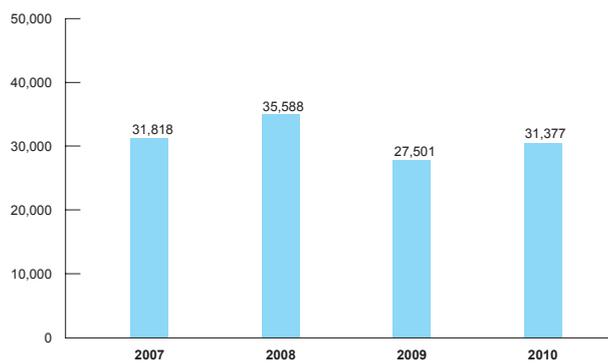




Annual Report 2010

Key Figures

Gross Turnover of Factoring České spořitelny (CZK mil.)



In 2010, the total turnover of Factoring České spořitelny was CZK 31.4 billion.

With its 27.3 percent market share, Factoring České spořitelny is a leading company in the Czech Republic.

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Foreword of the Chairwoman of the Board of Directors



Radmila Jakubová

Chairwoman of the Board of Directors

**Dear Shareholders, Dear Business Partners,
Dear Fellow Workers,**

On behalf of the Board of Directors I would like to present you the Annual Report 2010 of Factoring České spořitelny.

For our Company, 2010 was not an easy year due to the impact of the global financial and economic crisis on the Czech economy, but we can say that compared to 2009 it developed more positively which is substantiated by the turnover and yield component figures.

In 2010 the Company reached the turnover of ceded, administered, and monitored receivables of 31.4 billion CZK, from which the volume of ceded receivables was 29.2 billion CZK.

Compared to the previous year this amount represents an increase of 14.5%. The market share of Factoring České spořitelny rose to 27.3% in 2010.

The impact of the crisis was visible by the collapse of several clients, on whose receivables portfolio on the customer's side

and unpaid deposits in the client's side was necessary to create an unusually high value of new provisions, which put the company into a moderate loss. Compared to 2010, **the yield increased by 15 %, nevertheless the final result in 2010, thanks to provisions for bad debits of 56 million CZK, was a total loss of 1.6 million CZK.**

With respect to many negative phenomena, we managed to realize positive credits. **The company managed to maintain the rising trend of the number of its clients. A similar trend was recorded in the number of clients,** which eventually brings improvement to the qualitative exposition structure, especially from the risk rate point of view. We managed to place products and additional services on the market that did not need credit exposition and are safer from the credit failure impact point of view. **The company also kept on improving the quality and perfecting information systems** used mainly in the portfolio management and decreasing credit risks as well as optimization of business processes focused on fulfillment of long-term strategic objectives.

Also in other areas of our activities there was a progressive

trend, and we managed to stabilize the staffing of key sections of the Company and improve the qualifications and professional level of our employees. The company continued to develop and standardize work procedure guidelines, which – along with intense use of information technologies – enables us to increase the quality of those processes that are important for factoring companies.

I would like to express a word of thanks to all our business partners, the representatives of our only shareholder, and to our co-workers at the Financial Group of Česká spořitelna and Erste Bank, as well as to our employees and the previous Chairman of the Board of Directors and CEO Mr Lubomír Cívín who left our Company prior to the end of last year. In the difficult conditions of the past year all these people cooperated well and contributed to our positive results. Let me wish them good luck as in their professional and private lives.



Radmila Jakubová
Chairwoman of the Board of Directors

Company's Profile

Factoring České spořitelny, a.s., was established in November 1995 and was originally called CS Factoring Ltd. In 1997 the company transformed into a joint-stock company and Česká spořitelna gained a 10% share. On 20 June 2001 it purchased the rest of the shares from the previous owners and became a 100 % owner of the company.

Since mid-2009 the registered office has been Budějovická 1518/13B, Praha 4.

The Company has subscribed and paid share capital of 114,000 CZK. By resolution of the only shareholder on 5 October 2010 it was decided to increase the total face by value 30,000 CZK by issuing 20 new shares. The share price of these shares was 5,500 thousand CZK per share. Therefore share capital includes 80 million CZK of share premium.

The company's activity focuses on domestic, export, import factoring, purchase funding of selected kinds of short-term assets, and providing and keeping track of information on financial standing of corporations, as well as administration and screening of receivables for corporate clients in a broad area of fields and industries.

Among the industries that dominate the customer portfolio there are mainly companies from the metallurgy, automobile and consumer, chemical and food-processing industries, suppliers of retail products to chain stores, advertising industry, distributors of fuels, media representatives, etc. Compared to the previous year, 2010 brought a flurry of activity to the factoring market. Factoring České spořitelny did not reach the figures from the period before

the global financial crisis, but with its share of 27.3 % it strengthened its **leading position on the Czech factoring market.**

The economic crisis affected many other clients in 2010 and in several cases defaults were noted and business activities terminated due to insolvency or bankruptcy. Owing to these facts, the Company was forced to create further provision for bad debts, which had a negative impact on the economic results.

However, in 2010 the Company went on realizing several fundamental strategic projects:

- deepening the system of cooperation with the parent company, especially in the field of commerce and risk management;
- intensifying the care for the administrated portfolio of clients' receivables; and
- introducing new processes focused on service quality.

Moreover, in light of the crisis and worsening payment discipline, the company concentrated on systematization and deepening the cooperation with the payment of delayed receivables and elaborating and improving the process of debt recovery.

Factoring České spořitelny develops its business activities mainly on the basis of close cooperation with its parent bank, high quality, professional methods of risk management, flexible reactions to market and individual client needs in the form of broadening the range of products, accommodating their needs, and last but not least maintaining the high standard of services provided.

Development of the Key Economic Indicators

	2007	2008	2009	2010
Assets from financing clients' liabilities	6 877 961	6 626 482	5 740 357	5 576 339
Share capital	84 000	84 000	84 000	114 000
Share premium	0	0	0	80 000
Shareholder's equity	138 111	137 377	46 969	155 242
Added value	57 510	61 469	58 322	76 346
Operating results before the creation of reserves and for bad debts	55 946	38 290	18 744	36 966
Operating results for accounting period	29 714	20 067	-89 586	-1 556

Directors and Officers

Board of Directors

- **Lubomír Cívín**
Chairman as at 30th September 2010
- **Radmila Jakubová**
Vice-chairwoman as at 28th December 2010
Chairwoman since 29th December 2010
- **Karel Machytka**
Member as at 28th December 2010
Vice-chairman since 29th December 2010

Supervisory Board

- **Dr. Heinz Knotzer**, Chairman
- **Karel Mourek**, Vice-chairman
- **Alois M. Barthhuber**, Member

Company Management

- **Lubomír Cívín**,
Chief Executive Officer as at 30th September 2010
- **Radmila Jakubová**,
Chief Client Service, Finance and IT Officer
- **Karel Machytka**, Chief Sales Officer
- **Michael Jehlička**, Business Development Manager
- **Petra Kožárová**, Client Service Manager
- **Luboš Kroulík**, Risk Management Manager
- **Martin Štěpka**, Sales Manager

Organizational Chart of the Company

Supervisory Board
Board of Directors
Chief Executive Officer
Chief Client Service, Finance and IT Officer
Chief Sales Officer
Competence Centre Manager
Client Service Manager
Risk Management Manager
Sales Manager

Company Management Report

For the global as well as Czech economy 2010 was a year of ongoing economic crisis. Just as in the previous year, the crisis again affected the business of Factoring České spořitelny, even though to a lesser extent. The decline in economic activity of a number of corporations, among them some of the Company's clients, stopped in some industries; however, there was a decrease in the ability to pay by some debtors, and there were also many insolvency and in some cases even bankruptcy proceedings, which had a bad impact on the economic situation in 2010.

