeal chattels as of 18.6.2007 (single) on CISCO, NB, PC for CEE, 01.01.-30.06.2007
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract of sale as of 30.06.2007 (single) on CISCO, NB, PC for CEE
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	GE Money Auto, a.s. Vyskočilova 1422/1a, Prague 4, Post Code 140 28	Contract on the assignment and transfer of rights and the obligations of 8.10.2007 (single) assignment of licenses VISUAL

### b) List of other legal acts

During the course of the accounting period no legal acts were made in favour of the Controlling Party and the controlled parties over and above the framework of the normal legal acts by the Controlling Party as part of the performance of its rights as a shareholder of the Controlled Party.

### 3. OTHER MEASURES, PERFORMANCE RENDERED AND COUNTER-PERFORMANCE ACCEPTED

During the course of the accounting period no other measures, performance or counter-performance were adopted or made in the interest or at the urging of the Controlling Party and controlled parties on the part of the Controlled Party over and above of the framework of normal measures, performance and counter-performance of the Controlled Party in relation to the Controlling Party as a shareholder of the Controlled Party.

## 4. RECEIVABLES AND LIABILITIES OF BANK IN RESPECT OF OTHER RELATED COMPANIES

As at 31 December 2007

in '000 CZK	Receivables	Liabilities
GE Money Multiservis, a.s., Česká republika	814,098	37,530
GE Capital (Czech) Holdings, s.r.o., Česká republika	52	20,866
GE ELFUN	-	1,584
GE Medical Systems ČR s r.o., Česká republika	6	-
GE Money Auto, a.s., Česká republika	325,782	8,413
Inkasní a exekuční servis, s.r.o., Česká republika	2,208	2,837
GE Capital International Holdings Corp., 120 Long Ridge Road, Stamford	-	5,000,000
GE Money, a.s., Slovenská republika	10,760	12,953
GE Money Brokers, a.s., Slovenská republika	8	-
GE Capital Corporation Global Consumer Finance; 1600 Summer Street; Stamford, CT 06927; USA	-	6,270
Amersham Health (Central East Europe), HaldelsGmbH, Praha 8	3	-
BUDAPEST BANK RT; Váci Utca 202; 113 8 Budapest; Hungary	80	-
GCF - Global Cards; 6 Agar Street; WC 2N 4HR London; UK	1,390	-
GE Capital - GCF; Sao Paulo, Brasil (Z0167)	733	-
GE Capital Commercial Finance International, Stamford, USA	449	-
GE Consumer Finance Europe (UK Branch); 6, Agar Street; WC2N 4HR London; UK (H8302I)	10	1,060
GE Consumer Finance Brasil; Sao Paulo, Brasil (Z0231)	225	-
GE Consumer Finance UK Limited; Leeds, UK (17600A)	(526)	-
GE International, Inc., Česká republika	90	35,457
GE International Shelton, P.O.Box 861; Shelton; USA	495	-
GE Real Estate Europe; Paris; FRANCE (EHGA9P)	351	-
GECF Int. Holdings SAS; Tour Europlaza; Paris, France (GE0050)	46	-
GE Real Estate Czech Republic s.r.o.; Karlovo náměstí 10; 120 00 Praha 2	29	28
Global Financial Restructuring Czech, s.r.o.; Praha 4, ČR	3	-
GE Corporate Staff; 3135 Easton Turnpike; CT 06828 Fairfield; USA	-	59
GE Money Bank; Vahrenwalder 315a; Hannover; Germany (20200G)	122	-
GECF Asia Limited ; 25th Floor, CRC Tower; All Seasons Place; 87/2 Wireless Road; 10330 Lumpini	71	-
GE International, Inc.; GE Money - Asia HQ; Akasaka Park Building 5-2-20 Akasaka Minat (W10711)	288	-
GE Money Bank; Vahrenwalder 315a; Hannover; Germany	-	23
GE CAPITAL SERVIZI FINANZIARI SPA; Strada del Brich, 6; 12084 Mondovi (CN); Italy	-	743
<b>Total</b>	<b>1,156,774</b>	<b>5,127,823</b>

## 5. EVALUATION

The Bank declares that it has not incurred any loss as a result of the conclusion of the above-mentioned contracts, the performance of the other legal acts and other measures mentioned above, or the performance rendered or counter-performance accepted.



# Financial Statements

Name of the Bank:	GE Money Bank, a.s.
Registered office:	Vyskočilova 1422/1a, Praha 4
Company no:	25672720
Business:	Bank
Code of the Bank:	0600
Year ended:	31 December 2007

# ASSETS

## Balance sheet as of 31 December 2007

CZK 000	Note	2007	2006
1	Cash in hand and balances with central banks	2,950,240	2,400,569
3	Receivables from banks and cooperative savings associations of which:	3,214,299	8,163,367
	a) repayable on demand	89,620	58,177
	b) other receivables	3,124,679	8,105,190
4	Receivables from customers - cooperative savings association's members of which:	74,850,920	59,064,540
	a) repayable on demand	435	454
	b) other receivables	74,850,485	59,064,086
6	Shares, mutual fund certificates and other investments	30,645	29,595
7	Participation interests with substantial influence	240	240
	of which: in banks	0	0
9	Intangible fixed assets	565,278	390,714
10	Tangible fixed assets	871,859	789,249
	of which: land and buildings for operating activities	300,225	214,505
11	Other assets	2,298,386	1,850,074
13	Prepaid expenses and accrued income	93,547	95,082
	<b>Total assets</b>	<b>84,875,414</b>	<b>72,783,430</b>

The notes set out on pages 49 to 71 form part of these financial statements.

# LIABILITIES

## Balance sheet as of 31 December 2007

CZK 000	Note	2007	2006	
1	Due to banks and cooperative savings associations	20	37,923	73,932
	of which: a) repayable on demand		32,923	68,932
	b) other payables		5,000	5,000
2	Due to customers - cooperative savings association's members	21	61,112,329	51,878,247
	of which: a) repayable on demand		42,894,322	38,506,879
	b) other payables		18,218,007	13,371,368
4	Other liabilities	22	1,902,126	2,189,816
5	Deferred income and accrued expenses		15,949	106
6	Provisions	24	809,726	11,110
	of which: a) provision for pensions and similar obligations		0	0
	b) provision for taxes		0	0
	c) other		809,726	11,110
8	Registered capital	23	510,000	510,000
	of which: a) registered paid up capital		510,000	510,000
9	Share premium		4,701,979	4,701,979
10	Reserve funds and other funds from profit	25	102,000	102,000
	of which: a) statutory reserve funds and risk funds		102,000	102,000
13	Gains (losses) from revaluation	26	14,401	13,351
	of which: a) assets and liabilities		14,401	13,351
14	Retained earnings from previous years	25	13,302,889	10,256,702
15	Profit for the accounting period	25	2,366,092	3,046,187
	<b>Total liabilities</b>		<b>84,875,414</b>	<b>72,783,430</b>

The notes set out on pages 49 to 71 form part of these financial statements.

## OFF-BALANCE SHEET ITEMS

CZK 000		Note	2007	2006
Off-balance sheet assets				
1	Commitments and guarantees granted	28	11,357,353	8,209,821
3	Receivables from spot transactions		73,252	82,703
4	Receivables from fixed term transactions	28	2,968,575	1,079,005
6	Receivables written-off		295,299	2,807,646
Off-balance sheet liabilities				
9	Commitments and guarantees received		959,139	509,032
10	Collaterals and pledges received		60,092,292	43,548,649
11	Payables from spot transactions		73,294	82,638
12	Payables from fixed term transactions	28	2,957,338	1,080,211

The notes set out on pages 49 to 71 form part of these financial statements.

# PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2007

CZK 000	Note	2007	2006
1	Interest income and similar income	5,823,013	5,204,087
	of which: interest income from debt securities	0	8,282
2	Interest expense and similar expense	(327,250)	(223,295)
3	Income from shares and participation interests:	10,110	7,055
	of which a) income from participation interests with substantial influence	467	330
	b) income from participation interests with controlling influence	0	0
	c) income from other shares and participation interests	9,643	6,725
4	Commission and fee income	3,126,082	2,798,456
5	Commission and fee expense	(337,418)	(348,007)
6	Gain or loss from financial operations	197,025	239,468
7	Other operating income	734,793	783,476
8	Other operating expenses	(203,656)	(161,021)
9	Administrative expenses	(3,824,249)	(3,267,959)
	of which: a) employee expenses	(1,514,481)	(1,324,784)
	of which : aa) social and health insurance	(393,944)	(345,100)
	b) other administrative expenses	(2,309,768)	(1,943,175)
11	Depreciation, creation and use of reserves and adjustments to tangible and intangible FA	(482,931)	(372,070)
12	Release of adjustments and provisions for receivables and guarantees, income from written-off receivables	1,042,298	1,029,382
13	Write-offs, creation and use of adjustments and provisions for receivables and guarantees	(2,003,404)	(1,916,305)
17	Creation and use of other provisions	(800,000)	0
<b>19</b>	<b>Current year profit (loss) from ordinary activities before tax</b>	<b>2,954,413</b>	<b>3,773,267</b>
23	Income tax	(588,321)	(727,080)
<b>24</b>	<b>Net profit for the accounting period</b>	<b>2,366,092</b>	<b>3,046,187</b>

The notes set out on pages 49 to 71 form part of these financial statements.

## Summary of changes in equity in 2007

CZK 000	Registered capital	Share premium	Reserve funds	Revaluation gains (losses)	Profit (loss)	Total
Balance as of 1 January 2006	510,000	4,701,979	102,000	403	10,256,702	15,571,084
FX gains (losses) and gains (losses) not included in the profit and loss statement	0	0	0	12,948	0	12,948
Net profit for accounting period	0	0	0	0	3,046,187	3,046,187
<b>Balance as of 31 December 2006</b>	<b>510,000</b>	<b>4,701,979</b>	<b>102,000</b>	<b>13,351</b>	<b>13,302,889</b>	<b>18,630,219</b>
Balance as of 1 January 2007	510,000	4,701,979	102,000	13,351	13,302,889	18,630,219
FX gains (losses) and gains (losses) not included in the profit and loss statement	0	0	0	1,050	0	1,050
Net profit for accounting period	0	0	0	0	2,366,092	2,366,092
<b>Balance as of 31 December 2007</b>	<b>510,000</b>	<b>4,701,979</b>	<b>102,000</b>	<b>14,401</b>	<b>15,668,981</b>	<b>20,997,361</b>

The notes set out on pages 49 to 71 form part of these financial statements.



