

Factoring České spořitelny, a.s.  
**Annual Report 2017**

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# Foreword by the Chairman of the Board of Directors



**Karel Nováček**

Chairman of the Board of Directors

It is vital that with regard to our future development we have not only be able to achieve outstanding business results but simultaneously we have successfully implemented significant product and technological innovations. Our product portfolio expanded in 2017 by confirming (reverse factoring) and thereby acquired a complete product kit for financing the supplier-customer relationships, also called Supply Chain Financing. By offering this solution Factoring České spořitelny expanded the spectrum of potential clients even on those for whom we previously had no suitable offers. These clients will receive new financing possibilities as well as working capital improvements. All our solutions are available through freshly updated internet platform called eFactoring. Furthermore in cooperation with EDITEL, leading international provider of services in the field of digital exchange of documents, we present new service called *ediFactoring* aimed on companies which take part in larger supplier-customer chains. The common goal of all our innovations is a transition to paperless and fully automated financing.

I highly appreciate the cooperation with our sole shareholder Česká spořitelna in both risk management and the field of business. We were able to retain most of our clients thanks to our solid business approach, particularly among the medium and large corporate clients. Simultaneously we are capable to acquire new clients. Therefore there is a positive trend in our profits in year-to-year comparison. Synergic effects manifest themselves in risk management where we were able to maintain the expenses arising from allowances for receivables significantly under the budgeted values due to our careful and coordinated approach.

I would like to thank all our clients and other business partners for their trust and favour. I would also like to appreciate the fervour of our employees as well as our co-workers in the Česká spořitelna Financial Group and Erste Group, which was the basis of our outstanding business results in 2017 and furthermore allowed the implementation of all product changes and innovations that will support future growth of our company.

## Dear Ladies and Gentlemen,

The progress is so quick that while one claims that a thing cannot be done, another one interrupts him saying that he has already done it. Albert Einstein once formed this idea. It depicts the strategic importance of innovations that are essential for strengthening competitiveness and securing the key market positions. I am delighted that while overviewing the year 2017 I can proudly say that Factoring České spořitelny was on the side of those who have not deemed a task as impossible but rather among those who made those tasks happen. Last year was very successful as per the financial indicators. The Company's turnover rose again alongside with the amount of new clients and significant increase in our profits.

In 2017 Factoring České spořitelny achieved an almost 6 % increase in ceded and managed receivables in year-by-year comparison to an amount of CZK 33.7 billion. Therefore Factoring České spořitelny remains amongst the three largest factoring companies in the Czech Republic.

A handwritten signature in blue ink, appearing to be 'K. Nováček', written in a cursive style.

Karel Nováček

Chairman of the Board of Directors

# Company's Profile

## Company

Factoring České spořitelny, a.s.  
Business Identification Number (IČO):  
25629352  
incorporated in the Commercial Register,  
Section B, File No. 5075, maintained by  
the Municipal Court in Prague

## Registered Office

Budějovická 1518/13B, postal code 140 00,  
Prague 4

## Date of incorporation

4 December 1997

## Shareholders

Česká spořitelna, a.s. (100%)

## Members of the Board of Directors

Karel Nováček, chairman  
Karel Machytka, member

## Members of the Supervisory Board

Jan Seger, chairman  
Petr Vacek, vice-chairman  
Roman Pařil, member

## Main field of business / Products

Domestic factoring  
Export factoring  
Import factoring  
Reverse factoring (confirming)  
*ed/*Factoring  
Administration and monitoring  
of receivables

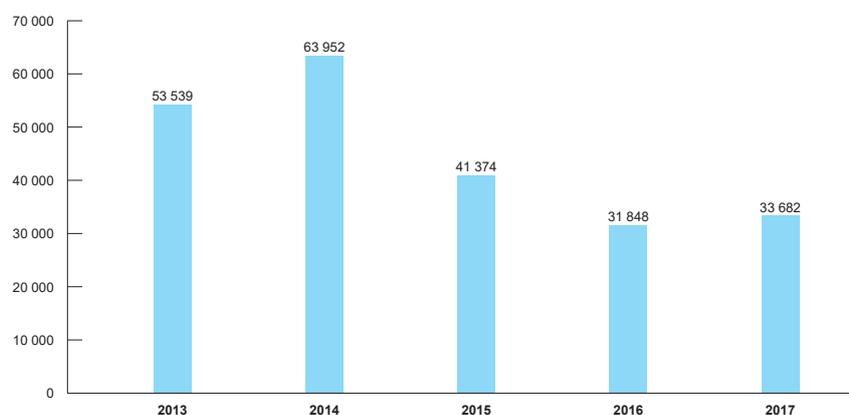
## Membership in associations

Česká leasingová a finanční asociace (ČLFA)  
Asociace faktoringových společností (AFS)  
Factors Chain International (FCI)

## Changes in key financial indicators

CZK ths.	2013	2014	2015	2016	2017
Assets from clients' accounts receivable financing (Total net Current assets)	9,376,195	9,342,576	7,436,287	7,484,683	7,575,543
Share capital	114,000	114,000	114,000	114,000	114,000
Share premium	80,000	80,000	80,000	80,000	80,000
Capital funds	0	818,400	818,400	818,400	818,400
Equity	288,869	1,142,047	1,120,206	1,145,547	1,201,330
Added value	150,787	159,044	99,733	75,608	81,856
Profit before taxation	88,471	81,226	25,522	33,524	75,266
<b>Profit for the current period</b>	<b>62,059</b>	<b>65,446</b>	<b>8,767</b>	<b>25,968</b>	<b>56,406</b>

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



# Management Report

In 2017 the Czech economy registered even more dynamic growth than in the previous year, the factoring market in the Czech Republic represented by the Association of Factoring Companies had great results. The total gross turnover from factoring of the Associations' members increased by more than 19 % to CZK 156.3 billion with all members reporting their growth.

Besides the increase in total gross turnover from factoring itself Factoring České spořitelny further grew particularly in the export factoring, i.e. financing of receivables of domestic companies from their foreign customers, by more than 12 % to CZK 12 billion. Among other good news, the financial instruments held by clients have risen by more than 13 % to CZK 5.3 billion.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group since 2011. Membership in a strong financial group guarantees the Company with the long term financial stability for continuing financing of mutual and other clients and delivers significant synergic effects particularly in the field of business, risk management policies and monitoring of receivables.

The Company has received a prestige award Business Superbrands in 2017 for the third year in a row.

The trend of decreasing number of newly emerging credit and operational risks and insolvencies continued in 2017. This caused low volume of additional allowances and thus influenced the financial results of the Company.

In 2017 the management of the Company continued its efforts in the **development of the business activities**. The improvements in the customer services, their speed and quality, were the main focus of the endeavours. The high quality flexible business network covering the entire state allowed us to systemically detect and satisfy our clients' needs. Our product portfolio was extended in the end of 2017 by reverse factoring (confirming) which broadens the spectrum of potential clients of the Company even to big corporate clients – clients of a larger amount of smaller suppliers. The reverse factoring, a part of the financing in supplier-customer relations (Supply Chain Financing), is easily revocable and for both the client and the supplier it is a fully automated tool. In 2018 we will focus on supporting this product through communication channels and subsequent acquisitions primarily in cooperation with the parent bank. A new digital service *ediFactoring* was implemented into our factoring system in 2017 thanks to our strategic partnership with EDITEL. Clients using digital exchange of documents may now use this modern communication platform in the internet application eFactoring leading to increase in effectiveness and speed of

operational processes connected to factoring for both the clients and the Company through automation and utilization of EDI solutions.