This fact was mainly demonstrated by the higher number of provisions for bad debts, which resulted in the slightly negative economic results. On the other hand the positive thing was that at the end of the year there was an increase in turnover of transferred claims, keeping most of the clients, and the company's ability to compensate by replacing those subjects who terminated the mutual cooperation, with new ones. That is why the Company reached its historical maximum.

Factoring České spořitelny has been a stable part of the Česká spořitelna Financial Group for almost one decade, which enables it to effectively resolve and react to many problems that have emerged in the Czech economy during the economic crisis. Its membership in a strong financial group ensured that the Company is able to keep stable funding of its clients despite worse access of corporations to credit on the Czech market. Thus it helped to maintain favourable conditions in their business activities to many existing as well as new clients and enabled them in the course of the year to resist the deteriorating economic situation.

In 2010, Factoring České spořitelny fulfilled its basic strategy from past years which aimed to keep the leading position on the Czech market of factoring services already gained in 2004. In 2010 turnover reached 31.4 billion CZK and a market share of 27.3 % confirmed the achievement of this goal and maintained first position on the factoring market in the Czech Republic, which can be considered a significant achievement of strategic management.

2010 was characteristic for its on-going increase in credit and operational risks, especially for numerous insolvencies, bankruptcies, and restructurings in the economy. This was negatively reflected in the results of the Company. In spite of higher profit margins and saving part of the operational costs which had a good effect on positive operating economic result, the Company was forced to create provisions for bad debts to the extent that led to the final, slightly negative economic result. A great deal of these items are only temporary which makes us believe that they will not recur in the years to come.

In 2010 the Company applied a correction to the company's, strategic management reflecting the change in external circumstances.

This correction mainly stems from the more rigorous use of the comprehensive concept of risk management created in previous years, which was built with regard to maximum possible elimination of rising credit and operations risks. Within the context of possible security, the structure and volume of funds were changed in individual product groups and sales of the main and supplementary services focused on clients with receivables both before and after financing has been provided, increased. The objective of these partial structural changes was to eliminate the risks and to help clients in continuous quality assessment of their customer portfolio, preventing negative impacts of non-standard situations and minimizing financial losses.

In 2010 Company management worked hard to **develop business activities**. This activity was mainly focused on deepening the cooperation with its parent bank as well as developing its own trade network with the goal to improve the efficiency and quality of client service. The flexible and high quality trade network that covers the entire country allowed us to systematically map and cover most requirements of our clients and to keep the client portfolio at a level comparable to that of previous years. The stability of the client's base is supported by the fact that during the decrease in turnover there was no decrease in the number of processed and financed receivables. The decrease in turnover in the first months of 2010 was caused by a decrease of the average amounts invoiced by clients, thus by a factor that the company is not able to influence directly because of its dependence on client output. This decrease was recovered in the second half of the year and even approached pre-crisis figures.

A stabilized offering of the company's products, even though slightly modified thanks to the change in market conditions, still enables clients to use a wide range of financial and non-financial products which they had been used to in the past. These modern and flexible financial instruments, along with new quality additional services, contributed to the stabilization of the enterprise over the economic environment of the past year.

From the point of view of rising risks the last year was not an easy one for the risk management department, which was involved in realizing the Company's objectives and its deeper integration within the Financial Group. The standardization of methods and work procedures along with the intensive use of information technologies allowed us to maintain the quality of these activities which are key to the effective functioning of a factoring company. Even though not all risks were fully eliminated, good prevention and timely responses to non-standard situations allowed the Company to minimize incurred losses. The long term process of increasing the quality of risk management begun in the past showed in the stabilization of portfolio quality, as well as in a higher effectiveness of payment, recovery, restructuring, and settlement of riskier exposures.

The operating department ensured the continuous realization of current trades and provision of quality customer service accompanying individual factoring products. The quality work of this department with the portfolio of transferred claims significantly reduces both the Company's own risks and the client's credit exposures incurred from loans provided. At the same time it improves liquidity management and stability of financing working capital of most clients, which are exceptionally significant and beneficial functions of financial management in crisis periods.

The financial department was looking for ways to improve the Company's optimization of cash flow management, reducing the negative impacts of volatility of foreign exchange markets and ensuring stable liquidity. Most of these problems were successfully dealt with on the basis of excellent cooperation with Česká spořitelna.

The information and telecommunication technology department makes it possible to work under stable technical and technological conditions, as well as with the new innovative processes in the field of products and with technologies. In 2010 the technical infrastructure was improving, as well as work quality and security of processed data.

Despite certain setbacks in the financial results in 2009 and 2010, Factoring České spořitelny, remains one of the most important players on the Czech factoring market. The mutual effort of all members of the team, all members of the Company's management, and the support of the company's only shareholder, offers a chance to return in the years to come to previous successes and to overcome the impacts of the global economic crisis on Czech and other economies of the European Union.

Supervisory Board Report

Just as in previous years, from January to December 2010, the Supervisory Board of Factoring České spořitelny, in accordance with the powers and competences according to the Commercial Code and the Company's Articles of Association, fulfilled the role and responsibilities of the Company's supervision and control body. The Supervisory Board supervised the activity of the Board of Directors and the Company's economic activity and realization of entrepreneurial activities.

As required by the Company's Articles of Association, the Supervisory Board realized four meetings during the year 2010. The Supervisory Board discussed main issues regarding the business and economic strategy and policy of the Company.

According to its competencies following the applicable laws and Articles of Association, the Supervisory Board discussed the report on the Company's business activities and state of assets in 2010 and reviewed the Company's 2010 Financial Statements submitted by the Board of Directors. Following the conclusions of the auditor, Ernst & Young Audit, s. r. o., the Supervisory Board expresses the opinion that the Financial Statements gives a true and fair view of the assets, liabilities, equity and financial position of the compa-

ny Factoring České spořitelny as of 31 December 2010 and states that the results of the Company's activities for 2010 are recorded in compliance with the Act on Accounting and the applicable rules and regulations as valid in the Czech Republic.

In view of the above, the Supervisory Board recommends that the annual Financial Statements of Factoring České spořitelny for 2010 and the proposed settlement of the economic result submitted by the Board of Directors are approved.