GE Money Bank

# Notes to the Financial Statements

## 1. BASIC INFORMATION

### (a) Establishment and description of the Bank

GE Money Bank, a.s., formerly GE Capital Bank, a.s., ("the Bank " or "GEMB") was established on 9 June 1998 by the contribution of capital from GE Capital International Holding in the amount of CZK 2,000 million. From this initial capital, the Bank purchased selected assets and liabilities from Agrobanka, a.s., a bank, which had been previously put under enforced administration by the Czech National Bank.

On 22 June 1998, the date of purchase, the assets and liabilities acquired were recorded in the Bank's balance sheet at values determined based upon the Purchase Agreement.

On 17 January 2005 the Bank was renamed from GE Capital Bank, a.s. to GE Money Bank, a.s. as a part of a rebranding initiative, that is implemented by our parent company General Electric Company around the world. The aim is to use the worldwide experience of GE Money not only for uniform communication, but also for improvement of processes and to strengthen our mutual relationships and intensify our successful cooperation with clients

Registered office	Company number
GE Money Bank, a.s. Vyskočilova 1422/1a 140 28 Praha 4 Czech Republic	25672720

Members of the Board of Directors and Supervisory Board as at 31 December 2007

Members of the Board of Directors	Members of the Supervisory Board
Christoph Glaser	James Desmond O'Shea (předseda)
Jan Rollo	Susan Elizabeth Crichton
Brett Belcher	Pavel Zídek

Changes in the Board of Directors and Supervisory Board In 2007, the Board of Directors and Supervisory Board changed as follows:

- on 30 October 2007 Jan Rollo was reappointed as a member of the Board of Directors,
- on 4 December 2007 Pieter van Groos resigned from the Board of Directors,
- on 20 December 2007 Brett Belcher was appointed as a member of the Board of Directors
- on 20 December 2007 James Desmond O'Shea was reappointed as the Chairman of the Supervisory Board.

Organisational structure viz page 16.

### (b) Basis of preparation

The financial statements have been prepared on the basis of accounting maintained in accordance with the Act on Accounting and relevant regulations and decrees of the Czech Republic. They have been prepared under the historical cost convention on the basis of full accrual accounting, except for the selected financial instruments that are stated at fair value.

The financial statements have been prepared in accordance with the Czech Ministry of Finance decree on regulating the layout and definition of financial statements and disclosure requirements of banks and certain financial institutions dated 6 November 2002 (No. 501/2002).

Numbers in brackets represent negative amounts.

These financial statements are non-consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

### (a) Transaction date

Depending on the type of transaction, the transaction date is defined as the date of payment or collection of cash; the date of purchasing or selling of foreign currency or securities; date of payment or collection from a customer's account; date of order to a correspondent to make a payment, settlement date of the Bank's payment orders with the ČNB clearing centre, the value date according to a statement received from a Bank's correspondent (statement means SWIFT statement, bank's notice, received media, bank statement or other documents); the trade date and settlement date of transactions with securities, foreign currency, financial derivatives, the date of issue or receipt of a guarantee or opening credit line; the date of acceptance of values into custody.

Accounting transactions involving the purchase or sale of financial assets with a usual term of delivery (spot transactions) as well as fixed term contracts shall be recorded in off-balance sheet accounts from the trade date until the settlement date.

A financial asset or its part is derecognised from the balance sheet if the Bank loses control over the contractual rights to this financial asset or its part. The Bank loses this control if it exercises the rights to the benefits defined in the contract, if these rights expire or these rights are waived by the Bank.

### (b) Debt securities, shares, units and other investments

Treasury bills, bonds and other debt securities and shares including share units and other investments are classified into the portfolio which is held to maturity, the portfolio valued at fair value through the profit and loss, or available for sale portfolio, based on the Bank's intention. Only debt securities can be classified into the portfolio held to maturity.

Treasury bills, bonds and other debt securities are recorded at amortised/accreted cost. Accrued interest income is part of the carrying amount of these securities. Shares, units and other investments are recorded at acquisition cost.

Premiums and discounts on debt securities are amortised/accreted through the profit and loss account over the period from the date of purchase to the date of maturity using the effective interest rate method. In the case of securities which have a residual maturity of less than 1 year from the date of purchase, the premium and the discount are amortized/accreted equally through the profit and loss account over the period from the date of purchase to the date of maturity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Debt securities, shares, units and other investments (continued)

Available for sale securities and shares, units and other investments are measured at fair value and gains/losses from this revaluation are charged to equity in "Gains (losses) from revaluation". When the security is sold the respective revaluation difference is charged to the profit and loss account in "Gain or loss from financial operations".

The fair value used for the revaluation of securities is determined based on the market price published as of the date of the fair value measurement, if the Bank proves that securities can be sold for that market price.

For debt and equity securities traded on the public market, fair values are equal to the price reached on the public market of OECD countries, if, at the same time, the condition of securities liquidity is fulfilled.

If it is not possible to determine whether the fair value is the market value (i.e. the Bank does not prove that it is possible to sell securities for such a market price), the fair value is estimated as an adjusted value of securities.

The adjusted value of the securities is equal to the share proportion of equity for shares, the share proportion of a fund's net assets value for units, or the present value of the security for debt securities.

Transactions where securities are purchased under a commitment to resell (resale commitment) are treated as collateralised lending transactions. The legal title of securities subject to resale or repurchase commitments is transferred to the lender. Securities received under a resale commitment are recorded in off-balance sheet accounts in "Collaterals and pledges received". The lending granted under a resale commitment is recorded in 'Receivables from banks and cooperative savings associations' or 'Receivables from customers - cooperative savings association's members.' Interest on debt securities received under a resale commitment is not accrued.

Income arising under resale commitments based on the difference between the selling and purchase price is accrued over the period of the transaction and recorded in the profit and loss account as "Interest income and other similar income".

### (c) Participation interest with substantial influence

Participation interest with substantial influence is one in which the Bank holds at least 20 % of a subject's registered capital. In this case, the Bank has substantial influence over the subject's management, which arises from participation in registered capital, or from agreement or articles of association regardless of the percentage of participation.

Participation interest with substantial influence are valued at acquisition cost net of adjustments due to the temporary decrease in the value of the participation interest calculated on an individual basis.

### (d) Receivables from banks and customers

Receivables are carried net of adjustments. Accrued interest income is part of the carrying amount of receivables.

Receivables are reviewed for recoverability. Adjustments are created against specific receivables as considered appropriate.

The methodology for the creation of adjustments in the appropriate

accounting period is included in Note 29 of these notes. Adjustments created by debiting expenses are reported in "Write-offs, creation and use of adjustments and provisions to receivables and guarantees" in sub-ledgers used for the calculation of the income tax liability.

The tax-deductible portion of the period charge for the creation of adjustments for credit losses is calculated in accordance with the requirements of section 5 ("Banking provisions and adjustments") and section 8 ("Adjustments to receivables from debtors subject toruptcy or composition proceedings") of the Act on Provisions N. 593/1992 Coll.

Receivables are written off when the Bank has determined the receivable to be permanently irrecoverable.

The write off of unrecoverable receivables is accounted for as "Write-offs, creation and use of adjustments and provisions to receivables and guarantees" in the profit and loss account. Adjustments and provisions are reduced in an equal amount to the amount written off on the same account in the profit and loss account. Recoveries on loans previously written off are included in the profit and loss account in "Release of adjustments and provisions for receivables and guarantees, income from written-off receivables".

The Bank also accrues interest income from classified receivables. Adjustments to accrued interest income are established in accordance with the appropriate requirement of the ČNB.

Receivables from customers purchased from third party are initially recorded at discounted values from the gross receivables actually due under the contracts with customers. To the extent that a customer repays any portion of the receivable in excess of the discounted value originally assigned to the receivable, this difference is recorded as operating income.

### (e) Creation of provisions

A provision represents a probable cash outflow of uncertain timing and amount. Provisions are established if the following criteria are met:

- a duty (legal or factual) to perform exists, resulting from past events,
- it is probable that the event will occur and that it will require a cash outflow representing economic benefits; "probable" meaning a probability exceeding 50%,
- the amount of such a performance can be reliably estimated.

### (f) Intangible and tangible fixed assets

Tangible and intangible fixed assets are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives.

The annual depreciable lives for each category of intangible and tangible fixed asset are as follows:

Software	5 years
Car	4 years
Technical improvement of buldings	10 years
Furniture	10 years
Equipment	5 years
Establishment costs - other intangible fixes assets	5 years
PCs and servers	3 years

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Intangible and tangible fixed assets (continued)

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease terms or their remaining useful lives.

Intangible fixed assets costing less than CZK 60,000 and tangible fixed assets costing less than CZK 40,000 having useful life less than 1 year are charged to the profit and loss account in the period in which they are acquired.

### (g) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates on the date of the transaction. Assets and liabilities denominated in foreign currencies together with unsettled spot foreign exchange transactions are translated into the local currency at the ČNB foreign exchange rate prevailing on the balance sheet date. Foreign exchange gains or losses arising from the translation of assets and liabilities denominated in foreign currencies are recognized in the profit and loss account as "Gain or loss from financial operations".

### (h) Financial derivatives

Trading instruments

Trading instruments

Financial derivatives held for trading are carried at fair value.

Gains (losses) from the changes in fair value are recorded in the profit and loss account in "Gain or loss from financial operations".

The Bank uses all its trading financial derivatives for macro-hedging purposes.

The fair value of financial derivatives is determined as the present value of expected cash flows from these transactions, using valuation models generally accepted on the market. The parameters ascertained on the active market, such as foreign exchange rates, yield curves, volatility of financial instruments, etc. are used in these models.

