

Factoring České spořitelny, a.s.
Annual Report 2020

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Foreword by the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

Looking back, we can hardly find a year that brought as many unexpected challenges as the last year. The coronavirus pandemic has significantly affected the lives of all of us, both personally and professionally, and has caused significant economic problems throughout the economy. I am glad that Factoring České spořitelny was able to meet these challenges with honour.

In 2020, we accelerated the digitization of internal processes, which enabled our employees to provide full-fledged service to our factoring clients even remotely. At the same time, we were able to minimize health risks for our employees, on which we have placed great emphasis.

Despite the negative impact of the pandemic on the Czech economy, Factoring České spořitelny recorded a year-on-year growth in the turnover of ceded and managed receivables by 4% in 2020 to CZK 37.1 billion. Another positive fact is the year-on-year growth in the volume of financing provided to our clients, by more than 11% to CZK 5.8 billion at the end of 2020. With the growth of the market share to 20.2%, Factoring České spořitelny strengthened its position in factoring market and continues to be one of the three largest factoring companies in the Czech Republic.

In 2020, 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 focused on the development of electronic onboarding solutions for Czech and foreign entities, further development of electronic document transmission and the launch of a new product – alternatives to reverse factoring for selected existing and new clients.

I have long appreciated the excellent cooperation with the parent bank Česká spořitelna, especially in these difficult times, not only in the area of business activities or a common approach in the area of risk management, but also in the coordination of internal processes



Karel Nováček

Chairman of the Board of Directors

and procedures related to the impacts of the coronavirus pandemic on the Company's activities.

I would like to thank all our clients and other business partners for their trust and favour. I would also like to thank our co-workers in the Česká spořitelna Financial Group and Erste Group, who made a fundamental contribution to achieving good results in 2020. I also very much appreciate the work of all our company employees in the new conditions of remote work, at quality level that our clients have long expected.

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
Post Financing
ed/Factoring
Administration, collection and monitoring
of receivables

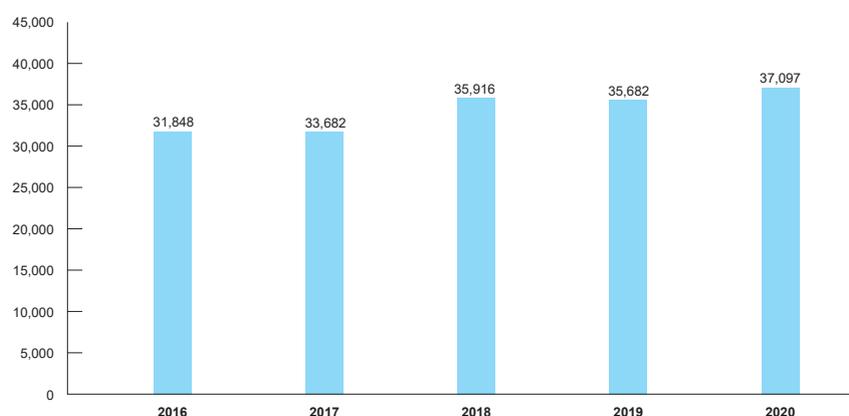
Membership in associations

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

Changes in key financial indicators

CZK ths.	2016	2017	2018	2019	2020
Assets from clients' accounts receivable financing (Total net Current assets)	7,484,683	7,575,543	8,039,813	7,336,285	8,141,314
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	1,145,547	1,201,330	1,198,788	1,234,354	1,277,617
Added value	75,608	81,856	85,924	81,387	86,066
Profit before taxation	33,524	75,266	66,612	58,530	60,328
Profit for the current period	25,968	56,406	53,679	36,321	44,123

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



Management Report

After several years of growth in the Czech economy, gross domestic product decreased by 5.6% in 2020, which is the largest year-on-year decline in the history of the independent Czech Republic. The reason was a significant decrease in household consumption, a decrease in investment and a drop in foreign demand. It was most significantly reflected in the areas of trade, transport and the HORECA segment. The primary cause of the overall economic downturn is the global coronavirus pandemic, which broke out in February last year and has affected almost every aspect of our daily lives.

However, the factoring market in the Czech Republic, represented by the Association of Factoring Companies, performed slightly better than the entire Czech economy throughout the year and recorded only a slight year-on-year decrease of 0.3%, which is a very good result nationwide.

Compared to the stagnation of the factoring market, Factoring České spořitelny recorded a year-on-year growth in turnover of 4% in 2020 and reached CZK 37.1 billion, which caused the Company's market share to grow to 20.2%. The main share in the result is a significant growth of ceded and managed receivables of clients in the third and fourth quarters of 2020. Turnover in domestic factoring, i.e. the financing of receivables of domestic companies from their Czech customers, grew the most.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group. 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 significant benefits of the Company's membership in a large financial group were important throughout last year, when there was a constant need to respond to the pandemic situation and crisis management had to act together and coordinate the approach in often changing economic conditions.