The Supervisory Board also reviewed the Report on Related Parties pursuant to Section 66a (9) of the Commercial Code and states that the information included in the Report is true and complete.



Dr. Heinz Knotzer
Chairman of the Supervisory Board

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Independent Auditor's Report

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

I. We have audited the financial statements of Factoring České spořitelny, a. s. („the Company“) as at 31 December 2010 presented in the annual report of the Company on pages 12–28 and our audit report dated 15 March 2011 stated the following:

„We have audited the accompanying financial statements of Factoring České spořitelny, a. s., which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of Factoring České spořitelny, a. s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Factoring České spořitelny, a. s., as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.“

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

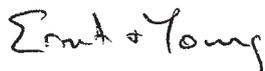
We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–8 is consistent with that contained in the audited financial statements as at 31 December 2010. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

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

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of Factoring České spořitelny, a. s., for the year ended 31 December 2010 presented in the annual report of the Company on pages 29–31. The management of Factoring České spořitelny, a. s., is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Factoring České spořitelny, a. s., for the year ended 31 December 2010 is materially misstated.



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

Represented by



Martin Zuba
Partner



Magdalena Souček
Auditor, License No. 1291

31 March 2011
Prague, Czech Republic

Balance Sheet

as at 31 December 2010

CZK ths.			31.12.2010	31.12.2009
	Gross	Provisions	Net	Net
Total assets	6,577,563	219,601	6,357,962	5,687,442
B. Fixed assets	23,403	17,061	6,342	7,479
B.I. Intangible assets	9,435	8,773	662	1,765
B.I.3. Software	8,753	8,185	568	1,501
B.I.4. Patents, royalties and similar rights	682	588	93	264
B.II. Tangible assets	13,545	8,288	5,257	5,262
B.II.3. Separate movable items and groups of movable items	13,511	8,288	5,223	5,228
B.II.6. Other tangible assets	34	0	34	34
B.III. Non-current financial assets	424	0	424	452
B.III.3. Other long-term securities and interests	424	0	424	452
C. Current assets	6,553,251	202,540	6,350,711	5,679,396
C.I. Inventory	77	0	77	142
C.I.1. Materials	77	0	77	142
C.II. Long-term receivables	38,794	0	38,794	30,518
C.II.5. Long-term advances granted	183	0	183	0
C.II.8. Deferred tax asset	38,611	0	38,611	30,518
C.III. Short-term receivables	6,440,442	202,540	6,237,902	5,585,297
C.III.1. Trade receivables	6,438,346	202,540	6,235,806	5,576,339
C.III.6. Due from government – tax receivables	498	0	498	8,117
C.III.7. Short-term advances granted	1,598	0	1,598	837
C.III.9. Other receivables	0	0	0	4
C.IV. Short-term financial assets	73,938	0	73,938	63,439
C.IV.1. Cash	30	0	30	128
C.IV.2. Cash at bank	73,908	0	73,908	63,311
D. I. Accrued assets and deferred liabilities	910	0	910	567
D.I.1. Prepaid expenses	910	0	910	567

CZK ths.	31. 12. 2010	31. 12. 2009
Total equity & liabilities	6,357,962	5,687,442
A. Equity	155,242	46,969
A.I. Share capital	114,000	84,000
A.I.1. Registered capital	114,000	84,000
A.II. Capital funds	79,936	(42)
A.II.1. Share premium	80,000	0
A.II.3. Gain or loss on revaluation of assets and liabilities	(64)	(42)
A.III. Reserve funds, indivisible fund and other funds created from profit	33	7,621
A.III.1. Legal reserve fund/Indivisible fund	0	7,439
A.III.2. Statutory and other funds	33	182
A.IV. Profit (loss) for the previous years	(37,171)	44,976
A.IV.1. Retained earnings	4,620	44,976
A.IV.2. Accumulated loss of previous years	(41,790)	0
A.V. Profit (loss) for the year (+/-)	(1,556)	(89,586)
B. Liabilities	6,191,608	5,632,504
B.III. Current liabilities	3,686,322	3,193,330
B.III.1. Trade payables	3,657,874	3,179,641
B.III.5. Liabilities to employees	1,207	1,377
B.III.6. Liabilities arising from social security and health insurance	663	478
B.III.7. Due to government – taxes and subsidies	4,160	981
B.III.8. Advances received	3,468	0
B.III.10. Unbilled deliveries	18,950	10,853
B.IV. Bank loans and borrowings	2,505,286	2,439,174
B.IV.2. Short-term bank loans	2,505,286	2,439,174
C. I. Accrued liabilities and deferred assets	11,112	7,969
C.I.2. Deferred income	11,112	7,969

Prepared on: 15. 3. 2011.

Signature of accounting entity's statutory body:


Radmila Jakubová


Karel Machytka

Income Statement

for the Year Ended 31 December 2010

CZK ths.	Year ended 31. 12. 2010	Year ended 31. 12. 2009
II. Production	104,362	87,971
II.1. Revenue from sale of finished products and services	104,362	87,971
B. Production related consumption	28,016	29,649
B.1. Consumption of material and energy	731	869
B.2. Services	27,285	28,779
+ Value added	76,346	58,322
C. Personnel expenses	38,353	35,180
C.1. Wages and salaries	27,607	26,058
C.2. Bonuses to members of company or cooperation bodies	255	180
C.3. Social security and health insurance	9,529	7,983
C.4. Other social costs	962	959
D. Taxes and charges	347	1,386
E. Amortization and depreciation of intangible and tangible fixed assets	3,115	3,301
III. Revenue from sale of intangible and tangible fixed assets and materials	265	206
III.1. Revenues from sale of intangible and tangible fixed assets	265	206
F. Net book value of intangible and tangible fixed assets and materials sold	69	333
F.1. Net book value of intangible and tangible fixed assets sold	69	333
G. Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	38,522	108,330
IV. Other operating revenues	10,234	55,498
H. Other operating expenses	39,329	102,019
* Profit or loss on operating activities	(32,888)	(136,523)
IX. Gain on revaluation of securities and derivatives	0	72
L. Loss on revaluation of securities and derivatives	0	280
X. Interest income	76,935	94,685
N. Interest expense	41,937	60,913
XI. Other finance income	129,622	150,552
O. Other finance cost	130,610	153,473
* Profit or loss on financial activities	34,009	30,644
Q. Tax on profit or loss on ordinary activities	2,677	(16,293)
Q 1. – due	10,765	4,157
Q 2. – deferred	(8,088)	(20,450)
** Profit or loss on ordinary activities after taxation	(1,556)	(89,586)
*** Profit or loss for the year (+/-)	(1,556)	(89,586)
**** Profit or loss before taxation	1 121	(105 879)

Prepared on: 15. 3. 2011.

