

# ANNUAL REPORT 2008



imagination at work

GE Money Bank

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# INTRODUCTION

Dear Shareholders, Clients, Business Partners, and Colleagues:

2008 was a very successful year for our bank. That our strong performance was achieved in the face of deteriorating global economic conditions in Q4 demonstrates the stability and trustworthiness of our bank, and the professionalism and commitment of our staff.





In 2008 we managed to affirm our partnerships with existing customers and to motivate them to use more of our products and services. Furthermore, the number of clients who place their trust in us continues to grow. In 2008 alone, we added nearly 50,000 new clients. We recorded a very significant increase (by 20.2%) in deposit balances and the number of deposit accounts for the first time exceeded one million. Loans to customers increased by 14.8% over 2007. Our capital adequacy at the end of 2008 approached 20%, which makes us one of the best capitalised banks on the Czech market.

The increase in **deposit accounts** was due to the very popular Genius Active accounts, but our new Regular Savings Account also accounted for a large portion of the rise. The Child Genius Account, which we launched in May for children up to 15 years of age, was also very successful. The account is popular with parents because of, among other things, the unique insurance plan for children, which is free with the account, and the above-standard interest rate, of 2.5%.

Two of our products – Loan Consolidation and the general-purpose Express Loan – accounted for an increase in **unsecured consumer loan balances** of close to 20% year on year. At the end of the year, consumer loan balances reached CZK 35.9 bn. Overall, we provided 167,000 unsecured loans in 2008, with an average value of 109,000 crowns.

We also recorded a significant increase in **mortgage** balances, which grew 17% compared with 2007. We provided new mortgages worth CZK 5.7 bn., through 4,200 loans. New in this sphere is the possibility of applying for a mortgage on-line. With this service, customers gain customised mortgage proposals within minutes.

As in previous years, GE Money Bank, a.s., put great emphasis on its offering for **small and medium-sized enterprises**. Aside from the fact that we have maintained our position as the market leader in financing agricultural entities, we prepared customised products for businesses from other sectors as well. We specialised in supporting environmentally friendly projects, and in 2008 our bank joined the CEEF (Commercialising Energy Efficiency Finance) programme. We were one of the first Czech banks to start financing biogas stations, and are among the most experienced, in terms of the number of projects supported.

Businesses, as well as other entities (such as governments and financial institutions), perceive GE Money Bank, a.s. to be a safe place to deposit their funds, as evidenced by the 32% year-on-year increase in **corporate deposits**. Deposits in flat-rate accounts, such as Genius Business Active, contributed a large part of the significant increase in deposits made by small and medium-sized businesses with GE Money Bank, a.s.

One of the principles of GE Money Bank, a.s., is that our clients can use our services anywhere, any time, and any way they want. This is largely aided by Internet banking. Through it, we introduced in 2008 a unique innovation, the **GE Money Manager**. This is a new service offered free to clients using our Internet Bank. The main goal of the GE Money Manager is to make Internet Banking more than just a transaction-tool, that facilitates the administration of our clients' finances. Through its main functions, such as transaction categorisation and balance history, as well as personal budget planning, clients can view their transaction history, and optimise their financial management. GE Money Bank, a.s., is the only bank on the market to offer this application.

Another innovation that simplifies the use of our services by our clients is the possibility of changing one's PIN, or entering a one-time payment order, through an ATM. Such changes and transactions can be executed on all 598 GE Money Bank, a.s., **ATMs** in the Czech Republic. We strive for our ATMs to offer every service that would turn them into an active communication and transaction channel of the Bank. PIN changes, the possibility of entering one-time payment orders and also our first deposit ATM located at Flora branch in Prague, which enables direct cash deposits on the customer's account, are further logical steps towards achieving that goal.

Another innovation introduced in 2008 – **rewards for paying by card** – shows how much we value loyal customers, and motivates them to use cashless payment transactions in their everyday lives. Between July, when this innovation was introduced, and the end of 2008, we paid out to our clients nearly 12 million crowns in rewards. GE Money Bank, a.s., monthly credits its clients with a half-percent of the value of the card payments made at retail outlets or on the Internet. A reward for card payments is automatically a part of all of the debit payment cards issued with the various versions of the Genius Active account, our flagship among current accounts.

One of the major events of 2008 for our company was the initiation of a **partnership with the Czech Olympic Team for 2008 – 2012**, including the 29th Olympiad in Beijing. Through contests related to this event, we enabled our clients to win a one-week trip to the centre of the action at the Games. We will continue to carry on in the same spirit in supporting the Winter Olympic Games in Vancouver in 2010, and the Summer Olympic Games in London in 2012. We have decided to enter this partnership primarily because the values of the Olympic Games and of the Czech Olympic Team are very close to those of GE Money Bank, a.s. They represent a longing for extraordinary performance, human spirit, honour, and fair play. These values are reflected, above all, in the approach of GE Money Bank, a.s., to clients, and in our abilities to help them achieve their financial goals by fulfilling their everyday financial needs.

The fact that our products have repeatedly ranked in one of the top positions of the Golden Crown competition is evidence of our success and popularity. In 2008, we gained the highest prize – the Golden Crown – in the Business Loans category, and Renovation Plus, a loan for the renovation and privatisation of residential buildings. Mortgage Refinancing, which had already been awarded previously, earned a Silver Crown.

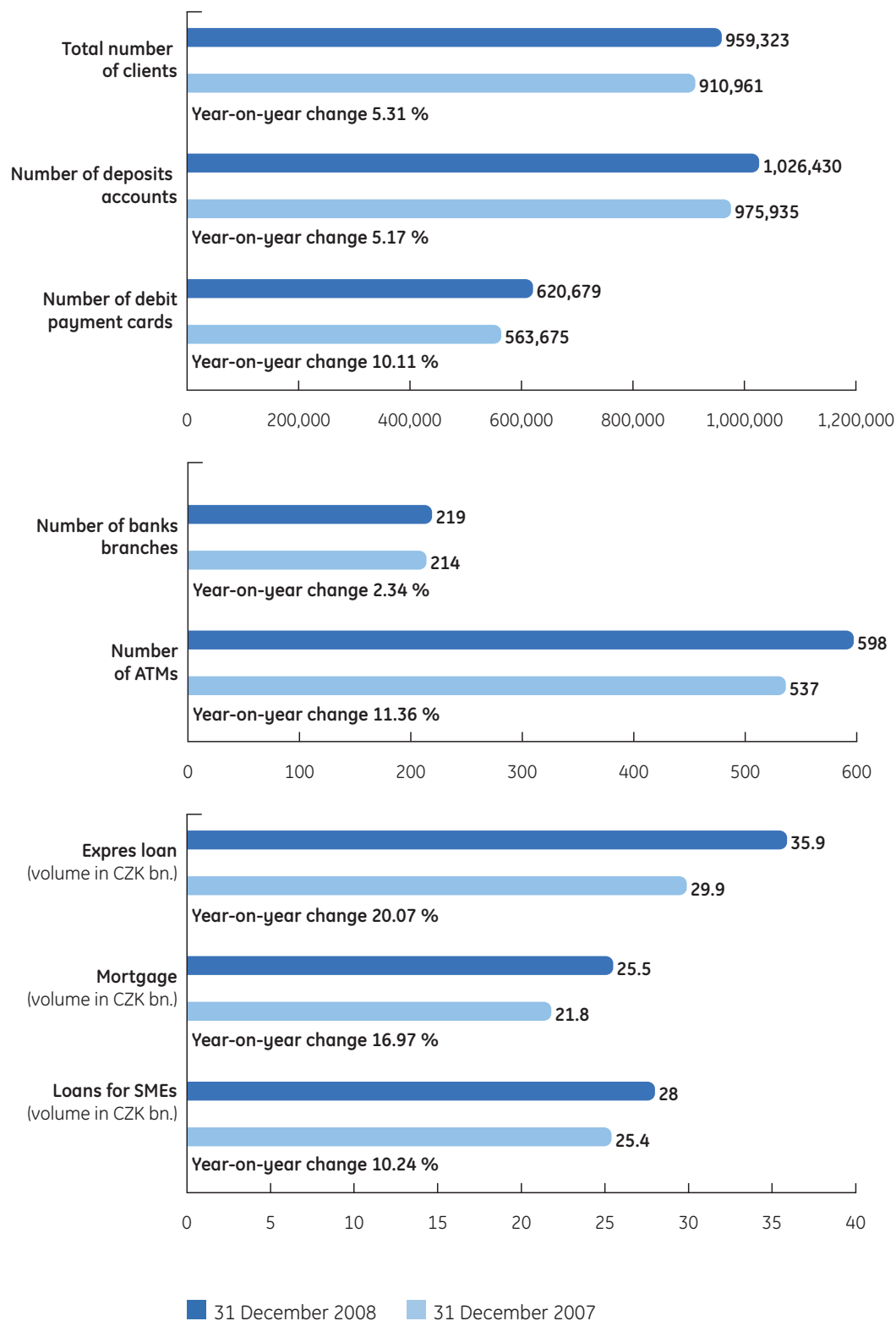
**I would like to take this opportunity to thank our Shareholders, Clients, Business Partners and Colleagues for your support in 2008. We have a great team of talented and hard working people in our Bank and this is why we are able to succeed in achieving our goals. I would like to say a special thank you to all of our colleagues for their loyalty and support in 2008.**

**We look forward to continuing to work together in 2009.**



**Peter R. Herbert**  
**CEO and Chairman of the Board of Directors**  
**GE Money Bank, a.s.**

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



# KEY DATA

## Key Data on GE Money Bank, a.s. as at 31 December 2008

<b>Company name:</b>	GE Money Bank, a. s.
<b>Registered office:</b>	Vyskočilova 1422/1a, 140 28 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>	6 November 2008 (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:**

Five hundred and ten 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**

Peter Morris Franklin  
Aleš Blažek  
Pavel Zidek

**Office**

Chairman  
Member  
Member elected by employees

**In office since:**

29 October 2008  
10 June 2008  
29 November 2005

**Board of Directors**

Peter Ronald Herbert  
Christoph Glaser  
Brett Matthew Belcher

**Office**

Chairman  
Member  
Member

**In office since:**

10 July 2008  
5 May 2005  
20 December 2007

**Number of employees, FTE (as at 31 December 2008):**

Head Office	<b>1,077</b> employees
Branches	<b>1,265</b> employees
Total	<b>2,342</b> employees

**Number of branches of the bank (as at 31 December 2008): 219**

## 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**

### Object 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.

## 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 GEMB'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 collection
4. Clean payments
5. Cheque services
6. Bank guarantees
7. Bill of exchange services
8. Lending
9. Factoring, forfeiting

#### Other products and services:

1. Card services (depending on card type)
2. Information and advisory services
3. Provide 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



# SUPERVISORY BOARD, BOARD OF DIRECTORS AND MANAGEMENT



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

<b>Supervisory Board</b>	<b>Office</b>	<b>In office since:</b>
Peter Morris Franklin	Chairman	29 October 2008
Aleš Blažek	Member	10 June 2008
Pavel Zídek	Member elected by employees	29 November 2005

<b>Board of Directors</b>	<b>Office</b>	<b>In office since:</b>
Peter Ronald Herbert	Chairman	10 July 2008
Christoph Glaser	Member	5 May 2005
Brett Matthew Belcher	Member	20 December 2007

<b>Division</b>	<b>Head</b>	<b>Office</b>	<b>In office since:</b>
	Peter Ronald Herbert	Chief Executive Officer	26 June 2008
Human Resources	Niamh Hegarty	Chief Human Resources Officer	1 July 2005
Risk Management	Brett Matthew Belcher	Chief Risk Officer	1 September 2007
Legal	Tomáš Černý	Chief Legal Counsel	1 April 2005
Retail Banking	Jan Rollo	Chief Retail Banking Officer	1 November 2003
Commercial Banking	Radomil Štumpa	Chief Commercial Banking Officer	1 November 2003
Marketing	Ian Forrest	Chief Marketing Officer	1 May 2007
Information Technology	Petr Beneš	Chief Information Officer	1 May 2006
Financial	Christoph Glaser	Chief Financial Officer	1 December 2004
Operations	Jonas Hasselrot	Chief Operations Officer	1 May 2003
Compliance	Petr Karel	Chief Compliance Officer	1 July 2002
Internal Audit	Thomas B. Dodd	Senior Internal Audit Manager	1 May 2007

## Information about Supervisory Board Members

**Peter Morris Franklin** studied modern history at the University of Oxford. He has 30 years of experience in the area of financial services, particularly from sales, risk and the Treasury, that he gained in HSBC, Chase Morgan and GE Capital, which he joined in 1992. Currently, he is the Chief Financial Officer of GE Money for the Central and Eastern European Region and his responsibilities include financial reporting, costs, financial analysis, taxation and Treasury in ten businesses in this region.

