

Factoring České spořitelny, a.s.  
**Annual Report 2019**

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## Foreword by the Chairman of the Board of Directors

### Dear Ladies and Gentlemen,

I am presenting to you the annual report of Factoring České spořitelny for 2019, in which we focused mainly on the offer of significant product and technological innovations which the Company has been continuously developing over the past few years.

After two years of growth in turnover of ceded and managed receivables, Factoring České spořitelny recorded a slight year-on-year decrease, by 0.7% to CZK 35.7 billion. The positive development is the continuing growth in export factoring turnover and the increasing number of clients using reverse factoring, a new product offered by the company. Factoring České spořitelny continues to be one of the three largest factoring companies in the Czech Republic.

In 2019, the Company continued to implement its mid-term strategy aimed at providing a comprehensive solution to the financing of supplier-customer relationships (also known as Supply Chain Financing). It also focused on the automation of internal processes, whose permanent optimization ultimately improves the customer experience of clients who increasingly aim to use the latest trends in the area of financing of receivables and payables.

Thanks to the cooperation with EDITEL, and the use of modern technologies, the Company enables clients to interconnect electronic document exchange with factoring financing via ediFactoring service. This simplifies the work with documents, minimizes the risks of fraud and speeds up the transfer of funds to clients.

I have long appreciated also the cooperation with parent bank Česká spořitelna in the area of business activities, support and common



**Karel Nováček**

Chairman of the Board of Directors

approach to existing and new clients using both the traditional and new factoring products. Synergetic effects of cooperation with the parent company is well reflected also in the coordinated and prudent approach to risk management.

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 2019.

A handwritten signature in blue ink, appearing to be 'K. Nováček', written over a light blue background.

Karel Nováček  
Chairman of the Board of Directors

## Company's Profile

### Company

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

### Registered Office

Budějovická 1912/64b,  
140 00 Prague 4 – Krč

### Date of incorporation

4 December 1997

### Shareholders

Česká spořitelna, a.s. (100%)

### Members of the Board of Directors

Karel Nováček, chairman  
Pavel Chlumský, member

### Members of the Supervisory Board

Jan Seger, chairman  
Jan Jašek, vice-chairman  
Roman Pařil, member

### Main field of business / Products

Domestic factoring  
Export factoring  
Import factoring  
Reverse factoring  
ed/Factoring  
Administration, collection and monitoring  
of receivables

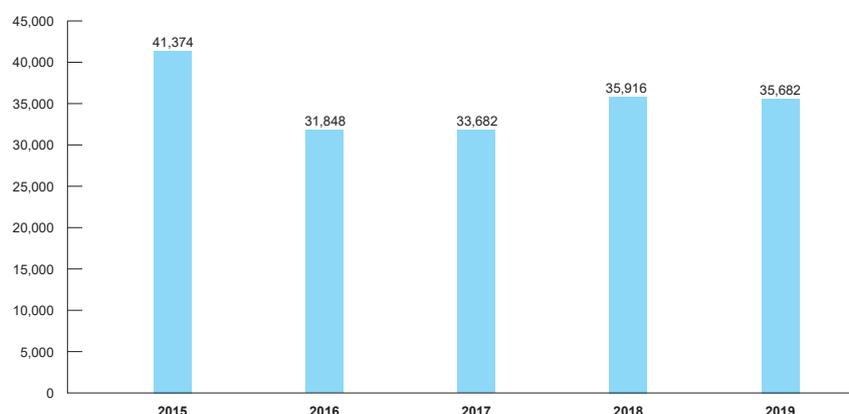
### Membership in associations

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

## Changes in key financial indicators

CZK ths.	2015	2016	2017	2018	2019
Assets from clients' accounts receivable financing (Total net Current assets)	7,436,287	7,484,683	7,575,543	8,039,813	7,336,285
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	818,400	818,400	818,400	818,400	818,400
Equity	1,120,206	1,145,547	1,201,330	1,198,788	1,234,354
Added value	99,733	75,608	81,856	85,924	81,387
Profit before taxation	25,522	33,524	75,266	66,612	58,530
<b>Profit for the current period</b>	<b>8,767</b>	<b>25,968</b>	<b>56,406</b>	<b>53,679</b>	<b>36,321</b>

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



# Management Report

The Czech economy has continued to grow for the sixth consecutive year in 2019, although the GDP growth has slowed and further decrease in growth is expected in 2020. This is mainly due to a lack of skilled labour as well as persisting global risks and uncertainties. Nevertheless, the Czech economy can still rely on stable domestic demand driven by household consumption due to high employment and wage growth.

The economic development was also followed by the factoring market in the Czech Republic represented by the Association of Factoring Companies. The growth rate declined from 12% in 2018 to more than 5% in 2019 which is still a very good result.

Gross turnover of Factoring České spořitelny reached CZK 35.7 billion, down by 0.7% year-on-year. The result was affected by a decline in turnover with some major corporate clients, which were not sufficiently offset by the growth in turnover from new clients, especially from the segment of larger medium-sized companies. Nevertheless, the turnover in export factoring, i.e. the financing of receivables of domestic companies from their foreign customers, continued to grow. Reverse factoring also saw growth in the number of new clients and factoring turnover, what will be fully shown in the following years.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group since 2001. 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 business area, risk management policies and monitoring of receivables.

The management of the company continued its efforts in the **development of business activities**. Consistent segmentation of clients focusing on individualized solutions for more demanding clients throughout economy helps meet the company's strategy to place both traditional and new products from the Supply Chain financing offer on the market. Thanks to the partnership with EDITEL, we continued to offer modern digital ediFactoring services to both existing and new clients using EDI solution, which connects factoring financing and electronic documents exchange.

**The department of risk management** continued to apply the concept of risk management developed in the past years also in 2019. The concept was built with respect to eliminating as many newly emerging credit and operational risks as possible. This concept was expanded by further and more thorough integration of data about clients into the information systems of Česká spořitelna resulting in even closer cooperation with the parent bank.