### (i) Taxation

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period to arrive at the taxable income that is further adjusted by tax allowances and relevant credits.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the enacted income tax rate for the period when the timing difference is expected to reverse. A deferred tax asset is recognized only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilized.

### (j) Financial leasing

Assets acquired under financial leases shall be recorded in "Tangible fixed assets" when the legal ownership is transferred to the Bank. Lease payments are recorded in "Other operating expenses".

## 3. CHANGES IN ACCOUNTING POLICIES

The Bank did not make any changes in its accounting policies in 2007 and 2006.

## 4. NET INTEREST INCOME

CZK 000	2007	2006
Interest income	5,823,013	5,204,087
from deposits	109,761	115,696
from loans	5,713,252	5,080,109
from debt securities	0	8,282
Interest expense	(327,250)	(223,295)
from deposits	(284,836)	(221,491)
from loans	(42,414)	(1,804)
<b>Net interest income</b>	<b>5,495,763</b>	<b>4,980,792</b>

The Bank waived or did not claim default interest of CZK 55,009 thousand (2006: CZK 18,197 thousand).

## 5. INCOME FROM SHARES AND PARTICIPATION INTERESTS

CZK 000	2007	2006
Income from participation interests		
with substantial influence	467	330
Income from other shares	9,643	6,725
<b>Total</b>	<b>10,110</b>	<b>7,055</b>

## 6. FEES AND COMMISSIONS

CZK 000	2007	2006
Fee and commission income from		
payment processing	482,224	479,295
lending activities	2,441,309	2,103,900
other	202,549	215,261
<b>Total</b>	<b>3,126,082</b>	<b>2,798,456</b>
Fee and commission expense from		
payment processing	(192,768)	(222,144)
other	(144,650)	(125,863)
<b>Total</b>	<b>(337,418)</b>	<b>(348,007)</b>

## 7. GAIN OR LOSS FROM FINANCIAL OPERATIONS

CZK 000	2007	2006
Gains from securities transactions	0	84,728
Losses from derivative transactions	(12,745)	(8,717)
Gains from foreign exchange transactions	45,913	60,414
Foreign exchange gains	163,857	103,043
<b>Total</b>	<b>197,025</b>	<b>239,468</b>

## 8. OTHER OPERATING INCOME AND EXPENSE

CZK 000	2007	2006
Other income		
Service revenues	48,368	41,452
Commissions from third parties	77,649	94,331
Rent	48,175	35,728
Sale of fixed assets	12,394	8,979
Damages	99	136
Income related to purchased loans	0	86,535
Corrections	148,932	146,251
Cardif insurance	359,651	326,240
Other	39,525	43,824
<b>Total</b>	<b>734,793</b>	<b>783,476</b>
Other expenses		
Deposit insurance	(51,895)	(48,797)
Receivables write-offs	(202)	(31)
Royalties	(91,460)	(86,633)
Damages	(31,897)	(6,197)
Withholding tax	(9,815)	(9,844)
Other	(18,387)	(9,519)
<b>Total</b>	<b>(203,656)</b>	<b>(161,021)</b>

## 9. ADMINISTRATIVE EXPENSES

CZK 000	2007	2006
Employee expenses	(1,514,481)	(1,324,784)
Wages and salaries	(1,120,537)	(979,684)
Social and health insurance	(393,944)	(345,100)
Of which wages and salaries paid to:		
Members of the Board of Directors	(7,952)	(7,026)
Members of the Supervisory Board	0	0
Other executives	(26,628)	(27,407)
Other administrative expenses	(2,309,768)	(1,943,175)
of which expenses for audit, legal and tax advisory	(59,713)	(22,524)
<b>Total</b>	<b>(3,824,249)</b>	<b>(3,267,959)</b>

The Bank did not pay any bonuses tied to equity in 2007 and 2006.

The average number of the Bank's employees during the period was as follows:

	2007	2006
Employees	2,299	2,156
Members of the Board of Directors	3	3
Members of the Supervisory Board	3	3
Other Executives	9	9

## 10. INCOME AND EXPENSES RESULTING FROM PARTICIPATION INTERESTS WITH SUBSTANTIAL INFLUENCE

CZK 000	2007	2006
Fee and commission expense	(22,426)	(26,298)
Dividends	467	330
<b>Total</b>	<b>(21,959)</b>	<b>(25,968)</b>

## 11. TRANSACTIONS WITH RELATED PARTIES

CZK 000	2007	2006
Receivable	1,174,502	995,479
Payable	5,155,365	74,102
Income	301,881	317,687
Expense	681,664	544,253

The increase in the item "Payable" relates to credit agreement granted to the Bank by its parent company GE Capital International Holdings Corporation. The Bank has withdrawn CZK 5 billion as at 31 December 2007 based upon the above mentioned credit agreement (31 December 2006: 0).

## 12. INCOME AND EXPENSE ACCORDING TO SEGMENTS

### (a) Business segments

CZK 000	Retail Banking		Corporate Banking	
	2007	2006	2007	2006
Interest income	4,083,484	3,743,123	1,739,529	1,460,964
Interest expense	(214,930)	(146,491)	(112,320)	(76,804)
Fee and commission income	2,549,545	2,274,497	576,537	523,959
Fee and commission expense	(312,811)	(320,889)	(24,607)	(27,118)
Gains or losses from financial operations	152,728	106,546	44,297	132,922

### (b) Geographical segments

CZK 000	Czech Republic		European union		Other	
	2007	2006	2007	2006	2007	2006
Interest income	5,739,842	5,153,592	51,380	23,511	31,791	26,984
Interest expense	(322,575)	(221,128)	(2,888)	(1,009)	(1,787)	(1,158)
Fee and commission income	3,081,431	2,771,303	27,584	12,643	17,067	14,510
Fee and commission expense	(332,599)	(344,630)	(2,977)	(1,572)	(1,842)	(1,805)
Gains or losses from financial operations	194,211	237,144	1,738	1,082	1,076	1,242

## 13. RECEIVABLES FROM BANKS

### (a) Classification of receivables from banks

CZK 000	2007	2006
Standard	3,214,299	8,163,367
Net receivables from banks	3,214,299	8,163,367

### (b) Analysis of receivables from banks by type of security received

CZK 000	2007	2006
Security held by the Bank	1,077,381	4,608,412
Unsecured	2,136,918	3,554,955
<b>Total</b>	<b>3,214,299</b>	<b>8,163,367</b>

In 2007 the Bank held state zero coupon bonds under resale commitments with market value of CZK 1,077,381 thousand (2006: CZK 4,608,412 thousand), which are reported in the off balance sheet in "Collaterals and pledges received".

## 14. RECEIVABLES FROM CUSTOMERS

### (a) Classification of receivables from customers

CZK 000	2007	2006
Standard	67,207,128	53,186,625
Special mentioned	7,156,017	5,049,277
Sub-standard	574,292	1,094,041
Doubtful	171,714	174,850
Loss	5,256,327	5,188,066
Adjustment to potential losses from receivables	(5,514,558)	(5,628,319)
Net receivables from customers	74,850,920	59,064,540

During 2007 the Bank created an adjustment of CZK 332,820 thousand (2006: CZK 368,966 thousand) to the portfolio of consumer loans, bringing the total adjustments created on a portfolio basis to CZK 1,694,818 thousand (2006: CZK 1,743,543 thousand). The Bank determined the amount of these adjustments using a statistical model derived from its past experience on overdue receivables (see Note 29 C.f.4). During 2007 the Bank restructured receivables from customers totalling CZK 93,583 thousand (2006: CZK 109,507 thousand).

### (b) Analysis of receivables from customers by sector

CZK 000	2007	2006
Financial institutions	1,605,521	1,050,252
Non-financial institutions	18,341,661	16,719,082
Insurance institutions	92	102
Government sector	37,626	37,274
Non-profit organisations	45,193	3,847
Self-employed	6,426,374	5,760,173
Resident individuals	53,903,571	41,117,121
Non-residents	5 440	5 008
<b>Total</b>	<b>80,365 478</b>	<b>64,692,859</b>

The analysis of receivables by sector does not reflect adjustments.

## 14. RECEIVABLES FROM CUSTOMERS (continued)

### (c) Analysis of receivables from customers by sector and type of security received

#### As at 31 December 2007

CZK 000	Personal guarantee	Bank guarantee	Mortgage	Performance guarantee	Bill of exchange	Held by Bank	Unsecured	Total
Financial institutions	0	3 289	580 843	0	0	0	1 021 389	1 605 521
Non-financial institutions	31 166	407 596	11 637 076	75 561	2	71 585	6 118 675	18 341 661
Insurance institutions	0	0	92	0	0	0	0	92
Government sector	0	0	16 048	0	0	0	21 578	37 626
Non-profit organizations	0	0	30 654	0	0	0	14 539	45 193
Self-employed	0	23 255	4 914 614	43 812	2 007	2 276	1 440 410	6 426 374
Resident individuals	0	0	21 232 387	446 517	0	0	32 224 667	53 903 571
Non-resident individuals	0	0	0	0	0	0	5 440	5 440
<b>Total</b>	<b>31 166</b>	<b>434 140</b>	<b>38 411 714</b>	<b>565 890</b>	<b>2 009</b>	<b>73 861</b>	<b>40 846 698</b>	<b>80 365 478</b>

#### As at 31 December 2006

CZK 000	Personal guarantee	Bank guarantee	Mortgage	Performance guarantee	Bill of exchange	Held by Bank	Unsecured	Total
Financial institution	0	0	122 727	0	0	0	927 525	1 050 252
Non-financial institutions	197	152 791	11 322 751	132 005	2	54 548	5 056 788	16 719 082
Insurance institutions	0	0	0	0	0	0	102	102
Government sector	0	0	31 104	0	0	0	6 170	37 274
Non-profit organizations	0	0	210	0	0	0	3 637	3 847
Self-employed	1 000	56 827	4 826 135	87 267	7	2 276	786 661	5 760 173
Resident individuals	969	0	10 602 571	158 945	0	0	30 354 636	41 117 121
Non-resident individuals	0	0	0	0	0	0	5 008	5 008
<b>Total</b>	<b>2 166</b>	<b>209 618</b>	<b>26 905 498</b>	<b>378 217</b>	<b>9</b>	<b>56 824</b>	<b>37 140 527</b>	<b>64 692 859</b>

The analysis of receivables by sector and type of security received does not reflect adjustments.