**Aleš Blažek** graduated from the Faculty of Law, Charles University. In 1998, he became a junior lawyer in White & Case LLP. From 2000, he was the Chief Legal Counsel in Citibank in Prague; from 2002, he managed the legal department of Citibank for Central and Eastern Europe. In 2004, he left for London, where he held the position of a deputy manager of the legal department for the EMEA region in Citigroup. He joined GE Money in 2007 as General Counsel for Central and Eastern Europe. At the same time, he is member of Czech Bar Association.

**Pavel Zídek** graduated from ČVUT 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



When **Peter Ronald Herbert** joined GE, he brought over 30 years of international banking experience to his role, gained mainly through his career with the Barclays Bank Group. His roles there included Managing Director of Barclaycard International, where he was responsible for building the business up virtually from scratch to a leading market player, or Finance Director of Barclays UK banking division. He also held the role of Group Strategy Director for Barclays and had a range of other important positions in both corporate and retail banking. Before joining GE Money Bank, a.s., Peter had been Deputy Group General Manager at National Bank of Kuwait and he focused on driving the Bank's growth in the wider Middle East and North Africa Region. From 26 June 2008, he has been the Chief Executive Officer and from 10 July 2008, Chairman of the Board of GE Money Bank, a.s.



**Christoph Glaser** joined GE under the European Manager Development Programme in 1997. From 1999 he worked as Executive Audit Manager in GE Corporate Audit, out of which last two years he focused on the businesses within GE Consumer Finance division operating all around the world. 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.



**Jan Rollo** graduated from ČVUT 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 until 6 November 2008 he was a member of the Board of Directors.



**Brett Matthew 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.



**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.



**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.



**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 Česká a Slovenská republika 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. He is a member of the Czech Bar Association.



**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.



**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.



**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 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.

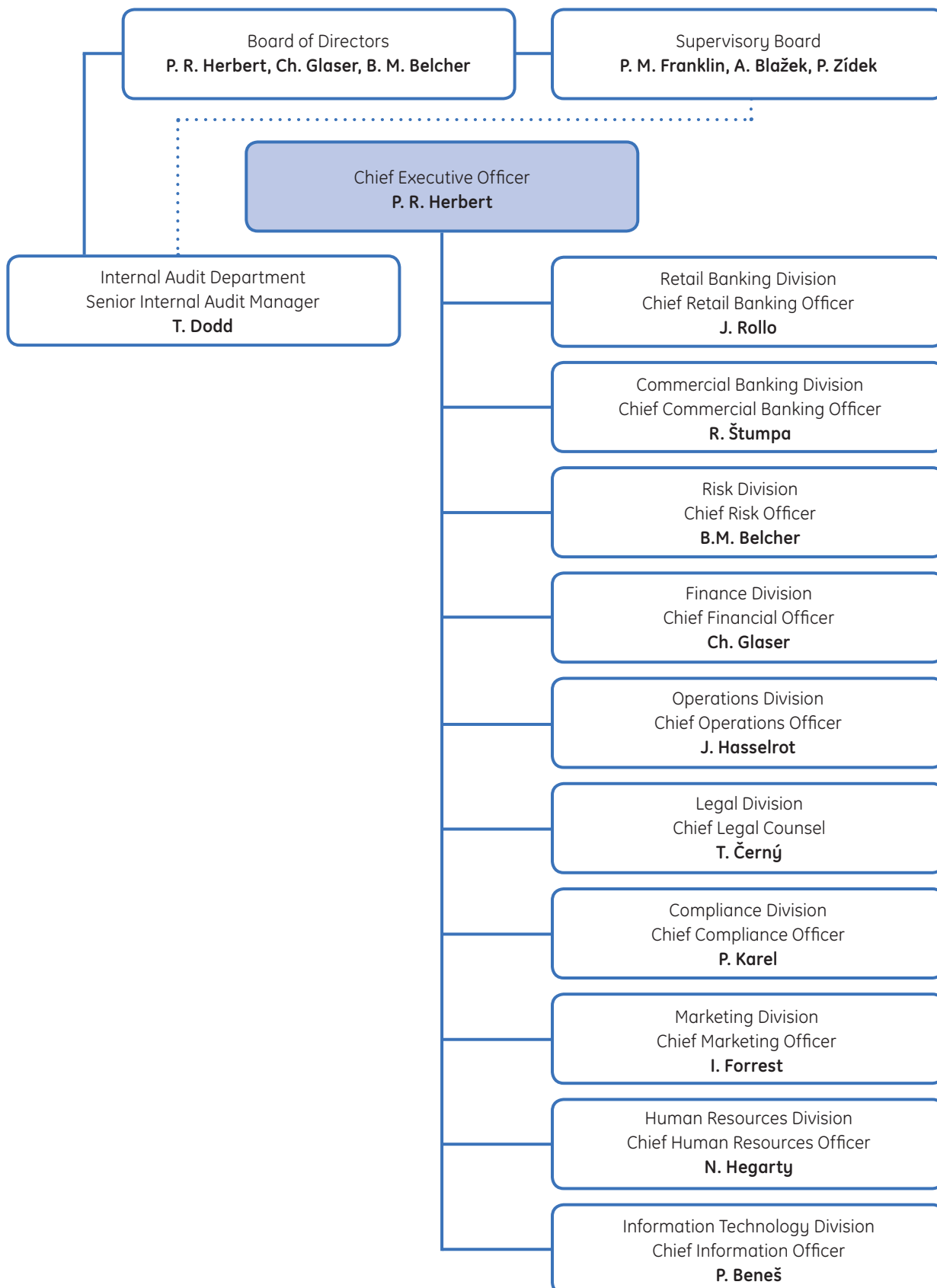


**Ian Forrest** graduated in Economics from University of California, Los Angeles and he has an MBA from the P. F. Drucker Graduate School of Management, Claremont Graduate University. He has an MBA. He has been involved in marketing for 12 years; his experience covers mainly product marketing and product 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 concurrently serve in any other juristic person's bodies.



**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.

## Organisational structure



# REPORT BY THE BOARD OF DIRECTORS

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

**The commercial strategy of GE Money Bank, a.s., in 2008 was again to provide complex financial services to individuals and to SMEs.**

In 2008 GE Money Bank, a.s. focused on four pillars: customer centricity, 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. At the end of 2008, the Bank's total assets reached CZK 98.6 billion, (up 16.1% compared with year-end 2007) whilst total loans grew to CZK 92.3 billion. The bank's assets grew as a result of strong demand for both consumer credit and loans for small and medium-sized enterprises. The unsecured consumer loan portfolio grew by 20% to over CZK 35.9 billion driven by continued growth of GE Money Bank's market leading debt consolidation product. Loans to small and medium businesses (SME) grew by 10.6% to CZK 28.1 billion. As at 31 December 2008, total outstanding mortgages reached CZK 25.5 billion, representing growth of 17% compared with 2007. Credit quality across the whole portfolio remained high.

As at 31 December 2008 customer deposits amounted to nearly CZK 67.5 billion, up by 20.2% year on year. Growth was driven mainly by the increase in deposits placed by SME customers, which rose year-to-year by 32.3% to nearly CZK 33 billion.

As of 31 December 2008, GE Money Bank, a.s., had 959,323 clients (a year-over-year growth of 5%), for which it administered 1,026,430 deposit accounts (a year-over-year growth of 5.2%).

Total equity stood at CZK 23.9 billion at the end of 2008, up 14.2% compared with 31 December 2007. GE Money Bank, a.s. maintains one of the highest levels of capital adequacy in the Czech market, with a capital adequacy ratio of close to 20%, or more than twice the required minimum set by the Czech National Bank.

In 2008 GE Money Bank, a.s., invested into the establishment and opening of 7 new branches and acquisition of 61 new ATMs. The growth in the number of employees went from 2,299 (31 December 2007) to 2,342 (31 December 2008).

The Board of Directors of GE Money Bank, a.s., is satisfied with the bank's results for 2008 and would like to thank all employees for their efforts.

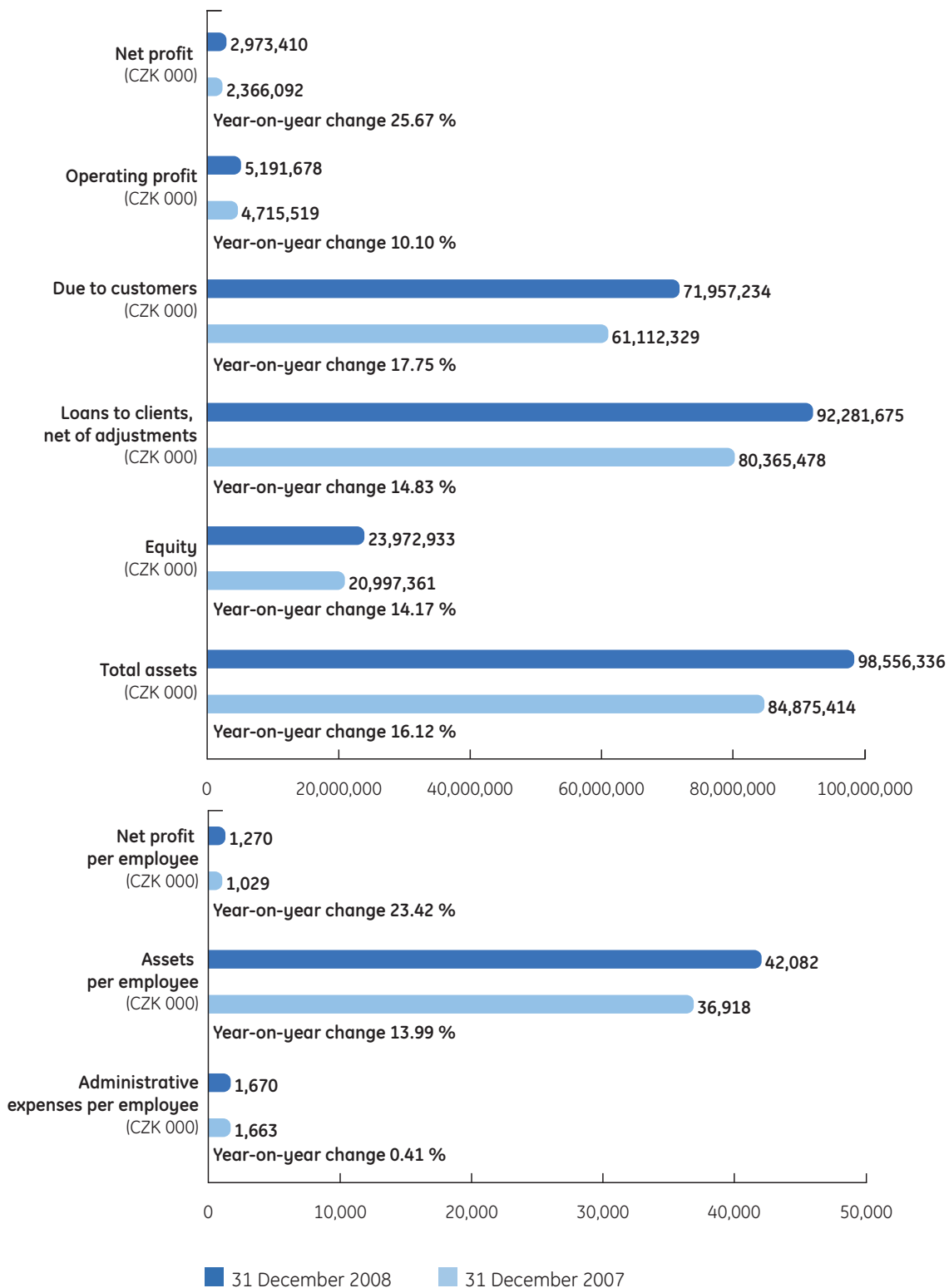
**Peter Ronald Herbert**  
Chairman of the Board of Directors

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

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

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

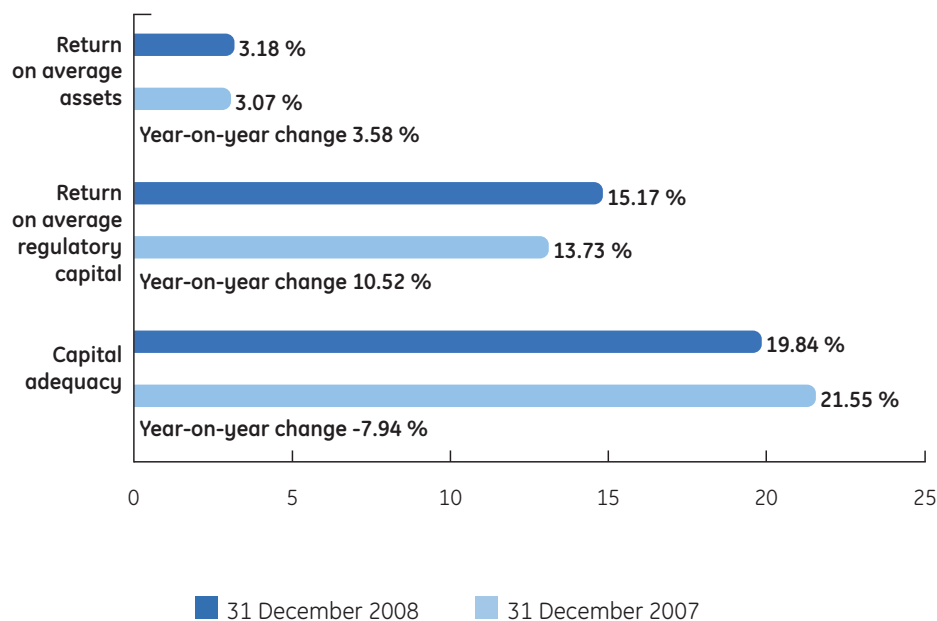
(According to Czech Accounting Standards)