Throughout 2020, the Company's management consistently responded to the development of the pandemic situation and took a number of measures to ensure the operation of all departments, so as not to affect the quality of services provided to factoring clients. The emphasis was primarily put on protecting the health of all employees by setting up alternating operation and enabling remote work, providing protective equipment, vitamins, free coronavirus testing and medical care. With the use of modern technologies and electronic work system, the Company's operation was transferred to the so-called "new normal", i.e. a change in the way the Company is managed remotely, adjusting some work processes and making maximum use of online resources in internal communication and negotiations with existing and new clients.

The IT department has undoubtedly become the key to the smooth running of the Company in the new conditions caused by the coronavirus pandemic in 2020. Thanks to the maximum commitment of co-workers from the IT department, together with the proactive approach of employees from the other departments, the Company managed to switch to the remote work regime in a short time. Although the work comfort of employees was somewhat affected, this new regime did not affect the quality of services provided to the clients. The IT department continued to enable the stable technical and technological functioning of the Company and thus contributed not only to the quality and safe operation of the Company, but also to the Company's innovation process in both products and technologies.

Despite the fact that the IT forces were focusing on the solution of technical security of remote work, innovations to improve the work with the factoring core-business internal system as well as the own client application eFactoring further continued, as every year, and they are evidenced by a few hundred changes, from a minor adjustment to the display of an item to the introduction of a completely new product or the transfer of an application to a new platform.

The Company's management continued to pay significant attention to the **development of business activities and the supportive approach to affected companies**, to which the coronavirus crisis caused the disruption of well-established supplier-customer relationships, prolonged payment terms of issued invoices and ultimately lack of working capital. Close cooperation with the parent bank's business units, consistent segmentation of clients with a focus on individualized solutions for more demanding clients across the economy continues to help fulfil the Company's strategy to bring clients significant financial and business effects thanks to Supply Chain Finance programs structured according to their needs. The added value of individual solutions is further multiplied by the overall automation of processes and electronic document transmission in factoring transactions, either in the form of electronic document transmission EDI (Electronic Data Interchange) or digital data transmission via the eFactoring internet application. Anomalies in supply-customer chains last year helped definitively end the era of factoring as a standardized, stereotypical product and transform it into a flexible, adaptable tool for managing working capital and customer risks.

The department of risk management continued to apply the concept of risk management developed in the past years also in 2020. 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 clients' data into the information systems of Česká spořitelna resulting in even closer cooperation with the parent bank.

At the end of the year, the quality of the credit portfolio did not decrease. The problems of clients and their customers with postponed maturities were solved individually and considering the existing insurance by a commercial insurance company. There has always been an effort to find a sensible solution that reflects the situation of the client and the industry that was affected by the lockdown.

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 2020. 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 2020, **the Financial Department** continued to focus on cost management, compliance with planned criteria and securing financial

flows. At the same time, due to the transition of the work method to the remote mode, it participated in the modifications of the internal factoring or accounting system respectively, especially to simplify the processes and minimize printing of documents. The Company will continue the trend of digitization. The department is also involved in long-term projects within Česká spořitelna.

The unprecedented development of the global coronavirus pandemic in 2020, which continues this year, confirms that one of the basic assumptions for the future success is the Company's ability to adapt quickly to new conditions and to respond efficiently and effectively to ongoing changes. Other important aspects of fulfilling the Company's long-term strategy are the close cooperation with the parent bank Česká spořitelna, quality and professional risk management, an innovative approach using of the technologies and keeping a high standard of services provided to the Company's clients.

Financial Statements

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Translation note

This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.



English translation

Independent auditor's report

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

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Factoring České spořitelny, a.s., with its registered office at Budějovická 1912/64b, Praha 4 (the "Company") as at 31 December 2020, of the Company's financial performance and cash flows for the year ended 31 December 2020 in accordance with Czech accounting legislation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2020,
- the income statement for the year ended 31 December 2020,
- the statement of changes in equity for the year ended 31 December 2020,
- the statement of cash flows for the year ended 31 December 2020, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

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 (together the "Audit regulations"). These standards consist of International Standards on Auditing as 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include the financial statements and auditor's report thereon.

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.

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 assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- 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 has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

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 of the financial statements that give true and fair view 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.

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 Audit regulations 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 Audit regulations, 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.

