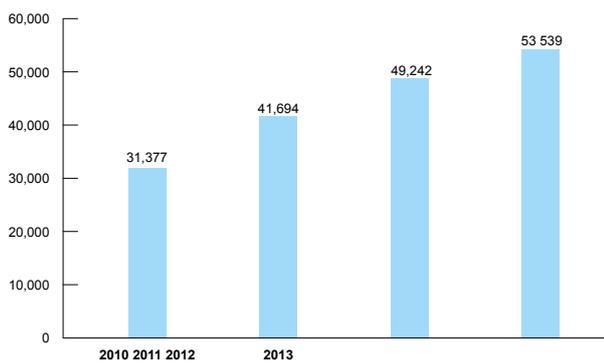


# Annual Report 2013

## Key Figures

### Gross Turnover of Factoring České spořitelny (CZK mil.)



In 2013, the total turnover of Factoring České spořitelny, a.s., was nearly CZK 53.5 billion.

With its 36.7 percent market share, Factoring České spořitelny, a.s., is a leading company in the Czech Republic.

# Contents

< Key Figures

Foreword of the Chairwoman of the Board of Directors	2
Company's Profile	3
Directors and Officers	4
Company Management Report	5
Supervisory Board Report	7
Financial Section	8
Independent Auditor's Report	9
Balance Sheet Long Form	11
Income Statement	14
Cash Flow Statement	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17
Report on Relations between Related Parties	29

# Foreword of the Chairwoman of the Board of Directors



**Radmila Jakubová**

Chairwoman of the Board of Directors

## Dear Shareholders, Business Partners and Colleagues,

On behalf of the Board of Directors, it is my pleasure to present the Factoring České spořitelny Annual Report for 2013.

While the Czech economy experienced a second year of mild recession in 2013, Factoring České spořitelny followed up a highly successful 2011 and 2012 by reporting further significant turnover growth and excellent financial results for 2013 while further bolstering its leading position on the Czech factoring market.

**The Company reported turnover of CZK 53.5 billion from assigned and administered receivables, nearly CZK 53.2 billion of that from assigned receivables.** This

figure represents an 11% increase year-on-year. In 2013, the Factoring České spořitelny market share grew to 36.7%.

**The Company's financial results – profit of CZK 62.1 million – reflected its sound choice of business strategy.**

These financial results, the best the Company has ever achieved, were affected both by another significant turnover increase (chiefly in non-regressive factoring with insured claims) and 10% year-to-year growth in the value of financial market investments. Profit was also affected by a year-on-year decrease in allowance creation.

**The Company continued its efforts to deepen cooperation with the parent bank and its business network** while focusing on client acquisition and retention, especially large corporate clients.

Factoring České spořitelny continued to develop and standardize work processes. Together with maximum utilization of new information technologies, this enables the Company to enhance the quality of processes that are key to factoring company operations and that is further demonstrated in a higher standard of service quality.

I would like to take this opportunity to thank all our clients and business partners, the representatives of our sole shareholder, our Česká spořitelna Financial Group and Erste Bank colleagues and our employees. I very much appreciate the attitude of those who contributed to our excellent longstanding cooperation and outstanding results. Let me wish you all success in your professional and personal lives.

A handwritten signature in black ink, appearing to read 'Jakubová', written in a cursive style.

Radmila Jakubová

Chairwoman of the Board of Directors

# Company's Profile

Factoring České spořitelny, a. s. was established in November 1995 as CS Factoring s.r.o. It was transformed into a joint-stock company in 1997, and Česká spořitelna acquired a 10% stake. On 20 June 2001, Česká spořitelna purchased the remaining shares from the original owners to become the Company's sole shareholder.

Since mid-2009, the Company's registered office has been located at Budějovická 1518/13B, Prague 4.

**The Company's basic capital totals CZK 114 million.**

**The main Company object is domestic, export and import factoring and the comprehensive administration and monitoring of receivables for small, medium-sized and large enterprises in various sectors of industry and trade.**

The industries that dominate in the Company's client portfolio include metallurgy, automotive and consumer goods, chemicals, food processing, retail chain suppliers, advertising and media and fuel distribution.

**In 2013, Factoring České spořitelny increased its market share from 34.5% to 36.7% year-on-year, thus strengthening its leading position on the Czech factoring market.**

**In 2013, the Company continued with a number of key strategic activities:**

- Deepening and streamlining the system in place to work with the parent bank, primarily in the areas of sales and risk management;
- Enhancing the care given to the managed portfolio of client receivables;
- Implementing new processes designed to improve service quality; and
- Systematizing and strengthening overdue receivables collection and improving enforcement processes.

**Factoring České spořitelny has been known as Erste Factoring since 1 September 2013**, thus identifying the Company as an integral part of the corporate banking brand Česká spořitelna Financial Group – Erste Corporate Banking.

Key requirements for future success are close cooperation with the parent bank Česká spořitelna, high-quality and professional risk management, a flexible response to market needs and maintaining a high standard of client services.

## Key financial indicators

	2010	2011	2012	2013
Assets from client receivables	6,235,806	6,885,724	8,082,296	9 228,524
Basic capital	114,000	114,000	114,000	114,000
Share premium	80,000	80,000	80,000	80,000
Equity	155,242	189,451	247,551	288,870
Value added	76,346	113,952	138,566	150,788
Profit before release/creation of provisions and allowances	36,966	91,230	104,706	51,969
Profit/loss for the year	(1,556)	34,144	58,676	62,059

# Directors and Officers

## Supervisory Board

- **Petr Witowski**, Chairman
- **Alois M. Barthuber**, Vice-chairman
- **Radka Turková**, Member

## Board of Directors

- **Radmila Jakubová**, Chairwoman
- **Karel Machytka**, Vice-chairman
- **Michael Jehlička**, Member
- **Jaromír Kohout**, Member
- **Václav Plášil**, Member

## Company Management

- **Radmila Jakubová**, Chief Executive Officer
- **Karel Machytka**, Chief Sales Officer
- **Michael Jehlička**, Operational and Business Development Officer
- **Jaromír Kohout**, HR and Strategic Development Officer
- **Luboš Kroulík**, Risk Management Manager
- **Petra Nováková**, Client Service Manager
- **Martin Štěpka**, Sales Manager

## Organizational Chart of the Company

<b>Supervisory Board</b>
<b>Board of Directors</b>
Chief Executive Officer
Chief Sales Officer
Operational and Business Development Officer
HR and Strategic Development Officer
Risk Management Manager
Client Service Manager
Sales Manager

# Company Management Report

**The Czech economy saw a second consecutive year of mild recession in 2013, yet Factoring České spořitelny reported continued turnover growth for this period and the best financial results in Company history.** The continuing interest of current and new clients in factoring services attested to the ongoing potential for factoring market growth in the Czech Republic.

The Company's excellent financial results are primarily attributed to the continued increase of assigned and financed receivables, client acquisition and retention and a reduction in the provision for allowances. Another key factor was the higher volume of financial market investments.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group for 12 years. Belonging to a strong financial group has ensured Company stability – even in a difficult Czech economy – and the ability to maintain client funding, which allows them to grow even in worsening economic conditions. In keeping with the parent company's strategy, Factoring České spořitelny has been known as Erste Factoring since September 2013, thus identifying the Company as an integral part of the corporate banking brand Česká spořitelna Financial Group – Erste Corporate Banking.

In 2013, Factoring České spořitelny continued to carry out one of its key strategies of previous years, i.e. to maintain the leading position on the Czech factoring market position it has held since 2004. The Company's 2013 turnover of CZK 53.5 billion and market share of 36.7% attest to its fulfillment of this longstanding goal.

The year 2013 was again characterized by continued growth in credit and operational risk, highlighted by numerous insolvencies and bankruptcies and the worsening payment discipline of a number of enterprises. These facts had an impact on the creation of allowances, despite which their amounts remained below previous years' levels. Profit was affected by a marked increase in revenues associated with growth in sales turnover and financial market investment.