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

(According to Czech Accounting Standards)

(continued)



	31 December 2008	31 December 2007	Year-on-year change
Tier 1	20,069,327	18,051,590	11.18%
Tier 2	0	0	n/a
Used Tier 3	0	0	n/a
Total of all deductible items (CZK 000)	-240	-240	0.00%
Total of regulatory capital (CZK 000)	20,069,087	18,051,350	11.18%
Registered 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)	15,668,981	13,302,889	17.79%
Intangible fixed assets other than goodwill (CZK 000)	-913,633	-565,278	61.63%
Total capital requirement (CZK 000)	8,093,557	6,701,465	20.77%
Capital requirement for credit risk (CZK 000)	7,332,977	6,662,422	10.06%
Capital requirement for market risk (CZK 000)	0	39,043	n/a
Capital requirement for operational risk (CZK 000) *)	760,580	0	n/a

\* Since 2008 GE Money Bank a.s. adopted BASELII concept, that leads into segregation of capital requirement for operational risk

# MAIN FINANCIAL INDICATORS

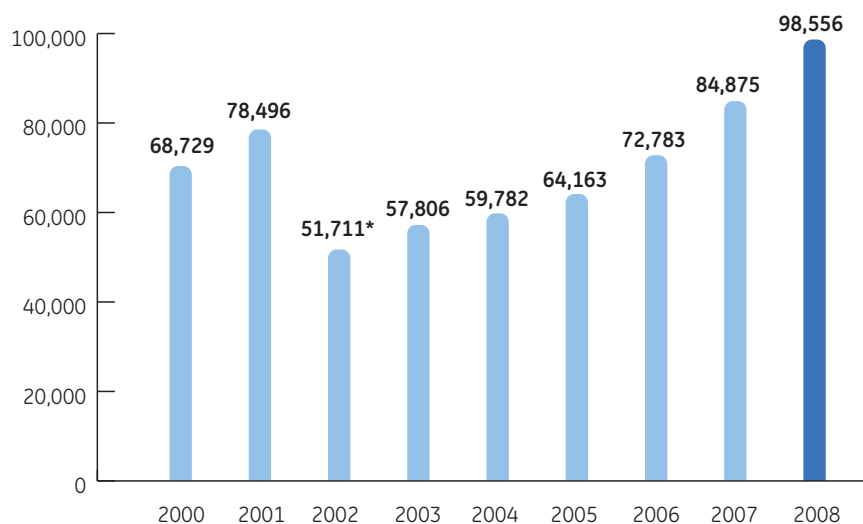


## Main Financial Indicators of GE Money Bank, a.s.

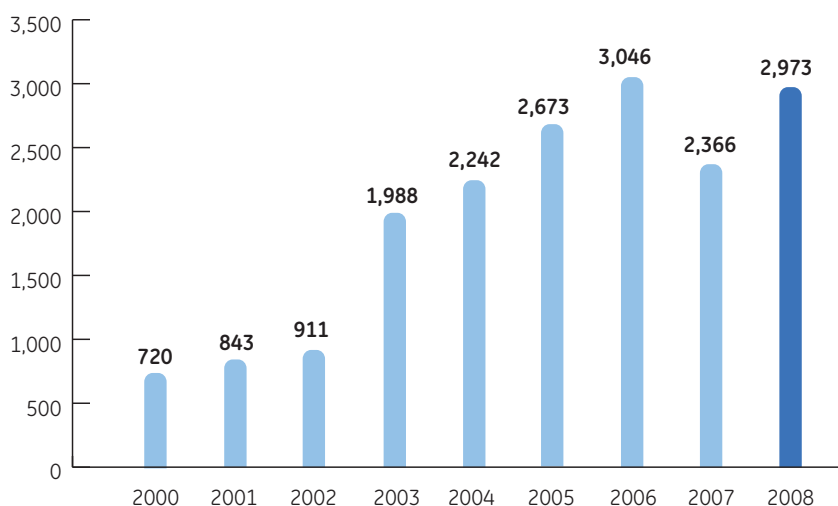
(according to Czech accounting standards):

### Total assets (CZK bn.)

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

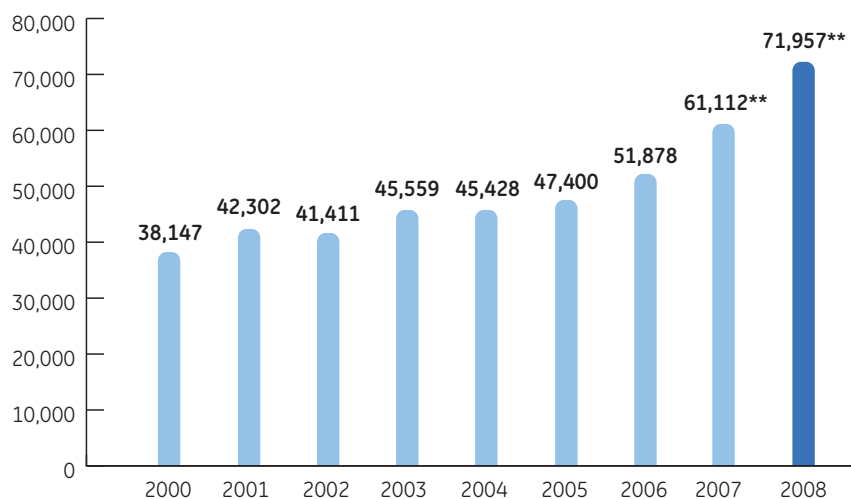


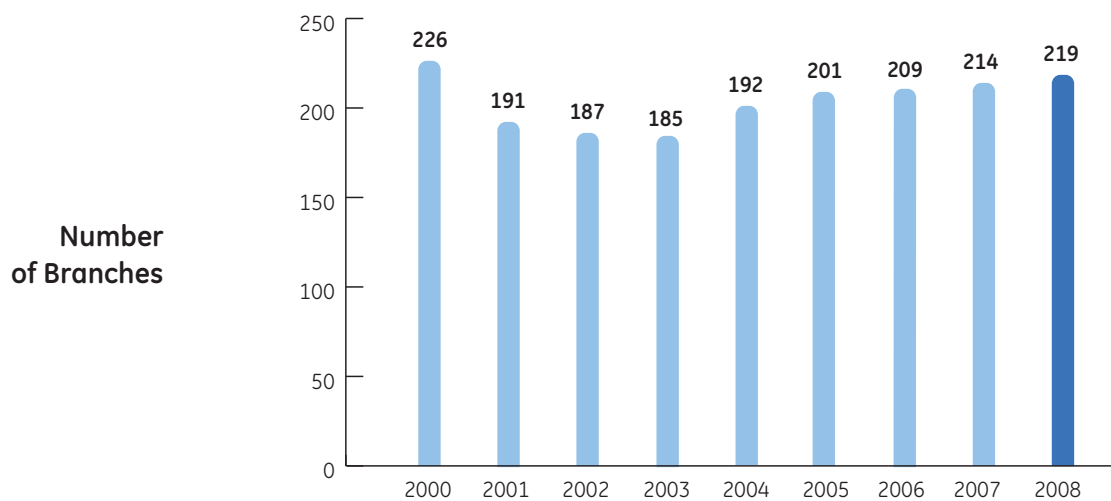
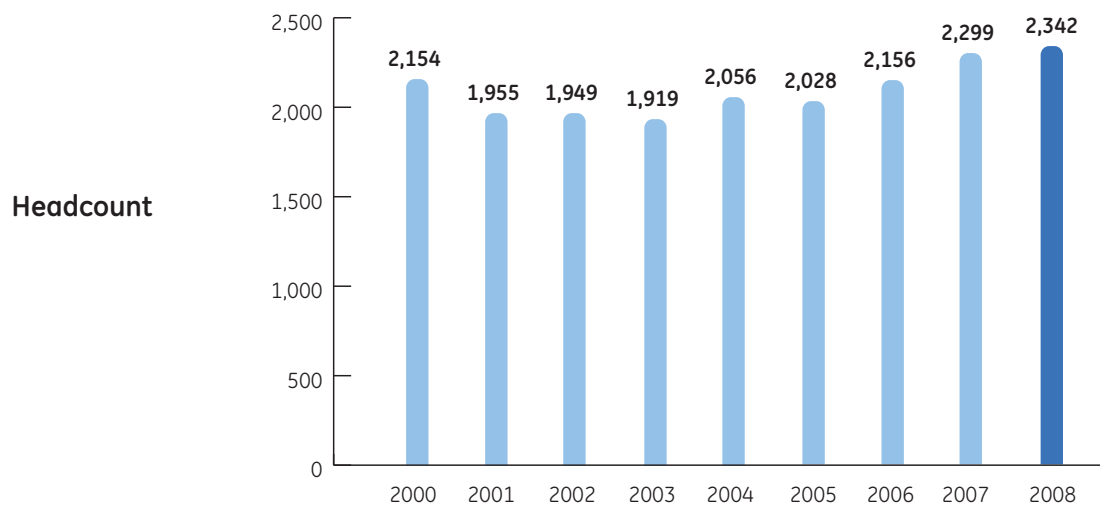
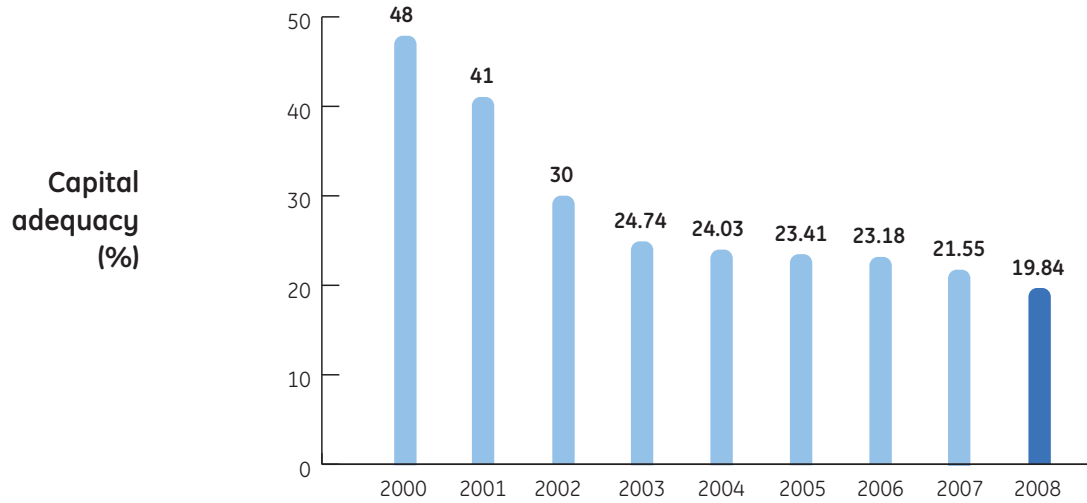
### Net profit (CZK bn.)



### Client's deposits (CZK bn.)

\*\* Including items related to the credit agreement provided by the parent company GE Capital International Holdings Corporation, where drawn balance as at the close of business on 31 December 2008 is 4.5 billion (on 31. December 2007: 5 billion)







# OUTLOOK FOR 2009

Our financial strength, combined with our innovative products and world-class risk management, position us well to manage the challenges posed by the tough economic environment facing Czech consumers and businesses in 2009.



In this environment we will focus on two key areas in 2009.

Firstly, we will continue to manage day – to – day performance carefully. In particular, we will ensure that our lending policies are prudent and consistent with our philosophy of responsible lending.

Secondly, we will execute our long term strategy by building on our historic strengths in lending to provide a wider array of exceptionally straightforward products and services.

In 2009 we have already introduced market-leading saving products that provide our clients with outstanding

value and security. We have introduced a new format for our branches that is aimed at providing a more welcoming and user-friendly environment. This new format will be tested selectively across the Czech Republic.

These developments will enable us to provide our customers with easier, clearer and more rewarding products and services.