30 March 2021

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

Eva Loulová
Statutory Auditor, Licence No. 1981

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

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

Balance Sheet

at 31 December 2020

CZK ths.	31.12.2020			31.12. 2019
	Gross	Allowances	Net	Net
Total assets	8,462,498	(313,684)	8,148,814	7,345,265
B. Fixed assets	30,943	(25,275)	5,668	7,139
B.I. Intangible fixed assets	14,647	(12,433)	2,214	2,173
B.I.2. Valuable rights	14,647	(12,433)	2,214	2,173
B.I.2.1. Software	13,871	(11,657)	2,214	2,173
B.I.2.2. Other valuable rights	776	(776)	0	0
B.II. Tangible fixed assets	16,296	(12,842)	3,454	4,966
B.II.2. Movable assets and sets of movable assets	16,296	(12,842)	3,454	4,966
C. Current assets	8,429,723	(288,409)	8,141,314	7,336,285
C.II. Receivables	8,409,507	(288,409)	8,121,098	7,333,832
C.II.1. Long-term receivables	36,232	0	36,232	40,066
C.II.1.4. Deferred tax asset	36,112	0	36,112	39,946
C.II.1.5. Other receivables	120	0	120	120
C.II.1.5.2. Long-term advances granted	120	0	120	120
C.II.2. Short-term receivables	8,373,275	(288,409)	8,084,866	7,293,766
C.II.2.1. Trade receivables	8,365,971	(288,409)	8,077,562	7,289,736
C.II.2.4. Other receivables	7,304	0	7,304	4,030
C.II.2.4.3. Due from government - tax receivables	6,520	0	6,520	3,021
C.II.2.4.4. Short-term advances granted	784	0	784	1,009
C.IV. Cash	20,216	0	20,216	2,453
C.IV.I. Cash in hand	20,216	0	20,216	2,453
D.I. Prepaid expenses and accrued income	1,832	0	1,832	1,841
D.I.1. Prepaid expenses	1,832	0	1,832	1,841

CZK ths.	31.12.2020	31.12.2019
TOTAL EQUITY & LIABILITIES	8,148,814	7,345,265
A. Equity	1,277,617	1,234,354
A.I. Share capital	114,000	114,000
A.I.1. Share capital	114,000	114,000
A.II. Share premium and revaluation reserve	898,400	898,400
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
A.III. Reserves from profit	9,386	9,239
A.III.1. Other reserves	7,744	7,744
A.III.2. Statutory and other reserves	1,642	1,495
A.IV. Profit (loss) brought forward (+/-)	211,708	176,394
A.IV.1. Retained earnings	211,708	176,394
A.V.1. Profit (loss) for the year (+/-)	44,123	36,321
B.+C. Provisions and liabilities	6,859,306	6,099,026
B.I. Provisions	4,685	4,685
B.I.4. Other provisions	4,685	4,685
C. Liabilities	6,854,621	6,094,341
C.II. Current liabilities	6,854,621	6,094,341
C.II.2. Amounts owed to credit institutions	4,004,987	3,636,446
C.II.3. Short-term advances received	4,176	4,071
C.II.4. Trade payables	2,821,221	2,426,999
C.II.8. Other liabilities	24,237	26,825
C.II.8.3. Liabilities to employees	2,149	1,767
C.II.8.4. Liabilities arising from social security and health insurance	981	801
C.II.8.5. Due to government – taxes and subsidies	2,730	1,067
C.II.8.6. Unbilled deliveries	18,377	23,190
D.I. Accruals and deferred income	11,891	11,885
D.I.2. Deferred income	11,891	11,885

Prepared on: 23 March 2021

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 2020

CZK ths.	Period ended 31.12.2020	Period ended 31.12.2019
I. Revenue from sale of finished products and services	100,602	107,793
A. Production-related consumption	21,727	26,406
A.2. Consumption of material and energy	1,826	2,493
A.3. Services	19,901	23,913
D. Personnel expenses	52,902	53,853
D.1. Wages and salaries	39,247	40,332
D.2. Social security and health insurance costs and other costs	13,655	13,521
D.2.1. Social security and health insurance costs	12,122	12,182
D.2.2. Other costs	1,533	1,339
E. Value adjustments in respect of operating activities	659	(51,038)
E.1. Value adjustments in respect of intangible and tangible fixed assets	2,359	2,174
E.1.1. Value adjustments in respect of intangible and tangible fixed assets – permanent	2,359	2,174
E.3. Value adjustments in respect of receivables	(1,700)	(53,212)
III. Other operating income	6,207	1,593
III.1. Income from sale of fixed assets	0	550
III.3. Other operating income	6,207	1,043
F. Other operating expenses	35,349	108,872
F.1. Net book value of fixed assets sold	0	29
F.3. Taxes and charges relating to operations	58	(27)
F.4. Provisions relating to operations and prepaid expenses (specific-purpose expenses)	0	(1,247)
F.5. Other operating expenses	35,291	110,117
* Profit or loss on operating activities (+/-)	(3,828)	(28,707)
VI. Interest income and similar income	88,205	128,440
VI.2. Other interest income and similar income	88,205	128,440
J. Interest expense and similar expenses	21,056	40,820
J.1. Interest expense and similar expenses – subsidiaries or parents	21,056	40,820
VII. Other finance income	85	1,239
K. Other finance cost	3,078	1,622
* Profit or loss on financial activities (+/-)	64,156	87,237
** Profit or loss before taxation (+/-)	60,328	58,530
L. Income tax	16,205	22,209
L.1. Income tax due	12,371	17,989
L.2. Income tax deferred (+/-)	3,834	4,220
** Profit or loss after taxation (+/-)	44,123	36,321
*** Profit or loss for the year (+/-)	44,123	36,321
* Net turnover	195,099	239,065