In 2013, the Company carried on with its rigorous application of the comprehensive risk management concept established in previous years to ensure optimal elimination of credit and operating risks. Another significant feature of the Company's strategic management is ongoing active cooperation with all the credit insurance companies on the Czech market. These processes are designed to eliminate and diversify the Company's risk and help clients assess the quality of their portfolios, forestall the negative

impacts of non-standard situations and minimize financial losses.

In the second half of 2013, the Company was hard at work preparing for one of the most important changes of recent years to Czech private and business law, i.e. the Civil Code amendment that fully replaced the Commercial Code as of 1 January 2014.

The Company's management continued to devote significant attention to **business development** in 2013. The Company's business team maintained its ever-deepening cooperation with the parent bank's sales teams and focused on further improving the speed and quality of client services. A flexible, high-quality commercial network spanning the entire country allowed the Company to systematically map and respond to client requirements.

A stable range of products with an emphasis on basic types of factoring enables clients to use a wide range of financial and non-financial products. These modern and flexible financial instruments helped stabilize and grow client businesses despite the economic recession, particularly in the first three quarters of 2013.

**The Risk Management Department** continued to take part in implementing the Company's plans and deepening its integration into the broader Financial Group. The process of methodological and procedural standardization coupled with the rigorous use of information technologies provided for the sustained quality of activities that are key to factoring company operation. Successful prevention and timely response to non-standard situations allowed the Company to minimize losses. The long-term risk management improvement process begun in previous years was expressed in portfolio quality stabilization, more effective receivable collection, enforcement and restructuring and the closing of riskier exposures.

**The Operations Department** saw to it that current deals were smoothly implemented and that client services maintained their high standard of quality for individual types of factoring products. The department's excellent work with the portfolio of assigned receivables greatly reduced the Company's credit risk as well as client credit exposures arising from supplier credit. The department also improves liquidity management and the stability of working capital financing for a majority of clients, which are important and beneficial functions of the Company's financial management.

In 2013, **the Finance Department** focused on further improving the Company's financial management, in particular reducing operating costs, optimizing the management of financial flows, mitigating the adverse effects of foreign exchange market volatility and ensuring good liquidity. Most of these processes

were successfully handled thanks to excellent cooperation with Česká spořitelna.

**The Information and Telecommunication Technologies Department** assures the stability of the Company's technical and technological operations, and so contributes not only to the quality and security of Company operation, but also to the corporate innovation process applied to products and technologies. In the latter months of 2013, the department initiated the process of switching out computer hardware and software at all work stations to ensure that new equipment fully satisfies the requirements of smooth Company operation.

**In 2013, Factoring České spořitelny bolstered its leading position on the Czech market and achieved the best financial results in its history.** Last year's results, the combined efforts of all the Company's employees and management and the support of the sole shareholder form the basis for the Company's continued prominence and success on the Czech market.

# Supervisory Board Report

As in prior years, in compliance with its scope of authority defined by the Commercial Code and the Company's Articles of Association, the Supervisory Board of Factoring České spořitelny, a. s. performed the role of supervisory and controlling body of the Company during the year ended 31 December 2013. The Supervisory Board supervised the activities of the Board of Directors and the financial position and business activities of the Company.

In accordance with the requirements set by the Articles of Association the Supervisory Board had four meetings in 2013. The Supervisory Board mainly discussed the principal issues of business and economic strategy and the policy of the Company.

In accordance with its legal powers and Articles of Association, the Supervisory Board discussed the Report on Business Activities and the Status of Assets for 2013 and reviewed the financial statements of Factoring České spořitelny, a. s., for 2013 as submitted by the Board of Directors. In accordance with the opinion of the audit firm Ernst & Young Audit, s. r. o., the Supervisory Board believes that the financial statements for the year ended 31 December 2013

present fairly, in all material respects, the assets, liabilities, equity, and financial position of Factoring České spořitelny, a. s., and are reported according to the Act on Accounting and relevant legislation of the Czech Republic. Therefore, the Supervisory Board recommends approving the financial statements of Factoring České spořitelny, a. s., for the year ended 31 December 2013 and the proposal for profit distribution submitted by the Board of Directors.

The Supervisory Board reviewed the Report on Relations between Related Parties in accordance with Section 66a paragraph 9 of the Commercial Code and states that the information contained therein is correct and complete.



Ing. Petr Witowski  
Chairman of the Supervisory Board

# Financial Section

Independent Auditor's Report	9
Balance Sheet Long Form	11
Income Statement	14
Cash Flow Statement	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17
Report on Relations between Related Parties	29

# Independent Auditor's Report

To the Shareholder of Factoring České spořitelny, a. s.:

I. We have audited the financial statements of Factoring České spořitelny, a. s. („the Company“) as at 31 December 2013 presented in the annual report of the Company on pages 8–28 and our audit report dated 14 March 2014 stated the following:

„We have audited the accompanying financial statements of Factoring České spořitelny, a. s., which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of Factoring České spořitelny, a. s., see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## 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 as amended by implementation 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 an 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 control 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 control. 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 financial position of Factoring České spořitelny, a. s. as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.“

II. We have also audited the consistency of the annual report with the financial statements described above. The management of Factoring České spořitelny, a. s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 2–7 is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of Factoring České spořitelny, a. s. for the year ended 31 December 2013 presented in the annual report of the Company on pages 29–31. As described in the report on related parties, the Company prepared this report in accordance with the Commercial Code. The management of Factoring České spořitelny, a. s. is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard No. 56 issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Factoring České spořitelny, a. s. for the year ended 31 December 2013 is materially misstated.

*Ernst & Young*

Ernst & Young Audit, s.r.o.  
License No. 401

Represented by Partner

*Roman Hauptfleisch*

Roman Hauptfleisch Auditor,  
License No. 2009

6 June 2014  
Prague, Czech Republic

# Balance Sheet Long Form

as at 31 December 2013

CZK ths.	31/12/2013			31/12/2012
	Gross	Allowances	Net	Net
<b>Total assets</b>	<b>9,695,805</b>	<b>312,864</b>	<b>9,382,941</b>	<b>8,230,002</b>
<b>A. Stock subscription receivables</b>				
<b>B. Fixed assets</b>	<b>22,671</b>	<b>17,298</b>	<b>5,373</b>	<b>4,483</b>
B.I. Intangible assets	10,135	9,112	1,023	640
B.I.1. Foundation and organization expenses				
B.I.2. Research and development				
B.I.3. Software	9,359	8,381	978	571
B.I.4. Patents, royalties and similar rights	776	731	45	69
B.I.5. Goodwill				
B.I.6. Other intangible assets				
B.I.7. Intangible assets in progress				
B.I.8. Advances granted for intangible assets				
<b>B.II. Tangible assets</b>	<b>12,536</b>	<b>8,186</b>	<b>4,350</b>	<b>3,843</b>
B.II.1. Land				
B.II.2. Constructions				
B.II.3. Separate movable items and groups of movable items	12,536	8,186	4,350	3,809
B.II.4. Perennial crops				
B.II.5. Livestock				
B.II.6. Other tangible assets				34
B.II.7. Tangible assets in progress				
B.II.8. Advances granted for tangible assets				
B.II.9. Gain or loss on revaluation of acquired property				
<b>B.III. Non-current financial assets</b>				
B.III.1. Subsidiaries				
B.III.2. Associates				
B.III.3. Other long-term securities and interests				
B.III.4. Loans to subsidiaries and associates				
B.III.5. Other long-term investments				
B.III.6. Long-term investments in progress				
B.III.7. Advances granted for non-current financial assets				
<b>C. Current assets</b>	<b>9,671,761</b>	<b>295,566</b>	<b>9,376,195</b>	<b>8,223,810</b>
<b>C.I. Inventory</b>				
C.I.1. Materials				
C.I.2. Work in progress and semi-finished production				
C.I.3. Finished products				
C.I.4. Livestock				
C.I.5. Goods				
C.I.6. Advances granted for inventory				
<b>C.II. Long-term receivables</b>	<b>37,784</b>		<b>37,784</b>	<b>41,862</b>
C.II.1. Trade receivables				
C.II.2. Receivables from group companies with majority control				
C.II.3. Receivables from group companies with control of 20% – 50%				
C.II.4. Receivables from partners, co-operative members and participants in association				
C.II.5. Long-term advances granted	220		220	320
C.II.6. Unbilled revenue				
C.II.7. Other receivables				
C.II.8. Deferred tax asset	37,564		37,564	41,542
<b>C.III. Short-term receivables</b>	<b>9,526,049</b>	<b>295,566</b>	<b>9,230,483</b>	<b>8,087,077</b>
C.III.1. Trade receivables	9,524,090	295,566	9,228,524	8,082,296
C.III.2. Receivables from group companies with majority control				