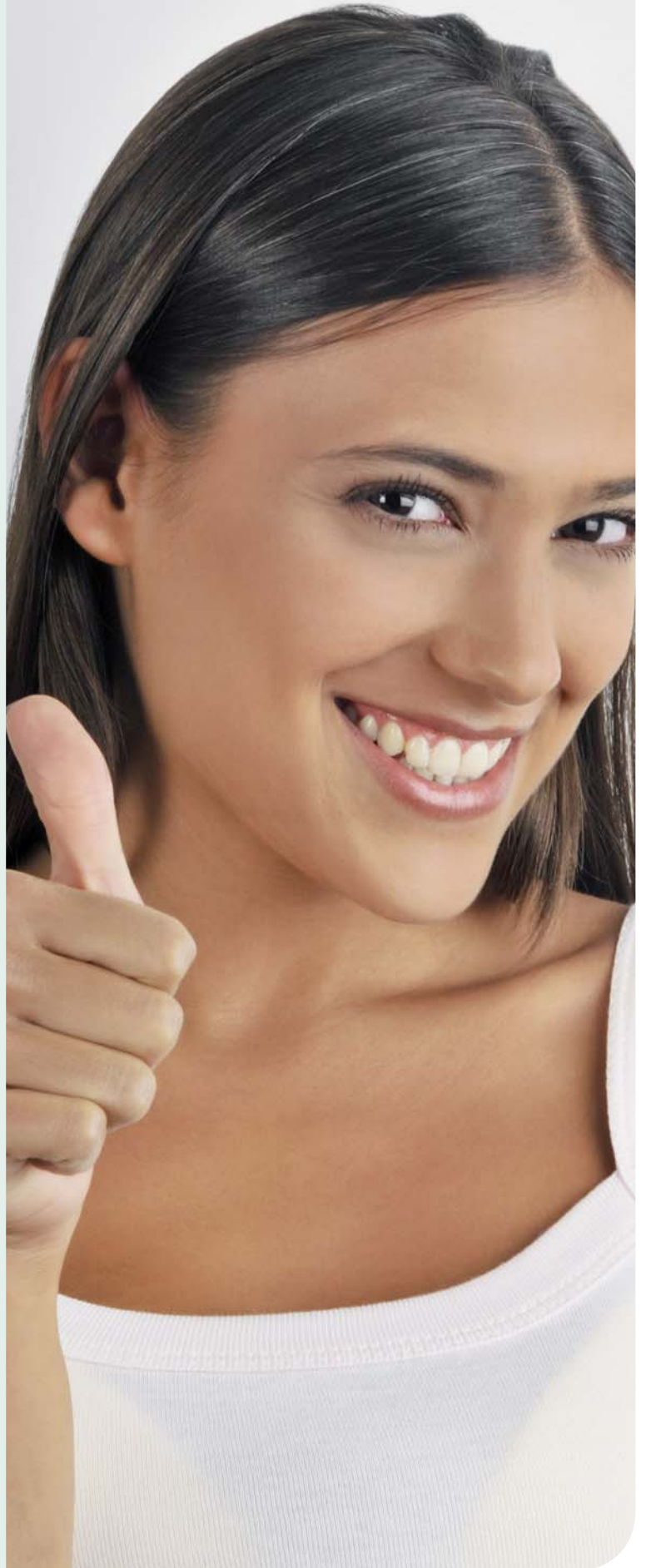
Despite the positive results of 2008, we are facing an increasingly tough economic environment in the Czech Republic. I am confident that we can meet these challenges and be an even stronger player in the Czech banking market.



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**Peter R. Herbert**  
CEO and Chairman of the Board of Directors  
GE Money Bank, a.s.

# REPORT OF THE SUPERVISORY BOARD AND AUDITOR'S REPORT



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 2008 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 2008.

**Peter Morris Franklin,**  
Supervisory Board Chairman

**Aleš Blažek,**  
Supervisory Board Member

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

## Auditor's Report



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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 2009 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 2008, 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 2008, and its expenses, revenues and financial performance for the year then ended in accordance with Czech accounting legislation."

## Auditor's Report (continued)



### 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 year ended 31 December 2008. 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 Standard on Review Engagements 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 year ended 31 December 2008 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 2009

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Licence number 71

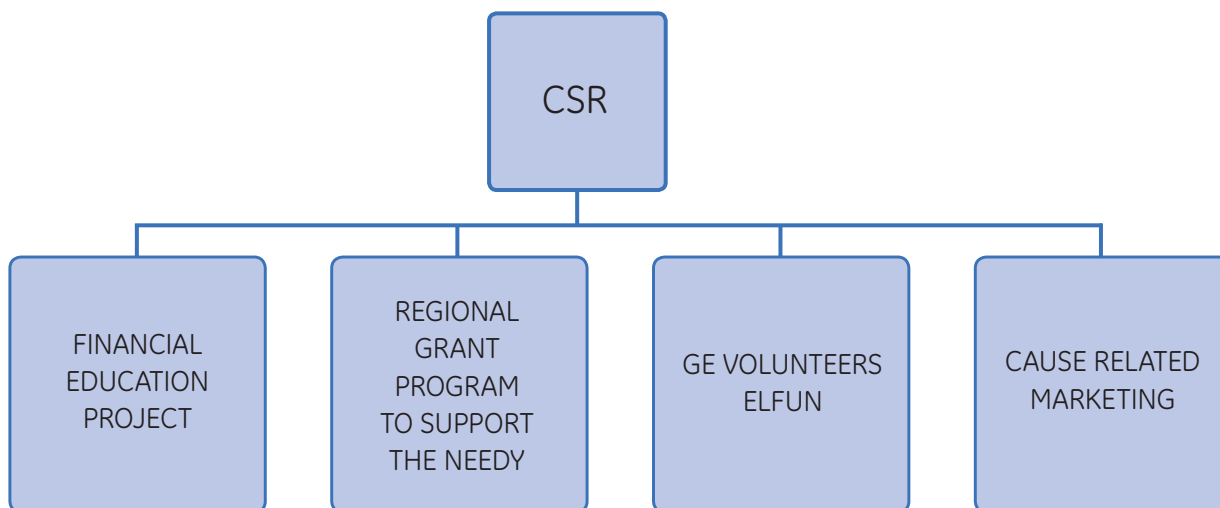
Ing. Vladimír Dvořáček  
Partner

Ing. Pavel Závitkovský  
Partner  
Licence number 69

# GE CORPORATE SOCIAL RESPONSIBILITY



GE Money Bank is conscious of its obligation to be a responsible employer in all the places we operate. Corporate social responsibility is part of the overall GE Money strategy and is based on 4 key pillars.



### Financial Education Project, "We Understand Money"

This is a unique project accredited by the Ministry of Education, Youth and Sport, in which GE Money Bank is both expert guarantor and one of the authors behind the project. The project has been brought to fruition by the citizens' association, AISIS. The project arose at the initiative of GE Money Bank and has become an integral part of the bank's strategy in the area of "responsible lending". The project's objective is to increase the financial education of schoolchildren through specialised tuition at schools.

The aim of the project is to acquaint school-age children with the principles of money management and basic financial products and services. An important factor in financial education is also learning the basics of responsible decision making. The project's target groups are mainly primary school students (11 – 15 years of age) and young families.

Basic lesson topics were proposed in the pilot phase of the project. These include holidays, increased living costs, buying a car, money, a new home, investments, bargain buys, loans and debts, contracts, personal budgets and state economic management. Students then address these situations using model examples connected to financial decisions. Tuition takes place in the form of all-day projects or individual lessons during the school year.

The significance of the "We Understand Money" project is evidenced by the support it has received. The Ministry of Education, Youth and Sport has given the project its accreditation. It has also been recommended for educational use by the Pedagogic Research Institute and National Institute of Vocational Education and Training.

The citizens' association, AISIS has obtained a grant of 11 million crowns from the European Social Fund and Czech state budget for the realisation of the project in 2008-2010. Five million is intended for realisation in the Central Bohemian Region and the remaining 6 million for realisation in the Pilsner Region.

### Regional Grant Program to Support the Needy

In accordance with GE's global strategy, GE Money Bank, a.s., has also adopted a Program to Support the Needy in the Czech Republic, which focuses on helping disadvantaged children and adults, education and the environment. GE Money gave a record sum for charity this year – over 3 million crowns. Over 70 regional assistance projects were realised on the basis of approved grants as part of our Program to Support the Needy.

In 2008, financial support was mainly allocated to helping abandoned or sick children, handicapped citizens and sports men and women. Supported projects help handicapped children in school and extracurricular activities and in equipping children's homes. Projects help the handicapped purchase essential medical material and equipment and, through supported associations, help integrate various social groups into society.

Suitable subjects for this Program include organisations, other legal entities or individuals who work with handicapped and socially disadvantaged children or adults, children's homes, substitute family care centres, non-profit organisations specialising in the above areas, primary schools, training institutions, secondary schools or universities, libraries, education centres, projects for the regeneration of natural areas, vegetation, etc.

## Overview of Grants in 2008:

Applicant	Subject of the Grant	Amount provided (CZK)
Children's Home, Ostrava - Zábřeh	Grant for the children's home	20,000
Primary School and Kindergarten, Třinec	Paralympics on snow – skiing course for disabled children	25,000
Robinson Children's Home, Staňkov	Leisure activities for children	20,000
City of Prachatice	Golden Salt Road Festival	40,000
Federation of the Deaf and Hard of Hearing	Grant for the organisation	10,000
Primary School and Kindergarten, Ivančice	Recreational stay for hearing impaired children	25,000
Children's Home, Karlovy Vary	Repair bathrooms	162,250
Primary School and Kindergarten, Kyjov	Kitchen units and corner for disabled children	20,000
Pochodeň (Flambeau) – citizen's association helping the handicapped	Work in sheltered workshop	40,000
Sdružení postižené dítě (Handicapped Child Association), Tábor	Qualification course for employees	17,000
Citizens' Association, Cestou Vůle (Line of Will)	Respite stays	20,000
Evangelical Church of Czech Brethren Diaconate	Grant for Day Hospital	20,000
Sports Club, EWSC LITA SPORT Prague	Floorball for handicapped sportsmen and women	50,000
ASK Elna, Počeradý	European Handbike Circuit, Louny 2008	50,000
Citizens' Association DORADO	Grant for the association	20,000
ÚSVIT	Massage bath for the mentally handicapped	30,000
Senior Teplice	Caring for seniors suffering from Alzheimer's	50,000
Sports Club Akáda Janské Lázně	Grant for floorball club – wheelchairs for the handicapped	50,000
BTT	Server for the sheltered workshop	30,000
Children's Home, Horní Planá	2x camp	50,000
IV. Nakladatelství	Colouring books – children in road traffic	20,000
Sdružení postižené dítě (Handicapped Child Association), Tábor	Ceramic kiln	80,000
Primary School, Protivín	Aids for handicapped children	50,000
Handbike CZ	Grant for handicapped sportsmen and women - Radovan Civiš	50,000
Sports Club, Spastic Tricykl	Grant for sports activities for handicapped sportsmen and women	50,000
Sluneční domov (Sunny Home)	3 bicycles for autistic clients	50,000
Zahrada (Garden), provider of social services	Stationary bicycle	10,000
Society for the Support of People with Mental Disabilities	Colourful day with a handicap	20,000
Citizens' Association, Pecka	Camp for children from refugee families	20,000
Helppes	Purchase, training and veterinary care for dogs for the handicapped	20,000
Children's Home, Polička	Grant for the children's home	20,000
Children's Home, Dvůr Králové	Visit to salt caves	10,000
Evangelical Church of Czech Brethren Diaconate, Milíčův House	Children's camp	20,000
Theatre for the Deaf	Participation in the Edinburgh Fringe Festival	20,000
Kindergarten, Kyjov	Fixtures and fittings for kindergarten for disabled children	20,000
Sdružení podané ruce	Fixtures and fittings for low-threshold club, Blansko	20,000
Kompakt, s. r. o.	Car for Fokus Tábor	30,000
Sanatorium Edel	8x PC	20,000
Practical Primary School and Special Primary School in Bystřici pod Hostýnem	Canistherapy for disabled children from the Kroměříž region	20,000
Citizens' Association, Přátelé DD Chomutov	Children's camp at the Lubenec complex	30,000
Alfa Human Service, citizens' association	Respite stays	20,000
Primary School, Daneta	Rehabilitation aids	20,000
TJ Orion Prague	Hippotherapy for disabled children	20,000
Citizens' Association, Přátelství A-Centrum	Grant for the mentally disabled	40,000
Children's Home and School Cafertia, Plumlov	Replacement of carpets and other floor coverings	40,000
Primary School and Kindergarten, Bernartice nad Odrou	Grant for blind students	50,000
Primary School and Kindergarten, Motýlek	Showcase of work by handicapped children	40,000

Applicant	Subject of the Grant	Amount provided (CZK)
Citizens' Association, Ratolest Brno	Grant for the association	20,000
Practical Primary School, Otrokovice	Computers for the disabled	50,000
Children's Home, Dolní Počernice	Organisation of a competition	50,000
Citizens' Association, Kaňka	Rehabilitation aids, new class at day hospital	63,000
TJ Slavia Liberec, TPS Zhořelecka	Advertising items for a handicapped skittles competition	5,000
Caritas ED Wien	Handicapped sports tournament	12,000
Sports Club, Jánské lázně	Clothing for handicapped sportsmen and women	50,000
Hospicové Hnutí, Vysočina	Care for oncological patients	30,000
Citizens' Association, Discovery blinde	Grant for the association	30,000
Společnost Dacre	Swimming competition for the disabled	20,000
Centre of Services for the Disabled, Zlín	Reconstruction of the centre	40,000
Klub Děťm	Grant for sick children	20,000
Infant Centre and Children's Home, Svitavy	Grant for the children's home	20,000
Kupecký Primary School and Secondary School	Leisure activities for handicapped youth	30,000
Mateřinka Foundation	Grant for the foundation	40,000
SOU Městec Králové	Celebration of the 65th anniversary of the school's foundation	5,000
Diplomatic Spouses Association, o.s.	Charity fund raising drive	20,000
SONS	Special PC	50,000
Citizens' Association, Okna	Grant for the handicapped	33,000
Primary School and Kindergarten, Pramínek	Grant	20,000
SONS	Special PC for the blind	50,000
50 children's homes in the Czech Republic	Inflatable mattresses	876,000
Association helping people with autism	Discarded office furniture	11,846
		<b>3,105,096</b>

## Volunteer Organisation ELFUN

A key role in GE's charity activities is played by the GE Volunteers Elfund organisation, which unites volunteers from among GE employees and, through them, helps in various areas and places worldwide. The GE Volunteers Elfund organisation was founded in 2000 in the Czech Republic. In 2008, 84 events were realised, in which 396 volunteers gave a total of 4,111 hours of their time. The number of events and hours has more than doubled compared to 2007.