### (d) Analysis of receivables from customers by geographical areas

CZK 000	2007	2006
Czech Republic	80 359 715	63 112 849
Slovakia	4 111	16 927
Germany	0	33 312
Other	1 652	1 529 771
<b>Total</b>	<b>80 365 478</b>	<b>64 692 859</b>

The analysis of receivables by geographical areas does not reflect adjustments.

**14. RECEIVABLES FROM CUSTOMERS (continued)****(e) Net receivables from customers written-off and recovered**

CZK 000	2007	2006
Write-offs		
Non-financial institutions	610,045	250,957
Self-employed	125,362	40,376
Resident individuals	411,157	530,508
Companies without	389	0
Unallocated	2,018	0
<b>Total</b>	<b>1,148,971</b>	<b>821,841</b>
Recoveries		
Financial institutions	913	0
Non-financial institutions	44,314	49,587
Non-profit organisations	2	0
Self-employed	32,042	7,617
Resident individuals	783	946
Non-residents	210	5
Companies without	80	0
Unallocated	118	0
<b>Total</b>	<b>78,462</b>	<b>58,155</b>

**(f) Receivables from persons with a special relationship to the Bank**

CZK 000	Board of Directors	Supervisory Board	Executives
As at 31 December 2006	2,945	11,597	295
As at 31 December 2007	2,771	14,752	205

Above mentioned loans were provided under standard employee conditions.

**15. SHARES, UNITS AND OTHER INVESTMENTS****(a) Classification of shares, units and other investments into individual portfolios based on the Bank's intention**

CZK 000	2007	2006
Shares, units and other investments available for sale	30,645	29,595
<b>Net book value</b>	<b>30,645</b>	<b>29,595</b>

**(b) Analysis of shares, units and other investments available for sale**

CZK 000	Market Value	
	2007	2006
Issued by financial institutions		
- Unlisted	29,969	29,043
Issued by non-financial institutions		
- Unlisted	676	552
<b>Total</b>	<b>30,645</b>	<b>29,595</b>

## 16. PARTICIPATION INTERESTS WITH SUBSTANTIAL INFLUENCE

CZK 000				Other	Share	Share of	Book
Name	Registered office	Business activity	Registered capital	categories of equity	in equity	voting rights	value
As at 31 December 2007							
CBCB - Czech Banking	Na příkopě č.p.1096, č.o.21,	service databank	1,200	2,573	20%	20%	240
Credit Bureau, a.s.	Praha 1, PSČ 117 19	SW, HW and network					
As at 31 December 2006							
CBCB - Czech Banking	Na příkopě č.p.1096, č.o.21,	service databank,	1,200	1,784	20%	20%	240
Credit Bureau, a.s.	Praha 1, PSČ 117 19	SW, HW and network					

## 17. INTANGIBLE FIXED ASSETS

### (a) Movements in intangible fixed assets

CZK 000	Software and other intangible fixed assets	Establishment Costs	Assets not yet in use	Minor intangible fixed assets	Total
Cost					
As at 1 January 2006	1,148,507	2,045	39,520	0	1,190,072
Additions	186,464	0	234,480	0	420,944
Disposals	(15,197)	0	(186,464)	0	(201,661)
<b>As at 31 December 2006</b>	<b>1,319,774</b>	<b>2,045</b>	<b>87,536</b>	<b>0</b>	<b>1,409,355</b>
As at 1 January 2007	1,319,774	2,045	87,536	0	1,409,355
Additions	275,740	0	352,861	75	628,676
Disposals	(5,904)	0	(275,740)	(75)	(281,719)
<b>As at 31 December 2007</b>	<b>1,589,610</b>	<b>2,045</b>	<b>164,657</b>	<b>0</b>	<b>1,756,312</b>

### Amortization and Adjustments

As at 1 January 2006	(937,656)	(2,045)	0	0	(939,701)
Charge for the period	(89,753)	0	0	0	(89,753)
Disposals	10,813	0	0	0	10,813
<b>As at 31 December 2006</b>	<b>(1,016,596)</b>	<b>(2,045)</b>	<b>0</b>	<b>0</b>	<b>(1,018,641)</b>
As at 1 January 2007	(1,016,596)	(2,045)	0	0	(1,018,641)
Charge for the period	(176,079)	0	0	0	(176,079)
Disposals	3,686	0	0	0	3,686
<b>As at 31 December 2007</b>	<b>(1,188,989)</b>	<b>(2,045)</b>	<b>0</b>	<b>0</b>	<b>(1,191,034)</b>
Net book value					
<b>As at 31 December 2006</b>	<b>303,178</b>	<b>0</b>	<b>87,536</b>	<b>0</b>	<b>390,714</b>
<b>As at 31 December 2007</b>	<b>400,621</b>	<b>0</b>	<b>164,657</b>	<b>0</b>	<b>565,278</b>

### (b) Establishment costs

The Bank's first year period of operations was 1998 and it capitalized the following establishment costs incurred during the period between its foundation and incorporation: travel of CZK 181 thousand and other costs of CZK 1,864 thousand.

## 18. TANGIBLE FIXED ASSETS

### (a) Movements in tangible fixed assets

CZK 000	Land and Buildings	Furniture and Fittings	Equipment	Low value tangible fixed assets	Land and Buildings not yet in use	Other Fixed Assets not yet in use	Total
<b>Cost</b>							
As at 1 January 2006	348,106	175,307	1,280,603	10,321	2,437	8,060	1,824,834
Additions	44,571	44,842	188,580	19,138	49,072	257,791	603,994
Disposals	(8,547)	(31,440)	(302,751)	(23,727)	(44,571)	(233,422)	(644,458)
<b>As at 31 December 2006</b>	<b>384,130</b>	<b>188,709</b>	<b>1,166,432</b>	<b>5,732</b>	<b>6,938</b>	<b>32,429</b>	<b>1,784,370</b>
As at 1 January 2007	384,130	188,709	1,166,432	5,732	6,938	32,429	1,784,370
Additions	159,560	44,458	225,970	27,737	157,523	248,578	863,826
Disposals	(8,691)	(22,585)	(101,311)	(30,764)	(159,560)	(270,427)	(593,338)
<b>As at 31 December 2007</b>	<b>534,999</b>	<b>210,582</b>	<b>1,291,091</b>	<b>2,705</b>	<b>4,901</b>	<b>10,580</b>	<b>2,054,858</b>
<b>Amortization and Adjustments</b>							
As at 1 January 2006	(134,727)	(94,603)	(818,337)	0	0	0	(1,047,667)
Charge for the period	(46,088)	(34,929)	(192,598)	0	0	0	(273,615)
Disposals	4,252	29,246	292,663	0	0	0	326,161
<b>As at 31 December 2006</b>	<b>(176,563)</b>	<b>(100,286)</b>	<b>(718,272)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(995,121)</b>
As at 1 January 2007	(176,563)	(100,286)	(718,272)	0	0	0	(995,121)
Charge for the period	(64,669)	(34,247)	(199,258)	0	0	0	(298,174)
Disposals	1,557	17,582	91,157	0	0	0	110,296
<b>As at 31 December 2007</b>	<b>(239,675)</b>	<b>(116,951)</b>	<b>(826,373)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,182,999)</b>
<b>Net book value</b>							
<b>As at 31 December 2006</b>	<b>207,567</b>	<b>88,423</b>	<b>448,160</b>	<b>5,732</b>	<b>6,938</b>	<b>32,429</b>	<b>789,249</b>
<b>As at 31 December 2007</b>	<b>295,324</b>	<b>93,631</b>	<b>464,718</b>	<b>2,705</b>	<b>4,901</b>	<b>10,580</b>	<b>871,859</b>

### (b) Tangible fixed assets held under finance leases

The Bank is not committed to any payments under finance leases for fixed assets in 2007 and 2006.

## 19. OTHER ASSETS

CZK 000	2007	2006
Other debtors	493,942	370,534
Other cash values	1,352,016	1,221,312
Clearing account for payments	10,305	107,371
Other	8	65
Positive fair value of derivatives	11,569	513
Accruals	52,022	61,543
Deferred tax assets	471,846	176,323
Less: Adjustments	(93,322)	(87,587)
<b>Total</b>	<b>2,298,386</b>	<b>1,850,074</b>

The item Other cash values includes cash in transit.

## 20. DUE TO BANKS

### Analysis of due to banks by residual maturity

CZK 000	2007	2006
Repayable on demand	32,923	68,932
Up to 3 months	5,000	5,000
<b>Total</b>	<b>37,923</b>	<b>73,932</b>

## 21. DUE TO CUSTOMERS

### (a) Analysis of due to customers by sector

CZK 000	Repayable on demand	Savings with notice	Term deposits with fixed maturity	Other	Total
At 31 December 2007					
Financial institutions	205,685	0	11,719	12,796	230,200
Non-financial institutions	9,827,876	0	2,286,176	8,390	12,122,442
Insurance institutions	12,908	0	30,296	0	43,204
Government sector	2,891,820	0	394,425	0	3,286,245
Non-profit organisations	794,064	0	176,790	0	970,854
Self-employed	6,649,279	0	423,840	0	7,073,119
Resident individuals	22,076,277	1,740,001	7,917,645	123,870	31,857,793
Non-residents	436,413	9,299	81,988	5,000,772	5,528,472
<b>Total</b>	<b>42,894,322</b>	<b>1,749,300</b>	<b>11,322,879</b>	<b>5,145,828</b>	<b>61,112,329</b>

CZK 000	Repayable on demand	Savings with notice	Term deposits with fixed maturity	Other	Total
At 31 December 2006					
Financial institutions	128,740	0	24,274	27,448	180,462
Non-financial institutions	8,977,520	0	2,227,921	17,270	11,222,711
Insurance institutions	31,664	0	29,844	0	61,508
Government sector	1,671,251	0	278,892	0	1,950,143
Non-profit organisations	796,921	0	233,909	0	1,030,830
Self-employed	6,732,117	0	537,984	0	7,270,101
Resident individuals	19,752,313	2,078,784	7,730,062	95,205	29,656,364
Non-residents	416,353	9,700	71,617	8,458	506,128
<b>Total</b>	<b>38,506,879</b>	<b>2,088,484</b>	<b>11,134,503</b>	<b>148,381</b>	<b>51,878,247</b>

### (b) Due to persons with a special relationship to the Bank

CZK 000	Board of		Supervisory
	Directors	Executives	Board
Of 1 January 2006	3,688	6,880	4,139
Additions	0	7,460	819
Disposals	(281)	0	0
<b>Of 31 December 2006</b>	<b>3,407</b>	<b>14,340</b>	<b>4,958</b>
Of 1 January 2007	3,407	14,340	4,958
Additions	1,040	8,455	0
Disposals	0	0	(4,657)
<b>Of 31 December 2007</b>	<b>4,447</b>	<b>22,795</b>	<b>301</b>

### (c) Due to participation interest with substantial influence

The Bank had no amounts due to participation interest with substantial influence as at 31 December 2007 and 2006.