CZK ths.	31/12/2013			31/12/2012
	Gross	Allowances	Net	Net
C.III.3.	Receivables from group companies with control of 20% – 50%			
C.III.4.	Receivables from partners, co-operative members and participants in association			
C.III.5.	Social security and health insurance			
C.III.6.	497		497	3,211
C.III.7.	1,462		1,462	1,561
C.III.8.	Estimated receivables			
C.III.9.	Other receivables			9
<b>C.IV.</b>	<b>107,928</b>		<b>107,928</b>	<b>94,871</b>
C.IV.1.	Cash			98
C.IV.2.	Cash at bank			94,773
C.IV.3.	Short-term securities and interests			
C.IV.4.	Short-term financial assets in progress			
<b>D. I.</b>	<b>1,373</b>		<b>1,373</b>	<b>1,709</b>
D.I.1.	Prepaid expenses			1,709

CZK ths.	31/12/2013	31/12/2012
<b>Total equity &amp; liabilities</b>	<b>9,382,941</b>	<b>8,230,002</b>
<b>A. Equity</b>	<b>288,870</b>	<b>247,551</b>
<b>A.I. Share capital</b>	<b>114,000</b>	<b>114,000</b>
A.I.1. Registered capital	114,000	114,000
A.I.2. Own shares and own ownership interests		
A.I.3. Changes in basic capital		
<b>A.II. Capital funds</b>	<b>80,000</b>	<b>80,000</b>
A.II.1. Share premium	80,000	80,000
A.II.2. Other capital funds		
A.II.3. Gain or loss on revaluation of assets and liabilities		
A.II.4. Gain or loss on revaluation of company transformations		
<b>A.III. Reserve funds, indivisible fund and other funds created from profit</b>	<b>4,869</b>	<b>1,906</b>
A.III.1. Legal reserve fund/Indivisible fund	4,641	1,707
A.III.2. Statutory and other funds	228	199
<b>A.IV. Losses from previous years</b>	<b>27,941</b>	<b>(7,031)</b>
A.IV.1. Retained earnings	27,941	4,620
A.IV.2. Accumulated loss of previous years		(11,651)
A.V. Profit for the year	62,059	58,676
<b>B. Liabilities</b>	<b>9,090,898</b>	<b>7,978,958</b>
<b>B.I. Provisions</b>		
B.I.1. Provisions created under special legislation		
B.I.2. Provision for pensions and similar obligations		
B.I.3. Provision for corporate income tax		
B.I.4. Other provisions		
<b>B.II. Long-term liabilities</b>		
B.II.1. Trade payables		
B.II.2. Liabilities to group companies with majority control		
B.II.3. Liabilities to group companies with control of 20% – 50%		
B.II.4. Liabilities to partners, co-operative members and participants in association		
B.II.5. Advances received		
B.II.6. Bonds payable		
B.II.7. Notes payable		
B.II.8. Unbilled deliveries		
B.II.9. Other liabilities		
B.II.10. Deferred tax liability		
<b>B.III. Current liabilities</b>	<b>4,942,304</b>	<b>4,208,463</b>
B.III.1. Trade payables	4,891,254	4,170,416
B.III.2. Liabilities to group companies with majority control		
B.III.3. Liabilities to group companies with control of 20% – 50%		
B.III.4. Liabilities to partners, co-operative members and participants in association		
B.III.5. Liabilities to employees	1,701	6,258
B.III.6. Liabilities arising from social security and health insurance	760	1,353
B.III.7. Due to government – taxes and subsidies	9,685	2,947
B.III.8. Advances received	4,178	3,478
B.III.9. Bonds payable		
B.III.10. Unbilled deliveries	34,726	24,005
B.III.11. Other liabilities		6
<b>B.IV. Bank loans and borrowings</b>	<b>4,148,594</b>	<b>3,770,495</b>
B.IV.1. Long-term bank loans		
B.IV.2. Short-term bank loans	4,148,594	3,770,495
B.IV.3. Borrowings		
<b>C. I. Accrued liabilities and deferred assets</b>	<b>3,174</b>	<b>3,493</b>
C.I.1. Accruals		
C.I.2. Deferred income	3,174	3,493

Prepared on: 14/3/2014

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

# Income Statement

## for the Year Ended 31 December 2013

	Year ended 31/12/2013	Year ended 31/12/2012
<b>II. Production</b>	<b>183,362</b>	<b>169,582</b>
II.1. Revenue from sale of finished products and services	183,362	169,582
B. Production related consumption	32,574	31,016
B.1. Consumption of material and energy	1,797	1,383
B.2. Services	30,777	29,633
<b>+ Value added</b>	<b>150,788</b>	<b>138,566</b>
<b>C. Personnel expenses</b>	<b>55,943</b>	<b>39,864</b>
C.1. Wages and salaries	40,637	30,802
C.2. Bonuses to members of company or cooperation bodies	840	490
C.3. Social security and health insurance	13,278	7,476
C.4. Other social costs	1,188	1,096
D. Taxes and charges	271	458
E. Amortization and depreciation of intangible and tangible fixed assets	2,112	2,033
III. Revenue from sale of intangible and tangible fixed assets and materials	647	446
III.1. Revenues from sale of intangible and tangible fixed assets	647	446
F. Net book value of intangible and tangible fixed assets and materials sold	65	256
F.1. Net book value of intangible and tangible fixed assets sold	65	256
G. Change in provisions and allowances relating to operations and in deferred expenses	(10,090)	46,030
IV. Other operating income	24,591	17,404
H. Other operating expenses	94,514	40,876
<b>* Profit or loss on operating activities</b>	<b>33,211</b>	<b>26,899</b>
VI. Revenue from sale of securities and interests		
J. Securities and interests sold		
<b>VII. Revenue from long-term financial assets</b>		
VII.1. Revenue from shares in subsidiaries and associates		
X. Interest income	93,517	93,016
N. Interest expense	37,433	43,662
XI. Other financial income	258,655	278,974
O. Other financial expenses	259,484	279,684
<b>* Profit on financial activities</b>	<b>55,255</b>	<b>48,644</b>
Q. Tax on profit on ordinary activities	26,412	16,867
Q 1. – current	22,434	12,436
Q 2. – deferred	3,978	4,431
<b>** Profit on ordinary activities after taxation</b>	<b>62,054</b>	<b>58,676</b>
XIII. Extraordinary gains	5	
<b>* Extraordinary profit or loss</b>	<b>5</b>	
T. Transfer of share of profit or loss to partners (+/-)		
<b>*** Profit for the year</b>	<b>62,059</b>	<b>58,676</b>
<b>**** Profit before tax</b>	<b>88,471</b>	<b>75,543</b>