The aim of the organisation is to support the society we live and do business in, in three main areas: children and education, disadvantaged fellow citizens and the environment. Volunteers from among GE Money employees give their time to dozens of activities, such as: organised blood donation, forest regeneration in Pálava, entertaining and educational programs in primary schools.

Regular events:

### Baking 10x (last Monday in the month)

The regular sale of delicious treats baked by employees raised a total of CZK 50,000, which was donated to the organisation, Pomocná tlapka, for training assistance dogs.

### Blood Donation 3x

During three group donations, 176 donors gave almost 80 litres of blood.

### Happy School

The events, which took place at 7 locations across the Czech Republic, aimed to cheer up the atmosphere at selected schools and kindergartens (Prague, Tábor, Dvůr Králové, Ostrava, Sokolov, Frýdlant).

### Christmas Gifts

We distributed 514 gifts, with a total value of CZK 200,000, to children in 12 children's homes.

## Cause Related Marketing

This is a new form of collaboration between companies and non-profit organisations. The essence of this strategy of communicating corporate donation is the effective association of the brand and company's name with a good cause, using marketing principles and techniques.

Our company used this form of collaboration in three various projects.

**UNICEF** – in 2008, GE Money Bank began supporting the Safe Water project, in the form of a fifty crown donation for each individual Children's Genius Account opened at the bank by clients. The aim of the Safe Water project is to give children in developing countries access to safe drinking water. In just 8 months of last year, 9,694 of these accounts were opened. The CZK 484,700 that was collected as a result is enough, for example, to clean 45 million litres of water in critical areas.

**"How to Build a Dream"** – As part of this program, of which GE Money Bank was a partner in 2008, we decided to donate CZK 200,000 towards the reconstruction of Slunečný Domov (Sunny Home) for the mentally disabled.

## Overview of all GE Money Bank Charity Activities in CZ in 2008

This overview shows the overall sum we donated to disadvantaged children and adults in the Czech Republic last year, in the form of material donations and financial contributions, as well as volunteer work. This figure was calculated using LBG methodology. This is a complex, uniform and standardised system for measuring the effectiveness of corporate donations and CSR, which precisely quantifies the amount spent on charity activities and their impact.

Supported subject/project	Support in CZK
Program to support the needy – financial donations	2,212,250
Material donations	892,846
GE Volunteers Efun – employee volunteer organisation	1,300,000
Volunteer work by employees (LBG methodology)	560,330
Management costs (LBG methodology)	350,000
Citizens' Association, AISIS – „We Understand Money” project	530,000
UNICEF – Safe Water project	484,700
Sunny Home for the mentally disabled (as part of the program, How to Build a Dream)	200,000
Christmas gifts from employees for children and adults in social welfare institutes	200,000
<b>Total</b>	<b>6,730,126</b>

### Volunteers organization ELFUN in action



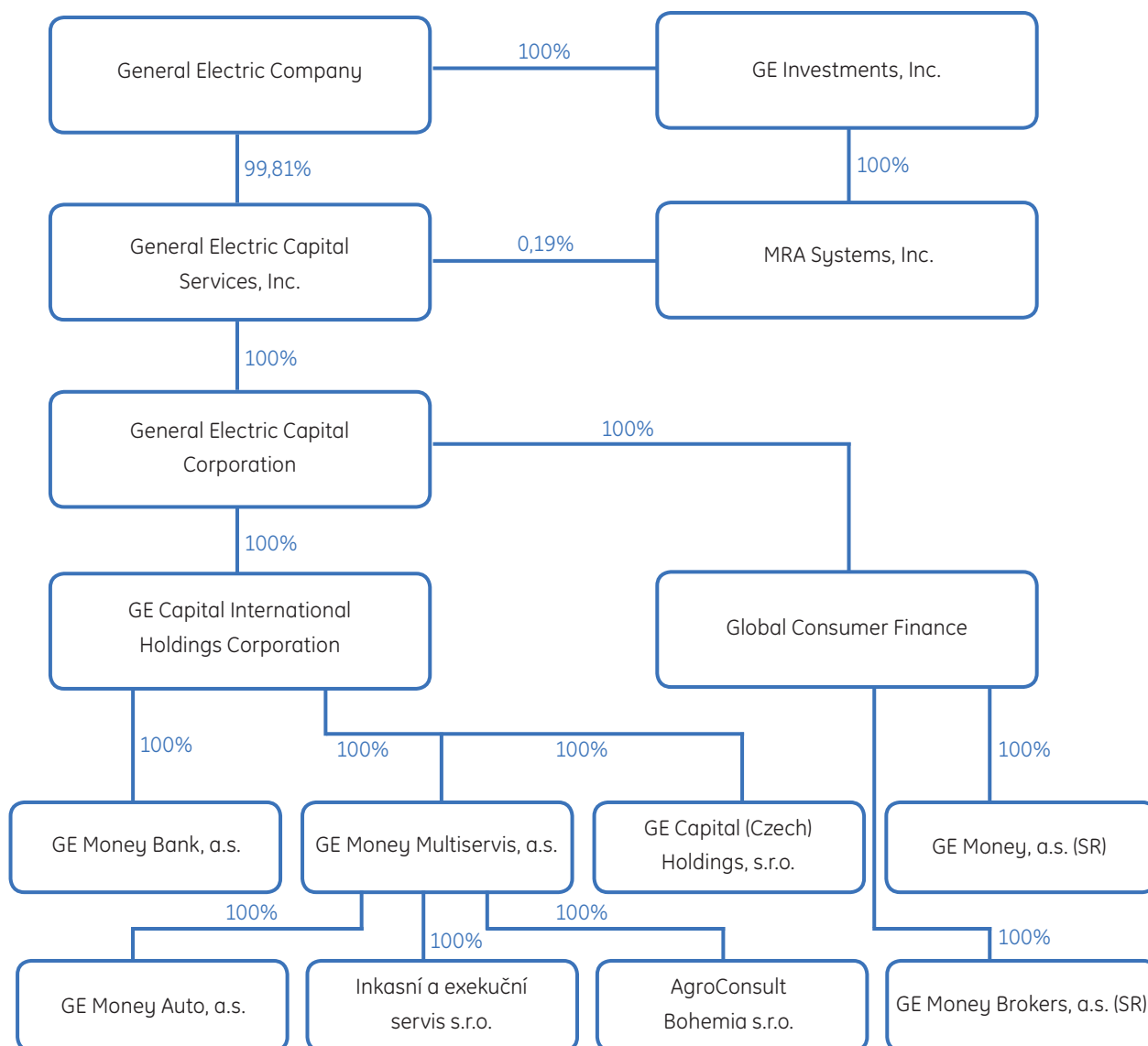
# REPORT ON RELATIONS BETWEEN RELATED PARTIES

In accordance with paragraph 9 of Section 66a 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 January 2008 – 31 December 2008.

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



## 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 keeping, distribution and processing of transactions made on the GE Money 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 SB0002602, SB0002603, B0002604
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 of accounting services SB0003694
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 SM0000266
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 of Services SB0001356
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 SB0002600
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 SB0002603
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 of IT Services SB0002579
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 in the personal data processing OPTIMAL BUSINESS Loan SB0002383
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 of Services (state vehicle, registration certificates) SB0002601

## 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, Slovakia	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, Slovakia	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	AgroConsult Bohemia, s.r.o. Rudolfovská 82/493 České Budějovice, Post Code 370 21	Contract on Cooperation Training, Promotion As of 14 July 2008 SB0001835
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 Services SB0002374
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, Slovakia	Contract on the provision of IT Services SB0002375
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 and supervision over IBS90 and SWIFT SB0003693
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 Services – in connection with AS 400 SB0000484
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 Auto, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Mandate contract SA0000018
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	GE Austria GmbH, Donauey Strasse 6/8th Floor, A-1220 Vienna, Austria	Service arrangement contract SB0002487
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	GE Capital Corporation, 260 Long Ridge Road, Stamford, USA	Contract on treasury services SB0002488
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	GE Capital Corporation, 260 Long Ridge Road, Stamford, USA-Gl. Cons. Finance a GE International Incorporated, 777 Long Ridge Road, Stamford, USA	Use of GE networks SB0002490
GE Money Bank, a.s. Vyskočilova 1422/1a, Praha 4 Post Code 140 28	GE Capital Registry, Inc., 260 Long Ridge Road, Stamford, USA	Use of trademarks SB0002523
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	GE Corporate Computer Service Limited Europe Station Road, Kingswood, Bristol England	Fees for mediation of services V+ SB0002517
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Global Consumer Finance Summer Street 1600, Stamford USA	Contract on the provision of support to HQ GEMB SB0002486
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	Global Consumer Finance Summer Street 1600, Stamford, USA	Contract on the provision of support to HQ GEMB – IT services SB0002485
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 service SB0002514

## Contracts with other companies within the GE group (continued)

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) SB0002521
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	General Electric Capital Corporation 201 High Ridge RD, Stamford, USA and INDUS Software Private Limited 8 Chinar Heights,359+Model Colony, India	Global contract between GE a INDUS Contract on software use – INDUS SB0002518
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	General Electric Service, Summer Street 1600, Stamford, USA and Telindus, B.V., Utrecht, Holansko	Global contract between GE and Telindus SB0002515
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	GE Consumer Finance, Summer Street 1600, Stamford, USA and Global eXchange Service, Inc (Telindus), Savannahweg 19, Utrecht, Netherlands	Contract on the maintenance of telecommunication and security equipment for data transmission SB0002516
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	General Electric Capital Corporation Summer Street 1600, Stamford, USA and i-flex solutions, Ltd.,SDF1,United Nos.10811 Andherl (East), Mumbai 400096, India	Implementation 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 and i-flex solutions, Ltd.,SDF1, United Nos. 10811 Andherl (East), Mumbai 400096, India	Implementation 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 SB0002484
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	GE Consumer Finance International Holdings SAS 20 Avenue Andre Prothin 92063 Parisa La Defense, France	Services MSA-C&EE (Central and Eastern Europe) SB0000417
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 contracts between GE and Chubb Insurance Company (Insurance for people travelling abroad) SB0002522
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	General Electric Capital Corporation 201 High Ridge RD, Stamford, USA	Global contracts between GE and Actimize Anti-Money Laundering System SB0002376
GE Money Bank, a.s. Vyskočilova 1422/1a, Prague 4 Post Code 140 28	General Electric Company, 3135 Easton Turnpike, Fairfield Connecticut, USA	Contract on the provision Information technology SB0002480