Prepared on: 23 March 2021

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 2020

CZK ths.	Period ended 31.12.2020	Period ended 31.12.2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Z. Profit or loss on ordinary activities before taxation (+/-)	60,328	58,530
A.1. Adjustments for non-cash movements	(54,801)	(54,882)
A.1.1. Depreciation and amortization of fixed assets and write-off of receivables	11,030	88,971
A.1.2. Change in allowances	1,318	(54,465)
A.1.3. Change in provisions	0	(1,247)
A.1.5. (Gain)/Loss on disposal of fixed assets	0	(521)
A.1.6. Interest expense and interest income	(67,149)	(87,620)
A* Net cash from operating activities before taxation, changes in working capital and extraordinary items	5,527	3,648
A.2. Change in non-cash components of working capital	(405,399)	310,342
A.2.2. Change in trade receivables	(797,815)	462,158
A.2.3. Change in other receivables and in prepaid expenses	671	(116)
A.2.4. Change in trade payables	394,222	(153,307)
A.2.5. Change in other payables, and in accruals and deferred income	(2,477)	1,607
A** Net cash from operating activities before taxation, interest paid and extraordinary items	(399,872)	313,990
A.3.1. Net interest received (+) / paid (-) except for interest included in the valuation of fixed assets	67,149	87,620
A.4.1. INCOME TAX PAID	(16,307)	(15,712)
A*** Net cash provided by (used in) operating activities	(349,030)	385,898
CASH FLOWS FROM INVESTING ACTIVITIES		
B.1.1. Purchase of fixed assets	(888)	(2,567)
B.2.1. Proceeds from sale of fixed assets	0	550
B*** Net cash provided by (used in) investing activities	(888)	(2,017)
CASH FLOWS FROM FINANCING ACTIVITIES		
C.1. Change in long-term liabilities, and long-term and short-term loans	368,541	(585,610)
C.2.1. Effect of other changes in equity on cash	(860)	(755)
C*** Net cash provided by (used in) financing activities	367,681	(586,365)
F. Net increase (decrease) in cash	17,763	(202,484)
P. Cash and cash equivalents at beginning of year	2,453	204,937
R. Cash and cash equivalents at end of year	20,216	2,453

Prepared on: 23 March 2021

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 2020

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 2019	114,000	80,000	818,400	9,037	123,672	53,679	1,198,788
Distribution of profit	0	0	0	957	52,722	(53,679)	0
Distribution of funds	0	0	0	(755)	0	0	(755)
Profit for the period	0	0	0	0	0	36,321	36,321
As at 31 December 2019	114,000	80,000	818,400	9,239	176,394	36,321	1,234,354
As at 1 January 2020	114,000	80,000	818,400	9,239	176,394	36,321	1,234,354
Distribution of profit	0	0	0	1,007	35,314	(36,321)	0
Distribution of funds	0	0	0	(860)	0	0	(860)
Profit for the period	0	0	0	0	0	44,123	44,123
As at 31 December 2020	114,000	80,000	818,400	9,386	211,708	44,123	1,277,617

Prepared on: 23 March 2021

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 2020

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 1912/64B, Krč, 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 as at 31 December 2020.

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.

The existence of the novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread globally. Despite that the pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected operations in the Czech republic in the year ending 31 December 2020, at Factoring České spořitelny, a.s. it did not have a significant impact and therefore the Company did not take special measures, did not draw on government programs or other forms of support (in accordance with the policy of the entire Česká spořitelna financial group).

The pandemic had a negative effect on items denominated in foreign currencies, in the financial result as a net foreign exchange loss, and the Company revised the calculation of allowances for receivables.

The Group regularly reviews impairment indicators for tangible and intangible fixed assets and the right to use assets. Within these

assets, no significant impairment indicator was identified in connection with COVID-19. The Company did not draw any government subsidies to mitigate these effects.

1.2 Organisational Structure

At the end of 2020, the Company had 39 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 2020, Jiří Jarmar was appointed as a third proxy. As at 31 December 2020, members of the Company's statutory bodies were as follows:

	Function	Name
Board of Directors	Chairman	Karel Nováček
	Member	Pavel Chlumský
Proxy holders		Michael Jehlička
		Martin Štěpka
		Jiří Jarmar
Supervisory Board	Chairman	Jan Seger
	Vice-Chairman	Jan Jašek
	Member	Roman Pařil

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 2020.

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 and 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.

Management has considered the impact of the novel coronavirus causing the COVID-19 disease when assessing the valuation of assets and liabilities and going concern assumptions.