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Cash Flow Statement

for the Year Ended 31 December 2010

CZK ths.	Year ended 31. 12. 2010	Year ended 31. 12. 2009
P. Cash and cash equivalents at beginning of year	63 439	62 603
Cash flows from operating activities		
Z. Profit or loss on ordinary activities before taxation (+/-)	1 121	(105 879)
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	24 640	140 155
A.1.1. Depreciation and amortization of fixed assets	3 115	3 301
A.1.2. Change in allowances and provision	38 522	108 330
A.1.3. (Gain)/Loss on disposal of fixed assets	(196)	127
A.1.5. Interest expense and interest income	(34 998)	(33 772)
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	18 197	62 169
A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items	25 761	34 276
A.2. Change in working capital	(224 129)	180 708
A.2.1. Change in receivables and in prepaid expenses and unbilled revenue	(717 469)	924 889
A.2.2. Change in payables and in accruals and deferred income	493 275	(744 204)
A.2.3. Change in inventory	65	23
A.** Net cash from operating activities before taxation, interest paid and extraordinary items	(198 368)	214 984
A.3. Interest paid	(41 937)	(60 913)
A.4. Interest received	76 935	94 685
A.5. Tax on profit or loss on ordinary activities paid	(285)	2 834
A.*** Net cash provided by (used in) operating activities	(163 655)	251 590
Cash flows from investing activities		
B.1. Purchase of fixed assets	(2 047)	(514)
B.2. Proceeds from sale of fixed assets	265	206
B.*** Net cash provided by (used in) investing activities	(1 782)	(308)
Cash flows from financing activities		
C.1. Change in long-term liabilities and long-term, resp. short-term, loans	65 958	(250 441)
C.2. Net effect of changes in shareholders equity	109 978	(5)
C.2.5. Payments debited to reserves	(22)	(5)
C.*** Net cash provided by (used in) financing activities	175 936	(250 446)
F. Net increase (decrease) in cash	10 499	836
R. Cash and cash equivalents at end of year	73 938	63 439

Prepared on: 15. 3. 2011.

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Statement of Changes in Equity

for the Year Ended 31 December 2010

CZK ths.	Registered capital	Share premium	Capital funds	Reserve funds, indivisible fund and other funds created from profit	Retained earnings	Accumulated loss of previous years	Profit (loss) for the year (+/-)	Total equity
Balance as at 31 December 2008	84 000		(37)	6 609	26 738	0	20 067	137 377
Profit distribution	0		0	1 829	18 238	0	(20 067)	0
Funds distribution	0		0	(817)	0	0	0	(817)
Profit / loss on revaluation of financial investment	0		(5)	0	0	0	0	(5)
Profit (loss) for the year (+/-)	0		0	0	0	0	(89 586)	(89 586)
Balance as at 31 December 2009	84 000	0	(42)	7 621	44 976	0	(89 586)	46 969
Profit distribution	0		0	(7 439)	(40 357)	(41 790)	89 586	0
Funds distribution	0		0	(149)	0	0	0	(149)
Profit / loss on revaluation of financial investment	0		(22)	0	0	0	0	(22)
Profit (loss) for the year (+/-)	0		0	0	0	0	(1 556)	(1 556)
Registered capital and share premium increase	30 000	80 000	0	0	0	0	0	110 000
Balance as at 31 December 2010	114 000	80 000	(64)	33	4 619	(41 790)	(1 556)	155 242

Notes to the Financial Statements

for the Year 2010

1. General Information

1.1 Incorporation and Description of the Business

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

The Company’s registered office is located at Budějovická 1518/13B, 140 00 Prague 4.

The Company’s subscribed and paid-up share capital amounts to CZK 114,000 thousand. On 5 October 2010, the sole shareholder decided to increase the Company’s share capital by issuing 20 additional shares with a nominal value totalling CZK 30,000 thousand. Issue price was CZK 5,500 thousand per share and accordingly, the Company recorded a share premium of CZK 80,000 thousand.

The accompanying financial statements have been prepared for the year ended 31 December 2010.

The sole shareholder of the Company is Česká spořitelna, a. s., with its registered office at Olbrachtova 1929/62, 140 00 Prague 4, Corporate ID 45 24 47 82.

Shareholder	Ownership percentage
Česká spořitelna, a. s..	100%

1.2 Organisational Structure

At the end of 2010, the Company had 39 employees, of which six were the Company’s managers. The Company is organised into eight units as follows: management including secretariat, sales (representation) department, operations department (cross-border and in-country clients), customer service department, risk management department, legal + work-out department, IT department and finance and controlling department.

On 30 September 2010, doc. ing. Lubomír Cívín, CSc. MBA, announced his resignation as the Board of Directors’ chairman due to the termination of his employment with the Company and of his activities as CEO. The Board of Directors took note of the resignation on 30 September 2010 and immediately informed the Supervisory Board and the sole shareholder. Pursuant to the sole shareholder’s Board of Directors’ motion of 10 December 2010, Radmila Jakubová was elected the chairwoman on 29 December 2010 and appointed the CEO effective 1 January 2011.

As at 31 December 2010, members of the Company’s statutory and supervisory bodies were as follows:

	Position	Name
Board of Directors	Chair	Radmila Jakubová
	Vice Chair	Ing. Karel Machytka
	Member	Vacant
Supervisory Board	Chair	Dr. Heinz Knotzer
	Vice Chair	Ing. Karel Mourek
	Member	Mag. Alois Bartlhuber

2. Basis of Accounting and General Accounting Principles

The Company’s accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

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

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

These financial statements are presented in thousands of Czech crowns (‘CZK’).

Information presented in the accompanying financial statements has been included in the consolidated financial statements compiled by the parent company, Česká spořitelna a. s., in accordance with International Financial Reporting Standards. Česká spořitelna a. s. is recorded in the Register of Companies held at the Prague Municipal Court, Volume B, File 1171, and the consolidated financial statements are filed with the Court.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform

with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. Summary of Significant Accounting Policies

3.1 Tangible and Intangible Fixed Assets

Valuation

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 13 thousand on an individual basis. Tangible fixed assets also include selected low value tangible assets with an estimated useful life greater than one year and an acquisition cost lower than CZK 13 thousand.

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

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

Tangible assets with a cost below CZK 13 thousand which are not included in selected low-value fixed assets, technical improvements with a cost below CZK 40 thousand and intangible assets with a cost below CZK 60 thousand are charged to expenses in the period in which they were acquired.

The cost of fixed asset improvements exceeding CZK 40 thousand and CZK 40 thousand, in aggregate for individual tangible and intangible fixed assets, respectively, for the taxation period increases the acquisition cost of the related fixed asset, if completed.

Depreciation for Accounting Purposes

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

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

Category of assets	Depreciation period in years
Software, licences and other intangible assets	4
Selected low value tangible assets	2
Vehicles	4
Machinery and equipment	4–6
Other equipment	4–12
Technical improvement of a leased building	8

The depreciation period in years is established pursuant to the estimated useful life of the fixed assets.