### 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 SM0000454
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 SA0000048
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  SA0000228
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 SA0000230
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  SA0000232
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 SA0000229
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,  Jírovcova 1863/1 SA0000231
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 SM0000455
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 SA0000227
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 1 May 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 1 Jan 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, Slovakia	Co-operation agreement (as of 1 Jan 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 1 Jan 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 Nov 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 1 Jul 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, Slovakia	Mandate contract as of 10 Jan 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, Slovakia	Mandate contract as of 10 Jan 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 May 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 Mar 2007 Performance from 1 Jan 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 Nov 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 1 Jun 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 provision Information Technology as of 2 Jan 2008 SM0000288
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 811 09, Slovakia	Contract on the provision Information Technology as of 2 Jan 2008 SM0000288
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 the provision Information Technology as of 2 Jan 2008 SM0000288
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	Contract on the provision Information Technology as of 2 Jan 2008 SM0000288
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, Slovakia	Contract on the provision Information Technology as of 2 Jan 2008 SM0000288
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, Slovakia	Contract on the provision Information Technology as of 2 Jan 2008 SM0000288
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 Cooperation – Credit Card, O.K. Card, Loan Internet Bank – as of 7 Mar 2008 SM0000126

**(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 2008

CZK 000	Receivables	Liabilities
GE Money Multiservis, a.s., Czech Republic	355,150	69,882
GE Capital (Czech) Holdings, s.r.o., Czech Republic	4	556,322
GE ELFUN	2	1,696
GE Medical Systems S.A., Czech Republic	69	-
GE Money Auto, a.s., Czech Republic	91,238	16,189
Inkasní a exekuční servis s.r.o., Czech Republic	7,569	5,465
GE Capital International Holdings Corp., 120 Long Ridge Road, Stamford	-	4,820,774
GE Money, a.s., Slovakia	21,125	19,303
GE Money Brokers, a.s., Slovakia	1	-
AgroConsult Bohemia s.r.o., Rudolfovska 80/493, 370 21 České Budějovice	101	2,278
GE Corporate Crotonville Center; Old Albany post rd., Ossining, NY 10562-1935	-	838
GE Consumer Finance Europe Ltd.; Golden Lane; Dublin 8; Ireland	-	123
GE CAPITAL Corporation Global Consumer Fin; 1600 Summer Street; Stamford	805	-
GE Healthcare (South Central Europe), Vyskočilova 1422/1a	41	-
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 (Z0086)	449	-
GE Capital do Brasil LTDA. (BR0001)	48	-
GE Consumer Finance Europe (UK Branch); 6, Agar Street; WC2N 4HR London	18	-
GE Consumer Finance Brasil; Sao Paulo, Brasil (Z0231)	225	-
GE Real Estate Czech Republic s.r.o.; Karlovo náměstí 10; 120 00 Prague 2	2	-
Global Financial Restructuring Czech, s.r.o.; Prague 4, Czech Republic	3	-
GE CORPORATE STAFF; 3135 Easton Turnpike; CT 06828 Fairfield; USA;	242	272
<b>Total</b>	<b>479, 215</b>	<b>5,493,142</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, Prague 4

Identification no: 25672720

Business: Bank

Code of the Bank: 0600

Year ended: 31 December 2008



## ASSETS

### Balance sheet as of 31 December 2008

CZK 000	Note	2008	2007
1 Cash in hand and balances with central banks		4,544,901	2,950,240
2 State zero coupon bonds and other securities eligible for refinancing with the CNB	15	2,282,574	0
of which: a) securities issued by the government institutions		2,282,574	0
3 Receivables from banks and cooperative savings associations	13	1,413,342	3,214,299
of which: a) repayable on demand		203,846	89,620
b) other receivables		1,209,496	3,124,679
4 Receivables from customers – cooperative savings association's members	14	85,882,441	74,850,920
of which: a) repayable on demand		446	435
b) other receivables		85,881,995	74,850,485
6 Shares, mutual fund certificates and other investments	16	34,713	30,645
7 Participation interests with substantial influence	17	240	240
9 Intangible fixed assets	18	913,633	565,278
10 Tangible fixed assets	19	838,356	871,859
of which: land and buildings for operating activities		321,835	300,225
11 Other assets	20	2,582,157	2,298,386
13 Prepaid expenses and accrued income		63,979	93,547
<b>Total assets</b>		<b>98,556,336</b>	<b>84,875,414</b>

The notes set out on pages 51 to 75 form part of these financial statements.

## LIABILITIES

Balance sheet as of 31 December 2008

CZK 000		Note	2008	2007
1	Due to banks and cooperative savings associations	21	178,659	37,923
	of which: a) repayable on demand		10,169	32,923
	b) other payables		168,490	5,000
2	Due to customers – cooperative savings association's members	22	71,957,234	61,112,329
	of which: a) repayable on demand		47,886,613	42,894,322
	b) other payables		24,070,621	18,218,007
4	Other liabilities	23	1,606,328	1,902,126
5	Deferred income and accrued expenses		41	15,949
6	Provisions		841,141	809,726
	of which: a) provision for pensions and similar obligations		0	0
	b) provision for taxes		0	0
	c) other		841,141	809,726
8	Registered capital	24	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	26	102,000	102,000
	of which: a) statutory reserve funds and risk funds		102,000	102,000
13	Gains (losses) from revaluation	27	16,563	14,401
	of which: a) assets and liabilities		16,563	14,401
14	Retained earnings from previous years	26	15,668,981	13,302,889
15	Profit for the accounting period	26	2,973,410	2,366,092
	<b>Total liabilities</b>		<b>98,556,336</b>	<b>84,875,414</b>

The notes set out on pages 51 to 75 form part of these financial statements.

## OFF-BALANCE SHEET ITEMS

CZK 000	Note	2008	2007
Off-balance sheet assets			
1	29	11,685,643	11,357,353
3		10,644	73,252
4		12,821,651	2,968,575
6		2,614	295,299
Off-balance sheet liabilities			
9		42,157,305	959,139
10		65,114,624	60,092,292
11		10,772	73,294
12		12,898,096	2,957,338
14		13,029	0

The notes set out on pages 51 to 75 form part of these financial statements.

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

CZK 000	Note	2008	2007
1	4	7,212,767	5,823,013
		36,860	0
2	4	(914,463)	(327,250)
3	5	15,210	10,110
		509	467
		0	0
		14,701	9,643
4	6	3,195,157	3,126,082
5	6	(406,112)	(337,418)
6	7	80,790	197,025
7	8	642,626	734,793
8	8	(290,519)	(212,334)
9	9	(3,911,828)	(3,824,249)
		(1,573,186)	(1,514,481)
		(378,668)	(393,944)
		(2,338,642)	(2,309,768)
11			
		(431,950)	(474,253)
12	14.25	678,764	1,042,298
13	14.25	(2,108,130)	(2,003,404)
17	25	(34,000)	(800,000)
<b>19</b>		<b>3,728,312</b>	<b>2,954,413</b>
23	28	(754,902)	(588,321)
<b>24</b>		<b>2,973,410</b>	<b>2,366,092</b>

The notes set out on pages 51 to 75 form part of these financial statements.

## SUMMARY OF CHANGES IN EQUITY IN 2008

CZK 000	Registered capital	Share premium	Reserve funds	Revaluation gains (losses)	Profit (loss)	Total
Balance as of 1. 1. 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. 12. 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>
Balance as of 1. 1. 2008	510,000	4,701,979	102,000	14,401	15,668,981	20,997,361
FX gains (losses) and gains (losses) not included in the profit and loss statement	0	0	0	2,162	0	2,162
Net profit for accounting period	0	0	0	0	2,973,410	2,973,410
<b>Balance as of 31. 12. 2008</b>	<b>510,000</b>	<b>4,701,979</b>	<b>102,000</b>	<b>16,563</b>	<b>18,642,391</b>	<b>23,972,933</b>

The notes set out on pages 51 to 75 form part of these financial statements.

# 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	Identification number
GE Money Bank, a.s. Vyskočilova 1422/1a 140 28 Prague 4, Michle Czech Republic	25672720

Members of the Board of Directors and Supervisory Board as at 31 December 2008

Members of the Board of Directors	Members of the Supervisory Board
Peter Ronald Herbert (Chairman)	Peter Morris Franklin (Chairman)
Christoph Glaser	Aleš Blažek
Brett Matthew Belcher	Pavel Zídek

Changes in the Board of Directors and Supervisory Board

In 2008, the Board of Directors and Supervisory Board changed as follows:

- on 10 June 2008 Susan Elisabeth Crichton resigned from the Supervisory Board,
- on 10 June 2008 Aleš Blažek was appointed as a member of the Supervisory Board,
- on 10 July 2008 James Desmond O'Shea resigned from the Supervisory Board,
- on 10 July 2008 Peter Morris Franklin was appointed as a member of the Supervisory Board and on 29 October 2008 was appointed as the Chairman of the Supervisory Board,

- on 10 July 2008 Peter Ronald Herbert was appointed as a member as well as the Chairman of the Board of Directors,
- on 6 November 2008 Jan Rollo resigned from the Board of Directors.

Organizational structure, please see 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 derecognized 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

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 per cent 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 30. 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 to bankruptcy 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 or certain 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
Cars	4 years
Technical improvement of buildings	10 years
Furniture	10 years
Equipment	5 years
Establishment costs - other intangible fixed assets	5 years
PCs and servers	3 years

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

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 year 2008 and 2007.

#### 4. NET INTEREST INCOME

CZK 000	2008	2007
Interest income	7,212,767	5,823,013
from deposits	116,228	109,761
from loans	7,096,539	5,713,252
from debt securities	0	0
Interest expense	(914,463)	(327,250)
from deposits	(618,241)	(284,836)
from loans	(296,222)	(42,414)
<b>Net interest income</b>	<b>6,298,304</b>	<b>5,495,763</b>

The Bank waived or did not claim default interest of CZK 2 thousand (2007: CZK 55,009 thousand).

#### 5. INCOME FROM SHARES AND PARTICIPATION INTERESTS

CZK 000	2008	2007
Income from participation interests		
with substantial influence	509	467
Income from other shares	14,701	9,643
<b>Total</b>	<b>15,210</b>	<b>10,110</b>

#### 6. FEES AND COMMISSIONS

CZK 000	2008	2007
Fee and commission income from		
payment processing	518,035	482,224
lending activities	2,484,575	2,441,309
other	192,547	202,549
<b>Total</b>	<b>3,195,157</b>	<b>3,126,082</b>
Fee and commission expense from		
payment processing	(207,388)	(192,768)
other	(198,724)	(144,650)
<b>Total</b>	<b>(406,112)</b>	<b>(337,418)</b>

#### 7. GAIN OR LOSS FROM FINANCIAL OPERATIONS

CZK 000	2008	2007
Losses from derivative transactions	(44,215)	(12,745)
Gains from foreign exchange transactions	44,013	45,913
Foreign exchange gains	80,992	163,857
<b>Total</b>	<b>80,790</b>	<b>197,025</b>

#### 8. OTHER OPERATING INCOME AND EXPENSE

CZK 000	2008	2007
Other income		
Service revenues	76,248	48,368
Commissions from third parties	74,914	77,649
Rent	33,499	48,175
Sale of fixed assets	94,587	12,394
Damages	1,023	99
Correction	7,806	148,932
Cardif insurance	320,887	359,651
Other	33,662	39,525
<b>Total</b>	<b>642,626</b>	<b>734,793</b>
Other expenses		
Deposit insurance	(56,638)	(51,895)
Receivables write-offs	(73)	(202)
Royalties	(98,079)	(91,460)
Sale of fixed assets	(69,862)	(8,338)
Damages	(40,503)	(31,897)
Withholding tax	(11,060)	(9,815)
Other	(14,304)	(10,049)
<b>Total</b>	<b>(290,519)</b>	<b>(203,656)</b>

#### 9. ADMINISTRATIVE EXPENSES

CZK 000	2008	2007
Employee expenses	(1,573,186)	(1,514,481)
Wages and salaries	(1,194,518)	(1,120,537)
Social and health insurance	(378,668)	(393,944)
Of which wages and salaries paid to:		
Members of the board of directors	0	(7,952)
Members of the supervisory board	0	0
Other executives	(45,352)	(26,628)
Other administrative expenses	(2,338,642)	(2,309,768)
Of which expenses for audit, legal and tax advisory	(58,785)	(59,713)
<b>Total</b>	<b>(3,911,828)</b>	<b>(3,824,249)</b>

The Bank did not pay any bonuses tied to equity in 2008 and 2007.