Prepared on: 14/3/2014

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

# Cash Flow Statement

for the Year Ended 31 December 2013

	Year ended 31/12/2013	Year ended 31/12/2012
<b>P. Cash and cash equivalents at beginning of year</b>	<b>94,871</b>	<b>59,265</b>
Cash flows from operating activities		
Z. Profit before taxation	88,466	75,543
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	3,542	11,324
A.1.1. Depreciation and amortization of fixed assets	2,112	2,033
A.1.2. Change in allowances and provision	(10,090)	46,030
A.1.3. Loss on disposal of fixed assets	(582)	(190)
A.1.5. Interest expense and interest income	(56,084)	(49,354)
A.1.6. Loss on sales of shares	0	0
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	68,186	12,805
<b>Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>92,008</b>	<b>86,867</b>
A.2. Change in working capital	(477,514)	(1,008,443)
A.2.1. Change in receivables and in prepaid expenses and unbilled revenue	(1,122,364)	(1,183,400)
A.2.2. Change in payables and in accruals and deferred income	644,850	174,918
A.2.3. Change in inventory		39
<b>Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>(385,506)</b>	<b>(921,576)</b>
A.3. Interest paid	(37,433)	(43,662)
A.4. Interest received	93,522	93,016
A.5. Tax on profit or loss on ordinary activities paid	(12,463)	(24,617)
A.7. Dividends and shares in profit received		0
<b>A.*** Net cash used in operating activities</b>	<b>(341,880)</b>	<b>(896,839)</b>
<b>Cash flows from investing activities</b>		
B.1. Purchase of fixed assets	(3,067)	(1,527)
B.2. Proceeds from sale of fixed assets	647	446
B.4. Net proceeds from equity investments		0
<b>B.*** Net cash (used in)/provided by investing activities</b>	<b>(2,420)</b>	<b>(1,081)</b>
<b>Cash flows from financing activities</b>		
C.1. Change in long-term liabilities and long-term, resp. short-term, loans	377,357	933,526
C.2. Net effect of changes in shareholders equity	(20,000)	0
C.2.5. Payments debited to reserves		0
C.2.6. Dividend paid	(20,000)	0
<b>C.*** Net cash provided by financing activities</b>	<b>357,357</b>	<b>933,527</b>
<b>F. Net increase/(decrease) in cash and cash equivalents</b>	<b>13,057</b>	<b>35,606</b>
<b>R. Cash and cash equivalents at end of year</b>	<b>107,928</b>	<b>94,871</b>

Prepared on: 14/3/2014

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

# Statement of Changes in Equity

## for the Year Ended 31 December 2013

	Registe- red capital	Share premium	Gain or loss on revalua- tion of as- sets and liabilities	Reserve funds, indivisible fund and other funds created from profit	Retained earnings	Accumu- lated loss of previous years	Profit for the year	Total equity
<b>Balance as at 31 December 2011</b>	<b>114,000</b>	<b>80,000</b>	<b>0</b>	<b>33</b>	<b>4,620</b>	<b>(43,346)</b>	<b>34,144</b>	<b>189,451</b>
Profit distribution				2,449		31,695	(34,144)	0
Funds distribution				(576)				(576)
Paid dividends								0
Profit for the year							58,676	58,676
<b>Balance as at 31 December 2012</b>	<b>114,000</b>	<b>80,000</b>	<b>0</b>	<b>1,906</b>	<b>4,620</b>	<b>(11,651)</b>	<b>58,676</b>	<b>247,551</b>
Profit distribution				3,704	23,321	11,651	(38,676)	0
Funds distribution				(741)				(741)
Paid dividends							(20,000)	(20,000)
Profit for the year							62,059	62,059
<b>Balance as at 31 December 2013</b>	<b>114,000</b>	<b>80,000</b>	<b>0</b>	<b>4,869</b>	<b>27,941</b>	<b>0</b>	<b>62,059</b>	<b>288,869</b>

Prepared on: 14/3/2014

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

# Notes to the Financial Statements

for the Year 2013

## 1. General information

### 1.1 Incorporation and Description of the Business

Factoring České spořitelny, a.s. (hereinafter the “Company”) was incorporated as a joint stock company by a Founder’s Deed on 30 May 1997 and was recorded in the Register of Companies held at the Prague Municipal Court on 4 December 1997 in Volume B, File 5075. The Company is primarily engaged in providing factoring and forfeiture services which account for most of the Company’s revenues.

The Company’s registered office is located at Budějovická 1518/13B, 140 00 Prague 4 and the Business registration number is 25629352.

The Company’s subscribed and paid-up share capital amounts to CZK 114,000 thousand. The issue price was CZK 5,500 thousand per share for the last issue of 20 shares in the year 2010.

The accompanying financial statements have been prepared for the year ended 31 December 2013.

The sole shareholder of the Company is Česká spořitelna, a.s., with its registered office at Olbrachtova 1929/62, 140 00 Prague 4, Corporate ID 45 24 47 82. The ultimate parent company is Erste Group Bank AG. The Company is included in the consolidated group of the parent company.

### 1.2 Organisational Structure

At the end of 2013, the Company had 43 employees, of which 6 were the Company’s managers. The Company is organised into eight units as follows: management including secretariat, sales (representation) department, operations department (cross-border and in-country clients), customer service department, risk management department, legal and workout department, IT department and finance and controlling department.

In 2013 the Board of Directors was extended by additional three members.

As at 31 December 2013, members of the Company’s statutory and supervisory bodies were as follows:

	Position	Name
Board of Directors until 30 June 2013:	Chair	Radmila Jakubová
	Vice Chair	Ing. Karel Machytka
	Member	Ing. Jaromír Kohout
Board of Directors from 1 July 2013:	Chair	Radmila Jakubová
	Vice Chair	Ing. Karel Machytka
	Member	Ing. Jaromír Kohout
	Member	Ing. Michael Jehlička
	Member	Ing. Václav Plášil
Supervisory Board	Chair	Ing. Petr Witowski
	Vice Chair	Mag. Alois Barthuber
	Member	Ing. Radka Turková

The Company has no foreign branch.

## 2. Basis of presentation of the financial statements

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2013 and 2012.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost basis, the accrual principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns (“CZK”).

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### 3. Summary of significant accounting policies

#### 3.1 Tangible and Intangible Fixed Assets.

##### Valuation

Tangible fixed assets include assets with an estimated useful life greater than 1 year and an acquisition cost greater than CZK 40 thousand (2011: CZK 13 thousand) on an individual basis.

Intangible fixed assets include identifiable assets without physical substance with an estimated useful life greater than 1 year and a cost greater than CZK 60 thousand.

Purchased tangible and intangible fixed assets are valued at acquisition cost which comprises the purchase price and incidental acquisition costs (assembly, freight, etc.).

Tangible assets with a cost below CZK 40 thousand, technical improvements with a cost below CZK 40 thousand and intangible assets with a cost below CZK 60 thousand are charged to expenses in the period in which they were acquired.

The cost of fixed asset improvements exceeding CZK 40 thousand and CZK 60 thousand, in aggregate for individual tangible and intangible fixed assets, respectively, for the taxation period increases the acquisition cost of the related fixed asset, if completed. Repair and maintenance costs are expensed as incurred.

##### Depreciation and amortization for Accounting Purposes

Depreciation and amortisation of tangible and intangible fixed assets for accounting purposes commences in the month following the month when the assets were put into use. The assets are depreciated/amortized using the straight line method over their estimated useful lives based on the depreciation/amortization plan.

The depreciation/amortisation periods of the individual categories of assets are as follows:

Category of assets	Period in years
Software, licenses and other intangible assets	4
Vehicles	4
Machinery and equipment	4 – 6
Other equipment	4 – 12
Technical improvements to leased building	8

#### 3.2 Receivables

Upon origination, receivables are stated at their nominal value. Doubtful and bad amounts are subsequently reduced by the relevant allowances.