**The operation department** concentrated on the processing of executed transactions and on providing high quality client service connected to the individual factoring products also in 2019. 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.

**The financial department** kept focusing on ensuring compliance with the Company's cost policy in 2019. It continued to optimize the cash flow management, decrease 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.

**IT department** continuously ensured stable technical and technological operations in the company and thus contributed not only to the quality and security of all activities, but also to the innovation process in both products and technologies. In 2019 and early 2020, the Company conducted the regular replacement of employees' IT equipment and software.

In February 2019, the Company changed its registered office address to Budějovická 1912 / 64b, Prague 4, Krč.

One of the key assumptions of future success is a continuous close cooperation with the parent bank - Česká spořitelna, quality and professional risk management, flexible reaction to the market's needs associated with an innovative technology-based approach and maintaining high standard of services provided to the clients of the Company.

# Financial Statements

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## Independent auditor's report

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

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### Opinion

We have audited the accompanying financial statements of Factoring České spořitelny, a.s., with its registered office at Budějovická 1912/64b, Praha 4 - Krč ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 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 2019, of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with Czech accounting legislation.

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### 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.

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### 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 therein. 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.

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## Independent auditor's report

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.

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### Responsibilities of the Board of Directors and Supervisory Board of the Company 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.

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 of the Company is responsible for overseeing the financial reporting process.

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### 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.



## Independent auditor's report

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.

30 March 2020

*PricewaterhouseCoopers Audit s.r.o.*  
represented by Director

*Eva Loulová*

Eva Loulová  
Statutory Auditor, Licence No. 1981

This report is addressed to the shareholder of Factoring České spořitelny, a.s.

### 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 2019

CZK ths.	Current year			Prior year 2018
	Gross	Allowances	Net	Net
<b>Total assets</b>	<b>7,655,272</b>	<b>(310,007)</b>	<b>7,345,265</b>	<b>8,048,256</b>
<b>A. Stock subscription receivable</b>				
<b>B. Fixed assets</b>	<b>30,055</b>	<b>(22,916)</b>	<b>7,139</b>	<b>6,775</b>
B.I. Intangible fixed assets	13,929	(11,756)	2,173	2,595
B.I.2. Valuable rights	13,929	(11,756)	2,173	2,595
B.I.2.1. Software	13,153	(10,980)	2,173	2,595
B.I.2.2. Other valuable rights	776	(776)	0	0
<b>B.II. Tangible fixed assets</b>	<b>16,126</b>	<b>(11,160)</b>	<b>4,966</b>	<b>4,180</b>
B.II.2. Movable assets and sets of movable assets	16,126	(11,160)	4,966	4,180
<b>C. Current assets</b>	<b>7,623,376</b>	<b>(287,091)</b>	<b>7,336,285</b>	<b>8,039,813</b>
<b>C.II. Receivables</b>	<b>7,620,923</b>	<b>(287,091)</b>	<b>7,333,832</b>	<b>7,834,876</b>
<b>C.II.1. Long-term receivables</b>	<b>40,066</b>	<b>0</b>	<b>40,066</b>	<b>44,286</b>
C.II.1.4. Deferred tax asset	39,946	0	39,946	44,166
C.II.1.5. Other receivables	120	0	120	120
C.II.1.5.2. Long-term advances granted	120	0	120	120
<b>C.II.2. Short-term receivables</b>	<b>7,580,857</b>	<b>(287,091)</b>	<b>7,293,766</b>	<b>7,790,590</b>
C.II.2.1. Trade receivables	7,576,827	(287,091)	7,289,736	7,784,226
C.II.2.4. Other receivables	4,030	0	4,030	6,364
C.II.2.4.3. Due from government – tax receivables	3,021	0	3,021	5,299
C.II.2.4.4. Short-term advances granted	1,009	0	1,009	1,065
<b>C.IV. Cash</b>	<b>2,453</b>	<b>0</b>	<b>2,453</b>	<b>204,937</b>
C.IV.I. Cash in hand	0	0	0	73
C.IV.II. Cash at bank	2,453	0	2,453	204,864
<b>D.I. Prepaid expenses and accrued income</b>	<b>1,841</b>	<b>0</b>	<b>1,841</b>	<b>1,668</b>
D.I.1. Prepaid expenses	1,841	0	1,841	1,668

CZK ths.	Current year	Prior year 2018
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>7,345,265</b>	<b>8,048,256</b>
<b>A. Equity</b>	<b>1,234,354</b>	<b>1,198,788</b>
<b>A.I. Basic 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>9,239</b>	<b>9,037</b>
A.III.1. Other reserves	7,744	7,744
A.III.2. Statutory and other reserves	1,495	1,293
<b>A.IV. Profit (loss) brought forward (+/-)</b>	<b>176,394</b>	<b>123,672</b>
A.IV.1. Retained earnings	176,394	123,672
<b>A.V.1. Profit (loss) for the year (+/-)</b>	<b>36,321</b>	<b>53,679</b>
<b>B.+C. Provisions and liabilities</b>	<b>6,099,026</b>	<b>6,837,207</b>
<b>B.I. Provisions</b>	<b>4,685</b>	<b>5,932</b>
B.I.4. Other provisions	4,685	5,932
<b>C. Liabilities</b>	<b>6,094,341</b>	<b>6,831,275</b>
<b>C.II. Current liabilities</b>	<b>6,094,341</b>	<b>6,831,275</b>
C.II.2. Amounts owed to credit institutions	3,636,446	4,222,056
C.II.3. Short-term advances received	4,071	4,245
C.II.4. Trade payables	2,426,999	2,580,306
C.II.8. Other liabilities	26,825	24,668
C.II.8.3. Liabilities to employees	1,767	1,909
C.II.8.4. Liabilities arising from social security and health insurance	801	794
C.II.8.5. Due to government – taxes and subsidies	1,067	1,729
C.II.8.6. Unbilled deliveries	23,190	20,236
<b>D.I. Accruals and deferred income</b>	<b>11,885</b>	<b>12,261</b>
D.I.1. Accruals	0	0
D.I.2. Deferred income	11,885	12,261