**The department of risk management** continued to use the compact concept of risk management developed in past years, which was built with respect to eliminating as many newly emerging credit and operational risks as possible. This concept was expanded by further and even more thorough integration of data about clients into the information systems in Česká spořitelna resulting in even closer cooperation with the parental bank, namely in the acquisition of clients, overviews of mutual clients, their total loan commitment and of course in the field of risk management and reporting. Furthermore, the necessity of communication and consultations of business strategy considering mutual clients with Česká spořitelna, i.e. the whole Erste Bank Group, rose significantly. Continuous cooperation with commercial insurance companies on the Czech market is an important aspect of the strategic management of the Company. The aim of these processes is elimination and diversification of the Company's own risks and the effort to help clients with continuous evaluation of the quality of their portfolio of customers, prevention of negative impacts of non-standard situations and minimisation of financial losses. The Risk management department carefully prepared for the requirements of the new reverse factoring. Further know-how necessary for this product has spread through the team within the framework of the "Supply Chain Financing" project and short seminars were prepared as a support to the sales arguments in the field of financial analysis for the entire Sales team of the Company.

**The operation department** concentrated on the flow of current deals and on providing professional client service connected to the individual factoring products. High quality of the department's work with the portfolio of ceded receivables significantly reduces the Company's own credit risk and simultaneously enhances the liquidity management and stability of financing of the clients' working capital. In 2017 the Company focused on development and implementation of a system of message delivery to our clients related to the development of factoring deals and usage of data boxes.

**The financial department** aimed to further increase the financial management of the Company, particularly decreasing the operating expenses, cash flow management, decreasing the impacts of the foreign currency markets volatility and securing the Company's stable level of liquidity. Majority of these processes were successful thanks to pristine cooperation with Česká spořitelna. Simultaneously the Company expanded the means of financing of the clients' receivables to additional non-European currencies. Last, but not least the Company successfully incorporated the IFRS9 principles in the accounting standards and methodologies of the Company.

**IT department** ensures stable workflow in the Company from technical and technological perspective and thus contributes not only to the quality and security of all activities, but also to the innovation process in both products and technologies. New plans for maintaining business continuity were created in successful cooperation with Česká spořitelna. The main purpose of these activities is to minimize the impacts arising from unusual situations.

Factoring České spořitelny will continue with the implementation of precautions in the area of personal data protection (GDPR) in order to ensure that the processes in the Company comply with the Regulation of the EU No. 2016/679.

The achieved results of the last year, innovative approach to utilizing of financial technologies for improving the comfort of clients in providing our services, collective effort of all our employees and management, and support of the sole shareholder are the basis for further significant presence of the Company on the Czech market.

One of the key requirements for success in the future is a continuous close cooperation with the parent bank – Česká spořitelna, quality and professional risk management, flexible reaction to the market's needs and maintaining high standard of services provided to the clients of the Company.

The main aim for 2018 lies in fulfilling the strategy of creating a modern company utilising the whole portfolio of factoring products tailored to fit the client's needs with the help of automation and digital services in the factoring process and communication with clients.

# Financial Statements

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## ***Independent auditor's report***

**to the shareholder of Factoring České spořitelny, a.s.**

### *Opinion*

We have audited the accompanying financial statements of Factoring České spořitelny, a.s., with its registered office at Budějovická 1518/13B, Praha 4 ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

### *Basis for Opinion*

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

### *Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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**Shareholder of Factoring České spořitelny, a.s.  
Independent auditor's report**

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

27 March 2018

  
represented by partner



Petr Kriz  
Statutory Auditor, Evidence No. 1140

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

# Balance Sheet

at 31 December 2017

CZK ths.		Current year			Prior year 2016
		Gross	Allowances	Net	Net
<b>Total assets</b>		<b>7,986,851</b>	<b>-404,627</b>	<b>7,582,224</b>	<b>7,489,684</b>
<b>B.</b>	<b>Fixed assets</b>	<b>26,831</b>	<b>-21,640</b>	<b>5,191</b>	<b>3,611</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>12,067</b>	<b>-10,572</b>	<b>1,495</b>	<b>1,650</b>
B.I.2.	Valuable rights	12,067	-10,572	1,495	1,650
B.I.2.1.	Software	11,291	-9,796	1,495	1,650
B.I.2.2.	Other valuable rights	776	-776	0	0
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>14,764</b>	<b>-11,068</b>	<b>3,696</b>	<b>1,961</b>
B.II.2.	Movable assets and sets of movable assets	14,764	-11,068	3,696	1,961
<b>C.</b>	<b>Current assets</b>	<b>7,958,530</b>	<b>-382,987</b>	<b>7,575,543</b>	<b>7,484,683</b>
<b>C.II.</b>	<b>Receivables</b>	<b>7,892,088</b>	<b>-382,987</b>	<b>7,509,101</b>	<b>7,481,012</b>
<b>C.II.1.</b>	<b>Long-term receivables</b>	<b>42,699</b>	<b>0</b>	<b>42,699</b>	<b>44,705</b>
C.II.1.4.	Deferred tax asset	42,479		42,479	44,485
C.II.1.5.	Other receivables	220	0	220	220
C.II.1.5.2.	Long-term advances granted	220	0	220	220
<b>C.II.2.</b>	<b>Short-term receivables</b>	<b>7,849,389</b>	<b>-382,987</b>	<b>7,466,402</b>	<b>7,436,307</b>
C.II.2.1.	Trade receivables	7,847,843	-382,987	7,464,856	7,429,910
C.II.2.4.	Other receivables	1,546	0	1,546	6,397
C.II.2.4.3.	Due from government – tax receivables	497		497	5,323
C.II.2.4.4.	Short-term advances granted	1,049		1,049	1,074
<b>C.IV.</b>	<b>Cash</b>	<b>66,442</b>	<b>0</b>	<b>66,442</b>	<b>3,671</b>
C.IV.1.	Cash in hand	101		101	92
C.IV.2.	Cash at bank	66,341		66,341	3,579
<b>D.I.</b>	<b>Prepaid expenses and accrued income</b>	<b>1,490</b>	<b>0</b>	<b>1,490</b>	<b>1,390</b>
D.I.1.	Prepaid expenses	1,490		1,490	1,390