## 22. OTHER LIABILITIES

CZK 000	2007	2006
Trade payables	548,626	528,615
Payables from deposit insurance	51,895	48,797
Payables to state bodies	494,550	833,017
Payables from social and health insurance	37,634	36,169
Accruals	435,528	331,218
Other payables to clients	1,644	1,794
Fair value of fixed term contracts	332	1,719
Clearing technical account	1,825	498
Other	330,092	407,989
<b>Total</b>	<b>1,902,126</b>	<b>2,189,816</b>

The item "Other" includes mainly CZK 327 million obtained from GE Capital International Holdings Corporation (2006: CZK 327 million). GE Capital International Holdings Corporation intends to use this amount to increase registered capital of the Bank.

## 23. REGISTERED CAPITAL

In order to establish the Bank, GE Capital International Holdings Corporation subscribed 500 shares of original capital in nominal value CZK 1,000,000 per one share and paid up for them CZK 2,000 million.

During 1998 the Bank issued 10 ordinary shares with nominal value CZK 1,000,000 each. Each share was issued at a premium of CZK 1,970,750 thousand and was fully paid up. The increase in registered capital was recorded in the Commercial Register at 25 March 2003. From 25 March 2003 the registered capital of GE Money Bank, a.s. is CZK 510 million.

During 2007 the Bank did not issue any ordinary shares.

The shareholders of the Bank as at 31 December 2007 are:

Name	Seat	PNumber	Ownership %
GE Capital International Holdings Corporation	United States	510	100

No person with a special relationship to the Bank held any shares in the Bank as at 31 December 2007 or 2006.

## 24. PROVISIONS AND ADJUSTMENTS FOR POSSIBLE CREDIT LOSSES

### (a) Provisions for possible credit and guarantee losses

CZK 000	2006
<b>Tax deductible provisions for credit and guarantee losses</b>	
Balance as at 1 January 2006	2,405
Creation during current year	0
Guarantees	0
Use during current year	0
Standard loans	0
Guarantees	0
Release of provisions no longer considered necessary	(135)
<b>Balance of tax deductible provisions as at 31 December 2006</b>	<b>2,270</b>
<b>Tax non-deductible provisions for credit and guarantee losses</b>	
Balance as at 1 January 2006	10,118
Creation during current year	0
Guarantees	0
Use during current years	0
Standard loans	0
Guarantees	0
Release of provisions no longer considered necessary	(1,278)
<b>Balance of tax non-deductible provisions as at 31 December 2006</b>	<b>8,840</b>
<b>Total</b>	<b>11,110</b>

CZK 000	2007
<b>Tax deductible provisions for credit and guarantee losses</b>	
Balance as at 1 January 2007	2,270
Creation during current year	0
Guarantees	0
Use during current year	0
Standard loans	0
Guarantees	0
Release of provisions no longer considered necessary	(168)
<b>Balance of tax deductible provisions as at 31 December 2007</b>	<b>2,102</b>
<b>Tax non-deductible provisions for credit and guarantee losses</b>	
Balance as at 1 January 2007	8,840
Creation during current year	0
Guarantees	0
Use during current years	0
Standard loans	0
Guarantees	0
Release of provisions no longer considered necessary	(1,216)
<b>Balance of tax non-deductible provisions as at 31 December 2007</b>	<b>7,624</b>
<b>Total</b>	<b>9,726</b>

## 24. PROVISIONS AND ADJUSTMENTS FOR POSSIBLE CREDIT LOSSES (continued)

### (b) Other provisions (tax non-deductible)

CZK 000	2006	CZK 000	2007
Balance as at 1 January 2006	0	Balance as at 1 January 2007	0
Creation during current year	0	Creation during current year	800,000
Use during current year	0	Use during current year	0
Release of provisions no longer considered necessary	0	Release of provisions no longer considered necessary	0
<b>Balance as at 31 December 2006</b>	<b>0</b>	<b>Balance as at 31 December 2007</b>	<b>800,000</b>

The Bank has continued in its effort to solve Agrobanka Praha, a.s. v likvidaci case (refer to point 30). In conjunction with these efforts, the provision of CZK 800 million was created in 2007.

## 24. PROVISIONS AND ADJUSTMENTS FOR POSSIBLE CREDIT LOSSES (continued)

### (c) Adjustments to classified receivables

CZK 000	2006
<b>Tax deductible adjustments for credit losses</b>	
Balance as at 1 January 2006	1,643,611
Creation during current year	1,124,869
Use during current year	(378,323)
Write-off of loans and advances	(1,300)
Cover of losses from loans sold	(377,023)
Release of adjustments no longer considered necessary	(376,439)
<b>Balance of tax deductible adjustments as at 31 December 2006</b>	<b>2,013,718</b>
<b>Tax non-deductible adjustments for credit losses</b>	
Balance as at 1 January 2006	3,872,144
FX rate differences	(289)
Creation during current year	837,083
Use during current year	(501,487)
Write-off of loans and advances	(237,738)
Cover of losses from loans sold	(263,749)
Release of adjustments no longer considered necessary	(592,850)
<b>Balance of tax non-deductible adjustments as at 31 December 2006</b>	<b>3,614,601</b>
<b>Total adjustments for credit losses as at 31 December 2006</b>	<b>5,628,319</b>

CZK 000	2007
<b>Tax deductible adjustments for credit losses</b>	
Balance as at 1 January 2007	2,013,718
Creation during current year	1,402,403
Use during current year	(520,870)
Write-off of loans and advances	(81,803)
Cover of losses from loans sold	(439,067)
Release of adjustments no longer considered necessary	(451,347)
<b>Balance of tax deductible adjustments as at 31 December 2007</b>	<b>2,443,904</b>
<b>Tax non-deductible adjustments for credit losses</b>	
Balance as at 1 January 2007	3,614,601
FX rate differences	(7)
Creation during current year	596,674
Use during current year	(629,645)
Write-off of loans and advances	(176,990)
Cover of losses from loans sold	(452,655)
Release of adjustments no longer considered necessary	(510,969)
<b>Balance of tax non-deductible adjustments as at 31 December 2007</b>	<b>3,070,654</b>
<b>Total adjustments for credit losses as at 31 December 2007</b>	<b>5,514,558</b>

### (d) Other adjustments to losses from receivables (tax non-deductible)

CZK 000	2006
Balance as at 1 January 2006	75,790
Creation during current year	13,281
Use during current year	(959)
Release of adjustments no longer considered necessary	(525)
<b>Balance of other adjustments as at 31 December 2006</b>	<b>87,587</b>

CZK 000	2007
Balance as at 1 January 2007	87,587
Creation during current year	17,356
Use during current year	(11,485)
Release of adjustments no longer considered necessary	(136)
<b>Balance of other adjustments as at 31 December 2007</b>	<b>93,322</b>

## 25. RETAINED EARNINGS, RESERVE FUNDS AND OTHER FUNDS ALLOCATED FROM PROFIT

The Bank proposes to allocate the 2007 profit as follows:

CZK 000	Profit	Retained earnings	Statutory Reserve fund
Balance at 31 December 2007			
before allocation of 2007 profit		13,302,889	102,000
Profit for the year 2007	2,366,092		
Proposed allocation of 2007 profit:			
Transfer to retained profits	(2,366,092)	2,366,092	

## 26. VALUATION DIFFERENCES

CZK 000	Available for sale securities
Balance at 1 January 2007	13,351
Decrease	0
Increase	1,050
<b>Balance at 31 December 2007</b>	<b>14,401</b>

## 27. INCOME TAX AND DEFERRED TAX ASSET / LIABILITY

### (a) Current income tax

CZK 000	2007	2006
Current year profit before tax	2,954,413	3,773,267
Income not liable to tax	(1,614,314)	(1,769,854)
Tax non-deductible expenses	2,269,550	1,318,177
Items decreasing tax base	(2,545)	(4,085)
Subtotal	3,607,104	3,317,505
Income tax calculated using a tax rate of 24%	865,705	796,201
Tax discount and offsets used	(516)	(350)
Current income tax	865,189	795,851
Additional income tax relating to previous years	18,655	208
Current income tax	883,844	796,059

### (b) Deferred tax liability / asset

Deferred income taxes are calculated on all temporary differences using the tax rate in the year of the expected reversal of the timing difference, i.e. 21% for 2008, 20% for 2009 and 19% for 2010 (2006 - 24%).

Deferred income tax assets and liabilities are attributable to the following items:

CZK 000	2007	2006
Deferred tax assets	504,354	467,881
Credit provisions tax loss carry-forward	335,896	428,931
Tangible and intangible fixed assets	458	38,950
Other provisions	168,000	0
Deferred tax liability	(32,508)	(291,558)
Discounted loans receivable	(32,508)	(291,558)
<b>Net deferred tax asset/(liability)</b>	<b>471,846</b>	<b>176,323</b>

Deferred tax benefit of CZK 295,523 thousand (2006: expense CZK 68,979 thousand) results from the change in the balance of the net deferred tax asset calculated as at 31 December 2007, 2006 respectively.