Prepared on: 20 March 2020

Signature of entity's statutory body:

Person responsible  
for accounting:

Person responsible  
for financial statements:




Karel Nováček

Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Income Statement

for the year ended 31 December 2019

CZK ths.	Current year	Prior year 2018
<b>I. Revenue from sale of finished products and services</b>	<b>107,793</b>	<b>107,656</b>
<b>A. Production-related consumption</b>	<b>26,406</b>	<b>21,732</b>
A.2. Consumption of material and energy	2,493	1,091
A.3. Services	23,913	20,641
<b>D. Personnel expenses</b>	<b>53,853</b>	<b>50,786</b>
D.1. Wages and salaries	40,332	38,291
D.2. Social security and health insurance costs and other costs	13,521	12,495
D.2.1. Social security and health insurance costs	12,182	11,227
D.2.2. Other costs	1,339	1,268
<b>E. Value adjustments in respect of operating activities</b>	<b>(51,038)</b>	<b>(42,035)</b>
E.1. Value adjustments in respect of intangible and tangible fixed assets	2,174	1,682
E.1.1. Value adjustments in respect of intangible and tangible fixed assets – permanent	2,174	1,682
E.3. Value adjustments in respect of receivables	(53,212)	(43,717)
<b>III. Other operating income</b>	<b>1,593</b>	<b>968</b>
III.1. Income from sale of fixed assets	550	519
III.3. Miscellaneous operating income	1,043	449
<b>F. Other operating expenses</b>	<b>108,872</b>	<b>80,902</b>
F.1. Net book value of fixed assets sold	29	333
F.3. Taxes and charges relating to operations	(27)	73
F.4. Provisions relating to operations and prepaid expenses (specific-purpose expenses)	(1,247)	5,932
F.5. Miscellaneous operating expenses	110,117	74,564
<b>* Profit or loss on operating activities (+/-)</b>	<b>(28,707)</b>	<b>(2,761)</b>
<b>VI. Interest receivable and similar income</b>	<b>128,440</b>	<b>104,189</b>
VI.2. Other interest receivable and similar income	128,440	104,189
<b>J. Interest payable and similar expenses</b>	<b>40,820</b>	<b>31,452</b>
J.1. Interest payable and similar expenses – subsidiaries or parents	40,820	31,452
<b>VII. Other finance income</b>	<b>1,239</b>	<b>787</b>
<b>K. Other finance cost</b>	<b>1,622</b>	<b>4,151</b>
<b>* Profit or loss on financial activities (+/-)</b>	<b>87,237</b>	<b>69,373</b>
<b>** Profit or loss before taxation (+/-)</b>	<b>58,530</b>	<b>66,612</b>
<b>L. Income tax</b>	<b>22,209</b>	<b>12,933</b>
L.1. Income tax due	17,989	14,620
L.2. Income tax deferred (+/-)	4,220	(1,687)
<b>** Profit or loss after taxation (+/-)</b>	<b>36,321</b>	<b>53,679</b>
<b>*** Profit or loss for the year (+/-)</b>	<b>36,321</b>	<b>53,679</b>
<b>* Net turnover</b>	<b>239,065</b>	<b>213,600</b>

Prepared on: 20 March 2020

Signature of entity's statutory body:

Person responsible  
for accounting:

Person responsible  
for financial statements:



Karel Nováček



Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Cash Flow Statement

for the year ended 31 December 2019

CZK ths.	Current year	Prior year 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Z. Profit or loss on ordinary activities before taxation (+/-)	58,530	66,612
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	(54,882)	(60,935)
A.1.1. Depreciation and amortization of fixed assets and write-off of receivables	88,971	47,487
A.1.2. Change in allowances	(54,465)	(41,431)
A.1.3. Change in provisions	(1,247)	5,932
A.1.5. (Gain)/Loss on disposal of fixed assets	(521)	(186)
A.1.6. Interest expense and interest income	(87,620)	(72,737)
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)		
<b>Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>3,648</b>	<b>5,677</b>
A.2. Change in non-cash components of working capital	310,342	(223,406)
A.2.2. Change in trade receivables	462,158	(323,744)
A.2.3. Change in other receivables and in prepaid expenses and unbilled revenue	(116)	(94)
A.2.4. Change in trade payables	(153,307)	100,167
A.2.5. Change in other payables, and in accruals and deferred income	1,607	265
<b>A** Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>313,990</b>	<b>(217,729)</b>
A.3.1. Interest paid	87,620	72,737
A.4.1. INCOME TAX PAID	(15,712)	(18,720)
<b>A*** Net cash provided by (used in) operating activities</b>	<b>385,898</b>	<b>(163,712)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
B.1.1. Purchase of fixed assets	(2,567)	(3,599)
B.2.1. Proceeds from sale of fixed assets	550	519
<b>B*** Net cash provided by (used in) investing activities</b>	<b>(2,017)</b>	<b>(3,080)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
C.1. Change in long-term liabilities, and long-term and short-term loans	(585,610)	361,508
C.2.1. Effect of other changes in equity on cash		
C.2.2. Profit shares paid		
C.2.3. Effect of other changes in own capital on cash	(755)	(56,221)
<b>C*** Net cash provided by (used in) financing activities</b>	<b>(586,365)</b>	<b>305,287</b>
F. Net increase (decrease) in cash	(202,484)	138,495
P. Cash and cash equivalents at beginning of year	204,937	66,442
R. Cash and cash equivalents at end of year	2,453	204,937

Prepared on: 20 March 2020

Signature of entity's statutory body:

Person responsible for accounting:

Person responsible for financial statements:




Karel Nováček

Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Statement of Changes in Equity

for the year ended 31 December 2019

CZK ths.	Share Capital	Share Premium	Other Capital Funds	Reserve fund, indivisible fund, other funds from profit	Retained Earnings	Profit for the Period	Total
As at 1 January 2018	114,000	80,000	818,400	8,870	123,654	56,406	1,201,330
Distribution of profit	0	0	0	828	55,578	(56,406)	0
Distribution of funds	0	0	0	(661)	0	0	(661)
Profit for the period	0	0	0	0	0	53,679	53,679
Dividend paid	0	0	0	0	(55,560)	0	(55,560)
As at 31 December 2018	114,000	80,000	818,400	9,037	123,672	53,679	1,198,788
As at 1 January 2019	114,000	80,000	818,400	9,037	123,672	53,679	1,198,788
Distribution of profit				957	52,722	(53,679)	0
Distribution of funds				(755)			(755)
Profit for the period						36,321	36,321
As at 31 December 2019	114,000	80,000	818,400	9,239	176,394	36,321	1,234,354

Prepared on: 20 March 2020

Signature of entity's statutory body:

Person responsible for accounting:

Person responsible for financial statements:




Karel Nováček

Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

# Notes to the Financial Statements

for the year ended 31 December 2019

## 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 forfeiting services which account for most of the Company's revenues.

The Company's registered office is located at Budějovická 1912/64B, 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 2019.

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 sole shareholder and the ultimate parent. The consolidated financial statements under International Accounting Standards for the smallest group in the Erste Bank Group (Česká spořitelna Financial Group), of which the Company forms a part, are prepared by the parent company Česká spořitelna, a.s. and published on its website. The consolidated financial statements for whole and the largest Erste Group Bank are prepared by Erste Group Bank AG, headquartered in Austria and published on its website.

### 1.2 Organisational Structure

At the end of 2019, 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.

During 2019, there was no change in the Board of Directors, only the renewal of the mandate of Karel Nováček.

As at 31 December 2019, members of the Company's statutory and supervisory bodies were as follows:

	Position	Name
Board of Directors	Chairman	Karel Nováček
	Member	Pavel Chlumský
Proxy holders		Michael Jehlička
		Martin Štěpka
Supervisory board	Chairman	Jan Seger
	Vice Chairman	Jan Jašek
	Member	Roman Pařil

On 8 March 2019, a change of the Company's office was registered in the Commercial Register.

The Company has no organizational unit abroad.

## 2. Summary of significant accounting policies

The accompanying financial statements (non-consolidated) were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2019.

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.

### 2.1 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 are assets with a separate technical and economic purpose 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.

## 2.2 Receivables

Upon origination, receivables are stated at their nominal value. Doubtful and bad debts are subsequently reduced by the respective 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 (recourse factoring). Net method is used in cases where provided financial instruments represent payment for the cession of receivables (non-recourse factoring).

Factoring receivables accounted on "gross" basis are recognized in nominal amount as short-term trade receivables. The nominal value of receivables from final customers is also recognised within assets, as trade receivables. The related payables are recognized as short-term trade payables.

Factoring receivables accounted on "net" basis are recognized in nominal value as short-term receivables, together with related short-term trade payables. The difference between the nominal

value and amount of provided financing to the clients is recognised as short term payables.

### Allowances for receivables

The Company has created portfolio allowances for receivables on the expected loss basis (EL), 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:

$$\text{Expected Loss} = \text{Maximum exposure not covered by settlement} \times \text{Probability of customer default} + (\text{Actual value of client liabilities} - \text{Total value of collateral contractually agreed with the client}) \times \text{Probability of client default, where the value of (Maximum exposure not covered from settlement} * \text{Probability of customer default)}$$

corresponds to maximum of this multiplication in the customer portfolio of the respective client.

Specific allowances are created against individual workout receivables.

## 2.3 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.

## 2.4 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.

## 2.5 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, where 'probable' means a probability of greater than 50%, 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.

## 2.6 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.

## 2.7 Taxation

### 2.7.1. 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. Depreciation of fixed assets for tax purposes is calculated using the accelerated method. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

### 2.7.2. Deferred Tax

Deferred taxation is calculated from all temporary differences between the tax and carrying amounts 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.

## 2.8 Cash

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

## 2.9 Revenues

Factoring fees are presented within Sales of own products and services. In addition, the revenues include 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 accrual basis, that is, they are recognized in the periods in which it relates in substance and time.

## 2.10 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.

## 2.11 Subsequent Events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements

## 3. 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.

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

### 4.1 Intangible Fixed Assets

#### Cost

CZK ths.	Balance as at 1. 1. 2018	Additions	Disposals	Balance at 31. 12. 2018	Additions	Disposals	Balance as at 31. 12. 2019
Software	11,291	1,592	-	12,883	270	-	13,153
Licenses and other	776	-	-	776	-	-	776
<b>Total</b>	<b>12,067</b>	<b>1,592</b>	<b>-</b>	<b>13,659</b>	<b>270</b>	<b>-</b>	<b>13,929</b>

#### Accumulated Amortisation and Provisions

CZK ths.	Balance as at 1. 1. 2018	Additions	Disposals	Balance at 31. 12. 2018	Additions	Disposals	Balance as at 31. 12. 2019
Software	9,796	492	-	10,288	692	-	10,980
Licenses and other	776	-	-	776	-	-	776
<b>Total</b>	<b>10,572</b>	<b>492</b>	<b>-</b>	<b>11,064</b>	<b>692</b>	<b>-</b>	<b>11,756</b>

#### Net Book Value

CZK ths.	Balance at 1. 1. 2018	Balance at 31. 12. 2018	Balance at 31. 12. 2019
Software	1,495	2,595	2,173
Licenses and other	-	-	-
<b>Total</b>	<b>1,495</b>	<b>2,595</b>	<b>2,173</b>

### 4.2 Tangible Fixed Assets

#### Cost

CZK ths.	Balance as at 1. 1. 2018	Additions	Disposals	Balance at 31. 12. 2018	Additions	Disposals	Balance as at 31. 12. 2019
Machinery and equipment	9,450	650	-	10,100	574	0	10,674
Vehicles	5,314	1,357	(1,505)	5,166	1,724	(1,438)	5,452
<b>Total</b>	<b>14,764</b>	<b>2,007</b>	<b>(1,505)</b>	<b>15,266</b>	<b>2,298</b>	<b>(1,438)</b>	<b>16,126</b>