CZK ths.	Current year	Prior year 2016
<b>Total equity &amp; liabilities</b>	<b>7,582,224</b>	<b>7,489,684</b>
<b>A. Equity</b>	<b>1,201,330</b>	<b>1,145,547</b>
<b>A.I. Share capital</b>	<b>114,000</b>	<b>114,000</b>
A.I.1. Registered capital	114,000	114,000
<b>A.II. Share premium and revaluation reserve</b>	<b>898,400</b>	<b>898,400</b>
A.II.1. Share premium	80,000	80,000
A.II.2. Capital funds	818,400	818,400
A.II.2.1. Other capital funds	818,400	818,400
<b>A.III. Reserves from profit</b>	<b>8,870</b>	<b>8,602</b>
A.III.1. Other reserves	7,744	7,744
A.III.2. Statutory and other reserves	1,126	858
<b>A.IV. Profit (loss) brought forward (+/-)</b>	<b>123,654</b>	<b>98,577</b>
A.IV.1. Retained earnings	123,654	98,577
<b>A.V. Profit (loss) for the year (+/-)</b>	<b>56,406</b>	<b>25,968</b>
<b>B.+C. Provisions and liabilities</b>	<b>6,368,131</b>	<b>6,331,571</b>
<b>C. Liabilities</b>	<b>6,368,131</b>	<b>6,331,571</b>
<b>C.II. Current liabilities</b>	<b>6,368,131</b>	<b>6,331,571</b>
C.II.2. Amounts owed to credit institutions	3,860,548	3,306,500
C.II.3. Short-term advances received	4,357	4,944
C.II.4. Trade payables	2,480,139	2,993,644
C.II.8. Other liabilities	23,087	26,483
C.II.8.3. Liabilities to employees	1,948	1,663
C.II.8.4. Liabilities arising from social security and health insurance	771	702
C.II.8.5. Due to government – taxes and subsidies	2,450	1,756
C.II.8.6. Unbilled deliveries	17,918	22,362
<b>D.I. Accruals and deferred income</b>	<b>12,763</b>	<b>12,566</b>
D.I.2. Deferred income	12,763	12,566

Prepared on: 21 March 2018

Signature of entity's statutory body:



Karel Nováček



Karel Machytka

# Income Statement

for the year ended 31 December 2017

CZK ths.	Current year	Prior year 2016
<b>I. Revenue from sale of finished products and services</b>	<b>102,940</b>	<b>99,744</b>
<b>A. Production-related consumption</b>	<b>21,084</b>	<b>24,136</b>
A.2. Consumption of material and energy	710	744
A.3. Services	20,374	23,392
<b>D. Personnel expenses</b>	<b>44,573</b>	<b>47,786</b>
D.1. Wages and salaries	33,105	35,652
D.2. Social security and health insurance costs and other costs	11,468	12,134
D.2.1. Social security and health insurance costs	10,052	10,697
D.2.2. Other costs	1,416	1,437
<b>E. Value adjustments in respect of operating activities</b>	<b>-57,331</b>	<b>141,972</b>
E.1. Value adjustments in respect of intangible and tangible fixed assets	1,718	1,870
E.1.1. Value adjustments in respect of intangible and tangible fixed assets - permanent	1,718	1,870
E.3. Value adjustments in respect of receivables	-59,049	140,102
<b>III. Other operating income</b>	<b>16,597</b>	<b>131,695</b>
III.1. Income from sale of fixed assets	731	644
III.3. Miscellaneous operating income	15,866	131,051
<b>F. Other operating expenses</b>	<b>94,371</b>	<b>41,505</b>
F.1. Net book value of fixed assets sold	268	25
F.3. Taxes and charges relating to operations	-430	-22
F.5. Miscellaneous operating expenses	94,533	41,502
<b>* Profit or loss on operating activities (+/-)</b>	<b>16,840</b>	<b>-23,960</b>
<b>VI. Interest income and similar income</b>	<b>74,290</b>	<b>71,323</b>
VI.2. Other interest and similar income	74,290	71,323
<b>J. Interest expense and similar expenses</b>	<b>14,496</b>	<b>14,303</b>
J.1. Interest expense and similar expenses – subsidiaries or parents	14,496	14,303
<b>VII. Other finance income</b>	<b>211,322</b>	<b>52,403</b>
<b>K. Other finance cost</b>	<b>212,690</b>	<b>51,939</b>
<b>* Profit or loss on financial activities (+/-)</b>	<b>58,426</b>	<b>57,484</b>
<b>** Profit or loss before taxation (+/-)</b>	<b>75,266</b>	<b>33,524</b>
<b>L. Income tax</b>	<b>18,860</b>	<b>7,556</b>
L.1. Income tax due	16,854	12,407
L.2. Income tax deferred (+/-)	2,006	-4,851
<b>** Profit or loss after taxation (+/-)</b>	<b>56,406</b>	<b>25,968</b>
<b>*** Profit or loss for the year (+/-)</b>	<b>56,406</b>	<b>25,968</b>
<b>* Net turnover</b>	<b>405,149</b>	<b>355,165</b>

Prepared on: 21 March 2018

Signature of entity's statutory body:



Karel Nováček



Karel Machytka

# Cash Flow Statement

for the year ended 31 December 2017

CZK ths.	Current year	Prior year 2016	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Z.	<b>Profit or loss on ordinary activities before taxation (+/-)</b>	<b>75,266</b>	<b>33,524</b>
A.1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	-46,010	99,248
A.1.1.	Depreciation and amortization of fixed assets and write-off of receivables	73,295	16,785
A.1.2.	Change in allowances	-59,048	140,102
A.1.5.	(Gain)/Loss on disposal of fixed assets	-463	-619
A.1.6.	Interest expense and interest income	-59,794	-57,020
A.*	<b>Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>29,256</b>	<b>132,772</b>
A.2.	Change in non-cash components of working capital	-559,695	-326,746
A.2.2.	Change in trade receivables	-47,475	-208,078
A.2.3.	Change in other receivables and in prepaid expenses and unbilled revenue	-75	198
A.2.4.	Change in trade payables	-513,505	-122,054
A.2.5.	Change in other payables, and in accruals and deferred income	1,360	3,188
A.**	<b>Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>-530,439</b>	<b>-193,974</b>
A.3.1.	Interest paid	55,350	57,183
A.4.1.	Income Tax paid	-12,730	-4,221
A.***	<b>Net cash provided by (used in) operating activities</b>	<b>-487,819</b>	<b>-141,012</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B.1.1.	Purchase of fixed assets	-3,566	-2,327
B.2.1.	Proceeds from sale of fixed assets	731	644
B.***	<b>Net cash provided by (used in) investing activities</b>	<b>-2,835</b>	<b>-1,683</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C.1.	Change in long-term liabilities, and long-term and short-term loans	554,048	142,125
C.2.3.	Effect of other changes in own capital on cash	-623	-627
C.***	<b>Net cash provided by (used in) financing activities</b>	<b>553,425</b>	<b>141,498</b>
F.	<b>Net increase (decrease) in cash</b>	<b>62,771</b>	<b>-1,197</b>
P.	<b>Cash and cash equivalents at the beginning of year</b>	<b>3,671</b>	<b>4,868</b>
R.	<b>Cash and cash equivalents at the end of year</b>	<b>66,442</b>	<b>3,671</b>

Prepared on: 21 March 2018

Signature of entity's statutory body:



Karel Nováček



Karel Machytka

# Statement of Changes in Equity

for the year ended 31 December 2017

CZK ths.	Share Capital	Share Premium	Other Capital Funds	Reserve fund, indivisible fund, other funds from profit	Retained Earnings	Profit for the Period	Total
<b>As at 1 January 2016</b>	<b>114,000</b>	<b>80,000</b>	<b>818,400</b>	<b>8,336</b>	<b>90,703</b>	<b>8,767</b>	<b>1,120,206</b>
Distribution of profit	0	0	0	893	7,874	-8,767	0
Distribution of funds	0	0	0	-627	0	0	-627
Net profit for the period	0	0	0	0	0	25,968	25,968
<b>As at 31 December 2016</b>	<b>114,000</b>	<b>80,000</b>	<b>818,400</b>	<b>8,602</b>	<b>98,577</b>	<b>25,968</b>	<b>1,145,547</b>
<b>As at 1 January 2017</b>	<b>114,000</b>	<b>80,000</b>	<b>818,400</b>	<b>8,602</b>	<b>98,577</b>	<b>25,968</b>	<b>1,145,547</b>
Distribution of profit	0	0	0	891	25,077	-25,968	0
Distribution of funds	0	0	0	-623	0	0	-623
Net profit for the period	0	0	0	0	0	56,406	56,406
<b>As at 31 December 2017</b>	<b>114,000</b>	<b>80,000</b>	<b>818,400</b>	<b>8,870</b>	<b>123,654</b>	<b>56,406</b>	<b>1,201,330</b>

Prepared on: 21 March 2018

Signature of entity's statutory body:



Karel Nováček



Karel Machytka

# Notes to the Financial Statements

for the year ended 31 December 2017

## 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's primary business activities are: factoring and forfaiting 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.

The Company's subscribed and paid-up share capital amounts to CZK 114,000 thousand.

The accompanying financial statements have been prepared for the year ended 31 December 2017.

The sole shareholder of the Company is Česká spořitelna, a.s., with its registered office in Prague 4, Olbrachtova 1929/62, postal code 140 00, Business registration No. 45244782. 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 2017, the Company had 37 employees and two Board of Directors members by virtue of performing their duties. The Company is organized into four units as follows: Management including Secretariat, Sales and Marketing department, Risk Management department, Operations and Business development department.

As at 20 March 2017 chairman and vice-chairman of the Supervisory board have been changed.

As at 31 December 2017, members of the Company's statutory and supervisory bodies were as follows::

	Position	Name
Board of Directors:	Chairman	Karel Nováček
	Member	Karel Machytka
Proxy holders:		Michael Jehlička
		Alois Barthhuber
Supervisory board:	Chairman	Jan Seger
	Vice Chair	Petr Vacek
	Member	Roman Pařil

The Company has no foreign branch.

## 2. Basis of presentation of the financial statement

The accompanying financial statements (standalone) were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2017.

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"), unless stated otherwise.

## 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 higher than CZK 40 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 higher than CZK 60 thousand.

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

Tangible assets with a cost lower than 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 are acquired.

The cost of technical improvements exceeding CZK 40 thousand in aggregate for tangible and CZK 60 thousand for intangible assets, for the period increases the acquisition cost of the related fixed asset, if completed. Technical improvements are put into operation once a year in December and depreciation starts in the month the technical improvement is recognised.

#### Depreciation and Amortization for Accounting Purposes

Depreciation and amortization 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/amortization periods of the individual categories of assets are as follows:

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

Depreciation and amortization periods are set according to estimated useful life of the related asset.

### 3.2 Receivables

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

The Company accounts for factoring receivables on a “gross” and “net” basis depending on the product and specific terms of contracts. Gross method is used in cases where the Company provides financial instruments as short-term financial borrowings to the client. Net method is used in cases where provided financial instruments represent total or partial payment for the cession of receivables.

Factoring receivables accounted on “gross” basis are recognized in nominal amount as short-term trade receivables. The related payables to suppliers, the clients of the Company, are recognized as short-term trade payables. Short-term receivables represent mostly the nominal value of the Company’s receivables from customers.

Factoring receivables accounted on “net” basis are recognized in nominal value as short-term receivables and also as short-term trade payables. The amount of the trade payable is subsequently lowered by the partial payment of the cost of the receivable.

The prefinancing provided for the recourse factoring is accounted to “short-term trade receivables” line in the balance sheet.

### Allowances for impairment

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

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

Expected Loss = Maximum exposure not covered by settlement × probability of customer default + (Actual value of client liabilities – total value of collateral contractually agreed 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 multiplication in the customer portfolio of the respective client.

Specific allowances are created against special workout receivables. These may be tax deductible or non-deductible based on the Czech Accounting Standards.

### 3.3 Equity

The share capital of the Company is stated at the amount recorded in the Register of Companies maintained by 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 balance sheet 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.

### 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 they relate to.

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

### 3.5 Provisions

A provision is recognized 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 provisions are released or carried forward based on the review results.

### 3.6 Translation of Foreign Currencies

Foreign Currencies Transactions 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 existing CNB foreign exchange rate as at that date and any resulting translation gains and losses are recorded through the current year’s financial income or financial expense, as appropriate.

### 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 current tax expense is based on taxable profit. 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 Tax

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 realized. The deferred tax asset is recognized only if it is likely to be offset against taxable income.

### 3.8 Cash

Cash is defined as cash in hand, cash in bank or deposits payable on demand within 3 months.

### 3.9 Revenues

Factoring fees are presented within 'Revenues 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 from provided financing is 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management of the Company made these estimates and assumptions based on all available relevant data. However since they are still estimates and actual results and outcome in the following reporting periods may be different.

### 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 partially in the form of overdraft on 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 monthly rates both for assets and liabilities.

### 3.12 Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the balance sheet date.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Additional Information on the Balance Sheet and the Income Statement

### 4.1 Intangible Fixed Assets

#### Cost

CZK ths.	Balance at 31. 12. 2015	Additions	Disposals	Balance at 31. 12. 2016	Additions	Disposals	Balance at 31. 12. 2017
Software	9,623	1,238	0	10,861	430	0	11,291
Licenses and other	776	0	0	776	0	0	776
<b>Total</b>	<b>10,399</b>	<b>1,238</b>	<b>0</b>	<b>11,637</b>	<b>430</b>	<b>0</b>	<b>12,067</b>

#### Accumulated Amortisation and Provisions

CZK ths.	Balance at 31. 12. 2015	Additions	Disposals	Balance at 31. 12. 2016	Additions	Disposals	Balance at 31. 12. 2017
Software	8,926	285	0	9,211	585	0	9,796
Licenses and other	776	0	0	776	0	0	776
<b>Total</b>	<b>9,702</b>	<b>285</b>	<b>0</b>	<b>9,987</b>	<b>585</b>	<b>0</b>	<b>10,572</b>

#### Net Book Value

CZK ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
Software	1,495	1,650
Licenses and other	0	0
<b>Total</b>	<b>1,495</b>	<b>1,650</b>

In 2017 the Company charges fees from licenses directly to expenses (see Expenses).