The Company accounts for factoring receivables on a “gross” basis. The factoring receivables are recognised in the nominal amount through assets as short-term trade receivables and the related payables to suppliers and the Company’s clients, as appropri-

ate, are recognised through liabilities as short-term trade payables. The short-term receivables represent the nominal amount of the Company’s receivables from customers.

The prepayments made with respect to the provision of recourse factoring are posted to “short-term trade receivables” line in the balance sheet.

#### Allowances for impairment

The Company has created portfolio allowances for impairment for accounting purposes on the expected loss basis, taking into account client and customer ratings to determine the probability of default used in the model.

The portfolio allowances are created on a monthly basis using the following formula:

Expected Loss (portfolio allowance) = Maximum exposure not covered from settlement \* probability of customer default + (Actual amount of client liabilities – total of collateral values contractually signed with the client) \* Probability of client default where the value (Maximum exposure not covered from settlement \* probability of customer default) corresponds to maximum of this product in the customer portfolio of the respective client.

Specific allowances are created against special workout receivables.

#### 3.3 Equity

The share capital of the Company is stated at the amount recorded in the Register of Companies maintained in the Municipal Court. Any increase or decrease in the share capital made pursuant to the decision of the General Meeting which was not entered in the Register of Companies as at the financial statements date is recorded through changes in share capital. Contributions in excess of share capital are recorded as share premium. Other capital funds consist of monetary and non-monetary contributions in excess of share capital and contributions from profit after tax.

In the first year in which profit is generated, a joint stock company should allocate 20% of profit after tax (however, not more than 10% of share capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until the fund reaches 20% of share capital. These funds can only be used to offset losses.

#### 3.4 Loans

Loans are reported at their nominal value. Interest expenses on these loans are accrued and included in the profit or loss for the year.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

### 3.5 Provisions

Provisions are liabilities of uncertain timing or amount. A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reasonably reliable estimate can be made of the amount of the obligation. Provisions are used exclusively for the purposes they were created for. Provision balances are reviewed annually, and the provisions are reversed or carried forward based on the review results.

The Company does not have any contingent liabilities.

### 3.6 Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated using a daily exchange rate reflecting the Czech National Bank (“CNB”) exchange rate prevailing on the day in which the transaction occurred.

As at the balance sheet date, all foreign currency assets and liabilities are retranslated using the ruling CNB foreign exchange rate as at that date and any resulting translation gains and losses were recorded through the current year’s financial income or financial expenses, as appropriate.

At the balance sheet date, non-current financial investments denominated in a foreign currency were translated using the effective exchange rate promulgated by the CNB as at that date. Any resulting foreign currency translation differences have been included in gains or losses arising from the revaluation of assets and liabilities.

### 3.7 Taxation

#### 3.7.1 Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets for tax purposes is calculated using the accelerated method.

#### 3.7.2 Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

#### 3.7.3 Deferred Taxation

Deferred taxation is calculated from all temporary differences between the accounting and tax values using the income tax rate that is expected to apply in the tax period when the deferred tax liability is settled or the deferred tax asset is realised. The deferred tax asset is recognised only if it is likely to be offset against taxable income.

### 3.8 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash at hand, cash in bank or deposits payable on demand.

### 3.9 Revenues

Factoring charges are presented within ‘Revenue from sale of finished products and services’. In addition, this caption includes income from know-how and other income relating to re-invoicing of services.

Interest claims are recognised as ‘Interest income’.

Revenues are recognised on an accruals basis, that is, they are recognized in the periods in which the actual flow of the related revenues occurs, regardless of when the related monetary flow arises.

### 3.10 Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates and assumptions employed will not differ significantly from actual results achieved in future periods.

### 3.11 Risk Management

Risks associated with the funding of ceded receivables are mitigated by using the services of insurance companies and by cooperating with partners within the international association of factoring companies (“FCI”). The Company places specific emphasis on the significance of diversifying the receivable portfolio which allows for the amounts recovered to sufficiently cover the partial payments made to clients and allow the Company to exercise a lien.

The Company observes measures and work procedures designed to constantly improve operational risk management over time and to eliminate fraudulent activities by clients.

The Company performs a regular assessment of the impact of exchange rate risks and takes appropriate steps on an ongoing basis to balance assets and liabilities denominated in foreign currencies. The lending method in the form of overdraft foreign exchange accounts enables the Company to manage the balancing of foreign exchange assets and liabilities and significantly mitigates foreign exchange risks.

With regard to interest rate risk, the Company uses one-month rates both for assets and liabilities.

## 4. Additional information on the balance sheet and the income statement

### 4.1 Intangible Fixed Assets

#### Cost

(CZK thousand)	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Software	9,017	408	0	9,425	590	(656)	9,359
Licenses and other	776	0	0	776	0	0	776
<b>Total</b>	<b>9,793</b>	<b>408</b>	<b>0</b>	<b>10,201</b>	<b>590</b>	<b>(656)</b>	<b>10,135</b>

#### Accumulated Amortisation and Provisions

(CZK thousand)	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Software	8,764	90	0	8,854	182	(655)	8,381
Licenses and other	684	23	0	707	24	0	731
<b>Total</b>	<b>9,448</b>	<b>113</b>	<b>0</b>	<b>9,561</b>	<b>206</b>	<b>(655)</b>	<b>9,112</b>

#### Net Book Value

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Software	978	571
Licenses and other	45	69
<b>Total</b>	<b>1,023</b>	<b>640</b>

The Company acquired intangible assets of CZK 11 thousand and CZK 282 thousand that were charged directly to expenses for the years ended 31 December 2013 and 2012, respectively.

### 4.2 Tangible Fixed Assets

#### Cost

(CZK thousand)	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
- Machinery and equipment	9,018	53	(1,719)	7,352	209	(34)	7,527
- Vehicles	5,475	1,156	(1,910)	4,721	2,303	(2015)	5,009
<b>Total</b>	<b>14,493</b>	<b>1,209</b>	<b>(3,629)</b>	<b>12,073</b>	<b>2,512</b>	<b>(2,049)</b>	<b>12,536</b>

#### Accumulated Depreciation

(CZK thousand)	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
- Machinery and equipment	6,534	936	(1,629)	5,841	787	0	6,628
- Vehicles	3,060	983	(1,654)	2,389	1,119	(1,950)	1,558
<b>Total</b>	<b>9,594</b>	<b>1,919</b>	<b>(3,283)</b>	<b>8,230</b>	<b>1,906</b>	<b>(1,950)</b>	<b>8,186</b>

## Net Book Value

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
- Machinery and equipment	899	1,511
- Vehicles	3,451	2,332
<b>Total</b>	<b>4,350</b>	<b>3,843</b>

In the years ended 31 December 2013 and 2012, respectively, investments in tangible assets predominantly related to hardware equipment and cars.

The Company acquired tangible assets of CZK 864 thousand and CZK 120 thousand that were charged directly to expenses for the years ended 31 December 2013 and 2012, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are expensed.

## 4.3 Receivables

## 4.3.1 Long-Term Receivables – Deferred Tax Assets

For detailed information about deferred tax assets refer to Note 4.16.

## 4.3.2 Short-Term Receivables

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Trade receivables	9,228,524	8,082,296
- customers (factoring)	7,418,026	6,517,247
- prepayments made	2,106,064	1,870,705
- allowances	(295,566)	(305,656)
State – Tax receivables	497	3,211
Short-term advances granted	1,462	1,561
Other receivables	0	9
<b>Total</b>	<b>9,230,483</b>	<b>8,087,077</b>

The above receivables principally comprise factoring receivables, which are reported in the balance sheet as ‘trade receivables’.

The ‘Customers’ caption includes nominal values of factoring receivables and the ‘Prepayments made’ caption includes prepayments made for receivables under recourse factoring.