#### Accumulated Depreciation

CZK ths.	Balance as at 1. 1. 2018	Additions	Disposals	Balance at 31. 12. 2018	Additions	Disposals	Balance as at 31. 12. 2019
Machinery and equipment	8,132	443	-	8,575	515	0	9,090
Vehicles	2,936	748	(1,173)	2,511	967	(1,408)	2,070
<b>Total</b>	<b>11,068</b>	<b>1,191</b>	<b>(1,173)</b>	<b>11,086</b>	<b>9,436</b>	<b>(9,362)</b>	<b>11,160</b>

#### Net Book Value

CZK ths.	Balance at 1. 1. 2018	Balance at 31. 12. 2018	Balance at 31. 12. 2019
Machinery and equipment	1,318	1,525	1,584
Vehicles	2,378	2,655	3,382
<b>Total</b>	<b>3,696</b>	<b>4,180</b>	<b>4,966</b>

In 2019 and 2018 investments in tangible assets related to equipment and cars. The Company acquired tangible assets of CZK 1,969 thousand that were charged directly to expenses in 2019 (2018: CZK 464 thousand). These assets are low value tangible assets up to CZK 40 thousand.

## 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. 2018	Balance at 31. 12. 2019
Trade receivables	7,784,226	7,289,736
– Customers (factoring)	6,667,791	6,187,615
– Recourse factoring	2,043,417	2,014,722
– Non-recourse factoring	4,239,415	3,838,523
– Other	385,959	334,370
– Prepayments made	1,457,991	1,389,212
– Allowances	(341,556)	(287,091)
Due from government – (+) tax receivables / (–) payables	5,299	3,021
Short-term advances granted	1,065	1,009
<b>Total</b>	<b>7,790,590</b>	<b>7,293,766</b>

The above receivables represent mainly factoring receivables, which are reported in the balance sheet as 'Trade receivables'.

The 'Customers' balance includes nominal values of factoring receivables and the balance of 'Prepayments made' includes prepayments made for receivables under recourse factoring.

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

### 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	
31. 12. 2019	Trade receivables	6,171,807	753,303	168,324	42,600	32,603	408,190	7,576,827
	Allowances – specific	(18,885)	(175)	(778)	(1,083)	(17,728)	(225,948)	(264,597)
	Allowances – portfolio	(22,494)	-	-	-	-	-	(22,494)
31. 12. 2018	Trade receivables	6,487,932	899,195	191,049	10,600	19,568	517,438	8,125,782
	Allowances – specific	-	(6,074)	-	-	(12,983)	(309,773)	(328,830)
	Allowances – portfolio	(12,727)	-	-	-	-	-	(12,727)

The average maturity of receivables from customers of the Company's factoring clients in 2019 was 71 days (2018: 72 days).

In accordance with the accounting policy for creation of accounting allowances, on the basis of calculation of expected loss (EL) from the financing provided to clients – see note 3.2. – the Company created portfolio allowances of CZK 22,494 thousand as at 31 December 2019 (31 December 2018: CZK 12,727 thousand).

Specific accounting allowances have been created for workout receivables.

Tax non-deductible allowances amounted CZK 195,488 thousand (2018: CZK 218,551 thousand).

Tax deductible allowances amounted CZK 91,603 thousand (2018: CZK 123,006 thousand). Tax deductible allowances are created to 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 cases of bankruptcy proceedings of these entities.

In 2019 several proceedings were closed due to irrecoverability and the Company wrote off receivables amounting to CZK 87,153 thousand (2018: CZK 46,517 thousand).

Changes in allowance accounts (in CZK thousand):

CZK ths. Allowances against:	Balance at 1. 1. 2018	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2018	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2019
Receivables – tax deductible	167,515	1,888	(45,535)	(862)	123,006	172	(29,603)	(1,972)	91,603
Receivables – other	215,472	16,769	(321)	(13,370)	218,550	51,446	(57,438)	(17,070)	195,488
<b>Total</b>	<b>382,987</b>	<b>18,657</b>	<b>(45,856)</b>	<b>(14,232)</b>	<b>341,556</b>	<b>51,618</b>	<b>(87,041)</b>	<b>(19,042)</b>	<b>287,091</b>

#### 4.4 Cash

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

#### 4.5 Prepayments and Accrued Income

Prepayments and accrued income consist of deferred expenses, in particular due to bank guarantee fees, 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 and are not publicly traded.

##### 4.6.2. Distribution of Profit in 2019

On 27 May 2019, the Company's sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2018 profit totalling CZK 53,679 thousand and allocated CZK 957 thousand to the social fund and transferred CZK 52,722 thousand to retained earnings, that amounted to CZK 176,394 thousand as at 31 December 2019. The Company did not pay any profit share in 2019.

#### 4.7 Provisions

The Company recognizes only a provision for potential legal disputes in the amount of CZK 4,685 thousand (2018: CZK 5,932 thousand).

#### 4.8 Liabilities

##### 4.8.1. Current Liabilities

CZK ths.	Balance at 31. 12. 2018	Balance at 31. 12. 2019
Amount due to credit institutions	4,222,056	3,636,446
Trade payables (factoring)	2,580,306	2,426,999
– Recourse factoring	2,201,739	2,139,635
– Non-recourse factoring	273,013	235,215
– Other	105,554	52,149
Short-term advances received	4,245	4,071
Other liabilities:	24,668	26,825
– Liabilities to employees	1,909	1,767
– Liabilities arising from social security and health insurance	794	801
– Due to government – taxes and subsidies	1,729	1,067
– Unbilled deliveries	20,236	23,190
<b>Total</b>	<b>6,831,275</b>	<b>6,094,341</b>

Amounts due to credit institutions represent in particular bank loans and overdrafts. For more details – see Note 4.8.2.