### 4.2 Tangible Fixed Assets

#### Cost

CZK ths.	Balance at 31. 12. 2015	Additions	Disposals	Balance at 31. 12. 2016	Additions	Disposals	Balance at 31. 12. 2017
Machinery and equipment	8,107	0	0	8,107	1,343	0	9,450
Vehicles	5,001	1,089	-1,263	4,827	1,792	-1,305	5,314
<b>Total</b>	<b>13,108</b>	<b>1,089</b>	<b>-1,263</b>	<b>12,934</b>	<b>3,135</b>	<b>-1,305</b>	<b>14,764</b>

#### Accumulated Depreciation

CZK ths.	Balance at 31. 12. 2015	Additions	Disposals	Balance at 31. 12. 2016	Additions	Disposals	Balance at 31. 12. 2017
Machinery and equipment	7,462	447	0	7,909	223	0	8,132
Vehicles	3,164	1,138	-1,238	3,064	909	-1,037	2,936
<b>Total</b>	<b>10,626</b>	<b>1,585</b>	<b>-1,238</b>	<b>10,973</b>	<b>1,132</b>	<b>-1,037</b>	<b>11,068</b>

#### Net Book Value

CZK ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
Machinery and equipment	1,318	198
Vehicles	2,378	1,763
<b>Total</b>	<b>3,696</b>	<b>1,961</b>

In 2017 investments in tangible assets related to cars and equipment. In 2016 investments in tangible assets related only to cars. The Company acquired tangible assets of CZK 150 thousand (CZK 64 thousand) that were charged directly to expenses in 2017 and 2016, respectively. These assets are low value tangible assets.

## 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 ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
Trade receivables	7,464,856	7,429,910
– customers (factoring)	6,386,223	6,321,399
– prepayments made	1,461,620	1,550,546
– allowances	-382,987	-442,035
Due from government – tax receivables /(-) payables	-497	5,323
Short-term advances granted	1,049	1,074
<b>Total</b>	<b>7,466,402</b>	<b>7,436,307</b>

The above receivables represent mainly 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.

The Company hasn't recognized any receivables off balance sheet.

### 4.3.3 Aging of Trade Receivables

Year	Category	Not yet due	Overdue					Total
			1–30 days	31–60 days	61–90 days	91–365 days	Over 1 year	
2017	Trade receivables	6,160,173	843,057	232,422	1,019	21,574	589,598	<b>7,847,843</b>
	Allowances – specific	0	-248	-3,854	0	-15,662	-351,823	<b>-371,587</b>
	Allowances – portfolio	-11,400	0	0	0	0	0	<b>-11,400</b>
2016	Trade receivables	6,107,266	731,735	170,015	6,539	22,930	833,460	<b>7,871,945</b>
	Allowances – specific	-5,000	-2,086	-1,907	-794	-994	-415,516	<b>-426,297</b>
	Allowances – portfolio	-15,738	0	0	0	0	0	<b>-15,738</b>

The average maturity of receivables from customers of the Company's factoring clients in 2017 was 70 days (2016: 68 days).

In accordance with the method of creating of allowances for accounting purposes on the basis of calculation of expected loss (EL) from the financing placed with clients – see note 3.2 – the Company created portfolio allowances of CZK 11,400 thousand and CZK 15,738 thousand, as at 31 December 2017 and 2016, respectively.

Specific accounting allowances have been created for workout receivables.

Accounting allowances have been set aside during the period of CZK 215,472 thousand and CZK 226,702 thousand, respectively.

Tax allowances have been set aside of CZK 167,515 thousand and CZK 215,333 thousand in 2017 and 2016, respectively. Tax deductible allowances are created against receivables from customers of the Company's clients which have been ceded to the Company as well as the Company's own receivables from clients in accordance with Czech Accounting Standards.

Allowances are created mainly for receivables that are more than 90 days overdue.

In 2017 and 2016, the Company wrote off irrecoverable receivables not covered by allowances for impairment of CZK 73,147 thousand and CZK 15,967 thousand, respectively.

#### Changes in allowance accounts (in CZK thousand)

CZK ths.	Balance at 31.12.2015	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2016	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2017
<b>Allowances against:</b>									
Receivables – tax deductible	101,114	139,446	-10,756	-14,471	215,333	37,780	-37,231	-48,367	167,515
Receivables – other	200,820	39,005	-3,028	-10,095	226,702	108,515	-98,346	-21,399	215,472
<b>Total</b>	<b>301,934</b>	<b>178,451</b>	<b>-13,784</b>	<b>-24,566</b>	<b>442,035</b>	<b>146,295</b>	<b>-135,577</b>	<b>-69,766</b>	<b>382,987</b>

#### 4.4 Cash

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

#### 4.5 Accrued Income and Deferred Expense

Accrued assets primarily comprise prepaid expenses mainly for insurance 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 at a nominal value of CZK 1,500 thousand per share.

The shareholder provided the Company with a share premium of CZK 80,000 thousand and a contribution of CZK 818,400 thousand 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 2016

On 20 May 2017, the Company's sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2016 profit totalling CZK 25,968 thousand and allocated CZK 891 thousand to the social fund and transferred CZK 25,077 thousand to retained earnings, that amounted to CZK 123,654 thousand as at 31 December 2017.

#### 4.7 Liabilities

##### 4.7.1 Current Liabilities

CZK ths.	Balance at 31.12.2017	Balance at 31.12.2016
Amount due to credit institutions	3,860,548	3,306,500
Trade payables (factoring)	2,480,139	2,993,644
Short-term advances received	4,357	4,944
Other liabilities:	23,087	26,483
– Liabilities to employees	1,948	1,663
– Liabilities arising from social security and health insurance	771	702
– Due to government – taxes and subsidies	2,450	1,756
– Unbilled deliveries	17,918	22,362
<b>Total</b>	<b>6,368,131</b>	<b>6,331,571</b>

Amounts due to credit institutions represent in particular bank loans and overdrafts. For more details – see Note 4.7.2.

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, deferred expenses 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.

There are no liabilities with material guarantees and with maturity over 5 years.

The Management of the Company is not aware of any contingent liabilities of the Company as at 31 December 2017.

#### 4.7.2 Bank Loans and Borrowings

##### 2017

CZK ths. Bank	Purpose	Balance at 31. 12. 2017	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	75,687	1 M Libor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – overdraft JPY	3,978	1 M Libor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – overdraft PLN	77,198	1 M Wibor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – overdraft CZK	354,915	1 M Pribor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – overdraft HUF	0	1 M Bubor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – overdraft EUR	0	1 M Euribor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – current account CZK	700,000	1 M Pribor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – overdraft USD	52,188	1 M Libor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – current account EUR	2,554,000	1 M Euribor + risk margin	31. 8. 2018	uncollateralised
Česká spořitelna	operating – current account USD	42,582	1 M Libor + risk margin	31. 8. 2018	uncollateralised
<b>Total intercompany bank loans</b>		<b>3,860,548</b>			
<b>Total</b>		<b>3,860,548</b>			

##### 2016

CZK ths. Bank	Purpose	Balance at 31. 12. 2016	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	47,203	1 M Libor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – overdraft JPY	1	1 M Libor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – overdraft PLN	24,963	1 M Wibor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – overdraft CZK	272,141	1 M Pribor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – overdraft HUF	20,820	1 M Bubor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – overdraft EUR	188,624	1 M Euribor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – current account CZK	800,000	1 M Pribor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – overdraft USD	251,867	1 M Libor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – current account EUR	1,675,240	1 M Euribor + risk margin	31. 8. 2017	uncollateralised
Česká spořitelna	operating – current account USD	25,639	1 M Libor + risk margin	31. 8. 2017	uncollateralised
<b>Total intercompany bank loans</b>		<b>3,306,498</b>			
Komerční banka	operating – current account – CZK	2			
<b>Total external bank loans</b>		<b>2</b>			
<b>Total</b>		<b>3,306,500</b>			

The Company paid interest from these loans of CZK 14,496 thousand and CZK 14,303 thousand in 2017 and 2016, respectively.