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

	2008	2007
Employees	2,342	2,299
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	2008	2007
Fee and commission expense	(22,327)	(22,426)
Dividends	509	467
<b>Total</b>	<b>(21,818)</b>	<b>(21,959)</b>

## 11. TRANSACTIONS WITH RELATED PARTIES

CZK 000	2008	2007
Receivable	487,970	1,174,502
Payable	5,517,985	5,483,152
Income	324,028	301,881
Expense	1,009,830	681,664

## 12. INCOME AND EXPENSE ACCORDING TO SEGMENTS

### a) Business segments

CZK 000	Retail Banking		Corporate Banking	
	2008	2007	2008	2007
Interest income	5,006,051	4,083,484	2,206,716	1,739,529
Interest expense	(516,559)	(214,930)	(397,904)	(112,320)
Fee and commission income	2,585,677	2,549,545	609,480	576,537
Fee and commission expense	(378,659)	(312,811)	(27,453)	(24,607)
Gains or losses from financial operations	60,604	152,728	20,186	44,297

### b) Geographical segments

CZK 000	Czech Republic		European union		Other	
	2008	2007	2008	2007	2008	2007
Interest income	7,104,076	5,739,842	64,866	51,380	43,825	31,791
Interest expense	(900,683)	(322,575)	(8,224)	(2,888)	(5,556)	(1,787)
Fee and commission income	3,147,008	3,081,431	28,735	27,584	19,414	17,067
Fee and commission expense	(399,992)	(332,599)	(3,652)	(2,977)	(2,468)	(1,842)
Gains or losses from financial operations	79,573	194,211	727	1,738	490	1,076

## 13. RECEIVABLES FROM BANKS

### (a) Classification of receivables from banks

CZK 000	2008	2007
Standard	1,413,342	3,214,299
Net receivables from banks	1,413,342	3,214,299

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

CZK 000	2008	2007
Security held by the Bank	886,136	1,077,381
Unsecured	527,206	2,136,918
<b>Total</b>	<b>1,413,342</b>	<b>3,214,299</b>

## 14. RECEIVABLES FROM CUSTOMERS

### (a) Classification of receivables from customers

CZK 000	2008	2007
Standard	78,431,764	67,207,128
Special mentioned	7,093,128	7,156,017
Sub-standard	604,639	574,292
Doubtful	303,546	171,714
Loss	5,848,598	5,256,327
Adjustment to potential losses from receivables	(6,399,234)	(5,514,558)
Net receivables from customers	85,882,441	74,850,920

In 2008 the Bank held state zero coupon bonds under resale commitments with market value of CZK 886,136 thousand (2007: CZK 1,077,381 thousand), which are reported in the off balance sheet in "Collaterals and pledges received".

During 2008 the Bank created an adjustment of CZK 393,925 thousand (2007: CZK 332,820 thousand) to the portfolio of consumer loans, bringing the total adjustments created on a portfolio basis to CZK 1,915,723 thousand (2007: CZK 1,694,818 thousand). The Bank determined the amount of these adjustments using a statistical model derived from its past experience on overdue receivables (see Note 30 C.f.4). During 2008 the Bank restructured receivables from customers totaling CZK 184,888 thousand (2007: CZK 93,583 thousand).

## 14. RECEIVABLES FROM CUSTOMERS (continued)

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

CZK 000	2008	2007
Financial institutions	827,602	1,605,521
Non-financial institutions	20,497,136	18,341,661
Insurance institutions	87	92
Government sector	35,810	37,626
Non-profit organisations	103,283	45,193
Self-employed	6,964,133	6,426,374
Resident individuals	63,847,387	53,903,571
Non-residents	6,237	5,440
<b>Total</b>	<b>92,281,675</b>	<b>80,365,478</b>

The analysis of receivables by sector does not reflect adjustments.

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

#### As at 31 December 2008

CZK 000	Personal guarantee	Bank guarantee	Mortgage	Performance guarantee	Bill of exchange	Held by Bank	Unsecured	Total
Financial institutions	0	0	334,294	0	0	0	493,308	827,602
Non-financial institutions	0	406,289	13,298,260	63,510	3	76,194	6,652,880	20,497,136
Insurance institutions	0	0	0	0	0	0	87	87
Government sector	0	0	10,481	0	0	0	25,329	35,810
Non-profit organizations	0	0	18,729	0	0	0	84,554	103,283
Self-employed	0	17,663	4,539,241	45,125	7	5,008	2,357,089	6,964,133
Resident individuals	0	0	24,798,360	565,067	0	0	38,483,960	63,847,387
Non-resident individuals	0	0	0	0	0	0	6,237	6,237
<b>Total</b>	<b>0</b>	<b>423,952</b>	<b>42,999,365</b>	<b>673,702</b>	<b>10</b>	<b>81,202</b>	<b>48,103,444</b>	<b>92,281,675</b>

#### 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>

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

## 14. RECEIVABLES FROM CUSTOMERS (continued)

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

CZK 000	2008	2007
Czech Republic	92,274,945	80,359,715
Slovakia	4,618	4,111
Other	2,112	1,652
<b>Total</b>	<b>92,281,675</b>	<b>80,365,478</b>

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

### (e) Net receivables from customers written-off and recovered

CZK 000	2008	2007
Write-offs		
Non-financial institutions	128,792	610,045
Self-employed	21,509	125,362
Resident individuals	392,530	411,157
Companies without ICO	0	389
Unallocated	0	2,018
<b>Total</b>	<b>542,831</b>	<b>1,148,971</b>
Recoveries		
Financial institutions	0	913
Non-financial institutions	450	44,314
Non-profit organisations	0	2
Self-employed	0	32,042
Resident individuals	6	783
Non-residents	0	210
Companies without ICO	0	80
Unallocated	0	118
<b>Total</b>	<b>456</b>	<b>78,462</b>

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

CZK 000	Board of directors		Supervisory board
	Directors	Executives	
At 31 December 2007	2,771	14,752	205
At 31 December 2008	0	8,640	115

Above mentioned loans were provided under standard employee conditions.

## 15. STATE ZERO COUPON BONDS AND OTHER SECURITIES ELIGIBLE FOR REFINANCING WITH THE CENTRAL BANK

### (a) Net book value of state zero coupon bonds and other securities eligible for refinancing with the ČNB

CZK 000	2008	2007
State treasury bills	2,282,574	0
<b>Net book value</b>	<b>2,282,574</b>	<b>0</b>

### (b) Classification of state zero coupon bonds and other securities eligible for refinancing with the ČNB into individual portfolios based on the Bank's intention

CZK 000	2008	2007
State zero coupon bonds and other securities available-for-sale	2,282,574	0
<b>Net book value</b>	<b>2,282,574</b>	<b>0</b>

## 16. SHARES, UNITS AND OTHER INVESTMENTS

### (a) Classification of shares, units and other investments into individual portfolios based on the Bank's intention

CZK 000	2008	2007
Shares, units and other investments available for sale	34,713	30,645
<b>Net book value</b>	<b>34,713</b>	<b>30,645</b>

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

CZK 000	2008	2007
	Market Value	Market Value
Issued by financial institutions		
- Unlisted	30,342	29,969
Issued by non-financial institutions		
- Listed elsewhere	3,758	0
- Unlisted	613	676
<b>Total</b>	<b>34,713</b>	<b>30,645</b>

## 17. PARTICIPATION INTERESTS WITH SUBSTANTIAL INFLUENCE

CZK 000	Name	Registered office	Business activity	Registered capital	Other categories of equity	Share in equity	Share of voting rights	Book value
	As at 31 December 2008							
	CBCB – Czech Banking Credit Bureau, a.s.	Na příkopě č.p.1096, č.o.21, Prague 1, Post Code 117 19	service databank, SW, HW and network	1 200	2 782	20%	20%	240
	As at 31 December 2007							
	CBCB – Czech Banking Credit Bureau, a.s.	Na příkopě č.p.1096, č.o.21, Prague 1, Post Code 117 19	service databank, SW, HW and network	1 200	2 573	20%	20%	240

## 18. 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 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>
As at 1 January 2008	1,589,610	2,045	164,657	0	1,756,312
Additions	341,736	0	531,245	46	873,027
Disposals	(10,135)	0	(341,736)	(32)	(351,903)
<b>As at 31 December 2008</b>	<b>1,921,211</b>	<b>2,045</b>	<b>354,166</b>	<b>14</b>	<b>2,277,436</b>
Amortization and Adjustments					
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>
As at 1 January 2008	(1,188,989)	(2,045)	0	0	(1,191,034)
Charge for the period	(180,373)	0	0	0	(180,373)
Disposals	7,604	0	0	0	7,604
<b>As at 31 December 2008</b>	<b>(1,361,758)</b>	<b>(2,045)</b>	<b>0</b>	<b>0</b>	<b>(1,363,803)</b>
Net book value					
<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>As at 31 December 2008</b>	<b>559,453</b>	<b>0</b>	<b>354,166</b>	<b>14</b>	<b>913,633</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.

## 19. 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
Cost							
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>
As at 1 January 2008	534,999	210,582	1,291,091	2,705	4,901	10,580	2,054,858
Additions	45,438	43,536	128,180	18,799	72,368	221,900	530,221
Disposals	(10,786)	(173,181)	(143,024)	(14,401)	(45,438)	(171,716)	(558,546)
<b>As at 31 December 2008</b>	<b>569,651</b>	<b>80,937</b>	<b>1,276,247</b>	<b>7,103</b>	<b>31,831</b>	<b>60,764</b>	<b>2,026,533</b>
Amortization and Adjustments							
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>
As at 1 January 2008	(239,675)	(116,951)	(826,373)	0	0	0	(1,182,999)
Charge for the period	(47,485)	(36,930)	(167,162)	0	0	0	(251,577)
Disposals	7,513	103,618	135,268	0	0	0	246,399
<b>As at 31 December 2008</b>	<b>(279,647)</b>	<b>(50,263)</b>	<b>(858,267)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,188,177)</b>
Net book value							
<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>As at 31 December 2008</b>	<b>290,004</b>	<b>30,674</b>	<b>417,980</b>	<b>7,103</b>	<b>31,831</b>	<b>60,764</b>	<b>838,356</b>

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

The Bank is not committed to any payments under finance leases for fixed assets in 2008 and 2007.

## 20. OTHER ASSETS

CZK 000	2008	2007
Other debtors	420,242	493,942
Other cash values	1,538,059	1,352,016
Receivable to state bodies	31,372	0
Clearing account for payments	98,579	10,305
Other	15	8
Positive fair value of derivatives	45,851	11,569
Accruals	42,514	52,022
Deferred tax assets	504,180	471,846
Less: Adjustments	(98,655)	(93,322)
<b>Total</b>	<b>2,582,157</b>	<b>2,298,386</b>

The item Other cash values includes cash in transit.

## 21. DUE TO BANKS

### Analysis of due to banks by residual maturity

CZK 000	2008	2007
Repayable on demand	10,169	32,923
Up to 3 months	168,490	5,000
<b>Total</b>	<b>178,659</b>	<b>37,923</b>

## 22. DUE TO CUSTOMERS

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

CZK 000	Repayable on demand	Savings with fixed maturity	Savings with notice	Term deposits with fixed maturity	Other	Total
<b>At 31 December 2008</b>						
Financial institutions	637,960	0	0	7,847	9,258	655,065
Non-financial institutions	10,383,196	0	0	3,314,169	13,885	13,711,250
Insurance institutions	20,945	0	0	453,419	0	474,364
Government sector	7,500,836	0	0	2,369,315	0	9,870,151
Non-profit organisations	894,332	0	0	205,713	0	1,100,045
Self-employed	6,306,660	0	0	633,191	0	6,939,851
Resident individuals	21,709,411	0	1,381,026	10,781,966	263,707	34,136,110
Non-residents	433,273	0	7,083	131,449	4,498,593	5,070,398
<b>Total</b>	<b>47,886,613</b>	<b>0</b>	<b>1,388,109</b>	<b>17,897,069</b>	<b>4,785,443</b>	<b>71,957,234</b>

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

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

CZK 000	Board of directors	Executives	Supervisory board
As at 1 January 2007	3,407	14,340	4,958
Additions	1,040	8,455	0
Disposals	0	0	(4,657)
<b>As at 31 December 2007</b>	<b>4,447</b>	<b>22,795</b>	<b>301</b>
As at 1 January 2008	4,447	22,795	301
Additions	0	0	2,616
Disposals	(1,129)	(4,187)	0
<b>As at 31 December 2008</b>	<b>3,318</b>	<b>18,608</b>	<b>2,917</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 2008 and 2007.

## 23. OTHER LIABILITIES

CZK 000	2008	2007
Trade payables	670,847	548,626
Payables from deposit insurance	56,638	51,895
Payables to state bodies	0	494,550
Payables from social and health insurance	33,605	37,634
Accruals	393,725	435,528
Other payables to clients	0	1,644
Fair value of fixed term contracts	122,296	332
Clearing technical account	490	1,825
Other	328,727	330,092
<b>Total</b>	<b>1,606,328</b>	<b>1,902,126</b>

The item "Other" includes mainly CZK 327 million obtained from GE Capital International Holdings Corporation (2007: CZK 327 million). GE Capital International Holdings Corporation intends to use this amount to increase registered capital of the Bank.

## 24. 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 2008 the Bank did not issue any ordinary shares.

The shareholders of the Bank as at 31 December 2008 are:

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

No person with a special relationship to the Bank held any Bank's shares as at 31 December 2008 or 2007.