Trade payables represent expected payments in respect of ceded receivables 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 2019.

#### 4.8.2. Bank Loans and Borrowings

##### 2019

CZK ths. Bank	Purpose	Balance at 31. 12. 2019	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	6,890	1 M Libor + risk margin	31.08.2020	uncollateralised
Česká spořitelna	operating – overdraft PLN	9,563	1 M Wibor + risk margin	31.08.2020	uncollateralised
Česká spořitelna	operating – current account CZK	800,000	1 M Pribor + risk margin	31.08.2020	uncollateralised
Česká spořitelna	operating – overdraft CZK	250,719	1 M Pribor + risk margin	31.08.2020	uncollateralised
Česká spořitelna	operating – overdraft USD	55,095	1 M Libor + risk margin	31.08.2020	uncollateralised
Česká spořitelna	operating – current account EUR	2,337,720	1 M Euribor + risk margin	31.08.2020	uncollateralised
Česká spořitelna	operating – overdraft EUR	176,459	1 M Euribor + risk margin	31.08.2020	uncollateralised
<b>Total intercompany bank loans</b>		<b>3,636,446</b>			
<b>Total bank loans and borrowings</b>		<b>3,636,446</b>			

##### 2018

CZK ths. Bank	Purpose	Balance at 31. 12. 2018	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	59,134	1 M Libor + risk margin	31.08.2019	uncollateralised
Česká spořitelna	operating – overdraft JPY	1,660	1 M Libor + risk margin	31.08.2019	uncollateralised
Česká spořitelna	operating – overdraft PLN	181,209	1 M Wibor + risk margin	31.08.2019	uncollateralised
Česká spořitelna	operating – current account CZK	1,200,000	1 M Pribor + risk margin	31.08.2019	uncollateralised
Česká spořitelna	operating – overdraft USD	88,705	1 M Libor + risk margin	31.08.2019	uncollateralised
Česká spořitelna	operating – current account EUR	2,623,950	1 M Euribor + risk margin	31.08.2019	uncollateralised
Česká spořitelna	operating – current account USD	67,398	1 M Libor + risk margin	31.08.2019	uncollateralised
<b>Total intercompany bank loans</b>		<b>4,222,056</b>			
<b>Total bank loans and borrowings</b>		<b>4,222,056</b>			

The Company paid interest from these loans of CZK 40,820 thousand in 2019 (2018: CZK 31,452 thousand)

#### 4.9 Accruals and Deferred Income

Accruals and deferred income include predominantly accrued loan interest and operating liabilities.

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

##### 31. 12. 2019

CZK ths.	CZK	USD	EUR	PLN	GBP	Other	Total
Short term receivables	4,030,506	92,429	3,422,307	23,696	11,732	187	7,580,857
Cash and cash equivalents	1,995	-	361	-	-	97	2,453
Prepayments and accrued income	1,841	-	-	-	-	-	1,841
<b>Total</b>	<b>4,034,342</b>	<b>92,429</b>	<b>3,422,668</b>	<b>23,696</b>	<b>11,732</b>	<b>284</b>	<b>7,585,151</b>
Current liabilities	1,530,351	47,213	869,540	7,285	3,319	187	2,457,895
Bank loans and borrowings	1,050,719	55,095	2,514,179	9,563	6,890	-	3,636,446
Accruals and deferred income	11,885	-	-	-	-	-	11,885
<b>Total</b>	<b>2,592,955</b>	<b>102,308</b>	<b>3,383,719</b>	<b>16,848</b>	<b>10,209</b>	<b>187</b>	<b>6,106,226</b>

##### 31. 12. 2018

CZK ths.	CZK	USD	EUR	PLN	GBP	Other	Total
Short term receivables	4,177,442	204,106	3,481,606	199,189	68,073	1,730	8,132,146
Cash and cash equivalents	72,599	-	132,334	-	-	4	204,937
Prepayments and accrued income	1,668	-	-	-	-	-	1,668
<b>Total</b>	<b>4,251,709</b>	<b>204,106</b>	<b>3,613,940</b>	<b>199,189</b>	<b>68,073</b>	<b>1,734</b>	<b>8,338,751</b>
Current liabilities	1,567,723	60,546	958,681	13,927	8,341	-	2,609,219
Bank loans and borrowings	1,200,000	156,103	2,623,950	181,209	59,135	1,660	4,222,056
Accruals and deferred income	12,261	-	-	-	-	-	12,261
<b>Total</b>	<b>2,779,984</b>	<b>216,649</b>	<b>3,582,631</b>	<b>195,136</b>	<b>67,476</b>	<b>1,660</b>	<b>6,843,536</b>

#### 4.11 Income from ordinary activity by principal activity

CZK ths.	2018			2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Income from fees	103,746	2,046	105,792	103,078	1,804	104,882
Advisory services	-	1,846	1,846	-	2,850	2,850
Other income	18	-	18	61	-	61
<b>Production</b>	<b>103,764</b>	<b>3,892</b>	<b>107,656</b>	<b>103,139</b>	<b>4,654</b>	<b>107,793</b>

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

## 4.12 Services

CZK ths.	2018	2019
Consumption of material	635	2,061
Consumption of energy	456	432
<b>Total consumption of material and energy</b>	<b>1,091</b>	<b>2,493</b>
Legal and notarial services	1,426	3,173
Factoring fee	3,852	4,251
External audit	587	557
Rent	3,958	3,879
Outsourcing expenses	2,379	2,488
Marketing expenses	454	326
Repairs and maintenance	3,549	3,913
Travelling	249	293
Training	224	512
Other services	3,963	4,521
<b>Total costs of services</b>	<b>20,641</b>	<b>23,913</b>

## 4.13 Wages and salaries

### 4.13.1. Wages and salaries 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 2019 and 2018:

#### 2019

CZK ths.	Number	Wages	Social security and health insurance	Other expenses	Personnel and related expenses
Employees	37	31,494	10,026	1057	42,577
Management	5	8,838	2,156	282	11,276
<b>Total</b>	<b>42</b>	<b>40,332</b>	<b>12,182</b>	<b>1,339</b>	<b>53,853</b>

#### 2018

CZK ths.	Number	Wages	Social security and health insurance	Other expenses	Personnel and related expenses
Employees	36	24,360	8,178	428	32,966
Management	4	13,931	3,049	840	17,820
<b>Total</b>	<b>40</b>	<b>38,291</b>	<b>11,227</b>	<b>1,268</b>	<b>50,786</b>

The number of employees is based on the average number. Wages and salaries include remuneration to the members of statutory bodies and executive directors. Personnel expenses of management of the Company include expenses on members of the Board of Directors and for the executive directors of the Company, who are also Proxy holders.