2.2 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 (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 is also recognised as trade receivables. The related payables to suppliers, the clients of the Company, are recognized as short-term trade payables.

Factoring receivables accounted on "net" basis are recognized in nominal value as short-term receivables and also as short-term trade payables. The difference between the nominal value and amount of provided financing is recognised as short-term payables.

Allowances for receivables

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

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

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") daily exchange rate.

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, 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 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.

Regarding 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 thousand	Balance at 01.01.2019	Additions	Disposals	Balance at 31.12.2019	Additions	Disposals	Balance at 31.12.2020
Software	12,883	270	0	13,153	718	0	13,871
Licenses and other	776	0	0	776	0	0	776
Total	13,659	270	0	13,929	718	0	14,647

Accumulated Amortisation and Provisions

CZK thousand	Balance at 01.01.2019	Additions	Disposals	Balance at 31.12.2019	Additions	Disposals	Balance at 31.12.2020
Software	10,288	692	0	10,980	677	0	11,657
Licenses and other	776	0	0	776	0	0	776
Total	11,064	692	0	11,756	677	0	12,433

Net Book Value

CZK thousand	Balance at 01.01.2019	Balance at 31.12.2019	Balance at 31.12.2020
Software	2,595	2,173	2,214
Licenses and other	0	0	0
Total	2,595	2,173	2,214

4.2 Tangible Fixed Assets

Cost

CZK thousand	Balance at 01.01.2019	Additions	Disposals	Balance at 31.12.2019	Additions	Disposals	Balance at 31.12.2020
Machinery and equipment	10,100	574	0	10,674	170	0	10,844
Vehicles	5,165	1,724	(1,437)	5,452	0	0	5,452
Total	15,266	2,298	(1,437)	16,126	170	0	16,296

Accumulated Depreciation

CZK thousand	Balance at 01.01.2019	Additions	Disposals	Balance at 31.12.2019	Additions	Disposals	Balance at 31.12.2020
Machinery and equipment	8,575	515	0	9,090	669	0	9,759
Vehicles	2,511	967	(1,408)	2,070	1,013	0	3,083
Total	11,086	1,482	(1,408)	11,160	1,682	0	12,842

Net Book Value

CZK thousand	Balance at 01.01.2019	Balance at 31.12.2019	Balance at 31.12.2020
Machinery and equipment	1,525	1,584	1,085
Vehicles	2,655	3,382	2,369
Total	4,180	4,966	3,454

In 2020, investments in tangible assets were related only to IT equipment. The Company acquired tangible assets of CZK 732 thousand that were charged directly to expenses in 2020 (2019: CZK 1,969 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 thousand	Balance at 31.12.2019	Balance at 31.12.2020
Trade receivables	7,289,736	8,077,562
- customers (factoring)	6,187,615	6,958,710
- recourse factoring	2,014,722	2,318,903
- non-resource factoring	3,838,523	4,479,737
- other	334,370	160,070
- prepayments made	1,389,212	1,407,261
- allowances	(287,091)	(288,409)
Due from government – (+) tax receivables /(-) payables	3,021	6,520
Short-term advances granted	1,009	784
Total	7,293,766	8,084,866

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 '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	Po splatnosti					Total
			1–30 days	31–60 days	61–90 days	91–365 days	Over 1 year	
31.12.2020	Trade receivables	7,055,628	689,641	151,519	4,080	72,990	393,016	8,366,875
	Allowances – specific	(12,657)	(130)	(500)	(500)	(10,132)	(221,615)	(245,535)
	Allowances – portfolio	(42,874)	0	0	0	0	0	(42,874)
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)	0	0	0	0	0	(22,494)

The average maturity of receivables from customers of the Company's factoring clients in 2020 was 70 days (2019: 71 days).

In accordance with the method of creating of allowances for accounting purposes, which are a part of the accounting allowances listed below, based on calculation of expected loss (EL) from the financing placed with clients – see note 3.2. – the Company created portfolio allowances of CZK 42,874 thousand as at 31 December 2020 (31 December 2019: CZK 22,494 thousand).

Specific accounting allowances have been created for workout receivables.

Tax non-deductible allowances have been set aside of CZK 204,717 thousand in 2020 (2019: CZK 195,488 thousand). Deductible tax allowances have been set aside of CZK 83,693 thousand in 2020 (2019: CZK 91,603 thousand). Deductible tax 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 cases of bankruptcy proceedings of these entities.

In 2020 several insolvency proceedings were closed due to irrecoverability, the Company wrote off receivables amounting to CZK 14,581 thousand (2019: CZK 87,153 thousand).

Changes in allowance accounts:

CZK thousand	Balance at 01.01.2019	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2019	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2020
Allowances against:									
Receivables – tax deductible	123,006	172	(30,525)	(1,060)	91,603	3,725	(12,695)	(965)	81,667
Receivables – other	218,550	51,446	(57,584)	(16,938)	195,488	27,067	(652)	(18,181)	203,722
Revaluation	0	0	0	0	22	0	0	0	3,020
Total	341,556	51,618	(88,109)	(17,998)	287,091	30,792	(13,347)	(19,146)	288,409

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 but are not publicly traded.