### (c) Income tax expense

CZK 000	2007	2006
Deferred income tax	(295,523)	(68,979)
Income tax due	883,844	796,059
<b>Income tax expense</b>	<b>588,321</b>	<b>727,080</b>

## 28. OFF-BALANCE SHEET

### (a) Irrevocable contingent liabilities arising from acceptances and endorsements, other written contingent liabilities and assets pledged as collateral

CZK 000	2007	2006
Customers		
Notes acceptances and endorsements	10,978,007	8,014,114
Payables resulting from guarantees	2,205	6,428
Letters of credit and financial guarantees	377,141	189,279
<b>Total</b>	<b>11,357,353</b>	<b>8,209,821</b>

### (b) Guarantees issued in favour of persons with a special relationship to the

The Bank had not issued any guarantees in favour of persons with a special relationship to the Bank as of 31 December 2007 and 2006.

### (c) Guarantees issued in favour of participation interests with substantial influence

The Bank had not issued any guarantees in favour of participation interests with substantial influence as of 31 December 2007 and 2006.

### (d) Off-balance sheet financial instruments

CZK 000	Contractual amounts		Fair value	
	2007	2006	2007	2006
Trading instruments				
Interest rate swap contracts	2,968,575	1,079,005	11,237	(1,206)

### (e) Residual maturity of financial derivatives

CZK 000	Up to 3. months	3 mths to	1 year to	Total
		1 year	5 years	
At 31 December 2007				
Hedging instruments				
Interest rate swap contracts	49,002	88,000	2,831,573	2,968,575
At 31 December 2006				
Hedging instruments				
Interest rate swap contracts	32,005	517,000	530,000	1,079,005

### (f) Borrowing facilities

The Bank has available overdraft facilities up to USD 100 million from ABN AMRO Bank N. V. in accordance with agreement No. 98/50000004BM/1 dated 1 July 1998.

## 29. FINANCIAL INSTRUMENTS – MARKET, CREDIT AND OPERATIONAL RISK

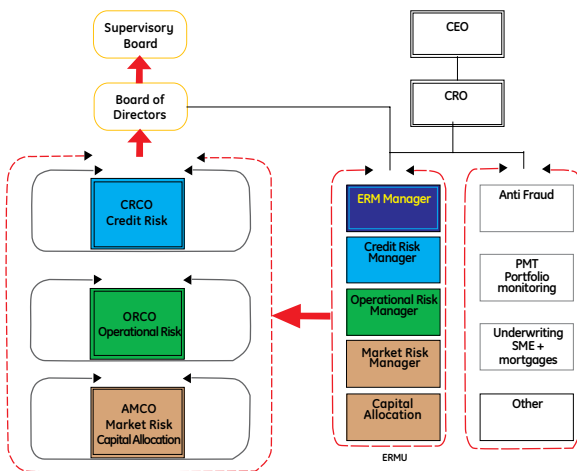
### Risk Management

The aim of GEMB is to achieve within its business activities competitive yields at the acceptable risk level. Risk management covers control of risks associated with all business activities in the environment in which the Bank operates and ensures that the risks taken are in compliance with the prudential limits.

The level of risk is measured in terms of its impact on the value of assets and/or capital and the profitability of GEMB. In this respect, the Bank evaluates potential effects of changes in political, economic, market and operational conditions and changes of clients' creditworthiness on its business.

When managing risks, the Bank relies on the qualifications and experience of its employees, organisational segregation of duties and the use of sophisticated analytical instruments and technologies. This combination of prudent approach, analytical skills and technologies together with the adherence to procedural measures stand behind the Bank's success and stability of its economic results.

### (A.) Risk Management Organisational Structure



#### (A.a.) Risk Management Committees

GEMB has three main risk management committees: Asset & Liability and Market Risk Management Committee (AMCO) for the assets and liabilities management, market risks and liquidity risk management, Credit Risk Management Committee (CRCO) responsible for the credit risk management issues and Operational Risk Management Committee (ORCO) dealing with the issues of operational risk management. The members of these Committees include members of the Board of Directors and other senior managers of the Bank.

The Committees carry out in particular the following:

- Monitor the development of relevant risks including the observation of limits, approve remedial measures in case of limit exceeding or unfavourable development trends,

- Approve the principles of risk management as well as the basic methods, limits, scenario assumptions and any other parameters used in the process of risk management,
- Monitor the adequacy, reliability and efficiency of GEMB internal regulations, risk management processes and limits.

The Credit Monitoring and Management Committee (CMMC) monitors and manages the credit risk of the commercial credit portfolio.

#### (A.b.) Risk Division

Risk Division is responsible for the management of Bank's risks. The Chief Risk Officer is a member of the Board of Directors. Among others, the Risk Division:

- Monitors, measures and reports credit, market, operational and liquidity risks and proposes remedial measures in case of limit exceeding or the occurrence of unfavourable trends,
- Sets terms and conditions for credit granting,
- Ensures credit approvals,
- Administers the data infrastructure and analytical systems supporting risk management,
- Ensures the development, implementation and maintenance of reserve models and capital allocation,
- Monitors fraudulent operations, is involved in their prevention and investigation,
- Ensures collection of receivables from individually approved commercial loans and late collection of mortgages and automatically approved commercial loans.

#### (A.c.) Enterprise Risk Management

The Enterprise Risk Management Department (ERM) is a part of the Risk Division; the head of the ERM Department is approved by the Bank's Board of Directors. The ERM Department is responsible for the key parts of credit, market, operational, and liquidity risk management, in particular in the area of methodology, monitoring and measurement.

The ERM Department performs, among others, the following tasks:

- Co-ordinates all activities of credit, market, operational, and liquidity risk management with the aim to ensure reliable and efficient management of GEMB risks,
- Co-ordinates the effort to maintain a stable GEMB asset and liability structure and the value of its capital,
- Supervises all rating and scoring models and processes (including methodology development, development or selection, implementation and validation of models, regular reviews and back testing),
- Develops and maintains the methodology of operational risk management including identification and classification models and key risk indicators,

#### (A.d.) Enterprise risk management

- Implements and maintains the processes and infrastructure for recording and analysis of operational risk data,
- Maintains and develops the capital calculation and allocation methodology,
- Prepares risk reports for AMCO, CRCO and ORCO.

## 29. FINANCIAL INSTRUMENTS – MARKET, CREDIT AND OPERATIONAL RISK (continued)

### (B.) Level of Risks Accepted

GEMB business activities concentrate primarily on the provision of deposit, transaction and credit services for retail clients, natural persons – sole traders, small and medium-sized enterprises. The GEMB strategy is to avoid all risks that are not associated with its main purpose of business and to minimise all the other risks. The Bank:

- Does not trade in equity or debt securities, currencies or commodities for the purpose of achieving speculative profits,
- Uses financial derivatives exclusively for the purposes of risk management,
- Carries out operations on the money market exclusively for the purposes of liquidity management,
- In case of operations on money markets requires its counterparties to have at least the A-1 (Standard & Poor's) / P-1 (Moody's) rating,
- Minimises potential losses from operational risks by means of economically efficient remedial measures.

### (C.) Credit Risk

Credit risk means the risk of loss for the Bank resulting from the failure of a counterparty to meet its obligations arising from the terms and conditions of the contract under which GEMB became the creditor of this counterparty.

The Bank is exposed to credit risks in particular in case of credits granted, non-approved current account debits, guarantees provided, letters of credit issued and interbank deals.

#### (C.a.) Categorisation of Receivables

The Bank assigns receivables into individual categories in compliance with Decree No. 123/2007 Coll. of 15 May 2007 stipulating prudential rules for banks, credit unions and investment firms. The categorization is as follows:

#### Receivables without debtor's default

The Bank assigns receivables without debtor's default to the following sub-categories:

##### a) Standard receivables

A receivable is regarded as standard if there is no reason to doubt that it will be repaid in full. The Bank involves in this category receivables where principal and accessions are being duly paid, none of them being more than 30 days past due. None of the receivables towards the debtor has been restructured in the last two years due to the deterioration in the debtor's financial situation

##### b) Special mentioned receivables

A receivable is regarded as special mentioned if, given the debtor's financial and economical situation, it is likely to be repaid in full. The Bank involves in this category receivables where principal or accessions are being paid with some problems, but none of them is more than 90 days past due. None of the receivables towards the debtor has been restructured in the last six months due to the deterioration in the debtor's financial situation.

#### Receivables with Debtor's Default

Receivables with debtor's default are considered to be non-performing receivables. The Bank assigns them to the following subcategories:

##### a) Sub-standard receivables

A receivable is regarded as substandard if, given the debtor's financial and economical situation, its full repayment is uncertain, its partial settlement, however, is highly likely. The Bank involves in this category receivables where principal or accessions are being paid with problems, none of them, however, is more than 180 days past due.

##### b) Doubtful receivables

A receivable is regarded as doubtful if, given the debtor's financial and economical situation, its full repayment is highly unlikely, its partial settlement, however, is possible and likely. The Bank involves in this category receivables where principal or accessions are being paid with problems, but none of them is more than 360 days past due.

##### c) Loss receivables

A receivable is regarded as loss if, given the debtor's financial and economical situation, its full repayment is impossible. The expectation is that such a receivable will not be repaid or will only be repaid in part in a very small amount. The Bank involves in this category receivables where principal or accessions are more than 360 days past due.

The following are also considered to be loss receivables:

- a receivable from a debtor in composition proceedings,
- a receivable from a debtor who has been declared bankrupt, except in the case of a receivable from the estate arising after the declaration of bankruptcy.

The Bank carries out the categorisation on a monthly basis and the evaluation concerns in particular the following:

- Debt service performance,
- Financial situation of the debtor,
- Meeting of the information obligation with respect to the Bank,
- Restructuring of the debt, if any,
- Adjudication ofruptcy or permission to discharge, reorganise or settle the debtor's property.

The Bank does not include the following receivables in the categorisation system:

- Consumer overdraft loans (Flexikredit) including interests accrued,
- Non-permitted overdrafts on current accounts.