3.2 Non-Current Financial Assets

Valuation

Securities and equity investments are initially carried at cost upon acquisition. The cost of securities or equity investments includes direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity or securities and equity investments available for sale.

As at the balance sheet date, the Company records:

- Equity investments in subsidiaries and associates at cost;
- Debt securities held to maturity at cost increased to reflect interest income (including amortisation of premium or discount, if any); and
- Securities and equity investments available for sale at fair value if determinable. If it is not possible to determine the fair value, the acquisition cost valuation is used. The change in the fair value is recorded in equity through ‘the revaluation of assets and liabilities’ caption.

Valuation approach

If the carrying value of non-current financial assets that are not revalued at the balance sheet date decreases, the difference is considered a temporary impairment and is recognised as a provision.

At the balance sheet date, securities and equity investments available for sale denominated in a foreign currency are translated using the exchange rate of the Czech National Bank prevailing as at that date. Any resulting foreign exchange rate gains or losses are treated as a component of fair value or equity method valuation.

3.3 Inventory

Purchased inventory is valued at acquisition cost. Acquisition cost includes the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees during transportation, commissions, insurance charges and any discounts.

3.4 Receivables

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

The Company accounts for factoring receivables on a ‘gross’ basis. The factoring receivables are recognised in the nominal amount through assets as short-term trade receivables and the related payables to suppliers and the Company’s clients, as appropriate, are recognised through liabilities as short-term trade payables. The short-term receivables represent the nominal amount of the Company’s receivables from end customers.

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

Provisioning

The Company adjusted its approach to charging tax non-deductible provisions in 2010. The new approach is based on the calculation of expected loss to be incurred on funds placed with debtors, using the probability of default, and taking into account debtors' rating and the amount of secured receivable.

Specific provisions are created against special work-out receivables with a high loss potential.

3.5 Equity

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

In accordance with the Commercial Code, the Company creates a legal reserve fund from profit or from amounts contributed by partners above their contributions.

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

3.6 Loans

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

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

3.7 Provisions

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

3.8 Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated using a fixed exchange rate reflecting the Czech National Bank exchange rate prevailing on the last day of the calendar month preceding the month in which the transaction occurred. As at the balance sheet date, all foreign currency assets and liabilities are retranslated using the ruling CNB foreign exchange rate as at that date and any resulting translation gains and losses were recorded through the current year's financial income or financial expenses, as appropriate.

During the reporting period, foreign exchange rate differences arising from spot transactions were posted directly to income or expenses.

At the balance sheet date, non-current financial investments denominated in a foreign currency were translated using the effective exchange rate promulgated by the Czech National Bank as at that date. Any resulting foreign currency translation differences have been included in gains or losses arising from the revaluation of assets and liabilities (see Note 4.8).

3.9 Derivative Financial Transactions

The Company does not enter into hedging currency swaps to hedge the currency risk arising from foreign exchange rate fluctuations related to the financing of receivables denominated in foreign currencies. However, the Company monitors and maintains balances of foreign-currency assets and liabilities.

3.10 Taxation

3.10.1 Depreciation of Fixed Assets for Tax Purposes

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

3.10.2 Current Tax Payable

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

3.10.3 Deferred Taxation

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

3.11 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash at hand, cash in bank or term deposits.

3.12 Revenues

Factoring charges are presented within 'Sales of goods and services'. In addition, this caption includes income from know-how and other income relating to re-invoicing of services.

Interest claims are recognised as 'Interest income'.

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

3.13 Use of Estimates

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

3.14 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 (the Company is a member of the FCI and IFG association). 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 has implemented a series of new measures and work procedures designed to improve operational risk management over time and to eliminate fraudulent activities by clients.

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

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

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

4.1 Intangible Fixed Assets

Cost

(CZK thousand)	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Software	8,753	0	0	8,753	0	0	8,753
Licences, know-how	682	0	0	682	0	0	682
Intangible FA under construction	388	0	(388)	0	0	0	0
Total	9,823	0	(388)	9,435	0	0	9,435

Accumulated Amortisation and Provisions

(CZK thousand)	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Software	6,393	859	0	7,252	933	0	8,185
Licences, know-how	248	170	0	418	170	0	588
Total	6,641	1,029	0	7,670	1,103	0	8,773

Net Book Value

(CZK thousand)	Balance at 31 Dec 2009	Balance at 31 Dec 2010
Software	1,501	568
Licences, know-how	264	94
Intangible FA under construction	0	0
Total	1,765	662

In the years ended 31 December 2010 and 2009, the Company acquired intangible fixed assets totalling CZK 5 thousand and CZK 1,109 thousand, respectively, that were expensed. These assets include software with a cost of less than CZK 60 thousand.

4.2 Tangible Fixed Assets

Cost

(CZK thousand)	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Structures	439	0	(439)	0	0	0	0
Individual movable assets	19,327	1,065	(7,824)	12,871	2,075	(1,401)	13,545
– Machinery and equipment	12,552	1,042	(6,697)	6,897	1,783	(121)	8,559
– Vehicles	6,775	326	(1,127)	5,974	292	(1,280)	4,986
Tangible FA under construction	303	(303)	0	0	0	0	0
Total	20,069	4,748	(2,850)	12,871	2,075	(1,401)	13,545

Accumulated Depreciation

(CZK thousand)	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Structures	356	39	(395)	0	0	0	0
Individual movable assets	12,752	2,220	(7,363)	7,609	2,011	(1,332)	8,288
– Machinery and equipment	9,950	1,114	(6,372)	4,692	898	(86)	5,504
– Vehicles	2,802	1,106	(991)	2,917	1,113	(1,246)	2,784
Total	13,108	2,259	(7,758)	7,609	2,011	(1,332)	8,288

Net Book Value

(CZK thousand)	Balance at 31 Dec 2009	Balance at 31 Dec 2010
Structures	0	0
Individual movable assets	5,262	5,257
– Machinery and equipment	2,205	3,055
– Vehicles	3,057	2,202
Total	5,262	5,257

In the years ended 31 December 2010 and 2009, respectively, investments in tangible assets predominantly related to hardware equipment and cars.

The Company acquired tangible assets of CZK 80 thousand and CZK 68 thousand that were charged directly to expenses for the years ended 31 December 2010 and 2009, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are expensed.

4.3 Non-Current Financial Assets

ERSTE FACTORING d.o.o.

The Company owns 2.5% of shares in ERSTE FACTORING d.o.o., a factoring company based in Zagreb, Croatia, with the share capital of HRK 5,000 thousand. As at 31 December 2010 and 2009, the entity reported an unaudited equity of HRK 111,099 thousand and HRK 85,662 thousand, respectively.

This investment is classified within securities and equity shares available for sale. As at the reporting date, the investment was measured at cost as the entity is not listed and its fair value cannot be reliably determined. The cost of the investment was HRK 125 thousand, i.e. CZK 424 thousand and CZK 452 thousand as at 31 December 2010 and 2009, respectively.