4.6.2 Distribution of Profit for 2019

On 12 May 2020, the Company's sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2019 profit totalling CZK 36,322 thousand and allocated CZK 1,008 thousand to the social fund and transferred CZK 35,314 thousand to retained earnings, that amounted to CZK 211,708 thousand as at 31 December 2020. The Company did not pay any profit share in 2020.

4.7 Provisions

The Company recognizes only a provision for potential legal disputes in the amount of CZK 4,685 thousand (2019: CZK 4,685 thousand).

4.8 Liabilities

4.8.1 Current Liabilities

CZK thousand	Balance at 31.12.2019	Balance at 31.12.2020
Amount due to credit institutions	3,636,446	4,004,987
Trade payables (factoring)	2,426,999	2,821,221
- Recourse factoring	2,139,635	2,332,819
- Non-recourse factoring	235,215	451,579
- Other	52,149	36,823
Short-term advances received	4,071	4,176
Other liabilities:	26,825	24,237
- Liabilities to employees	1,767	2,149
- Liabilities arising from social security and health insurance	801	981
- Due to government – taxes and subsidies	1,067	2,730
- Unbilled deliveries	23,190	18,377
Total	6,094,341	6,854,621

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 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 2020.

4.8.2 Bank Loans and Borrowings

2020

CZK thousand Bank	Purpose	Balance at 31.12.2020	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	15,554	1 M Libor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – overdraft PLN	28,470	1 M Wibor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – current account CZK	900,000	1 M Pribor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – overdraft CZK	147,476	1 M Pribor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – overdraft USD	72,214	1 M Libor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – current account EUR	2,755,725	1 M Euribor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – current account USD	85,548	1 M Libor + risk margin	31.8.2021	uncollateralised
Total intercompany bank loans		4,004,987			
Total bank loans and borrowings		4,004,987			

2019

CZK thousand Bank	Purpose	Balance at 31.12.2019	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	6,890	1 M Libor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – overdraft PLN	9,563	1 M Wlibor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – current account CZK	800,000	1 M Pribor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – overdraft CZK	250,719	1 M Pribor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – overdraft USD	55,095	1 M Libor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – current account EUR	2,337,720	1 M Euribor + risk margin	31.8.2021	uncollateralised
Česká spořitelna	operating – current account USD	176,459	1 M Libor + risk margin	31.8.2021	uncollateralised
Total intercompany bank loans		3,636,446			
Total bank loans and borrowings		3,636,446			

The Company paid interest from these loans of CZK 21,056 thousand (2019: CZK 40,820 thousand).

4.9 Accruals and deferred income

Accruals and deferred income predominantly include accrued loan interest from provided payment calendars which are paid by the borrowers only after the payment of principals (older workout cases) and operating liabilities.

4.10 Assets and Liabilities in Foreign Currencies (Gross)

2020

CZK thousand	CZK	USD	EUR	PLN	GBP	Other	Total
Short term receivables	4,391,572	202,210	3,704,569	54,597	20,326	0	8,373,275
Cash and cash equivalents	3,151	0	16,971	0	0	94	20,216
Prepayments and accrued income	1,832	0	0	0	0	0	1,832
Total	4,396,555	202,210	3,721,540	54,597	20,326	94	8,395,323
Current liabilities	1,863,228	58,203	906,152	19,373	2,679	0	2,849,634
Bank loans and borrowings	1,047,476	157,762	2,755,725	28,470	15,554	0	4,004,987
Accruals and deferred income	11,891	0	0	0	0	0	11,891
Total	2,922,595	215,965	3,661,877	47,843	18,233	0	6,866,512

2019

CZK thousand	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	0	361	0	0	97	2,453
Prepayments and accrued income	1,841	0	0	0	0	0	1,841
Total	4,034,342	92,429	3,422,668	23,696	11,732	284	7,585,151
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	0	3,636,446
Accruals and deferred income	11,885	0	0	0	0	0	11,885
Total	2,592,955	102,308	3,383,719	16,848	10,209	187	6,106,226

4.11 Income from ordinary activity by principal activity

CZK thousand	2019			2020		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Income from fees	103,078	1,804	104,882	96,316	2,622	98,938
Advisory services	0	2,850	2,850	0	1,552	1,552
Other income	61	0	61	112	0	112
Production	103,139	4,654	107,793	96,428	4,174	100,602

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

4.12 Services

CZK thousand	2019	2020
Consumption of material	2,061	1,100
Consumption of energy and fuel	432	726
Total consumption of material and energy	2,493	1,826
Legal and notarial services	3,173	2,243
Factoring fee	4,251	3,941
External audit	557	566
Rent	3,879	4,106
Outsourcing expenses	2,488	2,643
Marketing expenses	326	10
Repairs and maintenance	3,913	3,171
Travelling	293	132
Training	512	153
Other services	4,521	2,936
Total costs of services	23,913	19,901