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

In 2019 and 2018, Company's management received the following benefits in addition to their basic salaries and other personal funding that are not included in the statements but are part of personnel costs:

Management, Members of BoD, Proxy holders	CZK ths.	2018	2019
Vehicles/other assets for both business and private purposes, Management life and pension insurance, cafeteria (amount increases the tax base of employees)		263	237

#### 4.14 Other Operating Income and Expenses

CZK ths.	2018	2019
<b>Other operating income</b>	<b>968</b>	<b>1,593</b>
Income from sale of fixed assets	519	550
Other operating income	449	1,043
<b>Other operating expenses</b>	<b>80,902</b>	<b>108,872</b>
Net book value of fixed assets sold	333	29
Taxes and charges relating to operations	73	(27)
Other operating expenses	74,564	110,117
Creation and release of operating provisions	5,932	(1,247)
<b>Total other operating result</b>	<b>79,934</b>	<b>107,279</b>

Other operating expenses include, in particular, trade receivables ceded and written off in the amount of CZK 87,153 thousand (2018: CZK 46,517 thousand) and insurance premium paid in the amount of CZK 20,358 thousand (2018: CZK 25,037 thousand) for operating and commercial risk insurance.

#### 4.15 Interest and Other Financial Income and Expenses

CZK ths.	2018	2019
<b>Interest income</b>	<b>104,189</b>	<b>128,440</b>
<b>Interest expense to related parties</b>	<b>(31,452)</b>	<b>(40,820)</b>
Other financial income	787	478
Other financial expense	(1,757)	(1,622)
Foreign exchange gains/losses (+/-)	(2,394)	761
<b>Total other financial result</b>	<b>(3,364)</b>	<b>(383)</b>
<b>Total result of financial activities</b>	<b>69,373</b>	<b>87,237</b>

Interest income includes interest from prepayments made under factoring arrangements.

The Company realised interest expenses only with related parties.

#### 4.16 Current and Deferred Income Tax

##### Current Tax

CZK ths.	2018	2019
Current Tax	14,645	18,064
Tax assessment for previous accounting period	(25)	(75)
<b>Total</b>	<b>14,620</b>	<b>17,989</b>

The tax charge for 2019 and 2018 can be reconciled to the profit per the income statement as follows:

CZK ths.	2018	2019
<b>Profit before tax</b>	<b>66,612</b>	<b>58,530</b>
Tax at the local income tax rate of 19% (2018: 19%)	12,656	11,121
Tax effect of non-deductible expenses	3,852	9,014
Tax effect of non-taxable income	(1,863)	(2,071)
Additional payment of taxes for prior periods	(25)	(75)
<b>Current tax payable</b>	<b>14,620</b>	<b>17,989</b>
Changes in the deferred tax	(1,687)	4,220
<b>Total tax</b>	<b>12,933</b>	<b>22,209</b>

## Deferred Tax

The deferred tax asset can be analysed as follows:

CZK ths.	Balance at 31. 12. 2018	Balance at 31. 12. 2019
Depreciation and amortization of fixed assets	(385)	(556)
Allowance for receivables	41,525	37,143
Accrued expenses for social security and health insurance	1,899	2,469
Provisions	1,127	890
<b>Total deferred tax asset</b>	<b>44,166</b>	<b>39,946</b>
CZK ths.	Balance at 31. 12. 2018	Balance at 31. 12. 2019
Opening balance	42,479	44,166
Current changes charged to the income statement	1,687	(4,220)
Total charges to the income statement	1,687	(4,220)
<b>Total charges to the equity</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax asset</b>	<b>44,166</b>	<b>39,946</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 2019 and 2018, both with respect to acquisitions and to raising finance from entities outside the Group to provide funding for other transactions.

As at 31 December 2019, receivables from Česká spořitelna, a.s. amounted to CZK 3,499 thousand (2018: CZK 206,162 thousand). The above predominantly includes receivables arising from current account balances and advances granted.

As at 31 December 2019, payables to the parent company amounted to CZK 3,638,424 thousand (31 December 2018: CZK 4,223,220 thousand). These amounts mainly represent bank loans and balances on overdraft accounts and unbilled deliveries.

For the year 2019, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 48,779 thousand (2018: CZK 39,580 thousand). These predominantly included interest on received loans, outsourcing and rental expenses. Revenues of CZK 2,832 thousand (2018: CZK 2,832 thousand), relate to interest and fees received from Česká spořitelna.

Receivables from Slovenská sporiteľňa, a.s. amounted to CZK 1,132 thousand (2018: CZK 135 thousand) and from Erste Factoring, d.o.o. amounted to CZK 63 thousand (2018: CZK 64 thousand).

With respect to related party Slovenská sporiteľňa, a.s., the Company recognised revenues of CZK 2,079 thousand (2018: CZK 1,077 thousand). Revenues from related party Erste Factoring d.o.o. amounted CZK 771 thousands (2018: CZK 769 thousand).

For the year 2019, the Company recorded expenses from related party sAutoleasing, a.s. of CZK 30 thousand (2018: CZK 9 thousand). Expenses from related party Procurement Services CZ, s.r.o.

(Group procurement services) amounted CZK 62 thousand (2018: CZK 67 thousand).