4.4 Inventory

As at 31 December 2010 and 2009, the Company had inventory of CZK 77 thousand and CZK 142 thousand, respectively, comprising chip cards used to record qualified signature certificates.

4.5 Receivables

4.5.1 Long-Term Receivables – Deferred Tax Assets

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

4.5.2 Short-Term Receivables

(CZK thousand)	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Trade receivables	6,235,806	5,576,339
– customers	4,698,201	4,205,161
– prepayments made	1,740,145	1,535,196
– provisions	(202,540)	(164,018)
State – tax receivables	498	8,117
Short-term prepayments made	1,598	837
Other receivables	0	4
Total	6,237,902	5,585,297

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

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

4.5.3 Aging of Trade Receivables

Year	Category	Not yet due	Overdue					Total
			1–30 days	31–60 days	61–90 days	91–365 days	1 year and greater	
2010	Short-term	5,365,237	516,138	84,709	21,204	73,985	377,073	6,438,346
	Provisions				(19,490)	(20,000)	(163,050)	(202,540)
2009	Short-term	4,664,614	490,082	121,057	23,202	343,270	98,132	5,740,357
	Provisions	0	0	(11,327)	(3,378)	(134,798)	(14,035)	(164,018)

The average maturity of receivables from customers of the Company’s factoring clients in 2010 and 2009 was 51.83 days and 56.29 days, respectively.

Specific provisions against work-out receivables totalled CZK 183,050 thousand as at 31 December 2010; of this, provisions of CZK 32,000 thousand were charged in 2010 and provisions of CZK 43,141 thousand represent portfolio provisions charged in the past to cover specific work-out receivables using the original approach.

Of the aggregate amount of provisions, provisions of CZK 0 thousand and CZK 3,433 thousand were tax-deductible in 2010 and 2009, respectively. Tax-deductible provisions are recognised against receivables in the bankruptcy proceedings assigned to the Company before the legislative changes took effect.

During 2010 and 2009, the Company wrote off receivables of CZK 13,797 thousand and CZK 24,328 thousand, respectively, due to their irrecoverability.

Changes in the provision accounts were as follows (CZK thousand):

Provision against:	Balance at 31 Dec 2008	Provision creation	Release of provision	Balance at 31 Dec 2009	Provision creation	Release of provision	Balance at 31 Dec 2010
Receivables – statutory	6,856	0	(3,423)	3,433	0	(3,433)	0
Receivables – other	48,833	185,619	(73,867)	160,585	73,067	(31,112)	202,540

4.6 Current Financial Assets

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

4.7 Accrued Assets

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

4.8 Equity

4.8.1 Share Capital

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

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

4.8.2 Share Premium

In 2010, the sole shareholder increased the Company's share capital by CZK 30,000 thousand by issuing 20 additional shares and paid a share premium of CZK 80,000 thousand – see Note 1.1.

4.8.3 Compensation of the 2009 Loss

On 28 June 2010, the Company's sole shareholder, exercising the powers of the general meeting, approved the compensation of the 2009 loss of CZK 89,586 thousand as follows: a statutory reserve fund balance of CZK 7,439 thousand and retained earnings of CZK 40,357 thousand were used to compensate a portion of the loss; the remaining portion of CZK 41,790 thousand was transferred to the accumulated loss of previous years.

4.8.4 Gains and Losses Arising from the Revaluation of Assets and Liabilities

In 2010 and 2009, the revaluation gain of CZK 64 thousand and 42 thousand, respectively, arose from foreign exchange rate gains and losses relating to securities available for sale.

4.9 Payables

4.9.1 Short-Term Payables

(CZK thousand)	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Trade payables	3,657,874	3,179,641
Payables to employees	1,207	1,377
Payables arising from social security and health insurance	663	478
State – tax payables and subsidies	4,160	981
Short-term advances received	3,468	0
Estimated payables	18,950	10,853
Total	3,686,322	3,193,330

The payables to suppliers 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.

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

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

4.10 Bank Loans

2010

Bank/creditor (CZK thousand)	Purpose	Balance at 31 Dec 2010	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	38,956	1 M Libor+ risk margin	31 Jul 2011	uncollateralised
Česká spořitelna	operating – SEK overdraft	12,347	1 M Bribor+ risk margin	31 Jul 2011	uncollateralised
Česká spořitelna	operating – PLN overdraft	27,477	1 M Wribor+ risk margin	31 Jul 2011	uncollateralised
Česká spořitelna	operating – CZK current account	1,650,000	1 M Pribor+ risk margin	31 Jul 2011	uncollateralised
Česká spořitelna	operating – EUR current account	476,140	1 M Euribor+ risk margin	31 Jul 2011	uncollateralised
Česká spořitelna	operating – PLN current account	37,848	1 M Wribor+ risk margin	31 Jul 2011	uncollateralised
Česká spořitelna	operating – USD current account	262,514	1 M Libor+risk margin	31 Jul 2011	uncollateralised
Total intercompany bank loans		2,505,282			
Komerční banka	operating – CZK current account	4			
Total external bank loans		4			
Total bank loans and borrowings		2,505,286			

2009

Bank/creditor (CZK thousand)	Purpose	Balance at 31 Dec 2009	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – EUR overdraft	148,348	1 M Euribor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – USD overdraft	48,354	1 M Libor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – GBP overdraft	5,126	1 M Libor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – SEK overdraft	2,025	1 M Wribor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – PLN overdraft	32,745	1 M Libor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – JPY overdraft	1,314	1 M Libor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – CZK current account	1,700,000	1 M Pribor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – EUR current account	317,580	1 M Euribor+ risk margin	30 Jan 2010	uncollateralised
Česká spořitelna	operating – USD current account	183,680	1 M Libor+risk margin	30 Jan 2010	uncollateralised
Total intercompany bank loans		2,439,172			
Komerční banka	operating – CZK current account	2	1M Pribor+ risk margin	31 Dec 2010	CS bank guarantee
Total external bank loans		2			
Total bank loans and borrowings		2 439 174			

The average amount of the loans received from Group entities was CZK 2,382,979 and CZK 2,238,397 thousand during 2010 and 2009, respectively. The Company paid interest charges on these loans in the amount of CZK 38,010 thousand and CZK 55,599 thousand, respectively.

4.11 Accrued Liabilities

Accrued liabilities predominantly include accrued loan interest and operating liabilities.