#### 4.8 Accrued Expenses and Deferred Income

Deferred income predominantly includes accrued loan interest and operating liabilities.

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

##### 2017

CZK ths.	CZK	USD	EUR	PLN	GBP	Other	Total
Short term receivables	4,144,294	121,196	3,397,422	106,855	75,615	4,007	7,849,389
Cash and cash equivalents	2,356	0	64,086	0	0	0	66,442
Accrued income and deferred expense	1,490	0	0	0	0	0	1,490
<b>Total</b>	<b>4,148,140</b>	<b>121,196</b>	<b>3,461,508</b>	<b>106,855</b>	<b>75,615</b>	<b>4,007</b>	<b>7,917,321</b>
Current liabilities	1,520,659	26,573	930,534	28,812	1,005	0	2,507,583
Bank loans and borrowings	1,054,915	94,770	2,554,000	77,198	75,687	3,978	3,860,548
Accrued expense and deferred income	12,763	0	0	0	0	0	12,763
<b>Total</b>	<b>2,588,337</b>	<b>121,343</b>	<b>3,484,534</b>	<b>106,010</b>	<b>76,692</b>	<b>3,978</b>	<b>6,380,894</b>

##### 2016

CZK ths.	CZK	USD	EUR	PLN	GBP	Other	Total
Short term receivables	4,441,605	308,463	2,909,231	31,117	140,112	47,813	7,878,342
Cash and cash equivalents	3,268	0	403	0	0	0	3,671
Accrued income and deferred expense	1,390	0	0	0	0	0	1,390
<b>Total</b>	<b>4,446,263</b>	<b>308,463</b>	<b>2,909,635</b>	<b>31,117</b>	<b>140,112</b>	<b>47,813</b>	<b>7,883,403</b>
Current liabilities	2,062,235	27,571	898,281	5,592	5,384	26,009	3,025,071
Bank loans and borrowings	1,072,143	277,506	1,863,864	24,963	47,204	20,820	3,306,500
Accrued expense and deferred income	12,566	0	0	0	0	0	12,566
<b>Total</b>	<b>3,146,945</b>	<b>305,076</b>	<b>2,762,145</b>	<b>30,555</b>	<b>52,587</b>	<b>46,829</b>	<b>6,344,137</b>

#### 4.10 Derivatives

The Company concluded the usage of derivatives held for trading in 2017. As at 31 December 2016, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively.

The following table summarizes face values and positive or negative values of outstanding derivatives held for trading as at the balance sheet date:

CZK ths.	31. 12. 2017			31. 12. 2016		
	Contractual/ Face value	Positive	Fair value Negative	Contractual/ Face value	Positive	Fair value Negative
FX swaps	0	0	0	84,479	0	0
<b>Total derivatives held for trading</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,479</b>	<b>0</b>	<b>0</b>

Derivatives did not qualify as hedging instruments and were included in the derivatives held for trading.

#### 4.11 Details of Revenue by Principal Activity

CZK ths.	2017			2016		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Income from fees	98,596	2,320	100,916	95,854	1,602	97,456
Advisory services	0	1,894	1,894	0	1,947	1,947
Other income	130	0	130	341	0	341
<b>Production</b>	<b>98,726</b>	<b>4,214</b>	<b>102,940</b>	<b>96,195</b>	<b>3,549</b>	<b>99,744</b>

Fees represent factoring fee. Advisory services include income from the lease of the information system within the Group.

#### 4.12 Services

CZK ths.	2017	2016
Consumption of material	271	305
Consumption of energy	439	439
<b>Total consumption of material and energy</b>	<b>710</b>	<b>744</b>
Legal and notarial services	1,774	2,932
Factoring fee	3,577	3,498
External audit	680	1,852
Rent	3,803	3,864
Outsourcing expenses	2,370	2,430
Marketing expenses	219	195
Repairs and maintenance	3,080	3,214
Travelling	299	384
Training	219	196
Other services	4,353	4,827
<b>Total costs of services</b>	<b>20,374</b>	<b>23,392</b>

#### 4.13 Staff cost

##### 4.13.1 Staff cost and Number of Employees

The following tables summarize the average number of the Company's employees and managers and staff costs for the years ended 31 December 2017 and 2016:

##### 2017

CZK ths.	Number	Wages	Social security and health insurance	Other expenses	Personnel and related expenses
Employees	36	24,072	8,071	1,264	33,407
Management	3	9,002	1,981	183	11,166
<b>Total</b>	<b>39</b>	<b>33,074</b>	<b>10,052</b>	<b>1,447</b>	<b>44,573</b>

##### 2016

CZK ths.	Number	Wages	Social security and health insurance	Other expenses	Personnel and related expenses
Employees	36	22,122	7,043	693	29,858
Management	4	13,530	3,654	744	17,928
<b>Total</b>	<b>40</b>	<b>35,652</b>	<b>10,697</b>	<b>1,437</b>	<b>47,786</b>

The number of employees is based on the average re-calculated headcount. Wage costs include rewards for the members of statutory and supervisory bodies. Personnel expenses of management include expenses on members of the Board of Directors executive directors of the Company, who are also Proxy holders. Wage costs of management for 2016 include also bonuses and severance payment to leaving Board of Directors' members.

##### 4.13.2 Loans, Borrowings, and Other Benefits Provided

In 2017 and 2016, Company's management received the following benefits in addition to their basic salaries and other personal funding:

##### 2017

Management, Members of BoD, Proxy holders	CZK ths.	2017
Vehicles/other assets for both business and private purposes, Management life and pension insurance, cafeteria (amount increases the tax base of employees)		543

**2016**

Management, Members of BoD, Proxy holders	CZK ths.	2016
Vehicles/other assets for both business and private purposes, Management life and pension insurance, cafeteria (amount increases the tax base of employees)		648

**4.14 Other Operating Income and Expenses**

CZK ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
<b>Other operating income</b>	<b>16,597</b>	<b>131,695</b>
Income from sale of fixed assets	731	644
Other operating income	15,866	131,051
<b>Other operating expenses</b>	<b>94,371</b>	<b>41,505</b>
Net book value of fixed assets sold	268	25
Taxes and charges relating to operations	-430	-22
Other operating expenses	94,533	41,502
<b>Total other operating result</b>	<b>77,774</b>	<b>90,190</b>

The most significant item within Other operating income in 2016 was the income from insurance claim settlement in the amount of CZK 126,096 thousand, out of which settlement of operating risk insurance claim amounts to CZK 123,543 thousand.