## 4.3.3 Aging of Trade Receivables

(CZK thousand)

Year	Category	Not yet due					Overdue	Total
			0 – 30 days	31 – 60 days	61 – 90 days	91 – 365 days	Over 1 year	
2013	Trade receivables	8,037,567	722,864	199,378	39,194	89,261	435,826	<b>9,524,090</b>
	Impairment allowances				(14,114)	(25,657)	(255,795)	<b>(295,566)</b>
2012	Trade receivables	6,901,774	785,047	152,065	45,125	39,632	464,309	<b>8,387,952</b>
	Impairment allowances				(7,542)	(983)	(297,131)	<b>(305,656)</b>

The average maturity of receivables from customers of the Company’s factoring clients in 2013 and 2012 was 49.08 days and 47.92 days, respectively.

In accordance with the method of creating of allowances for accounting purposes on the basis of expected loss (“EL”) to be incurred on funds placed with clients – see note 3.4. – the Company created portfolio allowances totalling CZK 14,114 thousand and CZK 7,542 thousand in 2013, 2012 respectively. Specific accounting allowances have been created for specific purpose of workout receivables totalling CZK 167,788 thousand and CZK 207,839 thousand and tax allowances have been created at an amount of CZK 25,567 thousand and CZK 63,461 thousand in 2013 and 2012, respectively.

Of the aggregate amount of allowances, allowances of CZK 113,665 thousand and CZK 90,275 thousand were tax deductible in 2013 and 2012, respectively. Tax deductible allowances are created against receivables from customers of the Company’s clients which have been transferred to the Company as well as the Company’s own receivables from clients in the instance of these entities entering bankruptcy proceedings.

In 2013 and 2012, the Company wrote off irrecoverable receivables not covered by the allowances for impairment of CZK 67,113 thousand and CZK 11,255 thousand, respectively.

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance at 31 Dec 2011	Allowance creation	Release of allowance	Balance at 31 Dec 2012	Allowance creation	Release of allowance	Balance at 31 Dec 2013
Receivables – legal	26,813	63,462	0	90,275	25,657	(2,267)	113,665
Receivables – specific	232,813	25,643	(43,075)	215,381	27,394	(60,874)	181,901
<b>Total</b>	<b>259,626</b>	<b>89,105</b>	<b>(43,075)</b>	<b>305,656</b>	<b>53,051</b>	<b>(63,141)</b>	<b>(295,566)</b>

#### 4.4 Cash and Cash Equivalents

Cash at bank includes balances on current accounts payable on demand.

#### 4.5 Accrued Assets and Deferred Liabilities

Accrued assets primarily comprise prepaid expenses arising from fees for bank guarantees and are recognised in the period to which they relate.

#### 4.6 Equity

##### 4.6.1 Share Capital

The subscribed, paid-up and registered share capital amounts to CZK 114,000 thousand and consists of 76 shares with a nominal value of CZK 1,500 thousand per share.

The shareholder has provided the Company share premium of CZK 80 million in excess of the share capital.

The shares are registered and carry voting rights, but are not publicly traded.

##### 4.6.2 Distribution of Profit for the Year Ended 31 December 2012

On 12 June 2013, the Company’s sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2012 profit totalling CZK 58,676 thousand and allocated CZK 2,934 thousand to the legal reserve fund, CZK 769 thousand to the social fund, paid CZK 20,000 as dividend and settled the total accumulated loss in the amount of CZK 11,651 thousand and transferred CZK 23,321 thousand to retained earnings the total amount of which is CZK 27,941 thousand as at 31 December 2013.

## 4.7 Liabilities

### 4.7.1 Current Liabilities

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Trade payables (factoring)	4,891,254	4,170,416
Liabilities to employees	1,701	6,258
Liabilities arising from social security and health insurance	760	1,353
State – Tax payables and subsidies	9,685	2,947
Advances received	4,178	3,478
Unbilled deliveries	34,726	24,005
Other payables	0	6
<b>Total</b>	<b>4,942,304</b>	<b>4,208,463</b>

Trade payables represent expected payments in respect of ceded receivables from the Company's clients under non-recourse factoring and the aggregate amount of ceded receivables under recourse factoring.

Unbilled deliveries predominantly include estimates for payroll costs, social security and health insurance payments and estimates for operating services which have not yet been invoiced.

Due to the nature of factoring services, payables are paid after the client becomes entitled to the payment. The Company records no overdue payables.

### 4.8 Bank Loans and Borrowings

2013

Bank (CZK thousand)	Purpose	Balance at 31 Dec 2013	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	49,892	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – SEK overdraft	0	1 M Bribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – PLN overdraft	1,028	1 M Wribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – GBP overdraft	310,183	1 M Pribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – GBP overdraft	19,945	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – EUR overdraft	241,946	1 M Euribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – CZK current account	2,000,000	1 M Pribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – USD overdraft	130,181	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – EUR current account	1,014,725	1 M Euribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – GBP current account	82,277	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – USD current account	298,410	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
<b>Total intercompany bank loans</b>		<b>4,148,587</b>			
Komerční banka	operating – CZK current account	7			
<b>Total external bank loans</b>		<b>7</b>			
<b>Total</b>		<b>4,148,594</b>			

2012

Bank (CZK thousand)	Purpose	Balance at 31 Dec 2012	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	42,367	1 M Libor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – SEK overdraft	5,023	1 M Bribor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – PLN overdraft	612	1 M Wribor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – GBP overdraft	578,963	1 M Pribor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – GBP overdraft	35,958	1 M Libor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – EUR overdraft	143,836	1 M Euribor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – CZK current account	1,500,000	1 M Pribor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – EUR current account	1,005,600	1 M Euribor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – GBP current account	77,030	1 M Libor+ risk margin	31. 7. 2013	uncollateralised
Česká spořitelna	operating – USD current account	381,100	1 M Libor+ risk margin	31. 7. 2013	uncollateralised
<b>Total intercompany bank loans</b>		<b>3,770,489</b>			
Komerční banka	operating – CZK current account	6			
<b>Total external bank loans</b>		<b>6</b>			
<b>Total bank loans and borrowings</b>		<b>3,770,495</b>			

The average amount of the loans received from CS was CZK 3,520,707 thousand and CZK 2,989,481 thousand in 2013 and 2012, respectively.

The Company paid interest charges on these loans in the amount of CZK 37,433 thousand and CZK 43,662 thousand in 2013 and 2012, respectively.

#### 4.9 Accrued Liabilities and Deferred Assets

Accrued liabilities predominantly include accrued loan interest and operating liabilities.

#### 4.10 Financial Assets and Liabilities Denominated in Foreign Currencies (Gross)

2013

(CZK thousand)	CZK	USD	EUR	PLN	GBP	Other	Total
Short-term receivables	7,231,751	595,398	1,543,218	1,003	131,638	23,041	9,526,049
Cash and cash equivalents	107,161	351	389	0	0	27	107,928
Accrued assets and deferred liabilities	1,373	0	0	0	0	0	1,373
<b>Total</b>	<b>7,340,285</b>	<b>595,749</b>	<b>1,543,607</b>	<b>1,003</b>	<b>131,638</b>	<b>23,068</b>	<b>9,635,350</b>
Current payables	4,482,247	163,452	293,733	(181)	48	3,005	4,942,304
Bank loans and borrowings	2,310,190	428,591	1,256,671	1,028	132,169	19,945	4,148,594
Accrued liabilities and deferred assets	3,174	0	0	0	0	0	3,174
<b>Total</b>	<b>6,795,611</b>	<b>592,043</b>	<b>1,550,404</b>	<b>847</b>	<b>132,217</b>	<b>22,950</b>	<b>9,094,072</b>