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 2020 and 2019:

2020

CZK thousand	Number	Wages	Social security and health insurance	Other expenses	Personnel and related expenses
Employees	39	32,412	10,650	1,328	44,390
Management	4	6,835	1,472	204	8,512
Total	43	39,247	12,122	1,533	52,902

2019

CZK thousand	Number	Wages	Social security and health insurance	Other expenses	Personnel and related expenses
Employees	37	31,494	10,026	1,057	42,577
Management	5	8,838	2,156	282	11,276
Total	42	40,332	12,182	1,339	53,853

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 2020 and 2019, 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 thousand	2019	2020
Vehicles/other assets for both business and private purposes, Management life and pension insurance, cafeteria (amount increases the tax base of employees)		237	320

4.14 Other Operating Income and Expenses

CZK thousand	2019	2020
Other operating income	1,593	6,207
Income from sale of fixed assets	550	0
Other operating income	1,043	6,207
Other operating expenses	108,872	35,349
Net book value of fixed assets sold	29	0
Taxes and charges relating to operations	(27)	58
Other operating expenses	110,117	35,291
Creation and release of operating provisions	(1,247)	0
Total other operating result	107,279	29,142

Other operating expenses include, in particular, trade receivables ceded and written off in the amount of CZK 14,896 thousand (2019: CZK 87,153 thousand) and insurance premium paid in the amount of CZK 18,708 thousand (2019: CZK 20,358 thousand) for operating and commercial risk insurance.

4.15 Interest and Other Financial Income and Expenses

CZK thousand	2019	2020
Interest income	128,440	88,205
Interest expense to related parties	(40,820)	(21,056)
Other financial income	478	85
Other financial expense	(1,622)	(1,292)
Foreign exchange gains/losses (+/-)	761	(1,786)
Total other financial result	(383)	(2,993)
Total result of financial activities	87,237	64,156

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 thousand	Balance at 31.12.2019	Balance at 31.12.2020
Current Tax	18,064	12,392
Tax assessment for previous accounting period	(75)	(21)
Total	17,989	12,371

The tax charge for 2020 and 2019 can be reconciled to the profit per the income statement as follows:

CZK thousand	2019	2020
Profit before tax	58,530	60,328
Tax at the local income tax rate of 19% (2019: 19%)	11,121	11,462
Tax effect of non-deductible expenses	9,014	4,354
Tax effect of non-taxable income	(2,071)	(3,425)
Additional assessment / tax refund of taxes for prior periods	(75)	(21)
Current tax payable	17,989	12,371
Deferred tax	4,220	3,834
Total tax	22,209	16,205

Deferred Tax

The deferred tax asset can be analysed as follows:

CZK thousand	Balance at 31.12.2019	Balance at 31.12.2020
Deferred tax arising from:		
Depreciation and amortization of fixed assets	(556)	(525)
Allowance for receivables	37,143	34,168
Accrued expenses for social security and health insurance	2,469	2,469
Provisions	890	0
Total deferred tax asset	39,946	36,112

CZK thousand	Stav k 31. 12. 2019	Stav k 31. 12. 2020
Balance change analysis		
Opening balance	44,166	39,946
Current changes charged against the income statement	(4,220)	(3,834)
Total	39,946	36,112

5. Related party information

5.1 Mutual relations with the parent company

As the Company is a member of the Česká spořitelna, a.s. Group, its cooperation with the parent company continued during 2020 and 2019, both with respect to acquisitions and to raising finance from entities outside the Group to provide funding for other transactions.

As at 31 December 2020, receivables from Česká spořitelna, a.s. amounted to CZK 20,761 thousand (2019: CZK 3,499 thousand). The above predominantly includes receivables arising from current account balances and advances granted.

As at 31 December 2020, payables to the parent company amounted to CZK 4,006,669 thousand (2019: CZK 3,638,424 thousand). These amounts mainly represent bank loans and balances on overdraft accounts and unbilled deliveries.

For the year 2020, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 28,977 thousand (2019: CZK 48,779 thousand). These predominantly included interest on received loans, outsourcing and rental expenses.

Revenues of CZK 2,892 thousand (2019: CZK 2,832 thousand), relate to interest and fees received from Česká spořitelna.

5.2 Mutual relations with other related parties

Bank and trade receivables from Slovenská sporiteľňa, a.s. amounted to CZK 631 thousand (2019: CZK 1,132 thousand) and from Erste Factoring d.o.o. amounted to CZK 0 thousand (2019: CZK 63 thousand) and Erste & Steiermärkische Bank amounted to CZK 31 thousand (2019: CZK 0 thousand).