Other operating expenses include, in particular, trade receivables written off in the amount of CZK 73,146 thousand (2016: CZK 15,100 thousand) and insurance premium paid in the amount of CZK 19,524 thousand (2016: CZK 22,804 thousand) for operating and commercial risk insurance.

**4.15 Interest and Other Financial Income and Expenses**

CZK ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
<b>Interest income</b>	<b>74,290</b>	<b>71,323</b>
<b>Interest expense</b>	<b>-14,496</b>	<b>-14,303</b>
Related parties	-14,496	-14,303
<b>Other financial income</b>	<b>211,322</b>	<b>52,403</b>
Foreign exchange gains	210,910	52,078
Other	412	325
<b>Other financial expense</b>	<b>-212,690</b>	<b>-51,939</b>
Foreign exchange losses	-211,535	-50,837
Other	-1,155	-1,102
<b>Total other financial result</b>	<b>-1,368</b>	<b>464</b>
<b>Total result of financial activities</b>	<b>58,426</b>	<b>57,484</b>

Interest income includes interest from prepayments made under factoring arrangements.

Other financial income and expenses include also effects of accounting for currency swap for the purposes of managing GBP/CZK foreign exchange risk.

**4.16 Current and Deferred Income Tax****Current Tax**

CZK ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
Current Tax	16,877	12,414
Additional tax assessment	-23	-7
<b>Total</b>	<b>16,854</b>	<b>12,407</b>

The tax charge for 2017 and 2016 can be reconciled to the profit per the income statement as follows:

CZK ths.	2017	2016
<b>Profit before tax</b>	<b>75,266</b>	<b>33,524</b>
Tax at the local income tax rate of 19 % (2016: 19 %)	14,301	6,370
Tax effect of non-deductible expenses	4,255	7,788
Tax effect of non-taxable income	-1,679	-1,744
Additional payment of taxes for prior periods	-23	-7
<b>Current tax payable</b>	<b>16,854</b>	<b>12,407</b>
Changes in the deferred tax	2,006	-4,851
<b>Total tax</b>	<b>18,860</b>	<b>7,556</b>

### Deferred Taxation

The deferred tax asset (liability) can be analysed as follows:

CZK ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
<b>Deferred tax arising from</b>		
Depreciation and amortization of fixed assets	-262	-199
Allowance for receivables	40,941	43,074
Accrued expenses for social security and health insurance	1,800	1,610
<b>Total deferred tax asset</b>	<b>42,479</b>	<b>44,485</b>

CZK ths.	Balance at 31. 12. 2017	Balance at 31. 12. 2016
<b>Analysis of the change in the balance</b>		
Opening balance	44,485	39,634
Current changes charged against the income statement	2,006	4,851
<b>Total charges against the income statement</b>	<b>2,006</b>	<b>4,851</b>
<b>Total charges against the equity</b>	<b>0</b>	<b>0</b>
<b>Total deferred tax asset</b>	<b>42,479</b>	<b>44,485</b>

## 5. Related Party Information

As the Company is a member of the Česká spořitelna, a.s. Group, its cooperation with the parent company continued during 2017, both with respect to acquisitions and to raising finance from entities outside the Group to provide funding for other transactions.

As at 31 December 2017 and 2016, receivables from Česká spořitelna, a.s. amounted to CZK 67,656 thousand and CZK 4,917 thousand, respectively. The above predominantly includes receivables arising from current account balances and advances granted.

As at 31 December 2017 and 2016, payables to the parent company amounted to CZK 3,861,638 thousand and CZK 3,310,492 thousand, respectively. These amounts mainly represent regular bank loans and balances on overdraft accounts and unbilled deliveries.

For the year ended 31 December 2017 and 2016, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 18,313 thousand and CZK 22,227 thousand, respectively. These predominantly included interest on received loans, outsourcing and rental expenses. Revenues of CZK 2,832 thousand and CZK 2,640 thousand, respectively, relate to interest and fees received from Česká spořitelna.

Receivables from Slovenská sporiteľňa, a.s. amounted to CZK 90 thousand (2016: CZK 95 thousand) and from Erste Factoring, d.o.o. amounted to CZK 64 thousand (2016: CZK 68 thousand). Payables to První certifikační autorita, a.s. in the form of unbilled delivery amounted to CZK 35 thousand (2016: CZK 15 thousand).

With respect to Slovenská sporiteľňa, a.s., the Company recognised revenues of CZK 1,105 thousand (2016: CZK 1,135 thousand), revenues from Erste Factoring d.o.o. of CZK 789 thousands (2016: CZK 811 thousand) and from Reico investiční společnost České spořitelny, a.s. there are no revenues in 2017 (2016: CZK 93 thousand).

For the year ended 31 December 2017 and 2016, the Company recorded expenses in relation to related party sAutoleasing, a.s. of CZK 21 thousand and CZK 12 thousand, respectively. In relation to related party První certifikační autorita, a.s. recorded expenses of CZK 189 thousand and CZK 126 thousand, respectively. And in relation to related party Procurement Services CZ, s.r.o. (Group procurement services) recorded expenses of CZK 79 thousand and CZK 76 thousand, respectively.

## 6. Contingent Liabilities and off Balance Sheet Commitments

The Company has 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.

## 7. Subsequent Events

There were no significant subsequent events that would have an impact on the information contained in the accompanying financial statements.

Prepared on 21 March 2018

Signature of accounting entity's statutory body:



Karel Nováček



Karel Machytka

# Report on Relations

## between Related Parties prepared pursuant to § 82 of Act No. 90/2012 Coll., on Corporations

**Factoring České spořitelny, a.s.**, with its registered office at Budějovická 1518/13B, Prague 4, postal code 140 00, Business Registration Number (IČO) 25629352, incorporated in the Commercial Register, Section B, File No. 5075, maintained by the Municipal Court in Prague (hereinafter also the “**Submitter**” or “**the Company**”) 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 § 82 of Act No. 90/2012 Coll. on Corporations, as amended, for the year ended 31 December 2017 (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 during the period:

### A. Overview of the persons whose relations are described below

Erste Group Bank AG	
–	Procurement Services GmbH
–	Procurement Services CZ, s.r.o.
–	EGB Ceps Beteiligungen GmbH
–	EGB Ceps Holding GmbH
–	Česká spořitelna, a.s.
–	První certifikační autorita, a.s.
–	CNCB – Czech Non-Banking Credit Bureau, z.s.p.o.
–	Pojišťovna České spořitelny, a.s., Vienna Insurance Group
–	Erste & Steiermarkische Bank, d.d.
–	Erste Factoring d.o.o.
–	Slovenská sporiteľňa, a.s.