#### (C.b.) Collateral Assessment

The Bank requires collateral over credit receivables either by means of individual assessment of the obligor or as a standard part of the given credit product. The Bank considers the following types of collateral to be acceptable to decrease the gross credit exposure of the for the purposes of adjustment calculation:

- cash,
- securities,
- reliable receivables,
- guarantees,
- guarantee of a reliable third party,
- real estates,
- movable assets (machinery, equipment, breeding animals)

## 29. FINANCIAL INSTRUMENTS – MARKET, CREDIT AND OPERATIONAL RISK (continued)

### (C.) Credit risk (continue)

#### (C.b.) Collateral Assessment

To determine the realisable value of collateral, the Bank uses external expert appraisals or internal assessments made by the Collateral Management Department of the Risk Division, a department operating independently of the business units of the Bank. The realisable value of collateral is then set by applying the correction coefficient reflecting the Bank's ability to realize the collateral in case of need. The Bank has its own rules and methodology for the collateral assessment and regularly reviews values of correction coefficients which are approved by CRCO.

#### (C.c.) Adjustment Calculation

The Bank uses coefficients to calculate adjustments to categorised receivables. The Bank's calculation is based on the gross book value of individual receivables reduced by the realisable value of collateral. Adjustments to such net receivables are calculated according to Decree of the Czech National Bank No. 123/2007 Coll. as follows:

• special mentioned	1 – 19.99 %
• sub-standard	20 – 49.99 %
• doubtful	50 – 99.99 %
• loss	100 %

Adjustments to consumer overdraft loans (Flexikredit) are calculated on a portfolio basis using the results of Markov model (see C.f.4. Models of Measurement of Consumer Credit Risk).

#### (C.d.) Credit Risk Management

The field of credit risk management is divided into two main domains. Retail banking includes credit risk associated with the exposures to natural persons, natural persons – sole traders, and small SMEs that are granted credits on the basis of an automated approval process. Commercial banking covers credit risk associated with exposures to small and medium-sized enterprises (SME) to which credits are provided on an individual basis and exposures to banks and institutions. Credit risk management in mortgage business has a specific position as mortgages form part of retail banking, but a number of processes and methods used fall within the category of commercial banking.

### (C.e.) Commercial Banking (SME Credits)

#### (C.e.1.) Internal Rating

In the first half of 2006 the Bank adjusted the then internal rating tool for SME clients to meet the rules and requirements of Basel II. This rating tool envisages the probability of default (PD). In 2007 the second generation of the internal rating model (further enhancing its prediction ability) was implemented. The rating tool assigns clients to seven rating classes. Clients in default constitute the eighth rating class. The prediction ability of this rating tool is reviewed on an annual basis and the changes in the model, if any, are approved by CRCO.

After the approval of the IRB approach, this model will be used to calculate capital adequacy.

#### (C.e.2.) Approval Process

The SME credit approval process is based on individual evaluation and has to be approved by two people with the appropriate approval authorisations. Apart from some selected products permitting the granting of credits by two commercial bankers from the Commercial Banking Division, all other credits have to be approved by an authorised employee of the Commercial Banking Division as well as by an authorised employee from the Risk Division. Approval authorities are set on an individual basis and are determined by the combination of level of exposure, debtor's internal rating, maturity, product and collateral.

Within the frame of the approval process, the analyses in particular the financial situation of the debtor and persons economically related to the debtor, evaluates collateral and uses external data sources including credit registers.

In 2007 the Bank implemented an IT solution supporting the process of SME credit approval and administration facilitating the preparation of credit applications, their linking with data warehouses, document storing and the subsequent production of contract documentation. The system enables access to financial analysis tools, including internal rating.

#### (C.e.3.) Monitoring

All SME clients are monitored both individually and on the portfolio basis. Individual monitoring and any potential remedial measures are dealt with by CMMC which also decides on categorisation changes in cases when the change does not clearly follow from the categorisation rules.

Reports on the SME portfolio quality are discussed by CRCO each month and if necessary or required by CRCO, CRCO also deals with individual credit exposures.

#### (C.e.4.) Claiming of debtors' receivables

In order to achieve maximum recovery, the Remedial & Collection Department of the Risk Division administers receivables whose recoverability is endangered. This Department deals with debtors and discusses possible solutions, including receivable restructuring, takes relevant legal steps to realize collateral, to collect receivables in legal proceedings or to sell receivables, represents the Bank in creditors' committees in case of declaration of bankruptcy of debtors.

The outcomes of collection are regularly discussed by CRCO.

### (C.f.) Retail Banking

#### (C.f.1.) Scoring Instruments

When approving retail exposures, the Bank uses internal scoring cards. These statistical models classify individual clients into categories of homogeneous exposures using socio-demographic and behavioural data. The development of these scoring models and approval strategies is carried out by the PMT Department of the Risk Division. In order to ensure their methodological and factual accuracy, ERM checks them and regularly monitors the prediction ability of individual models. The outcomes are regularly discussed by CRCO.

## 29. FINANCIAL INSTRUMENTS – MARKET, CREDIT AND OPERATIONAL RISK (continued)

### (C.f.) Retail Banking (continue)

#### (C.f.2.) Approval Process

The approval process in the retail-banking segment is (with the exception of mortgages) fully automated. Approval processes are based on the use of internally developed scoring models and access to external data sources (in particular credit registers).

Mortgages are approved individually by the Underwriting Department of the Risk Division on the basis of individually set approval authorities.

#### (C.f.3.) Monitoring

The Bank regularly monitors the retail portfolio and monthly reports on the retail portfolio quality are forwarded to CRCO.

#### (C.f.4.) Credit risk measurement models for consumer loans

Credit risk associated with allowed overdrafts is monitored by the by means of model enabling a prediction of future losses from these operations. This model is based on the theory of Markov chains which enables the prediction of overall future losses on the basis of transfers of credit deals between individual buckets (groups of accounts with statistically similar behaviour). To set the parameters of the Markov model, the two-year history is used. The Bank's data warehouse is the source for the calculation of expected future losses as well as for the calculation of parameters of the model. The above mentioned expected losses are further reduced by the expected amount of repayments (recoveries) made within a maximum of 48 months after the loss took place.

#### (C.f.5.) Collection

The Collections unit of the Operations Division is in charge of the initial phase of collection. If no solution is found within 60 day after the due date, receivables from the automatically approved commercial credits and mortgages are transferred to the administration of the Remedial & Collection department of the Risk Division. Other receivables are collected by the Collections unit of the Operations Division with the aim to achieve maximum recovery. The Bank also uses external agencies and/or sales of receivables in the collection process.

#### (C.g.) Financial market operation exposures

The main tool for the measurement of credit risks of countries and counterparties (banks) with respect to transactions in financial markets is the rating of international rating agencies: Standard&Poor's, Moody's, and Fitch. The Bank sets individual limits for individual countries and counterparties, for which requires a minimum short-term rating of A-1 / P-1 / F1.

#### (C.h.) Credit risk capital requirement

When determining the capital requirement in 2007, the Bank followed the currently applicable regulations (Basel I) and at the same time it was making intense preparations to meet the conditions for

the application of the IRB approach for the calculation of the capital requirement. The Bank primarily focused on the completion of its technical infrastructure (in particular the new ODS/ADS data warehouse) and the implementation of the Fermat software for reporting within Pillar I Basel II. Currently, the Bank uses STA approach for credit risk capital requirement calculation.

#### (D.) Risk of concentration

The risk of concentration means the risk arising from the contraction of exposures with respect to (one) person, economically related group of persons, sector, region, activity or commodity.

The Bank manages the risk of concentration through limits applicable to countries, counterparties and economic sectors.

#### (E.) Interest rate risk

Interest rate risk is the risk of loss suffered by the Bank arising from the changes of interest rates on financial markets.

The Bank is exposed to interest rate risk due to the fact that interest bearing assets and liabilities have different maturity periods or periods of change/adjustment of interest rates as well as different volumes in these periods. In case of variable interest rates, the Bank is exposed to basis risk arising from the differences in the mechanism of adjusting individual types of interest rates, such as PRIBOR, announced interests on deposits, etc.

The Bank strives to minimise interest rate risk. Its activities in the area of interest rate risk management are aimed at reducing the risk of loss.

To monitor and measure interest rate risk, the model of interest rate sensitivity is used that serves to determine the sensitivity of the Bank to changes in market interest rates. The model is based on the inclusion of interest-sensitive assets and liabilities into the relevant time band and the Bank prefers to use behavioural features of cash flows rather than those purely contractual. All behavioural assumptions have to be approved by AMCO. The model works with 1-month time bands up to the 10 year period and a time band exceeding 10 years.

To measure interest rate risk, the Bank also applies the historical method of calculation Value at Risk for the investment portfolio on confidence level 99%. Taking into account the stable structure of the investment portfolio regarding the interest rate risk, the Bank decided to prolong the horizon for VaR calculation from 1 day to 1 year with the effect from 31 December 2006. As a result, average VaR of interest rate instruments for 2006 is not disclosed.

	At 31 December 2007	Average for 2007	At 31 December 2006	Average for 2006
CZK 000				
VaR of interest rate instruments	251,335	247,394	239,719	N/A

## 29. FINANCIAL INSTRUMENTS – MARKET, CREDIT AND OPERATIONAL RISK (continued)

### (E.) Interest rate risk (continue)

Simultaneously, GEMB carries out stress testing based on the parallel shift of the yield curve by 200 basis points for all currencies that account for more than 5% of the Bank assets. In 2007 the 5% share of bank assets was exceeded only by the portfolio denominated in CZK.

The management of interest risk in GEMB follows the principle of Match Funding. For the purpose, the maintains a balanced ratio of interest-sensitive assets to interest-sensitive liabilities in individual time bands.

Interest rate risk management uses the following limits:

- Ratio of assets to liabilities in each time band,
- Impact of stress test on capital (Tier 1 and Tier 2).

To manage the discrepancy between the interest sensitivity of assets and liabilities, interest rate derivatives are used in the majority of cases.