## 2012

(CZK thousand)	CZK	USD	EUR	PLN	GBP	Other	Total
Short-Term Receivables	6,195,431	602,884	1,425,310	790	124,907	43,412	8,392,734
Cash and Cash Equivalents	85,585	9,118	168	0	0	0	94,871
Accrued assets and Deferred Liabilities	1,513	0	196	0	0	0	1,709
<b>Total</b>	<b>6,282,529</b>	<b>612,002</b>	<b>1,425,674</b>	<b>790</b>	<b>124,907</b>	<b>43,412</b>	<b>8,489,314</b>
Short-Term Payables	3,700,363	227,445	273,209	155	5,136	2,155	4,208,463
Bank loans and borrowings	2,078,969	381,100	1,149,435	612	119,398	40,981	3,770,495
Accrued Liabilities and Deferred Assets	3,282	0	211	0	0	0	3,493
<b>Total</b>	<b>5,782,614</b>	<b>608,545</b>	<b>1,422,855</b>	<b>767</b>	<b>124,534</b>	<b>43,136</b>	<b>7,982,451</b>

## 4.11 Details of Income by Principal Activity

(CZK thousand)	Balance at 31 Dec 2013			Balance at 31 Dec 2012		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Fee income	174,421	6,535	180,956	158,927	7,177	166,104
Advisory services	0	2,165	2,165	0	2,931	2,931
Other income	241	0	241	547	0	547
<b>Production</b>	<b>174,662</b>	<b>8,700</b>	<b>183,362</b>	<b>159,474</b>	<b>10,108</b>	<b>169,582</b>
Interest income	84,471	9,046	93,517	83,907	9,109	93,016
<b>Total income from operations</b>	<b>259,133</b>	<b>17,746</b>	<b>276,879</b>	<b>243,381</b>	<b>19,217</b>	<b>262,598</b>

Fee income includes the fees paid to the factor. Advisory services include income from the lease of the information system to Group entities.

Interest income includes interest on prepayments made under factoring arrangements.

## 4.12 Services

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Fees for factoring services	3,137	4,438
Rental	6,748	7,615
Legal and notarial services	1,252	577
Repairs and maintenance	5,219	4,879
Marketing costs	2,919	2,592
External audit	452	614
Tax and other advisory	3,379	2,918
Education	530	529
Travelling	454	459
Costs of other services	6,687	5,012
<b>Total costs of services</b>	<b>30,777</b>	<b>29,633</b>

#### 4.13 Other Operating and Financial Expenses and Income

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Other operating income	24,591	17,404
of which: Income from the cession/sale of receivables	1,313	1,550
Insurance proceeds	21,476	11,265
Other	1,802	4,589
Other operating expenses	(94,514)	(40,875)
of which: Value of receivables ceded/written-off/sold	(68,186)	(12,805)
Credit insurance premiums	(23,567)	(24,707)
Other	(2,761)	(3,363)
<b>Total other operating result</b>	<b>(69,923)</b>	<b>(23,471)</b>

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Other financial income	258,655	278,974
of which: Foreign exchange gains	258,324	278,649
Other	331	325
Finance expense	(259,484)	(279,684)
of which: Foreign exchange losses	(258,283)	(278,434)
Other	(1,201)	(1,250)
<b>Total other financial result</b>	<b>(829)</b>	<b>(710)</b>

#### 4.14 Current and Deferred Income Tax

##### Current Tax

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Current tax charge	22,434	12,234
Additional tax assessment	0	202
<b>Total</b>	<b>22,434</b>	<b>12,436</b>

The tax charge for 2013 and 2012 can be reconciled to the profit per the income statement as follows:

(CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Profit before tax	88,471	75,543
Tax at the local income tax rate of 19% (2012: 19%)	16,809	14,354
Tax effect of non-deductible expenses	13,047	2,752
Tax effect of non-taxable income	(7,422)	(4,783)
Additional payment of taxes for prior periods	0	202
Tax paid abroad	0	(89)
Current Tax Payable	22,434	12,436
Current changes in the deferred tax	3,978	4,431
<b>Total tax on profit on ordinary activities</b>	<b>26,412</b>	<b>16,867</b>

## Deferred Tax

The deferred tax asset can be analysed as follows:

Deferred tax arising from (CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Depreciation and amortisation of fixed assets	(337)	(396)
Allowance against receivables	34,561	40,923
Estimated payables for social security and health insurance	3,340	1,015
<b>Total</b>	<b>37,564</b>	<b>41,542</b>

Analysis of the change in the balance (CZK thousand)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
Opening balance	41,542	45,973
Current changes charged against the income statement	(3,978)	(4,431)
Total charges against the income statement	(3,978)	(4,431)
Total charges against the equity	0	0
<b>Total</b>	<b>37,564</b>	<b>41,542</b>

In the years ended 31 December 2013 and 2012, the Company recognised a deferred tax asset of CZK 37,564 thousand and CZK 41,542 thousand, respectively.

## 5. Employees, management and statutory bodies

### 5.1 Staff Costs and Number of Employees

The following tables summarises the average number of the Company's employees and managers and staff costs for the years ended 31 December 2013 and 2012:

2013

(CZK thousand)	Number	Wage costs	Social security and health insurance	Other costs	Total staff costs
Employees	35	28,751	9,928	957	39,636
Management	8	12,726	3,350	231	16,307
<b>Total</b>	<b>43</b>	<b>41,477</b>	<b>13,278</b>	<b>1,188</b>	<b>55,943</b>

2012

(CZK thousand)	Number	Wage costs	Social security and health insurance	Other costs	Total staff costs
Employees	34	13,516	4,631	913	19,060
Management	6	17,776	2,845	183	20,804
<b>Total</b>	<b>40</b>	<b>31,292</b>	<b>7,476</b>	<b>1,096</b>	<b>39,864</b>

The number of employees is based on the average re-calculated headcount. Staff costs of management comprise the costs of the Company's managing directors, three of which (2012: two persons) are also members of the Company's Board of Directors.

## 5.2 Loans, Borrowings, and Other Benefits Provided

The Company's management received the following benefits in addition to their basic salaries and other personal funding:

2013

(CZK thousand)	Board of Directors	Management
Management life and pension insurance	68	79
Vehicles/other movable assets for both business and private purposes (amount increases the tax base of employees)	258	227

2012

(CZK thousand)	Board of Directors	Management
Management life and pension insurance	50	69
Vehicles/other movable assets for both business and private purposes (amount increases the tax base of employees)	182	232

## 6. Related party information

Given that the Company is a member of the Česká spořitelna, a.s. Group, its cooperation with the parent company continued during 2013 and 2012, both with respect to acquisition operations and to raising finance from entities outside the Group to provide funding for other transactions.

As at 31 December 2013 and 2012, receivables from CS amounted to CZK 37,794 thousand and CZK 12,412 thousand, respectively. The above predominantly includes receivables arising from current account balances.

As at 31 December 2013 and 2012, payables to the parent company amounted to CZK 4,148,587 thousand and CZK 3,770,489 thousand, respectively. These amounts mainly represent regular bank loans and balances on overdraft accounts.

For the year ended 31 December 2013 and 2012, the Company recorded expenses in relation to CS in the aggregate amount of CZK 44,785 thousand and CZK 51,036 thousand, respectively. They predominantly include interest on received loans, outsourcing and rental expenses. Income of CZK 2,440 thousand and CZK 1,112 thousand, respectively, relates to interest and fees received from CS.

With respect to its related the Company recognizes revenues from sales to Slovenská sporitelňa, a. s. in the amount of CZK 1,095 thousand (2012: CZK 0 thousand).

Other business partners within the Group include Procurement Services GmbH and Procurement Services CZ, s. r. o. (Group-wide procurement).

## 7. Contingent liabilities and off balance sheet commitments

The Company maintains no contingent liabilities or off-balance sheet commitments.

The Company is involved in no legal disputes, the outcome of which would significantly impact the Company's financial statements.

## 8. Subsequent events

There were no material events subsequent to the balance sheet date to be disclosed in the financial statements.

Prepared on 14 March 2014.