## 25. PROVISIONS AND ADJUSTMENTS FOR POSSIBLE CREDIT LOSSES

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

CZK 000	2007
Tax deductible provisions for credit and guarantee losses	
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>
Tax non-deductible provisions for credit and guarantee losses	
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>

CZK 000	2008
Tax deductible provisions for credit and guarantee losses	
Balance as at 1 January 2008	2,102
Creation during current year	0
Guarantees	0
Use during current year	0
Standard loans	0
Guarantees	0
Release of provisions no longer considered necessary	(425)
<b>Balance of tax deductible provisions as at 31 December 2008</b>	<b>1,677</b>
Tax non-deductible provisions for credit and guarantee losses	
Balance as at 1 January 2008	7,624
Creation during current year	0
Guarantees	0
Use during current years	0
Standard loans	0
Guarantees	0
Release of provisions no longer considered necessary	(2,160)
<b>Balance of tax non-deductible provisions as at 31 December 2008</b>	<b>5,464</b>
<b>Total</b>	<b>7,141</b>

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

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

CZK 000	2007
Balance as at 1 January 2007	0
Creation during current year	800,000
Use during current year	0
Release of provisions no longer considered necessary	0
<b>Balance as at 31 December 2007</b>	<b>800,000</b>
CZK 000	2008
Balance as at 1 January 2008	800,000
Creation during current year	34,000
Use during current year	0
Release of provisions no longer considered necessary	0
<b>Balance as at 31 December 2008</b>	<b>834,000</b>

The Bank in 2008 has continued in its effort to solve Agrobanka Praha, a.s. v likvidaci case (refer to note 32). In conjunction with these efforts, the provision of CZK 800 million was created in 2007.



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

The Bank proposes to allocate the 2008 profit as follows:

CZK 000	Profit	Retained earnings	Statutory reserve fund
Balance at 31 December 2008 before allocation of 2008 profit		15,668,981	102,000
Profit for the year 2008	2,973,410		
Proposed allocation of 2008 profit: Dividends	(2,973,410)		

## 27. VALUATION DIFFERENCES

CZK 000	Available for sale securities
Balance at 1 January 2008	14,401
Decrease	0
Increase	2,162
<b>Balance at 31 December 2008</b>	<b>16,563</b>

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

### (a) Current income tax

CZK 000	2008	2007
Current year profit before tax	3,728,312	2,954,413
Income not liable to tax	(707,446)	(1,614,314)
Tax non-deductible expenses	677,739	2,269,550
Items decreasing tax base	(4,050)	(2,545)
Subtotal	3,694,555	3,607,104
Income tax calculated using a tax rate of 21% (2007: 24%)	775,857	865,705
Tax discount and offsets used	(447)	(516)
Own tax base	9,142	0
Tax calculated using a tax rate of 15%	1,371	0
Current income tax	776,781	865,189
Additional income tax relating to previous years	10,455	18,655
<b>Current income tax</b>	<b>787,236</b>	<b>883,844</b>

### (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. 20% for 2009 and 19% for 2010 onwards (2007: 21% for 2008, 20% for 2009, and 19% for 2010).

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

CZK 000	2008	2007
Deferred tax assets	539,025	504,354
Credit provisions	379,025	335,896
Tangible and intangible fixed assets	0	458
Other reserves	160,000	168,000
Deferred tax liability	(34,845)	(32,508)
Discounted loans receivable	(7,192)	(32,508)
Tangible and intangible fixed assets	(27,653)	0
<b>Net deferred tax asset/(liability)</b>	<b>504,180</b>	<b>471,846</b>

Deferred tax benefit of CZK 32,334 thousand (2007: expense CZK 295,523 thousand) results from the change in the balance of the net deferred tax asset calculated as at 31 December 2008, 2007 respectively.

### (c) Income tax expense

CZK 000	2008	2007
Deferred income tax	(32,334)	(295,523)
Income tax due	787,236	883,844
<b>Income tax expense</b>	<b>754,902</b>	<b>588,321</b>

## 29. OFF-BALANCE SHEET

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

CZK 000	2008	2007
<b>Customers</b>		
Notes acceptances and endorsements	11,217,874	10,978,007
Payables resulting from guarantees	11,271	2,205
Letters of credit and financial guarantees	456,498	377,141
<b>Total</b>	<b>11,685,643</b>	<b>11,357,353</b>

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

The Bank did not issue any guarantees in favour of persons with a special relationship to the Bank as of 31 December 2008 and 2007.

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

The Bank did not issue any guarantees in favour of participation interests with substantial influence as of 31 December 2008 and 2007.

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

CZK 000	Contractual amounts		Fair value	
	2008	2007	2008	2007
<b>Trading instruments</b>				
Forward foreign exchange contracts			37,076	0
Purchase	1,489,965	0		
Sale	(1,453,016)	0		
Interest rate swap contracts	11,313,304	2,968,575	(113,521)	11,237

Total net fair value of trading instruments of CZK -76,445 thousand (2007: CZK 11,237 thousand) corresponds to the difference of receivables from fixed term transactions of CZK 12,821,651 thousand (2007: CZK 2,968,575 thousand) and liabilities from fixed term transactions of CZK 12,898,096 thousand (2007: CZK 2,957,338 thousand).

### (e) Residual maturity of financial derivatives

CZK 000	Up to 3 months.	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<b>At 31 December 2008</b>					
<b>Trading instruments</b>					
Forward foreign exchange purchase contracts	1,403,302	86,663	0	0	1,489,965
Forward foreign exchange sale contracts	(1,366,429)	(86,587)	0	0	(1,453,016)
Interest rate swap contracts	0	1,344,304	6,969,000	3,000,000	11,313,304
<b>At 31 December 2007</b>					
<b>Trading instruments</b>					
Forward foreign exchange purchase contracts	0	0	0	0	0
Forward foreign exchange sale contracts	0	0	0	0	0
Interest rate swap contracts	49,002	88,000	2,831,573	0	2,968,575

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

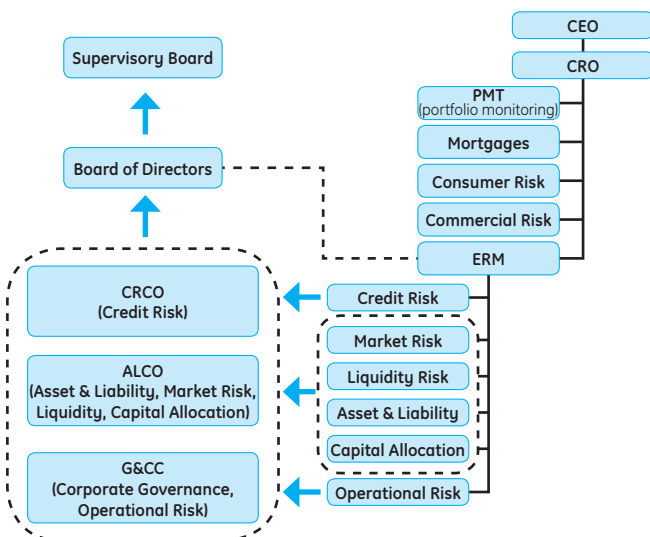
#### Risk Management

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 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.) Risk Management Organisational Structure (continued)

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

GEMB has three main risk management committees: Asset & Liability and Market Risk Management Committee (ALCO) for the assets and liabilities management, market risks and liquidity risk management and internal capital adequacy 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 and Governance and Control Committee (GCC) for the management and control system and operational risk management. The members of these Committees include members of the Board of Directors and other senior managers of the. 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 unfavorable 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 unfavorable 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.

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

#### (A.) Risk Management Organisational Structure (continued)

##### (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,
- Implements and maintains the processes and infrastructure for recording and analysis of operational risk data,
- Maintains and develops the capital calculation and allocation of regulatory and economic capital,
- Prepares risk reports for ALCO, CRCO and GCC.

#### (B.) Level of Risks Accepted

GEMB business activities concentrate primarily on the provision of deposit, transaction and credit services for retail clients, natural persons – entrepreneurs, 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 minimize 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,
- Minimizes 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.) Categorization of Receivables

The Bank assigns receivables into individual categories in compliance with CNB 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:

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

#### (C) Credit Risk (continued)

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

###### 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 of bankruptcy 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).

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).

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

#### (C.) Credit Risk (continued)

##### (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 – entrepreneurs, 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.

###### (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 facilitat-

ing 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 behavioral 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.

###### (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 Mortgage Back-office of the Risk Division on the basis of individually set approval authorities.

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

#### (C.) Credit Risk (continued)

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

##### (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

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 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.

	At 31 December	Average for	At 31 December	Average for
CZK 000	2008	2008	2007	2007
VaR of interest rate instruments	392,574	295,416	251,335	247,394

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 2008 the 5% share of bank assets was exceeded only by the portfolio denominated in Czech crowns.

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

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

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,
- Absolute value of the total currency position
- 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 2008	Average for 2008	At 31 December 2007	Average for 2007
VaR of interest rate instruments	194	297	652	215

#### (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 bands,
- 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 scenarios on the Bank's liquidity position.

To manage liquidity risk for main currencies, the Bank applies a system of following limits

- for liquidity positions in individual time buckets,
- for the ratio of highly liquid assets to expected outflow
- 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.

### 30. 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 months to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
At 31 December 2008						
Cash and deposits with CB	3,297,155	0	0	0	1,247,746	4,544,901
Receivables from banks	1,413,342	0	0	0	0	1,413,342
Receivables from customers	5,216,532	13,071,798	29,742,383	30,007,826	7,843,902	85,882,441
Debt securities	1,397,070	885,504	0	0	0	2,282,574
Shares, units	0	0	0	0	34,713	34,713
Participation interests with substantial influence	0	0	0	0	240	240
Other assets	276,866	754,172	0	0	3,303,108	4,334,146
Prepaid expenses and accrued income	0	0	0	0	63,979	63,979
<b>Total</b>	<b>11,600,965</b>	<b>14,711,474</b>	<b>29,742,383</b>	<b>30,007,826</b>	<b>12,493,688</b>	<b>98,556,336</b>
Due to banks	178,659	0	0	0	0	178,659
Due to customers	61,273,054	4,140,190	6,275,329	589	268,072	71,957,234
Other liabilities	992,541	22,159	26	0	25,405,676	26,420,402
Accrued expenses and deferred income	0	0	0	0	41	41
<b>Total</b>	<b>62,444,254</b>	<b>4,162,349</b>	<b>6,275,355</b>	<b>589</b>	<b>25,673,789</b>	<b>98,556,336</b>
<b>Gap</b>	<b>(50,843,289)</b>	<b>10,549,125</b>	<b>23,467,028</b>	<b>30,007,237</b>	<b>(13,180,101)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(50,843,289)</b>	<b>(40,294,164)</b>	<b>(16,827,136)</b>	<b>13,180,101</b>	<b>0</b>	<b>0</b>
At 31 December 2007						
Cash and deposits with CB	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 and other investments	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>

### 30. 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 GCC of changes. CRO approves models their modifications.

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 it self focuses on key risk indicators.

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 GCC 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,

and applies the following methods:

- 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

In 2008 the Bank used Alternative Standardized Approach (ASA) for the calculation of operational risk capital requirement.

### 31. INTERNAL CAPITAL ADEQUACY

#### (A.) Internal capital requirement on the one year horizon

Internal capital requirement represents a stock of capital, which is needed to cover unexpected losses in following twelve months on a chosen confidence level.

Currently, GE Money Bank, a.s. (GEMB) uses a model called "ECAP" developed in 2008 to assess its internal capital requirement. The ECAP model covers all regular risks that are identified to be material within GEMB and for whose GEMB decided to hold capital against. Model ECAP is set to respect the group target rating AAA. Risks covered with the ECAP model are:

- Credit risk, including concentration risk,
- Interest rate risk,
- Operational risk,
- Business risk: A risk, that GEMB will miss its planned profit due to common volatility in business volumes.

In addition, a workshop with senior management team takes place at the end of each accounting period. During this workshop, other risks that may turn to be material in the following year and are not covered by the ECAP model are identified. After the identification, the ALCO committee decides, based on expert judgment, whether identified risks will be covered by an additional stock of capital, creation of specific reserve or by adoption of an action plan to reduce the impact.

#### (B.) Three-year forward-looking capital outlook

In addition to internal capital requirement assessment, GEMB designates once a year a three-year capital outlook, including base case expectations and stressed development. The capital outlook includes an outlook of regulatory capital requirement, an outlook of internal capital requirement and an outlook of capital sources. The stressed case is based on a stress scenario, which reflects such a downgrade of risk factors that could occur approximately once in 25 years.

Currently the capital outlook shows that (measured by CAR – Capital Adequacy Ratio) GEMB will have enough cap-

ital sources to cover both regulatory and internal capital requirement, even under the stressed case. Calculations show that CAR won't drop below 10% (target capital adequacy ratio) under both base and stressed cases.

### 32. 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. In all litigations, 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 and it remained in place as of December 31, 2008 (refer to note 25(b)).

### 33. 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 2009		Name and signature	Name and signature
		Manda Masnikosová	Jana Janečková
		tel.: 22444 2315	tel.: 22444 2337