## 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

The existence of novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread across mainland China and beyond, including Czechia, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post-balance-sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the macroeconomic forecasts, our position and results, if any, will be incorporated into our asset impairment estimates and other provisions in 2020.

Prepared on 20 March 2020

Signature of accounting entity's statutory body:

Karel Nováček

Pavel Chlumský

# Report on Relations

between Related Parties prepared pursuant to §82 of Act No. 90/2012 Coll., on Corporations the accounting period from 1 January 2019 to 31 December 2019

**Factoring České spořitelny, a.s.**, with its registered office at Budějovická 1912/64b, 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 also 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 §82 of Act No. 90/2012 Coll. on Corporations, as amended, for the accounting period from 1 January 2019 to 31 December 2019 (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	
(100%) Česká spořitelna, a.s.	
subsidiaries – controlling interests	
Factoring České spořitelny, a.s.	
s Autoleasing, a.s.	
associates – shares in affiliated undertakings	
Procurement Services CZ, s.r.o.	
(100%) Slovenská sporiteľňa, a.s.	
(69,3%) Erste & Steiermarkische Bank, d.d.	
Erste Factoring d.o.o	
Procurement Services GmbH	
Procurement Services CZ, s.r.o.	

## B. Controlling parties

- **Erste Group Bank AG**, with its registered office at Am Belvedere 1, Vienna, Austria, Business Registration Number: ATU15361506  
Relation to the Company: indirectly controlling party  
Description of relations – none
- **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 party  
Description of relations – see **Annex 1**

## C. Other related parties

Companies controlled by other members of the ERSTE Group

- **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 Lučiča 2, Zagreb, postal code 100 00, Croatia, VAT O80558484  
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, Praha 4 („Procurement Services CZ“)  
Relation to the Company: related party directly controlled by Procurement Services GmbH  
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 2.4 million (2018: CZK 204.8 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

The balance of Other assets includes other trade receivables and advance payments provided to related parties. In 2019, the Company recognizes receivables and advance payments in the total amount of CZK 1.1 million from Česká spořitelna (2018: CZK 1.34 million) and receivables of CZK 1.2 million from other related parties (2018: CZK 0.2 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 3,636.4 million (2018: CZK 4,222.1 million) particularly under loan agreements and bank overdraft contracts.

#### Other liabilities

Unbilled deliveries and payables to Česká spořitelna, a.s. amounted to CZK 2.0 million (2018: CZK 1.2 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 from related parties any interest income from abroad in the fiscal year.

#### Interest and similar expense

Factoring České spořitelny, a.s. incurred interest expense of CZK 40.8 million (2018: CZK 31.5 million) from 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 from 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 (2018: 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. paid CZK 7.9 million (2018: CZK 8.1 million) for general administrative expenses within related party transactions executed on an arm's-length basis in the fiscal year, particularly for 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 0.1 million (2018: CZK 1.5 million) from 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.

#### 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	2001–2019	None
Service agreement	Česká spořitelna, a.s.	Direct electronic banking agreement with amendments	2002	None
Personal data processing agreement	Česká spořitelna, a.s.	Personal Data Processing Agreement – GDPR in relation to receivables and leases monitoring	2018	None
Licence agreement	Česká spořitelna, a.s.	Use of „Sparkassen“ brand name	2017	None
Licence agreement	Česká spořitelna, a.s.	Agreement on terms of license and software support – Tableau server	2019	None
Lease agreement	Česká spořitelna, a.s.	Lease of a safe deposit box – ČS Budějovická	2011	None
Lease agreement	Česká spořitelna, a.s.	Lease of a safe deposit box – ČS Jugoslávská	2019	None
Debit cards contract	Česká spořitelna, a.s.	Debit cards contracts with amendments	2005–2018	None
Loan contract	Česká spořitelna, a.s.	Loan contract with amendments	2003–2019	None
Sub-participation agreement	Česká spořitelna, a.s.	Participation on risk of selected customers with amendments	2005–2018	None
Sub-participation agreement	Česká spořitelna, a.s.	Sub-Participation Framework Contract for reverse factoring	2018	None
Lease agreement	Česká spořitelna, a.s.	Lease of non-residential premises – Trianon with amendments	2014–2019	None
Lease agreement	Česká spořitelna, a.s.	Sublease of parking spaces - Trianon	2019	None
Lease agreement	Česká spořitelna, a.s.	Sublease of business premises	2019	None
Lease agreement	Česká spořitelna, a.s.	Lease non-residential premises – Antala Staška Street	2014	None
Service agreement	Česká spořitelna, a.s.	Authorization to exercise the right of use of company logo with amendments	2002–2006	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 services	2019	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.	Restructuring Factoring Cooperation Agreement	2009	None
Cooperation agreement	Česká spořitelna, a.s.	Exchange of information using the KLIENT application with amendments	2009–2019	None
Cooperation agreement	Česká spořitelna, a.s.	Monitoring of receivables	2013–2017	None
Cooperation agreement	Česká spořitelna, a.s.	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 agreement including amendments	2016–2017	None
License agreement	Erste Factoring d.o.o.	Implementation of information system HoC	2010–2014	None
License agreement	Slovenská sporiteľňa, a.s.	Agreement on transfer of rights and obligations of information system HoC	2011–2019	None
License agreement	Slovenská sporiteľňa, a.s.	License agreement of implementation of information system Monitoring	2011	None
Service agreement	Procurement Services CZ, s.r.o.	Provision of services	2018	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 other than those described in the Note Liabilities to Banks above.

**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 favourable for Factoring České spořitelny, a.s. and bear low risk.

Prague, 20 March 2020

Factoring České spořitelny, a.s.



Karel Nováček  
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, undertaken or adopted by the Submitter for the benefit or at the request of the Related Parties in the fiscal year 2019.

This Report was discussed and approved by the Company's Board of Directors on 20 March 2020.



Pavel Chlumský  
Member of the Board of Directors

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

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Member of Factors Chain International



Annual Report 2019

Production: Omega Design, s.r.o.