4.12 Financial Assets and Liabilities Denominated in Foreign Currencies (Gross)

2010

(CZK thousand)	CZK	USD	EUR	PLN	GBP	Other	Total
Non-current financial assets	0	0	0	0	0	424	424
Short-term receivables	5,387,508	313,401	618,323	66,851	37,998	16,361	6,440,442
Short-term financial assets	1,362	11,758	60,460	0	0	358	73,938
Deferred expenses and accrued income	343	0	567	0	0	0	910
Total	5,389,213	325,159	679,350	66,851	37,998	17,143	6,515,714
Short-term payables	3,467,744	53,709	161,187	57	1	3,624	3,686,322
Bank loans	1,650,004	262,514	476,140	65,325	38,956	12,347	2,505,286
Accrued expense and deferred income	10,901	211	0	0	0	0	11,112
Total	5,128,649	316,434	637,327	65,382	38,957	15,971	6,202,720

2009

(CZK thousand)	CZK	USD	EUR	PLN	SKK	Other	Total
Non-current financial assets	0	0	0	0	0	452	452
Short-term receivables	4,830,121	274,060	596,372	33,434	8,302	7,026	5,749,315
Short-term financial assets	59,713	522	2,229	0	0	975	63,439
Deferred expenses and accrued income	567	0	0	0	0	0	567
Total	4,890,401	274,582	598,601	33,434	8,302	8,453	5,813,773
Short-term payables	3,022,907	40,700	123,175	0	3,250	3,298	3,193,330
Bank loans	1,700,002	232,034	465,928	32,745	5,126	3,339	2,439,174
Accrued expense and deferred income	7,969	0	0	0	0	0	7,969
Total	4,730,878	272,734	589,103	32,745	8,376	6,637	5,640,473

4.13 Details of Income by Principal Activity

(CZK thousand)	Year ended 31 Dec 2010			Year ended 31 Dec 2009		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Fee income	96,677	4,444	101,121	82,887	2,287	85,174
Advisory services	0	2,984	2,984	0	2,732	2,732
Other income	257	0	257	65	0	65
Production	96,934	7,428	104,362	82,952	5,019	87,971
Interest income	68,202	8,733	76,935	86,365	8,320	94,685
Total income from operations	165,136	16,161	181,297	169,317	13,339	182,656

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

Interest income includes interest on prepayments made under factoring arrangements.

4.14 Services

(CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Fees for factoring services	5,769	5,381
Costs of outsourcing	3,657	3,790
Rental	4,605	3,923
Legal and notarial services	3,646	3,150
Repair and maintenance	3,925	2,809
Marketing costs	465	544
External audit	392	880
Tax and other advisory	132	1,276
Costs of other services	4,694	7,026
Total costs of services	27,285	28,779

4.15 Other Operating and Financial Expenses and Income

(CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Other operating income	10,234	55,498
of which: income from the cession/sale of a receivable	4,372	51,937
insurance proceeds	4,702	752
other	1,160	2,809
Other operating expenses	(39,329)	(102,019)
of which: the value of the ceded/written-off/sold receivables	(18,197)	(74,607)
credit insurance	(15,693)	(5,088)
refunded insurance premium	(1,180)	(17,690)
other	(4,259)	(4,634)
Total other operating result	(29,095)	(46,521)

The high level of income from the cession/sale of receivables and related expenses in 2009 was due to the sale of a receivable with a nominal amount of CZK 49,878 thousand to an insurer on the basis of received indemnity.

The increase in credit insurance expenses by approximately CZK 4.8 million in 2010 was due to the inaccuracy of estimated payables originally charged for the 2009 insurance costs; otherwise, the year-on-year difference would be immaterial.

(CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Other financial income	129,622	150,625
of which: foreign exchange gains	129,323	150,390
income from currency swaps	0	72
income from sale of securities and equity investments	0	0
other	299	163
Other financial expenses	(130,610)	(153,753)
of which: foreign exchange losses	(129,305)	(150,613)
costs of currency swaps	0	(280)
other	(1,305)	(2,860)
Total other financial result	(988)	(3,128)

4.16 Due and Deferred Income Tax

Due Tax

(CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Due tax	11,661	5,465
Additional tax assessment	(896)	(1,308)
Total	10,765	4,157

The tax charge for 2010 and 2009 can be reconciled to the profit per the income statement as follows:

(CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Profit / (loss) before tax	1,121	(105,879)
Tax at the local income tax rate of 19% (2009: 20%)	213	(21,176)
Tax effect of tax non-deductible items	11,896	27,863
Tax effect of tax-deductible items	(382)	(1,222)
Additional payment/recovery of taxes for prior periods	(896)	(1,308)
Tax paid abroad	(66)	0
Tax payable	10,765	4,157
Current changes in the deferred tax	(8,088)	(20,450)
Total income tax on ordinary and extraordinary activities	2,677	(16,293)

Deferred Tax

The deferred tax asset can be analysed as follows:

Deferred tax arising from (CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Depreciation and amortisation of fixed assets	(522)	(525)
Revaluation of the financial investment	15	10
Provisions against receivables	38,483	30,511
Estimated payables for social security and health insurance	634	522
Total	38,610	30,518

Analysis of the change in the balance (CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Opening balance	30,518	10,067
Current changes charged against the income statement	8,092	20,451
Total charges against the income statement	8,092	20,451
Total charges against the equity	0	0
Total	38,610	30,518

In the years ended 31 December 2010 and 2009, the Company recognised a deferred tax asset of CZK 38,610 thousand and CZK 30,518 thousand, respectively.

5. Employees, Management and Statutory Bodies

5.1 Staff Costs and Number of Employees

The following tables summarise the average number of the Company's employees and managers and staff costs for the years ended 31 December 2010 and 2009:

2010

(CZK thousand)	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	33	18,129	6,177	794	25,100
Management	6	9,733	3,352	168	13,253
Total	39	27,862	9,529	962	38,353

2009

(CZK thousand)	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	33	12,118	4,938	773	17,829
Management	7	14,120	3,045	186	17,351
Total	40	26,238	7,983	959	35,180

The number of employees is based on the average re-calculated headcount. Staff costs of management comprise the costs of the Company's managing directors, two of which (2009: three) are also members of the Company's Board of Directors.

5.2 Loans, Borrowings, and Other Benefits Provided

During the years ended 31 December 2010 and 2009, the members of the Company's management received the following benefits in addition to their basic salaries and other personal funding:

2010

(CZK thousand)	Board of Directors	Management
Life and pension insurance	54	55
Cars/other movable assets for both business and private purposes (amount increases the tax base of employees)	232	234

2009

(CZK thousand)	Board of Directors	Management
Life and pension insurance	57	61
Cars/other movable assets for both business and private purposes (amount increases the tax base of employees)	283	303

6. Summary of Relations with Related Parties

Given that the Company is a member of the Česká spořitelna, a.s.. Group, its cooperation with the parent company continued during 2010 and 2009, both with respect to acquisition operations and to raising finance from entities outside the Group to provide funding for other transactions.

As at 31 December 2010 and 2009, receivables from Česká spořitelna amounted to CZK 55,692 thousand and CZK 63,174 thousand, respectively. The above predominantly include receivables arising from current account balances.

As at 31 December 2010 and 2009, payables to the parent company amounted to CZK 2,505,282 thousand and CZK 2,439,172 thousand, respectively. These amounts mainly represent regular bank loans and balances on overdraft accounts.