  
Radmila Jakubová

  
Karel Machytka

# Report on Relations between Related Parties

pursuant to Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code for the year ended 31 December 2013

**Factoring České spořitelny, a.s.**, with its registered office at Budějovická 1518/13 B, Prague 4, postal code 140 00, Business Registration Number (IČ) 25629352, incorporated in the Commercial Register, Section B, File No. 5075, maintained by the Municipal Court in Prague (hereinafter the “**Submitter**”) is a member of a group (concern) in which the following relations exist between the Submitter and the controlling persons and between the Submitter and other persons controlled by the same controlling persons (hereinafter the “**Related Parties**”).

This Report on relations between the parties listed below has been prepared pursuant to the provisions of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended, for the year ended 31 December 2013 (hereinafter the “**fiscal year**”).

The Submitter and the persons listed below entered into the following contracts and undertook or adopted the following legal actions and other measures in the fiscal year:

## A. Overview of the Persons whose Relations are Described Below



## B. Controlling Persons

- **Česká spořitelna, a.s.**, with its registered office at Olbrachtova 1929/62, postal code 140 00, Prague 4, Czech Republic, Business Registration Number (IČ) 45244782

Relation to the Company: directly controlling person

Description of relations – see **Annex 1**

- **Erste Group Bank AG**, with its registered office at Am Graben 21, Vienna, Austria, Business Registration Number 90003195  
Relation to the Company: indirectly controlling person EGB Ceps Beteiligungen GmbH.

Description of relations – **none**

- **EGB Ceps Beteiligungen GmbH**, with its registered office at Graben 21, Vienna, Austria  
Relation to the Company: indirectly controlling person, a wholly-owned subsidiary of Erste Group Bank AG.

Description of relations – **none**

- **EGB Ceps Holding GmbH**, with its registered office at Graben 21, Vienna, Austria  
Relation to the Company: indirectly controlling person, a wholly-owned subsidiary of EGB Cesp Beteiligungen GmbH.

Description of relations – **none**

## C. Other Related Parties

### Companies controlled by other members of the ERSTE Group

- **Erste & Steiermarkische Bank, d.d.**, with its registered office at Jadranski trg 3a, Rijeka, postal code 51 000, Croatia, VAT 03337367  
Relation to the Company: related party directly controlled by Erste Group Bank

Description of relations – **none**

- **Procurement Services GmbH**, with its registered office at Brehmstrasse 12, 1010 Vienna, Austria  
Relation to the Company: related party directly controlled by Erste Group Bank

Description of relations – **none**

- **Slovenská sporiteľňa, a.s.**, with its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic, Business Registration Number (IČO) 00151653  
Relation to the Company: related party directly controlled by Erste Group Bank

Description of relations – see **Annex 1**

- **Factoring Slovenskej sporiteľne, a.s.**, with its registered office at Tomášikova 48, Bratislava, 832 67, Slovak Republic, Business Registration Number (IČO) 35849665  
Relation to the Company: related party of the Submitter directly controlled by Slovenská sporiteľňa  
Description of relations – **none**
  
- **ERSTE FACTORING d.o.o.**, with its registered office at Ivana Lučica 2, Zagreb, postal code 10 000, Croatia, VAT 080558484  
Relation to the Company: related party directly controlled by Erste & Steiermarkische Bank  
Description of relations – see **Annex 1**
  
- **Procurement Services CZ, s.r.o.**, with its registered office at Budějovická 1912/64b, postal code 140 00, Prague 4 (“Procurement Services CZ”)  
Relation to the Company: related party directly controlled by Procurement Services GmbH  
Description of relations – **none**

## Annex 1 – Transactions with Related Parties

Factoring České spořitelny, a.s. identified the relations with the related parties listed in Sections B and C and summarized them in the following categories:

### Related party transactions on the asset side of Factoring ČS’s balance sheet

#### Receivables from banks

Factoring České spořitelny, a.s. deposited cash totaling CZK 37.8 million in current and deposit accounts maintained by Česká spořitelna under contracts on the opening of a current account and loan agreements. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Other assets

Balance sheet caption Other assets includes other trade receivables and advance payments provided to related parties. There are no such items in the fiscal year 2013.

### Related party transactions on the liability side of Factoring ČS’s balance sheet

#### Liabilities to banks

Factoring České spořitelny, a.s. received funds from by Česká spořitelna, a.s. in the total amount of 4,148.6 million under loan agreements and bank overdraft contracts. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

### Related party transactions with effect on Factoring ČS’s income statement

#### Interest and similar income

Factoring České spořitelny, a.s. did not receive any dividend income from abroad in the fiscal year.

#### Interest and similar expense

Factoring České spořitelny, a.s. incurred interest expense of CZK 37.4 million within the scope of related party transactions executed on an arm’s-length basis in the fiscal year. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Income from fees and commissions

Factoring České spořitelny, a.s. received income from fees and commissions within the scope of related party transactions executed on an arm’s-length basis in the fiscal year, including particularly income from a cooperation agreement with Česká spořitelna a.s., in the total amount of CZK 2.4 million. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### General administrative expenses

Factoring České spořitelny, a.s. spent CZK 7.4 million on general administrative expenses within the scope of related party transactions executed on an arm’s-length basis in the fiscal year, particularly rental charges and the purchase of advisory, professional, consultancy and other services. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Other operating revenues and costs

Factoring České spořitelny, a.s. had a positive balance of other operating revenues and costs of CZK 1.9 million within the scope of other related party transactions executed on an arm’s-length basis in the fiscal year. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### Net profit/loss from financial operations

Factoring České spořitelny, a.s. did not receive any income from securities trading with related parties in the fiscal year.

## CONTRACTUAL RELATIONS

In prior years Factoring Ceske sporitelna, a.s. entered into contracts with related parties listed in Sections B and C. In the fiscal year Factoring Ceske sporitelny, a.s. entered into new contracts with the related parties listed in Sections B and C. The amounts for the fiscal year are included in Annex 1.

The list below includes major contracts with related parties that were in force in the fiscal year. This report does not comprise insignificant contractual relations on the basis of which Factoring České spořitelny, a.s. received or rendered performance from/to related parties, the amounts of which are also included in Annex 1 and where no detriment arose for the Company.

Contract	Contracting party	Performance description	Detriment, if any
Agreement on outsourcing of financial accounting, controlling, asset management, sales support, human resources, internal audit, marketing, internal communication and IS/IT security services	Česká spořitelna, a.s.	Outsourcing	none
Agreement on lease of non-residential premises	Česká spořitelna, a.s.	Rent	none

## D. Other Legal Actions

The Submitter received or undertook no other legal actions for the benefit or at the request of the Related Parties in the fiscal year.

This Report was discussed with and approved by the Company's Board of Directors on 3 April 2014.

Prague, 3 April 2014

## E. Other Measures

Factoring České spořitelny, a. s. is a party to group projects of the Erste Group Bank. Factoring České spořitelny, a. s. suffered no detriment from collaboration in the group projects.

Factoring České spořitelny, a. s.



Radmila Jakubová  
Chairwoman of the Board of Directors



Ing. Karel Machytka  
Vice-chairman of the Board of Directors

## F. Conclusion

With regard to the relations between the Submitter and the Related Parties reviewed by us, the Submitter appears to have suffered no detriment as a result of the foregoing contracts, other legal actions or other measures entered into, undertook or adopted by the Submitter for the benefit or at the request of the Related Parties in the fiscal year 2013.

## **Factoring České spořitelny, a. s.**

Budějovická 1518/13B, 140 00 Prague 4, Czech Republic

**IČ:** 25629352, **DIČ:** CZ25629352

**Phone:** +420 956 770 711

**Fax:** +420 224 641 614

**E-mail:** [factoring@factoringcs.cz](mailto:factoring@factoringcs.cz)

**Internet:** [www.factoringcs.cz](http://www.factoringcs.cz)

**Member of the Factors Chain International**



**Annual Report 2013**

Production: Omega Design, s. r. o.