With respect to related party Slovenská sporiteľňa, a.s., the Company recognised revenues of CZK 1,127 thousand (2019: CZK 2,079 thousand), revenues from related party Erste Factoring d.o.o. of CZK 397 thousands (2019: CZK 771 thousand) and from Erste & Steiermärkische Bank of CZK 31 thousand (2019: CZK 0 thousand). In 2020 Erste Factoring d.o.o. merged into Erste & Steiermarkische Bank with effect from 10 June 2020.

For the year 2020, the Company recorded expenses in relation to related party sAutoleasing, a.s. of CZK 0 thousand (2019: CZK 30 thousand). And in relation to related party Procurement Services CZ, s.r.o. (Group procurement services) recorded expenses of CZK 69 thousand (2019: CZK 62 thousand) and Erste Factoring d.o.o. exchange loss of CZK 3 thousand (2019: CZK 0 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

No significant events occurred after the balance sheet date other than the uncertain situation regarding the development of a coronavirus pandemic that would affect the reported values.

Prepared on: 23 March 2021

Signature of accounting entity's statutory body:

Two handwritten signatures in blue ink. The first signature is a stylized 'K' followed by 'Nováček'. The second signature is 'Pavel Chlumský'.

Karel Nováček
Chairman of the Board
of Directors

Pavel Chlumský
Member of the Board
of Directors

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 2020

Factoring České spořitelny, a.s., with its registered office at Budějovická 1912/64b, 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**") 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 2020 to 31 December 2020 (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.
	associates – shares in affiliated undertakings
	Procurement Services CZ, s.r.o.
(100 %)	Slovenská sporiteľňa, a.s.
(69.3 %)	Erste & Steiermärkische Bank, d.d.
	Erste Factoring d.o.o. ⁽¹⁾
(99.9 %)	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 & Steiermärkische Bank d.d.**, with its registered office at Jadranski Trg 3a 510 00 Rijeka, Rijeka, Croatia, Business Registration Number (IČO): 3337367
Relation to the Company: related party directly controlled by the Company
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, Business Registration Number (IČO): 27631621
Relation to the Company: related party directly controlled by Erste & Steiermärkische 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, Business Registration Number (IČO): 27631621 ("Procurement Services CZ")
Relation to the Company: related party directly controlled by Procurement Services GmbH
Description of relations – see **Annex 1**

(1) The company has merged with Erste & Steiermärkische Bank, d.d. as at 10 June 2020.

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 19.7 million (2019: CZK 2.4 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 2020, the Company recognizes receivables and advance payments in the total amount of CZK 1.1 million to Česká spořitelna (2019: CZK 1.1 million) and receivables of CZK 0.1 million to other related parties (2019: CZK 1.2 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 4,005.0 million (2019: CZK 3,636.4 million) particularly under loan agreements and bank overdraft contracts.

Other liabilities

Unbilled deliveries and payables to Česká spořitelna, a.s. amounted to CZK 1.7 million (2019: CZK 2.0 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 21.1 million (2019: CZK 40.8 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 (2019: 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 7.7 million (2019: CZK 7.9 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 1.4 million (2019: CZK 2.7 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 Jugoslávská	2019	None
Debit cards contract	Česká spořitelna, a.s.	Debit cards contracts with amendments	2017–2020	None
Loan contract	Česká spořitelna, a.s.	Loan contract with amendments	2003–2020	None
Sub-participation agreement	Česká spořitelna, a.s.	Participation on risk of selected customers with amendments	2005–2020	None
Sub-participation agreement	Česká spořitelna, a.s.	Sub-Participation Framework Contract for reverse factoring	2018–2020	None
Lease agreement	Česká spořitelna, a.s.	Sublease of parking spaces - Trianon	2019	None
Lease agreement	Česká spořitelna, a.s.	Sublease of business premises with amendments - Budějovická 1912/64b	2019–2020	None
Lease agreement	Česká spořitelna, a.s.	Lease non-residential premises with amendments – Antala Staška Street	2014–2020	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	2020	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	2020	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)	2020	None
Service agreement	Slovenská sporiteľňa, a.s.	Electronic banking agreement	2020	None
Licence agreement	Slovenská sporiteľňa, a.s.	Agreement on transfer of rights and obligations of information system HoC	2011	None
Licence agreement	Slovenská sporiteľňa, a.s.	Implementation of information system HoC with amendments	2009–2020	None
Licence agreement	Erste&Steiermärkische Bank d.d.	Implementation of information system HoC with amendments including licence transfer from Erste Factoring d.o.o. to Erste&Steiermärkische Bank d.d. due to the merger	2010–2020	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. In 2020, Erste Factoring d.o.o. merged with Erste & Steiermärkische Bank with effect from 10 June 2020.

Prague, 23 March 2021

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 2020.

This Report was discussed and approved by the Company's Board of Directors on 23 March 2021.



Pavel Chlumský
Member of the Board of Directors

Factoring České spořitelny, a.s.

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