### B. Controlling parties

- **Česká spořitelna, a.s.**, with its registered office at Olbrachtova 1929/62, postal code 140 00, Prague 4, Czech Republic, Business Registration Number (IČO) 45244782  
Relation to the Company: directly controlling person  
Description of relations – see **Annex 1**

- **Erste Group Bank AG**, with its registered office at Am Belvedere 1, Vienna, Austria, Business Registration Number 90003195  
Relation to the Company: indirectly controlling person – person controlling 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**
- **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”), Business Registration Number (IČO) 27631621

Relation to the Company: related party directly controlled by Procurement Services GmbH

Description of relations – see **Annex 1**

### **Companies controlled or otherwise related with Česká spořitelna, a.s.**

- **První certifikační autorita, a.s.**, with its registered office at Podvinný mlýn 2178/6, postal code 190 00, Prague 9 - Libeň („1.CA“), Business Registration Number (IČO) 26439395

Relation to the Company: affiliated company Česká spořitelna

Description of relations – see **Annex 1**

- **CNCB – Czech Non-Banking Credit Bureau, z.s.p.o.**, with its registered office at Na Vítězné pláni 1719/4, postal code 140 00 Prague 4 - Nusle („CNCB“), Business Registration Number (IČO) 71236384

Relation to the Company: affiliated company Česká spořitelna

Description of relations – see **Annex 1**

- **Pojišťovna České spořitelny, a.s., Vienna Insurance Group**, with its registered office at náměstí Republiky 115, Zelené Předměstí, 530 02 Pardubice, Business Registration Number (IČO) 47452820

Relation to the Company: affiliated company Česká spořitelna

Description of relations – see **Annex 1**

## **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 debit side of Factoring ČS's balance sheet**

#### **Receivables from banks**

Factoring České spořitelny, a.s. deposited cash totalling CZK 66.3 million in current and deposit accounts maintained by Česká spořitelna under contracts on 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. In 2017, the Company recognizes receivables and advance payments in the total amount of CZK 1.33 million from Česká spořitelna (2016: 1.34 million) and receivables of CZK 0.7 million from other related parties (2016: 0.1 million).

### **Related party transactions on the credit side of Factoring ČS's balance sheet**

#### **Liabilities to banks**

Factoring České spořitelny, a.s. received funds from Česká spořitelna, a.s. in the total amount of CZK 3,860.5 million particularly under loan agreements and bank overdraft contracts. Unbilled deliveries from Česká spořitelna, a.s. amounted to CZK 1.1 million. 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 interest income from abroad in the fiscal year from related parties.

#### **Interest and similar expense**

Factoring České spořitelny, a.s. incurred interest expense of CZK 14.5 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 2.8 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 8.2 million on general administrative expenses within the scope of related party transactions executed on an arm's-length basis in the fiscal year, particularly rent, 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 income and expenses of CZK 1.9 million within the scope of other related party transactions executed on an arm's-length basis in the period. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

#### **Net profit/loss from financial operations**

In the reporting period Factoring České spořitelny, a.s. ended a currency swap with Česká spořitelna with the income statement effect of CZK 3.1 million into expenses. Factoring České spořitelny, a.s. suffered no detriment as a result of the transaction in the reporting period.

## Contractual relations

In prior years, Factoring České spořitelny, a.s. entered into contracts with related parties listed in Sections B and C; the financial effects of the contracts are reflected in Annex 1. The list below includes major contracts with related parties that were in force during the period.

Description of relations with Česká Spořitelna, a.s.

Contract	Counterparty	Description	Year of contract	Detriment, if any
Current account agreement	Česká spořitelna, a.s.	Contract for current accounts (CZK, EUR, USD, GBP, CHF, PLN, NOK, HUF, RON, JPY, SEK, DKK, HRK) with amendments	2001–2017	None
Service agreement	Česká spořitelna, a.s.	Direct electronic banking agreement with amendments	2002	None
Lease agreement	Česká spořitelna, a.s.	Lease of a safe deposit box	2009	None
Debit cards contract	Česká spořitelna, a.s.	Debit cards contracts with amendments	2005–2017	None
Loan contract	Česká spořitelna, a.s.	Loan contract with amendments	2003–2017	None
Sub-participation agreement	Česká spořitelna, a.s.	Participation on risk of selected customers with amendments	2005–2017	None
Lease agreement	Česká spořitelna, a.s.	Lease of non-residential premises – Trianon	2014	None
Lease agreement	Česká spořitelna, a.s.	Lease of non-residential premises – Antala Staška Street	2014	None
Service agreement	Česká spořitelna, a.s.	Authorization to exercise the right of use of company logo	2002	None
Contract for contribution outside of the Share Capital	Česká spořitelna, a.s.	Contribution outside of the Share Capital	2014	None
Service agreement	Česká spořitelna, a.s.	Outsourcing with amendments No.1 and No.2	2016–2017	None
Service agreement	Česká spořitelna, a.s.	Agreement for the use of the ISIR_CS application and its development, support and operation	2009	None
Service agreement	Česká spořitelna, a.s.	System environment for Linux server farm	2010	None
Service agreement	Česká spořitelna, a.s.	IT services (IP Telefonie) with amendment No.1 (TEL Internet access)	2014–2016	None
Cooperation agreement	Česká spořitelna, a.s.	Risky receivables management	2009	None
Cooperation agreement	Česká spořitelna, a.s.	Exchange of information using the KLIENT application	2009	None
Cooperation agreement	Česká spořitelna, a.s.	Verification – verification of ceded invoices; Monitoring; of clients/pledges	2015	None
Cooperation agreement	Česká spořitelna, a.s.	Cooperation in approval of factoring deals	2017	None

Description of relations with other related parties

Contract	Counterparty	Description	Year of contract	Detriment, if any
Current account agreement	Slovenská sporiteľňa, a.s.	Current account agreement (EUR)	2016	None
Service agreement	Slovenská sporiteľňa, a.s.	Electronic banking including amendments	2016–2017	None
License agreement	Erste Factoring d.o.o.	Implementation of information system HoC	2010	None
License agreement	Slovenská sporiteľňa, a.s.	Agreement on transfer of rights and obligations of information system HoC	2011	None
License agreement	Slovenská sporiteľňa, a.s.	License agreement of implementation of information system Monitoring	2011	None
Service agreement I.CA	První certifikační autorita, a.s.	Issuing of qualified certificates	2006	None
Service agreement I.CA	První certifikační autorita, a.s.	Issuing of qualified time stamps	2007	None
Service agreement	Procurement Services CZ, s.r.o.	Provision of services	2011	None
Participation on project NRKI	CNCB - Czech Non-Banking Credit Bureau, z.s.p.o.	Participation on project NRKI and its usage	2015	None
Cooperation agreement	Pojišťovna České spořitelny, a.s.	Private life insurance with employer's contribution	2005	None

#### **D. Other legal actions**

In the fiscal year, the Submitter received or undertook no additional legal or other actions for the benefit or at the request of the Related Parties that would exceed 10 % of the Submitter's equity based on the latest financial statements.

#### **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. The Submitter assessed the relations between the Related Parties and has determined that they are favorable for Factoring České spořitelny, a.s. and bear low risk.

#### **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, undertaken or adopted by the Submitter for the benefit or at the request of the Related Parties in the fiscal year 2017.

This Report was discussed and approved by the Company's Board of Directors on 21 March 2018.

Prague, 21 March 2018

Factoring České spořitelny, a.s.



Karel Nováček  
Chairman of the Board of Directors



Karel Machytka  
Member of the Board of Directors

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

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