### (F.) Currency Risk

Foreign exchange risk means the risk of loss due to the changes in market exchange rates of individual foreign currencies in the Bank's portfolio.

Assets and liabilities in foreign currencies including off-balance sheet exposures represent the Bank's exposure to foreign exchange risks

To measure foreign exchange risk, the Bank uses, on a daily basis, net currency positions and the VaR model based on historical data.

The Bank strives to minimise foreign exchange risk. For the purpose, it keeps a balance of assets and liabilities in foreign currencies and uses the following limits:

- Ratio of the absolute value of net currency position to capital for each foreign currency,
- Ratio of the absolute value of net currency position in CZK to capital,
- Ratio of the absolute value of overall net currency position to capital,
- Value at Risk (maximum expected loss per business day at the 99% confidence level) for the foreign currency portfolio,
- Ratio of assets to liabilities for each foreign currency, if the net currency position of the currency exceeds the given limit.

	At 31 December 2007	Average for 2007	At 31 December 2006	Average for 2006
CZK 000				
VaR of foreign exchange instruments	652	215	296	122

### (G.) Liquidity Risk

Liquidity risk is the risk of possible loss suffered by the Bank due to the financing of activities and the management of its positions. It covers both the risk of the ability to finance the Bank's assets by

instruments with appropriate maturity as well as the Bank's ability to dispose of (sell) assets at reasonable prices within the acceptable time horizon.

The daily measurement of liquidity risk in main currencies (share of balance sheet total exceeding 5%) includes:

- Calculation of liquidity position based on the liquidity Gap model measuring net cash flows in the set time band
- Calculation of the expected outflow (99% quantile of distribution of one-day outflow of cash from GEMB in the given period),
- Assessment of the impact of the liquidity management stress scenario on the Bank's liquidity position.

To manage liquidity risk for main currencies, the Bank applies a system of limits for liquidity positions in individual time bands, for the ratio of quick assets to expected outflow and for the volume of assets intended to cover the stress scenario. For other currencies, the Bank uses limits for the ratio of quickly liquid assets to liabilities.

The Bank has access to diversified sources of financing. The financing sources consist of savings and other deposits, credits taken as well as the Bank's equity. To diversify and stabilise liquidity sources and to deposit excess financial assets the money market is used. The Bank also has a flexible credit line within the General Electric group, which, together with the diversification of other sources of financing, significantly increases the flexibility of source acquisition, and reduces the dependency on partial sources.

For the purposes of liquidity management under extraordinary circumstances, the Bank has a contingency plan containing measures for the recovery of liquidity.

ERM regularly reviews liquidity management scenarios, which are based on the analysis of historical data, and the contingency plan and forwards them to AMCO for approval.

## 29. FINANCIAL INSTRUMENTS – MARKET, CREDIT AND OPERATIONAL RISK (continued)

## (G.) Liquidity Risk (continued)

## Residual Maturity of Bank's Assets and Liabilities

CZK 000	Up to 3 months.	3 mths to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
At 31 December 2007						
Cash and deposits with central banks	2,309,475	0	0	0	640,765	2,950,240
Receivables from banks	3,214,299	0	0	0	0	3,214,299
Receivables from customers	4,583,982	12,419,414	25,981,062	24,306,453	7,560,009	74,850,920
Shares, units	0	0	0	0	30,645	30,645
Participation interests with substantial influence	0	0	0	0	240	240
Other assets	121,436	784,795	0	0	2,829,292	3,735,523
Prepaid expenses and accrued income	0	0	0	0	93,547	93,547
<b>Total</b>	<b>10,229,192</b>	<b>13,204,209</b>	<b>25,981,062</b>	<b>24,306,453</b>	<b>11,154,498</b>	<b>84,875,414</b>
Due to banks	37,923	0	0	0	0	37,923
Due to customers	53,808,010	1,517,101	5,665,258	724	121,236	61,112,329
Other liabilities	1,116,751	458,374	0	0	22,134,088	23,709,213
Accrued expenses and deferred income	0	0	0	0	15,949	15,949
<b>Total</b>	<b>54,962,684</b>	<b>1,975,475</b>	<b>5,665,258</b>	<b>724</b>	<b>22,271,273</b>	<b>84,875,414</b>
<b>Gap</b>	<b>(44,733,492)</b>	<b>11,228,734</b>	<b>20,315,804</b>	<b>24,305,729</b>	<b>(11,116,775)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(44,733,492)</b>	<b>(33,504,758)</b>	<b>(13,188,954)</b>	<b>11,116,775</b>	<b>0</b>	<b>0</b>
At 31 December 2006						
Cash and deposits with central banks	1,607,033	0	0	0	793,536	2,400,569
Receivables from banks	8,163,367	0	0	0	0	8,163,367
Receivables from customers	4,960,869	11,678,378	22,448,353	13,730,059	6,246,881	59,064,540
Shares, units and other investments	0	0	0	0	29,595	29,595
Participation interests with substantial influence	0	0	0	0	240	240
Other assets	169,102	1,142,167	0	0	1,718,768	3,030,037
Prepaid expenses and accrued income	0	0	0	0	95,082	95,082
<b>Total</b>	<b>14,900,371</b>	<b>12,820,545</b>	<b>22,448,353</b>	<b>13,730,059</b>	<b>8,884,102</b>	<b>72,783,430</b>
Due to banks	73,932	0	0	0	0	73,932
Due to customers	49,856,870	1,352,209	544,901	6,158	118,109	51,878,247
Other liabilities	928,758	6,668	0	0	19,895,719	20,831,145
Accrued expenses and deferred income	0	0	0	0	106	106
<b>Total</b>	<b>50,859,560</b>	<b>1,358,877</b>	<b>544,901</b>	<b>6,158</b>	<b>20,013,934</b>	<b>72,783,430</b>
<b>Gap</b>	<b>(35,959,189)</b>	<b>11,461,668</b>	<b>21,903,452</b>	<b>13,723,901</b>	<b>(11,129,832)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(35,959,189)</b>	<b>(24,497,521)</b>	<b>(2,594,069)</b>	<b>11,129,832</b>	<b>0</b>	<b>0</b>

## 29. FINANCIAL INSTRUMENTS – MARKET, CREDIT AND OPERATIONAL RISK (continued)

### (H) Operational Risk

The Bank defines operational risk as the risk of loss due to the drawbacks or failure of internal processes, the human factor or systems or as the risk of loss due to external circumstances, including the risk of loss due to the breach of or non-compliance with a legal or regulatory standard or endangering the reputation. It also covers legal risk.

### (H.a.) Operational Risk Management

Within the scope of operational risk management the Bank uses identification and classification models to identify and describe events, risk factors, effects, organisational structure and indicators. ERM maintains the models following the Basel II methodology and notifies ORCO of changes.

Individual organisational units have operational risk co-ordinators who provide employees with methodological support in the area of operational risk management and co-operate with ERM in activities relating to operational risk.

The operational risk measurement is the LDC process (Loss Data Collection, the collection of data on loss events). The subject of data collection are events whose impact exceeded the limit (CZK 10 thousand).

Monitoring also focuses on key risk indicators approved by ORCO based on an ERM's proposal.

The basic limit for operational risk management is the operational risk tolerance (representing the expected loss caused by operational risk in the given year). The limit is approved by ORCO on the basis of outcomes of the RCSA process (Risk Control Self Assessment), first introduced in 2007.

To mitigate operational risk, the Bank produces and maintains:

- contingency plan for crisis situations and the recovery of operation with the aim to ensure business activities at backup workplace,
- IT Disaster Recovery Plans (activity recovery plans) for key IT applications,
- mitigation of risk by means of process improvements, process changes, organisation, introduction of limits and checks, and use of technologies,
- transfer of risk by means of outsourcing or insurance,
- avoidance of risk by terminating risk-inducing activities.

### (H.b.) Calculation of Operational Risk Capital Requirement

As regards the calculation of capital requirement, in 2007 the Bank followed the current rules (Basel I) and thus did not determine the capital requirement for operational risk. The Bank applied to the CNB for approval to use the Alternative Standardized Approach (ASA) for the calculation of regulatory capital as of 1 January 2008. Therefore a validation process took place in 2007 which was successfully finalized by the grant of approval by the CNB.

## 30. LITIGATION

Three lawsuits are currently pending against the Bank as defendant, which contest the validity of the Agreement on the Sale of a Part of the Enterprise of Agrobanka Praha, a.s., dated June 22, 1998. They are cases brought by Mr. Václav Sládek, shareholder of Agrobanka Praha, a.s., v likvidaci, by former members of the Supervisory Board of Agrobanka Praha, a.s. v likvidaci and by company NEW AGE INVESTMENT, s.r.o. also a shareholder of Agrobanka Praha, a.s. v likvidaci. Company HZ Praha, spol. s r.o., former liquidator of Agrobanka Praha, a.s. v likvidaci is conducting a lawsuit for declaration of validity of the Agreement. In all litigation, the Bank insists on, and has furnished the court with its position based on extensive legal analyses supporting, the validity of the Agreement on the Sale of a Part of the Enterprise, and, in addition, has objected procedural defects on the side of the plaintiffs, which alone should constitute grounds for dismissing the court actions. However, should the plaintiffs be successful in having the original purchase and sale contract declared null and void, the impact to the Bank's financial position could be significant. At the date of preparation of the financial statements the impact of such an outcome is undeterminable and management is convinced that the plaintiffs are unlikely to be successful in their actions. Nevertheless, the Bank is continuing its efforts to find solutions to these litigations and to settle with Agrobanka, a.s. v likvidaci shareholders at the earliest opportunity with the active participation of all parties involved. In conjunction with these efforts, the provision of CZK 800 million was created in 2007 (refer to point 24 (b)).

## 31. SUBSEQUENT EVENTS

There have been no events subsequent to the balance sheet date that require adjustment of or disclosure in the financial statements or notes thereto.

Sent:	Stamp and signature of statutory authorities	Responsible person for accounting	Responsible person for financial statements
28 April 2008		Name and signature	Name and signature
		Martin Střítěžský	Jana Janečková
		tel.: 22444 5391	tel.: 22444 2337





imagination at work

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