For the year ended 31 December 2010 and 2009, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 50,840 thousand and CZK 64,937 thousand, respectively. They predominantly include interest on received loans, outsourcing and rent. The income in the aggregate amount of CZK 1,218 thousand and CZK 1,677 thousand, respectively, related to received interest and fees from České spořitelny.

With respect to its related parties, Factoring Slovenskej sporitel'ne, a.s.. and ERSTE FACTORING d.o.o., the Company recognises receivables arising from factoring cooperation in the amount of CZK 5,366 thousand and CZK 5,991 thousand, respectively. In 2009, such receivables totalled CZK 1,731 thousand and CZK 950 thousand, respectively.

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

Overview of Supplies provided to the Company:

(CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Informatika České spořitelny, a.s..	0	102
Procurement Services GmbH	81	46
Procurement Services CZ, s.r.o.	67	119
Factoring Slovenskej sporitel'ne, a.s..	39	30
Total	187	297

Overview of Supplies provided by the Company:

(CZK thousand)	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Erste Factoring, d.o.o.	1,627	1,876
Factoring Slovenskej sporitel'ne, a.s..	1,262	630
Total	2,889	2,506

7. Contingent Liabilities and Off Balance Sheet Commitments

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

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

7.1 Post Balance Sheet Events

In January 2010, the due date of short term bank loans and overdrafts granted by the parent company were extended to 31 July 2011.

Prepared on 15 March 2011

Signature of accounting unit's statutory body:



Radmila Jakubová



Karel Machytka

Report on Related Parties

Pursuant to Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code for the year ended 31 December 2010

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

This Report on relations between the persons listed below has been prepared in compliance with the provisions of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended, for the year ended 31 December 2010 (hereinafter the “**fiscal year**”).

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

A. Overview of the Persons whose Relations are Described Below



B. Controlling Persons

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

- **Erste Group Bank AG**, with its registered address located in Vienna, Am Graben 21, Austria, Business Registration Number (IČ) 90003195
Relation to the Company: indirectly controlling person – person controlling EGB Ceps Beteiligungen GmbH.
Description of relations – **none**
- **EGB Ceps Beteiligungen GmbH**, with its registered address located in Vienna, Graben 21, Austria
Relation to the Company: indirectly controlling person 100% subsidiary of Erste Group Bank AG.
Description of relations – **none**
- **EGB Ceps Holding GmbH**, with its registered address located in Vienna, Graben 21, Austria
Relation to the Company: indirectly controlling person 100% subsidiary of EGB Cesp Beteiligungen GmbH.
Description of relations – **none**

C. Other Related Parties

Companies controlled by other members of the ERSTE Group

- **Erste & Steiermarkische Bank, d.d.**, with its registered address at Rijeka, Jadranski trg 3a, post code 51 000, Croatia, VAT 03337367
Relation to the Company: related party directly controlled by Erste Group Bank
Description of relations – **none**
- **Procurement Services GmbH**, with its registered address at Brehmstrasse 12, 1010 Vienna, Austria
Relation to the Company: related party directly controlled by Erste Group Bank
Description of relations – see **Annex 1**
- **Slovenská sporiteľňa, a.s.**, with its registered address at Tomášikova 48, 832 37 Bratislava, Slovak Republic, Business Registration Number 00151653
Relation to the Company: related party directly controlled by Erste Group Bank
Description of relations – **none**

- **Factoring Slovenskej sporiteľne, a. s.**,
with its registered address at Tomášikova 48,
Bratislava, 832 67, Slovak Republic,
Business Registration Number 35849665
Relation to the Company: related party of the Submitter
directly controlled by Slovenská sporiteľňa.
Description of relations – see **Annex 1**

- **ERSTE FACTORING d. o. o.**,
with its registered address at Zagreb, Ivana Lučica 2,
post code 10 000 Croatia, VAT 080558484
Relation to the Company: related party directly controlled by
Erste & Steiermarkische Bank
Description of relations – see **Annex 1**

- **Procurement Services CZ, s. r. o.**,
with its registered address at Želetavská 1449/9,
post code 140 00, Prague 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 discussed in Sections B and C and summarized them in the following categories:

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

Receivables from banks

Factoring České spořitelny, a. s. deposited its cash totalling CZK 54.6 million at current and deposit accounts maintained by Česká spořitelna pursuant to contracts on the opening of a current account and credit contracts. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Other Assets

Balance sheet caption Other assets includes other trade receivables and advance payments provided to related parties at a total amount of CZK 8.4 million. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

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

Liabilities to banks

Factoring České spořitelny, a. s. received performance by Česká spořitelna, a. s. at a total amount of 2,505 million in accordance with credit and bank overdraft contracts. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Related party transactions with effect to Factoring ČS's income statement

Interest expense

Factoring České spořitelny, a. s. incurred interest expense of CZK 42 million on ordinary market or business terms within the related party transactions 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 including particularly income from sub-participation contracts at a total volume of CZK 1.2 million on ordinary market or business terms within the related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Expenses on fees and commissions

Factoring České spořitelny, a. s. incurred expenses from fees and commissions at a total volume up to CZK 0.1 million on ordinary market or business terms within the related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

General administrative expenses

Factoring České spořitelny, a. s. spent CZK 5 million on general administrative expenses, particularly rental charges and the purchase of advisory, professional, consultancy and other services on ordinary market or business terms within the related party transactions in the fiscal year. 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 negative balance of other operating revenues and costs of CZK 1.2 million on ordinary market or business terms within the other related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

D. Contractual Relations

In prior years Factoring České spořitelny, a. s. entered into contracts with the related parties listed in Sections B and C. The amount of performance for the fiscal year is included in Annex 1. In the fiscal year Factoring České spořitelny, a. s. entered into contracts with the related parties listed in Sections B and C. The amount of performance for the fiscal year is included in Annex 1. The below mentioned list includes significant related party contracts that were in force in the fiscal year. Insignificant contractual relations on the basis of which Factoring České spořitelny, a. s. received or rendered performance from/to related parties the amount of which is included in Annex 1 and the company suffered no detriment therefrom, are not included in this report.

Contract Name	Contracting party	Performance description	Detriment, if any
Licence agreement on the implementation of the HoC II information system for the support of comprehensive factoring services	Erste Factoring d.o.o..	Software implementation	none

E. Other Legal Acts

The Submitter accepted or rendered no other legal acts in the interest or at the initiative of the Related Parties in the 2010 fiscal year.

F. Other Distinct Measures

Factoring České spořitelny, a. s. is a party of group projects of the Erste Group Bank. Factoring České spořitelny, a. s. suffered no detriment from cooperation on these group projects.

G. Conclusion

Considering 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 contracts, other legal acts or other measures entered into, made or received by the Submitter in the interest or at the initiative of the Related Parties in the 2010 fiscal year.

This Report was discussed with and approved by the Company's Board of Directors on 31 March 2011.

In Prague, on 31 March 2011

Factoring České spořitelny, a. s.



Radmila Jakubová
Board of Directors Chairperson



Karel Machytka
Board of Directors member

Factoring České spořitelny, a. s.

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